



Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements
for the year ended 30 June 2015

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	Municipality and its municipal entities
Legislation governing the entity's operations	Municipal Finance Management Act (Act No. 56 of 2003)
Mayoral committee	
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 Mabaso
	MMC: Human Settlements: Clr A Nxumalo
	MMC: Environmental Management: Clr N Shongwe
	MMC: City Planning and Economic Development: Clr T Mahlangu
	MMC: Corporate and Shared Services: Clr Q Duba
	MMC: Water and Energy: Clr D Xhakaza
	MMC: Community Safety: Clr V Chauke
	MMC: Sport, Heritage, Recreation, Arts and Crafts: Clr D Mlambo
	MMC : Roads and Transport: Clr P Muhlari
Grading of local authority	The municipality is a category A grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	K Ngema 011 999 0481 khaya.ngema@ekurhuleni.gov.za
Group Chief Financial Officer (GCFO)	R Ganda 011 999 6514 ramasela.ganda@ekurhuleni.gov.za
Registered office	Corner of Rose and Cross Streets Germiston 1400
Business address	Corner of Rose and Cross Streets Germiston 1400
Postal address	Private Bag X69 Germiston 1400
Bankers	ABSA Bank
Auditors	Auditor-General of South Africa
Group information	Controlling entity: Ekurhuleni Metropolitan Municipality Controlled Entities: East Rand Water Care Company, NPC Brakpan Bus Company SOC Ltd Ekurhuleni Development Company SOC Ltd Pharoe Park Housing Company SOC Ltd Germiston Phase II Housing Company SOC Ltd Lethabong Housing Institute, NPC

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The reports and statements set out below comprise the group annual financial statements presented to the Auditor-General SA for audit:

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Abbreviations

BKB	Bontle Ke Bontle
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DWAF	Department of Water and Forestry
FMG	Finance Management Grant
GMRF	Germiston Municipal Retirement Fund
GRAP	Generally Recognised Accounting Practice
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
LED	Local Economic Development
SDL	Skills Development Levy
MFMA	Municipal Finance Management Act (No 56 of 2003)
WCA	Workmen's Compensation
PTIS	Public Transport and Integrated System
TETA	Transport Education Training Authority

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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 municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the 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 2016 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 99, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 September 2015.

Accounting Officer
K Ngema

Group Chief Financial Officer
R Ganda

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	Economic entity		Controlling entity(other)	
		2015	2014 Restated*	2015	2014 Restated*
Assets					
Current Assets					
Inventories	11	345 304 224	166 340 262	334 288 340	155 324 378
Other investments	12	124 431 301	151 011 824	115 978 314	143 069 576
Current tax receivable		-	1 414	-	-
Other receivables from exchange transactions	13	784 529 472	616 145 716	729 149 028	599 268 608
Other receivables from non-exchange transactions (taxes and transfers)	14	23 973 756	5 909 437	23 973 756	5 909 437
Consumer debtors	15	4 386 817 674	4 460 073 394	4 386 817 674	4 460 073 394
Cash and cash equivalents	16	7 821 728 512	5 933 677 109	7 701 376 113	5 894 540 499
		13 486 784 939	11 333 159 156	13 291 583 225	11 258 185 892
Non-Current Assets					
Investment property	4	211 873 793	190 855 645	174 320 654	152 324 251
Property, plant and equipment	5	46 443 219 335	45 146 276 113	44 886 454 842	43 861 048 849
Intangible assets	6	132 619 737	124 996 765	130 259 846	122 971 151
Heritage assets	7	36 194 251	36 194 251	36 194 251	36 194 251
Investments in controlled entities	8	-	-	306	306
Other investments	12	881 595 656	637 262 092	881 595 656	637 262 092
Deferred tax	9	7 017 021	5 378 744	-	-
Long-term receivables	10	7 525 933	5 057 805	4 974 360	2 506 232
		47 720 045 726	46 146 021 415	46 113 799 915	44 812 307 132
Total Assets		61 206 830 665	57 479 180 571	59 405 383 140	56 070 493 024
Liabilities					
Current Liabilities					
Long-term liabilities	19	381 733 213	287 240 669	368 432 050	267 666 436
Current tax payable		17 744	-	-	-
Finance lease obligation	18	38 913	37 617	-	-
Trade and other payables from exchange transactions	20	5 367 235 427	5 033 160 895	5 345 408 998	4 982 054 758
Deposits	21	717 075 229	646 389 989	713 698 782	643 208 904
Unspent conditional grants and receipts	22	563 839 192	381 396 123	553 045 659	370 602 590
Provisions	23	395 873 205	293 129 512	372 871 780	272 930 166
		7 425 812 923	6 641 354 805	7 353 457 269	6 536 462 854
Non-Current Liabilities					
Long-term liabilities	19	5 806 832 573	5 111 863 678	5 411 930 238	5 021 110 609
Finance lease obligation	18	46 581	96 903	-	-
Retirement benefit obligation	24	2 077 876 581	1 990 171 581	2 049 898 581	1 967 931 581
Deferred tax	9	2 380 784	1 904 627	-	-
Provisions	23	849 302 804	862 015 296	849 302 804	862 015 296
		8 736 439 323	7 966 052 085	8 311 131 623	7 851 057 486
Total Liabilities		16 162 252 246	14 607 406 890	15 664 588 892	14 387 520 340
Net Assets		45 044 578 419	42 871 773 681	43 740 794 248	41 682 972 684
Net Assets Attributable to Owners of Controlling Entity					
Share Premium	17	7 442 007	7 442 007	-	-
Accumulated surplus		44 995 921 110	42 826 676 576	43 740 794 248	41 682 972 684
		45 003 363 117	42 834 118 583	43 740 794 248	41 682 972 684
Minority interest		41 215 302	37 655 081	-	-
Total Net Assets		45 044 578 419	42 871 773 664	43 740 794 248	41 682 972 684

* See Note 2 & 49

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity(other)	
		2015	2014 Restated*	2015	2014 Restated*
Revenue					
Property rates	27	3 689 518 975	3 425 173 633	3 693 387 443	3 427 709 390
Property rates - penalties and collection charges		88 405 293	106 611 391	88 405 293	106 611 391
Service charges	28	16 254 616 785	14 814 452 947	16 304 459 304	14 861 038 367
Rendering of services		8 842 196	8 572 336	-	-
Rental of facilities and equipment	29	88 300 321	79 899 752	62 454 731	55 704 908
Interest earned - outstanding debtors		292 739 718	362 065 026	292 739 718	362 065 026
Licences and permits		53 622 189	41 011 475	53 622 189	41 011 475
Income from agency services		257 982 770	235 640 655	257 982 770	235 640 655
Fines		224 949 291	167 705 348	224 949 291	167 705 348
Government grants & subsidies	30	5 771 611 632	5 351 445 101	5 760 182 991	5 339 960 744
Public contributions and donations		92 196 676	2 786 886	92 196 676	2 786 886
Interest revenue	31	525 168 213	375 429 073	519 167 378	370 295 275
Dividends received		91 137	114 288	-	-
Other income	32	110 347 708	132 031 471	101 349 468	94 233 931
Total revenue		27 458 392 904	25 102 939 382	27 450 897 252	25 064 763 396
Expenditure					
Employee related costs	33	(5 821 115 678)	(5 632 315 734)	(5 587 350 485)	(5 432 135 742)
Remuneration of councillors	34	(99 977 319)	(94 141 267)	(99 977 319)	(94 141 267)
Administration	35	(2 012 529)	(1 729 622)	-	-
Depreciation and amortisation	36	(1 914 771 964)	(1 954 737 347)	(1 879 297 210)	(1 923 847 289)
Impairment of assets	37	(179 155 928)	(55 075 316)	(178 083 343)	(55 075 316)
Finance costs	38	(594 992 337)	(584 089 452)	(571 556 210)	(572 960 411)
Debt Impairment	39	(2 215 059 736)	(1 345 018 919)	(2 211 425 099)	(1 343 750 067)
Collection costs		(148 770 987)	(153 908 829)	(148 107 160)	(153 335 126)
Repairs and maintenance		(1 337 012 963)	(1 366 124 217)	(1 328 381 213)	(1 336 282 933)
Bulk purchases	40	(9 791 848 412)	(9 092 715 952)	(10 218 507 648)	(9 485 710 668)
Contracted services	41	(704 325 662)	(677 570 778)	(714 568 087)	(685 924 857)
Grants and subsidies paid	42	(1 109 058 759)	(1 006 944 401)	(1 167 558 759)	(1 060 444 401)
General Expenses	43	(1 360 612 969)	(1 145 813 031)	(1 280 424 977)	(1 064 020 276)
Total expenditure		(25 278 715 243)	(23 110 184 865)	(25 385 237 510)	(23 207 628 353)
Operating surplus		2 179 677 661	1 992 754 517	2 065 659 742	1 857 135 043
Loss on disposal of capital assets		(7 929 142)	(4 677 742)	(7 838 173)	(720 777)
Surplus before taxation		2 171 748 519	1 988 076 775	2 057 821 569	1 856 414 266
Taxation		(1 056 236)	(1 270 262)	-	-
Surplus for the year		2 172 804 755	1 989 347 037	2 057 821 569	1 856 414 266
Attributable to:					
Owners of the controlling entity		2 169 244 534	1 984 922 427	2 057 821 569	1 856 414 266
Minority interest		3 560 221	4 424 610	-	-
		2 172 804 755	1 989 347 037	2 057 821 569	1 856 414 266

* See Note 2 & 49

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	Share premium	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity(other)	Minority interest	Total net assets
Figures in Rand					
Economic entity					
Opening balance as previously reported	7 442 007	40 819 943 396	40 827 385 403	32 809 779	40 860 195 182
Adjustments					
Change in accounting policy	-	14 280 681	14 280 681	-	14 280 681
Prior period error	-	7 530 072	7 530 072	210 346	7 740 418
Balance at 01 July 2013 as restated	7 442 007	40 841 754 149	40 849 196 156	33 020 125	40 882 216 281
Surplus for the year as restated	-	1 984 922 427	1 984 922 427	4 634 956	1 989 557 383
Total changes	-	1 984 922 427	1 984 922 427	4 634 956	1 989 557 383
Restated* Balance at 01 July 2014	7 442 007	42 826 676 576	42 834 118 583	37 655 081	42 871 773 664
Changes in net assets					
Surplus for the year	-	2 169 244 534	2 169 244 534	3 560 221	2 172 804 755
Total changes	-	2 169 244 534	2 169 244 534	3 560 221	2 172 804 755
Balance at 30 June 2015	7 442 007	44 995 921 110	45 003 363 117	41 215 302	45 044 578 419
Note(s)	17				
Controlling entity(other)					
Opening balance as previously reported	-	39 804 747 665	39 804 747 665	-	39 804 747 665
Adjustments					
Change in accounting policy	-	14 280 681	14 280 681	-	14 280 681
Prior period errors	-	7 530 072	7 530 072	-	7 530 072
Balance at 01 July 2013 as restated	-	39 826 558 418	39 826 558 418	-	39 826 558 418
Changes in net assets					
Surplus for the year	-	1 856 414 266	1 856 414 266	-	1 856 414 266
Total changes	-	1 856 414 266	1 856 414 266	-	1 856 414 266
Balance at 01 July 2014	-	41 682 972 679	41 682 972 679	-	41 682 972 679
Changes in net assets					
Surplus for the year	-	2 057 821 569	2 057 821 569	-	2 057 821 569
Total changes	-	2 057 821 569	2 057 821 569	-	2 057 821 569
Balance at 30 June 2015	-	43 740 794 248	43 740 794 248	-	43 740 794 248

* See Note 2 & 49

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity(other)	
		2015	2014 Restated*	2015	2014 Restated*
Cash flows from operating activities					
Receipts					
Property rates		3 724 265 013	3 103 566 102	3 728 133 481	3 106 101 859
Income from rendering of services		14 217 320 541	13 657 704 082	14 281 852 532	13 190 102 521
Grants-Operational		3 904 467 109	3 825 395 968	3 904 522 825	3 825 395 968
Grants-Capital		2 049 587 592	1 629 069 016	2 038 103 235	1 629 069 016
Interest income		817 907 931	737 494 100	811 907 096	732 360 302
Dividends received		91 137	114 288	-	-
Other receipts		598 944 559	681 878 811	335 254 360	607 604 428
		25 312 583 882	23 635 222 367	25 099 773 529	23 090 634 094
Payments					
Employee costs		(5 821 391 116)	(5 275 356 117)	(5 596 166 001)	(5 085 663 468)
Suppliers		(13 038 689 453)	(12 007 676 344)	(13 075 369 342)	(11 791 344 785)
Finance costs		(594 992 337)	(584 089 452)	(571 556 210)	(572 960 411)
Other payments		(1 231 106 004)	(1 682 322 809)	(1 327 092 594)	(1 730 259 030)
Taxes on surpluses		(86 727)	(108 873)	-	-
		(20 686 265 637)	(19 549 553 595)	(20 570 184 147)	(19 180 227 694)
Net cash flows from operating activities	44	4 626 318 245	4 085 668 772	4 529 589 382	3 910 406 400
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE)	5	(3 301 638 844)	(2 867 227 027)	(2 993 332 298)	(2 557 051 914)
Proceeds from the sale of property, plant and equipment	5	77 726	490 356	-	-
Purchase of investment property	4	(37 228 402)	(24 185 479)	(37 228 402)	(24 185 479)
Purchase of intangible assets	6	(39 353 805)	(33 887 270)	(38 603 572)	(33 830 875)
Purchases of heritage assets	7	-	(19 700)	-	(19 700)
Net movement in investments		(217 753 041)	44 478 276	(217 242 302)	46 653 975
Purchase of long-term receivables		(2 468 128)	(119 611)	1 577 689	(119 611)
Net cash flows from investing activities		(3 598 364 494)	(2 880 470 455)	(3 284 828 885)	(2 568 553 604)
Cash flows from financing activities					
Long-term liabilities raised		1 064 846 689	785 000 000	750 000 000	785 000 000
Repayment of long term liabilities		(275 385 250)	(648 355 491)	(258 414 757)	(629 420 732)
Net movement in consumer deposits		70 685 239	22 328 779	70 489 877	22 731 408
Finance lease raised/(payments)		(49 026)	134 520	-	-
Net cash flows from financing activities		860 097 652	159 107 808	562 075 120	178 310 676
Net increase/ (decrease) in cash and cash equivalents		1 888 051 403	1 364 306 125	1 806 835 617	1 520 163 472
Cash and cash equivalents at the beginning of the year		5 933 677 109	4 569 370 984	5 894 540 499	4 374 377 027
Cash and cash equivalents at the end of the year	16	7 821 728 512	5 933 677 109	7 701 376 116	5 894 540 499

* See Note 2 & 49

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Group Annual Financial Statements for the year ended 30 June 2015

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
Economic entity - 2015											
Financial Performance											
Property rates	4 122 862 981	-	4 122 862 981	-	(3 657 483)	4 119 205 498	3 777 924 268		(341 281 230)	92 %	92 %
Service charges	16 375 988 912	73 198 379	16 449 187 291	-	1 933 907	16 451 121 198	16 254 616 785		(196 504 413)	99 %	99 %
Investment revenue	222 884 070	61 955 677	284 839 747	-	-	284 839 747	525 168 213		240 328 466	184 %	236 %
Transfers recognised - operational	4 152 689 344	136 396 629	4 289 085 973	-		4 289 085 973	4 124 524 716		(164 561 257)	96 %	99 %
Other own revenue	1 081 872 912	1 730 461	1 083 603 373	-		1 083 603 373	1 036 875 330		(46 728 043)	96 %	96 %
Total revenue (excluding capital transfers and contributions)	25 956 298 219	273 281 146	26 229 579 365	-	(1 723 576)	26 227 855 789	25 719 109 312		(508 746 477)	98 %	99 %
Employee costs	(6 438 353 045)	105 353 163	(6 332 999 882)	-	(6 959 583)	(6 339 959 465)	(5 821 115 678)		518 843 787	92 %	90 %
Remuneration of councillors	(104 219 589)	-	(104 219 589)	-	-	(104 219 589)	(99 977 319)		4 242 270	96 %	96 %
Debt impairment	(1 232 533 351)	-	(1 232 533 351)			(1 232 533 351)	(2 215 059 736)		(982 526 385)	180 %	180 %
Depreciation and asset impairment	(2 086 519 291)	200 035	(2 086 319 256)			(2 086 319 256)	(1 914 771 964)		171 547 292	92 %	92 %
Finance charges	(739 033 418)	36 611 444	(702 421 974)	-	1 176 386	(701 245 588)	(594 992 337)		106 253 251	85 %	81 %
Materials and bulk purchases	(9 948 612 414)	(86 859 015)	(10 035 471 429)	-	10 000	(10 035 461 429)	(11 128 861 375)		(1 093 399 946)	111 %	112 %
Transfers and grants	(1 318 532 073)	(43 839 221)	(1 362 371 294)	-	1 838 773	(1 360 532 521)	(1 109 058 759)		251 473 762	82 %	84 %
Other expenditure	(4 543 326 015)	(284 747 552)	(4 828 073 567)	-	5 658 000	(4 822 415 567)	(2 402 807 217)		2 419 608 350	50 %	53 %
Total expenditure	(26 411 129 196)	(273 281 146)	(26 684 410 342)	-	1 723 576	(26 682 686 766)	(25 286 644 385)		1 396 042 381	95 %	96 %
Surplus/(Deficit)	(454 830 977)	-	(454 830 977)	-		(454 830 977)	432 464 927		887 295 904	(95)%	(95)%

Ekurhuleni Metropolitan Municipality

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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	2 013 181 134	34 666 027	2 047 847 161	-	5 916 066	2 053 763 227	1 647 086 916		(406 676 311)	80 %	82 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	92 196 676		92 196 676	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	1 558 350 157	34 666 027	1 593 016 184	-	5 916 066	1 598 932 250	2 171 748 519		572 816 269	136 %	139 %
Taxation	-	-	-	-		-	(1 056 236)		(1 056 236)	DIV/0 %	DIV/0 %
Attributable to minorities	-	-	-	-		-	3 560 221		3 560 221	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	1 558 350 157	34 666 027	1 593 016 184	-	5 916 066	1 598 932 250	2 172 804 755		570 312 284	136 %	139 %
Capital expenditure and funds sources											
Total capital expenditure	4 197 816 092	20 583 768	4 218 399 860	-		4 218 399 860	3 378 221 051		(840 178 809)	80 %	80 %
Sources of capital funds											
Transfers recognised - capital	2 057 681 134	41 582 093	2 099 263 227	-		2 099 263 227	1 697 441 889		(401 821 338)	81 %	82 %
Public contributions and donations	5 500 000	(1 000 000)	4 500 000	-		4 500 000	1 699 926		(2 800 074)	38 %	31 %
Borrowing	1 548 956 689	11 922 307	1 560 878 996	-		1 560 878 996	1 100 392 748		(460 486 248)	70 %	71 %
Internally generated funds	585 678 269	(31 920 632)	553 757 637	-		553 757 637	578 686 488		24 928 851	105 %	99 %
Total sources of capital funds	4 197 816 092	20 583 768	4 218 399 860	-		4 218 399 860	3 378 221 051		(840 178 809)	80 %	80 %

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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
Cash flows											
Net cash from (used) operating	3 712 474 193	34 666 027	3 747 140 220	-	5 916 066	3 753 056 286	4 621 751 579		868 695 293	123 %	124 %
Net cash from (used) investing	(4 343 007 647)	(20 714 146)	(4 363 721 793)	-		(4 363 721 793)	(3 593 807 941)		769 913 852	82 %	83 %
Net cash from (used) financing	1 066 455 329	(528)	1 066 454 801	-		1 066 454 801	860 107 764		(206 347 037)	81 %	81 %
Net increase/(decrease) in cash and cash equivalents	435 921 875	13 951 353	449 873 228	-	5 916 066	455 789 294	1 888 051 402		1 432 262 108	414 %	433 %
Cash and cash equivalents at the beginning of the year	3 978 665 133	-	3 978 665 133	-		3 978 665 133	5 933 677 110		1 955 011 977	149 %	149 %
Cash and cash equivalents at year end	4 414 587 008	13 951 353	4 428 538 361	-	5 916 066	4 434 454 427	7 821 728 512		3 387 274 085	176 %	177 %

Controlling Entity - June 2015

Financial Performance

Property rates	4 122 862 981	-	4 122 862 981	-	(3 657 483)	4 119 205 498	3 781 792 736		(337 412 762)	92 %	92 %
Service charges	16 359 151 723	73 198 379	16 432 350 102	-	1 933 907	16 434 284 009	16 304 459 304		(129 824 705)	99 %	100 %
Investment revenue	220 042 500	61 955 677	281 998 177	-		281 998 177	519 167 378		237 169 201	184 %	236 %
Transfers recognised - operational	4 152 789 344	136 396 629	4 289 185 973	-		4 289 185 973	4 113 096 075		(176 089 898)	96 %	99 %
Other own revenue	907 805 812	1 730 461	909 536 273	-	1	909 536 274	993 098 167		83 561 893	109 %	109 %
Total revenue (excluding capital transfers and contributions)	25 762 652 360	273 281 146	26 035 933 506	-	(1 723 575)	26 034 209 931	25 711 613 660		(322 596 271)	99 %	100 %
Employee costs	(6 173 232 243)	105 623 162	(6 067 609 081)	-	(6 959 583)	(6 074 568 664)	(5 587 350 485)		487 218 179	92 %	91 %
Remuneration of councillors	(101 918 572)	-	(101 918 572)	-	-	(101 918 572)	(99 977 319)		1 941 253	98 %	98 %
Debt impairment	(1 230 204 146)	-	(1 230 204 146)	-		(1 230 204 146)	(2 211 425 099)		(981 220 953)	180 %	180 %
Depreciation and asset impairment	(2 051 462 707)	-	(2 051 462 707)	-		(2 051 462 707)	(2 057 380 553)		(5 917 846)	100 %	100 %

