



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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	Municipality
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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts (Appropriation Statement)	8 - 11
Accounting Policies	12 - 27
Notes to the Annual Financial Statements	28 - 79

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The annual financial statements set out on pages 4 to 79, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 28 August 2015.

Accounting Officer
K Ngema

Group Chief Financial Officer
R Ganda

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	10	325 384 318	155 324 378
Other investments	11	115 978 314	143 069 576
Other receivables from exchange transactions	12	991 404 925	599 268 608
Other receivables from non-exchange transactions (taxes and transfers)	13	23 973 756	5 909 437
Consumer debtors	14	4 554 760 139	4 460 073 394
Cash and cash equivalents	15	7 701 376 113	5 894 540 499
		13 712 877 565	11 258 185 892
Non-Current Assets			
Investment property	4	186 095 971	152 324 251
Property, plant and equipment	5	44 884 520 788	43 861 048 849
Intangible assets	6	148 948 660	122 971 151
Heritage assets	7	36 194 251	36 194 251
Investments in controlled entities	8	306	306
Other investments	11	881 595 656	637 262 092
Long-term receivables	9	4 974 360	2 506 232
		46 142 329 992	44 812 307 132
Non-Current Assets		46 142 329 992	44 812 307 132
Current Assets		13 712 877 565	11 258 185 892
Total Assets		59 855 207 557	56 070 493 024
Liabilities			
Current Liabilities			
Long-term liabilities	16	361 074 769	267 666 436
Trade and other payables from exchange transactions	17	5 618 627 286	4 982 054 758
Deposits	18	713 698 782	643 208 904
Unspent conditional grants and receipts	19	553 045 659	370 602 590
Provisions	20	372 871 780	272 930 166
		7 619 318 276	6 536 462 854
Non-Current Liabilities			
Long-term liabilities	16	5 393 521 904	5 021 110 609
Retirement benefit obligation	21	2 049 898 581	1 967 931 581
Provisions	20	849 302 804	862 015 296
		8 292 723 289	7 851 057 486
Non-Current Liabilities		8 292 723 289	7 851 057 486
Current Liabilities		7 619 318 276	6 536 462 854
Total Liabilities		15 912 041 565	14 387 520 340
Assets		59 855 207 557	56 070 493 024
Liabilities		(15 912 041 565)	(14 387 520 340)
Net Assets		43 943 165 992	41 682 972 684
Net Assets Attributable to Owners of Controlling Entity			
Accumulated surplus		43 943 165 992	41 682 972 684

* See Note 2 & 46

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Property rates	24	3 693 387 443	3 427 709 390
Property rates - penalties and collection charges		88 405 293	106 611 391
Service charges	25	16 304 459 304	14 861 038 367
Rental of facilities and equipment	26	62 454 731	55 704 908
Interest earned - outstanding debtors		292 739 718	362 065 026
Licences and permits		53 622 189	41 011 475
Income from agency services		257 982 770	235 640 655
Fines		188 666 854	167 705 348
Government grants & subsidies	27	5 760 182 991	5 339 960 744
Public contributions and donations		92 196 676	2 786 886
Interest revenue	28	501 187 926	370 295 275
Other income	29	101 349 468	94 233 931
Total revenue		27 396 635 363	25 064 763 396
Expenditure			
Employee related costs	30	(5 587 350 485)	(5 432 135 742)
Remuneration of councillors	31	(99 977 319)	(94 141 267)
Depreciation and amortisation	32	(1 880 974 044)	(1 923 847 289)
Impairment of assets	33	(155 280 453)	(55 075 316)
Finance costs	34	(553 576 758)	(572 960 411)
Debt Impairment	35	(1 992 396 974)	(1 343 750 067)
Collection costs		(148 107 160)	(153 335 126)
Repairs and maintenance		(1 328 381 213)	(1 336 282 933)
Bulk purchases	36	(10 218 507 648)	(9 485 710 668)
Contracted services	38	(714 568 087)	(685 924 857)
Grants and subsidies paid	39	(1 167 558 759)	(1 060 444 401)
General Expenses	40	(1 280 424 977)	(1 064 020 276)
Total expenditure		(25 127 103 877)	(23 207 628 353)
Total revenue		27 396 635 363	25 064 763 396
Total expenditure		(25 127 103 877)	(23 207 628 353)
Operating surplus		2 269 531 486	1 857 135 043
Loss on disposal of capital assets		(9 338 173)	(720 777)
Operating surplus		2 269 531 486	1 857 135 043
		(9 338 173)	(720 777)
Surplus before taxation		2 260 193 313	1 856 414 266
Surplus before taxation		2 260 193 313	1 856 414 266
Taxation		-	-
Surplus for the year		2 260 193 313	1 856 414 266

* See Note 2 & 46

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

	Share premium	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity(other)	Minority interest	Total net assets
Figures in Rand					
Opening balance as previously reported	-	39 804 747 665	39 804 747 665	-	39 804 747 665
Adjustments					
Change in accounting policy (Note 2)	-	14 280 681	14 280 681	-	14 280 681
Prior period errors (Note 46)	-	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	-	2 260 193 313	2 260 193 313	-	2 260 193 313
Total changes	-	2 260 193 313	2 260 193 313	-	2 260 193 313
Balance at 30 June 2015	-	43 943 165 992	43 943 165 992	-	43 943 165 992

* See Note 2 & 46

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Property rates		3 728 133 481	3 106 101 859
Income from rendering of services		14 281 852 532	13 190 102 521
Grants-Operational		3 904 522 825	3 825 395 968
Grants-Capital		2 038 103 235	1 629 069 016
Interest income		793 927 644	732 360 302
Other receipts		335 254 360	607 604 428
		25 081 794 077	23 090 634 094
Payments			
Employee costs		(5 596 166 001)	(5 085 663 468)
Suppliers		(13 075 369 342)	(11 791 344 785)
Finance costs		(553 576 758)	(572 960 411)
Other payments		(1 301 326 979)	(1 730 259 030)
		(20 526 439 080)	(19 180 227 694)
Total receipts		25 081 794 077	23 090 634 094
Total payments		(20 526 439 080)	(19 180 227 694)
Net cash flows from operating activities	41	4 555 354 997	3 910 406 400
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)	5	(2 993 332 298)	(2 557 051 914)
Proceeds from the sale of property, plant and equipment	5	-	-
Purchase of investment property	4	(37 228 402)	(24 185 479)
Purchase of intangible assets	6	(38 603 572)	(33 830 875)
Purchases of heritage assets	7	-	(19 700)
Net movement in investments		(217 242 302)	46 653 975
Net movement in long-term receivables		1 577 686	(119 611)
Net cash flows from investing activities		(3 284 828 888)	(2 568 553 604)
Cash flows from financing activities			
Long-term liabilities raised		750 000 000	785 000 000
Repayment of long term liabilities		(284 180 372)	(629 420 732)
Net movement in consumer deposits		70 489 877	22 731 408
Net cash flows from financing activities		536 309 505	178 310 676
Net increase/ (decrease) in cash and cash equivalents		1 806 835 614	1 520 163 472
Cash and cash equivalents at the beginning of the year		5 894 540 499	4 374 377 027
Cash and cash equivalents at the end of the year	15	7 701 376 113	5 894 540 499

