



Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements
for the year ended 30 June 2016

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Municipality and its municipal entities
Legislation governing the entity's operations	Municipal Finance Management Act (Act No. 56 of 2003)
Mayoral committee	
New Executive Mayor	Clr M Masina
Previous Executive Mayor	Clr M Gungubele
Speaker	Clr P Khumalo
Chief Whip	Chief Whip: Clr J Dhlathathi
New Members of Mayoral Committee	MMC: Finance and Economic Development: Clr D Xhakaza MMC: Community Services: Clr D Mlambo MMC: Human Settlements: Clr L Mpya MMC: Environmental and Waste Management Services: Clr N Shongwe MMC: City Planning: Clr M Madihlaba MMC: Corporate and Shared Services: Clr K Mabaso MMC: Water, Sanitation and Energy: Clr T Nketele MMC: Community Safety: Clr V Chauke MMC: Infrastructure: Clr R Mashego MMC : Transport Planning: Clr P Mabunda
Previous Members of Mayoral Committee	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.
Municipal manager	Dr. I Mashazi 011 999 0760 imogen.mashazi@ekurhuleni.gov.za
Previous City manager	K.Ngema, resigned 31 August 2016
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

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General Information

Postal address

Private Bag X69
Germiston
1400

Bankers

ABSA Bank / Nedbank

Auditors

Auditor-General of South Africa

Group information

Controlling entity: Ekurhuleni Metropolitan Municipality
Controlled Entities:
East Rand Water Care Company, NPC
Brakpan Bus Company SOC Ltd
Ekurhuleni Development Company SOC Ltd
Pharoe Park Housing Company SOC Ltd
Germiston Phase II Housing Company SOC Ltd
Lethabong Housing Institute, NPC

Ekurhuleni Metropolitan Municipality

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

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Abbreviations

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

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, she is satisfied that the economic entity has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

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

The group annual financial statements set out on pages 5 to 102, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 September 2016.

Accounting Officer
Dr. I Mashazi

Group Chief Financial Officer
R Ganda

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Consolidated Statement of Financial Position

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
Assets					
Current Assets					
Inventories	10	365 933 938	377 952 336	354 918 054	366 936 452
Other investments	11	155 534 594	124 431 301	147 020 659	115 978 314
Current tax receivable		1 053 942	-	-	-
Other receivables from exchange transactions	12	877 572 125	784 529 472	855 531 039	729 149 028
Other receivables from non-exchange transactions	13	29 452 033	23 973 756	29 452 033	23 973 756
Consumer debtors	14	5 256 386 810	4 386 817 674	5 256 386 810	4 386 817 674
Cash and cash equivalents	15	8 307 061 759	7 821 728 512	7 972 586 235	7 701 376 113
		14 992 995 201	13 519 433 051	14 615 894 830	13 324 231 337
Non-Current Assets					
Investment property	3	669 027 293	608 834 684	621 169 186	571 281 545
Property, plant and equipment, and Intangible assets	4	49 248 537 606	47 161 943 629	47 517 190 292	45 605 179 136
Intangible assets	5	293 907 903	132 619 737	291 484 824	130 259 846
Heritage assets	6	59 454 180	59 453 892	59 454 180	59 453 892
Investments in controlled entities	7	-	-	306	306
Other investments	11	1 095 830 622	881 595 656	1 095 830 622	881 595 656
Deferred tax	8	33 822 335	7 017 021	-	-
Long-term receivables	9	9 395 409	7 525 933	6 890 631	4 974 360
		51 409 975 348	48 858 990 552	49 592 020 041	47 252 744 741
Non-Current Assets		51 409 975 348	48 858 990 552	49 592 020 041	47 252 744 741
Current Assets		14 992 995 201	13 519 433 051	14 615 894 830	13 324 231 337
Total Assets		66 402 970 549	62 378 423 603	64 207 914 871	60 576 976 078
Liabilities					
Current Liabilities					
Long-term liabilities	18	419 128 045	381 733 213	384 807 233	368 432 050
Current tax payable		-	17 744	-	-
Finance lease obligation	17	366 815	38 913	-	-
Trade and other payables from exchange transactions	19	6 667 126 975	5 367 235 411	6 627 730 829	5 345 408 994
Deposits	20	754 288 482	717 075 229	750 847 367	713 698 782
Unspent conditional grants and receipts	21	445 922 996	563 839 192	433 285 889	553 045 659
Provisions	22	436 330 588	395 873 206	403 806 769	372 871 780
		8 723 163 901	7 425 812 908	8 600 478 087	7 353 457 265
Non-Current Liabilities					
Long-term liabilities	18	5 649 246 626	5 806 832 573	5 050 855 469	5 411 930 238
Finance lease obligation	17	503 046	46 581	-	-
Retirement benefit obligation	23	2 556 638 581	2 077 876 581	2 527 234 581	2 049 898 581
Deferred tax	8	1 960 627	2 380 784	-	-
Provisions	22	946 711 300	849 302 804	946 711 300	849 302 804
		9 155 060 180	8 736 439 323	8 524 801 350	8 311 131 623
Non-Current Liabilities		9 155 060 180	8 736 439 323	8 524 801 350	8 311 131 623
Current Liabilities		8 723 163 901	7 425 812 908	8 600 478 087	7 353 457 265
Total Liabilities		17 878 224 081	16 162 252 231	17 125 279 437	15 664 588 888
Assets		66 402 970 549	62 378 423 603	64 207 914 871	60 576 976 078
Liabilities		(17 878 224 081)	(16 162 252 231)	(17 125 279 437)	(15 664 588 888)
Net Assets		48 524 746 468	46 216 171 372	47 082 635 434	44 912 387 190

* See Note 48

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Group Annual Financial Statements for the year ended 30 June 2016

Consolidated Statement of Financial Position

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
Net Assets Attributable to Owners of Controlling Entity					
Share premium	16	-	7 442 007	-	-
Accumulated surplus		48 484 513 114	46 167 629 456	47 082 635 434	44 912 387 190
		48 484 513 114	46 175 071 463	47 082 635 434	44 912 387 190
Non-controlling interest		40 233 354	41 099 909	-	-
Total Net Assets		48 524 746 468	46 216 171 372	47 082 635 434	44 912 387 190

* See Note 48

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Group Annual Financial Statements for the year ended 30 June 2016

Consolidated Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
Revenue					
Property rates	26	3 943 772 434	3 689 518 975	3 946 658 651	3 693 387 443
Property rates - penalties and collection charges		100 916 675	88 405 293	100 916 675	88 405 293
Service charges	27	17 134 490 950	16 254 616 785	17 130 454 896	16 304 459 304
Rendering of services		10 403 970	8 842 196	-	-
Rental of facilities and equipment	28	86 071 924	88 300 321	59 256 123	62 454 731
Interest earned - outstanding debtors		459 031 354	292 739 718	459 031 354	292 739 718
Licences and permits		51 650 784	53 622 189	51 650 784	53 622 189
Income from agency services		276 375 456	257 982 770	276 375 456	257 982 770
Fines		218 443 438	224 949 291	218 443 438	224 949 291
Government grants & subsidies	29	6 627 902 598	5 771 611 632	6 612 130 291	5 760 182 991
Public contributions and donations		53 457 399	92 196 676	53 457 399	92 196 676
Interest revenue		647 549 267	525 168 213	632 624 010	519 167 378
Other income	31	164 813 873	110 347 708	107 259 994	101 349 468
Dividends received		149 705	91 137	-	-
Total revenue		29 775 029 827	27 458 392 904	29 648 259 071	27 450 897 252
Expenditure					
Employee related costs	32	(6 601 212 301)	(5 821 115 678)	(6 338 421 151)	(5 587 350 485)
Remuneration of councillors	33	(105 696 037)	(99 977 319)	(105 696 037)	(99 977 319)
Administration		(2 917 460)	(2 012 529)	-	-
Depreciation and amortisation	34	(1 721 747 824)	(1 914 771 964)	(1 663 543 008)	(1 879 297 210)
Impairment of assets	35	(281 690 611)	(179 155 928)	(281 690 611)	(178 083 343)
Finance costs	36	(903 295 130)	(594 992 337)	(848 639 400)	(571 556 210)
Debt Impairment	37	(1 438 967 865)	(2 215 059 736)	(1 434 057 613)	(2 211 425 099)
Collection costs		(117 335 436)	(148 770 987)	(116 163 244)	(148 107 160)
Repairs and maintenance		(1 683 992 762)	(1 337 012 963)	(1 660 851 257)	(1 328 381 213)
Bulk purchases	38	(11 255 067 255)	(9 791 848 412)	(11 662 156 131)	(10 218 507 648)
Contracted services	40	(847 467 989)	(704 325 662)	(856 564 396)	(714 568 087)
Grants and subsidies paid	41	(1 004 765 577)	(1 109 058 759)	(1 096 477 179)	(1 167 558 759)
General Expenses	42	(1 494 476 939)	(1 360 612 969)	(1 413 750 815)	(1 280 424 977)
Total expenditure		(27 458 633 186)	(25 278 715 243)	(27 478 010 842)	(25 385 237 510)
Total revenue		29 775 029 827	27 458 392 904	29 648 259 071	27 450 897 252
Total expenditure		(27 458 633 186)	(25 278 715 243)	(27 478 010 842)	(25 385 237 510)
Operating surplus		2 316 396 641	2 179 677 661	2 170 248 229	2 065 659 742
Loss on disposal of capital assets		(12 914 952)	(7 929 142)	-	(7 838 173)
Operating surplus		2 316 396 641	2 179 677 661	2 170 248 229	2 065 659 742
		(12 914 952)	(7 929 142)	-	(7 838 173)
Surplus before taxation		2 303 481 689	2 171 748 519	2 170 248 229	2 057 821 569
Taxation	39	(13 109 294)	(1 056 236)	-	-
Operating surplus/deficit		(12 914 952)	(7 929 142)	-	(7 838 173)
Surplus before taxation		2 303 481 689	2 171 748 519	2 170 248 229	2 057 821 569
Taxation		(13 109 294)	(1 056 236)	-	-
Surplus for the year		2 316 590 983	2 172 804 755	2 170 248 229	2 057 821 569
Attributable to:					
Owners of the controlling entity		2 310 526 612	2 169 359 927	2 170 248 229	2 057 821 569
Non-controlling interest		6 064 371	3 444 828	-	-
		2 316 590 983	2 172 804 755	2 170 248 229	2 057 821 569

* See Note 48

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	Share premium	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Non-controlling interest	Total net assets
Figures in Rand					
Economic entity					
Opening balance as previously reported	7 442 007	42 833 380 106	42 840 822 113	37 655 081	42 878 477 194
Adjustments					
Prior period error (Note 48)	-	1 164 889 423	1 164 889 423	-	1 164 889 423
Balance at 01 July 2014 as restated*	7 442 007	43 998 269 529	44 005 711 536	37 655 081	44 043 366 617
Surplus for the year as restated	-	2 169 359 927	2 169 359 927	3 444 828	2 172 804 755
Total changes	-	2 169 359 927	2 169 359 927	3 444 828	2 172 804 755
Prior period adjustments	-	43 802 892	43 802 892	-	43 802 892
Restated* Balance at 01 July 2015	7 442 007	46 167 629 471	46 175 071 478	41 099 909	46 216 171 387
Changes in net assets					
Surplus for the year	-	2 310 526 612	2 310 526 612	6 064 371	2 316 590 983
Share buyback - controlling entities	(7 442 007)	6 357 031	(1 084 976)	(6 930 926)	(8 015 902)
Total changes	(7 442 007)	2 316 883 643	2 309 441 636	(866 555)	2 308 575 081
Balance at 30 June 2016	-	48 484 513 114	48 484 513 114	40 233 354	48 524 746 468
Note(s)	16				
Controlling entity					
Opening balance as previously reported	-	41 689 676 198	41 689 676 198	-	41 689 676 198
Adjustments					
Prior period error	-	1 164 889 423	1 164 889 423	-	1 164 889 423
Restated* Balance at 01 July 2014	-	42 854 565 621	42 854 565 621	-	42 854 565 621
Changes in net assets					
Surplus for the year	-	2 057 821 569	2 057 821 569	-	2 057 821 569
Total changes	-	2 057 821 569	2 057 821 569	-	2 057 821 569
Adjustments					
Prior year adjustments	-	43 802 892	43 802 892	-	43 802 892
Restated* Balance at 01 July 2015	-	44 912 387 205	44 912 387 205	-	44 912 387 205
Changes in net assets					
Surplus for the year	-	2 170 248 229	2 170 248 229	-	2 170 248 229
Total changes	-	2 170 248 229	2 170 248 229	-	2 170 248 229
Balance at 30 June 2016	-	47 082 635 434	47 082 635 434	-	47 082 635 434
Note(s)	16				

* See Note 48

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Group Annual Financial Statements for the year ended 30 June 2016

Consolidated Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
Cash flows from operating activities					
Receipts					
Property rates		3 890 104 559	3 724 265 013	3 894 773 406	3 728 133 481
Income from rendering of services		15 103 139 672	14 217 320 541	15 102 231 241	14 281 852 532
Grants-Operational		4 345 582 898	3 904 467 109	4 345 582 898	3 904 522 825
Grants-Capital		2 164 403 504	2 049 587 592	2 146 787 623	2 038 103 235
Interest income		983 979 448	817 907 931	969 054 191	811 907 096
Dividends received		149 705	91 137	-	-
Other receipts		762 695 914	598 944 559	634 582 906	335 254 360
		27 250 055 700	25 312 583 882	27 093 012 265	25 099 773 529
Payments					
Employee costs		(6 331 386 643)	(5 821 391 116)	(6 079 543 886)	(5 596 166 001)
Suppliers		(13 967 869 992)	(13 038 689 453)	(14 309 964 723)	(13 075 369 342)
Finance costs		(655 483 876)	(594 992 337)	(600 828 146)	(571 556 210)
Other payments		(1 176 361 397)	(1 231 106 004)	(1 242 317 441)	(1 327 092 599)
Taxes on surpluses		(15 187 863)	(86 727)	-	-
		(22 146 289 771)	(20 686 265 637)	(22 232 654 196)	(20 570 184 152)
Total receipts		27 250 055 700	25 312 583 882	27 093 012 265	25 099 773 529
Total payments		(22 146 289 771)	(20 686 265 637)	(22 232 654 196)	(20 570 184 152)
Net cash flows from operating activities	43	5 103 765 929	4 626 318 245	4 860 358 069	4 529 589 377
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE)	4	(4 085 579 932)	(3 301 638 844)	(3 843 385 964)	(2 993 332 296)
Proceeds from the sale of property, plant and equipment	4	114 619	77 726	-	-
Purchase of investment property	3	(43 428 546)	(37 228 402)	(32 138 052)	(37 228 402)
Purchase of intangible assets	5	(166 142 146)	(39 353 805)	(164 883 902)	(38 603 572)
Purchases of heritage assets	6	(288)	-	(288)	-
Purchase of investments		(245 338 259)	(217 753 041)	(245 277 311)	(217 242 302)
Purchase of long-term receivables		4 135 365	(2 468 128)	4 088 570	1 577 689
Net cash flows from investing activities		(4 536 239 187)	(3 598 364 494)	(4 281 596 947)	(3 284 828 883)
Cash flows from financing activities					
Long-term liabilities raised		233 059 731	1 064 846 689	-	750 000 000
Repayment of long term liabilities		(353 250 846)	(275 385 250)	(344 699 586)	(258 414 757)
Net movement in consumer deposits		37 213 253	70 685 239	37 148 585	70 489 877
Finance lease raised/(payments)		784 367	(49 026)	-	-
Net cash flows from financing activities		(82 193 495)	860 097 652	(307 551 001)	562 075 120
Net increase/ (decrease) in cash and cash equivalents		485 333 247	1 888 051 403	271 210 121	1 806 835 614
Cash and cash equivalents at the beginning of the year		7 821 728 512	5 933 677 109	7 701 376 113	5 894 540 499
Cash and cash equivalents at the end of the year	15	8 307 061 759	7 821 728 512	7 972 586 234	7 701 376 113

* See Note 48

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	18 931 472 064	531 549 034	19 463 021 098	17 134 490 950	(2 328 530 148)	
Rendering of services	11 880 344	-	11 880 344	10 403 970	(1 476 374)	
Rental of facilities and equipment	68 057 860	(30 000)	68 027 860	86 071 924	18 044 064	
Interest received (trading)	272 379 956	4 594 705	276 974 661	459 031 354	182 056 693	
Agency services	274 013 764	-	274 013 764	276 375 456	2 361 692	
Licences and permits	54 204 988	-	54 204 988	51 650 784	(2 554 204)	
Other income - (rollup)	259 468 764	-	259 468 764	164 813 873	(94 654 891)	
Interest received - investment	322 697 000	686 000	323 383 000	647 549 267	324 166 267	
Dividends received	-	-	-	149 705	149 705	
Total revenue from exchange transactions	20 194 174 740	536 799 739	20 730 974 479	18 830 537 283	(1 900 437 196)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	4 295 311 580	(137 097 906)	4 158 213 674	3 943 772 434	(214 441 240)	
Property rates - penalties imposed	113 348 195	(14 264 732)	99 083 463	100 916 675	1 833 212	
Transfer revenue						
Government grants & subsidies	6 496 795 064	658 683 318	7 155 478 382	6 627 902 598	(527 575 784)	
Public contributions and donations	-	-	-	53 457 399	53 457 399	
Fines, Penalties and Forfeits	267 074 446	(22 896 479)	244 177 967	218 443 438	(25 734 529)	
Total revenue from non-exchange transactions	11 172 529 285	484 424 201	11 656 953 486	10 944 492 544	(712 460 942)	
'Total revenue from exchange transactions'	20 194 174 740	536 799 739	20 730 974 479	18 830 537 283	(1 900 437 196)	
'Total revenue from non-exchange transactions'	11 172 529 285	484 424 201	11 656 953 486	10 944 492 544	(712 460 942)	
Total revenue	31 366 704 025	1 021 223 940	32 387 927 965	29 775 029 827	(2 612 898 138)	
Expenditure						
Personnel	(7 031 983 675)	515 564 628	(6 516 419 047)	(6 601 212 301)	(84 793 254)	
Remuneration of councillors	(108 849 049)	(224 050)	(109 073 099)	(105 696 037)	3 377 062	
Administration	-	-	-	(2 917 460)	(2 917 460)	
Depreciation and amortisation	(1 665 121 628)	-	(1 665 121 628)	(1 721 747 824)	(56 626 196)	
Impairment loss/ Reversal of impairments	-	-	-	(281 690 611)	(281 690 611)	
Finance costs	(811 289 642)	71 757 039	(739 532 603)	(903 295 130)	(163 762 527)	
Bad debts written off	(1 438 971 640)	-	(1 438 971 640)	(1 438 967 865)	3 775	
Collection costs	(177 931 941)	(36 561)	(177 968 502)	(117 335 436)	60 633 066	
Repairs and maintenance	(1 945 664 882)	(25 348 969)	(1 971 013 851)	(1 683 992 762)	287 021 089	
Bulk purchases	(12 013 559 092)	-	(12 013 559 092)	(11 255 067 255)	758 491 837	
Contracted Services	(908 807 797)	(61 502 758)	(970 310 555)	(847 467 989)	122 842 566	
Transfers and Subsidies	(1 224 156 461)	(890 955 316)	(2 115 111 777)	(1 004 765 577)	1 110 346 200	
General Expenses	(1 891 546 128)	(107 939 163)	(1 999 485 291)	(1 494 476 939)	505 008 352	
Total expenditure	(29 217 881 935)	(498 685 150)	(29 716 567 085)	(27 458 633 186)	2 257 933 899	
	31 366 704 025	1 021 223 940	32 387 927 965	29 775 029 827	(2 612 898 138)	
	(29 217 881 935)	(498 685 150)	(29 716 567 085)	(27 458 633 186)	2 257 933 899	
Operating surplus	2 148 822 090	522 538 790	2 671 360 880	2 316 396 641	(354 964 239)	
Loss on non-current assets held for sale or disposal groups	(10 000 000)	-	(10 000 000)	(12 914 952)	(2 914 952)	

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	2 148 822 090	522 538 790	2 671 360 880	2 316 396 641	(354 964 239)	
	(10 000 000)	-	(10 000 000)	(12 914 952)	(2 914 952)	
Surplus before taxation	2 138 822 090	522 538 790	2 661 360 880	2 303 481 689	(357 879 191)	
Taxation	-	-	-	(13 109 294)	(13 109 294)	
Deficit before taxation	2 138 822 090	522 538 790	2 661 360 880	2 303 481 689	(357 879 191)	
Taxation	-	-	-	(13 109 294)	(13 109 294)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2 138 822 090	522 538 790	2 661 360 880	2 316 590 983	(344 769 897)	