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

						Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome		
Finance charges	(706 964 374)	36 516 000	(670 448 374)	-	1 176 385	(669 271 989)	(571 556 210)	-	97 715 779	85 %	81 %
Materials and bulk purchases	(10 290 877 077)	(86 135 220)	(10 377 012 297)	-	10 000	(10 377 002 297)	(10 218 507 648)	-	158 494 649	98 %	99 %
Transfers and grants	(1 377 032 073)	(43 839 221)	(1 420 871 294)	-	1 838 773	(1 419 032 521)	(1 167 558 759)	-	251 473 762	82 %	85 %
Other expenditure	(4 334 720 339)	(285 445 867)	(4 620 166 206)	-	5 658 000	(4 614 508 206)	(3 479 319 610)	-	1 135 188 596	75 %	80 %
Total expenditure	(26 266 411 531)	(273 281 146)	(26 539 692 677)	-	1 723 575	(26 537 969 102)	(25 393 075 683)	-	1 144 893 419	96 %	97 %
Surplus/(Deficit)	(503 759 171)	-	(503 759 171)	-		(503 759 171)	318 537 977		822 297 148	(63)%	(63)%
Transfers recognised - capital	2 003 181 134	34 666 027	2 037 847 161	-	5 916 066	2 043 763 227	1 647 086 916	(396 676 311)	81 %	82 %	
Contributions recognised - capital and contributed assets	-	-	-	-		-	92 196 676	92 196 676	- %	- %	
Surplus (Deficit) after capital transfers and contributions	1 499 421 963	34 666 027	1 534 087 990	-	5 916 066	1 540 004 056	2 057 821 569		517 817 513	134 %	137 %
Surplus/(Deficit) for the year	1 499 421 963	34 666 027	1 534 087 990	-	5 916 066	1 540 004 056	2 057 821 569		517 817 513	134 %	137 %
Capital expenditure and funds sources											
Total capital expenditure	3 790 365 854	20 583 768	3 810 949 622	-		3 810 949 622	3 069 164 272	(741 785 350)	81 %	81 %	
Sources of capital funds											
Transfers recognised - capital	1 997 681 134	41 582 093	2 039 263 227	-		2 039 263 227	1 647 441 889	(391 821 338)	81 %	82 %	
Public contributions and donations	5 500 000	(1 000 000)	4 500 000	-		4 500 000	1 699 926	(2 800 074)	38 %	31 %	
Borrowing	1 234 110 000	11 922 307	1 246 032 307	-		1 246 032 307	971 607 207	(274 425 100)	78 %	79 %	
Internally generated funds	553 074 720	(31 920 632)	521 154 088	-		521 154 088	448 415 250	(72 738 838)	86 %	81 %	
Total sources of capital funds	3 790 365 854	20 583 768	3 810 949 622	-		3 810 949 622	3 069 164 272	(741 785 350)	81 %	81 %	

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

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 of final budget	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	3 615 986 324	40 582 093	3 656 568 417	-		3 656 568 417	4 529 589 382		873 020 965	124 %	125 %
Net cash from (used) investing	(3 949 176 854)	(20 584 146)	(3 969 761 000)	-		(3 969 761 000)	(3 284 828 885)		684 932 115	83 %	83 %
Net cash from (used) financing	918 697 528	(528)	918 697 000	-		918 697 000	562 075 120		(356 621 880)	61 %	61 %
Net increase/(decrease) in cash and cash equivalents	585 506 998	19 997 419	605 504 417	-		605 504 417	1 806 835 617		1 201 331 200	298 %	309 %
Cash and cash equivalents at the beginning of the year	3 755 814 369	2 138 725 631	5 894 540 000	-		5 894 540 000	5 894 540 499		499	100 %	157 %
Cash and cash equivalents at year end	4 341 321 367	2 158 723 050	6 500 044 417	-		6 500 044 417	7 701 376 116		(1 201 331 699)	118 %	177 %

Controlling entity - 2014

Financial Performance

Property rates											3 534 320 781
Service charges											14 861 038 367
Investment revenue											370 295 275
Transfers recognised - operational											3 824 178 302
Other own revenue											956 361 343
Total revenue (excluding capital transfers and contributions)											23 546 194 068

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Employee costs	-	-	(5 432 135 742)
Remuneration of councillors	-	-	(94 141 267)
Debt impairment	-	-	(1 343 750 067)
Depreciation and asset impairment	-	-	(1 978 922 605)
Finance charges	-	-	(572 960 411)
Materials and bulk purchases	-	-	(9 485 710 668)
Transfers and grants	-	-	(1 060 444 401)
Other expenditure	-	-	(3 240 283 969)
Total expenditure	-	-	-(23 208 349 130)
Surplus/(Deficit)			337 844 938
Transfers recognised - capital			1 515 782 442
Contributions recognised - capital and contributed assets			2 786 886
Surplus (Deficit) after capital transfers and contributions			1 856 414 266
Surplus/(Deficit) for the year			1 856 414 266
Capital expenditure and funds sources			
Total capital expenditure			2 627 818 782
Sources of capital funds			
Transfers recognised - capital			1 528 215 131
Borrowing			838 747 095
Internally generated funds			260 856 556
Total sources of capital funds			2 627 818 782
Cash flows			
Net cash from (used) operating			3 910 406 400
Net cash from (used) investing			(2 568 553 604)
Net cash from (used) financing			178 310 676
Net increase/(decrease) in cash and cash equivalents			1 520 163 472
Cash and cash equivalents at the beginning of the year			4 374 377 027
Cash and cash equivalents at year end			5 894 540 499

Refer to note 58 for a discussion on budget differences.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Group Annual Financial Statements

Basis of Preparation

These annual financial statements were prepared in accordance with Standards of 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 annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note "Changes in accounting policy" note number 2.

1.1 Significant judgements and sources of estimation uncertainty

In the process of applying the entity's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

- **Operating lease commitments – entity as lessor or lessee**

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received or paid under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

- **Pension and other post – employment benefits**

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Impairment of receivables**

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed on an individual basis as well as per service-identifiable categories across all debtor classes.

- **Impairment of property, plant and equipment**

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

- **Provisions, contingent liabilities and contingent assets**

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets. Provisions are discounted where the effect of discounting is material, using cost of capital.

- **Useful lives of property, plant and equipment and Investment property held at cost**

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets is also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

- **Traffic 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 entity.

- **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

- **Budget information**

A difference of 5% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Presentation currency

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

1.3 Consolidation

Basis of consolidation

Consolidated group annual financial statements are the group annual financial statements of the economic entity presented as those of a single entity.

The consolidated group annual financial statements incorporate the group annual financial statements of the controlling entity and all controlled entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated group annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The group annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated group annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the group annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Investment property

Investment property includes property (land or a building, or part of a building) 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 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 instalments 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.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Servitudes that are acquired with the relevant infrastructure items are capitalised with the relating infrastructure asset when it is an integral part of the asset.

Work in progress represents capital expenditure incurred on projects/assets under construction not yet completed nor ready for use at period end.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

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

The 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.

The 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. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets. Depreciation starts when the asset is available for use. Work in progress is not depreciated.

The depreciation rates are based on the following estimated useful lives:

Item	Useful life
Land	Indefinite
Infrastructure	
• Roads and stormwater	2 – 100 years
• Pedestrian malls	10 - 60 years
• Electricity	3 – 100 years
• Water	3 – 100 years
• Sewer	3 – 100 years
• Housing	80 years
• Solid Waste	5 – 100 years
• Servitudes	Indefinite
• ICT	5 – 50 years
• Waste Water Purification Works	4 – 82 years
Community	
• Buildings	14 – 80 years
• Recreational facilities	10 – 80 years
• Security	5 – 15 years
• Landfill sites	10 - 80 years
Other property, plant and equipment	
• Furniture and fittings	3 - 33 years
• Water craft	15 years
• Office equipment	3 - 35 years
• Specialised plant and equipment	10 – 26 years
• Other items of plant and equipment	2 – 29 years
• Buildings	20 – 80 years
• Specialised vehicles	3 - 20 years
• Other vehicles	3 - 28 years

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

1.6 Intangible assets

An asset is identified as an intangible asset when it is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

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

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software	2 - 23 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Heritage assets

A heritage asset is as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held indefinitely for the benefit of present and future generations.

The 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 entity, and the cost or fair value of the asset can be measured reliably.

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. The cost of a purchased heritage asset comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Heritage assets are subsequently measured at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

The 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.

Most heritage assets have an indefinite useful life as they are to be preserved for current and future generations and might appreciate in value over time due to their cultural, environmental, historical, natural, scientific, technological and/or artistic significance. Based on this analysis, there is no finite limit to the period over which a heritage asset is expected to be held by the entity. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.

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

1.8 Investments in controlled entities

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

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments

a) 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:

- (i) the entity designates at fair value at initial recognition or
- (ii) are held for trading.

b) 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.

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

- (i) derivatives;
- (ii) combined instruments that are designated at fair value;
- (iii) instruments held for trading. A financial instrument is held for trading if:
 - (1) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - (2) 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;
- (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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:

Class	Category
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	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:

Class	Category
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
Finance lease obligation	Financial liability measured at amortised cost

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.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The 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.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments (continued)

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.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

a) Financial assets measured at amortised cost:

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

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

b) Financial assets measured at cost:

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

Derecognition

a) Financial assets

The entity derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the entity has transferred all of the significant risks and rewards of ownership using trade date accounting.

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

b) 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 (when the obligation specified in the contract is discharged, cancelled, expires or waived).

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).

Presentation

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

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

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

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

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

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Accounting Policies

1.10 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business.

Inventories shall be recognised as an asset if, and only if,

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

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 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.

Unsold properties, distributed through a non-exchange transaction, are valued at lower of cost or the net replacement cost. Direct costs are accumulated for each separately identifiable development.

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 weighted average cost at the reporting date based on the water volume in the network on hand.

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.

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Accounting Policies

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Retirement funds

The 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.

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.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation, reduced by the fair value of plan assets (if any).

Any asset is limited to the present value of available refunds and reduction in future contributions to the plan.

The entity does not apply "defined benefit accounting" to the defined benefit funds to which it is a member, where these funds as classified in terms of GRAP 25 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 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 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 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 entity for the remaining portion.

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Accounting Policies

1.12 Provisions and contingencies

A provision is recognised when the entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The 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 or service potential is probable.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

A provision is used only for expenditures for which the provision was originally recognised.

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, any unused leave days are forfeited six months after the end of leave cycle.

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 7.00% (2014: 6.79%) per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.49% (2014: 10.58%).

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 10.49% (2014: 10.58%).

The 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 an entity incurs as a consequence of having used the property during a particular period for landfill purposes. The entity estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

Changes in the measurement of the provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

- 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 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.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

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 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 entity's obligation to the Germiston Municipal Retirement Fund due to the 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 entity's section 57 employees and, independent contractors, where applicable.

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Accounting Policies

1.13 Impairment of cash-generating assets and 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).

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Identification

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

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

Irrespective of whether there is any indication of impairment, the economic entity also test an intangible asset with an indefinite useful life or an 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. Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

When estimating the value in use of a cash-generating 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. 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;
- Restoration cost approach;
- Service units approach

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the 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 asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

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

An impairment loss recognised in prior periods for an 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.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the 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.

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Accounting Policies

1.14 Revenue from exchange transactions

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

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

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 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 using the effective interest rate method.

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 earned on 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 entity's right to receive payment is established.

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

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

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Accounting Policies

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity. When, as a result of a non-exchange transaction, the entity 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 (Property rates)

The entity 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 entity 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 entity 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, including Grants and Receipts

The entity 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.

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 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 entity, 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 entity and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

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Accounting Policies

1.16 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.

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.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since 2014/07/01. The effective date of the amendments were 2014/07/01.

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the economic entity's previous accounting policy.

1.18 Value Added Tax

The Entity accounts for value-added tax (VAT) on the payment basis

1.19 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, 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.

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Accounting Policies

1.20 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.

1.21 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 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.

1.22 Internal reserves

Included in the accumulated surplus are internal reserves, no separate line items are presented, in accordance with the GRAP reporting framework, but provision is made in the budget process for funding of these reserve. The amounts set aside for these reserves are invested in accordance with the investment policy of the entity. The following internal reserves are maintained:

Capital replacement reserve (CRR)

The reserve is created for the replacement of service delivery assets when they reach the end of their economic lives to ensure continue of provision of such services, and to minimise the impact of raising external funding or over reliance on grant funds.

Self-insurance Reserve

A Self Insurance Reserve was established for a self-insurance purpose and to minimize the external insurance costs. The reserve is based on recognised insurance industry principles to complement the external cover provided by insurance companies.

Sinking Funds Reserve

The reserve is created for the provision of repayments of long-term borrowing raised to funds capital projects, and to meet repayment conditions on such borrowings. .

1.23 Budget information

The approved budget is prepared in accordance with GRAP standards on an accrual basis, and are consistent with accounting policies as adopted by the Council for the preparation of this financial statements, and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30. These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the annual financial statements.

1.24 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 entity, including those charged with the governance of the 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 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.

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Accounting Policies

1.25 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.

1.26 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.

1.27 Going concern

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

1.28 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.

1.29 Taxes

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.

1.30 Share Premium

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.31 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 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.

Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

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 standard.

- GRAP 103 - Heritage Assets (Transitional provision period - came to an end 2015)
- GRAP 5 - Borrowing cost
- GRAP 25 - Employee benefits

Details

2015

GRAP 103 - Heritage Asset

During the year the transitional provision came to an end (30 June 2015). Provisional amounts were adjusted retrospectively in the current year, where applicable.

GRAP 5 - Borrowing Costs

During the year the entity changed its accounting policy to the benchmark treatment of expensing borrowing cost, after the standard was revised and due to these revisions becoming effective. The changes were applied prospectively.

2014

GRAP 25 - Employee benefits

The Accounting Policy has changed (see accounting policy note). According to GRAP 25 the entity is not allowed a choice anymore between recognising the full amount of the actuarial gains or losses, or using the corridor to establish the amount that should be recognised. Accordingly, the unrecognised actuarial gains or losses have been accounted for and prior year adjustments have been made.

GRAP 103 - Heritage Asset

During the year an expert was appointed to perform a full valuation of the visual arts collection of the entity. The amounts were adjusted retrospectively in the current year.

The changes in accounting policy results in adjustments as follows (column represents year in which detected):

Statement of Financial Position

Retirement benefit obligation	-	(124 134 704)	-	(124 134 704)
Heritage assets	14 280 681	8 757 215	14 280 681	8 757 215
Opening accumulated surplus	(14 280 681)	94 234 489	(14 280 681)	94 234 489

Statement of Financial Performance

Employee related costs	-	21 143 000	-	21 143 000
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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 2015 or later periods:

Standard/ Interpretation:	Effective date:	Expected impact:
• GRAP 18: Segment Reporting	Not yet determined	Not material
• GRAP 105: Transfers of functions between entities under common control	01 July 2015	Not material - not applicable to entity currently
• GRAP 106: Transfers of functions between entities not under common control	01 July 2015	Not material - not applicable to entity currently
• GRAP 107: Mergers	01 July 2015	Not material - not applicable to entity currently
• GRAP 20: Related parties	Not yet determined	Not material
• IGRAP 11: Consolidation – Special purpose entities	01 July 2015	Not material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 July 2015	Not material - not applicable to entity currently
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 July 2015	Not material

Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

3. New standards and interpretations (continued)

• GRAP 7 (as revised 2010): Investments in Associates	01 July 2015	Not material - not applicable to entity currently
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 July 2015	Not material - not applicable to entity currently
• GRAP32: Service Concession Arrangements: Grantor	Not yet determined	Not material - not applicable to entity currently
• GRAP108: Statutory Receivables	Not yet determined	Not material
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Not yet determined	Not material - not applicable to entity currently
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 July 2015	Not material - not applicable to entity currently

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

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4. Investment property

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	230 906 311	(19 032 518)	211 873 793	207 331 854	(16 476 209)	190 855 645

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	178 273 635	(3 952 981)	174 320 654	154 699 178	(2 374 927)	152 324 251

Reconciliation of investment property - Economic entity - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Impairments	Depreciation	Total
Investment property	190 855 645	37 228 402	(1 377 000)	127 200	(12 404 145)	(998 372)	(1 557 937)	211 873 793

Reconciliation of investment property - Economic entity - 2014

	Opening balance	Additions	Depreciation	Total
Investment property	168 240 234	24 185 479	(1 570 068)	190 855 645

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4. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2015

	Opening balance	Additions	Disposals	Transfers	Impairments Loss (Decommissioned)	Depreciation	Total
Investment property	152 324 251	37 228 402	(1 377 000)	127 200	(13 402 517)	(579 682)	174 320 654

Reconciliation of investment property - Controlling entity - 2014

	Opening balance	Additions	Depreciation	Total
Investment property	128 732 504	24 185 479	(593 732)	152 324 251

Other disclosure

Total rental income received on investment property

Total rental income received on investment property	42 513 416	37 131 301	16 870 491	12 936 457
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Included in the carrying value of Investment Property is an amount R68,276,579 (2014 - R43,452,322) which relates to work in progress at the reporting date.

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

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5. Property, plant and equipment

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & buildings	1 051 214 798	(6 258 482)	1 044 956 316	1 036 207 088	(5 646 239)	1 030 560 849
Infrastructure	43 647 778 556	(10 799 742 142)	32 848 036 414	42 897 789 184	(9 540 909 894)	33 356 879 290
Community	4 639 925 377	(1 321 651 090)	3 318 274 287	4 481 480 389	(1 117 148 043)	3 364 332 346
Other property, plant and equipment	4 638 775 786	(1 868 590 080)	2 770 185 706	4 163 987 265	(1 540 097 251)	2 623 890 014
Work-in-Progress	6 461 766 612	-	6 461 766 612	4 770 613 614	-	4 770 613 614
Total	60 439 461 129	(13 996 241 794)	46 443 219 335	57 350 077 540	(12 203 801 427)	45 146 276 113

Controlling entity(ott)	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	997 927 481	-	997 927 481	990 726 626	-	990 726 626
Infrastructure	42 626 152 246	(10 538 688 025)	32 087 464 221	41 965 736 062	(9 305 030 104)	32 660 705 958
Community	4 639 925 377	(1 321 651 090)	3 318 274 287	4 481 480 389	(1 117 148 043)	3 364 332 346
Other property, plant and equipment	4 545 599 699	(1 831 994 998)	2 713 604 701	4 077 225 837	(1 507 931 879)	2 569 293 958
Work-in-Progress	5 769 184 152	-	5 769 184 152	4 275 989 961	-	4 275 989 961
Total	58 578 788 955	(13 692 334 113)	44 886 454 842	55 791 158 875	(11 930 110 026)	43 861 048 849

Reconciliation of property, plant and equipment - Economic entity - 2015

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

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5. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land & buildings	1 030 560 849	7 829 265	(3 106 400)	10 307 255	(167)	(614 111)	(20 375)	1 044 956 316
Infrastructure	33 356 879 290	91 722 867	-	737 697 092	91 952 308	(1 371 621 945)	(58 593 198)	32 848 036 414
Community	3 364 332 346	-	(556 466)	104 569 869	54 480 139	(197 669 652)	(6 881 949)	3 318 274 287
Other property, plant and equipment	2 623 890 014	407 429 220	(330 181)	72 371 822	270 189	(332 928 408)	(516 950)	2 770 185 706
Work-in-progress	4 770 613 614	2 794 657 492	-	(1 021 004 509)	(1 447 857)	-	(81 052 128)	6 461 766 612
	45 146 276 113	3 301 638 844	(3 993 047)	(96 058 471)	145 254 612	(1 902 834 116)	(147 064 600)	46 443 219 335

Reconciliation of property, plant and equipment - Economic entity - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land & buildings	1 118 422 697	2 185 470	-	1 107 550	(90 426 331)	(451 748)	(276 789)	1 030 560 849
Infrastructure	34 174 686 256	299 626 035	-	171 314 208	123 637 262	(1 408 776 642)	(3 607 829)	33 356 879 290
Community	3 280 695 613	56 547 187	-	214 951 711	-	(187 669 012)	(193 153)	3 364 332 346
Other property, plant and equipment	2 650 881 764	295 320 019	(887 774)	56 300 213	(33 210 913)	(342 703 349)	(1 809 946)	2 623 890 014
Work-in-Progress	3 068 486 779	2 213 548 316	-	(457 989 358)	-	-	(53 432 123)	4 770 613 614
	44 293 173 109	2 867 227 027	(887 774)	(14 315 676)	18	(1 939 600 751)	(59 319 840)	45 146 276 113

Reconciliation of property, plant and equipment - Controlling entity - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	990 726 626	-	(3 106 400)	10 307 255	-	-	-	997 927 481
Infrastructure	32 660 705 958	-	-	738 206 457	92 196 675	(1 345 586 934)	(58 057 935)	32 087 464 221
Community	3 364 332 346	-	(556 466)	104 553 271	54 480 139	(197 653 054)	(6 881 949)	3 318 274 287
Other property, plant and equipment	2 569 293 958	398 081 469	(161 487)	71 879 056	-	(325 488 295)	-	2 713 604 701
Work-in-Progress	4 275 989 961	2 595 250 828	-	(1 021 004 509)	-	-	(81 052 128)	5 769 184 152
	43 861 048 849	2 993 332 297	(3 824 353)	(96 058 470)	146 676 814	(1 868 728 283)	(145 992 012)	44 886 454 842

Ekurhuleni Metropolitan Municipality

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	989 806 276	-	-	1 107 550	-	(187 200)	990 726 626
Infrastructure	33 634 612 488	241 391 563	-	171 314 208	(1 386 166 811)	(445 490)	32 660 705 958
Community	3 280 695 614	56 547 187	-	214 951 711	(187 669 013)	(193 153)	3 364 332 346
Other property, plant and equipment	2 576 000 742	274 773 453	(720 777)	56 300 213	(336 242 324)	(817 349)	2 569 293 958
Work-in-Progress	2 803 071 732	1 984 339 711	-	(457 989 359)	-	(53 432 123)	4 275 989 961
	43 284 186 852	2 557 051 914	(720 777)	(14 315 677)	(1 910 078 148)	(55 075 315)	43 861 048 849

Borrowing costs capitalised

Borrowing costs capitalised in this period

Intangible Assets	-	843 082	-	843 082
Property, plant and equipment	8 766 845	9 383 098	8 766 845	9 383 098
	8 766 845	10 226 180	8 766 845	10 226 180

Capitalisation rates used during the year were 10.49% (2014 - 10.77%), depending on the finance source or external loan facility.