* See Note 2 & 46

Ekurhuleni Metropolitan Municipality

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
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	501 187 926		219 189 749	178 %	228 %
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	956 747 751		47 211 477	105 %	105 %
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	25 657 283 792		(376 926 139)	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)	(1 992 396 974)		(762 192 828)	162 %	162 %
Depreciation and asset impairment	(2 051 462 707)	-	(2 051 462 707)	-	-	(2 051 462 707)	(1 880 974 044)		170 488 663	92 %	92 %
Finance charges	(706 964 374)	36 516 000	(670 448 374)	-	1 176 385	(669 271 989)	(553 576 758)		115 695 231	83 %	78 %
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)	(3 636 032 084)		978 476 122	79 %	84 %
Total expenditure	(26 266 411 531)	(273 281 146)	(26 539 692 677)	-	1 723 575	(26 537 969 102)	(25 136 374 071)		1 401 595 031	95 %	96 %
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	25 657 283 792		(376 926 139)	99 %	100 %
Total expenditure	(26 266 411 531)	(273 281 146)	(26 539 692 677)	-	1 723 575	(26 537 969 102)	(25 136 374 071)		1 401 595 031	95 %	96 %
Surplus/(Deficit)	(503 759 171)	-	(503 759 171)	-	-	(503 759 171)	520 909 721		1 024 668 892	(103)%	(103)%

Ekurhuleni Metropolitan Municipality

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	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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)	(503 759 171)	-	(503 759 171)	-	-	(503 759 171)	520 909 721	-	1 024 668 892	(103)%	(103)%
Capital transfers and contributions	2 003 181 134	34 666 027	2 037 847 161	-	5 916 066	2 043 763 227	1 739 283 592	-	(304 479 635)	85 %	87 %
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	2 260 193 313		720 189 257	147 %	151 %
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	2 260 193 313	-	720 189 257	147 %	151 %
Surplus/(Deficit) for the year	1 499 421 963	34 666 027	1 534 087 990	-	5 916 066	1 540 004 056	2 260 193 313		720 189 257	147 %	151 %
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

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	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	4 555 354 997		898 786 580	125 %	126 %
Net cash from (used) investing	(3 949 176 854)	(20 584 146)	(3 969 761 000)	-		(3 969 761 000)	(3 284 828 888)		684 932 112	83 %	83 %
Net cash from (used) financing	918 697 528	(528)	918 697 000	-		918 697 000	536 309 505		(382 387 495)	58 %	58 %
Net increase/(decrease) in cash and cash equivalents	585 506 998	19 997 419	605 504 417	-		605 504 417	1 806 835 614		1 201 331 197	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 %
Net increase / (decrease) in cash and cash equivalents	585 506 998	19 997 419	605 504 417	-	-	605 504 417	1 806 835 614		(1 201 331 197)	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	7 701 376 113		(1 201 331 696)	118 %	177 %

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

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)
Total revenue (excluding capital transfers and contributions)	-	-	- 23 546 194 068
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)	-	-	- 337 844 938
Capital transfers and contributions	-	-	- 1 518 569 328
Surplus (Deficit) after capital transfers and contributions			1 856 414 266
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			4 382 305 707
Net increase / (decrease) in cash and cash equivalents	-	-	- 1 520 163 472
Cash and cash equivalents at the beginning of the year	-	-	- 4 382 305 707
Cash and cash equivalents at year end			5 902 469 179

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of 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."

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 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.

- **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.

1.2 Presentation currency

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 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

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 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	1 – 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

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 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.

1.5 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	1 - 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

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 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.

1.7 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

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 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 transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Financial instruments (continued)

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 assess 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 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 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 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 as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

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

The 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 place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 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 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 6.79% (2013: 7.0%) per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.58% (2013: 10.75%).

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 10.58% (2013: 10.75%).

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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 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 on a time proportion basis.

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

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

Income 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 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.

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.

1.16 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 municipality's previous accounting policy.

1.17 Value Added Tax

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

1.18 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.21 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 reserves. 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. .

1.22 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.

1.23 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.

1.24 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.

1.25 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.

1.26 Going concern

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.27 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

2. Changes in accounting policy

The 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)
- GRAP 5 - Borrowing cost

Details

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 aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2014 is as follows:

Statement of Financial Position

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

Statement of Financial Performance

Employee related costs	-	21 143 000
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3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 July 2015	Not material
• GRAP 105: Transfers of functions between entities under common control	01 July 2015	Not material
• GRAP 106: Transfers of functions between entities not under common control	01 July 2015	Not material
• GRAP 107: Mergers	01 July 2015	Not material
• GRAP 20: Related parties	01 July 2015	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
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 July 2015	Not material
• GRAP 7 (as revised 2010): Investments in Associates	01 July 2015	Not material
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 July 2015	Not material
• GRAP32: Service Concession Arrangements: Grantor	01 July 2015	Not material
• GRAP108: Statutory Receivables	01 July 2015	Not material
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 July 2015	Not material
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 July 2015	Not material

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	189 050 580	(2 954 609)	186 095 971	154 699 178	(2 374 927)	152 324 251

Reconciliation of investment property - June 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	152 324 251	37 228 402	(2 877 000)	(579 682)	186 095 971

Reconciliation of investment property - 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	16 870 491	12 936 457
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	996 467 480	-	996 467 480	990 726 626	-	990 726 626
Infrastructure	42 638 508 273	(10 542 370 958)	32 096 137 315	41 965 736 062	(9 305 030 104)	32 660 705 958
Community	4 620 441 349	(1 319 152 224)	3 301 289 125	4 481 480 389	(1 117 148 043)	3 364 332 346
Other property, plant and equipment	4 545 599 699	(1 832 487 765)	2 713 111 934	4 077 225 837	(1 507 931 879)	2 569 293 958
Work-in-Progress	5 777 514 934	-	5 777 514 934	4 275 989 961	-	4 275 989 961
Total	58 578 531 735	(13 694 010 947)	44 884 520 788	55 791 158 875	(11 930 110 026)	43 861 048 849

Reconciliation of property, plant and equipment - June 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	990 726 626	-	(3 106 400)	8 847 254	-	-	-	996 467 480
Infrastructure	32 660 705 958	-	-	748 047 020	92 196 675	(1 346 754 403)	(58 057 935)	32 096 137 315
Community	3 364 332 346	-	(556 466)	87 584 707	54 480 139	(197 669 652)	(6 881 949)	3 301 289 125
Other property, plant and equipment	2 569 293 958	398 081 469	(161 487)	71 879 056	-	(325 981 062)	-	2 713 111 934
Work-in-Progress	4 275 989 961	2 595 250 828	-	(1 003 385 286)	-	-	(90 340 569)	5 777 514 934
	43 861 048 849	2 993 332 297	(3 824 353)	(87 027 249)	146 676 814	(1 870 405 117)	(155 280 453)	44 884 520 788

Reconciliation of property, plant and equipment - June 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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
5. Property, plant and equipment (continued)		
Borrowing costs capitalised		
Borrowing costs capitalised in this period		
Intangible Assets	-	843 082
Property, plant and equipment	8 766 845	9 383 098
	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 profit.

Furniture and fixtures	1 673	-
Motor vehicles	-	440 030
Office equipment	13 750	113 288
Infrastructure	-	8 383 733
Other property, plant and equipment	-	133 770
Ancillary fleet equipment and security	-	264 935
	15 423	9 335 756

The transfer differences relate to an amount of R101 570 088 which was transferred to inventory from property plant and equipment assets. Capital spares were bought as part of the project capital expenditure, which were transferred to inventory (R14 634 563), this relates to the net movement of capital spares for the year between the inventory account and the WIP account, refer to note 10.

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.

6. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	184 798 366	(35 849 706)	148 948 660	150 030 843	(27 059 692)	122 971 151

Reconciliation of intangible assets - June 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software (other)	122 971 151	38 603 572	(2 636 820)	(9 989 243)	148 948 660

Reconciliation of intangible assets - June 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 (R5,235,216) in 2014 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:

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
6. Intangible assets (continued)		
Work-in-progress		
Opening balance	95 418 995	71 310 252
Software development incurred during the year	38 603 572	29 343 942
Work in progress transferred to completed assets	(711 246)	(5 235 199)
	133 311 321	95 418 995

7. Heritage assets

	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 - June 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 - June 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 artwork valuations.