Reconciliation

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	18 542 305 287	86 616 430	18 628 921 717	17 130 454 896	(1 498 466 821)	
Rental of facilities and equipment	68 057 860	(30 000)	68 027 860	59 256 123	(8 771 737)	
Interest received (trading)	272 379 956	4 594 705	276 974 661	459 031 354	182 056 693	
Agency services	274 013 764	-	274 013 764	276 375 456	2 361 692	
Licences and permits	54 204 988	-	54 204 988	51 650 784	(2 554 204)	
Other income - (rollup)	78 084 596	-	78 084 596	107 259 994	29 175 398	
Interest received - investment	316 135 000	-	316 135 000	632 624 010	316 489 010	
Total revenue from exchange transactions	19 605 181 451	91 181 135	19 696 362 586	18 716 652 617	(979 709 969)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	4 295 311 580	33 739 258	4 329 050 838	3 946 658 651	(382 392 187)	
Property rates - penalties imposed	113 348 195	(14 264 732)	99 083 463	100 916 675	1 833 212	
Transfer revenue						
Government grants & subsidies	6 440 798 341	606 343 676	7 047 142 017	6 612 130 291	(435 011 726)	
Public contributions and donations	-	-	-	53 457 399	53 457 399	
Fines, Penalties and Forfeits	267 074 446	(22 896 479)	244 177 967	218 443 438	(25 734 529)	
Total revenue from non-exchange transactions	11 116 532 562	602 921 723	11 719 454 285	10 931 606 454	(787 847 831)	
'Total revenue from exchange transactions'	19 605 181 451	91 181 135	19 696 362 586	18 716 652 617	(979 709 969)	
'Total revenue from non-exchange transactions'	11 116 532 562	602 921 723	11 719 454 285	10 931 606 454	(787 847 831)	
Total revenue	30 721 714 013	694 102 858	31 415 816 871	29 648 259 071	(1 767 557 800)	
Expenditure						
Personnel	(6 722 487 388)	105 162 998	(6 617 324 390)	(6 338 421 151)	278 903 239	
Remuneration of councillors	(108 849 049)	-	(108 849 049)	(105 696 037)	3 153 012	
Depreciation and amortisation	(2 093 892 984)	-	(2 093 892 984)	(1 663 543 008)	430 349 976	
Impairment loss/ Reversal of impairments	-	-	-	(281 690 611)	(281 690 611)	
Finance costs	(763 197 217)	72 898 332	(690 298 885)	(848 639 400)	(158 340 515)	
Bad debts written off	(1 435 562 441)	-	(1 435 562 441)	(1 434 057 613)	1 504 828	
Collection costs	(177 931 941)	(2 112 861)	(180 044 802)	(116 163 244)	63 881 558	
Repairs and maintenance	(1 945 664 882)	(37 336 360)	(1 983 001 242)	(1 660 851 257)	322 149 985	
Bulk purchases	(11 827 222 974)	-	(11 827 222 974)	(11 662 156 131)	165 066 843	
Contracted Services	(908 807 797)	(8 672 972)	(917 480 769)	(856 564 396)	60 916 373	
Transfers and Subsidies	(1 410 527 337)	(239 930 577)	(1 650 457 914)	(1 096 477 179)	553 980 735	
General Expenses	(1 673 779 295)	(96 029 270)	(1 769 808 565)	(1 413 750 815)	356 057 750	
Total expenditure	(29 067 923 305)	(206 020 710)	(29 273 944 015)	(27 478 010 842)	1 795 933 173	
	30 721 714 013	694 102 858	31 415 816 871	29 648 259 071	(1 767 557 800)	
	(29 067 923 305)	(206 020 710)	(29 273 944 015)	(27 478 010 842)	1 795 933 173	
Operating surplus	1 653 790 708	488 082 148	2 141 872 856	2 170 248 229	28 375 373	
Gain on non-current assets held for sale or disposal groups	(10 000 000)	-	(10 000 000)	-	10 000 000	

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	1 653 790 708	488 082 148	2 141 872 856	2 170 248 229	28 375 373	
	(10 000 000)	-	(10 000 000)	-	10 000 000	
Surplus before taxation	1 643 790 708	488 082 148	2 131 872 856	2 170 248 229	38 375 373	
Deficit before taxation	1 643 790 708	488 082 148	2 131 872 856	2 170 248 229	38 375 373	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	1 643 790 708	488 082 148	2 131 872 856	2 170 248 229	38 375 373	

Reconciliation

The reasons for the differences between the budget and actuals are discussed in note 58.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2016											
Financial Performance											
Property rates	4 408 659 775	19 474 526	4 428 134 301	-	(170 837 164)	4 257 297 137	4 044 689 109		(212 608 028)	95 %	92 %
Service charges	18 931 472 064	716 535 620	19 648 007 684	-	(184 986 586)	19 463 021 098	17 134 490 950		(2 328 530 148)	88 %	91 %
Investment revenue	322 697 000	686 000	323 383 000	-	-	323 383 000	647 549 267		324 166 267	200 %	201 %
Transfers recognised - operational	4 489 771 043	149 032 170	4 638 803 213	-	21 569 000	4 660 372 213	4 480 744 160		(179 628 053)	96 %	100 %
Other own revenue	1 212 080 122	(18 331 774)	1 193 748 348	-	-	1 193 748 348	1 266 940 504		73 192 156	106 %	105 %
Total revenue (excluding capital transfers and contributions)	29 364 680 004	867 396 542	30 232 076 546	-	(334 254 750)	29 897 821 796	27 574 413 990		(2 323 407 806)	92 %	94 %
Employee costs	(7 031 983 675)	105 162 998	(6 926 820 677)	-	410 401 630	(6 516 419 047)	(6 601 212 301)	-	(84 793 254)	101 %	94 %
Remuneration of councillors	(108 849 049)	-	(108 849 049)	-	(224 050)	(109 073 099)	(105 696 037)	-	3 377 062	97 %	97 %
Debt impairment	(1 438 971 640)	-	(1 438 971 640)			(1 438 971 640)	(1 438 967 865)	-	3 775	100 %	100 %
Depreciation and asset impairment	(1 665 121 628)	-	(1 665 121 628)			(1 665 121 628)	(1 721 747 824)	-	(56 626 196)	103 %	103 %
Finance charges	(811 289 642)	72 898 332	(738 391 310)	-	(1 141 293)	(739 532 603)	(903 295 130)	-	(163 762 527)	122 %	111 %
Materials and bulk purchases	(12 013 559 092)	-	(12 013 559 092)	-	-	(12 013 559 092)	(12 939 060 017)	-	(925 500 925)	108 %	108 %
Transfers and grants	(1 224 156 461)	(869 849 767)	(2 094 006 228)	-	(21 105 549)	(2 115 111 777)	(1 004 765 577)	-	1 110 346 200	48 %	82 %
Other expenditure	(4 938 950 748)	(141 151 463)	(5 080 102 211)	-	(53 675 988)	(5 133 778 199)	(2 756 803 387)	-	2 376 974 812	54 %	56 %
Total expenditure	(29 232 881 935)	(832 939 900)	(30 065 821 835)	-	334 254 750	(29 731 567 085)	(27 471 548 138)	-	2 260 018 947	92 %	94 %
Total revenue (excluding capital transfers and contributions)	29 364 680 004	867 396 542	30 232 076 546	-	(334 254 750)	29 897 821 796	27 574 413 990	-	(2 323 407 806)	92 %	94 %
Total expenditure	(29 232 881 935)	(832 939 900)	(30 065 821 835)	-	334 254 750	(29 731 567 085)	(27 471 548 138)	-	2 260 018 947	92 %	94 %
Surplus/(Deficit)	131 798 069	34 456 642	166 254 711	-		166 254 711	102 865 852		(63 388 859)	62 %	62 %

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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	2 007 024 021	488 082 148	2 495 106 169	-		2 495 106 169	2 147 158 438		(347 947 731)	86 %	107 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	53 457 399		53 457 399	DIV/0 %	DIV/0 %
Surplus/(Deficit)	131 798 069	34 456 642	166 254 711	-	-	166 254 711	102 865 852	-	(63 388 859)	62 %	78 %
Capital transfers and contributions	2 007 024 021	488 082 148	2 495 106 169	-		2 495 106 169	2 200 615 837		(294 490 332)	88 %	110 %
Surplus (Deficit) after capital transfers and contributions	2 138 822 090	522 538 790	2 661 360 880	-	-	2 661 360 880	2 303 481 689	-	(357 879 191)	87 %	108 %
Taxation	-	-	-	-		-	(13 109 294)		(13 109 294)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	2 138 822 090	522 538 790	2 661 360 880	-	-	2 661 360 880	2 303 481 689	-	(357 879 191)	87 %	108 %
Minorities	-	-	-	-		-	13 109 294		13 109 294	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	2 138 822 090	522 538 790	2 661 360 880	-	-	2 661 360 880	2 316 590 983	-	(344 769 897)	87 %	108 %
Capital expenditure and funds sources											
Total capital expenditure	4 868 938 827	186 873 249	5 055 812 076	-		5 055 812 076	4 348 608 311		(707 203 765)	86 %	89 %
Sources of capital funds											
Transfers recognised - capital	2 351 890 521	161 747 148	2 513 637 669	-	101 585 830	2 615 223 499	2 197 158 439		(418 065 060)	84 %	93 %
Borrowing	155 677 282	-	155 677 282	-	(194 435 359)	(38 758 077)	52 491 220		91 249 297	(135)%	34 %
Internally generated funds	2 361 371 024	25 126 101	2 386 497 125	-	55 158 394	2 441 655 519	2 098 958 652		(342 696 867)	86 %	89 %
Total sources of capital funds	4 868 938 827	186 873 249	5 055 812 076	-	(37 691 135)	5 018 120 941	4 348 608 311	-	(669 512 630)	87 %	89 %

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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	3 982 791 990	-	3 982 791 990	-		3 982 791 990	5 103 765 929		1 120 973 939	128 %	128 %
Net cash from (used) investing	(5 156 375 927)	(175 497 978)	(5 331 873 905)	-		(5 331 873 905)	(4 536 239 187)		795 634 718	85 %	88 %
Net cash from (used) financing	979 832 651	-	979 832 651	-		979 832 651	(82 193 495)		(1 062 026 146)	(8)%	(8)%
Net increase/(decrease) in cash and cash equivalents	(193 751 286)	(175 497 978)	(369 249 264)	-		(369 249 264)	485 333 247		854 582 511	(131)%	(250)%
Cash and cash equivalents at the beginning of the year	4 853 552 999	-	4 853 552 999	-		4 853 552 999	7 821 728 512		2 968 175 513	161 %	161 %
Net increase / (decrease) in cash and cash equivalents	(193 751 286)	(175 497 978)	(369 249 264)	-	-	(369 249 264)	485 333 247	-	854 582 511	(131)%	(250)%
Cash and cash equivalents at the beginning of the year	4 853 552 999	-	4 853 552 999	-	-	4 853 552 999	7 821 728 512	-	2 968 175 513	161 %	161 %
Cash and cash equivalents at year end	4 659 801 713	(175 497 978)	4 484 303 735	-		4 484 303 735	8 307 061 759		3 822 758 024	185 %	178 %

Controlling entity - 2016

Financial Performance

Property rates	4 408 659 775	19 474 526	4 428 134 301	-	(170 837 164)	4 257 297 137	4 047 575 326		(209 721 811)	95 %	92 %
Service charges	18 542 305 287	716 535 620	19 258 840 907	-	(184 986 586)	19 073 854 321	17 130 454 896		(1 943 399 425)	90 %	92 %
Investment revenue	316 135 000	686 000	316 821 000	-		316 821 000	632 624 010		315 803 010	200 %	200 %
Transfers recognised - operational	4 465 242 820	118 261 528	4 583 504 348	-	21 569 000	4 605 073 348	4 464 971 853		(140 101 495)	97 %	100 %
Other own revenue	1 013 815 610	(18 331 774)	995 483 836	-		995 483 836	1 172 017 149		176 533 313	118 %	116 %
Total revenue (excluding capital transfers and contributions)	28 746 158 492	836 625 900	29 582 784 392	-	(334 254 750)	29 248 529 642	27 447 643 234		(1 800 886 408)	94 %	95 %
Employee costs	(6 722 487 388)	105 162 998	(6 617 324 390)	-	410 401 630	(6 206 922 760)	(6 338 421 151)		(131 498 391)	102 %	94 %

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

							Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome	
Remuneration of councillors	(108 849 049)	-	(108 849 049)	-	(224 050)	(109 073 099)	(105 696 037)	-	3 377 062	97 %	97 %
Debt impairment	(1 435 562 441)	-	(1 435 562 441)	-	-	(1 435 562 441)	(1 434 057 613)	-	1 504 828	100 %	100 %
Depreciation and asset impairment	(1 629 161 145)	-	(1 629 161 145)	-	-	(1 629 161 145)	(1 945 233 619)	-	(316 072 474)	119 %	119 %
Finance charges	(763 197 217)	72 898 332	(690 298 885)	-	(1 141 293)	(691 440 178)	(848 639 400)	-	(157 199 222)	123 %	111 %
Materials and bulk purchases	(11 827 222 974)	-	(11 827 222 974)	-	-	(11 827 222 974)	(11 662 156 131)	-	165 066 843	99 %	99 %
Transfers and grants	(1 224 156 461)	(869 849 767)	(2 094 006 228)	-	(21 105 549)	(2 115 111 777)	(1 096 477 179)	-	1 018 634 598	52 %	90 %
Other expenditure	(4 716 188 845)	(144 151 463)	(4 860 340 308)	-	(53 675 988)	(4 914 016 296)	(4 047 329 712)	-	866 686 584	82 %	86 %
Total expenditure	(28 426 825 520)	(835 939 900)	(29 262 765 420)	-	334 254 750	(28 928 510 670)	(27 478 010 842)	-	1 450 499 828	95 %	97 %
Total revenue (excluding capital transfers and contributions)	28 746 158 492	836 625 900	29 582 784 392	-	(334 254 750)	29 248 529 642	27 447 643 234	-	(1 800 886 408)	94 %	95 %
Total expenditure	(28 426 825 520)	(835 939 900)	(29 262 765 420)	-	334 254 750	(28 928 510 670)	(27 478 010 842)	-	1 450 499 828	95 %	97 %
Surplus/(Deficit)	319 332 972	686 000	320 018 972	-	-	320 018 972	(30 367 608)	-	(350 386 580)	(9)%	(10)%
Transfers recognised - capital	1 975 555 521	488 082 148	2 463 637 669	-	-	2 463 637 669	2 147 158 438	-	(316 479 231)	87 %	109 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	53 457 399	-	53 457 399	- %	- %
Surplus/(Deficit)	319 332 972	686 000	320 018 972	-	-	320 018 972	(30 367 608)	-	(350 386 580)	(9)%	(10)%
Capital transfers and contributions	1 975 555 521	488 082 148	2 463 637 669	-	-	2 463 637 669	2 200 615 837	-	(263 021 832)	89 %	111 %
Surplus (Deficit) after capital transfers and contributions	2 294 888 493	488 768 148	2 783 656 641	-	-	2 783 656 641	2 170 248 229	-	(613 408 412)	78 %	95 %
Surplus (Deficit) after capital transfers and contributions	2 294 888 493	488 768 148	2 783 656 641	-	-	2 783 656 641	2 170 248 229	-	(613 408 412)	78 %	95 %
Surplus/(Deficit) for the year	2 294 888 493	488 768 148	2 783 656 641	-	-	2 783 656 641	2 170 248 229	-	(613 408 412)	78 %	95 %

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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
Capital expenditure and funds sources											
Total capital expenditure	4 471 563 427	186 873 249	4 658 436 676	-		4 658 436 676	4 093 865 317		(564 571 359)	88 %	92 %
Sources of capital funds											
Transfers recognised - capital	2 301 890 521	161 747 148	2 463 637 669	-		2 463 637 669	2 147 158 439		(316 479 230)	87 %	93 %
Internally generated funds	2 169 672 906	25 126 101	2 194 799 007	-		2 194 799 007	1 946 706 878		(248 092 129)	89 %	90 %
Total sources of capital funds	4 471 563 427	186 873 249	4 658 436 676	-		4 658 436 676	4 093 865 317		(564 571 359)	88 %	92 %
Cash flows											
Net cash from (used) operating	3 906 600 250	-	3 906 600 250	-		3 906 600 250	4 860 358 069		953 757 819	124 %	124 %
Net cash from (used) investing	(4 759 000 527)	(175 497 978)	(4 934 498 505)	-		(4 934 498 505)	(4 281 596 947)		652 901 558	87 %	90 %
Net cash from (used) financing	755 189 983	-	755 189 983	-		755 189 983	(307 551 001)		(1 062 740 984)	(41)%	(41)%
Net increase/(decrease) in cash and cash equivalents	(97 210 294)	(175 497 978)	(272 708 272)	-		(272 708 272)	271 210 121		543 918 393	(99)%	(279)%
Cash and cash equivalents at the beginning of the year	4 782 397 809	-	4 782 397 809	-		4 782 397 809	7 701 376 113		2 918 978 304	161 %	161 %
Net increase / (decrease) in cash and cash equivalents	(97 210 294)	(175 497 978)	(272 708 272)	-		(272 708 272)	271 210 121		(543 918 393)	(99)%	(279)%
Cash and cash equivalents at the beginning of the year	4 782 397 809	-	4 782 397 809	-		4 782 397 809	7 701 376 113		(2 918 978 304)	161 %	161 %
Cash and cash equivalents at year end	4 685 187 515	(175 497 978)	4 509 689 537	-		4 509 689 537	7 972 586 234		(3 462 896 697)	177 %	170 %

Controlling entity - 2015

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Financial Performance

Property rates			3 781 792 736
Service charges			16 304 459 304
Investment revenue			519 167 378
Transfers recognised - operational			4 113 096 075
Other own revenue			993 098 167
Total revenue (excluding capital transfers and contributions)			25 711 613 660
Employee costs	-	-	(5 587 350 485)
Remuneration of councillors	-	-	(99 977 319)
Debt impairment	-	-	(2 211 425 099)
Depreciation and asset impairment	-	-	(2 057 380 553)
Finance charges	-	-	(571 556 210)
Materials and bulk purchases	-	-	(10 218 507 648)
Transfers and grants	-	-	(1 167 558 759)
Other expenditure	-	-	(3 479 319 610)
Total expenditure	-	-	-(25 393 075 683)
Total revenue (excluding capital transfers and contributions)	-	-	25 711 613 660
Total expenditure	-	-	(25 393 075 683)
Surplus/(Deficit)			318 537 977
Transfers recognised - capital			1 647 086 916
Contributions recognised - capital and contributed assets			92 196 676
Surplus/(Deficit)	-	-	318 537 977
Capital transfers and contributions	-	-	1 739 283 592
Surplus (Deficit) after capital transfers and contributions			2 057 821 569
Surplus (Deficit) after capital transfers and contributions	-	-	2 057 821 569
Surplus/(Deficit) for the year			2 057 821 569

Capital expenditure and funds sources

Total capital expenditure			3 069 164 272
Sources of capital funds			
Transfers recognised - capital			1 647 441 889
Public contributions and donations			1 699 926
Borrowing			971 607 207
Internally generated funds			448 415 250
Total sources of capital funds			3 069 164 272

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				4 529 589 377
Net cash from (used) investing				(3 284 828 883)
Net cash from (used) financing				562 075 120
Net increase/(decrease) in cash and cash equivalents				1 806 835 614
Cash and cash equivalents at the beginning of the year				5 894 540 499
Net increase / (decrease) in cash and cash equivalents	-	-	-	1 806 835 614
Cash and cash equivalents at the beginning of the year	-	-	-	5 894 540 499
Cash and cash equivalents at year end				7 701 376 113

Refer to note 58 for explanations on Budget differences

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Group Annual Financial Statements

Basis of Preparation

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

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

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

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

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

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. The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that not individually significant.

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

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

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

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

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

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

- **Traffic Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

- **Fair value estimation**

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

- **Budget information**

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

1.2 Presentation currency

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

Non-controlling interests in the surplus or deficit of the economic entity is separately disclosed.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Investment property

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

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

At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of and recognition criteria for 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 useful lives of the investment properties:

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

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

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

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment, and Intangible assets

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.

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.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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
Buildings	14 - 80 years

Infrastructure

• Roads and stormwater	2 – 100 years
• Pedestrian malls	10 - 60 years
• Electricity	3 – 100 years
• Water	3 – 100 years
• Sewer	3 – 100 years
• Housing	80 years
• Solid Waste	5 – 100 years
• Servitudes	Indefinite
• ICT	5 – 50 years
• Waste Water Purification Works	2 – 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

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Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment, and Intangible assets (continued)

- Specialised vehicles 3 - 20 years
- Other vehicles 3 - 28 years
- Leased equipment 3 - 4 years

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

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

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

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.6 Intangible assets

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

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

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

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

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

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

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

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

Item	Useful life
Computer software	1 - 23 years

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

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Accounting Policies

1.7 Heritage assets

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

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

Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of a purchased heritage asset comprises:

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

Heritage assets are subsequently measured at cost, less accumulated impairment losses.

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. Heritage assets are not being depreciated.

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 the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

1.8 Investments in controlled entities

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

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Financial instruments

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

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

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

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

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

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

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

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

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Financial instruments (continued)

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique.

Gains and losses

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

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

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 group 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

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Accounting Policies

1.10 Inventories

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

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

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

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The first-in-first-out method is the basis of allocating costs to inventories, except for water balance which is determined at weighted average cost at the reporting date based on the water volume in the network on hand.

Redundant and slow-moving inventories are identified and written down in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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Accounting Policies

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the end of the reporting period in which 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 as a defined benefit liability is net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirement.

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.

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Accounting Policies

1.12 Provisions and contingencies

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

The entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits 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 6.00% (2015: 7.00%) per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.47% (2015: 10.49%).

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 10.47% (2015: 10.49%).

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

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.13 Impairment of cash-generating assets and non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. 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

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.14 Revenue from exchange transactions

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

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

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

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

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

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

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

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

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

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

Interest revenue is recognised using the effective interest rate method 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

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Revenue from non-exchange transactions

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

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

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

Taxes (Property rates)

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

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

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis. Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers, including Grants and Receipts

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Bequests

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

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Leases

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

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

Finance leases-Lessee

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

Operating leases – lessor

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

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

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

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

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

Operating leases - lessee

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

1.17 Borrowing costs

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

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

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

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

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

1.18 Value Added Tax

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

1.19 Unauthorised expenditure

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

1.20 Fruitless and wasteful expenditure

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.21 Irregular expenditure

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

1.22 Internal reserves

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

Capital replacement reserve (CRR)

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

Self-insurance Reserve

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

Sinking Funds Reserve

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

1.23 Budget information

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

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30. These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the annual financial statements.