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

Furniture and fixtures	1 673	-	1 673	-
Motor vehicles	-	440 030	-	440 030
Office equipment	13 750	113 288	13 750	113 288
Infrastructure	3 883 205	8 383 733	3 883 205	8 383 733
Other property, plant and equipment	-	133 770	-	133 770
Ancillary fleet equipment and security	-	264 935	-	264 935
	3 898 628	9 335 756	3 898 628	9 335 756

Assets subject to finance lease (Net carrying amount)

Office equipment	93 658	118 000	-	-
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Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity(other)	
Figures in Rand	2015	2014	2015	2014

5. Property, plant and equipment (continued)

The transfer differences relate to an amount of R110,565,834 which was transferred to inventory from property plant and equipment assets, and Capital spares were bought as part of inventory, which were transferred to inventory (R14,634,563), and (2014: R5,235,197), this is done in order to correct balance of capital spares on hand at each year end.

Deemed cost

Included in the additions for the year is public contributed assets with deemed cost amounts of R92,196,676 (2014: R2,786,886). Deemed cost was determined using fair value or DRC, depending on the most appropriate measurement for the specific asset/scenario.

Ekurhuleni Metropolitan Municipality

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6. Intangible assets

Economic entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	171 022 048	(38 402 311)	132 619 737	154 227 416	(29 230 651)	124 996 765

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	166 109 552	(35 849 706)	130 259 846	150 030 843	(27 059 692)	122 971 151

Reconciliation of intangible assets - Economic entity - 2015

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software (other)	124 996 765	39 353 805	(2 636 820)	(25 292)	(10 379 911)	(18 688 810)	132 619 737

Reconciliation of intangible assets - Economic entity - 2014

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software (other)	109 947 000	33 887 270	(35 780)	(5 235 197)	(13 566 528)	124 996 765

Reconciliation of intangible assets - Controlling entity - 2015

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software (other)	122 971 151	38 603 572	(2 636 820)	(9 989 243)	(18 688 814)	130 259 846

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand

6. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2014

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software (other)	107 550 884	33 830 875	(5 235 197)	(13 175 411)	122 971 151

Other information

The transfer amount of 2015 - R0 (2014 - R5,235,216) relates to transfers of assets to property, plant and equipment from intangible assets.

Reconciliation of work-in-progress

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

Work-in-progress

Opening balance	95 418 995	71 310 252	95 418 995	71 310 252
Software development incurred during the year	38 603 572	29 343 942	38 603 572	29 343 942
Work in progress transferred to completed assets	(711 246)	(5 235 199)	(711 246)	(5 235 199)
Impairment loss	(17 107 805)	-	(17 107 805)	-
	116 203 516	95 418 995	116 203 516	95 418 995

7. Heritage assets

Economic entity	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Cultural	10 681 504	-	10 681 504	10 681 504	-	10 681 504
Conservation areas	351 149	-	351 149	351 149	-	351 149
Historical buildings	5 425 362	-	5 425 362	5 425 362	-	5 425 362
Other heritage assets	19 736 236	-	19 736 236	19 736 236	-	19 736 236
Total	36 194 251	-	36 194 251	36 194 251	-	36 194 251

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

7. Heritage assets (continued)

Controlling entity(ot)	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Cultural	10 681 504	-	10 681 504	10 681 504	-	10 681 504
Conservation areas	351 149	-	351 149	351 149	-	351 149
Historical buildings	5 425 362	-	5 425 362	5 425 362	-	5 425 362
Other heritage assets	19 736 236	-	19 736 236	19 736 236	-	19 736 236
Total	36 194 251	-	36 194 251	36 194 251	-	36 194 251

Reconciliation of heritage assets Economic entity - 2015

	Opening balance	Total
Cultural	10 681 504	10 681 504
Conservation areas	351 149	351 149
Historical buildings	5 425 362	5 425 362
Other heritage assets	19 736 236	19 736 236
	36 194 251	36 194 251

Reconciliation of heritage assets Economic entity - 2014

	Opening balance	Additions	Total
Cultural	10 661 804	19 700	10 681 504
Conservation areas	351 149	-	351 149
Historical buildings	5 425 362	-	5 425 362
Other heritage assets	19 736 236	-	19 736 236
	36 174 551	19 700	36 194 251

Reconciliation of heritage assets - Controlling entity - 2015

	Opening balance	Total
Cultural	10 681 504	10 681 504
Conservation areas	351 149	351 149
Historical buildings	5 425 362	5 425 362
Other heritage assets	19 736 236	19 736 236
	36 194 251	36 194 251

Reconciliation of heritage assets - Controlling entity - 2014

	Opening balance	Additions	Total
Cultural	10 661 804	19 700	10 681 504
Conservation areas	351 149	-	351 149
Historical buildings	5 425 362	-	5 425 362
Other heritage assets	19 736 236	-	19 736 236
	36 174 551	19 700	36 194 251

Deemed costs

Aggregate of items valued using deemed cost	36 194 251	36 194 251
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Deemed cost was determined by experts in the field of the applicable heritage asset types.

Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

8. Investments in controlled entities

Name of company	% holding June 2015	% holding June 2014	Carrying amount June 2015	Carrying amount June 2014
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 %	-	-
			306	306

9. Deferred tax

Deferred tax liability

Temporary differences on property, plant and equipment	(2 380 784)	(1 904 627)	-	-
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Deferred tax asset

Other	7 017 021	5 378 744	-	-
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Deferred tax liability	(2 380 784)	(1 904 627)	-	-
Deferred tax asset	7 017 021	5 378 744	-	-
Total net deferred tax asset	4 636 237	3 474 117	-	-

Reconciliation of deferred tax asset \ (liability)

At beginning of year	3 474 117	2 145 246	-	-
Movements in provisions	1 162 120	1 328 871	-	-
	4 636 237	3 474 117	-	-

10. Long-term receivables

Non current receivables	15 459 510	17 037 198	12 907 937	14 485 625
Bad debt provision	(7 933 577)	(11 979 393)	(7 933 577)	(11 979 393)
	7 525 933	5 057 805	4 974 360	2 506 232

The Long- term receivables comprises of at 30 June 2015:

Rental deposits made	R10,270,562 (June 2014 - R3,617,032)
Housing schemes	R 5,309,194 (June 2014 - R6,886,882)
Lesedi debtors	R2,652,683 (June 2014 - R2,652,683)
ERPM debtor (secured)	R3,880,601 (June 2014 - R3,880,601)

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
11. Inventories				
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 consumables	173 656 097	115 521 568	173 656 097	115 521 568
Cleansing consumables	431 503	381 304	431 503	381 304
Consumable stores	3 544 736	2 110 929	3 544 736	2 110 929
Maintenance materials	5 706 371	4 739 460	5 706 371	4 739 460
Water consumables	3 825 408	4 677 986	3 825 408	4 677 986
Water inventory	7 259 587	6 679 555	7 259 587	6 679 555
Land held as inventory for development	133 846 385	12 244 075	133 731 210	12 128 900
Food and Beverage	10 624	10 624	10 624	10 624
Fleet and Transport consumables	1 575 122	4 355 582	1 575 122	4 355 582
Fuel (Diesel, Petrol)	5 037 133	4 950 276	5 037 133	4 950 276
	345 793 675	166 572 068	334 777 791	155 556 184
Provision for obsolete Inventories	(489 451)	(231 806)	(489 451)	(231 806)
	345 304 224	166 340 262	334 288 340	155 324 378
Land inventory sold during the year and recognised as an expense R5 000 (2014 R0).				
Inventory written down due to redundancy/obsolescence values to R489,451 (2014: R231,806) by way of a provision for obsolete inventories.				
Capital spares bought as part of capital project expenditure, were transferred to inventory during the year, as follows: Water R1,537,325 and Electricity R32,648,112 (2014: Water R88,087 and Electricity R19,462,787). Land transferred from PPE amounts to R110,565,834 (2014 - R0).				
12. 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	8 452 987	7 942 248	-	-
Fair values are based on quoted market prices at the end of the reporting period				
At amortised cost				
Investments	993 573 970	776 331 668	993 573 970	776 331 668
These investments have varying interest rates as well as varying maturity dates				
Total other investments	1 006 026 957	788 273 916	997 573 970	780 331 668
Non-current assets				
At cost	4 000 000	4 000 000	4 000 000	4 000 000
At amortised cost	877 595 656	633 262 092	877 595 656	633 262 092
	881 595 656	637 262 092	881 595 656	637 262 092
Current assets				
At fair value	8 452 987	7 942 248	-	-
At amortised cost	115 978 314	143 069 576	115 978 314	143 069 576
	124 431 301	151 011 824	115 978 314	143 069 576
	1 006 026 957	788 273 916	997 573 970	780 331 668

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

12. Other investments (continued)

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
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The company's statements used is audited for 2013 and no information was received for 2014 and 2015 yet.

The Company's Equity amounted to R 445,207,295 represented by Share Capital of R5,201,000, reserves of R165,755,503 as well as Retained Income of R274,250,792 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 2015 and 2014, as all the financial assets were disposed of at their redemption date.

Investments with a carrying value of R856 740 526 (2014: R772 468 899) are encumbered in respect of long term liabilities with a carrying value of R2,415,000,000 (2014: R2,447 620 000) as disclosed in the Long-term liabilities note (note 19).

None of the investments at amortised cost are past due or impaired.

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. Investments are only made with financial institutions with a credit rating of A1/F1 and higher.

13. Other receivables from exchange transactions

Trade debtors	16 316 475	14 797 065	-	-
Other receivables	485 330 522	347 058 898	460 656 503	346 243 382
VAT accruals on outstanding Creditors	287 291 282	256 470 448	287 291 282	256 470 448
VAT debtor	65 370 342	55 710 695	43 311 680	45 848 994
Lease rental receipts asset	2 708 511	721 509	2 708 511	721 509
Provision for debt impairment	(72 487 660)	(58 612 899)	(64 818 948)	(50 015 725)
	784 529 472	616 145 716	729 149 028	599 268 608

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.

14. Other receivables from non-exchange transactions (taxes and transfers)

Traffic fines	59 996 270	5 307 100	59 996 270	5 307 100
Grant debtors	259 923	602 337	259 923	602 337
Impairment loss - Traffic fines	(36 282 437)	-	(36 282 437)	-
	23 973 756	5 909 437	23 973 756	5 909 437

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
15. Consumer debtors				
Gross balances				
Rates	2 160 900 539	2 107 241 284	2 160 900 539	2 107 241 284
Electricity	3 161 914 250	2 805 993 235	3 161 914 250	2 805 993 235
Water	3 840 545 982	3 503 866 099	3 840 545 982	3 503 866 099
Waste water	1 152 387 401	1 050 650 176	1 152 387 401	1 050 650 176
Refuse	1 079 877 760	1 117 355 732	1 079 877 760	1 117 355 732
Interest Billing Debtors	1 419 872 465	1 411 380 391	1 419 872 465	1 411 380 391
Housing rental	74 745 980	63 924 071	74 745 980	63 924 071
Other	640 902 012	771 152 761	640 902 012	771 152 761
	13 531 146 389	12 831 563 749	13 531 146 389	12 831 563 749
Less: Allowance for impairment				
Rates	(1 673 746 149)	(1 586 387 285)	(1 673 746 149)	(1 586 387 285)
Electricity	(723 282 119)	(673 839 932)	(723 282 119)	(673 839 932)
Water	(2 884 578 256)	(2 614 262 022)	(2 884 578 256)	(2 614 262 022)
Waste water	(851 147 974)	(788 620 394)	(851 147 974)	(788 620 394)
Refuse	(904 841 790)	(898 077 427)	(904 841 790)	(898 077 427)
Interest Billing Debtors	(1 286 307 496)	(1 117 106 476)	(1 286 307 496)	(1 117 106 476)
Housing rental	(71 858 119)	(61 463 698)	(71 858 119)	(61 463 698)
Other	(748 566 812)	(631 733 121)	(748 566 812)	(631 733 121)
	(9 144 328 715)	(8 371 490 355)	(9 144 328 715)	(8 371 490 355)
Net balance				
Rates	487 154 390	520 853 999	487 154 390	520 853 999
Electricity	2 438 632 131	2 132 153 303	2 438 632 131	2 132 153 303
Water	955 967 726	889 604 077	955 967 726	889 604 077
Waste water	301 239 427	262 029 782	301 239 427	262 029 782
Refuse	175 035 970	219 278 305	175 035 970	219 278 305
Interest Billing Debtors	133 564 969	294 273 915	133 564 969	294 273 915
Housing rental	2 887 861	2 460 373	2 887 861	2 460 373
Other	(107 664 800)	139 419 640	(107 664 800)	139 419 640
	4 386 817 674	4 460 073 394	4 386 817 674	4 460 073 394
Included in above is receivables from exchange transactions				
Electricity	2 421 655 707	2 132 153 303	2 421 655 707	2 132 153 303
Water	836 965 111	889 604 077	836 965 111	889 604 077
Waste water	269 275 998	262 029 782	269 275 998	262 029 782
Refuse	175 035 970	219 278 304	175 035 970	219 278 304
Housing rental	2 887 861	2 460 373	2 887 861	2 460 373
Other	193 842 637	433 693 556	193 842 637	433 693 556
	3 899 663 284	3 939 219 395	3 899 663 284	3 939 219 395
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	487 154 390	520 853 999	487 154 390	520 853 999
	4 386 817 674	4 460 073 394	4 386 817 674	4 460 073 394
Rates				
Current (0 -30 days)	279 974 155	270 478 433	279 974 155	270 478 433
31 - 60 days	78 000 172	75 680 281	78 000 172	75 680 281
61 - 90 days	58 837 176	59 051 853	58 837 176	59 051 853
91 - 120+ days	1 744 089 036	1 702 030 716	1 744 089 036	1 702 030 716
	2 160 900 539	2 107 241 283	2 160 900 539	2 107 241 283

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
15. Consumer debtors (continued)				
Electricity				
Current (0 -30 days)	1 821 018 434	1 618 832 908	1 821 018 434	1 618 832 908
31 - 60 days	123 466 649	136 521 693	123 466 649	136 521 693
61 - 90 days	74 210 786	80 687 226	74 210 786	80 687 226
91 - 120+ days	1 143 218 381	969 951 408	1 143 218 381	969 951 408
	3 161 914 250	2 805 993 235	3 161 914 250	2 805 993 235
Water				
Current (0 -30 days)	539 978 953	425 917 623	539 978 953	425 917 623
31 - 60 days	132 597 450	142 304 991	132 597 450	142 304 991
61 - 90 days	116 806 050	125 777 155	116 806 050	125 777 155
91 - 120+ days	3 051 163 529	2 809 866 330	3 051 163 529	2 809 866 330
	3 840 545 982	3 503 866 099	3 840 545 982	3 503 866 099
Waste water				
Current (0 -30 days)	168 920 662	124 135 439	168 920 662	124 135 439
31 - 60 days	39 374 227	41 723 000	39 374 227	41 723 000
61 - 90 days	34 716 624	36 641 038	34 716 624	36 641 038
91 - 120+ days	909 375 887	848 150 699	909 375 887	848 150 699
	1 152 387 400	1 050 650 176	1 152 387 400	1 050 650 176
Refuse				
Current (0 -30 days)	66 754 020	72 820 504	66 754 020	72 820 504
31 - 60 days	31 327 387	36 186 735	31 327 387	36 186 735
61 - 90 days	27 847 041	32 330 224	27 847 041	32 330 224
91 - 120+ days	953 949 312	976 018 269	953 949 312	976 018 269
	1 079 877 760	1 117 355 732	1 079 877 760	1 117 355 732
Housing rental				
Current (0 -30 days)	1 285 721	928 696	1 285 721	928 696
31 - 60 days	1 602 140	1 422 301	1 602 140	1 422 301
61 - 90 days	1 550 851	1 351 184	1 550 851	1 351 184
91 - 120+ days	70 307 268	60 222 890	70 307 268	60 193 590
	74 745 980	63 925 071	74 745 980	63 895 771
Interest and other				
Current (0 -30 days)	68 857 742	63 317 503	68 857 742	63 317 503
31 - 60 days	47 572 095	50 990 411	47 572 095	50 990 411
61 - 90 days	46 436 720	51 389 344	46 436 720	51 389 344
91 - 120+ days	1 897 907 920	2 016 835 894	1 897 907 920	2 016 835 894
	2 060 774 477	2 182 533 152	2 060 774 477	2 182 533 152

The total debtors for June 2015 includes a total of R1 483 579 955 (2014 R 1 135 504 658) in respect of the value of the revenue emanating from the various meter reading cut-off dates at year end. This is an annual occurrence and is adjusted at every financial year-end.

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Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
15. Consumer debtors (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	1 110 565 555	905 678 193	1 110 565 555	905 678 193
31 - 60 days	280 525 677	300 737 440	280 525 677	300 737 440
61 - 90 days	243 798 905	264 040 702	243 798 905	264 040 702
91 - 120+ days	7 540 543 380	7 386 061 016	7 540 543 380	7 386 061 016
	9 175 433 517	8 856 517 351	9 175 433 517	8 856 517 351
Less: Allowance for impairment	(7 334 575 737)	(6 729 149 512)	(7 334 575 737)	(6 729 149 512)
	1 840 857 780	2 127 367 839	1 840 857 780	2 127 367 839
Industrial/ commercial				
Current (0 -30 days)	1 691 805 025	1 545 027 409	1 691 805 025	1 545 027 409
31 - 60 days	154 620 327	159 672 655	154 620 327	159 672 655
61 - 90 days	100 815 149	102 193 454	100 815 149	102 193 454
91 - 120+ days	1 667 392 913	1 474 184 551	1 667 392 913	1 474 184 551
	3 614 633 414	3 281 078 069	3 614 633 414	3 281 078 069
Less: Allowance for impairment	(1 323 419 077)	(1 078 144 796)	(1 323 419 077)	(1 078 144 796)
	2 291 214 337	2 202 933 273	2 291 214 337	2 202 933 273
National and provincial government				
Current (0 -30 days)	60 007 910	57 698 592	60 007 910	57 698 592
31 - 60 days	12 589 140	17 956 237	12 589 140	17 956 237
61 - 90 days	9 970 943	14 838 428	9 970 943	14 838 428
91 - 120+ days	170 007 476	179 250 384	170 007 476	179 250 384
	252 575 469	269 743 641	252 575 469	269 743 641
Less: Allowance for impairment	(148 205 155)	(189 196 984)	(148 205 155)	(189 196 984)
	104 370 314	80 546 657	104 370 314	80 546 657
Total				
Current (0 -30 days)	2 946 789 687	2 576 430 788	2 946 789 687	2 576 430 788
31 - 60 days	453 940 121	484 829 662	453 940 121	484 829 662
61 - 90 days	360 405 248	387 227 710	360 405 248	387 227 710
91 - 120+ days	9 770 011 333	9 383 075 589	9 770 011 333	9 383 075 589
	13 531 146 389	12 831 563 749	13 531 146 389	12 831 563 749
Less: Allowance for impairment	(9 144 328 715)	(8 371 490 355)	(9 144 328 715)	(8 371 490 355)
	4 386 817 674	4 460 073 394	4 386 817 674	4 460 073 394
Less: Allowance for impairment				
31 - 60 days	(520 690 106)	(405 640 460)	(520 690 106)	(405 640 460)
61 - 90 days	(225 774 900)	(197 700 188)	(225 774 900)	(197 700 188)
91 - 120 days	(335 832 774)	(241 233 868)	(335 832 774)	(241 233 868)
121 - 365+ days	(8 062 030 935)	(7 526 915 839)	(8 062 030 935)	(7 526 915 839)
	(9 144 328 715)	(8 371 490 355)	(9 144 328 715)	(8 371 490 355)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(8 371 490 355)	(7 042 113 875)	(8 371 490 355)	(7 042 113 875)
Contributions to allowance	(2 164 385 255)	(1 335 385 365)	(2 164 385 255)	(1 335 385 365)
Debt impairment written off against allowance	1 391 546 895	3 415 270	1 391 546 895	3 415 270
Reversal of allowance	-	2 593 615	-	2 593 615
	(9 144 328 715)	(8 371 490 355)	(9 144 328 715)	(8 371 490 355)

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.