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
9. Long-term receivables		
Non current receivables	12 907 937	14 485 625
Bad debt provision	(7 933 577)	(11 979 393)
	4 974 360	2 506 232
The Long-term receivables comprises of at 30 June 2015:		
Rental deposits made	R1,065,459 (June 2014 - R1,065,459)	
Housing schemes	R 5,309,194 (June 2014 - R6,886,882)	
Lesedi debtors	R2,652,683 (June 2014 - R2,652,683)	
ERPM debtor	R3,880,601 (June 2014 - R3,880,601)	
10. Inventories		
Electrical consumables	173 656 097	115 521 568
Cleansing consumables	431 503	381 304
Consumable stores	3 544 736	2 110 929
Maintenance materials	5 706 371	4 739 460
Water consumables	3 865 675	4 677 986
Water inventory	7 219 320	6 679 555
Land held as inventory for development	124 827 188	12 128 900
Food and Beverage	10 624	10 624
Fleet and Transport consumables	1 575 122	4 355 582
Fuel (Diesel, Petrol)	5 037 133	4 950 276
	325 873 769	155 556 184
Provision for obsolete Inventories	(489 451)	(231 806)
	325 384 318	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).		
11. Other investments		
At cost		
Unlisted shares	4 000 000	4 000 000
At amortised cost		
Investments	993 573 970	776 331 668
These investments have varying interest rates as well as varying maturity dates		
	-	-
	4 000 000	4 000 000
	-	-
	993 573 970	776 331 668
	-	-
Total other investments	997 573 970	780 331 668
Non-current assets		
At cost	4 000 000	4 000 000
At amortised cost	877 595 656	633 262 092
	881 595 656	637 262 092
Current assets		
At amortised cost	115 978 314	143 069 576
Non-current assets	881 595 656	637 262 092
Current assets	115 978 314	143 069 576
	997 573 970	780 331 668

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

11. 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
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The company's statements used is unaudited for 2013 and no information was received for 2014 and 2015 yet.

The Company's Equity amounted to R 622,854,485 represented by Share Capital of R5,201,000, reserves of R165,755,503 as well as Retained Income of R299,397,521 as at 28 February 2013.

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

There were no gains or losses realised on the disposal of held to maturity financial assets in 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 16).

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.

12. Other receivables from exchange transactions

Other receivables	708 109 177	346 243 382
VAT balance on outstanding Creditors	287 291 282	256 470 448
VAT debtor	43 311 680	45 848 994
Lease rental receipts asset	2 708 511	721 509
Provision for debt impairment	(50 015 725)	(50 015 725)
	991 404 925	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.

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

Traffic fines	23 713 833	5 307 100
Grant debtors	259 923	602 337
	23 973 756	5 909 437

14. Consumer debtors

Gross balances

Rates	2 160 900 539	2 107 241 284
Electricity	3 161 914 250	2 805 993 235
Water	3 840 545 982	3 503 866 099
Waste water	1 152 387 401	1 050 650 176
Refuse	1 079 877 760	1 117 355 732
Interest Billing Debtors	1 419 872 465	1 411 380 391
Housing rental	74 745 980	63 924 071
Other	640 902 012	771 152 761
	13 531 146 389	12 831 563 749

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
14. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(1 673 746 149)	(1 586 387 285)
Electricity	(723 282 119)	(673 839 932)
Water	(2 884 578 256)	(2 614 262 022)
Waste water	(851 147 974)	(788 620 394)
Refuse	(904 841 790)	(898 077 427)
Interest Billing Debtors	(1 286 307 496)	(1 117 106 476)
Housing rental	(71 858 119)	(61 463 698)
Other	(580 624 347)	(631 733 121)
	(8 976 386 250)	(8 371 490 355)
Net balance		
Rates	487 154 390	520 853 999
Electricity	2 438 632 131	2 132 153 303
Water	955 967 726	889 604 077
Waste water	301 239 427	262 029 782
Refuse	175 035 970	219 278 305
Interest Billing Debtors	133 564 969	294 273 915
Housing rental	2 887 861	2 460 373
Other	60 277 665	139 419 640
	4 554 760 139	4 460 073 394
Included in above is receivables from exchange transactions		
Electricity	2 438 632 131	2 132 153 303
Water	955 967 726	889 604 077
Waste water	301 239 427	262 029 782
Refuse	175 035 970	219 278 304
Housing rental	2 887 861	2 460 373
Other	193 842 634	433 693 556
	4 067 605 749	3 939 219 395
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	487 154 390	520 853 999
	4 554 760 139	4 460 073 394
Rates		
Current (0 -30 days)	279 974 155	270 478 433
31 - 60 days	78 000 172	75 680 281
61 - 90 days	58 837 176	59 051 853
91 - 120+ days	1 744 089 036	1 702 030 716
	2 160 900 539	2 107 241 283
Electricity		
Current (0 -30 days)	1 821 018 434	1 618 832 908
31 - 60 days	123 466 649	136 521 693
61 - 90 days	74 210 786	80 687 226
91 - 120+ days	1 143 218 381	969 951 408
	3 161 914 250	2 805 993 235
Water		
Current (0 -30 days)	539 978 953	425 917 623
31 - 60 days	132 597 450	142 304 991
61 - 90 days	116 806 050	125 777 155
91 - 120+ days	3 051 163 529	2 809 866 330
	3 840 545 982	3 503 866 099

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
14. Consumer debtors (continued)		
Waste water		
Current (0 -30 days)	168 920 662	124 135 439
31 - 60 days	39 374 227	41 723 000
61 - 90 days	34 716 624	36 641 038
91 - 120+ days	909 375 887	848 150 699
	1 152 387 400	1 050 650 176
Refuse		
Current (0 -30 days)	66 754 020	72 820 504
31 - 60 days	31 327 387	36 186 735
61 - 90 days	27 847 041	32 330 224
91 - 120+ days	953 949 312	976 018 269
	1 079 877 760	1 117 355 732
Housing rental		
Current (0 -30 days)	1 285 721	928 696
31 - 60 days	1 602 140	1 422 301
61 - 90 days	1 550 851	1 351 184
91 - 120+ days	70 307 268	60 193 590
	74 745 980	63 895 771
Interest and other		
Current (0 -30 days)	68 857 742	63 317 503
31 - 60 days	47 572 095	50 990 411
61 - 90 days	46 436 720	51 389 344
91 - 120+ days	1 897 907 920	2 016 835 894
	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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
14. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1 110 565 555	905 678 193
31 - 60 days	280 525 677	300 737 440
61 - 90 days	243 798 905	264 040 702
91 - 120+ days	7 540 543 380	7 386 061 016
	9 175 433 517	8 856 517 351
Less: Allowance for impairment	(7 166 633 271)	(6 729 149 512)
	2 008 800 246	2 127 367 839
Industrial/ commercial		
Current (0 -30 days)	1 691 805 025	1 545 027 409
31 - 60 days	154 620 327	159 672 655
61 - 90 days	100 815 149	102 193 454
91 - 120+ days	1 667 392 913	1 474 184 551
	3 614 633 414	3 281 078 069
Less: Allowance for impairment	(1 323 419 077)	(1 078 144 796)
	2 291 214 337	2 202 933 273
National and provincial government		
Current (0 -30 days)	60 007 910	57 698 592
31 - 60 days	12 589 140	17 956 237
61 - 90 days	9 970 943	14 838 428
91 - 120+ days	170 007 476	179 250 384
	252 575 469	269 743 641
Less: Allowance for impairment	(148 205 155)	(189 196 984)
	104 370 314	80 546 657
Total		
Current (0 -30 days)	2 946 789 687	2 576 430 788
31 - 60 days	453 940 121	484 829 662
61 - 90 days	360 405 248	387 227 710
91 - 120+ days	9 770 011 333	9 383 075 589
	13 531 146 389	12 831 563 749
Less: Allowance for impairment	(8 976 386 250)	(8 371 490 355)
	4 554 760 139	4 460 073 394
Less: Allowance for impairment		
31 - 60 days	(520 690 106)	(405 640 460)
61 - 90 days	(225 774 900)	(197 700 188)
91 - 120 days	(335 832 774)	(241 233 868)
121 - 365+ days	(7 894 088 470)	(7 526 915 839)
	(8 976 386 250)	(8 371 490 355)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(8 371 490 355)	(7 042 113 875)
Contributions to allowance	(1 996 442 790)	(1 335 385 365)
Debt impairment written off against allowance	1 391 546 895	3 415 270
Reversal of allowance	-	2 593 615
	(8 976 386 250)	(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.		