1.24 Related parties

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

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

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

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

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

1.25 Events after reporting date

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

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

Reporting date means the date of the last day of the reporting period to which the financial statements relate. The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.26 Commitments

The entity discloses each class of capital assets (PPE, Investment properties, Intangible assets and Heritage assets) recognized in the financial statements. The entity discloses its capital commitments based on the approved capital budget for the subsequent financial period approved in terms of section 15 of the MFMA, and as unspent funds still need to be appropriated/approved as roll overs during the budget process.

Future minimum lease payments under non-cancellable operating leases are disclosed for each of the following periods:

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

1.27 Going concern

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

1.28 Comparative figures

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.29 Taxes

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

1.30 Share Premium

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

1.31 Research and Development expenditure

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

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	Not yet set	The impact of the amendment is not material.
• GRAP 20: Related parties	Not yet set	The impact of the amendment is not material.
• GRAP 32: Service Concession Arrangements: Grantor	Not yet set	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	Not yet set	The impact of the amendment is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Not yet set	The impact of the amendment is not material.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact of the amendment is not material.
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	Not yet set	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand

3. Investment property

Economic entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	833 482 450	(164 455 157)	669 027 293	760 840 845	(152 006 161)	608 834 684

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	769 559 280	(148 390 094)	621 169 186	708 208 169	(136 926 624)	571 281 545

Reconciliation of investment property - Economic entity - 2016

	Opening balance	Additions	Other changes, movements	Transfer from PPE Depreciation	Impairments & Derecognition	Depreciation	Total
Investment property	608 834 684	43 428 546	39 526 066	(5 593 230)	(10 313 007)	(6 855 766)	669 027 293

Reconciliation of investment property - Economic entity - 2015

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	587 816 536	37 228 402	(1 377 000)	127 200	(13 402 517)	(1 557 937)	608 834 684

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2016

	Opening balance	Additions	Transfers	Transfer from PPE Depreciation	Impairments & Derecognition	Depreciation	Total
Investment property	571 281 545	32 138 052	39 526 066	(5 593 230)	(10 313 007)	(5 870 240)	621 169 186

Reconciliation of investment property - Controlling entity - 2015

	Opening balance	Additions	Disposals	Transfers	Impairments Loss	Depreciation	Total
Investment property	549 285 142	37 228 402	(1 377 000)	127 200	(13 402 517)	(579 682)	571 281 545

Other disclosure

Total rental income received on investment property

Total rental income received on investment property	67 984 304	42 513 416	19 895 072	16 840 491
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Included in the carrying value of Investment Property is an amount R99,434,093 (2015: R68,276,579) which relates to work in progress at the reporting date.

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

Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand

4. Property, plant and equipment, and Intangible assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & buildings	1 755 792 609	(4 457 955)	1 751 334 654	1 773 516 212	(6 258 482)	1 767 257 730
Infrastructure	45 254 074 580	(11 960 506 918)	33 293 567 662	43 796 477 883	(10 799 195 418)	32 997 282 465
Community	4 996 762 889	(1 523 927 240)	3 472 835 649	4 765 575 021	(1 332 912 459)	3 432 662 562
Other property, plant and equipment	5 097 293 232	(2 227 085 595)	2 870 207 637	4 638 775 786	(1 868 590 080)	2 770 185 706
Work-in-Progress	7 860 592 004	-	7 860 592 004	6 194 555 166	-	6 194 555 166
Total	64 964 515 314	(15 715 977 708)	49 248 537 606	61 168 900 068	(14 006 956 439)	47 161 943 629

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 707 178 811	-	1 707 178 811	1 720 228 895	-	1 720 228 895
Infrastructure	44 121 670 256	(11 656 683 665)	32 464 986 591	42 774 851 573	(10 538 141 301)	32 236 710 272
Community	4 996 762 889	(1 523 927 240)	3 472 835 649	4 765 575 021	(1 332 912 459)	3 432 662 562
Other property, plant and equipment	4 981 490 038	(2 183 767 199)	2 797 722 839	4 545 599 699	(1 831 994 998)	2 713 604 701
Work-in-Progress	7 074 466 402	-	7 074 466 402	5 501 972 706	-	5 501 972 706
Total	62 881 568 396	(15 364 378 104)	47 517 190 292	59 308 227 894	(13 703 048 758)	45 605 179 136

Reconciliation of property, plant and equipment - Economic entity - 2016

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand

4. Property, plant and equipment, and Intangible assets (continued)

	Opening balance	Additions	Impairment / Derecognition	Transfers	Other changes, movements	Transfers out of PPE	Depreciation	Impairment loss	Total
Land & buildings	1 767 257 730	5 652 758	(9 593)	11 569 211	(7 796 889)	(24 619 295)	(719 268)	-	1 751 334 654
Infrastructure	32 997 282 465	62 300 825	(2 962 449)	1 357 152 255	56 777 526	(6 073 647)	(1 170 878 761)	(30 552)	33 293 567 662
Community	3 432 662 562	-	(10 641)	236 303 131	-	(3 043 603)	(174 888 107)	(18 187 693)	3 472 835 649
Other property, plant and equipment	2 770 185 706	398 679 991	(4 257 685)	69 973 740	(40 890)	(196 291)	(364 136 934)	-	2 870 207 637
Work-in-progress	6 194 555 166	3 672 403 757	(249 354 124)	(1 674 998 337)	(29 155 477)	(52 858 981)	-	-	7 860 592 004
	47 161 943 629	4 139 037 331	(256 594 492)	-	19 784 270	(86 791 817)	(1 710 623 070)	(18 218 245)	49 248 537 606

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

	Opening balance	Additions	Impairment / Derecognition	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land & buildings	1 752 862 263	7 829 265	(3 126 775)	10 307 255	(167)	(614 111)	-	1 767 257 730
Infrastructure	33 516 427 607	67 833 502	(3 907 081)	731 078 454	115 841 670	(1 371 933 752)	(58 057 935)	32 997 282 465
Community	3 478 720 621	-	(556 466)	104 553 271	54 480 139	(197 653 054)	(6 881 949)	3 432 662 562
Other property, plant and equipment	2 623 861 657	407 462 218	(836 502)	71 879 056	244 537	(332 425 260)	-	2 770 185 706
Work-in-Progress	4 502 314 006	2 818 187 161	(81 052 128)	(1 021 004 508)	(23 889 365)	-	-	6 194 555 166
	45 874 186 154	3 301 312 146	(89 478 952)	(103 186 472)	146 676 814	(1 902 626 177)	(64 939 884)	47 161 943 629

Reconciliation of property, plant and equipment - Controlling entity- 2016

	Opening balance	Additions	Impairment/ Derecognition	Transfers	Other changes, movements	Transfers out of PPE	Depreciation	Impairment loss	Total
Land	1 720 228 895	-	-	11 569 211	-	(24 619 295)	-	-	1 707 178 811
Infrastructure	32 236 710 272	-	(209 354)	1 357 152 255	-	(6 073 648)	(1 122 562 382)	(30 552)	32 464 986 591
Community	3 432 662 562	-	(10 641)	236 303 131	-	(3 043 603)	(174 888 107)	(18 187 693)	3 472 835 649
Other property, plant and equipment	2 713 604 701	373 674 562	(2 854 175)	69 973 740	-	(196 291)	(356 479 698)	-	2 797 722 839
Work-in-Progress	5 501 972 706	3 522 354 080	(249 354 124)	(1 674 998 337)	27 351 057	(52 858 980)	-	-	7 074 466 402
	45 605 179 136	3 896 028 642	(252 428 294)	-	27 351 057	(86 791 817)	(1 653 930 187)	(18 218 245)	47 517 190 292

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Figures in Rand

4. Property, plant and equipment, and intangible assets (continued)

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

	Opening balance	Additions	Impairment/ Derecognition	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 713 028 040	-	(3 106 400)	10 307 255	-	-	-	1 720 228 895
Infrastructure	32 809 952 009	-	-	738 206 457	92 196 675	(1 345 586 934)	(58 057 935)	32 236 710 272
Community	3 478 720 621	-	(556 466)	104 553 271	54 480 139	(197 653 054)	(6 881 949)	3 432 662 562
Other property, plant and equipment	2 569 293 958	398 081 469	(161 487)	71 879 056	-	(325 488 295)	-	2 713 604 701
Work-in-Progress	4 008 778 515	2 595 250 827	(81 052 128)	(1 021 004 508)	-	-	-	5 501 972 706
	44 579 773 143	2 993 332 296	(84 876 481)	(96 058 469)	146 676 814	(1 868 728 283)	(64 939 884)	45 605 179 136

Cases of Work-in-Progress

Property, Plant and Equipment disclosed as assets under construction:

Infrastructure				5 783 019 433	4 810 594 051	4 996 893 831	4 118 011 591
Community				1 141 204 696	899 050 009	1 141 204 696	899 050 009
Other property, plant and equipment				936 367 875	484 911 106	936 367 875	484 911 106
				7 860 592 004	6 194 555 166	7 074 466 402	5 501 972 706

Pledged as security

Carrying value of assets pledged as security:

Office equipment	92 137	-	-	-
Terms and conditions				
Borrowing costs capitalised				
Borrowing costs capitalised in this period				
Property, plant and equipment	-	8 766 845	-	8 766 845

Capitalisation rates used during the year were 0.00% (2015 - 10.49%), depending on the finance source or external loan facility.

Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
4. Property, plant and equipment, and Intangible assets (continued)				
Compensation received for losses on property, plant and equipment – included in operating profit.				
Buildings	87 525	-	87 525	-
Furniture and fixtures	-	1 673	-	1 673
Motor vehicles	3 429	-	3 429	-
Office equipment	-	13 750	-	13 750
Infrastructure	-	3 883 205	-	3 883 205
	90 954	3 898 628	90 954	3 898 628

The transfer differences relate to an amount of R65,066,341 (2015: R101,570,088) which was transferred from inventory R12,207,360 to property plant and equipment assets (2015: R14,634,563). Refer to note 10.

Assets with a cost value of R39,526,066 and with an accumulated depreciation of R5,539,230 were transfer to Investment property.

5. Intangible assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	336 595 608	(42 687 705)	293 907 903	171 022 048	(38 402 311)	132 619 737

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	331 077 111	(39 592 287)	291 484 824	166 109 552	(35 849 706)	130 259 846

Reconciliation of intangible assets - Economic entity - 2016

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software (other)	132 619 737	166 142 146	(731 065)	146 073	(4 268 988)	293 907 903

Reconciliation of intangible assets - Economic entity - 2015

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software (other)	124 996 765	39 353 805	(2 662 108)	(10 379 911)	(18 688 814)	132 619 737

Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software (other)	130 259 846	165 698 623	(731 065)	(3 742 580)		291 484 824

Reconciliation of intangible assets - Controlling entity - 2015

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

Other information

Reconciliation of work-in-progress

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

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
5. Intangible assets (continued)				
Work-in-progress				
Opening balance	116 203 516	95 418 995	116 203 516	95 418 995
Software development incurred during the year	166 142 146	38 603 572	165 698 623	38 603 572
Work in progress transferred to completed assets	-	(711 246)	-	(711 246)
Impairment loss	-	(17 107 805)	-	(17 107 805)
	282 345 662	116 203 516	281 902 139	116 203 516

6. Heritage assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	10 681 792	-	10 681 792	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	42 995 877	-	42 995 877	42 995 877	-	42 995 877
Total	59 454 180	-	59 454 180	59 453 892	-	59 453 892

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Cultural	10 681 792	-	10 681 792	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	42 995 877	-	42 995 877	42 995 877	-	42 995 877
Total	59 454 180	-	59 454 180	59 453 892	-	59 453 892

Reconciliation of heritage assets Economic entity - 2016

	Opening balance	Additions	Total
Cultural	10 681 504	288	10 681 792
Conservation areas	351 149	-	351 149
Historical buildings	5 425 362	-	5 425 362
Other heritage assets	42 995 877	-	42 995 877
	59 453 892	288	59 454 180

Reconciliation of heritage assets Economic entity - 2015

	Opening balance	Transfers	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	23 259 641	42 995 877
	36 194 251	23 259 641	59 453 892

Reconciliation of heritage assets - 2016

	Opening balance	Additions	Total
Cultural	10 681 504	288	10 681 792
Conservation areas	351 149	-	351 149
Historical buildings	5 425 362	-	5 425 362
Other heritage assets	42 995 877	-	42 995 877

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

6. Heritage assets (continued)				
		59 453 892	288	59 454 180

Reconciliation of heritage assets - 2015

	Opening balance	Transfers	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	23 259 641	42 995 877
	36 194 251	23 259 641	59 453 892

Deemed costs

Aggregate of items valued using deemed cost		288	36 194 251
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Deemed cost was determined using fair value or depreciated replacement cost.

7. Investments in controlled entities

Name of company	% holding	% holding	Carrying amount	Carrying amount
	2016	2015	2016	2015
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	100,00 %	93,46 %	100	100
Germiston Phase II Housing Company SOC Ltd	100,00 %	92,59 %	100	100
Lethabong Housing Institute, NPC	100,00 %	100,00 %	-	-
			306	306

Pharoe Park Housing Company and Germiston Phase II Housing Company effected a buy back of shares during the period, which had the effect that the entity's shareholding percentages increase to 100% in both. This consolidation resulted in the transfer of functions to Germiston Phase II Housing Company.

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
8. Deferred tax				
Deferred tax liability				
Temporary differences on property, plant and equipment	(1 960 627)	(2 380 784)	-	-
Deferred tax asset				
Deferred tax asset on temporary differences	33 822 335	7 017 021	-	-
Deferred tax liability	(1 960 627)	(2 380 784)	-	-
Deferred tax asset	33 822 335	7 017 021	-	-
Total net deferred tax asset	31 861 708	4 636 237	-	-
Reconciliation of deferred tax asset \ (liability)				
At beginning of year	4 636 237	3 474 117	-	-
Tax available to set off against future taxable income	1 575 443	(425 898)	-	-
Movement on tax on income received in advance	(4 688)	20 825	-	-
Movement on tax on assessed loss	(1 433 893)	1 526 045	-	-
Provisions - due to transfer of functions	358 628	41 148	-	-
Investment property - market value different to book value transferred - due to transfer of functions	19 819 866	-	-	-
Investment property - Buildings - due to transfer of functions	594 418	-	-	-
Provision for interest on deposit - due to transfer of functions	129 106	-	-	-
Assessable loss	3 892 266	-	-	-
Provision for bad debt	2 294 325	-	-	-
	31 861 708	4 636 237	-	-
9. Long-term receivables				
Non-current receivables	11 324 145	15 459 510	8 819 367	12 907 937
Bad debt provision	(1 928 736)	(7 933 577)	(1 928 736)	(7 933 577)
	9 395 409	7 525 933	6 890 631	4 974 360

The Long-term receivables comprises inter alia of the following:

Rental deposits made	R1,081,293	(June 2015 - R1,065,459)
Housing schemes	R3,857,472	(June 2015 - R5,309,194)
ERPM debtor	R3,880,602	(June 2015 - R3,880,601)
Lesedi debtors	R0	(June 2015 - R2,652,683)

Credit quality of long-term receivables

The credit quality of long-term 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.

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
10. Inventories				
Inventories Bedfordview Stanford Gardens	4 856 400	4 856 400	-	-
Inventories Bedfordview Tennis Court	5 790 280	5 790 280	-	-
Other inventories	254 029	254 029	-	-
Electrical consumables	131 435 613	206 304 209	131 435 613	206 304 209
Cleansing consumables	389 279	431 503	389 279	431 503
Consumable stores	1 949 847	3 544 736	1 949 847	3 544 736
Maintenance materials	5 026 834	5 706 371	4 911 659	5 706 371
Water consumables	3 593 452	3 825 408	3 593 452	3 825 408
Water inventory	8 185 491	7 259 587	8 185 491	7 259 587
Land held as inventory for development	198 797 551	133 846 385	198 797 551	133 731 210
Food and Beverage	20 529	10 624	20 529	10 624
Fleet and Transport consumables	1 154 096	1 575 122	1 154 096	1 575 122
Fuel (Diesel, Petrol)	4 598 413	5 037 133	4 598 413	5 037 133
	366 051 814	378 441 787	355 035 930	367 425 903
Provision for obsolete Inventories	(117 876)	(489 451)	(117 876)	(489 451)
	365 933 938	377 952 336	354 918 054	366 936 452
Land inventory sold during the year and recognised as an expense R0 (2015 R5,000).				
Inventory written down due to redundancy/damaged inventories are valued at R117,876 (2015: R489,451) by way of a provision for redundant and damaged inventories.				
The provision for obsolete inventory amounts to R117,876 consists of:				
	Fleet and transport	R53,53 and		
	Consumable inventories	R64,346.		
Capital spares bought as part of capital project expenditure, were transferred to inventory during the year, as follows: Water R3,443,121 and Electricity R8,764,238 (2015: Water R1,537,325 and Electricity R32,648,112). Land transferred from PPE amounts to R65,066,341 (2015 - R110,565,834).				
11. Other investments				
At cost				
Unlisted shares	4 000 000	4 000 000	4 000 000	4 000 000
At fair value				
Old Mutual and Sanlam	8 513 935	8 452 987	-	-
At amortised cost				
Investments	1 238 851 281	993 573 970	1 238 851 281	993 573 970
These investments have varying interest rates as well as varying maturity dates				
	-	-	-	-
	4 000 000	4 000 000	4 000 000	4 000 000
	8 513 935	8 452 987	-	-
	1 238 851 281	993 573 970	1 238 851 281	993 573 970
	-	-	-	-
Total other investments	1 251 365 216	1 006 026 957	1 242 851 281	997 573 970
Non-current assets				
At cost	4 000 000	4 000 000	4 000 000	4 000 000
At amortised cost	1 091 830 622	877 595 656	1 091 830 622	877 595 656
	1 095 830 622	881 595 656	1 095 830 622	881 595 656
Current assets				
At fair value	8 513 935	8 452 987	-	-
At amortised cost	147 020 659	115 978 314	147 020 659	115 978 314
	155 534 594	124 431 301	147 020 659	115 978 314

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
11. Other investments (continued)				
Non-current assets	1 095 830 622	881 595 656	1 095 830 622	881 595 656
Current assets	155 534 594	124 431 301	147 020 659	115 978 314
	1 251 365 216	1 006 026 957	1 242 851 281	997 573 970

Investments at fair value

Fair value of listed or quoted investments are based on the quoted market price.

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)	4 000 000	4 000 000	4 000 000	4 000 000
20% interest in ordinary shares				

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

The Company's Equity amounted to R622,854,485 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 economic entity has not reclassified any financial assets from cost or amortised cost to fair value during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2016 and 2015, as all the financial assets were disposed of at their redemption date.

Investments with a carrying value of R1,091,626,114 (2015: R856,740,526) are encumbered in respect of long term liabilities with a carrying value of R2,415,000,000 (2015: R2,415,000,000) as disclosed in the Long-term liabilities note (note 18). The amount of R2,415,000,000 consist of three bonds for which structured deposit sinking funds were established

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

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Investments are only made with financial institutions with a credit rating of A1/F1 and higher.

12. Other receivables from exchange transactions

Trade debtors	20 714 745	16 316 475	-	-
Pre-paid electricity 3rd party vendors	56 270 138	225 035 668	56 270 138	225 035 668
Other receivables	309 379 345	260 294 854	320 023 127	235 620 835
VAT receivable and VAT accruals on outstanding Creditors	455 195 546	287 291 282	455 195 546	287 291 282
VAT debtor	101 664 849	65 370 342	78 769 367	43 311 680
Lease rental receipts asset	315 233	2 708 511	315 233	2 708 511
Provision for debt impairment	(65 967 731)	(72 487 660)	(55 042 372)	(64 818 948)
	877 572 125	784 529 472	855 531 039	729 149 028

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.