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

15. Consumer debtors (continued)

Consumer debtors past due but not impaired

At 30 June 2015, consumer debtors of R4,387,305,142 (2014:R4,460,073,431) were past due but not impaired.

30 Days	2 549 399 519	2 654 178 473	2 549 399 519	2 654 178 473
60 Days	134 621 467	189 603 004	134 621 467	189 603 004
90 Days	76 761 656	73 333 161	76 761 656	73 333 161
90+ Days	1 626 522 500	1 542 958 756	1 626 522 500	1 542 958 756

Consumer debtors impaired

As at 30 June 2015, consumer debtors of R9,144,328,715 (2014:R8,371,490,355) were impaired and provided for.

The ageing of these consumer debtors is as follows:

30 Days	520 690 106	405 640 460	520 690 106	405 640 460
60 Days	225 774 900	197 700 189	225 774 900	197 700 189
90 Days	335 832 774	241 233 868	335 832 774	241 233 868
90+ Days	8 062 030 935	7 526 915 839	8 062 030 935	7 526 915 839

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	578 493	567 432	551 171	540 369
Bank balances	7 800 771 418	5 913 888 406	7 700 824 942	5 894 000 130
Short-term deposits	20 378 601	19 221 271	-	-
	7 821 728 512	5 933 677 109	7 701 376 113	5 894 540 499

The entity has provided bank guarantees to the amount of R26,074,874 (2014: R22,946,396) with regard to special clauses in contracts concluded with various third parties.

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.

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
16. Cash and cash equivalents (continued)				
ABSA				
ABSA - Income Alberton	4 899 969	3 184 083	4 899 969	3 184 083
ABSA - Direct banking Alberton	12 294	(40 298)	12 294	(40 298)
ABSA - Income Benoni	3 877 355	1 336 792	3 877 355	1 336 792
ABSA - Direct banking Benoni	385 437	(780 024)	385 437	(780 024)
MASK Account Benoni	(49 068)	(825 869)	(49 068)	(825 869)
ABSA - Income Boksburg	3 533 203	5 514 980	3 533 203	5 514 980
ABSA - Direct banking KL Boksburg	(1 421 083)	(2 739 847)	(1 421 083)	(2 739 847)
ABSA - Direct Banking Bt Boksburg	(111 835)	(100 501)	(111 835)	(100 501)
ABSA - Income Brakpan	557 618	591 345	557 618	591 345
Pre paid sales account Brakpan	403 560	171 570	403 560	171 570
NEDBANK Musk Account	6 255 494	-	6 255 494	-
ABSA - Income Germiston	4 385 649	2 572 262	4 385 649	2 572 262
ABSA - Direct banking Germiston	(1 904 722)	(1 147 112)	(1 904 722)	(1 147 112)
ABSA - Income account Kempton Park	1 191 868	976 040	1 191 868	976 040
ABSA - Direct banking Kempton Park	710 360	399 031	710 360	399 031
ABSA - Direct banking Lethabong	(735 049)	(1 324 283)	(735 049)	(1 324 283)
ABSA - Income Lethabong	552 667	1 202 347	552 667	1 202 347
ABSA - Income Nigel	(5 253 505)	(4 238 104)	(5 253 505)	(4 238 104)
ABSA - Income Springs	940 800	(102 307)	940 800	(102 307)
ABSA - Direct banking Springs	(5 356 721)	(318 842)	(5 356 721)	(318 842)
ABSA - Market account	1 134 982	1 134 982	1 134 982	1 134 982
EGSC - RSC Levies	-	802 650	-	802 650
ABSA - EFF Account (ex CLF)	495 870 551	568 733 537	495 870 551	568 733 537
ABSA - C R R Account (ex CDF)	1 180 123 031	1 005 014 890	1 180 123 031	1 005 014 890
ABSA - Primary bank account (ex from revenue)	220 568 237	662 726 449	220 568 237	662 726 449
ABSA - Salary account	41 946 950	24 119 177	41 946 950	24 119 177
ABSA - Treasury account	4 081 218 331	2 397 817 481	4 081 218 331	2 397 817 481
ABSA - Expenditure imprest account	382 439 041	527 256 797	382 439 041	527 256 797
ABSA - USDG Account	973 802 020	584 451 076	973 802 020	584 451 076
ABSA - Housing account	36 994 366	105 920 158	36 994 366	105 920 158
ABSA- Guarantee account	-	475 133	-	475 133
ABSA - Capital Account	200 274 177	-	200 274 177	-
Short Term Deposits at various institutions with dates within 3 months	133 845	132 030	133 845	132 030
Petty Cash and Floats	551 171	540 380	551 171	540 371
Standard Bank- Musk account	28 832 786	11 084 505	28 832 786	11 084 505
FNB Musk account	44 611 734	-	44 611 734	-
Cash on hand - entities	27 322	27 063	-	-
Absa - Traffic Fines Collection	600	-	600	-
Ekurhuleni Development Company (EDC)	384 926	267 219	-	-
Lethabong Housing Institute (LHI)	301 210	287 297	-	-
Call deposits - entities	18 813 676	17 709 495	-	-
Germiston Phase II Housing Company (Phase II)	4 308 708	2 937 517	-	-
East Rand Water Care Company (ERWAT)	87 247 492	13 795 670	-	-
Pharoe Park Housing Company (PP)	5 264 513	3 552 844	-	-
Brakpan Bus Company (BBC)	4 004 552	559 496	-	-
	7 821 728 512	5 933 677 109	7 701 376 113	5 894 540 499

The economic entity had the following bank accounts

Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity			Controlling entity(other)		
	2015	2014	2015	2015	2014	
16. Cash and cash equivalents (continued)						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Income Alberton	-	-	-	4 899 969	3 184 083	1 668 891
ABSA BANK - Direct Banking Alberton	-	-	-	12 294	(40 298)	-
ABSA BANK - Income Benoni - 4055327394	-	-	-	3 877 355	1 336 792	668 992
ABSA BANK - Direct Banking Benoni	-	-	-	385 437	(780 024)	2 312 925
ABSA BANK - Mask Account Benoni	-	-	-	(49 068)	(825 869)	17 729
ABSA BANK - Income Boksburg	-	-	-	3 533 203	5 514 980	3 364 561
ABSA BANK - Direct Banking KL Boksburg	-	-	-	(1 421 083)	(2 739 847)	800
ABSA BANK - Direct Banking BT Boksburg	-	-	-	(111 835)	(100 501)	-
ABSA BANK - Income Brakpan	-	-	-	557 618	591 345	543 001
ABSA BANK - Prepaid sales account Brakpan	-	-	-	403 560	171 570	929 770
ABSA BANK - Income Germiston	-	-	(10 326)	4 385 649	2 572 262	2 980 713
Nedbank Musk Account	-	-	-	6 255 494	-	-
ABSA BANK - Direct banking Germiston	-	-	-	(1 904 722)	(1 147 112)	-
ABSA BANK - Direct banking Kempton Park	-	-	-	710 360	399 031	2 918 199
ABSA BANK - Income Kempton Park	-	-	-	1 191 868	976 040	798 181
ABSA BANK - Income Lethabong	-	-	(13 337)	552 667	1 202 347	704 890
ABSA BANK - Direct banking Lethabong	-	-	-	(735 049)	(1 324 283)	495 846
ABSA BANK - Income Nigel	-	-	-	(5 253 505)	(4 238 104)	695 924
ABSA BANK - Income Springs	-	-	-	(5 356 721)	(318 842)	1 024 765
ABSA BANK - Direct Springs	-	-	-	940 800	(102 307)	245 105
ABSA BANK - Fresh Produce Market	1 390 118	-	(415 285)	1 134 982	1 134 982	1 134 982
ABSA BANK - RSC Levies	-	-	-	-	802 650	802 650
ABSA BANK - EFF account (ex CLF)	495 870 551	568 733 537	803 185 841	495 870 551	568 733 537	803 185 841
ABSA BANK - C R R account (ex CDF)	1 180 123 031	1 005 014 890	830 329 453	1 180 123 031	1 005 014 890	830 329 453
ABSA BANK - Primary bank Acc	220 568 237	662 726 449	157 647 653	220 568 237	662 726 449	157 647 653
ABSA BANK - Salary account	44 043 149	26 308 350	85 503 283	41 946 950	24 119 177	84 071 608
ABSA BANK - Treasury account	4 081 218 331	2 397 817 481	1 754 725 642	4 081 218 331	2 397 817 481	1 754 725 642
ABSA BANK - Expenditure imprest acc	665 935 624	548 114 511	171 699 575	382 439 041	527 256 797	135 582 603
ABSA BANK - USDG account	973 802 020	584 451 076	453 046 463	973 802 020	584 451 076	453 046 463
ABSA BANK - Housing account	36 994 366	105 920 158	139 565 120	36 994 366	105 920 158	139 565 120
ABSA Capital Account (DBSA)	200 274 177	-	-	200 274 177	-	-
EMM Traffic fines	-	-	(5 228)	600	-	-
NEDBANK - mask account	6 258 868	-	-	-	-	-
ABSA BANK - Guarantee account	-	-	-	-	475 133	(7 846 867)
FNB Mask account	44 611 734	6 391 681	81 817	44 611 734	577 829	-
Petty Cash and Floats	-	-	-	551 171	540 369	535 066
Short Term Deposits at various institutions with dates within 3 months	-	-	-	133 845	132 030	127 669
STANDARD BANK mask account	28 830 960	11 084 505	2 098 212	28 832 786	11 084 505	2 098 848
(BBC) ABSA Money market account	1 979 488	330 364	884 850	1 979 488	330 364	884 850
(BBC) ABSA Current account	1 947 750	222 461	703 751	2 025 064	229 133	589 894
(EDC) ABSA Current account	384 926	267 282	17 043	384 926	267 219	17 043
(ERWAT) ABSA Current account	81 431 231	13 565 002	155 230 946	78 011 231	13 565 002	155 230 946
(ERWAT) Salary account	2 396 261	230 668	616 070	2 396 261	230 668	616 070
(ERWAT) INCA account	-	-	15 618 141	-	-	15 618 141
(Phase II) ABSA Current account	4 308 708	2 937 517	1 664 660	4 308 708	2 937 517	1 664 660
(Phase II) ABSA Call account	1 870 165	1 811 441	1 775 212	1 870 165	1 811 441	1 775 212
(Phase II) ABSA Call account	12 383 324	11 609 970	10 995 418	12 383 324	11 609 970	12 383 324

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)			
	2015	2014	2015	2014		
16. Cash and cash equivalents (continued)						
(Phase II) ABSA Call account	-	-	2 025 458	-	-	2 025 458
(Phase II) ABSA Call account	4 560 187	4 288 094	4 094 763	4 560 187	4 288 094	4 094 763
(LHI) Investec Call account	301 210	287 297	274 578	301 210	287 297	274 578
(PP) ABSA Current account	4 000 798	2 328 374	480 663	4 000 798	2 328 374	480 663
(PP) ABSA Cheque account	1 263 715	1 224 470	1 400 295	1 263 715	1 224 470	1 400 295
Petty Cash and Floats	-	-	-	27 322	27 063	25 370
Total	8 096 748 929	5 955 665 578	4 593 220 731	7 814 888 512	5 934 254 938	4 571 458 290

17. Share Premium

Issued

Share premium	7 442 007	7 442 007	-	-
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18. Finance lease obligation

Minimum lease payments due

- within one year	57 588	57 588	-	-
- in second to fifth year inclusive	57 588	110 377	-	-

less: future finance charges	115 176	167 965	-	-
	(29 682)	(33 445)	-	-

Present value of minimum lease payments	85 494	134 520	-	-
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Present value of minimum lease payments due

- within one year	38 913	37 617	-	-
- in second to fifth year inclusive	46 581	96 903	-	-

	85 494	134 520	-	-
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Non-current liabilities	46 581	96 903	-	-
Current liabilities	38 913	37 617	-	-
	85 494	134 520	-	-

It is economic entity policy to lease certain equipment under finance leases.

The average lease term was 1 to 3 years and the average effective borrowing rate was 18% (2014: 18%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5.

19. Long-term liabilities

At amortised cost

Bank loans	1 582 289 903	1 430 512 454	1 189 362 288	1 342 110 378
Interest rates range from 7.0% to 11.68%. Redemption periods range from December 2018 to November 2029				
Development Bank of South Africa	15 275 883	21 925 225	-	-
Interest rates range from 9.56% to 15.00%. Redemption period is September 2020				
Municipal bonds	4 591 000 000	3 946 666 667	4 591 000 000	3 946 666 667
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 April 2029				
	6 188 565 786	5 399 104 346	5 780 362 288	5 288 777 045

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
19. Long-term liabilities (continued)				
At amortised cost				
Bank loans	(375 733 367)	(283 942 506)	(368 432 050)	(267 666 436)
DBSA	(3 351 180)	(3 298 162)	-	-
	(379 084 547)	(287 240 668)	(368 432 050)	(267 666 436)
At amortised cost - Non-current portion	5 809 481 239	5 111 863 678	5 411 930 238	5 021 110 609
Non-current liabilities				
At amortised cost	5 806 832 573	5 111 863 678	5 411 930 238	5 021 110 609
Current liabilities				
At amortised cost	381 733 213	287 240 669	368 432 050	267 666 436
Encumbered investments				
Investments with a carrying value of R856 740 526 (2014: R772 468 899) are encumbered in respect of long term liabilities above with a carrying value of R2 415 000 000 (Municipal bonds) (2014: R2 447 620 000) as disclosed in the Other Investments note (note 12).				
20. Trade and other payables from exchange transactions				
Accrual for interest on external loans	96 197 926	124 835 319	96 197 915	124 835 319
Civil Contracts	49 702 876	134 281 412	49 702 876	134 281 412
Lease rental payments liability	1 300 795	651 992	1 277 387	638 694
Licence fees	5 061 324	3 632 381	5 061 324	3 632 381
Maintenance guarantees	3 514 571	3 224 709	3 514 571	3 224 709
VAT balance on outstanding debtors	1 181 774 999	1 107 761 714	1 181 774 999	1 107 761 714
Other payables	143 223 381	135 243 594	125 621 903	117 400 392
Receipts in advance	519 855 556	515 501 560	516 855 556	515 501 560
Retentions	290 597 423	248 885 216	290 597 423	248 885 216
Stated benefits and group accident	29 663 606	25 383 288	29 663 606	25 383 288
Trade payables	3 041 886 016	2 729 719 267	3 040 684 484	2 696 469 630
Unclaimed salaries	4 456 954	4 040 443	4 456 954	4 040 443
	5 367 235 427	5 033 160 895	5 345 408 998	4 982 054 758
21. Deposits				
Consumer deposits - Electricity and Water	713 698 782	643 208 904	713 698 782	643 208 904
Rental deposits held	3 376 447	3 181 085	-	-
	717 075 229	646 389 989	713 698 782	643 208 904

Guarantees in lieu of electricity and water deposits is R73,483,747 (2014 - R73,061,937).

Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
22. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Operating Grants - Municipal Human Settlements Capacity	50 817 786	-	50 817 786	-
Operating Grants-Buntle Ke Botle	300 436	1 642	300 436	1 643
Operating Grants - Energy	26 318	317 869	26 318	317 869
Operating Grants-Township Initiatives	1 780 515	488 707	1 780 515	488 707
Accreditation Capacity Enhancement	154 001	940 117	154 001	940 117
Operating Grants HSDG Accreditation	7 318 327	128 693 203	7 318 327	128 693 203
Capital Grants - USDG	486 507 413	180 598 282	486 507 413	180 598 282
Capital Grants - INEP	-	-	-	-
Capital Grants -DWAF	582 545	582 545	582 545	582 545
Capital Grants - PTIS	5 322 928	50 223 748	5 322 928	50 223 748
Public Contribution Roodekop Capex	-	130 463	-	130 463
Electricity Demand Side Management	235 391	-	235 390	-
Capital Grant - LED	-	569 273	-	569 273
Integrated City Development Grant	-	8 056 740	-	8 056 740
National Housing Fund	10 793 532	10 793 534	-	-
	563 839 192	381 396 123	553 045 659	370 602 590

Movement during the period

Balance at the beginning of the period	381 396 123	243 200 492	370 602 590	232 406 959
Additions during the period	6 024 181 736	5 520 785 310	6 024 181 736	5 509 300 951
Income recognition during the period	(5 760 182 991)	(5 351 445 101)	(5 760 182 991)	(5 339 960 742)
Unspent grants repaid	(81 685 136)	-	(81 685 136)	-
Appropriations	(130 463)	(31 144 578)	(130 463)	(31 144 578)
Debtors	259 923	-	259 923	-
	563 839 192	381 396 123	553 045 659	370 602 590

See note 30 for reconciliation of all grants.

Ekurhuleni Metropolitan Municipality

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Figures in Rand

23. Provisions

Reconciliation of provisions - Economic entity - 2015

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Total
COID provision	24 656 145	-	(1 548 701)	(1 087 404)	2 586 430	24 606 470
Other provisions	435 455	144 187	(32 767)	-	-	546 875
Bonus provision	27 879 887	49 259 794	(4 384 310)	-	-	72 755 371
Leave provision	264 814 170	109 191 041	(63 925 187)	-	-	310 080 024
Landfill rehabilitation provision	224 539 376	54 480 139	-	-	23 554 181	302 573 696
WCA provision	-	12 490 935	-	-	-	12 490 935
Long service awards	485 141 009	41 180 240	(44 748 869)	(129 931 824)	44 391 645	396 032 201
GMRF	127 678 766	10 955 671	-	(12 544 000)	-	126 090 437
	1 155 144 808	277 702 007	(114 639 834)	(143 563 228)	70 532 256	1 245 176 009

Reconciliation of provisions - Economic entity - 2014

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Pre-payment	Total
COID provision	21 387 338	2 719 600	(1 438 573)	(275 000)	2 262 780	-	24 656 145
Post retirement medical provision	5 345 699	-	-	(5 345 699)	-	-	-
Other provisions	60 056	112 536	(28 405)	291 268	-	-	435 455
Bonus provision	25 269 631	14 979 338	(12 369 082)	-	-	-	27 879 887
Leave provision	228 310 351	102 757 293	(66 253 474)	-	-	-	264 814 170
Landfill rehabilitation provision	172 828 254	33 425 893	-	-	18 285 229	-	224 539 376
WCA provision	-	11 024 015	(29 603 239)	-	-	18 579 224	-
Long service awards	438 778 340	37 454 269	(5 644 525)	(23 206 487)	37 759 412	-	485 141 009
GMRF	122 127 201	5 551 565	-	-	-	-	127 678 766
	1 014 106 870	208 024 509	(115 337 298)	(28 535 918)	58 307 421	18 579 224	1 155 144 808

Reconciliation of provisions - Controlling entity - 2015

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23. Provisions (continued)

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Total
COVID provision	24 656 145	-	(1 548 701)	(1 087 404)	2 586 430	24 606 470
Bonus provision	19 975 598	44 747 802	(273 825)	-	-	64 449 575
Leave provision	252 954 567	100 915 783	(57 939 080)	-	-	295 931 270
Landfill rehabilitation provision	224 539 376	54 480 139	-	-	23 554 181	302 573 696
WCA provision	-	12 490 935	-	-	-	12 490 935
Long service awards	485 141 009	41 180 240	(44 748 869)	(129 931 824)	44 391 645	396 032 201
GMRF	127 678 765	5 868 043	-	(7 456 371)	-	126 090 437
	1 134 945 460	259 682 942	(104 510 475)	(138 475 599)	70 532 256	1 222 174 584

Reconciliation of provisions - Controlling entity - 2014

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Pre-payments	Total
COVID provision	21 387 338	2 719 600	(1 438 573)	(275 000)	2 262 780	-	24 656 145
Bonus provision	17 822 309	10 833 591	(8 680 302)	-	-	-	19 975 598
Leave provision	218 386 746	96 201 565	(61 633 744)	-	-	-	252 954 567
Landfill rehabilitation provision	172 828 254	33 425 893	-	-	18 285 229	-	224 539 376
WCA provision	-	11 024 015	(29 603 239)	-	-	18 579 224	-
Long service awards	438 778 340	37 454 269	(5 644 525)	(23 206 487)	37 759 412	-	485 141 009
GMRF	122 127 201	5 551 565	-	-	-	-	127 678 766
	991 330 188	197 210 498	(107 000 383)	(23 481 487)	58 307 421	18 579 224	1 134 945 461

Non-current liabilities	849 302 804	862 015 296	849 302 804	862 015 296
Current liabilities	395 873 205	293 129 512	372 871 780	272 930 166
	1 245 176 009	1 155 144 808	1 222 174 584	1 134 945 462

The timing of outflow relating to Bonus provision, Leave provision, other provisions (economic entity only) as well as WCA provision is expected to be within 12 months of reporting date. The timing of outflow relating to the rest of the provisions is expected to be after 12 months from the reporting date. Uncertainties regarding the amount of outflow relating to these provisions are dependant on various factors, including changes in discount rate, life expectancy, increases in remuneration rates and medical costs.