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

14. Consumer debtors (continued)

Consumer debtors past due but not impaired

At 30 June 2015, consumer debtors of R4,224,084,796 (2014:R4,460,073,431) were past due but not impaired.

30 Days	2 549 399 519	2 654 178 473
60 Days	134 621 467	189 603 004
90 Days	76 761 656	73 333 161
90+ Days	1 463 302 154	1 542 958 756

Consumer debtors impaired

As at 30 June 2015, consumer debtors of R8,976,386,250 (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
60 Days	225 774 900	197 700 189
90 Days	335 832 774	241 233 868
90+ Days	7 894 088 471	7 526 915 839

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	551 171	540 369
Bank balances	7 700 824 942	5 894 000 130
	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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
15. Cash and cash equivalents (continued)		
ABSA		
ABSA - Income Alberton	4 899 969	3 184 083
ABSA - Dirrect banking Alberton	12 294	(40 298)
ABSA - Income Benoni	3 877 355	1 336 792
ABSA - Direct banking Benoni	385 437	(780 024)
MASK Account Benoni	(49 068)	(825 869)
ABSA - Income Boksburg	3 533 203	5 514 980
ABSA - Direct banking KL Boksburg	(1 421 083)	(2 739 847)
ABSA - Direct Banking Bt Boksburg	(111 835)	(100 501)
ABSA - Income Brakpan	557 618	591 345
Pre paid sales account Brakpan	403 560	171 570
NEDBANK Musk Account	6 255 494	-
ABSA - Income Germiston	4 385 649	2 572 262
ABSA - Direct banking Germiston	(1 904 722)	(1 147 112)
ABSA - Income account Kempton Park	1 191 868	976 040
ABSA - Direct banking Kempton Park	710 360	399 031
ABSA - Direct banking Lethabong	(735 049)	(1 324 283)
ABSA - Income Lethabong	552 667	1 202 347
ABSA - Income Nigel	(5 253 505)	(4 238 104)
ABSA - Income Springs	940 800	(102 307)
ABSA - Direct banking Springs	(5 356 721)	(318 842)
ABSA - Market account	1 134 982	1 134 982
EGSC - RSC Levies	-	802 650
ABSA - EFF Account (ex CLF)	495 870 551	568 733 537
ABSA - C R R Account (ex CDF)	1 180 123 031	1 005 014 890
ABSA - Primary bank account (ex from revenue)	220 568 237	662 726 449
ABSA - Salary account	41 946 950	24 119 177
ABSA - Treasury account	4 081 218 331	2 397 817 481
ABSA - Expenditure imprest account	382 439 041	527 256 797
ABSA - USDG Account	973 802 020	584 451 076
ABSA - Housing account	36 994 366	105 920 158
ABSA- Guarantee account	-	475 133
ABSA - Capital Account	200 274 177	-
Short Term Deposits at various institutions with dates within 3 months	133 845	132 030
Petty Cash and Floats	551 171	540 371
Standard Bank- Musk account	28 832 786	11 084 505
FNB Musk account	44 611 734	-
Absa - Traffic Fines Collection	600	-
	7 701 376 113	5 894 540 499

The economic entity had the following bank accounts

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand				2015	2014	
15. 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	-	-
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
Total	7 979 921 166	5 916 562 638	4 397 438 883	7 701 376 113	5 894 540 497	4 374 377 023

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
16. Long-term liabilities		
At amortised cost		
Bank loans	1 163 596 673	1 342 110 378
Interest rates as well as redemption periods are varying		
Municipal bonds	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.		
	5 754 596 673	5 288 777 045
At amortised cost		
Bank loans	(361 074 769)	(267 666 436)
Non-current liabilities		
At amortised cost	5 393 521 904	5 021 110 609
Current liabilities		
At amortised cost	361 074 769	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 (2014: R2 447 620 000) as disclosed in the Other Investments note (note 11).		
17. Trade and other payables from exchange transactions		
Accrual for interest on external loans	121 963 529	124 835 319
Civil Contracts	49 702 876	134 281 412
Lease rental payments liability	1 277 387	638 694
Licence fees	5 061 324	3 632 381
Maintenance guarantees	3 514 571	3 224 709
VAT balance on outstanding debtors	1 181 774 999	1 107 761 714
Other payables	373 074 577	117 400 392
Receipts in advance	516 855 556	515 501 560
Retentions	290 597 423	248 885 216
Stated benefits and group accident	29 663 606	25 383 288
Trade payables	3 040 684 484	2 696 469 630
Unclaimed salaries	4 456 954	4 040 443
	5 618 627 286	4 982 054 758
18. Deposits		
Consumer deposits - Electricity and water	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

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
19. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Operating Grants - Comm Nursery Slovo P	50 817 786	-
Operating Grants-Buntle Ke Botle	300 436	1 643
Operating Grants - Energy	26 318	317 869
Operating Grants-Township Initiatives	1 780 515	488 707
Operating Grant - FMG	154 001	940 117
Operating Grants HSDG Accreditation	7 318 327	128 693 203
Capital Grants - USDG	486 507 413	180 598 282
Capital Grants - INEP	-	-
Capital Grants -DWAF	582 545	582 545
Capital Grants - PTIS	5 322 928	50 223 748
Public Contribution Roodekop Capex	-	130 463
Electricity Demand Side Management	235 390	-
Capital Grant - LED	-	569 273
Integrated City Development Grant	-	8 056 740
	553 045 659	370 602 590
Movement during the period		
Balance at the beginning of the period	370 602 590	232 406 959
Additions during the period	6 024 181 736	5 509 300 951
Income recognition during the period	(5 760 182 991)	(5 339 960 742)
Unspend grants repaid	(81 685 136)	-
Appropriations	(130 463)	(31 144 578)
Debtors	259 923	-
	553 045 659	370 602 590

See note 27 for reconciliation of all grants.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

20. Provisions

Reconciliation of provisions - June 2015

	Opening Balance	Additions	Utilised during the year	Other adjustments	Total
COVID provision	24 656 145	1 499 026	(1 548 701)	-	24 606 470
Bonus provision	19 975 598	44 747 802	(273 825)	-	64 449 575
Leave provision	252 954 567	42 976 703	-	-	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	(89 108 808)	-	-	396 032 201
GMRF	127 678 765	5 868 043	-	(7 456 371)	126 090 437
	1 134 945 460	72 953 840	(1 822 526)	16 097 810	1 222 174 584

Reconciliation of provisions - June 2014

	Opening Balance	Additions	Utilised during the year	Other adjustments	Pre-payments	Total
COVID provision	21 387 338	4 707 380	(1 438 573)	-	-	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	19 937 297	-	31 773 825	-	224 539 376
WCA provision	-	11 024 015	(29 603 239)	-	18 579 224	-
Long service awards	438 778 340	46 362 669	-	-	-	485 141 009
GMRF	122 127 201	5 551 565	-	-	-	127 678 766
	991 330 188	194 618 082	(101 355 858)	31 773 825	18 579 224	1 134 945 461

Non-current liabilities	849 302 804	862 015 296
Current liabilities	372 871 780	272 930 166
	1 222 174 584	1 134 945 462

GMRF provision

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

20. 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 7.0% (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%)

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

21. 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. Information necessary to apply "defined benefit accounting" was requested from the various funds, but information received from these funds were insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in future to ensure that these benefit plans could be accounted for as "defined benefit accounting". As a result, 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
2. Municipal Employees Pension Fund
3. South African Local Authorities Pension Fund

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

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

2. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end. Refer to Provisions note (note 20) 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

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

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

Opening balance	(1 967 931 581)	(1 765 074 581)
Benefits paid	73 146 000	68 106 000
Net expense recognised in the statement of financial performance	(155 113 000)	(270 963 000)
	(2 049 898 581)	(1 967 931 581)

Net expense recognised in the statement of financial performance

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
21. Employee benefit obligations (continued)		
Current service cost	(65 948 000)	(65 131 000)
Interest cost	(188 056 000)	(162 645 000)
Actuarial gains (losses)	98 891 000	(43 187 000)
	(155 113 000)	(270 963 000)

Key assumptions used

Assumptions used on last valuation on 30 June 2014.