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
13. Other receivables from non-exchange transactions				
Traffic fines	65 448 961	59 996 270	65 448 961	59 996 270
Grant debtors	-	259 923	-	259 923
Impairment loss - traffic fines	(35 996 928)	(36 282 437)	(35 996 928)	(36 282 437)
	29 452 033	23 973 756	29 452 033	23 973 756

Credit quality of other receivables from non-exchange transactions

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

14. Consumer debtors

Gross balances

Rates	1 726 987 299	2 160 900 539	1 726 987 299	2 160 900 539
Electricity	3 407 843 435	3 161 914 250	3 407 843 435	3 161 914 250
Water	3 924 609 271	3 840 545 982	3 924 609 271	3 840 545 982
Waste water	1 157 200 780	1 152 387 401	1 157 200 780	1 152 387 401
Refuse	1 049 733 113	1 079 877 760	1 049 733 113	1 079 877 760
Housing rental	92 531 673	74 745 980	92 531 673	74 745 980
Other	1 863 732 323	2 060 774 477	1 863 732 323	2 060 774 477
	13 222 637 894	13 531 146 389	13 222 637 894	13 531 146 389

Less: Allowance for impairment

Rates	(1 159 304 276)	(1 673 746 149)	(1 159 304 276)	(1 673 746 149)
Electricity	(663 745 195)	(723 282 119)	(663 745 195)	(723 282 119)
Water	(2 746 320 416)	(2 884 578 256)	(2 746 320 416)	(2 884 578 256)
Waste water	(817 762 838)	(851 147 974)	(817 762 838)	(851 147 974)
Refuse	(898 226 959)	(904 841 790)	(898 226 959)	(904 841 790)
Housing rental	(92 919 385)	(71 858 119)	(92 919 385)	(71 858 119)
Other	(1 587 972 015)	(2 034 874 308)	(1 587 972 015)	(2 034 874 308)
	(7 966 251 084)	(9 144 328 715)	(7 966 251 084)	(9 144 328 715)

Net balance

Rates	567 683 023	487 154 390	567 683 023	487 154 390
Electricity	2 744 098 240	2 438 632 131	2 744 098 240	2 438 632 131
Water	1 178 288 855	955 967 726	1 178 288 855	955 967 726
Waste water	339 437 942	301 239 427	339 437 942	301 239 427
Refuse	151 506 154	175 035 970	151 506 154	175 035 970
Housing rental	(387 712)	2 887 861	(387 712)	2 887 861
Other	275 760 308	25 900 169	275 760 308	25 900 169
	5 256 386 810	4 386 817 674	5 256 386 810	4 386 817 674

Included in above is receivables from exchange transactions

Electricity	2 772 024 560	2 438 632 131	2 772 024 560	2 438 632 131
Water	1 293 837 145	955 967 726	1 293 837 145	955 967 726
Waste water	373 844 378	301 239 427	373 844 378	301 239 427
Refuse	189 298 026	175 035 970	189 298 026	175 035 970
Housing rental	3 521 765	-	3 521 765	-
Other	342 572 414	25 900 169	342 572 414	25 900 169
	4 975 098 288	3 896 775 423	4 975 098 288	3 896 775 423

Included in above is receivables from non-exchange transactions (taxes and transfers)

Rates	616 459 425	487 154 390	616 459 425	487 154 390
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Net balance	5 591 557 713	4 383 929 813	5 591 557 713	4 383 929 813
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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
14. Consumer debtors (continued)				
Rates				
Current (0 -30 days)	267 146 062	279 974 155	267 146 062	279 974 155
31 - 60 days	77 102 214	78 000 172	77 102 214	78 000 172
61 - 90 days	56 677 432	58 837 176	56 677 432	58 837 176
91 - 120 days	1 326 061 590	1 744 089 036	1 326 061 590	1 744 089 036
	1 726 987 298	2 160 900 539	1 726 987 298	2 160 900 539
Electricity				
Current (0 -30 days)	2 053 110 351	1 821 018 434	2 053 110 351	1 821 018 434
31 - 60 days	125 975 629	123 466 649	125 975 629	123 466 649
61 - 90 days	68 824 690	74 210 786	68 824 690	74 210 786
91 - 120 days	1 159 932 765	1 143 218 381	1 159 932 765	1 143 218 381
	3 407 843 435	3 161 914 250	3 407 843 435	3 161 914 250
Water				
Current (0 -30 days)	581 621 831	539 978 953	581 621 831	539 978 953
31 - 60 days	142 687 780	132 597 450	142 687 780	132 597 450
61 - 90 days	122 436 132	116 806 050	122 436 132	116 806 050
91 - 120 days	3 077 863 508	3 051 163 529	3 077 863 508	3 051 163 529
	3 924 609 251	3 840 545 982	3 924 609 251	3 840 545 982
Waste water				
Current (0 -30 days)	179 236 692	168 920 662	179 236 692	168 920 662
31 - 60 days	40 367 938	39 374 227	40 367 938	39 374 227
61 - 90 days	33 127 240	34 716 624	33 127 240	34 716 624
91 - 120 days	904 468 910	909 375 887	904 468 910	909 375 887
	1 157 200 780	1 152 387 400	1 157 200 780	1 152 387 400
Refuse				
Current (0 -30 days)	71 882 010	66 754 020	71 882 010	66 754 020
31 - 60 days	36 133 193	31 327 387	36 133 193	31 327 387
61 - 90 days	31 111 495	27 847 041	31 111 495	27 847 041
91 - 120 days	910 606 415	953 949 312	910 606 415	953 949 312
	1 049 733 113	1 079 877 760	1 049 733 113	1 079 877 760
Housing rental				
Current (0 -30 days)	1 354 425	1 285 721	1 354 425	1 285 721
31 - 60 days	1 867 350	1 602 140	1 867 350	1 602 140
61 - 90 days	1 790 558	1 550 851	1 790 558	1 550 851
91 - 120 days	87 219 351	70 307 268	87 219 351	70 307 268
	92 231 684	74 745 980	92 231 684	74 745 980
Interest and other				
Current (0 -30 days)	67 334 414	68 857 742	67 334 414	68 857 742
31 - 60 days	54 651 449	47 572 095	54 651 449	47 572 095
61 - 90 days	56 218 457	46 436 720	56 218 457	46 436 720
91 - 120 days	1 685 412 265	1 897 907 920	1 685 412 265	1 897 907 920
	1 863 616 585	2 060 774 477	1 863 616 585	2 060 774 477

The total debtors for June 2016 includes a total of R1,631,135,757 (2015 R1,483,579,955) 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

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
14. Consumer debtors (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	1 184 249 811	1 110 565 555	1 184 249 811	1 110 565 555
31 - 60 days	295 458 242	280 525 677	295 458 242	280 525 677
61 - 90 days	253 935 811	243 798 905	253 935 811	243 798 905
91 - 120 days	7 106 340 945	7 540 543 380	7 106 340 945	7 540 543 380
	8 839 984 809	9 175 433 517	8 839 984 809	9 175 433 517
Less: Allowance for impairment	(6 361 589 874)	(7 334 575 737)	(6 361 589 874)	(7 334 575 737)
	2 478 394 935	1 840 857 780	2 478 394 935	1 840 857 780
Industrial/ commercial				
Current (0 -30 days)	1 866 694 041	1 691 805 025	1 866 694 041	1 691 805 025
31 - 60 days	162 163 265	154 620 327	162 163 265	154 620 327
61 - 90 days	97 972 871	100 815 149	97 972 871	100 815 149
91 - 120 days	1 680 058 179	1 667 392 913	1 680 058 179	1 667 392 913
	3 806 888 356	3 614 633 414	3 806 888 356	3 614 633 414
Less: Allowance for impairment	(1 073 477 972)	(1 323 419 077)	(1 073 477 972)	(1 323 419 077)
	2 733 410 384	2 291 214 337	2 733 410 384	2 291 214 337
National and provincial government				
Current (0 -30 days)	67 214 273	60 007 910	67 214 273	60 007 910
31 - 60 days	13 615 445	12 589 140	13 615 445	12 589 140
61 - 90 days	11 194 628	9 970 943	11 194 628	9 970 943
91 - 120 days	118 987 757	170 007 476	118 987 757	170 007 476
	211 012 103	252 575 469	211 012 103	252 575 469
Less: Allowance for impairment	(90 041 907)	(148 205 155)	(90 041 907)	(148 205 155)
	120 970 196	104 370 314	120 970 196	104 370 314
Total				
Current (0 -30 days)	3 201 043 835	2 946 789 687	3 201 043 835	2 946 789 687
31 - 60 days	478 785 573	453 940 121	478 785 573	453 940 121
61 - 90 days	370 186 003	360 405 248	370 186 003	360 405 248
91 - 120 days	9 172 622 484	9 770 011 333	9 172 622 484	9 770 011 333
	13 222 637 895	13 531 146 389	13 222 637 895	13 531 146 389
Less: Allowance for impairment	(7 966 251 085)	(9 144 328 715)	(7 966 251 085)	(9 144 328 715)
	5 256 386 810	4 386 817 674	5 256 386 810	4 386 817 674
Less: Allowance for impairment				
31 - 60 days	(492 828 903)	(520 690 106)	(492 828 903)	(520 690 106)
61 - 90 days	(174 432 271)	(225 774 900)	(174 432 271)	(225 774 900)
91 - 120 days	(255 835 672)	(335 832 774)	(255 835 672)	(335 832 774)
121 - 365 days	(7 043 154 238)	(8 062 030 935)	(7 043 154 238)	(8 062 030 935)
	(7 966 251 084)	(9 144 328 715)	(7 966 251 084)	(9 144 328 715)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(9 144 328 715)	(8 371 490 355)	(9 144 328 715)	(8 371 490 355)
Contributions to allowance	(1 447 471 856)	(2 164 385 255)	(1 447 471 856)	(2 164 385 255)
Debt impairment written off against allowance	2 625 549 487	1 391 546 895	2 625 549 487	1 391 546 895
	(7 966 251 084)	(9 144 328 715)	(7 966 251 084)	(9 144 328 715)

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

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

14. Consumer debtors (continued)

Consumer debtors past due but not impaired

At 30 June 2016, consumer debtors of R5,591,557,713 (2015:R4,387,305,142) were past due but not impaired.

30 Days	2 708 214 932	2 549 399 519	2 708 214 932	2 549 399 519
60 Days	304 353 302	134 621 467	304 353 302	134 621 467
90 Days	114 350 331	76 761 656	114 350 331	76 761 656
90+ Days	2 464 639 148	1 626 522 500	2 464 639 148	1 626 522 500

Consumer debtors impaired

As at 30 June 2016, consumer debtors of R7,631,080,182 (2015:R9,144,328,715) were impaired and provided for.

The ageing of these consumer debtors is as follows:

30 Days	492 828 903	520 690 106	492 828 903	520 690 106
60 Days	174 432 271	225 774 900	174 432 271	225 774 900
90 Days	255 835 672	335 832 774	255 835 672	335 832 774
90+ Days	6 707 983 336	8 062 030 935	6 707 983 336	8 062 030 935

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	564 398	578 493	533 546	551 171
Bank balances	8 294 816 694	7 800 771 418	7 972 052 689	7 700 824 942
Short-term deposits	11 680 667	20 378 601	-	-
	8 307 061 759	7 821 728 512	7 972 586 235	7 701 376 113

The entity has provided bank guarantees to the amount of R 26,074,874 (2015: R26,074,874) with regard to special clauses in contracts concluded with various third parties. Most of these conditions have been met, and the guarantees will be cancelled in due course.

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

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
15. Cash and cash equivalents (continued)				
ABSA				
ABSA - Income Alberton	7 057 185	4 899 969	7 057 185	4 899 969
ABSA - Direct banking Alberton	133 498	12 294	133 498	12 294
ABSA - Income Benoni	(2 565 901)	3 877 355	(2 565 901)	3 877 355
ABSA - Direct banking Benoni	57 715 340	385 437	57 715 340	385 437
MASK Account Benoni	(108 500)	(49 068)	(108 500)	(49 068)
ABSA - Income Boksburg	(887 894)	3 533 203	(887 894)	3 533 203
ABSA - Direct banking KL Boksburg	(600 310)	(1 421 083)	(600 310)	(1 421 083)
ABSA - Direct Banking Bt Boksburg	(14 932)	(111 835)	(14 932)	(111 835)
ABSA - Income Brakpan	(107 194)	557 618	(107 194)	557 618
Pre paid sales account Brakpan	1 159 650	403 560	1 159 650	403 560
NEDBANK MUSK ACCOUNT	-	6 255 494	-	6 255 494
ABSA - Income Germiston	-	4 385 649	-	4 385 649
ABSA - Direct banking Germiston	(3 157 237)	(1 904 722)	(3 157 237)	(1 904 722)
ABSA - Income account Kempton Park	(7 925 460)	1 191 868	(7 925 460)	1 191 868
ABSA - Direct banking Kempton Park	(368 673)	710 360	(368 673)	710 360
ABSA - Direct banking Lethabong	(2 887 250)	(735 049)	(2 887 250)	(735 049)
ABSA - Income Lethabong	366 883	552 667	366 883	552 667
ABSA - Income Nigel	(1 018 662)	(5 253 505)	(1 018 662)	(5 253 505)
ABSA - Income Springs	(254 247)	940 800	(254 247)	940 800
ABSA - Direct banking Springs	(1 193 461)	(5 356 721)	(1 193 461)	(5 356 721)
ABSA - Market account	1 134 982	1 134 982	1 134 982	1 134 982
ABSA - EFF Account (ex CLF)	217 432	495 870 551	217 432	495 870 551
ABSA - C R R Account (ex CDF)	1 677 694	1 180 123 031	1 677 694	1 180 123 031
ABSA - Primary bank account (ex from revenue)	94 521 092	220 568 237	94 521 092	220 568 237
ABSA - Salary account	29 382 719	41 946 950	29 382 719	41 946 950
ABSA - Treasury account	2 180 193 827	4 081 218 331	2 180 193 827	4 081 218 331
ABSA - Expenditure imprest account	37 235 936	382 439 041	37 235 936	382 439 041
ABSA - USDG Account	1 092 668	973 802 020	1 092 668	973 802 020
ABSA - Housing account	167 649	36 994 366	167 649	36 994 366
ABSA - Capital Projects	-	200 274 177	-	200 274 177
Short Term Deposits at various institutions with dates within 3 months	2 018 632 968	133 845	2 018 632 968	133 845
Petty Cash and Floats	533 546	551 171	533 546	551 171
ABSA - Traffic fines collection	(16 144)	600	(16 144)	600
STANDARD BANK- Mask account	96 803 199	28 832 786	96 803 199	28 832 786
FNB Musk account	87 103 922	44 611 734	87 103 922	44 611 734
E-Siyakhokha Mask Account	105 782 607	-	105 782 607	-
EMM Salary Account - Nedbank	58 581 982	-	58 581 982	-
EMM Expenditure Account - Nedbank	99 554 808	-	99 554 808	-
EMM Treasury account - Nedbank	94 421 205	-	94 421 205	-
EMM USDG Account - Nedbank	1 070 309 442	-	1 070 309 442	-
EMM Housing Account - Nedbank	112 773 344	-	112 773 344	-
EMM Depreciation Reserve Account - Nedbank	1 383 473 019	-	1 383 473 019	-
EMM External Funding Fund - Nedbank	162 605 459	-	162 605 459	-
EMM Primary Bank Account - Nedbank	233 131 247	-	233 131 247	-
EMM Springs Market Account - Nedbank	1 204 009	-	1 204 009	-
EMM Traffic Fines Collection Account - Nedbank	52 559	-	52 559	-
EMM License Account - Nedbank	5 022 874	-	5 022 874	-
EMM Disaster Relief Fund - Nedbank	1 584	-	1 584	-
EMM Income Alberton - Nedbank	(1 298 373)	-	(1 298 373)	-
EMM Direct banking Alberton - Nedbank	398 289	-	398 289	-
EMM Direct Banking Benoni - Nedbank	1 065 857	-	1 065 857	-
EMM Income Benoni - Nedbank	11 211 907	-	11 211 907	-
EMM Siyakhokha - Nedbank	18 401	-	18 401	-
EMM Tender Income Account - Nedbank	1 750	-	1 750	-
EMM Income Boksburg - Nedbank	5 342 618	-	5 342 618	-
EMM Direct Banking Boksburg - Nedbank	971 068	-	971 068	-
EMM Direct Banking Brakpan - Nedbank	4 781 783	-	4 781 783	-
EMM Income Brakpan - Nedbank	4 401 927	-	4 401 927	-
EMM Direct Banking Edenvale - Nedbank	567 128	-	567 128	-
EMM Income Edenvale - Nedbank	7 061 956	-	7 061 956	-
EMM Direct Banking Germiston - Nedbank	2 636 583	-	2 636 583	-
EMM Income Germiston - Nedbank	5 251 978	-	5 251 978	-
EMM Direct Banking Kempton Park - Nedbank	925 328	-	925 328	-

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
15. Cash and cash equivalents (continued)				
EMM Income Kemton Park - Nedbank	2 622 519	-	2 622 519	-
EMM Direct Banking Nigel - Nedbank	237 215	-	237 215	-
EMM Income Nigel - Nedbank	517 330	-	517 330	-
EMM Library Account - Nedbank	(277 839)	-	(277 839)	-
EMM Direct Banking Springs - Nedbank	1 587 618	-	1 587 618	-
EMM Income Springs - Nedbank	3 622 728	-	3 622 728	-
Cash on hand - entities	30 853	27 322	-	-
Ekurhuleni Development Company (EDC)	-	384 926	-	-
Lethabong Housing Institute (LHI)	317 992	301 210	-	-
Call deposits - entities	20 003 850	18 813 676	-	-
Germiston Phase II Housing Company (Phase II)	7 662 779	4 308 708	-	-
East Rand Water Care Company (ERWAT)	305 333 231	87 247 492	-	-
Pharoe Park Housing Company (PP)	-	5 264 513	-	-
Brakpan Bus Company (BBC)	1 126 819	4 004 552	-	-
	8 307 061 759	7 821 728 512	7 972 586 235	7 701 376 113

The entity had the following bank accounts

Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity			Controlling entity		
	2016	2015	2016	2016	2015	2016
15. Cash and cash equivalents (continued)						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Income Alberton-111-841-0641	7 057 185	-	-	7 057 185	4 899 969	3 184 083
ABSA BANK - Direct Banking Alberton - 111-840-0646	133 498	-	-	133 498	12 294	(40 298)
ABSA BANK - Income Benoni - 4055327394	(2 565 901)	-	-	(2 565 901)	3 877 355	1 336 792
ABSA BANK - Direct Banking Benoni - 4055328015	(950 604)	-	-	57 715 340	385 437	(780 024)
ABSA BANK - Mask Account Benoni - 4065622380	(108 500)	-	-	(108 500)	(49 068)	(825 869)
ABSA BANK - Income Boksburg - 230000069	(887 894)	-	-	(887 894)	3 533 203	5 514 980
ABSA BANK - Direct Banking KL Boksburg - 230000220	(600 310)	-	-	(600 310)	(1 421 083)	(2 739 847)
ABSA BANK - Direct Banking BT Boksburg - 230000255	(14 932)	-	-	(14 932)	(111 835)	(100 501)
ABSA BANK - Income Brakpan - 240000024	(107 194)	-	-	(107 194)	557 618	591 345
ABSA BANK - Prepaid sales account Brakpan-240159392	1 159 650	-	-	1 159 650	403 560	171 570
ABSA BANK - Income Germiston - 2500002277	-	-	-	-	4 385 649	2 572 262
Nedbank Musk Account	-	6 258 868	-	-	6 255 494	-
ABSA BANK - Direct banking Germiston - 250000804	(3 157 237)	-	-	(3 157 237)	(1 904 722)	(1 147 112)
ABSA BANK - Direct banking Kempton Park - 260181599	(368 673)	-	-	(368 673)	710 360	399 031
ABSA BANK - Income Kempton Park - 260000004	(7 925 460)	-	-	(7 925 460)	1 191 868	976 040
ABSA BANK - Income Lethabong - 4055442546	366 883	-	-	366 883	552 667	1 202 347
ABSA BANK - Direct banking Lethabong - 4055442596	(2 887 250)	-	-	(2 887 250)	(735 049)	(1 324 283)
ABSA BANK - Income Nigel - 270000010	(1 018 662)	-	-	(1 018 660)	(5 253 505)	(4 238 104)
ABSA BANK - Income Springs - 280000051	(1 193 461)	-	-	(1 193 461)	(5 356 721)	(318 842)
ABSA BANK - Direct Springs - 280000094	(254 247)	-	-	(254 247)	940 800	(102 307)
ABSA BANK - Fresh Produce Market - 1135470160	-	1 390 118	-	1 134 982	1 134 982	1 134 982
ABSA BANK - RSC Levies - 1018470132	-	-	-	-	-	802 650
ABSA BANK - EFF account (ex CLF) - 4053834321	217 432	495 870 551	568 733 537	217 432	495 870 551	568 733 537
ABSA BANK - C R R account (ex CDF) - 4053834779	1 677 694	1 180 123 031	1 005 014 890	1 677 694	1 180 123 031	1 005 014 890
ABSA BANK - Primary bank Acc - 4053835084	94 521 092	220 568 237	662 726 449	94 521 092	220 568 237	662 726 449
ABSA BANK - Salary account - 4055571973	29 382 719	44 043 149	26 308 350	29 382 719	41 946 950	24 119 177
ABSA BANK - Treasury account - 4055571931	2 180 193 827	4 081 218 331	2 397 817 481	2 180 193 827	4 081 218 331	2 397 817 481
ABSA BANK - Expenditure imprest acc - 4055571915	37 208 459	665 935 624	548 114 511	37 235 936	382 439 041	527 256 797
ABSA BANK - USDG account - 4055571884	1 092 668	973 802 020	584 451 076	1 092 668	973 802 020	584 451 076
ABSA BANK - Housing account - 4055571842	167 649	36 994 366	105 920 158	167 649	36 994 366	105 920 158
ABSA Capital Account (DBSA)	-	200 274 177	-	-	200 274 177	-
EMM Traffic fines 407277706	(16 144)	-	-	(16 144)	600	-
ABSA BANK - Guarantee account -	-	-	-	-	-	475 133
FNB Mask account 62379403745	87 103 922	44 611 734	6 391 681	87 103 922	44 611 734	-