GMRF provision

Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

23. Provisions (continued)

The provision relates to claims against the municipality, instituted by the Germiston Municipal Retirement Fund in terms of the rules of the pension fund where the required investment yield was not being achieved.

COID provision

This provision is made for future expected outflows as a result of the 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 10.49% (2014 - 10.58%) and the inflation assumption used for the increase in expenses/contributions is 7.00% (2014 - 6.79%).

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. The discounting rate is 10.49% (2014 - 10.58%). The net result of the re-estimation had the following effect on the current year amounts:

Increase in the provision for Landfill site rehabilitation R54,480,139 (2014 - Increase of R19,937,296)

Increase in the cost of property, plant and equipment R54,480,139 (2014 - increase of R19,937,296)

Amount recognised in profit and loss due to re-estimation where the adjustment exceed the carrying amount of the asset R0 (2014 - R0)

Workman's compensation provision

The provision is for the period March 2015 to June 2015 (2014 - was paid in advance) which has been estimated in the latest return submitted to the compensation commissioner.

Long service awards provision

An actuarial valuation for 2015, as well as 2014, has been performed by IAC Actuarial Consulting.

Discount rate used: 8.4% (2014 - 9.2%)

CPI used: 6.1% (2014 - 6.7%)

Salary increase rate used: 7.1% (2014 - 7.78%)

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

24. Employee benefit obligations

1. Retirement Funds

The 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. 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 a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans

The 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 GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved. The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. Due to the nature of these funds and fact that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan, these funds are accounted for as defined contribution funds in terms of paragraph 31 of GRAP 25. The total contributions are included in Employee related costs, Note 30. As a result, GRAP 25 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

The average contribution rate payable is 9% by the members and on average 22% by Council. The last actuarial valuation on this fund was performed in March 2013 certified that the fund is in a sound financial state. The Ekurhuleni Metropolitan Municipality has 130 employees in this plan.

2. Municipal Employees Pension Fund

The average contribution rate payable is 7.5% by the members and on average 22% by Council. The last actuarial valuation on this fund was performed in February 2011 certified that the fund is in a sound financial state. The Ekurhuleni Metropolitan Municipality has 1585 employees in this plan.

3. South African Local Authorities Pension Fund

The average contribution rate payable is 8.6% by the members and on average 20.78% by Council. The last actuarial valuation on this fund was performed as at 1 July 2014 certified that the fund is in a sound financial state. The Ekurhuleni Metropolitan Municipality has 131 employees in this plan.

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 23) 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 valuation was performed by IAC Actuarial Consulting at 30 June 2015, as well as at 30 June 2014, for the controlling entity by applying the Projected Unit Funding method.

Pension benefits

Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

24. Employee benefit obligations (continued)

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

Present value of the defined benefit obligation-wholly unfunded	(2 077 876 581)	(1 990 171 581)	(2 049 898 581)	(1 967 931 581)
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Movements for the year

Opening balance	(1 990 171 581)	(1 765 074 581)	(1 967 931 581)	(1 765 074 581)
Benefits paid	73 940 000	68 656 000	73 146 000	68 106 000
Other - Controlled entity adjustment	-	(16 087 801)	-	-
Net expense recognised in the statement of financial performance	(161 645 000)	(277 665 199)	(155 113 000)	(270 963 000)
	(2 077 876 581)	(1 990 171 581)	(2 049 898 581)	(1 967 931 581)

Net expense recognised in the statement of financial performance

Current service cost	(66 714 000)	(66 440 199)	(65 948 000)	(65 131 000)
Interest cost	(190 147 000)	(164 546 000)	(188 056 000)	(162 645 000)
Actuarial gains (losses)	95 216 000	(46 679 000)	98 891 000	(43 187 000)
	(161 645 000)	(277 665 199)	(155 113 000)	(270 963 000)

Key assumptions used

Assumptions are based on statistics and market data as at 30 June 2015 (2014: 30 June 2014), and is based on market expectations at the reportings dates.

Assumptions used on last valuation on 30 June 2015.

Discount rates used controlling entity	9,60 %	9,60 %	9,00 %	9,60 %
Discount rates used controlled entity	8,91 %	9,40 %	- %	- %
Health care cost inflation rate controlling entity	7,90 %	8,60 %	7,90 %	8,60 %
Health care cost inflation rate controlled entity	8,42 %	9,00 %	- %	- %

Other assumptions:

Key Demographic Assumptions

Assumption	Value
Average retirement age economic entity	63
Continuation of membership at retirement	90%
Proportion assumed married at retirement controlling entity	80%
Proportion assumed married at retirement entity	90%
Proportion of eligible non-member employees joining the scheme by retirement	20%
Mortality during employment	SA 85/90
Mortality post-retirement	PA90

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	16%	16%
	30	10%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

24. Employee benefit obligations (continued)

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)	260 749 000	249 690 000	260 749 000	249 690 000
Medical inflation (Liability)	2 133 020 000	1 988 364 000	2 133 020 000	1 988 364 000
Valuation interest rate (Service cost and interest cost)	249 909 000	257 780 000	249 909 000	257 780 000
Valuation interest rate (Liability)	1 867 626 000	2 265 069 000	1 867 626 000	2 265 069 000

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	(2 049 898 581)	(1 967 931 581)	(1 765 075 000)	(1 605 262 580)	(1 471 976 148)
Surplus (deficit)	(2 049 898 581)	(1 967 931 581)	(1 765 075 000)	(1 605 262 580)	(1 471 976 148)
Experience adjustments on plan	16 924 000	(73 044 000)	-	-	-

* Experience adjustment for three of the previous four financial years are not available, and therefore could not be disclosed

25. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2015

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables	-	432 579 337	-	432 579 337
Consumer debtors	-	4 386 817 674	-	4 386 817 674
Cash and cash equivalents	-	7 814 888 512	-	7 814 888 512
Other investments (listed and unlisted shares)	8 452 987	-	4 000 000	12 452 987
Other investments	-	993 573 970	-	993 573 970
Long term receivables	-	7 525 933	-	7 525 933
	8 452 987	13 635 385 426	4 000 000	13 647 838 413

Financial liabilities

	At amortised cost	Total
Long term liabilities	6 185 145 786	6 185 145 786
Trade and other payables from exchange transactions	3 630 183 520	3 630 183 520
Unspent conditional grants	563 839 192	563 839 192
Consumer deposits	717 075 229	717 075 229
	11 096 243 727	11 096 243 727

Economic entity - 2014

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables	-	312 425 584	-	312 425 584
Consumer debtors	-	4 460 073 394	-	4 460 073 394
Cash and cash equivalents	-	5 933 677 109	-	5 933 677 109
Other investments (listed and unlisted shares)	7 942 248	-	4 000 000	11 942 248
Other investments	-	776 331 667	-	776 331 667
Long term receivables	-	2 506 232	-	2 506 232
	7 942 248	11 485 013 986	4 000 000	11 496 956 234

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Long term liabilities	5 399 104 347	5 399 104 347
Trade and other payables from exchange transactions	3 409 245 646	3 409 245 646
Unspent conditional grants	381 396 123	381 396 123
Consumer deposits	646 389 989	646 389 989
	9 836 136 105	9 836 136 105

Controlling entity - 2015

Financial assets

	At amortised cost	At cost	Total
Other receivables	437 323 045	-	437 323 045
Consumer debtors	4 554 760 139	-	4 554 760 139
Cash and cash equivalents	7 701 851 246	-	7 701 851 246
Other investments (listed and unlisted shares)	-	4 000 000	4 000 000
Other investments	993 573 970	-	993 573 970
Long term receivables	4 974 360	-	4 974 360
	13 692 482 760	4 000 000	13 696 482 760

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	3 671 266 668	3 671 266 668
Unspent conditional grants	553 045 659	553 045 659
Long term liabilities	5 754 596 673	5 754 596 673
Consumer deposits	713 698 782	713 698 782
	10 692 607 782	10 692 607 782

Controlling entity - 2014

Financial assets

	At amortised cost	At cost	Total
Other receivables	302 858 603	-	302 858 603
Consumer debtors	4 460 073 394	-	4 460 073 394
Cash and cash equivalents	5 894 540 499	-	5 894 540 499
Other investments (listed and unlisted shares)	-	4 000 000	4 000 000
Other investments	776 331 668	-	776 331 668
Long term receivables	2 506 232	-	2 506 232
	11 436 310 396	4 000 000	11 440 310 396

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	3 358 152 793	3 358 152 793
Unspent conditional grants	370 602 590	370 602 590
Long term liabilities	5 288 777 046	5 288 777 046
Consumer deposits	643 208 904	643 208 904
	9 660 741 333	9 660 741 333

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
26. Revenue				
Rendering of services	8 842 196	8 572 336	-	-
Service charges	16 254 616 785	14 814 452 947	16 304 459 304	14 861 038 367
Rental of facilities and equipment	88 300 321	79 899 752	62 454 731	55 704 908
Interest earned - outstanding debtors	292 739 718	362 065 026	292 739 718	362 065 026
Income from agency services	257 982 770	235 640 655	257 982 770	235 640 655
Licences and permits	53 622 189	41 011 475	53 622 189	41 011 475
Other income	110 347 708	132 031 471	101 349 468	94 233 931
Interest revenue	525 168 213	375 429 073	519 167 378	370 295 275
Dividends received	91 137	114 288	-	-
Property rates	3 689 518 975	3 425 173 633	3 693 387 443	3 427 709 390
Property rates - penalties and collection charges	88 405 293	106 611 391	88 405 293	106 611 391
Government grants & subsidies	5 771 611 632	5 351 445 101	5 760 182 991	5 339 960 744
Public contributions and donations	92 196 676	2 786 886	92 196 676	2 786 886
Fines	224 949 291	167 705 348	224 949 291	167 705 348
	27 458 392 904	25 102 939 382	27 450 897 252	25 064 763 396

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

Service charges	16 254 616 785	14 814 452 947	16 304 459 304	14 861 038 367
Rendering of services	8 842 196	8 572 336	-	-
Rental of facilities and equipment	88 300 321	79 899 752	62 454 731	55 704 908
Interest earned - outstanding debtors	292 739 718	362 065 026	292 739 718	362 065 026
Income from agency services	257 982 770	235 640 655	257 982 770	235 640 655
Licences and permits	53 622 189	41 011 475	53 622 189	41 011 475
Other income	110 347 708	132 031 471	101 349 468	94 233 931
Interest revenue	525 168 213	375 429 073	519 167 378	370 295 275
Dividends received	91 137	114 288	-	-
	17 591 711 037	16 049 217 023	17 591 775 558	16 019 989 637

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

Taxation revenue				
Property rates	3 689 518 975	3 425 173 633	3 693 387 443	3 427 709 390
Property rates - penalties and collection charges	88 405 293	106 611 391	88 405 293	106 611 391
Transfer revenue				
Government grants & subsidies	5 771 611 632	5 351 445 101	5 760 182 991	5 339 960 744
Public contributions and donations	92 196 676	2 786 886	92 196 676	2 786 886
Fines	224 949 291	167 705 348	224 949 291	167 705 348
	9 866 681 867	9 053 722 359	9 859 121 694	9 044 773 759

Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
27. Property rates				
Rates received				
Residential	2 282 673 991	2 068 338 584	2 282 673 991	2 068 338 584
Commercial	1 953 167 053	1 820 276 075	1 953 167 053	1 820 276 075
State	12 020 940	11 368 017	12 020 940	11 368 017
Municipal	11 801 200	10 911 946	11 801 200	10 911 946
Small holdings and farms	10 413 957	7 953 617	10 413 957	7 953 617
Vacant land	362 968 782	321 220 150	362 968 782	321 220 150
Other properties	19 420 409	68 224 320	19 420 409	68 224 320
Related entity elimination	(3 868 468)	(2 535 757)	-	-
Less: Income forgone	(673 052 614)	(615 776 395)	(673 052 614)	(615 776 395)
Less: Departmental rates	(286 026 275)	(264 806 924)	(286 026 275)	(264 806 924)
	3 689 518 975	3 425 173 633	3 693 387 443	3 427 709 390

Valuations (R'000)

Residential	249 010 300	245 382 688	249 010 300	245 382 688
Commercial	110 483 804	112 127 797	110 483 804	112 127 797
Provincial and National Government	759 280	767 300	759 280	767 300
Municipal	735 857	732 542	735 857	732 542
Small holdings and farms	5 542 297	5 524 201	5 542 297	5 524 201
Sectional title	42 401 921	40 848 518	42 401 921	40 848 518
Vacant land	11 489 412	10 920 636	11 489 412	10 920 636
Other	22 962 114	22 966 329	22 962 114	22 966 329
	443 384 985	439 270 011	443 384 985	439 270 011

Valuations on land and buildings are performed every 3-5 years. The last general valuation came into effect on 1 July 2013. 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.

28. Service charges

Sale of electricity	11 156 460 739	10 303 108 910	11 215 633 785	10 358 668 615
Sale of water	2 965 175 855	2 581 403 789	2 970 665 454	2 585 953 970
Solid waste	1 039 315 404	961 125 558	1 040 978 670	962 651 746
Sewerage and sanitation charges	1 021 626 931	900 903 251	1 005 143 539	885 852 597
Fresh produce market	17 926 442	17 347 531	17 926 442	17 347 531
Other service charges	54 111 414	50 563 908	54 111 414	50 563 908
	16 254 616 785	14 814 452 947	16 304 459 304	14 861 038 367

29. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	88 282 973	79 881 773	62 437 383	55 686 929
Rental of equipment	17 348	17 979	17 348	17 979
	88 300 321	79 899 752	62 454 731	55 704 908
	88 300 321	79 899 752	62 454 731	55 704 908

Included in the above rentals are operating lease rentals at straight-lined amounts of R5,719,306 (2014:R2,730,363) as well as contingent rentals of R 16,801,934 (2014: R10,011,934).

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
30. Government grants and subsidies				
Operating grants				
Equitable share	2 042 951 000	1 917 953 000	2 042 951 000	1 917 953 000
Fuel levy	1 469 674 000	1 406 096 000	1 469 674 000	1 406 096 000
Ambulance subsidies	136 040 000	129 001 000	136 040 000	129 001 000
FMG	1 250 000	1 250 000	1 250 000	1 250 000
Accreditation Capacity Enhancement	786 116	863 846	786 116	863 846
HIV/AIDS	11 085 999	11 129 415	11 085 999	11 129 415
Township Initiatives	3 908 192	3 719 051	3 908 192	3 719 051
Seta	7 374 225	3 290 903	7 374 225	3 290 903
BKB	261 206	311 657	261 206	311 657
Health Subsidy	111 952 000	106 493 273	111 952 000	106 493 273
Integrated City Development	48 379 740	751 260	48 379 740	751 260
HSDG Accreditation	46 805 290	25 348 252	46 805 290	25 348 252
Municipal Human Settlements Capacity	1 556 214	-	1 556 214	-
Environment Quality Management	291 551	1 107 131	291 551	1 107 131
Department of Transport (Provincial)	11 428 641	11 484 357	-	-
	3 893 744 174	3 618 799 145	3 882 315 533	3 607 314 788
Capital grants				
Public Contributions - Rondebult	-	1 714 214	-	1 714 214
INEP	60 924 586	10 000 000	60 924 586	10 000 000
USDG (Capital and operational)	1 498 622 869	1 473 822 401	1 498 622 869	1 473 822 398
PTIS	294 900 820	208 080 387	294 900 820	208 080 387
Electricity Demand Site Management	16 997 181	16 267 128	16 997 181	16 267 128
LED	-	1 257 481	-	1 257 481
OR TAMBO Narrative centre	-	2 350 376	-	2 350 376
EPWP (Capital and operational)	6 422 000	11 153 969	6 422 000	11 153 969
NDPG	-	8 000 000	-	8 000 000
	1 877 867 456	1 732 645 956	1 877 867 456	1 732 645 953
	5 771 611 630	5 351 445 101	5 760 182 989	5 339 960 741
Equitable share				
Current-year receipts	2 042 951 000	1 917 953 000	2 042 951 000	1 917 953 000
Conditions met - transferred to revenue	(2 042 951 000)	(1 917 953 000)	(2 042 951 000)	(1 917 953 000)
	-	-	-	-
Fuel levy				
Current-year receipts	1 469 674 000	1 406 096 000	1 469 674 000	1 406 096 000
Conditions met - transferred to revenue	(1 469 674 000)	(1 406 096 000)	(1 469 674 000)	(1 406 096 000)
	-	-	-	-
Ambulance Subsidy				
Current-year receipts	136 040 000	129 001 000	136 040 000	129 001 000
Conditions met - transferred to revenue	(136 040 000)	(129 001 000)	(136 040 000)	(129 001 000)
	-	-	-	-
Finance Management Grant				
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)
	-	-	-	-
Accreditation Capacity Enhancement				

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
30. Government grants and subsidies (continued)				
Balance unspent at beginning of year	940 117	-	940 117	-
Current-year receipts	-	1 803 963	-	1 803 963
Conditions met - transferred to revenue	(786 116)	(863 846)	(786 116)	(863 846)
	154 001	940 117	154 001	940 117

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

Hiv/Aids

Balance unspent at beginning of year	-	-	-	628 216
Current-year receipts	11 071 372	11 071 372	11 071 372	10 487 000
Conditions met - transferred to revenue	(11 085 999)	(11 085 999)	(11 085 999)	(11 129 415)
Debtor	14 627	14 627	14 627	14 199
	-	-	-	-

Township Initiatives

Balance unspent at beginning of year	488 709	911 140	488 709	911 140
Current-year receipts	5 200 000	3 700 000	5 200 000	3 700 000
Conditions met - transferred to revenue	(3 908 194)	(3 719 051)	(3 908 192)	(3 719 051)
Surrendered/Appropriated	-	(403 380)	-	(403 380)
	1 780 515	488 709	1 780 517	488 709

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

Seta

Current-year receipts	7 374 225	3 290 903	7 374 225	3 290 903
Conditions met - transferred to revenue	(7 374 225)	(3 290 903)	(7 374 225)	(3 290 903)
	-	-	-	-

Public Contributions

Balance unspent at beginning of year	130 463	-	130 463	-
Current-year receipts	-	1 844 676	-	1 844 676
Conditions met - transferred to revenue	-	(1 714 213)	-	(1 714 213)
Surrendered/Appropriated	(130 463)	-	(130 463)	-
	-	130 463	-	130 463

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

BKB

Balance unspent at beginning of year	1 642	53 299	1 642	53 299
Current-year receipts	560 000	260 000	560 000	260 000
Conditions met - transferred to revenue	(261 206)	(311 657)	(261 206)	(311 657)
	300 436	1 642	300 436	1 642

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

Health Subsidy

Current-year receipts	111 952 000	106 493 273	111 952 000	106 493 273
Conditions met - transferred to revenue	(111 952 000)	(106 493 273)	(111 952 000)	(106 493 273)
	-	-	-	-

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
30. Government grants and subsidies (continued)				
INEP				
Current-year receipts	60 679 291	9 679 291	60 679 291	9 679 291
Conditions met - transferred to revenue	(60 924 586)	(10 000 000)	(60 924 586)	(10 000 000)
Debtor	245 295	320 709	245 295	320 709
	-	-	-	-
Integrated City Development				
Balance unspent at beginning of year	8 056 740	-	8 056 740	-
Current-year receipts	40 323 000	8 808 000	40 323 000	8 808 000
Conditions met - transferred to revenue	(48 379 740)	(751 260)	(48 379 740)	(751 260)
	-	8 056 740	-	8 056 740
Conditions still to be met - remain liabilities (see note 22).				
PTIS				
Balance unspent at beginning of year	50 223 748	14 761 137	50 223 748	14 761 137
Current-year receipts	250 000 000	243 543 000	250 000 000	243 543 000
Conditions met - transferred to revenue	(294 900 820)	(208 080 389)	(294 900 820)	(208 080 389)
	5 322 928	50 223 748	5 322 928	50 223 748
Conditions still to be met - remain liabilities (see note 22).				
Electricity Demand Site Management				
Balance unspent at beginning of year	-	-	-	-
Current-year receipts	17 232 571	15 999 700	17 232 571	15 999 700
Conditions met - transferred to revenue	(16 997 181)	(16 267 129)	(16 997 181)	(16 267 129)
Other	-	267 429	-	267 429
	235 390	-	235 390	-
Conditions still to be met - remain liabilities (see note 22).				
HSDG				
Balance unspent at beginning of year	3 503 210	3 503 210	3 503 210	3 503 211
Surrendered/Appropriated	(3 503 210)	(3 503 210)	(3 503 210)	(3 503 211)
	-	-	-	-
Municipal Human Settlements Capacity				
Current-year receipts	52 374 000	-	52 374 000	-
Conditions met - transferred to revenue	(1 556 214)	-	(1 556 214)	-
	50 817 786	-	50 817 786	-
Conditions still to be met - remain liabilities (see note 22).				
LED				
Balance unspent at beginning of year	569 273	1 826 754	569 273	1 826 754
Conditions met - transferred to revenue	-	(1 257 481)	-	(1 257 481)
Surrendered/Appropriated	(569 273)	-	(569 273)	-
	-	569 273	-	569 273

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Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
30. Government grants and subsidies (continued)				
Conditions still to be met - remain liabilities (see note 22).				
O R Tambo Narrative Centre				
Balance unspent at beginning of year	-	2 350 376	-	2 350 376
Conditions met - transferred to revenue	-	(2 350 376)	-	(2 350 376)
	-	-	-	-
USDG				
Balance unspent at beginning of year	180 598 282	69 508 680	180 598 282	69 508 680
Current-year receipts	1 804 532 000	1 584 912 000	1 804 532 000	1 584 912 000
Conditions met - transferred to revenue	(1 498 622 869)	(1 473 822 398)	(1 498 622 869)	(1 473 822 398)
	486 507 413	180 598 282	486 507 413	180 598 282
Conditions still to be met - remain liabilities (see note 22).				
EPWP				
Balance unspent at beginning of year	-	748 969	-	748 969
Current-year receipts	6 422 000	10 405 000	6 422 000	10 405 000
Conditions met - transferred to revenue	(6 422 000)	(11 153 969)	(6 422 000)	(11 153 969)
	-	-	-	-
Department of Transport (Provincial)				
Current-year receipts	11 428 641	11 484 357	-	-
Conditions met - transferred to revenue	(11 428 641)	(11 484 357)	-	-
	-	-	-	-
DWAF				
Balance unspent at beginning of year	582 545	582 545	582 545	582 545
Conditions still to be met - remain liabilities (see note 22).				
NDPG				
Current-year receipts	-	8 000 000	-	8 000 000
Conditions met - transferred to revenue	-	(8 000 000)	-	(8 000 000)
	-	-	-	-
HSDG Accreditation				
Balance unspent at beginning of year	128 693 203	121 518 855	128 693 203	121 518 855
Current-year receipts	6 546 277	42 750 995	6 546 277	42 750 995
Conditions met - transferred to revenue	(46 805 290)	(25 348 252)	(46 805 290)	(25 348 252)
Surrendered/Appropriated	(81 115 863)	(10 228 395)	(81 115 863)	(10 228 395)
	7 318 327	128 693 203	7 318 327	128 693 203
Conditions still to be met - remain liabilities (see note 22).				
Environment Quality Management				
Balance unspent at beginning of year	317 869	-	317 869	-
Current-year receipts	-	1 425 000	-	1 425 000

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
30. Government grants and subsidies (continued)				
Conditions met - transferred to revenue	(291 551)	(1 107 131)	(291 551)	(1 107 131)
	26 318	317 869	26 318	317 869

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

National Housing fund

Balance unspent at beginning of year	10 793 534	10 793 534	-	-
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Conditions still to be met - remain liabilities (see note 22).