Discount rates used controlling entity	9,00 %	9,60 %
Health care cost inflation rate controlling entity	7,90 %	8,60 %

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%

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

22. Financial instruments disclosure

Categories of financial instruments

June 2015

Financial assets

At amortised cost	At cost	Total
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Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
Financial instruments disclosure (continued)		
Other receivables	684 775 719	- 684 775 719
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
	13 939 935 434	4 000 000 13 943 935 434

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	3 913 719 337	3 913 719 337
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
	10 935 060 451	10 935 060 451

June 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

Financial instruments in Statement of financial performance

June 2015

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	500 242 343	500 242 343
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(388 212 150)	(388 212 150)
Impairment loss	(922 653 099)	(922 653 099)
	(810 622 906)	(810 622 906)

June 2014

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	732 360 301	732 360 301
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(572 960 412)	(572 960 412)
Impairment loss	(1 343 750 066)	(1 343 750 066)
	(1 184 350 177)	(1 184 350 177)

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
23. Revenue		
Service charges	16 304 459 304	14 861 038 367
Rental of facilities and equipment	62 454 731	55 704 908
Interest earned - outstanding debtors	292 739 718	362 065 026
Income from agency services	257 982 770	235 640 655
Licences and permits	53 622 189	41 011 475
Other income	101 349 468	94 233 931
Interest revenue	501 187 926	370 295 275
Property rates	3 693 387 443	3 427 709 390
Property rates - penalties and collection charges	88 405 293	106 611 391
Government grants & subsidies	5 760 182 991	5 339 960 744
Public contributions and donations	92 196 676	2 786 886
Fines	188 666 854	167 705 348
	27 396 635 363	25 064 763 396

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

Service charges	16 304 459 304	14 861 038 367
Rental of facilities and equipment	62 454 731	55 704 908
Interest earned - outstanding debtors	292 739 718	362 065 026
Income from agency services	257 982 770	235 640 655
Licences and permits	53 622 189	41 011 475
Other income	101 349 468	94 233 931
Interest revenue	501 187 926	370 295 275
	17 573 796 106	16 019 989 637

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

Taxation revenue		
Property rates	3 693 387 443	3 427 709 390
Property rates - penalties and collection charges	88 405 293	106 611 391
Transfer revenue		
Government grants & subsidies	5 760 182 991	5 339 960 744
Public contributions and donations	92 196 676	2 786 886
Fines	188 666 854	167 705 348
	9 822 839 257	9 044 773 759

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

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

Valuations (R'000)

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

25. Service charges

Sale of electricity	11 215 633 785	10 358 668 615
Sale of water	2 970 665 454	2 585 953 970
Solid waste	1 040 978 670	962 651 746
Sewerage and sanitation charges	1 005 143 539	885 852 597
Fresh produce market	17 926 442	17 347 531
Other service charges	54 111 414	50 563 908
	16 304 459 304	14 861 038 367

26. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	62 437 383	55 686 929
Rental of equipment	17 348	17 979
	62 454 731	55 704 908
	-	-
	-	-
Facilities and equipment	62 454 731	55 704 908
	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).

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
27. Government grants and subsidies		
Operating grants		
Equitable share	2 042 951 000	1 917 953 000
Fuel levy	1 469 674 000	1 406 096 000
Ambulance subsidies	136 040 000	129 001 000
FMG	1 250 000	1 250 000
Accreditation Capacity Enhancement	786 116	863 846
HIV/AIDS	11 085 999	11 129 415
Township Initiatives	3 908 192	3 719 051
Seta	7 374 225	3 290 903
BKB	261 206	311 657
Health Subsidy	111 952 000	106 493 273
Integrated City Development	48 379 740	751 260
HSDG Accreditation	46 805 290	25 348 252
Municipal Human Settlements Capacity	1 556 214	-
Environment Quality Management	291 551	1 107 131
	3 882 315 533	3 607 314 788
Capital grants		
Public Contributions - Rondebult	-	1 714 214
INEP	60 924 586	10 000 000
USDG (Capital and operational)	1 498 622 869	1 473 822 398
PTIS	294 900 820	208 080 387
Electricity Demand Site Management	16 997 181	16 267 128
LED	-	1 257 481
OR TAMBO Narrative centre	-	2 350 376
EPWP (Capital and operational)	6 422 000	11 153 969
NDPG	-	8 000 000
	1 877 867 456	1 732 645 953
	5 760 182 989	5 339 960 741
Equitable share		
Current-year receipts	2 042 951 000	1 917 953 000
Conditions met - transferred to revenue	(2 042 951 000)	(1 917 953 000)
	-	-
Fuel levy		
Current-year receipts	1 469 674 000	1 406 096 000
Conditions met - transferred to revenue	(1 469 674 000)	(1 406 096 000)
	-	-
Ambulance Subsidy		
Current-year receipts	136 040 000	129 001 000
Conditions met - transferred to revenue	(136 040 000)	(129 001 000)
	-	-
Finance Management Grant		
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	-
Accreditation Capacity Enhancement		
Balance unspent at beginning of year	940 117	-

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
27. Government grants and subsidies (continued)		
Current-year receipts	-	1 803 963
Conditions met - transferred to revenue	(786 116)	(863 846)
	154 001	940 117
Conditions still to be met - remain liabilities (see note 19).		
Hiv/Aids		
Balance unspent at beginning of year	-	628 216
Current-year receipts	11 071 372	10 487 000
Conditions met - transferred to revenue	(11 085 999)	(11 129 415)
Debtor	14 627	14 199
	-	-
Township Initiatives		
Balance unspent at beginning of year	488 709	911 140
Current-year receipts	5 200 000	3 700 000
Conditions met - transferred to revenue	(3 908 192)	(3 719 051)
Surrendered/Appropriated	-	(403 380)
	1 780 517	488 709
Conditions still to be met - remain liabilities (see note 19).		
Seta		
Current-year receipts	7 374 225	3 290 903
Conditions met - transferred to revenue	(7 374 225)	(3 290 903)
	-	-
Public Contributions		
Balance unspent at beginning of year	130 463	-
Current-year receipts	-	1 844 676
Conditions met - transferred to revenue	-	(1 714 213)
Surrendered/Appropriated	(130 463)	-
	-	130 463
Conditions still to be met - remain liabilities (see note 19).		
BKB		
Balance unspent at beginning of year	1 642	53 299
Current-year receipts	560 000	260 000
Conditions met - transferred to revenue	(261 206)	(311 657)
	300 436	1 642
Conditions still to be met - remain liabilities (see note 19).		
Health Subsidy		
Current-year receipts	111 952 000	106 493 273
Conditions met - transferred to revenue	(111 952 000)	(106 493 273)
	-	-
INEP		
Current-year receipts	60 679 291	9 679 291