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Figures in Rand	Economic entity		Controlling entity			
	2016	2015	2016	2015		
15. Cash and cash equivalents (continued)						
Petty Cash and Floats	-	-	533 546	551 171	540 369	
Short Term Deposits at various institutions with dates within 3 months	2 018 632 968	-	2 018 632 968	133 845	132 030	
STANDARD BANK mask account	96 803 199	28 830 960	11 084 505	96 803 199	28 832 786	11 084 505
E-Siyakhokha Mask Account	105 782 607	-	-	105 782 607	-	-
Nedbank Income Alberton	(1 298 373)	-	-	(1 298 373)	-	-
Nedbank Direct banking Alberton	398 289	-	-	398 289	-	-
Nedbank Direct banking Benoni	1 065 857	-	-	1 065 857	-	-
Nedbank Income Benoni	11 211 907	-	-	11 211 907	-	-
Nedbak Income Boksburg	5 342 618	-	-	5 342 618	-	-
Nedbank Direct banking Boksburg	971 068	-	-	971 068	-	-
Nedbank Direct banking Brakpan	4 781 783	-	-	4 781 783	-	-
Nedbank Income Brakpan	4 401 927	-	-	4 401 927	-	-
Nedbank Direct banking Edenvale	567 128	-	-	567 128	-	-
Nedbank Income Edenvale	7 061 956	-	-	7 061 956	-	-
Nedbank Direct banking Germiston	2 636 583	-	-	2 636 583	-	-
Nedbank Income Germiston	5 251 978	-	-	5 251 978	-	-
Nedbank Direct banking Kempton Park	925 328	-	-	925 328	-	-
Nedbank Income Kempton Park	2 622 519	-	-	2 622 519	-	-
Nedbank direct banking Nigel	237 215	-	-	237 215	-	-
Nedbank Income Nigel	517 330	-	-	517 330	-	-
Nedbank Direct banking Springs	1 587 618	-	-	1 587 618	-	-
Nedbank Income Springs	3 622 728	-	-	3 622 728	-	-
Nedbank Library account	(277 839)	-	-	(277 839)	-	-
Nedbank Salary account	58 581 982	-	-	58 581 982	-	-
Nedbank Expenditure account	99 554 808	-	-	99 554 808	-	-
Nedbank treasury account	94 421 205	-	-	94 421 205	-	-
Nedbank USDG account	1 070 309 442	-	-	1 070 309 442	-	-
Nedbank Housing account	112 773 344	-	-	112 773 344	-	-
Nedbank Depreciation Reserve account	1 383 473 019	-	-	1 383 473 019	-	-
Nedbank External Funding Fund	162 605 459	-	-	162 605 459	-	-
Nedbank Primary Bank account	233 131 247	-	-	233 131 247	-	-
Nedbank springs Market account	1 204 009	-	-	1 204 009	-	-
Nedbank Traffic Fines account	52 559	-	-	52 559	-	-
Nedbank License account	5 022 874	-	-	5 022 874	-	-
Nedbank Disaster Relief Fund	1 584	-	-	1 584	-	-
Nedbank E-Siyakhokha	18 401	-	-	18 401	-	-
Nedbank tender account	1 750	-	-	1 750	-	-
(BBC) ABSA Money market account - 9193942873	8 641 175	1 979 488	330 364	8 641 175	1 979 488	330 363
(BBC) ABSA Current account - 4052643454	956 566	1 947 750	222 461	1 126 819	2 025 064	229 133
(ERWAT) ABSA Current account - 260170139	302 802 058	81 431 231	13 565 002	302 801 808	84 851 231	13 565 002
(ERWAT) Salary account - 260 170 139	2 531 423	2 396 261	230 668	2 531 423	2 396 261	230 668
(EDC) ABSA account - 405591949	-	384 926	267 282	413 391	384 926	267 282
(Phase II) ABSA Current account - 4052348660	7 102 625	4 308 708	2 937 517	7 102 625	4 308 708	2 937 517
(Phase II) ABSA Call account - 4078340070	1 943 741	1 870 165	1 811 441	1 943 741	1 870 165	1 811 441
(Phase II) ABSA Call account - 2071747815	7 248 863	12 383 324	11 609 970	7 248 863	12 383 324	11 609 970
(Phase II) ABSA Call account - 4050383636	-	-	-	-	4 000 798	2 328 374
(Phase II) ABSA Call account - 2072805440	857 092	4 560 187	4 288 094	857 092	4 560 187	4 288 094
(LHI) Investec Call account - 1100182677580	317 992	301 210	287 297	317 992	301 210	287 297
(PP) ABSA Current account - 4050383636	146 762	-	-	146 762	-	-
(PP) ABSA Call account - 2070991540	-	-	-	-	1 263 715	1 224 470

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
15. Cash and cash equivalents (continued)				
(PP) ABSA Cheque account - 4078340151	1 312 979	-	1 312 979	-
Petty Cash and Floats	-	-	30 852	27 000
Total	8 246 085 562	8 091 484 416	5 952 112 734	8 307 061 759
16. Share premium				
Issued				
Share premium	-	7 442 007	-	-
17. Finance lease obligation				
Minimum lease payments due				
- within one year	366 815	38 913	-	-
- in second to fifth year inclusive	503 046	46 581	-	-
Present value of minimum lease payments	869 861	85 494	-	-
Non-current liabilities	503 046	46 581	-	-
Current liabilities	366 815	38 913	-	-
	869 861	85 494	-	-

It is economic entity policy to lease certain security equipment under finance leases. There are 2 finance leases, namely Incity Security (Alarm System) and Fidelity Security (Access Control, Electric fencing and CCTV Equipment).

18. Long-term liabilities

At amortised cost

Bank loans	1 618 930 534	1 582 289 903	1 001 596 904	1 189 362 288
Interest rates range from 7.0% to 11.68%. Redemption periods range from December 2018 to November 2029				
Development Bank of South Africa	15 378 339	15 275 883	-	-
Interest rates range from 10.12% to 15.0%. Redeemable September 2020.				
Municipal bonds	4 434 065 798	4 591 000 000	4 434 065 798	4 591 000 000
Interest rates on the JSE EMM bonds vary between 9.155% and 10.72 % per annum. Final redemption dates on these bonds vary between July 2020 and April 2029.				
	6 068 374 671	6 188 565 786	5 435 662 702	5 780 362 288

At amortised cost

Bank loans and Municipal bonds	(419 128 045)	(381 733 213)	(384 807 233)	(368 432 050)
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Non-current liabilities

At amortised cost	5 649 246 626	5 806 832 573	5 050 855 469	5 411 930 238
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Current liabilities

At amortised cost	419 128 045	381 733 213	384 807 233	368 432 050
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Encumbered investments

Investments with a carrying value of R1,091,626,115 (2015: R856,740,526) are encumbered in respect of municipal bonds included in long term liabilities above with a carrying value of R2,415,000,000 (2015: R2,415,000,000) as disclosed in the Other Investments note (note 11). The amount of R2,415,000,000 consist of three bonds for which structured deposit sinking funds were established

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
19. Trade and other payables from exchange transactions				
Accrual for interest on external loans	94 972 905	96 197 910	94 972 920	96 197 911
Civil contracts	40 870 062	49 702 876	40 870 062	49 702 876
Lease rental payments liability	367 525	1 300 795	367 525	1 277 387
Licence fees	3 999 209	5 061 324	3 999 209	5 061 324
Maintenance guarantees: New township development infrastructure	4 367 067	3 514 571	4 367 067	3 514 571
VAT balance on outstanding debtors	1 215 238 994	1 181 774 999	1 215 238 994	1 181 774 999
Other payables	319 102 292	143 223 381	304 070 465	125 621 903
Receipts in advance	612 190 914	519 855 556	612 190 914	516 855 556
Retentions	374 051 915	290 597 423	374 051 915	290 597 423
Insurance: Stated benefits and group accident for employees	33 437 917	29 663 606	33 437 917	29 663 606
Trade payables	3 962 968 783	3 041 886 016	3 938 604 449	3 040 684 484
Unclaimed salaries	5 559 392	4 456 954	5 559 392	4 456 954
	6 667 126 975	5 367 235 411	6 627 730 829	5 345 408 994

20. Deposits

Consumer deposits - Electricity and water	750 847 367	713 698 782	750 847 367	713 698 782
Rental deposits held	3 441 115	3 376 447	-	-
	754 288 482	717 075 229	750 847 367	713 698 782

Guarantees in lieu of electricity and water deposits is R85,893,377 (2015: R73,483,747).

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Operating Grants - Municipal Human Settlements Capacity	36 945 673	50 817 786	36 945 673	50 817 786
Operating Grants - Buntle Ke Botle	31 057	300 436	31 057	300 436
Operating Grants - Energy	-	26 318	-	26 318
Research & Technology Development	184 664	-	184 664	-
Disaster Management Grant (Human Settle)	7 561 590	-	7 561 590	-
Operating Grants - Township Initiatives	2 291 932	1 780 515	2 291 932	1 780 515
Accreditation Capacity Enhancement	-	154 001	-	154 001
WIFI Conectivity Grant	1 849 263	-	1 849 263	-
Operating Grants HSDG Accreditation	69 379 389	7 318 327	69 379 389	7 318 327
Capital Grants - USDG	291 205 074	486 507 413	291 205 074	486 507 413
Capital Grants - INEP	-	-	-	-
Capital Grants - DWAF	-	582 545	-	582 545
Capital Grants - PTIS	22 085 435	5 322 927	22 085 435	5 322 928
Electricity Demand Side Management	191 513	235 390	191 513	235 390
Integrated City Development Grant	1 560 299	-	1 560 299	-
National Housing Fund	12 637 107	10 793 534	-	-
	445 922 996	563 839 192	433 285 889	553 045 659

Movement during the period

Balance at the beginning of the year	563 839 192	381 396 123	553 045 658	370 602 590
Additions during the year	6 498 603 018	6 024 181 736	6 493 214 775	6 024 181 736
Income recognition during the year	(6 615 674 961)	(5 760 182 991)	(6 612 130 291)	(5 760 182 991)
Unspend grants repaid	(261 708)	(81 685 136)	(261 708)	(81 685 136)
Appropriations	(582 545)	(130 463)	(582 545)	(130 463)
Debtors	-	259 923	-	259 923
	445 922 996	563 839 192	433 285 889	553 045 659

See note 29 for reconciliation of all grants.

Ekurhuleni Metropolitan Municipality

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Figures in Rand

22. Provisions

Reconciliation of provisions - Economic entity - 2016

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Total
COID provision	24 606 470	-	(1 596 450)	(2 884 967)	2 576 297	22 701 350
Other provisions	1 324 208	5 218 172	(610 064)	(49 672)	-	5 882 644
Bonus Provision	72 755 371	44 117 739	(9 091 601)	(30 791 337)	-	76 990 172
Leave provision	309 302 692	114 515 144	(70 326 371)	(33 693)	-	353 457 772
Landfill rehabilitation provision	302 573 696	28 432 717	-	-	31 679 466	362 685 879
WCA provision	12 490 935	32 356 196	(55 659 562)	10 812 431	-	-
Long service awards	396 032 201	30 261 067	(50 451 731)	14 649 943	33 786 482	424 277 962
GMRF	126 090 437	-	-	10 955 672	-	137 046 109
	1 245 176 010	254 901 035	(187 735 779)	2 658 377	68 042 245	1 383 041 888

Reconciliation of provisions - Economic entity - 2015

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Total
COID provision	24 656 145	-	(1 548 701)	(1 087 404)	2 586 430	24 606 470
Other provisions	435 455	144 187	(32 767)	777 333	-	1 324 208
Long service awards	27 879 887	49 259 794	(4 384 310)	-	-	72 755 371
Leave and bonus provision	264 814 170	109 191 041	(63 925 187)	(777 332)	-	309 302 692
Landfill rehabilitation provision	224 539 376	54 480 139	-	-	23 554 181	302 573 696
WCA provision	-	12 490 935	-	-	-	12 490 935
Long service awards	485 141 009	41 180 240	(44 748 869)	(129 931 824)	44 391 645	396 032 201
GMRF	127 678 766	10 955 671	-	(12 544 000)	-	126 090 437
	1 155 144 808	277 702 007	(114 639 834)	(143 563 227)	70 532 256	1 245 176 010

Reconciliation of provisions - Controlling entity - 2016

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Total
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Ekurhuleni Metropolitan Municipality

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Figures in Rand

22. Provisions (continued)

COID provision	24 606 470	-	(1 596 450)	(2 884 967)	2 576 297	22 701 350
Bonus provision	64 449 575	38 618 043	(8 797 699)	(30 791 337)	-	63 478 582
Leave provision	295 931 270	105 392 269	(60 995 352)	-	-	340 328 187
Landfill rehabilitation provision	302 573 696	28 432 717	-	-	31 679 466	362 685 879
WCA provision	12 490 935	32 356 196	(55 659 562)	10 812 431	-	-
Long service awards	396 032 201	30 261 067	(50 451 731)	14 649 943	33 786 482	424 277 962
GMRF	126 090 437	-	-	10 955 672	-	137 046 109
	1 222 174 584	235 060 292	(177 500 794)	2 741 742	68 042 245	1 350 518 069

Reconciliation of provisions - Controlling entity - 2015

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

Non-current liabilities	946 711 300	849 302 804	946 711 300	849 302 804
Current liabilities	436 330 588	395 873 206	403 806 769	372 871 780
	1 383 041 888	1 245 176 010	1 350 518 069	1 222 174 584

GMRF provision

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. The timing of the outflow is uncertain, as well as the relating amount due to interest charges

COID provision

Ekurhuleni Metropolitan Municipality

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	2016	2015	2016	2015

22. Provisions (continued)

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 10.47% (2015: 10.49%) and the inflation assumption used for the increase in expenses/contributions is 6.0% (2015: 7.0%).

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. The bonus is performance based, and is dependant on a performance assessment. The timing of both the leave and bonus is uncertain

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 10.47% (2015 - 10.49%). The timing of outflow is uncertain, as well as relating amounts due to discounting and charges in inflation rates.

The net result of the re-estimation had the following effect on the current year amounts:

Increase in the provision for Landfill site rehabilitation R28,432,717 (2015: Increase of R54,480,139)

Increase in the cost of property, plant and equipment R28,432,717 (2015: increase of R54,480,139)

Amount recognised in profit and loss due to re-estimation where the adjustment exceed the carrying amount of the asset R0 (2015: R0)

Workman's compensation provision

The provision is for the period March to June, which has been estimated in the latest return submitted to the compensation commissioner. The current year was prepaid.

Long service awards provision

An actuarial valuation for 2016, as well as 2015, has been performed by IAC Actuarial Consulting.

Discount rate used: 9.36% (2015: 8.4%)

CPI used: 6.98% (2015: 6.1%)

Salary increase rate used: 7.98% (2015: 7.1%)

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

23. Employee benefit obligations

1. Retirement Funds

The entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable. The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

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

Defined Contribution Funds

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

Defined Benefit Plans

The entity does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved. The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. Due to the nature of these funds and fact that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan, these funds are accounted for as defined contribution funds in terms of paragraph 31 of GRAP 25. The total contributions are included in Employee related costs, Note 32. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds.

The following funds have been treated as defined contribution plans although they are defined benefit funds:

1. Joint Municipal Pension Fund

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

2. Municipal Employees Pension Fund

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

3. South African Local Authorities Pension Fund

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

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

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

2. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end. Refer to Provisions note (note 22) 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 2016, as well as at 30 June 2015, for the controlling entity by applying the Projected Unit Funding method.

Pension benefits

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

23. Employee benefit obligations (continued)

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

Present value of the defined benefit obligation-wholly unfunded	(2 556 638 581)	(2 077 876 581)	(2 527 234 581)	(2 049 898 581)
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Movements for the year

Opening balance	(2 077 876 581)	(1 990 171 581)	(2 049 898 581)	(1 967 931 581)
Benefits paid	80 399 000	73 940 000	79 429 000	73 146 000
Net expense recognised in the statement of financial performance	(559 161 000)	(161 645 000)	(556 765 000)	(155 113 000)
	(2 556 638 581)	(2 077 876 581)	(2 527 234 581)	(2 049 898 581)

Net expense recognised in the statement of financial performance

Current service cost	(71 249 000)	(66 714 000)	(70 275 000)	(65 948 000)
Interest cost	(183 488 000)	(190 147 000)	(180 994 000)	(188 056 000)
Actuarial gains (losses)	(304 424 000)	95 216 000	(305 496 000)	98 891 000
	(559 161 000)	(161 645 000)	(556 765 000)	(155 113 000)

Key assumptions used

Assumptions used on last valuation on 30 June 2016.

Discount rates used controlling entity	9,74 %	9,00 %	9,74 %	9,00 %
Health care cost inflation rate controlling entity	8,76 %	7,90 %	8,76 %	7,90 %

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. The average nominal yield curve produced by the Johannesburg Stock Exchange for South African Government Bonds with duration of between 15 and 20 years as at 30 June 2016.

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%

Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

23. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Medical inflation (Service cost and interest cost)	2 900 366 000	2 185 766 000	2 900 366 000	2 185 766 000
Medical inflation (Liability)	399 760 000	289 167 000	399 760 000	289 167 000
Valuation interest rate (Service cost and interest cost)	2 900 366 000	2 185 766 000	2 900 366 000	2 185 766 000
Valuation interest rate (Liability)	(373 131 000)	(341 469 000)	(373 131 000)	(341 469 000)

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	(2 497 831 581)	(2 049 898 581)	(1 967 931 581)	(1 765 075 000)	(1 605 262 580)
Surplus (deficit)	(2 526 163 581)	(2 049 898 581)	(1 967 931 581)	(1 765 075 000)	(1 605 262 580)
Experience adjustments on plan *	(271 494 000)	16 924 000	(73 044 000)	-	-

* Experience adjustments for two of the previous four financial years are not available and therefore could not be disclosed

24. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	350 163 763	-	350 163 763
Consumer debtors	-	5 256 386 810	-	5 256 386 810
Cash and cash equivalents	-	8 307 061 759	-	8 307 061 759
Other investments (listed and unlisted shares)	8 513 935	-	4 000 000	12 513 935
Other investments	-	1 238 851 281	-	1 238 851 281
Long term receivables	-	9 395 409	-	9 395 409
	8 513 935	15 161 859 022	4 000 000	15 174 372 957

Financial liabilities

	At amortised cost	Total
Long term liabilities	6 068 374 671	6 068 374 671
Trade and other payables from exchange transactions	4 839 538 456	4 839 538 456
Unspent conditional grants	446 293 811	446 293 811
Consumer deposits	754 288 482	754 288 482
	12 108 495 420	12 108 495 420

Economic entity - 2015

Financial assets

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

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

Financial instruments disclosure (continued)

Financial liabilities

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

Controlling entity - 2016

Financial assets

	At amortised cost	At cost	Total
Other receivables	321 595 578	-	321 595 578
Consumer debtors	5 256 386 810	-	5 256 386 810
Cash and cash equivalents	7 972 586 235	-	7 972 586 235
Other investments (listed and unlisted shares)	-	4 000 000	4 000 000
Other investments	1 242 851 281	-	1 242 851 281
Long term receivables	6 890 631	-	6 890 631
	14 800 310 535	4 000 000	14 804 310 535

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	4 799 842 296	4 799 842 296
Unspent conditional grants	433 656 704	433 656 704
Long term liabilities	5 435 662 702	5 435 662 702
Consumer deposits	750 847 367	750 847 367
	11 420 009 069	11 420 009 069

Controlling entity - 2015

Financial assets

	At amortised cost	At cost	Total
Other receivables	437 323 045	-	437 323 045
Consumer debtors	4 386 817 674	-	4 386 817 674
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
	13 524 540 295	4 000 000	13 528 540 295

Financial liabilities

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

Financial instruments in Statement of financial performance

Economic entity - 2016

At amortised cost Total

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
Financial instruments disclosure (continued)				
Interest income (calculated using effective interest method) for financial instruments at amortised cost			1 106 580 621	1 106 580 621
Interest expense (calculated using effective interest method) for financial instruments at amortised cost			(903 295 130)	(903 295 130)
Fee expense from trust and other fiduciary activities			-	-
Impairment loss			(1 103 796 962)	(1 103 796 962)
			(900 511 471)	(900 511 471)

Economic entity - 2015

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	525 168 931	525 168 931
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(594 992 337)	(594 992 337)
Impairment loss	(2 215 059 736)	(2 215 059 736)
	(2 284 883 142)	(2 284 883 142)

Controlling entity - 2016

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1 091 655 364	1 091 655 364
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(848 639 400)	(848 639 400)
Impairment loss	(1 098 886 710)	(1 098 886 710)
	(855 870 746)	(855 870 746)

Controlling entity - 2015

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	811 907 096	811 907 096
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(571 556 210)	(571 556 210)
Impairment loss	(2 211 425 099)	(2 211 425 099)
	(1 971 074 213)	(1 971 074 213)

25. Revenue

Rendering of services	10 403 970	8 842 196	-	-
Service charges	17 134 490 950	16 254 616 785	17 130 454 896	16 304 459 304
Rental of facilities and equipment	86 071 924	88 300 321	59 256 123	62 454 731
Interest earned - outstanding debtors	459 031 354	292 739 718	459 031 354	292 739 718
Income from agency services	276 375 456	257 982 770	276 375 456	257 982 770
Licences and permits	51 650 784	53 622 189	51 650 784	53 622 189
Other income	164 813 873	110 347 708	107 259 994	101 349 468
Interest revenue	647 549 267	525 168 213	632 624 010	519 167 378
Dividends received	149 705	91 137	-	-
Property rates	3 943 772 434	3 689 518 975	3 946 658 651	3 693 387 443
Property rates - penalties and collection charges	100 916 675	88 405 293	100 916 675	88 405 293
Government grants & subsidies	6 627 902 598	5 771 611 632	6 612 130 291	5 760 182 991
Public contributions and donations	53 457 399	92 196 676	53 457 399	92 196 676
Fines	218 443 438	224 949 291	218 443 438	224 949 291
	29 775 029 827	27 458 392 904	29 648 259 071	27 450 897 252

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
25. Revenue (continued)				
The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	17 134 490 950	16 254 616 785	17 130 454 896	16 304 459 304
Rendering of services	10 403 970	8 842 196	-	-
Rental of facilities and equipment	86 071 924	88 300 321	59 256 123	62 454 731
Interest earned - outstanding debtors	459 031 354	292 739 718	459 031 354	292 739 718
Income from agency services	276 375 456	257 982 770	276 375 456	257 982 770
Licences and permits	51 650 784	53 622 189	51 650 784	53 622 189
Other income	164 813 873	110 347 708	107 259 994	101 349 468
Interest revenue	647 549 267	525 168 213	632 624 010	519 167 378
Dividends received	149 705	91 137	-	-
	18 830 537 283	17 591 711 037	18 716 652 617	17 591 775 558

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

Taxation revenue				
Property rates	3 943 772 434	3 689 518 975	3 946 658 651	3 693 387 443
Property rates - penalties and collection charges	100 916 675	88 405 293	100 916 675	88 405 293
Transfer revenue				
Government grants & subsidies	6 627 902 598	5 771 611 632	6 612 130 291	5 760 182 991
Public contributions and donations	53 457 399	92 196 676	53 457 399	92 196 676
Fines	218 443 438	224 949 291	218 443 438	224 949 291
	10 944 492 544	9 866 681 867	10 931 606 454	9 859 121 694

26. Property rates

Rates received

Residential	2 431 974 039	2 282 673 991	2 431 974 039	2 282 673 991
Commercial	1 924 109 571	1 953 167 053	1 924 109 571	1 953 167 053
State	3 479 608	12 020 940	3 479 608	12 020 940
Municipal	29 192 022	11 801 200	29 192 022	11 801 200
Small holdings and farms	110 881 335	10 413 957	110 881 335	10 413 957
Vacant land	364 344 207	362 968 782	364 344 207	362 968 782
Other properties	51 393 424	19 420 409	51 393 424	19 420 409
Related entity elimination	(2 886 217)	(3 868 468)	-	-
Less: Income forgone	(738 434 010)	(673 052 614)	(738 434 009)	(673 052 614)
Less: Departmental rates	(230 281 545)	(286 026 275)	(230 281 545)	(286 026 275)
	3 943 772 434	3 689 518 975	3 946 658 652	3 693 387 443

Valuations (R'000)

Residential	250 379 647	249 010 300	250 379 647	249 010 300
Commercial	102 497 269	110 483 804	102 497 269	110 483 804
Provincial and National Government	5 248 130	759 280	5 248 130	759 280
Municipal	2 411 519	735 857	2 411 519	735 857
Small holdings and farms	5 653 681	5 542 297	5 653 681	5 542 297
Sectional title	43 317 097	42 401 921	43 317 097	42 401 921
Vacant land	10 992 047	11 489 412	10 992 047	11 489 412
Other	22 921 930	22 962 114	22 921 930	22 962 114
	443 421 320	443 384 985	443 421 320	443 384 985

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.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
27. Service charges				
Sale of electricity	11 770 179 875	11 156 460 739	11 824 169 692	11 215 633 785
Sale of water	3 212 617 326	2 965 175 855	3 217 167 171	2 970 665 454
Solid waste	959 644 854	1 039 315 404	961 447 467	1 040 978 670
Sewerage and sanitation charges	1 119 046 610	1 021 626 931	1 054 668 281	1 005 143 539
Fresh produce market	17 460 391	17 926 442	17 460 391	17 926 442
Other service charges	55 541 894	54 111 414	55 541 894	54 111 414
	17 134 490 950	16 254 616 785	17 130 454 896	16 304 459 304

28. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	86 057 160	88 282 973	59 241 359	62 437 383
Rental of equipment	14 764	17 348	14 764	17 348
	86 071 924	88 300 321	59 256 123	62 454 731
	-	-	-	-
Facilities and equipment	86 071 924	88 300 321	59 256 123	62 454 731
	86 071 924	88 300 321	59 256 123	62 454 731

Included in the above rentals are operating lease rentals at straight-lined amounts of R5,264,501 (2015: R5,719,306) as well as contingent rentals of R16,801,934 (2015: R16,801,934).