Provide explanations of conditions still to be met and other relevant information.

31. Investment revenue

Dividend revenue				
Unit trusts - Local	91 137	114 288	-	-
Interest revenue				
Bank	453 159 536	290 303 923	447 377 543	286 242 556
External investments	72 008 677	85 125 150	71 789 835	84 052 719
	525 168 213	375 429 073	519 167 378	370 295 275
	525 259 350	375 543 361	519 167 378	370 295 275

32. Other income

Accident reports	466 518	697 324	466 518	697 324
Administration fees	220 002	229 368	217 153	229 368
Cleaning of stands	339 633	960 238	339 633	960 238
Entry fees	713 976	440 111	713 976	440 111
Essential services contributions	74 879 004	51 178 071	57 910 921	46 555 961
Gain on fair value adjustment	451 155	2 101 642	-	-
Insurance claims	284 060	7 471 409	9 113	7 246 035
Printing and copying of documents	279 013	277 600	279 013	277 600
Productions	169 717	185 063	169 717	185 063
Recoveries	483 243	1 181 527	483 243	1 181 527
Sundry income	27 778 588	61 243 110	36 658 481	30 526 719
Supply of information	184 225	377 575	184 225	377 575
Tender documents	3 736 147	4 327 887	3 555 048	4 195 864
Training	362 427	1 360 546	362 427	1 360 546
	110 347 708	132 031 471	101 349 468	94 233 931

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
33. Employee related costs				
Basic	3 797 962 443	3 685 868 943	3 645 804 906	3 560 014 718
Bonus	247 847	-	-	-
Medical aid - company contributions	427 414 951	521 070 488	427 025 789	520 717 097
UIF	26 614 682	25 812 493	26 569 633	25 773 777
WCA	32 141 439	11 839 747	31 070 159	11 024 015
SDL	44 768 539	41 534 053	44 683 292	41 462 225
Other payroll levies	1 337 568	1 234 430	1 337 568	1 234 430
Leave pay provision charge	108 165 699	118 939 732	100 915 783	112 942 510
Standby Allowances	27 899 345	24 867 968	27 899 345	24 867 968
Defined contribution plans	667 521 333	638 222 080	662 670 972	633 170 561
Travel, motor car, accommodation, subsistence and other allowances	204 043 803	-	203 778 803	-
Overtime payments	527 729 014	482 146 739	512 117 962	471 337 673
Long-service awards	(88 930 813)	47 137 332	(89 108 808)	46 364 469
Ad Hoc Travelling	757 632	925 240	757 632	925 240
Housing benefits and allowances	42 156 210	-	42 144 319	-
Allowances	65 472 205	62 443 516	16 833 134	13 589 455
Remuneration of interns	2 036 116	2 113 846	2 036 116	2 113 846
Other related costs	2 963 785	1 561 369	-	-
Less: Employee costs capitalised to PPE	(69 186 120)	(33 402 242)	(69 186 120)	(33 402 242)
	5 821 115 678	5 632 315 734	5 587 350 485	5 432 135 742

Senior Management Remuneration (Key Management) for period ended 30 June 2015	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	2 388 828	97 045	143 000	-	51 300	2 680 173
Chief Operating Officer	2 102 264	68 025	154 528	-	42 900	2 367 717
Chief Financial Officer	2 456 172	1 785	-	-	39 300	2 497 257
Head of Department: Internal Audit	1 393 332	88 185	120 000	-	42 900	1 644 417
Head of Department :Electricity & Energy	1 390 880	120 585	276 340	-	213 120	2 000 925
Head of Department: Health	1 319 856	163 785	120 000	-	42 900	1 646 541
Head of Department: Customer Relations Management	1 730 000	1 785	120 000	-	43 200	1 894 985
Head of Department: Corporate & Legal	1 523 244	131 385	120 000	-	42 900	1 817 529
Head of Department: Communication	1 468 368	1 636	-	-	39 600	1 509 604
Head of Department:Human Resources	1 449 258	1 636	76 625	-	36 240	1 563 759
Head of Department: SRAC	1 365 144	1 785	108 000	-	39 300	1 514 229
Head of Department : City Development	1 348 518	183 122	72 000	-	39 300	1 642 940
Head of Department : Community Safety	1 499 140	120 221	120 000	-	42 900	1 782 261
Head of Department : Human Settlement	1 151 595	130 938	90 000	-	32 100	1 404 633
Head of Department : Economic Development	1 557 384	1 785	180 000	-	42 900	1 782 069
Head of Department : ICT	2 483 220	109 785	156 000	-	42 900	2 791 905
Head of Department : Transport	1 627 716	1 785	84 000	-	42 900	1 756 401
Head of Department : Environment	1 589 448	1 785	-	-	39 300	1 630 533
Head of Department : Solid Waste	1 336 129	54 799	84 000	-	42 900	1 517 828
Head of Department : Enterprise Project Management	1 569 984	1 785	144 000	-	42 900	1 758 669
Head of Department : Real Estate and Facilities	1 452 852	109 785	96 000	-	42 900	1 701 537
Head of Department : Roads and Transport	1 522 044	1 785	240 000	-	39 300	1 803 129
Head of Department : Water and Sanitation	1 847 976	174 585	36 000	-	42 900	2 101 461
Head of Department :Fleet	1 601 856	1 785	-	-	39 300	1 642 941
Chief Risk Officer	1 355 364	1 785	-	-	40 800	1 397 949
Chief of Police	658 642	-	-	-	-	658 642

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Figures in Rand	Economic entity		Controlling entity(other)			
	2015	2014	2015	2014		
33. Employee related costs (continued)						
Secretary of Council	1 090 656	1 785	132 000	-	39 600	1 264 041
Subtotal	42 279 870	1 575 152	2 672 493	-	1 246 560	47 774 075
	42 279 870	1 575 152	2 672 493	-	1 246 560	47 774 075

Senior Management Remuneration (Key Management) for the year as at 30 June 2014	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	2 211 648	94 185	156 000	148 890	48 000	2 658 723
Chief Operating Officer	1 954 556	68 025	154 528	201 928	37 500	2 416 537
Chief Financial Officer	1 533 333	1 190	-	-	24 000	1 558 523
Head of Department: Internal Audit	1 291 608	88 185	120 000	-	37 500	1 537 293
Head of Department :Electricity & Energy	1 266 488	120 585	276 340	176 199	195 720	2 035 332
Head of Department: Organisational Performance	1 120 480	28 093	-	-	30 864	1 179 437
Head of Department : Health	558 890	68 244	50 000	-	16 500	693 634
Head of Department:Customer Relations Management	344 617	297	20 000	-	7 200	372 114
Head of Department : Corporate Legal	1 410 516	131 385	120 000	152 420	37 200	1 851 521
Head of Department: Communication	572 847	744	21 250	-	14 700	609 541
Head of Department : Human Resource	1 598 736	1 785	90 000	164 706	37 200	1 892 427
Head of Department : Sport, Recreation, Arts and Culture (SRAC)	1 271 472	1 785	108 000	122 012	36 000	1 539 269
Head of Department : City Development	672 411	73 807	64 000	-	18 000	828 218
Head of Department : Community Safety	1 400 480	108 397	120 000	189 898	37 200	1 855 975
Head of Department: Human Settlement	1 419 204	174 585	120 000	-	37 500	1 751 289
Head of Department: Economic Development	1 446 912	1 785	180 000	120 908	37 200	1 786 805
Head of Department : ICT	2 308 536	109 784	156 000	-	37 500	2 611 820
Head of Department : Transport	1 518 876	1 785	84 000	132 064	37 100	1 773 825
Head of Department : Environment	1 488 384	1 785	-	112 616	36 000	1 638 785
Head of Department : Solid Waste	1 242 457	54 799	84 000	108 088	37 500	1 526 844
Head of Department : Enterprise Project Management	1 461 000	1 785	144 000	46 550	37 500	1 690 835
Head of Department: Real Estate and Facilities	1 347 504	109 785	96 000	-	37 500	1 590 789
Head of Department ; Roads and Transport	961 508	1 190	160 000	-	24 000	1 146 698
Chief Director : RTCW	38 626	7 392	3 775	-	696	50 489
Head of Department : Water Services	1 717 200	174 580	36 000	-	37 500	1 965 280
Head of Department:Fleet	1 000 000	1 190	-	-	24 000	1 025 190
Chief Director : Water Services	25 547	1 940	2 340	-	416	30 243
Chief Risk Officer	1 269 180	1 785	-	132 753	24 500	1 428 218
Chief of Police	1 040 944	1 487	-	116 631	13 100	1 172 162
Secretary of council	1 012 908	1 785	132 000	90 094	37 500	1 274 287
Subtotal	36 506 868	1 434 149	2 498 233	2 015 757	1 037 096	43 492 103
	36 506 868	1 434 149	2 498 233	2 015 757	1 037 096	43 492 103

In-kind benefits

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

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

Refer to note 47 for related party relationships.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)			
	2015	2014	2015	2014		
34. Remuneration of councillors						
June 2015	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	535 973	-	543 991	97 676	41 820	1 219 460
Speaker	459 384	181 558	223 954	86 188	41 820	992 904
Chief Whip	597 657	88 168	98 887	106 929	20 868	912 509
Members of the Mayoral Committee	3 429 984	987 161	2 531 209	661 327	194 768	7 804 449
Other councillors	45 445 900	10 102 357	20 979 358	8 566 760	3 953 622	89 047 997
	50 468 898	11 359 244	24 377 399	9 518 880	4 252 898	99 977 319
June 2014	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	531 668	-	492 863	97 030	41 820	1 163 381
Speaker	452 424	178 807	180 875	85 144	41 820	939 070
Chief Whip	588 601	86 832	60 166	105 570	20 868	862 037
Members of the Mayoral Committee	4 134 130	867 977	2 020 356	758 359	208 680	7 989 502
Other councillors	44 381 922	9 325 593	18 029 109	8 424 945	3 025 708	83 187 277
Total	50 088 745	10 459 209	20 783 369	9 471 048	3 338 896	94 141 267
35. Administrative expenditure						
Administration and management fees - related party		2 012 529	1 729 622	-	-	
36. Depreciation and amortisation						
Property, plant and equipment		1 902 834 116	1 939 600 751	1 868 728 285	1 909 589 320	
Investment property		1 557 937	1 570 068	579 682	593 732	
Intangible assets		10 379 911	13 566 528	9 989 243	13 175 411	
		1 914 771 964	1 954 737 347	1 879 297 210	1 923 358 463	
37. Impairments of assets						
Impairments						
Property, plant and equipment		179 155 928	55 075 316	178 083 343	55 075 316	
38. Finance costs						
External borrowings		550 741 350	554 080 372	529 978 370	545 694 907	
Trade and other payables		44 207	1 165 930	44 207	1 165 930	
Other interest paid		44 206 780	28 843 150	41 533 633	26 099 574	
		594 992 337	584 089 452	571 556 210	572 960 411	
39. Debt impairment						
Changes in debt impairment provision		2 215 059 736	1 345 018 919	2 211 425 099	1 343 750 067	
40. Bulk purchases						
Electricity		7 544 952 887	7 076 081 559	7 505 402 511	7 039 344 423	
Water		2 204 366 473	1 975 296 878	2 204 341 676	1 975 288 966	
Sewer purification		42 529 052	41 337 515	508 763 461	471 077 279	
		9 791 848 412	9 092 715 952	10 218 507 648	9 485 710 668	

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
41. Contracted services				
Information Technology Services	8 584 766	7 358 268	8 584 766	7 358 268
Security contracts	206 538 726	175 108 850	206 538 726	175 108 850
Meter management contracts	128 353 099	162 100 945	128 353 099	162 100 945
Environment contracts	240 562 135	222 202 597	240 562 135	222 202 597
Asset management	120 286 936	110 800 118	130 529 361	119 154 197
	704 325 662	677 570 778	714 568 087	685 924 857
42. Grants and subsidies paid				
Other subsidies				
Discretionary grant: Sport and Social support	21 387 387	3 363 290	21 387 387	3 363 290
Subsidy: SPCA	2 825 000	2 679 902	2 825 000	2 679 902
Discretionary grant: General	233 014 453	207 371 888	291 514 453	260 871 888
Free basic services	833 098 124	775 328 928	833 098 124	775 328 928
Discretionary grant: Educational	9 469 834	7 927 756	9 469 834	7 927 756
Grants: Education (External)	9 263 961	10 272 637	9 263 961	10 272 637
	1 109 058 759	1 006 944 401	1 167 558 759	1 060 444 401

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
43. General expenses				
Advertising	23 444 473	15 316 612	22 375 387	14 056 817
Animal care	1 995 228	2 025 455	1 995 228	2 025 455
Assessment rates and municipal charges	-	40 636	-	-
Auditors remuneration	22 730 568	22 119 511	19 529 208	18 921 184
Awareness campaigns	8 098 363	4 334 532	7 628 498	3 984 409
Bank charges	6 481 540	6 599 612	4 567 603	5 824 757
Community development and wellbeing	123 134 433	42 078 755	123 134 433	42 078 755
Conferences and seminars	48 860	90 890	-	-
Consulting and professional fees	138 245 586	112 040 398	125 011 107	98 076 842
Consumables (including materials)	59 530 139	62 974 057	58 085 400	61 468 371
Corporate Gifts	285 635	432 104	285 635	432 104
Disaster management	5 094 756	4 120 525	5 094 756	4 120 525
Electricity	70 653	64 121	-	-
Entertainment	3 486 685	2 674 708	2 354 503	1 657 525
Fuel and oil	140 992 602	153 712 144	140 911 917	153 622 520
Hire of busses	1 200 737	1 156 348	-	-
Human resource management	11 772 691	13 927 106	11 701 866	13 927 106
IT expenses	40 484 691	39 120 899	38 673 467	37 427 852
Insurance	66 479 583	61 639 427	64 427 035	58 617 281
Land management	38 622 668	28 042 949	38 622 668	28 042 949
Loss due to fraudulent activities	68 961	19 244 613	-	19 244 613
Magazines, books and periodicals	655 547	585 139	596 675	548 548
Marketing	98 211 056	118 928 101	96 272 552	117 906 034
Motor vehicle expenses - busses	7 680 738	9 381 763	-	-
Other expenses	100 731 008	33 426 723	94 641 820	26 480 580
Postage	22 073 033	21 628 677	22 055 680	21 620 060
Printing and stationery	44 526 958	39 067 625	43 599 458	37 882 405
Productions	194 375	113 738	194 375	113 738
Refreshments	8 216 878	7 789 357	8 095 589	7 461 761
Refuse	44 324 807	26 147 784	44 324 807	26 147 784
Rental	20 127 676	20 070 591	19 194 670	18 552 873
Rodent control	11 815 380	6 673 680	11 815 380	6 673 680
Security (Guarding of municipal property)	11 732 665	8 901 986	-	-
Service connections	69 006 889	62 181 703	62 887 599	53 063 768
Sewerage and waste disposal	9 580	6 823	-	-
Software expenses	3 354 401	817 189	3 256 362	737 747
Stock adjustments and write-offs	3 251 249	1 507 918	3 251 249	1 507 916
Subscriptions and membership fees	12 068 086	12 187 338	11 954 813	12 029 458
Telephone and fax	48 938 143	47 116 531	46 712 858	44 777 226
Title deed search fees	752 801	731 483	752 801	731 483
Training	22 703 479	33 159 300	19 841 683	30 805 905
Travel - local	8 860 803	9 349 691	6 603 187	6 503 347
Travel - overseas	29 712 228	13 557 393	29 487 279	13 247 742
Uniforms	34 684 425	34 069 692	34 571 190	33 969 413
Vehicle licences and hire cost	45 339 249	30 336 599	36 553 093	23 416 973
Venue expenses	19 363 146	16 312 770	19 363 146	16 312 770
Water	9 517	8 035	-	-
	1 360 612 969	1 145 813 031	1 280 424 977	1 064 020 276

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
44. Cash generated from operations				
Surplus	2 172 804 755	1 989 347 037	2 057 821 569	1 856 414 266
Adjustments for:				
Depreciation and amortisation	1 914 771 964	1 954 737 347	1 879 297 210	1 923 847 289
Gain on sale of fixed assets	-	-	-	-
Gain on discontinued operations	7 929 142	4 677 742	7 838 173	720 777
Impairment deficit	179 155 928	55 075 316	178 083 343	55 075 316
Debt impairment	2 215 059 736	1 345 018 919	2 211 425 099	1 343 750 067
Movements in retirement benefit assets and liabilities	87 705 000	365 852 652	81 967 000	346 472 274
Movements in provisions	86 184 755	(434 938)	87 229 122	-
Movement in tax receivable and payable	19 158	(43 506)	-	-
Net movement on provision for bad debt on long term receivables	-	-	(4 045 816)	-
Annual charge for deferred tax	(1 162 120)	(14 401)	-	-
Other non-cash items (Other movements within PPE)	(49 298 050)	14 039 093	(50 745 543)	19 550 875
Changes in working capital:				
Inventories	(178 963 962)	(26 523 030)	(178 963 962)	(26 523 030)
Other receivables from exchange transactions	(161 494 000)	(21 014 374)	(129 880 420)	(113 271 752)
Consumer debtors	(2 141 804 016)	(2 251 340 018)	(2 138 169 379)	(2 251 340 018)
Other receivables from non-exchange transactions	(18 064 319)	(56 092 338)	(18 064 319)	11 756 698
Trade and other payables from exchange transactions	331 031 205	574 187 640	363 354 236	605 758 007
Unspent conditional grants and receipts	182 443 069	138 195 631	182 443 069	138 195 631
	4 626 318 245	4 085 668 772	4 529 589 382	3 910 406 400

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
45. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Community	251 800 000	192 450 000	251 800 000	192 450 000
• Infrastructure	2 405 886 640	2 382 474 165	2 299 074 906	2 106 718 699
• Other	507 769 406	347 577 435	507 769 406	347 577 435
	3 165 456 046	2 922 501 600	3 058 644 312	2 646 746 134
Not yet contracted for and authorised by accounting officer				
• All classes of PPE	1 412 919 115	1 205 279 843	1 412 919 115	1 143 619 720
Total capital commitments				
Already contracted for but not provided for	3 165 456 046	2 922 501 600	3 058 644 312	2 646 746 134
Not yet contracted for and authorised by accounting officer	1 412 919 115	1 205 279 843	1 412 919 115	1 143 619 720
	4 578 375 161	4 127 781 443	4 471 563 427	3 790 365 854

For the entity, this committed expenditure relates to the property, plant and equipment for the 2015/2016 financial year (Approved Capital Programme) based on the project value as approved in the budget for the next period for which suppliers contracts are in place. These commitments will be financed by appropriated grants, retained surpluses, existing cash resources, funds internally generated, ext and other bank facilities

Commitments for not yet contracted for and authorised relate to capital projects approved by Council on the capital budget which there is no contracts.

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	17 181 575	13 658 832	16 446 260	12 465 768
- in second to fifth year inclusive	7 998 212	11 117 437	7 809 035	10 276 325
	25 179 787	24 776 269	24 255 295	22 742 093

Operating lease payments represent rentals payable by the 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 R14,895 and R402,277 (2014 - R3,776 and R375,960) per month on the office buildings.