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
27. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(60 924 586)	(10 000 000)
Debtor	245 295	320 709
	-	-
Integrated City Development		
Balance unspent at beginning of year	8 056 740	-
Current-year receipts	40 323 000	8 808 000
Conditions met - transferred to revenue	(48 379 740)	(751 260)
	-	8 056 740
Conditions still to be met - remain liabilities (see note 19).		
PTIS		
Balance unspent at beginning of year	50 223 748	14 761 137
Current-year receipts	250 000 000	243 543 000
Conditions met - transferred to revenue	(294 900 820)	(208 080 389)
	5 322 928	50 223 748
Conditions still to be met - remain liabilities (see note 19).		
Electricity Demand Site Management		
Balance unspent at beginning of year	-	-
Current-year receipts	17 232 571	15 999 700
Conditions met - transferred to revenue	(16 997 181)	(16 267 129)
Other	-	267 429
	235 390	-
Conditions still to be met - remain liabilities (see note 19).		
HSDG		
Balance unspent at beginning of year	3 503 210	3 503 211
Surrendered/Appropriated	(3 503 210)	(3 503 211)
	-	-
Municipal Human Settlements Capacity		
Current-year receipts	52 374 000	-
Conditions met - transferred to revenue	(1 556 214)	-
	50 817 786	-
Conditions still to be met - remain liabilities (see note 19).		
LED		
Balance unspent at beginning of year	569 273	1 826 754
Conditions met - transferred to revenue	-	(1 257 481)
Surrendered/Appropriated	(569 273)	-
	-	569 273
Conditions still to be met - remain liabilities (see note 19).		
O R Tambo Narrative Centre		
Balance unspent at beginning of year	-	2 350 376

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

27. Government grants and subsidies (continued)

Conditions met - transferred to revenue	-	(2 350 376)
	-	-

USDG

Balance unspent at beginning of year	180 598 282	69 508 680
Current-year receipts	1 804 532 000	1 584 912 000
Conditions met - transferred to revenue	(1 498 622 869)	(1 473 822 398)
	486 507 413	180 598 282

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

EPWP

Balance unspent at beginning of year	-	748 969
Current-year receipts	6 422 000	10 405 000
Conditions met - transferred to revenue	(6 422 000)	(11 153 969)
	-	-

DWAF

Balance unspent at beginning of year	582 545	582 545
--------------------------------------	---------	---------

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

NDPG

Current-year receipts	-	8 000 000
Conditions met - transferred to revenue	-	(8 000 000)
	-	-

HSDG Accreditation

Balance unspent at beginning of year	128 693 203	121 518 855
Current-year receipts	6 546 277	42 750 995
Conditions met - transferred to revenue	(46 805 290)	(25 348 252)
Surrendered/Appropriated	(81 115 863)	(10 228 395)
	7 318 327	128 693 203

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

Environment Quality Management

Balance unspent at beginning of year	317 869	-
Current-year receipts	-	1 425 000
Conditions met - transferred to revenue	(291 551)	(1 107 131)
	26 318	317 869

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
28. Investment revenue		
Interest revenue		
Bank	429 398 091	286 242 556
External investments	71 789 835	84 052 719
	501 187 926	370 295 275
	-	-
	501 187 926	370 295 275
29. Other income		
Accident reports	466 518	697 324
Administration fees	217 153	229 368
Cleaning of stands	339 633	960 238
Entry fees	713 976	440 111
Essential services contributions	57 910 921	46 555 961
Insurance claims	9 113	7 246 035
Printing and copying of documents	279 013	277 600
Productions	169 717	185 063
Recoveries	483 243	1 181 527
Sundry income	36 658 481	30 526 719
Supply of information	184 225	377 575
Tender documents	3 555 048	4 195 864
Training	362 427	1 360 546
	101 349 468	94 233 931

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
30. Employee related costs		
Basic	3 645 804 906	3 560 014 718
Medical aid - company contributions	427 025 789	520 717 097
UIF	26 569 633	25 773 777
WCA	31 070 159	11 024 015
SDL	44 683 292	41 462 225
Other payroll levies	1 337 568	1 234 430
Leave pay provision charge	100 915 783	112 942 510
Standby Allowances	27 899 345	24 867 968
Defined contribution plans	662 670 972	633 170 561
Travel, motor car, accommodation, subsistence and other allowances	203 778 803	-
Overtime payments	512 117 962	471 337 673
Long-service awards	(89 108 808)	46 364 469
Ad Hoc Travelling	757 632	925 240
Housing benefits and allowances	42 144 319	-
Allowances	16 833 134	13 589 455
Remuneration of interns	2 036 116	2 113 846
Less: Employee costs capitalised to PPE	(69 186 120)	(33 402 242)
	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
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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

30. Employee related costs (continued)

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

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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand						2015	2014
31. 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	20 979 361	8 566 760	3 953 622	89 048 000	
	50 468 898	11 359 244	24 377 402	9 518 880	4 252 898	99 977 322	
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	
32. Depreciation and amortisation							
Property, plant and equipment					1 870 405 117	1 909 589 320	
Investment property					579 682	593 732	
Intangible assets					9 989 243	13 175 411	
					1 880 974 042	1 923 358 463	
33. Impairments of assets							
Impairments							
Property, plant and equipment					155 280 453	55 075 316	
					155 280 453	55 075 316	
					-	-	
34. Finance costs							
External borrowings					529 978 370	545 694 907	
Trade and other payables					44 207	1 165 930	
Other interest paid					23 554 181	26 099 574	
					553 576 758	572 960 411	
35. Debt impairment							
Changes in debt impairment provision					1 992 396 974	1 343 750 067	
36. Bulk purchases							
Electricity					7 505 402 511	7 039 344 423	
Water					2 204 341 676	1 975 288 966	
Sewer purification					508 763 461	471 077 279	
					10 218 507 648	9 485 710 668	
37. Auditors' remuneration							
Fees					19 529 208	18 921 184	

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
38. Contracted services		
Information Technology Services	8 584 766	7 358 268
Security contracts	206 538 726	175 108 850
Meter management contracts	128 353 099	162 100 945
Environment contracts	240 562 135	222 202 597
Asset management	130 529 361	119 154 197
	714 568 087	685 924 857
39. Grants and subsidies paid		
Other subsidies		
Discretionary grant: Sport and Social support	21 387 387	3 363 290
Subsidy: SPCA	2 825 000	2 679 902
Discretionary grant: General	291 514 453	260 871 888
Free basic services	833 098 124	775 328 928
Discretionary grant: Educational	9 469 834	7 927 756
Grants: Education (External)	9 263 961	10 272 637
	1 167 558 759	1 060 444 401
40. General expenses		
Advertising	22 375 387	14 056 817
Animal care	1 995 228	2 025 455
Auditors remuneration	19 529 208	18 921 184
Awareness campaigns	7 628 498	3 984 409
Bank charges	4 567 603	5 824 757
Community development and wellbeing	123 134 433	42 078 755
Consulting and professional fees	125 011 107	98 076 842
Consumables (including materials)	58 085 400	61 468 371
Corporate Gifts	285 635	432 104
Disaster management	5 094 756	4 120 525
Entertainment	2 354 503	1 657 525
Vehicle licences and hire cost	36 553 093	23 416 973
Fuel and oil	140 911 917	153 622 520
Human resource management	11 701 866	13 927 106
IT expenses	38 673 467	37 427 852
Insurance	64 427 035	58 617 281
Land management	38 622 668	28 042 949
Loss due to fraudulent activities	-	19 244 613
Magazines, books and periodicals	596 675	548 548
Marketing	96 272 552	117 906 034
Other expenses	94 641 820	26 480 580
Postage	22 055 680	21 620 060
Printing and stationery	43 599 458	37 882 405
Productions	194 375	113 738
Refreshments	8 095 589	7 461 761
Refuse	44 324 807	26 147 784
Rental	19 194 670	18 552 873
Rodent control	11 815 380	6 673 680
Service connections	62 887 599	53 063 768
Software expenses	3 256 362	737 747
Stock adjustments and write-offs	3 251 249	1 507 916
Subscriptions and membership fees	11 954 813	12 029 458
Telephone and fax	46 712 858	44 777 226
Title deed search fees	752 801	731 483
Training	19 841 683	30 805 905
Travel - local	6 603 187	6 503 347
Travel - overseas	29 487 279	13 247 742
Uniforms	34 571 190	33 969 413
Venue expenses	19 363 146	16 312 770
	1 280 424 977	1 064 020 276