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
29. Government grants and subsidies				
Operating grants				
Equitable share	2 181 182 000	2 042 951 000	2 181 182 000	2 042 951 000
Fuel levy	1 528 809 000	1 469 674 000	1 528 809 000	1 469 674 000
Ambulance subsidies	143 043 000	136 040 000	143 043 000	136 040 000
FMG	1 050 000	1 250 000	1 050 000	1 250 000
Accreditation Capacity Enhancement	154 001	786 116	154 001	786 116
HIV/AIDS	12 033 372	11 085 999	12 033 372	11 085 999
Township Initiatives	5 544 329	3 908 192	5 544 329	3 908 192
Seta	1 553 051	7 374 225	1 553 051	7 374 225
Disaster Grant	14 007 410	-	14 007 410	-
BKB	269 379	261 206	269 379	261 206
Health Subsidy	117 885 000	111 952 000	117 885 000	111 952 000
Integrated City Development	41 633 701	48 379 740	41 633 701	48 379 740
HSDG Accreditation	40 983 800	46 805 290	40 983 800	46 805 290
Municipal Human Settlements Capacity	27 050 545	1 556 214	27 050 545	1 556 214
Environment Quality Management	-	291 551	-	291 551
USDG (Operational)	307 571 217	-	307 571 217	-
PTIS	28 454 712	-	28 454 712	-
EPWP	13 709 000	-	13 709 000	-
Research and Technology Development	38 336	-	38 336	-
Department of Transport (Provincial)	12 227 637	11 428 641	-	-
National Housing Fund	3 544 670	-	-	-
	4 480 744 160	3 893 744 174	4 464 971 853	3 882 315 533
Capital grants				
INEP	49 754 705	60 924 586	49 754 705	60 924 586
USDG (Capital and operational)	1 730 618 123	1 498 622 869	1 730 618 123	1 498 622 869
PTIS	294 078 781	294 900 820	294 078 781	294 900 820
Electricity Demand Site Management	17 808 487	16 997 181	17 808 487	16 997 181
WiFi Connectivity roll out	5 526 008	-	5 526 008	-
HSDG Accreditation	24 714 512	-	24 714 512	-
Municipal Human Settlements Capacity	1 134 568	-	1 134 568	-
EPWP (Capital and operational)	-	6 422 000	-	6 422 000
Township Initiatives	3 523 254	-	3 523 254	-
NDPG	20 000 000	-	20 000 000	-
	2 147 158 438	1 877 867 456	2 147 158 438	1 877 867 456
	6 627 902 598	5 771 611 630	6 612 130 291	5 760 182 989
Equitable share				
Current-year receipts	2 181 182 000	2 042 951 000	2 181 182 000	2 042 951 000
Conditions met - transferred to revenue	(2 181 182 000)	(2 042 951 000)	(2 181 182 000)	(2 042 951 000)
	-	-	-	-
Fuel levy				
Current-year receipts	1 528 809 000	1 469 674 000	1 528 809 000	1 469 674 000
Conditions met - transferred to revenue	(1 528 809 000)	(1 469 674 000)	(1 528 809 000)	(1 469 674 000)
	-	-	-	-
Ambulance Subsidy				
Current-year receipts	143 043 000	136 040 000	143 043 000	136 040 000
Conditions met - transferred to revenue	(143 043 000)	(136 040 000)	(143 043 000)	(136 040 000)
	-	-	-	-
Finance Management Grant				

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
29. Government grants and subsidies (continued)				
Current-year receipts	1 050 000	1 250 000	1 050 000	1 250 000
Conditions met - transferred to revenue	(1 050 000)	(1 250 000)	(1 050 000)	(1 250 000)
	-	-	-	-
	-	-	-	-
Accreditation Capacity Enhancement				
Balance unspent at beginning of year	154 001	940 117	154 001	940 117
Conditions met - transferred to revenue	(154 001)	(786 116)	(154 001)	(786 116)
	-	154 001	-	154 001
Conditions still to be met - remain liabilities (see note 21).				
Hiv/Aids				
Current-year receipts	12 033 372	11 071 372	12 033 372	11 071 372
Conditions met - transferred to revenue	(12 033 372)	(11 085 999)	(12 033 372)	(11 085 999)
Debtor	-	14 627	-	14 627
	-	-	-	-
	-	-	-	-
Township Initiatives				
Balance unspent at beginning of year	1 780 514	488 709	1 780 514	488 709
Current-year receipts	9 579 000	5 200 000	9 579 000	5 200 000
Conditions met - transferred to revenue	(9 067 582)	(3 908 195)	(9 067 582)	(3 908 195)
	2 291 932	1 780 514	2 291 932	1 780 514
Conditions still to be met - remain liabilities (see note 21).				
Seta				
Current-year receipts	1 553 051	7 374 225	1 553 051	7 374 225
Conditions met - transferred to revenue	(1 553 051)	(7 374 225)	(1 553 051)	(7 374 225)
	-	-	-	-
	-	-	-	-
Public Contributions				
Balance unspent at beginning of year	-	130 463	-	130 463
Surrendered/Appropriated	-	(130 463)	-	(130 463)
	-	-	-	-
	-	-	-	-
BKB				
Balance unspent at beginning of year	300 436	1 642	300 436	1 642
Current-year receipts	-	560 000	-	560 000
Conditions met - transferred to revenue	(269 379)	(261 206)	(269 379)	(261 206)
	31 057	300 436	31 057	300 436
Conditions still to be met - remain liabilities (see note 21).				
Health Subsidy				
Current-year receipts	117 885 000	111 952 000	117 885 000	111 952 000
Conditions met - transferred to revenue	(117 885 000)	(111 952 000)	(117 885 000)	(111 952 000)
	-	-	-	-
	-	-	-	-

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
29. Government grants and subsidies (continued)				
INEP				
Current-year receipts	49 754 705	60 679 291	49 754 705	60 679 291
Conditions met - transferred to revenue	(49 754 705)	(60 924 586)	(49 754 705)	(60 924 586)
Debtor	-	245 295	-	245 295
	-	-	-	-
Integrated City Development				
Balance unspent at beginning of year	-	8 056 740	-	8 056 740
Current-year receipts	43 194 000	40 323 000	43 194 000	40 323 000
Conditions met - transferred to revenue	(41 633 701)	(48 379 740)	(41 633 701)	(48 379 740)
	1 560 299	-	1 560 299	-
Conditions still to be met - remain liabilities (see note 21).				
PTIS				
Balance unspent at beginning of year	5 322 928	50 223 748	5 322 928	50 223 748
Current-year receipts	339 296 000	250 000 000	339 296 000	250 000 000
Conditions met - transferred to revenue	(322 533 494)	(294 900 820)	(322 533 494)	(294 900 820)
	22 085 434	5 322 928	22 085 434	5 322 928
Conditions still to be met - remain liabilities (see note 21).				
Electricity Demand Site Management				
Balance unspent at beginning of year	235 390	-	235 390	-
Current-year receipts	18 000 000	17 232 571	18 000 000	17 232 571
Conditions met - transferred to revenue	(17 808 487)	(16 997 181)	(17 808 487)	(16 997 181)
Surrendered/Appropriated	(235 390)	-	(235 390)	-
	191 513	235 390	191 513	235 390
Conditions still to be met - remain liabilities (see note 21).				
HSDG				
Balance unspent at beginning of year	-	3 503 210	-	3 503 210
Surrendered/Appropriated	-	(3 503 210)	-	(3 503 210)
	-	-	-	-
Municipal Human Settlements Capacity				
Balance unspent at beginning of year	50 817 786	-	50 817 786	-
Current-year receipts	14 313 000	52 374 000	14 313 000	52 374 000
Conditions met - transferred to revenue	(28 185 113)	(1 556 214)	(28 185 113)	(1 556 214)
	36 945 673	50 817 786	36 945 673	50 817 786
Conditions still to be met - remain liabilities (see note 21).				
LED				
Balance unspent at beginning of year	-	569 273	-	569 273
Surrendered/Appropriated	-	(569 273)	-	(569 273)
	-	-	-	-

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

29. Government grants and subsidies (continued)

USDG

Balance unspent at beginning of year	486 507 413	180 598 282	486 507 413	180 598 282
Current-year receipts	1 842 887 000	1 804 532 000	1 842 887 000	1 804 532 000
Conditions met - transferred to revenue	(2 038 189 339)	(1 498 622 869)	(2 038 189 339)	(1 498 622 869)
	291 205 074	486 507 413	291 205 074	486 507 413

Conditions still to be met - remain liabilities (see note 21).

EPWP

Current-year receipts	13 709 000	6 422 000	13 709 000	6 422 000
Conditions met - transferred to revenue	(13 709 000)	(6 422 000)	(13 709 000)	(6 422 000)
	-	-	-	-

Department of Transport (Provincial)

Current-year receipts	12 227 637	11 428 641	-	-
Conditions met - transferred to revenue	(12 227 637)	(11 428 641)	-	-
	-	-	-	-

DWAF

Balance unspent at beginning of year	582 545	582 545	582 545	582 545
Surrendered/Appropriated	(582 545)	-	(582 545)	-
	-	582 545	-	582 545

Conditions still to be met - remain liabilities (see note 21).

NDPG

Current-year receipts	20 000 000	-	20 000 000	-
Conditions met - transferred to revenue	(20 000 000)	-	(20 000 000)	-
	-	-	-	-

HSDG Accreditation

Balance unspent at beginning of year	7 318 327	128 693 203	7 318 327	128 693 203
Current-year receipts	127 759 374	6 546 277	127 759 374	6 546 277
Conditions met - transferred to revenue	(65 698 312)	(46 805 290)	(65 698 312)	(46 805 290)
Surrendered/Appropriated	-	(81 115 863)	-	(81 115 863)
	69 379 389	7 318 327	69 379 389	7 318 327

Conditions still to be met - remain liabilities (see note 21).

Environment Quality Management

Balance unspent at beginning of year	26 318	317 869	26 318	317 869
Conditions met - transferred to revenue	-	(291 551)	-	(291 551)
Surrendered/Appropriated	(26 318)	-	(26 318)	-
	-	26 318	-	26 318

Conditions still to be met - remain liabilities (see note 21).

Research and Technology

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Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
29. Government grants and subsidies (continued)				
Current-year receipts	223 000	-	223 000	-
Conditions met - transferred to revenue	(38 336)	-	(38 336)	-
	184 664	-	184 664	-

Conditions still to be met - remain liabilities (see note 21).

Disaster Grant

Current-year receipts	21 569 000	-	21 569 000	-
Conditions met - transferred to revenue	(14 007 410)	-	(14 007 410)	-
	7 561 590	-	7 561 590	-

Conditions still to be met - remain liabilities (see note 21).

WiFi Connectivity Roll Out

Current-year receipts	7 375 271	-	7 375 271	-
Conditions met - transferred to revenue	(5 526 008)	-	(5 526 008)	-
	1 849 263	-	1 849 263	-

Conditions still to be met - remain liabilities (see note 21).

National Housing Fund

Balance unspent at beginning of year	10 793 534	10 793 534	-	-
Conditions met - transferred to revenue	(3 544 670)	-	-	-
	7 248 864	10 793 534	-	-

Conditions still to be met - remain liabilities (see note 21).

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

30. Investment revenue

Dividend revenue

Unit trusts - Local	149 705	91 137	-	-
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Interest revenue

Bank	519 078 854	453 159 536	504 675 313	447 377 543
External investments	128 470 413	72 008 677	127 948 697	71 789 835
	647 549 267	525 168 213	632 624 010	519 167 378
	149 705	91 137	-	-
	647 549 267	525 168 213	632 624 010	519 167 378
	647 698 972	525 259 350	632 624 010	519 167 378

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
31. Other income				
Accident reports	1 069 009	466 518	1 069 009	466 518
Administration fees	217 958	220 002	217 958	217 153
Cleaning of stands	170 007	339 633	170 007	339 633
Entry fees	606 011	713 976	606 011	713 976
Essential services contributions	107 385 781	74 879 004	67 157 295	57 910 921
Gain on fair value adjustment	(5 620)	451 155	-	-
Insurance claims	178 682	284 060	-	9 113
Printing and copying of documents	193 425	279 013	193 425	279 013
Sundry income	46 560 068	28 431 548	29 607 839	37 311 441
Supply of information	834 167	184 225	834 167	184 225
Tender documents	5 948 297	3 736 147	5 748 195	3 555 048
Training	1 656 088	362 427	1 656 088	362 427
	164 813 873	110 347 708	107 259 994	101 349 468

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Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
32. Employee related costs				
Basic	4 062 797 771	3 797 962 443	3 889 391 305	3 645 804 906
Bonus	237 494	247 847	-	-
Medical aid - company contributions	667 817 009	427 414 951	668 413 051	427 025 789
UIF	27 128 551	26 614 682	27 078 490	26 569 633
WCA	26 243 318	32 141 439	24 149 654	31 070 159
SDL	48 605 464	44 768 539	48 494 813	44 683 292
Other payroll levies	1 431 736	1 337 568	1 431 736	1 337 568
Leave pay provision charge	113 714 233	108 165 699	105 370 320	100 914 783
Standby Allowances	32 282 358	27 899 345	32 282 358	27 899 345
Defined contribution plans	693 351 782	667 521 333	691 796 984	662 670 972
Travel, motor car, accommodation, subsistence and other allowances	208 676 247	204 043 803	208 393 812	203 778 803
Overtime payments	655 047 938	527 729 014	638 656 883	512 117 962
Long-service awards	(5 419 951)	(88 930 813)	(5 540 721)	(89 108 808)
Ad Hoc Travelling	703 780	757 632	703 780	757 632
Housing benefits and allowances	57 095 178	42 156 210	57 073 775	42 144 319
Allowances	71 727 581	65 472 205	17 383 990	16 833 134
Remuneration of interns	1 050 000	2 036 116	1 050 000	2 036 116
Other related costs	6 430 891	2 963 785	-	-
Less: Employee costs capitalised to PPE	(67 709 079)	(69 186 120)	(67 709 079)	(69 186 120)
	6 601 212 301	5 821 115 678	6 338 421 151	5 587 350 485

Senior Management Remuneration (Key Management) for the year as at 30 June 2016	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	2 679 012	128 505	-	-	51 600	2 859 117
Chief Operating Officer	2 260 232	68 025	154 528	151 924	43 200	2 677 909
Chief Financial Officer	2 623 200	1 785	-	111 338	39 600	2 775 923
Head of Department: Internal Audit	1 502 124	88 185	120 000	123 226	43 200	1 876 735
Head of Department :Electricity & Energy	1 523 912	120 585	276 340	124 441	213 420	2 258 698
Head of Department : Health	1 428 792	163 785	120 000	-	43 200	1 755 777
Head of Department:Customer Relations Management	1 855 800	1 785	120 000	-	43 200	2 020 785
Head of Department : Corporate Legal	1 643 808	131 385	120 000	112 356	43 200	2 050 749
Head of Department: Communication	208 824	21 473	20 000	-	6 600	256 897
Head of Department : Sport, Recreation, Arts and Culture (SRAC)	1 465 320	1 785	108 000	102 302	39 600	1 717 007
Head of Department : City Development	1 457 454	183 122	72 000	-	39 600	1 752 176
Head of Department : Community Safety	1 586 468	151 056	120 000	134 255	43 200	2 034 979
Head of Department: Human Settlement	233 435	16 065	26 000	-	6 600	282 100
Head of Department: Economic Development	1 675 536	1 785	180 000	107 064	43 200	2 007 585
Head of Department : ICT	2 670 036	109 785	156 000	-	43 200	2 979 021
Head of Department : Transport	1 308 087	1 338	63 000	126 948	32 400	1 531 773
Head of Department : Environment	1 697 532	1 785	-	93 607	39 600	1 832 524
Head of Department : Solid Waste	1 436 305	54 799	84 000	86 112	43 200	1 704 416
Head of Department : Enterprise Project Management	1 686 540	1 785	144 000	-	43 200	1 875 525
Head of Department: Real Estate and Facilities	1 565 520	109 785	96 000	87 244	43 200	1 901 749
Head of Department ; Roads and Transport	1 641 864	1 785	240 000	-	39 600	1 923 249
Head of Department : Water Services	1 971 348	191 085	36 000	136 453	43 200	2 378 086
Head of Department:Fleet	1 710 792	1 785	-	81 540	39 600	1 833 717
Chief Risk Officer	275 203	297	-	-	6 600	282 100
Chief of Police	1 035 000	1 338	90 000	-	19 800	1 146 138
Secretary of council	1 173 804	1 785	132 000	64 916	39 600	1 412 105
Subtotal	40 315 948	1 556 678	2 477 868	1 643 726	1 132 620	47 126 840

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Figures in Rand	Economic entity		Controlling entity			
	2016	2015	2016	2015		
32. Employee related costs (continued)	40 315 948	1 556 678	2 477 868	1 643 726	1 132 620	47 126 840
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

In-kind benefits

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

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

The Executive Mayor has full-time bodyguards.

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

At ERWAT the following directors EE Themba, M Mochatsi and N Koni have use of company owned laptops.