Operating leases - as lessor (income)

Minimum lease payments due				
- within one year	5 335 328	1 931 895	5 335 328	1 931 895
- in second to fifth year inclusive	17 945 521	3 905 050	17 945 521	3 905 050
- later than five years	21 109 672	840 406	21 109 672	840 406
	44 390 521	6 677 351	44 390 521	6 677 351

Certain of the 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 1 (social benefit) up to R 195,840 (2014 - R0 up to R66,430).

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
46. Contingencies				
Controlling entity				
Category A: Claims exceeding R 500 000.				
Category B: Claims less than R 500 000.				
Category C: Other legal matters.				
CONTINGENT LIABILITIES AS AT 30 June 2015				
Category A Claims:				
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
Hometalk- Possible claim for losses in respect of developments	60 000 000	69 704 796	60 000 000	69 704 796
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 *(B)	17 825 900	17 825 900	17 825 900	17 825 900
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
Miyelani Holeni: Independant contractor suspended for alleged tender irregularities. Claim for the remainder of his contract for 8.5 months	-	702 559	-	702 559
Lesira Teq: Claim for cancellation of contract for supply of water meters	8 224 063	8 224 063	8 224 062	8 224 063
Hazard Bonako	-	719 466	-	719 466
Other	4 979 188	2 220 421	4 979 188	2 220 421
Ingwempisi Security Services CC *(C)	123 872 435	123 872 435	123 872 435	123 872 435
Aloecap (PTY) LTD	5 301 000	4 755 000	5 301 000	4 755 000
Multi Waste Wadeville	2 407 112	2 407 112	2 407 112	2 407 112
Zanusi Marketing	1 152 169	-	1 152 169	-
Superway Construction	10 235 715	-	10 235 715	-
Nyoni Projects	3 675 493	-	3 675 493	-
KYK Construction	29 313 217	-	29 313 217	-
Scarlett Sun Pty Ltd	1 630 351	-	1 630 351	-
Inter Southern power pty ltd	1 630 351	-	1 630 351	-
Mabra construction (pty) ltd	3 449 300	-	3 449 300	-
ZwakalaQuantity Surveyors	3 105 216	-	3 105 216	-
GMRF claim - legal costs	1 773 869	-	1 773 869	-
EDC M Ramanna and Associates	2 334 520	2 334 520	-	-
ERWAT -Guarantees	3 461 830	2 955 100	-	-
	493 466 631	444 816 274	487 670 280	439 526 654
Category B Claims: Other Claims	1 267 648	1 376 747	1 267 648	1 376 747
Category C Claims: Other Matters	-	1 787 879	-	1 787 879
	1 267 648	3 164 626	1 267 648	3 164 626
CONTINGENT ASSETS				
NCP Clorchem - Dispute regarding price charged for energy supply	178 788 869	178 788 869	178 788 869	178 788 869
Combi trade Eleven (Pty) - Unpaid rate and taxes	2 832 963	2 832 963	2 832 963	2 832 963
Lucmer construction & New national Assurance - Failure to comply with contract conditions	3 174 615	3 174 615	3 174 615	3 174 615
Kgorong and other - Fail to perform work in terms of contract	776 591	776 591	776 591	776 591
Mkhabela Sibeko and others - Goods supplied did not comply with safety standard	1 024 290	1 024 290	1 024 290	1 024 290
	186 597 328	186 597 328	186 597 328	186 597 328

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

46. Contingencies (continued)

*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) 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.

(C) Plaintiff was unsuccessful in a bid for security services and now challenge the award to the successful bidder they are claiming damages of R123,872,435.28

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand

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

Declarations are retained in a register at tender office.

For details of Members of key management see note below,for remuneration refer to note 33

Close family member of key management

Members of key management

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand

47. Related parties (continued)

Key Management

City Manager
Chief Operating Officer
Chief Financial Officer
Head of Department: Internal Audit
Head of Department : Electricity & Energy
Head of Department : 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
Head of Department: Customer Relations Management
Head of Department: Real Estate and Facilities
Head of Department: Roads and Transport
Head of Department: Water and Sanitation
Head of Department: Fleet
Chief Director : RTCW
Chief Director : Water Services
Chief Risk Officer
Chief of Police
Secretary of Council

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand

47. Related parties (continued)

June 2015

Tenders awarded to family members

No	Contract number	Supplier Name	Relation	Employee name	Employee designation	Amount R0.00
1	C-WS 28-2014(T)	Anix Trading 587CC	Spouse	MJ Msimango	Senior Clerk	40 000 000
2	C-ICT 07-2014(T)	Altech Alcom Matomo	Spouse	R van Vuuren	Acting Exec. Manager	45 000 000
3	C-ICT 08-2014(T)	Altech Alcom Matomo	Spouse	R van Vuuren	Acting Exec. Manager	42 800 000
4	C-TPP 02-2015(T)	Dalindyebo & Sons Trading CC	Spouse	T Dalindyebo	Snr Accountant	1 564 397
5	C-E 36-2014(T)	Empower Electrical CC	Spouse	HE Sikhitha	Snr Admin Officer	2 977 500
6	C-HSD 13-2014(T)	Humelela Maintenance Services CC	Spouse	VW Maluleke	Horticulturist	192 210
7	C-WMS 04-2014(T)	LMM Training and Development	Spouse	K Mangwane	Creditors clerk	17 034 754
8	C-E 32-2014(T)	MPPM Consulting Engineering CC	Spouse	M Senyatsi	Manager ICT	1 107 652
9	C-WS 18-2014(T)	Seletje construction and management CC	Spouse	PM Lekgwathi	Senior clerk	33 060 338
10	C-WS 18-2014(T)	Tsekema Consulting Engineers	Spouse	DA Motsoane	Senior clerk	61 413 166
11	C-E-28-2014(T)	Tsekema Consulting Engineers	Spouse	DA Motsoane	Senior clerk	1 521 500
Subtotal						246 671 517
						246 671 517

June 2015

Deviations on tenders awarded to family members of staff

No	Contract number	Supplier Name	Relation	Employee name	Employee designation	Amount R0.00
1	C-TPP 02-2013(T)	Dalindyebo & Sons Trading CC	Spouse	T Dalindyebo	Snr Accountant	49 356
2	C-HR 03-2014(T)	Hillah Suppliers	Spouse	T Nkhize	Learnership	224 650
3	C-EMPD 02-2014(T)	IMQS Software(Pty)Ltd	Spouse	WvR Valentin	Snr Manager	365 200
4	C-HR 03-2014(T)	Imbalenhle Catering	Spouse	LI Dlamini	Learnership	136 700
5	C-TPP 02-2013(T)	LMM Training and Development CC	Spouse	K Mangwane	Snr clerk	73 322
Subtotal						849 228
						849 228

June 2014

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand

47. Related parties (continued)

Tenders awarded to family members

No	Contract number	Supplier Name	Relation	Employee name	Employee designation	Amount R0.00
1	A-RS-R 03-2013	Aveng(Africa) ltd t/a Infraset Supply	Spouse	F J Mashaba	Snr Clerk	27 000
2	A-DEMS 09-2013	Jamoda sons Trading & Projects(Pty)Ltd	Spouse	M E L Mnyando	Superintendent	1 200 000
3	PS-WS-39-2013	Tsekema Consulting Engineers	Spouse	D A Mostoane	Administrator	2 121 580
4	PS-EE-51-2013	Tsekema Consulting Engineers	Spouse	D A Mostoane	Administrator	599 471
5	PS-WS-65-2013	Tsekema Consulting Engineers	Spouse	D A Mostoane	Administrator	4 715 995
6	A-F-01-2013	Anix Trading 787 CC	Spouse	M J Msimango	Snr Clerk	5 765 000
7	A-ERM 04-2013	General maintenance of Cemeteries	Spouse	M J Msimango	Snr Clerk	193 247
8	A-RS(R) 11-2013	Danzcomm Joint Venture	Spouse	T Dalindyabo	Snr Controller	2 000 000
9	A-RS(R) 15-2013	Seletje construction and management CC	Spouse	P M Lekgwathi	Snr Clerk	33 333 334
10	PS-EE 44/2014	Tsekema Consulting Engineers	Spouse	D A Mostoane	Administrator	69 752 148
11	PS-EE 27/2014	Tsekema Consulting Engineers	Spouse	D A Mostoane	Administrator	17 015 766
Subtotal						136 723 541
						136 723 541

June 2014

Deviations on tenders awarded to family members of staff

No	Contract number	Supplier Name	Relation	Employee name	Employee designation	Amount R0.00
1	C-RS-16-2013	Dalindyabo Sons Trading CC	Spouse	T Dalindyabo	Snr Controller	2 541 259
		Bizzybous Trading enterprise	Spouse	L P Khumalo	Snr Typist	1 994 655
		Hillah construction and General Services CC	Spouse	T Mkhize	Metro Police	3 401 336
Subtotal						7 937 250

June 2015 staff

Quotations awarded to family members of staff

No	Supplier Name	Relation	Employee Name	Employee designation	Amount
1	Green Today Projects (Pty) Ltd	Spouse	GL Ntombimpela	Prof. Nurse	325 265
2	Humelela Maintenance and Service	Spouse	VW Maluleke	Horticulturist	328 300
3	Imbalenhle Catering and Project	Spouse	LI Dlamini	EPWP	246 440
4	Kotulo Ya hlabola	Spouse	A Sihlangu	Learnership Information centre co-ordinator	90 000
5	LMM Training and Development	Spouse	K Mangwane	Creditors clerck	175 215

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2015

Notes to the Group Annual Financial Statements

Figures in Rand

47. Related parties (continued)

6	MA-ZZ Marketing and Development	Spouse	LGG Ngcakana	Audit officer	87 900
7	Nasisipho Trading and Development	Spouse	NMM Mogabale	Constable	47 948
8	Sinsible Trading Enterprise CC	Spouse	Lineo Hlope	Prof. Nurse	716 435
9	Tpromo Marketing (Pty) Ltd	Spouse	S Mthimkulu	General Worker	67 268
10	Nehemias Construction and Business	Spouse	NJ Khumalo	Coordinator	22 652
11	P F Power Plastics cc	Spouse	PF Visser	Shift Manager	44 805
12	Motatwe-Monehela Trading cc	Spouse	MJ Moghasi	Professional Nurse	33 600
13	ENT Trading Enterprise cc	Spouse	ZR Ndlovu	Clerk	203 903
14	Mr Bones Trading and Projects cc	Spouse	S Mbasane	Driver	10 000
15	Amagilija and Daughters Holding (Pty) Ltd	Spouse	DS Nhleko	General worker	34 500
16	NMVL Trading and Projects cc	Spouse	NM Mashele	Horticulturist	151 354
17	FIFI's Kitchen an Projects	Spouse	NI Mbele	Snr Clerk	243 390
18	Jamoda Sons Trading and Projects (Pty) Ltd	Spouse	MEL Mnyandu	Superintendent	42 060
19	SA Skills Warehouse (Pty) Ltd	Spouse	HE Mabuza	Crew	144 788
20	Batsebiye Business Entrerprise cc	Spouse	NE Mufamadi	General Worker	-

3 015 823

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Figures in Rand

47. Related parties (continued)

June 2014

Quotations awarded to family members of staff

No	Supplier Name	Relation	Employee Name	Employee designation	Amount
1	Clutch and Brake Service CC Springs	R Beukes	G R Beukes	Snr Manager	1 489 510
2	Iponeng African Language Services	D J Moko	P Ndhlovu	Constable	353 127
3	Sebatatso Caterers	E S Dhlahl	M M Dhladhla	Security guard	1 746 653
4	Mankena Maselaelo Bus.Ent.(Pty)Ltd	A M Sibisi	S P Sibisi	Snr Clerk	116 230
5	Empower Electrical CC	T Sikhitha	HE Sikhitha	Snr Administration Officer	1 678 068
6	Mokgari Trading CC	M T Mokgari	N M Mokgari	GIS officer	394 643
7	Mzozu Electrical Enterprise CC	V J Zungu	Z C Zungu	General Worker	754 880
8	Mjikijela Trading Enterprise CC	M M Mthimkulu	S R Mthimkulu	General Worker	450 133
9	Jan and Poppy Catering	M. Smith	E J J Smith	Executive secretary	54 400
10	Day One Trading Enterprise CC	J P Makeleni	L Makeleni	Principal clerk	67 839
11	Distinctive Choice Catering & Crafts CC	P B J Dalindyebo	M T Dalindyebo	Supervisor handyman	4 600
12	Imbalenhle Catering & Projects	J J A Mashaba	J F Mashaba	Learnership	4 259 545
13	Dalindyebo Sons Trading CC (EPWP)	K R Smith	M D SMITH	Snr controller	415 326
14	Bamphile Trading & Projects Co-Opt Ltd	T L Boonzaaier	J A Boonzaaier	Ward secretary	26 020
					11 810 974

Related party balances

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

East Rand Water Care Company, NPC	6 095 842	6 055 799
Pharoe Park Housing Company SOC Ltd	-	3 639
Brakpan Bus Company SOC Ltd	14 691 450	8 293 854
Germiston Phase II Housing Company SOC Ltd	-	834 182
Ekurhuleni Development Company SOC Ltd	-	1 800

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	2015	2014	2015	2014

47. Related parties (continued)

Amounts included in Trade Payable regarding related parties - municipal entities

East Rand Water Care Company, NPC			40 014 454	33 372 659
Pharoe Park Housing Company SOC Ltd			-	2 938 733
Germiston Phase II Housing Company SOC Ltd			5 345	69 705
Lethabong Housing Institute, NPC			34 393	34 393
Brakpan Bus Company SOC Ltd			5 000 000	-

Related party transactions

Sales to related parties - municipal entities

East Rand Water Care Company, NPC			64 438 458	59 107 798
Pharoe Park Housing Company SOC Ltd			1 522 898	1 345 662
Germiston Phase II Housing Company SOC Ltd			4 369 612	4 054 267
Ekurhuleni Development Company SOC Ltd			49 954	46 870
Brakpan Bus Company SOC Ltd			110 000	110 000
Lethabong Housing Institute, NPC			167 254	156 659

Purchases from related parties - municipal entities

East Rand Water Care Company, NPC			596 539 571	528 898 741
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Grants to related parties - municipal entities

Pharoe Park Housing Company SOC Ltd			1 750 000	1 558 704
Germiston Phase II Housing Company SOC Ltd			1 750 000	1 941 296
East Rand Water Care Company, NPC			50 000 000	50 000 000
Brakpan Bus Company			5 000 000	-

Refer to Employee related costs note (note 33) for remuneration paid to key management.

48. Change in estimate

Property, plant and equipment

Useful lives review for 2014/2015 had the following impact:

	Economic entity	Controlling entity
Depreciation expense before remaining useful lives review	(R1 666 338 474)	(R1 665 915 592)
Depreciation expense after remaining useful lives review	(R1 638 729 445)	(R1 638 326 933)
Future reduction in depreciation due to review	(R 27 609 030)	(R 27 588 660)

Controlling entity

The discount rate has changed from 10.58% to 10.49%. The impact of this change has been disclosed in the relevant notes.

49. Prior period errors

2015

Property plant and equipment, investment property, intangible assets as well as heritage assets were identified during the year that were either categorised incorrectly between the four types, were found or removed from the relating registers.

The correction of the errors results in adjustments as follows (detected in 2015):

Statement of Financial Position

Property, plant and equipment (Opening balance 01/07/2013)	-	72 702 923	-	72 702 923
Heritage assets (Opening balance 01/07/2013)	-	(65 258 530)	-	(65 258 530)
Intangible assets (Opening balance 01/07/2013)	-	272 880	-	272 880
Investment property (Opening balance 01/07/2013)	-	(187 200)	-	(187 200)
Opening accumulated surplus (Opening balance 01/07/2013)	-	(7 530 072)	-	(7 530 072)

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	2015	2014	2015	2014

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.

51. Risk management

Capital Risk Management

The entity's objectives, when managing capital, are to safeguard the 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 entity consist of debt, which includes the borrowings disclosed in note 19 and cash and cash equivalent disclosed in note 16.

Consistent with others in the industry, the 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 entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio 2015 and 2014 respectively are as follow:

	2015	2014	2015	2014
Other financial liabilities	(6 160 151 505)	(5 399 104 349)	(5 754 596 673)	(5 288 777 045)
Less: Cash and cash equivalent	7 818 308 512	5 933 677 109	7 701 851 246	5 894 540 499
Net debt	1 658 157 007	534 572 760	1 947 254 573	605 763 454
Total equity	45 253 701 658	42 871 773 664	43 943 165 992	41 682 972 684
Total capital	46 911 858 665	43 406 346 424	45 890 420 565	42 288 736 138

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

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

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 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.

Interest rate risk

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

The 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 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	9,5 %	4 554 760 139		
Long term receivables	variable %	1 658 120	1 658 120	1 658 120

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 years
Long term and other liabilities	Various	353 318 933	390 645 678	1 095 418 212	4 320 768 682
Finance lease obligation	Various	38 913	46 581		

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

51. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash & cash equivalents, derivative financial instruments and trade debtors. The municipality 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 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 furnish them a guarantee from the entity in respect of BBC's obligations towards the beneficiary. The original capital obligation amounted to R15 000 000.

Economic entity - 2015

Financial instrument	Economic entity - 2015	Economic entity - 2014	Controlling entity - 2015	Controlling entity - 2014
Other Investments	993 573 970	776 331 667	993 573 970	776 331 667
Long-term receivables	14 179 463	2 506 232	4 974 360	2 506 232
Consumer debtors	4 554 760 139	4 460 073 394	4 554 760 139	4 460 073 394
Other receivables	442 422 181	312 425 584	437 323 045	302 858 603
Cash and cash equivalents	7 818 308 512	5 933 677 109	7 701 851 246	5 894 540 499
Listed and Unlisted shares	12 452 987	11 942 248	4 000 000	4 000 000
	13 835 697 252	11 496 956 234	13 696 482 760	11 440 310 395

Price risk

The entity is exposed to equity price risk because of investments held by the entity. The entity is not exposed to commodity price risk.

The 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.

Management has reviewed the economic entity's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, management is satisfied that the entity has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

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	2015	2014	2015	2014

53. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Items of unauthorised, irregular and fruitless and wasteful expenditure are refer to MPAC for further investigations and determination on streps to be taken. During the current year the Council approved R29 340 359 (2014 - R1 921 079) for irregular expenditure and R1 165 930 (2014 - R322 487 811) for fruitless expenditure. The remaining amounts are still under investigation through MPAC and other organs.