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
41. Cash generated from operations		
Surplus	2 260 193 313	1 856 414 266
Adjustments for:		
Depreciation and amortisation	1 880 974 044	1 923 847 289
Gain on sale of fixed assets	-	-
Gain on discontinued operations	9 338 173	720 777
Impairment deficit	155 280 453	55 075 316
Debt impairment	1 992 396 974	1 343 750 067
Movements in retirement benefit assets and liabilities	81 967 000	346 472 274
Movements in provisions	87 229 122	-
Net movement on provision for bad debt on long term receivables	(4 045 816)	-
Other non-cash items (Other movements within PPE)	(59 649 564)	19 550 875
Changes in working capital:		
Inventories	(170 059 940)	(26 523 030)
Other receivables from exchange transactions	(392 136 317)	(113 271 752)
Consumer debtors	(2 087 083 719)	(2 251 340 018)
Other receivables from non-exchange transactions	(18 064 319)	11 756 698
Trade and other payables from exchange transactions	636 572 524	605 758 007
Unspent conditional grants and receipts	182 443 069	138 195 631
	4 555 354 997	3 910 406 400

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Community	251 800 000	192 450 000
• Infrastructure	2 299 074 906	2 106 718 699
• Other	507 769 406	347 577 435
	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	1 143 619 720
Total capital commitments		
Already contracted for but not provided for	3 058 644 312	2 646 746 134
Not yet contracted for and authorised by accounting officer	1 412 919 115	1 143 619 720
	4 471 563 427	3 790 365 854

For the entity, this committed expenditure relates to the property, plant and equipment for the 2014/2015 financial year (Budget) as approved/authorised. These commitments will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Commitments for not yet contracted for and authorised relate to capital projects approved by Council on the capital budget.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	16 446 260	12 465 768
- in second to fifth year inclusive	7 809 035	10 276 325
	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
- in second to fifth year inclusive	17 945 521	3 905 050
- later than five years	21 109 672	840 406
	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

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

43. 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
WLT Advertising CC - Claim for damages as a result of conduct Strata International Pty Ltd and The Garden estate *(A)	31 706 247	31 706 247
Bondev Midrand: Claim for failure to issue section 82 certificate i.r.o. various townships	150 000 000	150 000 000
Hometalk- Possible claim for losses in respect of developments	2 676 187	2 676 187
Siyavuka projects: Claim for alleged unlawful termination of contract A/ED (MP) 20/2008	60 000 000	69 704 796
Rose Acres Development Pty Ltd *(B)	5 401 380	5 401 380
Scarlet IBIS 115 9 Pty Ltd: Claim for alleged wrongfully use of plaintiff's property	17 825 900	17 825 000
Miyelani Holeni: Independent contractor suspended for alleged tender irregularities. Claim for the remainder of his contact for 8.5 months	-	5 250 000
Lesira Teq: Claim for cancellation of contract for supply of water meters	8 224 062	8 224 063
Hazard Bonako	-	719 466
Other	4 979 188	2 220 421
Ingwempisi Security Services CC *(C)	123 872 435	123 872 435
Aloecap (PTY) LTD	5 301 000	4 755 000
Multi Waste Wadeville	2 407 112	2 407 112
Zanusi Marketing	1 152 169	-
Human communication	1 858 751	-
Superway Construction	10 235 715	-
Nyoni Projects	3 675 493	-
KYK Construction	29 313 217	-
Scarlett Sun Pty Ltd	1 630 351	-
Inter Southern power pty ltd	1 630 351	-
Mabra construction (pty) ltd	3 449 300	-
Zwakala Quantity Surveyors	3 105 216	-
GMRF claim - legal costs	1 773 869	-
	484 279 031	439 525 754

Category B Claims: Other Claims	1 267 648	1 376 747
Category C Claims: Other Matters	-	1 787 879
	1 267 648	3 164 626

CONTINGENT ASSETS

NCP Clorchem - Dispute regarding price charged for energy supply	178 788 869	178 788 869
Combi trade Eleven (Pty) - Unpaid rate and taxes	2 832 963	2 832 963
Lucmer construction & New national Assurance - Failure to comply with contract conditions	3 174 615	3 174 615
Kgorong and other - Fail to perform work in terms of contract	776 591	776 591
Mkhabela Sibeko and others - Goods supplied did not comply with safety standard	1 024 290	1 024 290
	186 597 328	186 597 328

***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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

43. Contingencies (continued)

(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

Notes to the Annual Financial Statements

Figures in Rand

44. 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 30

Close family member of key management
Members of key management

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

44. 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

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

44. 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		MJ Msimango	Senior Clerk	40 000 000
2	C-ICT 07-2014(T)	Altech Alcom Matomo		R van Vuuren	Acting Exec. Manager	45 000 000
3	C-ICT 08-2014(T)	Altech Alcom Matomo		R van Vuuren	Acting Exec. Manager	42 800 000
4	C-TPP 02-2015(T)	Dalindyebo & Sons Trading CC		T Dalindyebo	Snr Accountant	1 564 397
5	C-E 36-2014(T)	Empower Electrical CC		HE Sikhitha	Snr Admin Officer	2 977 500
6	C-HSD 13-2014(T)	Humelela Maintenance Services CC		VW Maluleke	Horticulturist	192 210
7	C-WMS 04-2014(T)	LMM Training and Development		K Mangwane	Creditors clerk	825 262
8	C-E 32-2014(T)	MPPM Consulting Engineering CC		M Senyatsi	Manager ICT	1 107 652
9	C-WS 18-2014(T)	Seletje construction and management CC		PM Lekgwathi	Senior clerk	33 060 338
10	C-WS 18-2014(T)	Tsekema Consulting Engineers		DA Motsokane	Senior clerk	61 413 166
11	C-E-28-2014(T)	Tsekema Consulting Engineers		DA Motsokane	Senior clerk	1 521 500
Subtotal						230 462 025
						230 462 025

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		T Dalindyebo	Snr Accountant	49 356
2	C-HR 03-2014(T)	Hillah Suppliers		T Nkhize	Learnership	224 650
3	C-EMPD 02-2014(T)	IMQS Software(Pty)Ltd		WvR Valentin	Snr Manager	365 200
4	C-HR 03-2014(T)	Imbalenhle Catering		LI Dlamini	Leanership	136 700
5	C-TPP 02-2013(T)	LMM Training and Development CC		K Mangwane	Snr clerk	73 322
Subtotal						849 228
						849 228

June 2014

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

44. 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 Dalindybo	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	Dalindybo Sons Trading CC	Husband	T Dalindybo	Snr Controller	2 541 259
		Bizzybous Trading enterprise	Husband	L P Khumalo	Snr Typist	1 994 655
		Hillah construction and General Services CC	Husband	T Mkhize	Metro Police	3 401 336
Subtotal						7 937 250

June 2015 staff

Quotations awarded to family members of

No	Supplier Name	Relation	Employee Name	Employee designation	Amount
1	Green Today Projects (Pty) Ltd		GL Ntombimpela	Prof. Nurse	325 265
2	Humelela Maintenance and Service		VW Maluleke	Horticulturist	328 300
3	Imbalenhle Catering and Project		LI Dlamini	EPWP	246 440
4	Kotulo Ya hlabola		A Sihlangu	Learnership Information centre co-ordinator	90 000
5	LMM Training and Development		K Mangwane	Creditors clerck	175 215
6	MA-ZZ Marketing and Development		LGG Ngcakana	Audit officer	87 900

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

44. Related parties (continued)

7	Nasisipho Trading and Development	NMM Mogabale	Constable	47 948
8	Sinsible Trading Enterprise CC	Lineo Hlope	Prof. Nurse	716 435
9	Tpromo Marketing (Pty) Ltd	S Mthimkulu	General Worker	67 268
				2 084 771

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 Dhlahlhla	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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

44. Related parties (continued)

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

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 30) for remuneration paid to key management.