Refer to note 46 for related party relationships.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

33. Remuneration of councillors

June 2016	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	530 807	-	614 701	96 901	41 820	1 284 229
Speaker	451 691	178 517	288 151	85 034	41 820	1 045 213
Chief Whip	677 081	86 692	58 065	118 842	20 868	961 548
Members of the Mayoral Committee	4 011 490	934 262	3 024 310	774 523	208 680	8 953 265
Other councillors	44 604 145	10 519 047	25 982 876	8 406 880	3 938 835	93 451 783
Total	50 275 214	11 718 518	29 968 103	9 482 180	4 252 023	105 696 038

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
Total	50 468 898	11 359 244	24 377 402	9 518 880	4 252 898	99 977 322

34. Depreciation and amortisation

Property, plant and equipment	1 710 623 070	1 902 834 116	1 653 930 187	1 868 728 285
Investment property	6 855 766	1 557 937	5 870 240	579 682
Intangible assets	4 268 988	10 379 911	3 742 581	9 989 243
Total	1 721 747 824	1 914 771 964	1 663 543 008	1 879 297 210

35. Impairments of assets

Impairments/Derecognition	2016	2015	2016	2015
Derecognition of Property, plant and equipment, and Intangible assets	252 428 294	84 876 481	252 428 294	84 876 481
Derecognition of Investment property	10 313 007	13 402 517	10 313 007	13 402 517
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]				
Derecognition of Intangible assets	731 065	18 688 814	731 065	18 688 814
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]				
Impairment of property plant and equipment	18 218 245	62 188 116	18 218 245	61 115 531
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]				
Total	281 690 611	179 155 928	281 690 611	178 083 343

36. Finance costs

External borrowings	642 202 354	550 741 350	590 237 129	529 978 370
Trade and other payables	330 449	44 207	330 449	44 207
Unwinding of interest on provisions and obligations	260 762 327	44 206 780	258 071 822	41 533 633
Total	903 295 130	594 992 337	848 639 400	571 556 210

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
37. Debt impairment				
Changes in debt impairment provision	1 438 967 865	2 215 059 736	1 434 057 613	2 211 425 099
38. Bulk purchases				
Electricity	8 614 325 656	7 544 952 887	8 560 732 115	7 505 402 511
Water	2 481 831 778	2 204 366 473	2 480 844 176	2 204 341 676
Sewer purification	158 909 821	42 529 052	620 579 840	508 763 461
	11 255 067 255	9 791 848 412	11 662 156 131	10 218 507 648
39. Taxation				
Major components of the tax income				
Current				
Local income tax	14 116 177	105 884	-	-
Deferred				
Originating and reversing temporary differences	(27 225 471)	(1 162 120)	-	-
Current	14 116 177	105 884	-	-
Deferred	(27 225 471)	(1 162 120)	-	-
	(13 109 294)	(1 056 236)	-	-
40. Contracted services				
Information Technology Services	13 769 872	8 584 766	13 769 872	8 584 766
Security contracts	244 139 042	206 538 726	244 139 042	206 538 726
Meter management contracts	148 667 648	128 353 099	148 667 648	128 353 099
Environment contracts	270 840 186	240 562 135	270 840 186	240 562 135
Asset management	170 051 241	120 286 936	179 147 648	130 529 361
	847 467 989	704 325 662	856 564 396	714 568 087
41. Grants and subsidies paid				
Other subsidies				
Discretionary grant: Sport and Social support	31 107 065	21 387 387	31 107 065	21 387 387
Subsidy: SPCA	3 022 750	2 825 000	3 022 750	2 825 000
Discretionary grant: General	343 074 233	233 014 453	434 785 835	291 514 453
Free basic services	590 610 023	833 098 124	590 610 023	833 098 124
Discretionary grant: Educational	3 788 078	9 469 834	3 788 078	9 469 834
Grants: Education (External)	33 163 428	9 263 961	33 163 428	9 263 961
	1 004 765 577	1 109 058 759	1 096 477 179	1 167 558 759

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
42. General expenses				
Advertising	40 069 892	23 444 473	38 641 857	22 375 387
Animal care	3 139 890	1 995 228	3 139 890	1 995 228
Auditors remuneration	24 234 141	22 730 568	20 931 569	19 529 208
Awareness campaigns	20 083 946	8 098 363	19 638 148	7 628 498
Bank charges	4 993 867	6 481 540	4 058 725	4 567 603
Community development and wellbeing	119 063 383	123 134 433	119 063 383	123 134 433
Consulting and professional fees	151 509 222	138 245 586	131 949 296	125 011 107
Consumables (including materials)	60 089 388	59 530 139	58 388 139	58 085 400
Corporate Gifts	285 570	285 635	285 570	285 635
Disaster management	5 675 175	5 094 756	5 675 175	5 094 756
Electricity	110 835	70 653	-	-
Entertainment	3 419 345	3 486 685	1 634 814	2 354 503
Fuel and oil	141 779 722	140 992 602	141 715 082	140 911 917
Hire of busses	1 202 747	1 200 737	-	-
Human resource management	13 642 798	11 772 691	13 642 798	11 701 866
IT expenses	46 641 961	40 484 691	44 925 619	38 673 467
Insurance	64 323 705	66 479 583	61 601 646	64 427 035
Land management	18 255 744	38 622 668	18 255 744	38 622 668
Loss due to fraudulent activities	49 063	68 961	-	-
Magazines, books and periodicals	629 699	655 547	564 853	596 675
Marketing	117 692 218	98 211 056	116 371 285	96 272 552
Motor vehicle expenses - busses	6 862 095	7 680 738	-	-
Other expenses	103 971 174	100 731 008	104 619 315	94 641 820
Postage	24 872 912	22 073 033	24 870 450	22 055 680
Printing and stationery	52 877 221	44 526 958	51 380 440	43 599 458
Productions	199 018	194 375	199 018	194 375
Refreshments	8 140 335	8 216 878	7 989 733	8 095 589
Refuse	61 352 694	44 324 807	61 352 694	44 324 807
Rental	19 985 303	20 127 676	19 070 275	19 194 670
Rodent control	10 048 919	11 815 380	10 048 919	11 815 380
Security (Guarding of municipal property)	11 823 148	11 732 665	-	-
Sewerage and waste disposal	42 029	9 580	-	-
Service connections	61 577 873	69 006 889	57 721 552	62 887 599
Software expenses	8 730 040	3 354 401	8 601 670	3 256 362
Stock adjustments and write-offs	437 457	3 251 249	437 457	3 251 249
Subscriptions and membership fees	15 208 061	12 068 086	15 081 259	11 954 813
Telephone and fax	61 142 272	48 938 143	58 937 955	46 712 858
Title deed search fees	790 588	752 801	790 588	752 801
Training	17 622 562	22 703 479	14 713 174	19 841 683
Travel - local	12 829 083	8 860 803	8 773 994	6 603 187
Travel - overseas	35 505 951	29 712 228	35 505 951	29 487 279
Uniforms	56 809 349	34 684 425	56 698 470	34 571 190
Venue expenses	24 072 620	19 412 006	24 019 583	19 363 146
Vehicle licences and hire cost	62 663 794	45 339 249	52 454 725	36 553 093
Water	20 130	9 517	-	-
	1 494 476 939	1 360 612 969	1 413 750 815	1 280 424 977

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
43. Cash generated from operations				
Surplus	2 316 590 983	2 172 804 755	2 170 248 229	2 057 821 569
Adjustments for:				
Depreciation and amortisation	1 721 747 824	1 914 771 964	1 663 543 008	1 879 297 210
Loss on disposal of fixed assets	12 914 952	7 929 142	-	7 838 173
Impairment deficit	281 690 611	179 155 928	281 690 611	178 083 343
Debt impairment	1 438 967 865	2 215 059 736	1 434 057 613	2 211 425 099
Movements in retirement benefit	478 762 000	87 705 000	477 336 000	81 967 000
Movements in provisions	137 865 880	86 184 755	128 343 485	87 229 122
Movement in tax receivable and payable	(1 071 686)	19 158	-	-
Net movement on provision for bad debt on long term receivables	(6 004 841)	-	(6 004 841)	(4 045 816)
Annual charge for deferred tax	(27 225 471)	(1 162 120)	-	-
Other non-cash items (Other movements within PPE)	(37 408 036)	(49 298 050)	(27 949 461)	(50 745 544)
Changes in working capital:				
Inventories	12 018 398	(178 963 962)	12 018 398	(178 963 962)
Other receivables from exchange transactions	(93 042 653)	(161 494 000)	(126 382 011)	(129 880 424)
Consumer debtors	(2 308 537 001)	(2 141 804 016)	(2 303 626 749)	(2 138 169 379)
Other receivables from non-exchange transactions	(5 478 278)	(18 064 319)	(5 478 278)	(18 064 319)
Trade and other payables from exchange transactions	1 299 891 578	331 031 205	1 282 321 835	363 354 236
Unspent conditional grants and receipts	(117 916 196)	182 443 069	(119 759 770)	182 443 069
	5 103 765 929	4 626 318 245	4 860 358 069	4 529 589 377

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
44. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Community	926 771 953	251 800 000	926 771 953	251 800 000
• Infrastructure	1 746 546 335	2 405 886 640	1 601 889 000	2 299 074 906
• Other	255 580 863	507 769 406	246 415 000	507 769 406
	2 928 899 151	3 165 456 046	2 775 075 953	3 058 644 312
Not yet contracted for and authorised by accounting officer				
• All classes of PPE	2 555 127 796	1 412 919 115	2 555 127 796	1 412 919 115
Total capital commitments				
Already contracted for but not provided for	2 928 899 151	3 165 456 046	2 775 075 953	3 058 644 312
Not yet contracted for and authorised by accounting officer	2 555 127 796	1 412 919 115	2 555 127 796	1 412 919 115
	5 484 026 947	4 578 375 161	5 330 203 749	4 471 563 427

This committed expenditure relates to the acquisition of property, plant and equipment for the 2016/2017 financial year (Approved Capital Programme) based on the project value as approved in the Budget for the next period for which suppliers contracts are in place. These commitments will be financed by appropriated grants, retained surpluses, existing cash resources, funds internally generated, etc and other bank facilities.

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

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	7 269 356	17 181 575	6 653 246	16 446 260
- in second to fifth year inclusive	1 220 148	7 998 212	1 155 789	7 809 035
	8 489 504	25 179 787	7 809 035	24 255 295

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 8.00% (2015: 8.45%) for office buildings.

The actual lease contract amounts range between R15,923 and R403,436 (2015: R14,895 and R402,277) per month on the office buildings.

Operating leases - as lessor (income)

Minimum lease payments due				
- within one year	5 345 678	5 335 328	5 345 678	5 335 328
- in second to fifth year inclusive	17 732 885	17 945 521	17 732 885	17 945 521
- later than five years	17 496 464	21 109 672	17 496 464	21 109 672
	40 575 027	44 390 521	40 575 027	44 390 521

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 R1 (2015: R1) (social benefit) up to R203,913 (2015: R195, 840).

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

45. Contingencies

Contractual disputes

Various contractual claims by contractors/suppliers are currently in dispute, and are subject to legal processes. The potential extent of the liabilities are uncertain, since it is subject to legal processes, but provisional estimates, based on management assessment, were made, as disclosed below.

Contingent liabilities - Categories

Category A: Claims exceeding R 500 000.

Category B: Claims between R100,000 and R500,000

Category C: Other legal matters less than R100,000.

CONTINGENT LIABILITIES

Category A Claims:

Engen Petroleum Ltd/Atlas road Claim as a result of rerouting of a provincial road	14 061 088	14 061 088	14 061 088	14 061 088
WLT Advertising CC - Claim for damages as a result of conduct	-	31 706 247	-	31 706 247
Strata International Pty Ltd and The Garden estate	-	150 000 000	-	150 000 000
Bondev Midrand: Claim for failure to issue section 82 certificate i.r.o. various townships	2 676 187	2 676 187	2 676 187	2 676 187
Hometalk- Possible claim for losses in respect of developments	60 000 000	60 000 000	60 000 000	60 000 000
Siyavuka projects: Claim for alleged unlawful termination of contract A/ED (MP) 20/2008	5 401 380	5 401 380	5 401 380	5 401 380
Rose Acres Development Pty Ltd *(A)	17 825 900	17 825 900	17 825 900	17 825 900
Scarlet IBIS 115 9 Pty Ltd: Claim for alleged wrongful use of plaintiff's property	-	5 250 000	-	5 250 000
Lesira Teq: Claim for cancellation of contract for supply of water meters	8 224 062	8 224 063	8 224 062	8 224 062
Ubuhlebethu Business Enterprises	5 836 065	-	5 836 065	-
Ingwempisi Security Services CC *(B)	123 872 435	123 872 435	123 872 435	123 872 435
Aloecap (PTY) LTD	5 301 000	5 301 000	5 301 000	5 301 000
Multi Waste Wadeville	2 407 112	2 407 112	2 407 112	2 407 112
Zanusi Marketing	1 152 169	1 152 169	1 152 169	1 152 169
K E Lebelo	3 700 000	-	3 700 000	-
Superway Construction	10 235 715	10 235 715	10 235 715	10 235 715
Nyoni Projects	3 675 493	3 675 493	3 675 493	3 675 493
KYK Construction*(C)	29 313 217	29 313 217	29 313 217	29 313 217
Scarlett Sun Pty Ltd	1 630 351	1 630 351	1 630 351	1 630 351
Inter Southern power (Pty) Ltd	-	1 630 351	-	1 630 351
Mabra construction (Pty) Ltd	-	3 449 300	-	3 449 300
ZwakalaQuantity Surveyors	3 105 216	3 105 216	3 105 216	3 105 216
GMRF claim - legal costs	-	1 773 869	-	1 773 869
ERWAT Guarantees	2 955 100	3 461 830	-	-
EDC M Ramanna and Associates	-	2 334 520	-	-
Other various claims	4 472 872	4 979 188	4 472 872	4 979 188
	305 845 362	493 466 631	302 890 262	487 670 280

Category B Claims

Other various claims	1 076 747	1 267 648	1 076 747	1 267 648
	1 076 747	1 267 648	1 076 747	1 267 648

CONTINGENT ASSETS

e-Valuations	39 000 000	-	39 000 000	-
Anicic Engineering	2 941 710	-	2 941 710	-
NCP Clorchem - Dispute regarding price charged for energy supply	178 788 869	178 788 869	178 788 869	178 788 869
Combi trade Eleven (Pty) - Unpaid rate and taxes	2 832 963	2 832 963	2 832 963	2 832 963
Lucmer construction & New national Assurance - Failure to comply with contract conditions	3 174 615	3 174 615	3 174 615	3 174 615

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015
45. Contingencies (continued)				
Kgorong and other - Fail to perform work in terms of contract	776 591	776 591	776 591	776 591
Mkhabela Sibeko and others - Goods supplied did not comply with safety standard	1 024 290	1 024 290	1 024 290	1 024 290
	228 539 038	186 597 328	228 539 038	186 597 328

*NOTES

(A) Plaintiff issued summons against EMM for failure to issue sec.82 certificate. The plaintiff took EMM to court and lost the case and is in the process of appeal.

(B) 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

(C) Plaintiff alleges that it has been appointed by EMM through the tender process on a as and when basis. Plaintiff's application was dismissed with cost. We are awaiting court date to go to trial

Ekurhuleni Metropolitan Municipality

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46. 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 32

Close family member of key management

Members of key management

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Key Management

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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Figures in Rand

46. Related parties (continued)

June 2016

Tenders awarded to family members

No	Contract number	Supplier Name	Relation	Employee name	Employee designation	Amount R0.00
1	A- ICT 10-2017	Altech Alcom Matomo	Spouse	R van Vuuren	Exec Manager	2 878 280
2	A-WS 04-2015	Anix Trading	Spouse	M J Msimango	Senior Clerk	16 942 036
3	A-RE 01-2015	Humelela Maintenance Services CC	Spouse	VW Maluleke	Horticulturist	11 948 800
4	A-RE 01-2015	LMM Trading and Development CC	Spouse	K Mangwane	Senior Clerk	63 745 568
5	AS 08-2015	Orabe Business Enterprise	Spouse	K Mangwane	Senior Clerk	172 008
6	A-RS 05-2016	Seletje Constuction and Management CC	Spouse	P M Lekgwathi	Senior Clerk	76 635 384
7	A-EE 07-2016	Tsekema Consulting Engineers	Child	D A Motsokane	Apprentice	30 786 000
8		Springs Clutch & Brake services CC	Spouse	G R Beukes	Snr District Manager	671 990
9		Sebatatso Caterers	Spouse	M Dhladhla	Security Guard	1 856 859
10		LMM Training and Development CC	Spouse	K Mangwane	Snr Clerk	20 854 211
11		Mzozu Electrical Enterprise CC	Spouse	Z Zungu	General Worker	3 440 430
12		Mjimijela trading enterprise Cc	Spouse	S Mthimkulu	General Worker	667 560
13		Dalindyebo and sons trading CC	Spouse	M Dalindyebo	Snr controller	1 847 966
14		NMVL Trading and Projects CC	Spouse	N Mashele	Horticulturist	250 367
15		Makplan construction and Projects	Spouse	L Gagula	General Assistant	461 573
Subtotal						233 159 032
						233 159 032

June 2016

Deviations on tenders awarded to family members of staff

No	Contract number	Supplier Name	Relation	Employee name	Employee designation	Amount R0.00
1	C-EMPD 02-2013	Altech Alcom Matomo (Pty)Ltd	Spouse	R van Vuuren	Exec manager	4 320 000
2	C-WS 17-2015(T)	Bizzy Boys Trading Enterprise CC	Spouse	L P Khumalo	Chief Clerk	2 807 200
3	C-SR 01-2016(T)	Board Corner Enterprises	Sister	L Serepo	Supervisor	2 790 655
4	C-PT 12-2014(T)	Dalindyebo and Sons Trading CC	Spouse	T Dalindyebo	Snr Accountant	1 564 397
5	C-WMW 16-2015(T)	Danzcomm JV	Spouse	T Dalindyebo	Snr Accountant	8 562 606
6	C-WMW 16-2015(T)	Hillah Construction and General Services	Unknown	T Mkhize	EPWP Learnership	4 000 000
7	C-WMS16-2015(T)	Hlanzekhile Waste Services (Pty) Ltd	Spouse	PM Lekgwathi	Senoir Clerk	51 413 675
8	A-WMS 20-2015(T)	LMM Training & Development	Spouse	K Mangwane	Senoir Clerk	19 798 267

Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Subtotal	-	-	-	-	-	-	95 256 800
							95 256 800

June 2015

Tenders awarded to family members

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

June 2015

Deviations on tenders awarded to family members of staff

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

Ekurhuleni Metropolitan Municipality

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46. Related parties (continued)

849 228

June 2016 staff	Quotations awarded to family members of	No	Supplier Name	Relation	Employee Name	Employee designation	Amount
		1	A M Usinga trading and projects cc	Spouse	Adolph Magayiza Usinga	Member	18 000
		2	Harambe construction and projects cc	Spouse	Lindiswa Kolo	General worker	193 334
		3	Gwale trading enterprise (pty) ltd	Spouse	Matome Makaanepa	General assistant	9 850
		4	Bamabata-sa (pty) ltd	Spouse	Amis Sibiya	Coordinator	40 800
		5	Beyondlimits trading pty ltd	Spouse	Moleboheng Modise	Relief worker	82 820
		6	Izy daz it (pty) ltd	Spouse	Thabiso Naleli	Snr clerk	29 750
		7	Mankena Maselaelo business enterprise	Spouse	Susan Sibisi	Snr clerk	162 937
		8	ETN trading enterprise CC	Spouse	Zanele Ndlovu	Grade II	93 359
		9	Distinctive choice catering and crafts CC	Spouse	Laurie Hattingh	Sup Handyman	11 922
		10	NMVL trading and projects CC	Spouse	Ntsako Mashele	Horticulturist	250 367
		11	WJS Maintenance pty ltd	Spouse	Andries Schoonbee	Administrator	27 992
		12	Empower Electrical CC	Spouse	Humbulani Erick Sikhitha	Snr Admin Officer	53 096
		13	Green Prints	Spouse	Kenneth Sitiba	Ward co-ordinator	5 760
		14	Mthiya Production CC	Spouse	Bafana Mbatha	Meter reader	86 776
		15	Motheo Gardening and cleaning Services	Spouse	Phalagoro Maila	Word Processing Operator	1 200
		16	Moratwe-Monehela Trading CC	Spouse	Makose Moghasi	Professional Nurse	80 400
		17	Mr Bones Trading and Projects CC	Spouse	Sibusiso Mbasane	Driver	5 000
		18	Amagilija and Daughters Holdings (pty) ltd	Spouse	Daryl Nhleko	General Worker	3 930
		19	Padons Fire Security Services (pty)ltd	Spouse	Abigail Maggo	Indigent Clerk	2 590
							1 159 883

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46. Related parties (continued)

June 2015

Quotations awarded to family members of staff

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 Learnership	246 440
4	Kotulo Ya Hlabola		A Sihlangu	Information centre co-ordinator	90 000
5	LMM Training and Development		K Mangwane	Creditors clerk	175 215
6	MA-ZZ Marketing and Development		LGG Ngcakana	Audit officer	87 900
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
10	Nehemias Construction and Business		NJ Khumalo	Coordinator	22 652
11	P F Power Plastics cc		PF Visser	Shift Manager	44 805
12	Motatwe-Monehela Trading cc		MJ Moghasi	Professional Nurse	33 600
13	ENT Trading Enterprise cc		ZR Ndlovu	Clerk	203 903
14	MR Bones Trading and Projects cc		S Mbasane	Driver	10 000
15	Amagilija and Daughters Holding (Pty) Ltd		DS Nhleko	General Worker (level II)	34 500
16	NMVL Trading and Projects cc		NM Mashele	Horticulturist	151 354
17	FIFI's Kitchen and Projects		NI Mbele	Snr Clerk	243 390
18	Jamoda Sons Trading and Projects (Pty) Ltd		MEL Mnyandu	Superintendent	42 060
19	SA Skills Warehouse (Pty) Ltd		HE Mabuza	Crew Commander	144 788
20	Batsebiye Business Enterprise CC		NE Mufamadi	General Worker (level III)	-

3 015 823

Related party balances

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

East Rand Water Care Company, NPC	13 170 353	6 095 842
Brakpan Bus Company SOC Ltd	13 299 555	14 691 450

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Figures in Rand	Economic entity		Controlling entity	
	2016	2015	2016	2015

46. Related parties (continued)

Amounts included in Trade Payable regarding related parties - municipal entities

East Rand Water Care Company, NPC			69 348 185	40 014 454
Germiston Phase II Housing Company SOC Ltd			817	5 345
Lethabong Housing Institute, NPC			34 393	34 393
Brakpan Bus Company SOC Ltd			10 000 000	5 000 000

Related party transactions

Sales to related parties - municipal entities

East Rand Water Care Company, NPC			57 372 802	64 438 458
Pharoe Park Housing Company SOC Ltd			1 391 938	1 522 898
Germiston Phase II Housing Company SOC Ltd			4 664 620	4 369 612
Ekurhuleni Development Company SOC Ltd			60 233	49 954
Brakpan Bus Company SOC Ltd			110 000	110 000
Lethabong Housing Institute, NPC			179 763	167 254

Purchases from related parties - municipal entities

East Rand Water Care Company, NPC			703 502 222	596 539 571
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Grants to related parties - municipal entities

Pharoe Park Housing Company SOC Ltd			20 430 102	1 750 000
Germiston Phase II Housing Company SOC Ltd			16 281 500	1 750 000
East Rand Water Care Company, NPC			50 000 000	50 000 000
Brakpan Bus Company SOC Ltd			-	5 000 000

Development contributions to related parties - municipal entities

East Rand Water Care Company, NPC			40 228 487	-
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Guarantee and debtors ceded

EMM guaranteed the Nedbank loan to ERWAT, with a carrying value of R552,553,867 (2015: R317,377,884). The guarantee shall expire at 15h00, 10 calendar days after the full repayment or settlement of all amounts owed by ERWAT to Nedbank Ltd in terms of the contract. ERWAT has agreed to cede to EMM claims against its book debtors, in event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of EMM all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, and the guarantee provided by EMM in favour of Nedbank Ltd as guarantee for the loan remains in effect.