Irregular expenditure

Opening balance	719 730 063	358 713 190	627 420 010	394 132 407
Add: Expenditure identified for the year	74 070 065	123 154 293	67 462 398	235 228 682
Less: Amounts ratified/approved by council/board and/or not recoverable	(32 203 720)	(2 749 379)	(29 340 359)	(1 921 079)
Less: Amounts not recoverable (not condoned)	(2 339 773)	-	-	-
Less: Amounts approved to be recovered	-	(20 000)	-	(20 000)
	759 256 635	479 098 104	665 542 049	627 420 010

Fruitless and Wasteful expenditure

Opening balance	159 879 344	149 763 804	126 136 315	149 080 535
Add: Expenditure identified for the year	20 805 564	10 119 559	20 753 061	9 972 611
Less: Amounts ratified/approved by council/board	(1 165 930)	(32 491 830)	(1 165 930)	(32 487 811)
Less: Amounts approved to be recovered	-	(429 020)	-	(429 020)
	179 518 978	126 962 513	145 723 446	126 136 315

June 2015

Unauthorised, Fruitless, Wasteful and Irregular Expenditure	Department	Description	Classification	Amount
	Various departments	Interest paid due to late payments	Fruitless	44 207
	Waste Management Sservice	Incorrect application of SCM Regulation 36, maintenance and ops of Rietfontein landfill	Irregular	7 219 040
	Water	Incorrect application of SCM Regulation 36Install and repair bulk meters to schools	Irregular	2 216 006
	Communication and Brand Management	Contravention of the SCM policy: Airport Cities World Conferemce	Irregular	165 300
	Communication and Brand Management	Contravention of the SCM policy: Airport Cities World Conferemce	Irregular	71 100
	ICT	Contracts values have been exceeded	Irregular	16 706 392
	EMPD	Service rendered during peace corps launch	Irregular	22 500
	Customer Care Areas	Contract value has been exceeded	Irregular	10 005 538
	DEMS	Contract value has been exceeded	Irregular	121 516
	EMPD	Incorrect application of SCM Regulation 36	Irregular	27 828 153
	SRAC	Contravention of the SCM Regulation 44	Irregular	242 445
	Finance	Non-compliance with SCM Regulation 44	Irregular	260 247
	Water and Sanitation	Penalties incurred	Fruitless	1 172 830
	BBC	Advertisements not done	Irregular	88 127
	ERWAT	No qoutations obtained	Irregular	1 059 283
	ERWAT	SCM regulations not adhered to	Irregular	401 373
	ERWAT	SCM regulations not adhered to	Irregular	2 466 724
	ERWAT	SCM regulations not adhered to	Irregular	592 501
	ERWAT	Bidders' tax matters not in order	Irregular	1 999 659
	Germiston phase II	Interest payment	Fruitless	52 353
	Pharoe Park	Interest payment	Fruitless	150
				72 735 444

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

53. Unauthorised, Fruitless, Wasteful and Irregular expenditure (continued)

June 2015	Department	Description	Classification	Amount	
Identified in the current year relating to prior years	Water and sanitation	Fictitious overtime claimed by an official	Fruitless	193 518	
	Real Estate	Contravention of SCM policy	Irregular	48 800	
	Communication and Brand Management	Contravention of the SCM policy	Irregular	203 280	
	ICT and Customer Relations	Determination of value for money in procurement of CRM and EMIS system	Fruitless	18 749 053	
	Finance	Determination of value of money in the procurement of Intenda system	Fruitless	421 007	
	Communication and Brand Management	Contravention of the SCM policy	Irregular	849 090	
	Real Estate	Fictitious overtime claimed by an official	Fruitless	21 468	
	Energy	Double payment to supplier	Fruitless	23 313	
	Human Resources and Development	Falsification of Bursary claim	Fruitless	127 665	
	Health and Social development	Contravention of the SCM policy	Irregular	494 963	
	EMPD	Contravention of the SCM policy: Training services	Irregular	1 008 028	
					22 140 185

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

53. Unauthorised, Fruitless, Wasteful and Irregular expenditure (continued)

June 2014

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
City planning	Extension of contract for acquisition and supply of digital coloured 2D and 3D aerial photography in accordance with old SCM policy but not in line with MFMA section 116(3) and MFMA circular 62	Irregular	39 290
Finance	Extension of contract for reading of water and electricity meters in accordance with old SCM policy but not in line with MFMA section 116(3) and MFMA circular 62	Irregular	1 922 126
Waste Management	Ratification of contract not in line with SCM regulation 36(1)b.	Irregular	263 388
Waste Management	Ratification of contract not in line with SCM regulation 36(1)b.	Irregular	12 825 522
Finance	Non compliance with SCM regulation 44, awards issued to employees working for the state	Irregular	46 930
Finance	The procurement of goods or services was deliberately split into parts	Irregular	145 750
Human Settlement	The procurement of goods or services was deliberately split into parts	Irregular	239 091
Roads	The suppliers were given work by Roads and Storm Department without written IPW's.	Irregular	55 780 679
Roads	Awards issued to employee/consultant working for the municipality	Irregular	25 605 404
SRAC	Allegations of procurement irregularities, 2012 Heritage Day celebrations	Irregular	41 525
SRAC	Allegations of conflict of interest by officials of SRAC	Irregular	970 895
Finance	Allegations of procurement irregularities involving cloning of payments at CPO	Irregular	625 885
Energy	Allegations of SCM violations, theft and corruption against an engineer at Alberton	Irregular	3 154 123
Real Estate	Alleged irregular overtime claims and payments to Horticulturists.	Irregular	285 264
Various departments	Interest paid due to late payments	Fruitless	1 165 930
SRAC	Investigation into the alleged abuse of Act Centre upgrade	Irregular	102 185
Economic Development	Supply, delivery and installation of exhibition stalls for Job Summit and Careers expo	Irregular	39 912
Waste Management	Investigation into the extension of contract A- ED 11/2011	Irregular	26 706 031
Waste Management	Investigation into the extension of contract A- ED 11/2011	Fruitless	8 806 681
Finance	Non compliance with section 2(1)(f) of PPPFA	Irregular	138 261
.ICT	The appointment of internet provider for the commissioning of internet services	Irregular	2 584 418
Finance	The appointment of a service provider for the supply, delivery and off-loading of petrol and automotive diesel	Irregular	12 000 000
Roads	Non compliance with SCM regulations - Contract A-IS(RW) 05/2012	Irregular	56 035 753
Finance	Awards to prohibited suppliers	Irregular	2 850
Human Resources	Institutional review	Irregular	35 673 400
			245 201 293

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014
54. Additional disclosure in terms of Municipal Finance Management Act				
Contributions to organised local government				
Current year subscription / fee	11 263 200	7 905 900	11 263 200	7 905 900
Amount paid - current year	(11 263 200)	(7 905 900)	(11 263 200)	(7 905 900)
	-	-	-	-
Material losses through criminal conduct and fraudulent activities				
Opening balance	20 446 141	-	20 446 141	-
Amounts identified in current year	2 415 092	20 446 141	386 631	20 446 141
	22 861 233	20 446 141	20 832 772	20 446 141
2015				
Theft of money	R 386,631			
Fraud on ticket machines - Entities	R2 028 461			
2014				
Fraudulent payments made to:				
Kwanele-Bafazi trading and projects	R1,346,685			
Rofika trading and projects	R8,258,932			
Failure to development landfill site	R8,284,524			
Hacking of the financial system	R1,139,072			
Duplicate of payments	R1,115,002			
Unfair labour practice	R 86,526			
Audit fees				
Opening balance	880 967	1 708 345	264 578	1 563 258
Current year subscription / fee	22 664 900	20 621 393	19 500 000	17 622 504
Amount paid - current year	(23 021 497)	(21 448 771)	(19 529 208)	(18 921 184)
	524 370	880 967	235 370	264 578
PAYE and UIF				
Opening balance	5 809 707	3 830 893	-	-
Prior period adjustment	(3 604 406)	(7 349)	-	-
Current year fee	815 648 233	747 551 745	781 889 676	721 636 018
Amount paid - current year	(817 857 313)	(745 565 582)	(781 889 676)	(721 636 018)
	(3 779)	5 809 707	-	-
Pension and Medical Aid Deductions				
Opening balance	92 402	46 166	-	-
Prior period adjustment	(11 708)	(2 495)	-	-
Current year subscription / fee	1 519 988 886	1 415 134 816	1 470 156 628	1 370 432 333
Amount paid - current year	(1 519 980 127)	(1 415 086 085)	(1 470 156 628)	(1 370 432 333)
	89 453	92 402	-	-
VAT				
VAT paid during the year	104 946 635	108 603 795	85 449 960	88 164 787

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	2015	2014	2015	2014

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

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Pienaar R	-	821	821
Dlamini G	5 615	8 616	14 231

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

30 June 2015		Highest outstanding amount	Aging (in days)
Anticevich JA	-	2 371	120
Dlamini G	-	14 364	390
Dlomo MS	-	2 707	120
Makaleng PJ	-	1 075	120
Mohoaladi MS	-	2 062	150
Motaung A	-	515	120
Msibi KS	-	8 814	120
Mxabageli VS	-	1 425	150
Nxumalo A	-	1 781	120
Nxumalo IS	-	2 217	120
	-	37 331	1 530

30 June 2014		Highest outstanding amount	Aging (in days)
Dlamini G	-	8 616	240
Pienaar R	-	821	360
	-	9 437	600

55. Utilisation of Long-term liabilities reconciliation

Outstanding long-term liabilities beginning of the year	5 399 104 346	5 261 944 782	5 288 777 045	5 133 197 777
Redemption of loans	(303 799 529)	(647 840 436)	(284 180 372)	(629 420 732)
New loans	1 064 846 689	785 000 000	750 000 000	785 000 000
	6 160 151 506	5 399 104 346	5 754 596 673	5 288 777 045
Used to finance PPE: Opening balance	(5 520 795 572)	(5 015 557 276)	(5 095 621 579)	(4 886 295 216)
Redemption of loans	303 799 529	647 840 436	284 180 372	629 420 732
Capital financed from external loans for the year	(972 122 259)	(838 747 095)	(971 607 207)	(838 747 095)
Unspend long term liabilities	(28 966 796)	192 640 411	(28 451 741)	193 155 466
Cash set aside for the repayment of long-term liabilities for the year	856 740 526	819 319 820	856 740 526	772 468 899

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.

Up to this period the capital spending funded from loans were higher than the available funds but it will be corrected when the new loans (bonds) are taken up.

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Figures in Rand	Economic entity		Controlling entity(other)	
	2015	2014	2015	2014

56. 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	180 887 422	23 394 194	171 095 802	18 602 063
Sole supplier	17 507 157	10 230 705	11 478 293	9 902 212
Appointment of consultant	26 230 980	17 092 793	26 230 980	17 092 793
Events	20 576 280	18 448 146	20 576 280	18 448 146
Operational services	206 720 592	143 367 229	206 720 592	143 367 229
Other	33 131 210	35 015 444	-	-
Training	18 863 611	972 000	33 131 210	972 000
	503 917 252	248 520 511	469 233 157	208 384 443

30 June 2015

During the year the accounting officer ratified minor breaches in line with SCM regulation 36(2) R24 090 579

Operational services of R206 720 592 include inter alia the following salient amounts:

R137 436 300 rental and maintenance of chemical toilets
R 69 284 292 maintenance and other related services

30 June 2014

Operational services of R143 367 229 include inter alia the following salient amounts:

R37 963 998 cleaning and minor repair to sewer pipe lines
R 60 000 000 for the upgrading of Tembisa metering equipment
R 26 638 121 for electronic metering
R 14 276 645 for ICT related matters

57. Unaccounted Electricity And Water

Electricity	30 June 2015	30 June 2015	30 June 2014	30 June 2014
	Units	Value	Units	Value
Units purchased	10 507 870 008	7 432 385 890	10 667 400 921	6 968 863 814
Units sold	(9 450 304 650)	(6 684 352 860)	(9 457 852 951)	(6 178 683 043)
	1 057 565 358	748 033 030	1 209 547 970	790 180 771

Technical loss %	5,90 %	5,90 %	5,90 %	5,90 %
Non-technical loss %	4,16 %	4,16 %	5,44 %	5,44 %
Total loss %	10,06 %	10,06 %	11,34 %	11,34 %

Water	30 June 2015	30 June 2015	30 June 2014	30 June 2014
	Units	Value	Units	Value
Opening balance	1 206 000	6 679 555	1 205 000	6 102 460
Purchases	364 906 484	2 204 901 934	356 640 839	1 975 288 966
Less: closing balance	(1 201 918)	(7 259 585)	(1 206 000)	(6 679 555)
Units sold	(247 741 034)	(1 496 355 845)	(235 737 059)	(1 305 651 963)
	117 169 532	707 966 059	120 902 780	669 059 908

Technical loss %	15,00 %	15,00 %	17,30 %	17,30 %
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	2015	2014	2015	2014
57. Unaccounted Electricity And Water (continued)				
Non-technical loss %	17,11 %	17,11 %	16,60 %	16,60 %
	32,11 %	32,11 %	33,90 %	33,90 %

58. Budget differences

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58. Budget differences (continued)

Controlling entity

Revenue

The actual total revenue of R25.7 billion for the year is 1% or R377 million less than the final adjusted budget revenue of R26.0 billion, and the variance if compared with the original budget is only 0.4% or R100 million. The original total revenue budget was adjusted upward based on increase on grants revenue as a result of the additional allocations approved during the adjustment budget.

The followings movements on the sources of revenue are explained in details between the actual and the amount budgeted for during the year,

The largest income source on municipal revenue is **Service Charges**, which represents 63.5% of the total revenue. The actual income earned for the year was R16.3 billion, which is only 0.8% or R130 million less than the budgeted income of R16.43 billion.

The analysis of the **Services Charges** is reflecting the following results:

Source	Budget	Actual
Energy Income	R11.5 billion	R11.3 billion (98%)
Water and Sanitation Income	R3.9 billion	R4.1 billion (105%)
Waste Management	R1.2 billion	R1.1 billion (96%)

The **water and sanitation income** reflected 5% of R200 million higher than the budgeted income due to higher consumption and reduction in water loses in the current year. The **energy income** was 2% or R200 million less than budgeted due to decline in the consumption within the manufacturing sectors and new energy sources on renewable energy in the business sectors to reduce impact on load shedding, where the analysis of the waste management income reflects that the actual levies charged to consumers amounted to R1.174 billion compared to the budgeted income of R1.231 billion, which reflects a deviation of 4% or 57 million less than the budget.

The actual net income from **Property Rates** is R3.8 billion which is 8% or R337 million less than budgeted of R4.1 billion. This deviation is largely as a result of the higher budgeted amount on departmental costs for Council properties. The income levied on property rate owners was less 1% than the budgeted amount. The income on penalties levied were R21 million less than the budget.

	Budget	Actual
Assessment Rate income as levied	R4.691 billion	R4.652 billion (99%)
Income Forgone	R669 million	R673 million (101%)
Departmental costs charged internally	R12 million	R286 million
Penalties charged on assessment rates	R109 million	R88 million (80%)

The actual income from **Operational Transfers Recognized** is R4.1 Billion which is 4% or R176 million less than budgeted amount of R4.3 billion, mainly as a result of the income recognised from National Grants that is R152 million less than budgeted. The recognition of these income is directly affected by the operational expenditure incurred on these projects. The under spending of the expenditure resulted in the lower income budget being recognized.

The **Investment Revenue** which consists of the interest earned on investments were 78% or R219 Million higher than budgeted of R501 million, even after the budget amount on this source was adjusted upward/increased during in the Adjustment Budget. The higher than anticipated income was largely as a result of higher bank balance held on hand and the delayed spending of capex expenditure.

The actual income for other **Own Revenue** was R47 million more than budgeted. The following income sources yielded significant deviation from the budgeted income:

- Interest Earned on Debtors (R73million more than budgeted)
- Income from essential services (bulk contributions on developments, R34million more than budgeted))
- Income on Fines were (R64million less than budgeted).

Expenditure

The budgeted Operating Expenditure for the year is R26.5 billion which resulted in the actual spending of 5% or R1.4 billion on the final budgeted amount of R25.1 billion. The movements if the actual expenditure for the year is explained as per below expenditure items:

Employees Costs were 8% (R495 million) below the budget due to delays experiences in filling vacant positions. Included in the employee cost budget was an amount of more than R105 million for new positions which were not utilized as the positions were approved in the last quarter of the year. The number of vacancies in Council increased from 2,304 in June 2014 to 2,682 in June 2015.

The Debt Impairment increased 62% (R762 million) of the budget amount due to non recoverability of the old outstanding accounts which were provided for full in the current year.

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58. Budget differences (continued)

Finance Charges are budgeted according to all the existing loans of Council plus the interest payable on new loans to be obtained in during the applicable financial year. During the compilation of the budget it was anticipated R1.1 billion of new borrowing will be raised during the financial to fund projects expenditure. Due to the relative lower spending in capital expenditure Council reduced the amount borrowed to be R750 million on 23 June 2015. This resulted in a savings of R116 million on finance charges during the financial year.

The actual expenditure for **Transfers and Grants paid** is 18% or R256 million less than the adjusted budgeted expenditure of R1.4 billion.

The actual expenditure for excess consumption (which is part of the Transfers and Grants category) is R105 million less than budgeted. The budgeted expenditure for grants and rebate on services levies is R67 million less than the actual expenditure of R538 million.

The operational expenditure funded from grant income was budgeted at R369 million. The actual expenditure amounted to R283 million which is 23% (or R86 million) less than budgeted. The biggest contributor to this saving is the grant expenditure budgeted for the Human Settlement Capacity grant. The actual spending is R51 million (almost full amount) less than budgeted.

The Other Expenditure group were 21% or R979 million less than the budgeted amount of R4,6 billion. The main expenditure sources that realized savings are as follows:

- Collection Cost actual expenses were R42 million less than budgeted.
- Repair and Maintenance is included in the Other Expenditure group. A total amount of R2.5 billion was budgeted, whilst the actual expenditure was 19% or R470 million less than budgeted. Energy Department spent 96% of their repairs and maintenance budget. Roads and Stormwater Department only spent 65% of the repair and maintenance budget (R318 million of R493 million was spent). The Water Department spent 75% of the budgeted expenditure. The budget not spent amounted to R144 million. Cognisance must be taken that the repair and maintenance budget for Water Department was increased with R117 million during the Adjustment Budget. If the actual spending of R424 million is compared with the original budget of R436 million, It appear if the department could not spent the additional budget allocated in the Adjustment Budget.
- An amount of R881 million was budgeted for contracted services. The actual expenditure of R715 million is R167 million less than budgeted. Expenditure for legal services were R7 million less than the budget of R52 million. The contract for meter management services were only awarded during the 2014/15 financial year. It resulted that only R64 million of the R87 million budgeted could be spent. The expenditure for the costs of prepaid vending was R16m less than the budget of R28 million. The actual cost of R7 million for the serving of summonses was 18 million less than budgeted. A saving of R11 million realized on the valuation roll expenses. Contract expenditure for waste removal services was R51 million less than the budget of R247 million. Cost cutting measures were applied in this category to reduce reliance on consultant services.
- General expenditure (such as printing and stationery, consumables, travelling, events) is a main contributing factor for the lower than budgeted expenses. An amount of R1.6 billion was budgeted and only R1.2 billion was spent. This is a 26% saving on the budget. A large component of these expenses relates to non-core and non-essential services and in terms of Council's cost containment measures should yield a minimum of 6% saving.

Capital Budget

The capital budget was increased by 27% in the current year to R3.8 billion from R3.0 billion in previous financial. The actual spending on the capital budget for the year is 81 or R3.1 billion of the adjustment budget of R3.8 billion representing an underspending of R742 million. Though the percentage capital spent of 80.54% in 2014/15 is less than the previous year's spending percentage of 87.44%, it still represents an increase of 18% or R442 capital expenditure in monetary value.

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58. Budget differences (continued)

ADJUSTMENT BUDGET CHANGES AS INDICATED ON THE APPROPRIATION STATEMENT

INCOME BUDGET

The income budget was increased with R273 million during previous year. The increase is mainly as a result of grant funding which was rolled over from the previous financial year, which amounted to R136 million.

In respect of conditional grants application was submitted to National Treasury for the roll-over of certain grants and approval was obtained for the following (significant) grants:

-	Integrated City Development Grant (ICDG):	R8.0 million
-	Public Transport Infrastructure Grant (PTIG)	R50.2 million
-	Human Settlement Development Grant (HSDG)	R47.6 million

The movement of the income budget for Grants and Subsidies effected in the Adjustment Budget also effected the expenditure budget for the Grants and Subsidies Paid in the Operating Expenses.

Service Charges – Sanitation Income

The actual income from sanitation services exceeded the budgeted income with 6.33%. This was mainly as a result of the basic levy income under provided in the original budget. As a result of the positive deviation the income budget for sanitation services was increased with R73 million in the adjustment budget.

The interest earned on investments exceeded the budgeted income for investment revenue. It was projected that the actual interest received will exceed the budget by R62 million which resulted in the upward adjustment of the income.

EXPENDITURE BUDGET

Employee Costs

The budget for employee costs was reduced with R106 (net) million mainly as a result of actual savings on salaries for the first quarter of the financial year due delays in approving of new posts.

Finance Charges

The amount required to borrow (municipal bond or external loan) for the funding of the Capital Budget is R1.269 billion. During the compilation of the budget provision was made for the interest payable at 10.15% p.a. for a period of 6 months. It was anticipated that Council would obtain the capital funds in April/May 2015. The new borrowings were only obtain on 23 July 2015. Resulting in even more savings on finance charges.

Bulk Purchases

An analysis of purchases and consumption of bulk water for the first three months into the financial year (July 2014 to September 2014). Based on the results of the bulk purchases in the midterm it required the increased adjustment of the expenditure. The increase of R86 million or 3%. Based on the yearend results it appeared that the projected additional expenditure of R86 million was overstated with R40 million.

Other Expenditure

Other expenditure increased with R285 million for the following major items:

- Repair and maintenance which form part of the Other Expenditure was increased with R127 million, of which R117 million was allocated to the water services.
- Operational grant expenditure, funded from grants was increased with R94 million. Mainly as a result of the approval of roll-over grants and additional provincial allocations.
- In Council's commitment to curtail non-essential services the general expenditure budget was reduced with R77 million. The reduction was based on the underspending of general expenses in the first quarter of the financial year.

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58. Budget differences (continued)

Controlled entities

ERWAT

A budgeted income for the year was set to be R676 207 263 of which ERWAT managed to receive R668 608 048(including grants received). Although it is only a -1% decrease, sundry income is below the budget with 27%, development contribution received has not been budgeted for and the investment revenue is 76% higher than budget.

Sundry income in the Technical department is 30% less than the budget as the technical department made a decision during November 2014 to reduce reliance on hire equipment and utilise internal capacity on Ekurhuleni Metropolitan Municipality owned pump stations. The reduction in workload, in particular, hired equipment, has a direct impact on the income. Sundry income in the Commercial Business department is 25% less due to loss of projects and still waiting for new projects to be adjudicated. The development contribution received during the financial year amounted to R16 968 083, not budgeted for, based on the fact that ERWAT is not sure when we will receive the contribution and the amount of contribution. Investment revenue is higher than budgeted due to a higher bank balance than budgeted.

A budgeted expenditure of R626 207 263 has been set by ERWAT, of which ERWAT has managed to spend R548 533 584 or 88% of the budget. The under expenditure is mainly derived from interest paid and bulk purchases. ERWAT had planned to receive a loan which would bear interest during the first quarter but the loan only came into effect late in the second quarter, resulting in a saving on interest. Bulk purchases was under spent by 11%, mainly due to improved efficiencies at the ERWAT plants, resulting in lower purchases of chemicals.

ERWAT has a capital expenditure budget of R396 765 238 for the year, of which R333 352 950 (84%) has been spent, the under expenditure is due to delays in the tender process and the withdrawal of a contractor from a significant contract (R29million).

The cash at hand at the end of the financial year is R83 844 592, which is higher than budgeted due to the under spending on capital. ERWAT had also withdrawn more funds than budgeted, from the loan account, and this resulted in more cash on hand.

Other controlled entities

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

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* See Note 2 & 49