45. Change in estimate

Property, plant and equipment

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

Depreciation expense before remaining useful lives review	(R1 665 915 592)
Depreciation expense after remaining useful lives review	(R1 638 326 933)
Future reduction in depreciation due to review	(R 27 588 660)

Controlling entity

The discount rate has changed from 10.58% to 10.49%.

46. 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):

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

46. Prior period errors (continued)

Statement of Financial Position

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

47. Comparative figures

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

48. 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 16 and cash and cash equivalent disclosed in note 15.

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:

	2014	2015	2014
Other financial liabilities	(5 399 104 349)	(5 754 596 673)	(5 288 777 045)
Less: Cash and cash equivalent	5 933 677 109	7 701 851 246	5 894 540 499
Net debt	534 572 760	1 947 254 573	605 763 454
Total equity	42 849 962 911	43 948 165 992	41 682 972 684
Total capital	43 384 535 671	45 895 420 565	42 288 736 138

Financial risk management

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

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

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

48. Risk management (continued)

Liquidity risk

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

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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	361 074 769	381 507 419	2 419 449 093	2 592 565 392

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

48. 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 - 2014

Financial instrument	Controlling entity - 2015	Controlling entity - 2014
Other Investments	993 573 970	776 331 667
Long-term receivables	4 974 360	2 506 232
Consumer debtors	4 554 760 139	4 460 073 394
Other receivables	684 775 719	302 858 603
Cash and cash equivalents	7 701 376 113	5 894 540 499
Listed and Unlisted shares	4 000 000	4 000 000
	13 943 460 301	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.

49. 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

50. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Items of unauthorised, irregular and fruitless and wasteful expenditure are refer to MPAC for further investigations and detemination on streps to be taken

Irregular expenditure

Opening balance	629 361 089	394 132 407
Add: Expenditure identified for the year	30 385 244	235 228 682
Less: Amounts ratified/approved by council/board and/or not recoverable	(29 340 359)	-
	630 405 974	629 361 089

Fruitless and Wasteful expenditure

Opening balance	159 053 146	149 080 535
Add: Expenditure identified for the year	31 124 642	9 972 611
Less: Amounts ratified/approved by council/board	(1 165 930)	-
	189 011 858	159 053 146

Unauthorised expenditure

Opening balance	-	-
Add: Expenditure identified for the year	29 570 789	-
Less: Amounts ratified/approved by council/board	-	-
	29 570 789	-

June 2015

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Water and sanitation	Allegations of unethical behavior regarding attendance registers by officials of Nigel depot	Irregular	193 518
Real Estate	Allegations of corruption by an employee of the Real Estate department	Irregular	48 800
Roads and Stormwater	Allegations of tender irregularities	Unauthorised	26 770 914
Roads and Stormwater	Allegations of tender irregularities	Unauthorised	1 510 501
Communication and Brand Management	Allegatrions of contravention of the SCM policy	Irregular	203 280
Finance	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	7 951 594
Communication and Brand Management	Allegations of non-compliance with SCMP	Irregular	849 090
Real Estate	Allegations of corruption bu an employee in the division	Fruitless & wasteful	21 468
Various departments	Interest paid due to late payments	Fruitless	44 207
Human Resources and Development	Allegations that officials were paid for study loans from bursary vote	Unauthorised	171 940
Human Resources and Development	Allegations that officials were paid for study loans from bursary vote	Fruitless	45 800
Economic Development	Allegations of mismanagement of of funds	Fruitless	3 139 690
WMS	Maintenance and ops of Rietfontein landfill	Irregular	7 219 040
Water	Install and repair bulk meters to schools	Irregular	2 216 006
Communication and Brand Management	Allegations of non-compliance with SCMP	Irregular	165 300
Communication and Brand Management	Allegations of non-compliance with SCMP	Irregular	71 100
ICT	Allegations of non-compliance with SCMP	Irregular	4 890 081
ICT	Allegations of non-compliance with SCMP	Irregular	1 307 845

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand		2015	2014
50. Unauthorised, Fruitless, Wasteful and Irregular expenditure (continued)			
EMPD	Service rendered during peace corps launch	Irregular	22 500
Customer Care Areas	Contract value has been exceeded	Irregular	11 508 647
DEMS	Contract value has been exceeded	Irregular	138 528
Real Estate	Insufficient funds	Unauthorised	1 117 434
Solid waste	Company changed name	Irregular	1 275 122
SRAC	Regulation 44 appointment	Irregular	276 388
Solid waste	Non-compliance with SCMP	Fruitless and wasteful	1 172 830
			91 080 676

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

50. 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	28 500
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
SRAC	Supplier is not rotated as required by SCM reg.18.	Irregular	98 565
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	25 432 732
SRAC	Allegations of procurement irregularities, 2012 Heritage Day celebrations	Irregular	41 525
SRAC	Allegations of unfair labour practice and procurement irregularities at the OR Tambo Narrative Centre	Irregular	86 526
SRAC	Allegations of conflict of interest by officials of SRAC	Irregular	970 895
Finance	Allegations of procurement irregularities involving duplicating of payments at CPO	Fruitless	404 941
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
SRAC	Allegations of unfair labour practice and procurement irregularities at the OR Tambo Narrative Centre.	Irregular	29 868
Real Estate	Alleged irregular overtime claims and payments to Horticulturists.	Irregular	285 264
Finance	Forensic investigation into circumstances under which legal fees were incurred and paid by EDC to Attorneys.	Irregular	461 356
Various departments	Interest paid due to late payments	Fruitless	365 615

103 201 641

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	11 263 200	7 905 900
Amount paid - current year	(11 263 200)	(7 905 900)

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Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Material losses through criminal conduct and fraudulent activities		
Opening balance	20 446 141	-
Amounts identified in current year	386 631	20 446 141
	20 832 772	20 446 141
2015		
Theft of money	R386,631	
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	264 578	1 563 258
Current year subscription / fee	19 500 000	17 622 504
Amount paid - current year	(19 529 208)	(18 921 184)
	235 370	264 578
PAYE and UIF		
Current year fee	781 889 676	721 636 018
Amount paid - current year	(781 889 676)	(721 636 018)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	1 470 156 628	1 370 432 333
Amount paid - current year	(1 470 156 628)	(1 370 432 333)
	-	-
VAT		
VAT paid during the year	85 449 960	88 164 787

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

51. 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

52. Utilisation of Long-term liabilities reconciliation

Outstanding long-term liabilities beginning of the year	5 288 777 045	5 133 197 777
Redemption of loans	(284 180 372)	(629 420 732)
New loans	750 000 000	785 000 000
	5 754 596 673	5 288 777 045
Used to finance PPE: Opening balance	(5 095 621 579)	(4 886 295 216)
Redemption of loans	284 180 372	629 420 732
Capital financed from external loans for the year	(971 607 207)	(838 747 095)
Unspend long term liabilities	(28 451 741)	193 155 466

Cash set aside for the repayment of long-term liabilities for the year	856 740 526	772 468 899
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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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

53. Deviation from supply chain management regulations

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

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

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

Emergencies	171 095 802	18 602 063
Sole supplier	11 478 293	9 902 212
Appointment of consultant	26 230 980	17 092 793
Events	20 576 280	18 448 146
Operational services	206 720 592	143 367 229
Training	33 131 210	972 000
	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

54. 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 %
Non-technical loss %	17,11 %	17,11 %	16,60 %	16,60 %
	32,11 %	32,11 %	33,90 %	33,90 %

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

55. Budget differences

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

55. 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 losses 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 renewal 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 provision for Debt Impairment was 62% (R762 million) more than the budget amount.

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

55. Budget differences (continued)

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 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.
- 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

55. 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

* See Note 2 & 46