Refer to Employee related costs note (note 32) for remuneration paid to key management.

47. Change in estimate

Property, plant and equipment, and Intangible assets

Useful lives review for 2015/2016 had the following impact:

	<u>Economic Entity</u>	<u>Controlling Entity</u>
Depreciation/Amortisation expense before remaining useful lives review	(R39,240,565)	(R19,907,925)
Depreciation/Amortisation expense after remaining useful lives review	(R68,650,829)	(R33,712,469)
Future increase in depreciation/amortisation due to review	(R29,410,264)	(R13,804,544)

Discount rate

The discount rate has changed from 10.49% (2015: 10.58%) to 10.47% (2015: 10.49%). The impact of this change has been disclosed in the relevant notes.

48. Prior period errors

2016

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

Ekurhuleni Metropolitan Municipality

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48. Prior period errors (continued)

The correction of the errors results in adjustments as follows (detected in 2016):

Statement of Financial Position

Property, plant and equipment (Opening balance 01/07/2014)	715 372 543	715 372 543
Heritage assets (Opening balance 01/07/2014)	23 259 641	23 259 641
Inventories	32 648 112	32 648 112
Investment property (Opening balance 01/07/2014)	396 960 891	396 960 891
Opening accumulated surplus (Opening balance 01/07/2014)	(1 168 241 187)	(1 168 241 187)

49. Comparative figures

Certain comparative figures have been reclassified.

In the past the note line item Interest Billing Debtors was presented separately from Other Consumer Debtors, but is now included in Other Consumer Debtors, due to impracticability to present it separately in the current year.

Minority interest's description changed to Non-controlling interest, due to improvements in reporting framework (GRAP).

50. 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 18 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 2016 and 2015 respectively are as follow:

	2016	2015	2016	2015
Other financial liabilities	(6 068 374 671)	(6 188 565 786)	(5 435 662 702)	(5 780 362 288)
Less: Cash and cash equivalent	8 307 061 759	7 821 728 512	7 972 586 235	7 701 376 113
Net debt	2 238 687 088	1 633 162 726	2 536 923 533	1 921 013 827
Total equity	48 524 746 468	46 216 171 372	47 082 635 434	44 912 387 190
Total capital	50 763 433 556	47 849 334 098	49 619 558 967	46 833 401 017

Financial risk management

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

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

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

Ekurhuleni Metropolitan Municipality

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50. Risk management (continued)

Liquidity risk

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

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

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

Interest rate risk

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

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

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years
Consumer debtors	10,5 %	5 256 386 810		
Long term receivables	variable %	3 131 803	3 131 803	3 131 803

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	419 128 045	367 570 221	2 276 123 917	3 005 552 488

Ekurhuleni Metropolitan Municipality

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50. 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:

Guarantee and debtors ceded

EMM guaranteed the Nedbank loan to ERWAT, with a carrying value of R552,553,867 (2015: R317,377,884). The guarantee shall expire at 15h00, 10 calendar days after the full repayment or settlement of all amounts owed by ERWAT to Nedbank Ltd in terms of the contract. ERWAT has agreed to cede to EMM claims against its book debtors, in event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of EMM all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, and the guarantee provided by EMM in favour of Nedbank Ltd as guarantee for the loan remains in effect.

Financial instrument	Economic entity - 2016	Economic entity - 2015	Controlling entity - 2016	Controlling entity - 2015
Other Investments	1 238 851 281	993 573 970	1 238 851 281	993 573 970
Long-term receivables	9 395 409	7 525 933	6 890 631	4 974 360
Consumer debtors	5 256 386 810	4 554 760 139	5 256 386 810	4 554 760 139
Other receivables	350 163 763	432 579 337	321 595 578	437 323 045
Cash and cash equivalents	8 307 061 759	7 821 728 512	7 972 586 235	7 701 851 246
Listed and Unlisted shares	12 513 935	12 452 987	4 000 000	4 000 000
	15 174 372 957	13 822 620 878	14 800 310 535	13 696 482 760

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.

51. 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 2017 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.

52. Events after the reporting date

Municipal elections were held on the 3rd of August 2016 and with that a new council and mayoral committee is in place from August 2016.

The City Manager has resigned from the service of the Council and left office on the 31st of August 2016.

Ekurhuleni Metropolitan Municipality

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53. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Items of unauthorised, irregular and fruitless and wasteful expenditure are referred to MPAC for further investigations and determination of appropriate steps to be taken. During the current year the Council approved R49,417,688 (2015 - R29,340,359) for irregular expenditure and R1,638,618 (2015 - R1,165,930) for fruitless expenditure for write-off. The remaining amounts are still under investigation through MPAC and other organs of state. No resolution is yet available.

Irregular expenditure

Opening balance	759 256 635	719 730 063	665 542 049	627 420 010
Add: Expenditure identified for the year	80 852 608	74 070 065	80 154 222	64 858 237
Add: Expenditure identified in the current year, relating to prior years	126 419 632	-	87 028 947	2 604 161
Less: Amounts ratified/approved by council/board and/or not recoverable	(49 505 815)	(32 203 720)	(49 417 688)	(29 340 359)
Less: Amounts not recoverable (not condoned)	-	(2 339 773)	-	-
	917 023 060	759 256 635	783 307 530	665 542 049

Fruitless and Wasteful expenditure

Opening balance	199 055 002	159 879 344	145 723 446	126 136 315
Add: Expenditure identified for the year	1 127 894	20 805 564	1 127 894	1 217 037
Add: Expenditure identified in the current year, relating to prior years	1 242 687	19 536 024	1 242 687	19 536 024
Less: Amounts ratified/approved by council/board	(1 691 153)	(1 165 930)	(1 638 618)	(1 165 930)
	199 734 430	199 055 002	146 455 409	145 723 446

Unauthorised expenditure

Add: Expenditure identified for the year	67 090 606	-	67 090 606	-
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June 2016

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Comms and Marketing	Contravention of SCM Policy	Irregular	1 285 603
EMPD	Budget exceeded	Unauthorised	67 090 606
Finance	Contravention of SCM Policy	Irregular	1 233 616
Health	Contravention of SCM Policy	Irregular	1 526 999
Real Estate	Contravention of SCM Policy	Irregular	249 734
Real Estate	Contravention of SCM Policy	Irregular	7 923 645
Finance	suppliers not blocked SCM reg 44	Irregular	2 229 696
Transport	Contravention of SCM Policy	Irregular	718 278
Waste management	Contravention of SCM Policy	Fruitless	724 725
Water and Sanitation	Contravention of SCM Policy	Irregular	4 748 265
WMS	Contravention of SCM Policy	Irregular	33 366 199
Economic Development	Penalty payment	Fruitless	72 720
Finance	Contravention of SCM Policy: Supplier not blocked	Irregular	385 115
Finance	Award to a prohibited suppliers	Irregular	11 970
Finance	Contravention of SCM Policy Splitting of quotes	Irregular	961 016
Various departments	Interest paid due to late payments	Fruitless	330 449
GERM P11	SCM regulations not adhered to	Irregular	229 155
Pharo Park	SCM regulations not adhered to	Irregular	303 783
BBC	SCM regulations not adhered to	Irregular	165 448

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Figures in Rand

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

Waste Management	Deviations: Contravention of MFMA regulation 36	Irregular	24 565 427
Transport	Deviations: Contravention of MFMA regulation 36	Irregular	974 659

149 097 108

June 2016 Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Waste management	Overpayment of contractor	Fruitless	733 037
CRM	Payment to officials no longer working on a project	Fruitless	42 000
CRM	Cosultants paid for non-complaint plans	Irregular	203 205
CRM	Geotechnical reports provided that was not necessary	Irregular	9 200
Health and Social Development	Additional clerk hired even though an official of EMM did the same work	Irregular	595 038
Health and Social Development	Manager approved payments without authority	Irregular	1 308 495
CRM	Procurement irregularities	Irregular	42 800
City Planning	Contravention of SCM Policy - splitting of quotes	Irregular	317 300
Energy	Contravention of SCM Policy	Irregular	61 889 457
SRAC	Contravention of SCM Policy	Irregular	27 000
ICT	Contravention of SCM Policy	Irregular	5 539 475
Water and Sanitation	Contravention of SCM Policy	Irregular	15 155 809
ERWAT	SCM regulations not adhered to	Irregular	39 390 685
Customer relations	Contravention of SCM Policy	Fruitless	322 469
Customer relations	Contravention of SCM Policy	Irregular	1 390 968
WMS	Contravention of SCM Policy	Fruitless	145 181
SRAC	Contravention of SCM Policy	Irregular	550 200

127 662 319

June 2015 Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Various departments	Interest paid due to late payments	Fruitless	44 207
Waste Management	Incorrect Application of SCM Regu, 36	Irregular	7 219 040
Water an Sanitation	Maintenance and ops of Rietfontein landfill		
Communication and Brand Management	Incorrect Application of SCM Regu, 36 Install and repair bulk meters to schools	Irregular	2 216 006
Communication and Brand Management	Contravention of the SCM policy: Airport Cities World Conf	Irregular	165 300
Communication and Brand Management	Contravention of the SCM policy: Airport Cities World Conf	Irregular	71 100
ICT	Contracts values have been exceeded	Irregular	16 706 392
EMPD	Service rendered during peace corps launch	Irregular	22 500
Customer Care Areas	Contract value has been exceeded	Irregular	10 005 538
DEMS	Contract value has been exceeded	Irregular	121 516
EMPD	Incorrect application of SCM Regulation 36	Irregular	27 828 153
SRAC	Contravention of SCM Regulation 44	Irregular	242 445
Finance	Non-compliance with SCM Regulation 44	Irregular	260 247
Water and Sanitation	Penalties incurred	Fruitless	1 172 830

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

BBC	Advertisements not done	Irregular	88 127
ERWAT	No quotations obtained	Irregular	1 059 283
ERWAT	SCM regulations not adhered to	Irregular	401 373
ERWAT	SCM regulations not adhered to	Irregular	2 466 724
ERWAT	SCM regulations not adhered to	Irregular	592 501
ERWAT	Bidder's tax matters not in order	Irregular	1 999 659
Germiston phase 11	Interest payment	Fruitless	52 353
Pharoe park	Interest payment	Fruitless	150
			72 735 444

June 2015

Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Water and sanitation	Fictitious Overtime claimed by an official	Fruitless	193 518
Real Estate	Contravention of SCM Policy	Irregular	48 800
Communication and Brand Management	Contravention of SCM Policy	Irregular	203 280
ICT and Brand Management	Determination of value for money in procurement of CRM and never utilised	Fruitless	18 749 053
Finance	Determination of value of money in the procurement of Intenda system	Fruitless	421 007
Communication and Brand Management	Contravention of SCM Policy	Irregular	849 090
Real Estate	Fictitious Overtime claimed by an official	Fruitless	21 468
Energy	Double payment to supplier	Fruitless	23 313
Human Resources and Development	Falsification of bursary claim	Fruitless	127 665
Health and Social Development	Contravention of SCM Policy	Irregular	494 963
EMPD	Contravention of SCM Policy: Training	Irregular	1 008 028
			22 140 185

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	14 494 500	11 263 200	14 494 500	11 263 200
Amount paid - current year	(14 494 500)	(11 263 200)	(14 494 500)	(11 263 200)
	-	-	-	-

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

Material losses through criminal conduct and fraudulent activities

Opening balance	20 832 772	20 446 141	20 832 772	20 446 141
Amounts identified in current year	16 366 124	386 631	16 366 124	386 631
Amount paid - current year	3 780 380	-	3 780 380	-
	40 979 276	20 832 772	40 979 276	20 832 772

2016

Advance payment for work not done, money not recovered	R 101,512*
Payment approved - services never rendered	R 128,346*
Payments made to business without contracts with EMM	R 14,856,823*
Payment approved - services never rendered	R 1,279,443*
Allegation of fraud - hacking of payments (still under investigation)	R 3,780,380

*This relates to cases in prior years, identified during the current year through formal investigations/processes.

2015

Theft of money	R 386,631
Fraud on ticket machines-Entities	R 2 028 461

Audit fees

Opening balance	524 370	880 967	235 370	264 578
Current year fee	24 232 572	22 664 900	21 000 000	19 500 000
Amount paid - current year	(24 436 476)	(23 021 497)	(20 931 569)	(19 529 208)
	320 466	524 370	303 801	235 370

PAYE and UIF

Opening balance	(3 779)	5 809 707	-	-
Current year subscription / fee	-	(3 604 406)	-	-
Current year contributions	918 687 147	815 648 233	880 028 609	781 889 676
Amount paid - current year	(918 662 378)	(817 857 313)	(880 028 609)	(781 889 676)
	20 990	(3 779)	-	-

Pension and Medical Aid Deductions

Opening balance	89 453	92 402	-	-
	-	(11 708)	-	-
Current year contributions	1 611 588 948	1 519 988 886	1 555 941 004	1 470 156 628
Amount paid - current year	(1 611 701 398)	(1 519 980 127)	(1 555 941 004)	(1 470 156 628)
	(22 997)	89 453	-	-

VAT

VAT paid during the year	104 690 977	104 946 635	48 604 667	85 449 960
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55. Utilisation of Long-term liabilities reconciliation

Outstanding long-term liabilities beginning of the year	6 160 151 506	5 399 104 346	5 754 596 673	5 288 777 045
Redemption of loans	(353 318 934)	(303 799 529)	(342 666 436)	(284 180 372)
New loans	233 059 731	1 064 846 689	-	750 000 000
	6 039 892 303	6 160 151 506	5 411 930 237	5 754 596 673
Used to finance PPE: Opening balance	(6 185 954 585)	(5 520 795 572)	(5 783 048 414)	(5 095 621 579)
Redemption of loans	353 318 934	303 799 529	342 666 436	284 180 372
Capital financed from external loans for the year	(226 208 586)	(972 122 259)	-	(971 607 207)
Capital expenditure for 2014/2015 re-financed from revenue this year	28 451 741	-	28 451 741	-
Interest accrued	(4 749 904)	-	-	-
Unspend long term liabilities	4 749 903	(28 966 796)	-	(28 451 741)
Cash set aside for the repayment of long-term liabilities for the year	1 091 626 115	856 740 526	1 091 626 115	856 740 526

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.

56. Deviation from supply chain management regulations

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

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

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

Emergencies	10 106 850	180 887 422	9 943 127	171 095 802
Sole supplier	3 656 387	17 507 157	3 091 206	11 478 293
Appointment of consultants	123 382 226	26 230 980	123 382 226	26 230 980
Events	78 001 784	20 576 280	78 001 784	20 576 280
Operational services	891 415 412	206 720 592	891 415 412	206 720 592
Other	16 149 846	33 131 210	-	-
Water infrastructure upgrade	24 675 040	-	24 675 040	-
Training	-	18 863 611	-	33 131 210
	1 147 387 545	503 917 252	1 130 508 795	469 233 157

During the year the accounting officer ratified minor breaches in line with SCM regulation 36(2) R502,464 (2015: R24,090,579)

30 June 2016

Operational services of R891 415 412 include inter alia the following salient amounts

R327,323,947 electronic and print media until 30 June 2018
R204,993,959 additional licenses, technical support and software license renewals -as and when- until 30 June 2018
R120,000,000 business magazines and journals - as and when - until 30 June 2018
R239,097,506 maintenance and other related services

30 June 2015

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

57. Unaccounted Electricity And Water

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57. Unaccounted Electricity And Water (continued)

Electricity	30 June 2016	30 June 2016	30 June 2015	30 June 2015
	Units	Value	Units	Value
Units purchased	10 549 719 430	8 490 583 539	10 507 870 008	7 432 385 890
Units sold	(8 899 811 135)	(7 162 710 859)	(9 450 304 650)	(6 684 352 860)
	1 649 908 295	1 327 872 680	1 057 565 358	748 033 030
Technical loss %	5,90 %	5,90 %	5,90 %	5,90 %
Non-technical loss %	9,74 %	9,74 %	4,16 %	4,16 %
Total loss %	15,64 %	15,64 %	10,06 %	10,06 %
Water	30 June 2016	30 June 2016	30 June 2015	30 June 2015
	Units	Value	Units	Value
Opening balance	1 206 000	7 259 584	1 206 000	6 679 555
Purchases	363 964 110	2 482 695 981	364 906 484	2 204 901 934
Less: closing balance	(1 201 918)	(8 185 487)	(1 201 918)	(7 259 585)
Units sold	(252 605 565)	(1 722 769 953)	(247 741 034)	(1 496 355 845)
	111 362 627	759 000 125	117 169 532	707 966 059
Technical loss %	15,00 %	15,00 %	15,00 %	15,00 %
Non-technical loss %	15,60 %	15,60 %	17,11 %	17,11 %
	30,60 %	30,60 %	32,11 %	32,11 %

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58. Budget differences

2016

Controlling entity

Revenue

The largest income source on municipal revenue is Service Charges. The negative deviation is as a result of a decline in electricity sales responding to the national drive to reduce electricity consumption.

The budget provision on the investment revenue was a conservative allocation and the positive deviation was as a result of the bank balance being more than anticipated.

The negative deviation on Transfers recognised was as a result of not utilizing the operating grants in full.

The positive deviation on other own revenue resulted from the unforeseen income not budgeted for.

Expenditure

Included in the actual employee rated costs is the amount of R305 million relating to actuarial losses resulting from the retirement benefits of employees.

Final calculation for debt impairment was based on the actual consumer debt and determined as per provision for Bad debt policy. The Deviation on depreciation and assets impairment relates to accelerated impairment as part of the year end assessment of the conditions of the assets.

Included in the finance charges is the cost of unwinding of interest used in the calculation of the present value of the loan provision.

Negative deviation on other expenditure is as a result of underspending of repair and maintenance and cost containment measures implemented on general expenses.

ADJUSTMENT BUDGET CHANGES AS INDICATED ON THE APPROPRIATION STATEMENT

INCOME BUDGET

Property rates

Income budget for Property rates was adjusted as a result of ensuring compliance with the SCOA requirements

The income budget was increased with R206 million in 2015/16 financial year. The increase is mainly as a result of grant funding which was rolled over from the 2014/15 financial year, amounting to which amounted to R118 million.

The income budget was increased with R206 million in 2015/16 financial year. The increase is mainly as a result of 2014/15 grant funding which was rolled over from the 2014/15 financial year as well as additional grant funding received during the 2015/16 financial year. The significant adjustments were as follows:

- Municipal Human Settlement Capacity Grant: R47.1 million
- Human Settlement Development Grant (HSDG) R49.9 million

The adjustment of the income budget for Transfers recognised – operational also affected the expenditure budget for the Transfers and grants in the Operating Expenses.

Service Charges

The budget amount of R83 million for the 3 kiloliters of water and sanitation granted to the indigents was classified as part of service charges in the original budget. The re-allocation of the budget to Transfers and grants resulted in the increase in service charges budget.

In addition, the actual income from electricity connections exceeded the budgeted income with 26.61%. This was as a result of the actual connections carried out being more than anticipated. The positive deviation the income budget mandated services increase of R3.1 million in the adjustment budget.

Other Own revenue

The budget amount for other own revenue was decreased as a result of anticipated non-collection on fines.

EXPENDITURE BUDGET

Employee Costs

The budget for employee costs was reduced with R105 (net) million mainly as a result of actual savings on salaries for the first quarter of the financial year. An amount of R3.2 billion was budgeted for in the first quarter and R2.9 was spent, resulting in the savings of R300 million.

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58. Budget differences (continued)

Finance Charges

An amount of R763 million was budgeted in the 2015/16 Operating Budget for interest on all External Borrowings. This included provision for interest on loan of R1.1 billion to fund the capital expenditure for the 2014/15. The final amount borrowed as at 23 June 2015 amounted to R750 million, with the result that the full provision was not utilised to pay for the interest on loans and savings of R72.9 million was identified.

Other Expenditure

Other expenditure increased with R144 million for the following major items:

- Repair and maintenance which form part of the Other Expenditure was increased with R37 million.
- Operational grant expenditure, funded from grants was increased with R20 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 R76 million. The reduction was based on the underspending of general expenses in the first quarter of the financial year.

For additional information on differences, refer to budget tables in the annual report.

Controlled entities

ERWAT

Total Revenue - 105% achieved due to the following reasons:

Investment Revenue - 280% achieved

Interest received - Due to under spending on capital items ERWAT had a higher bank balance, which resulted in higher interest.

Dividends received - ERWAT had received 24% higher than budgeted amount for dividends, as the budgeted amount is only an estimate which can change.

Other own revenue - 120% achieved

Development contribution - An amount of R40 228 486 relating to development contribution was received to which ERWAT could not budget as there is no information to calculate a budget.

Total operating Expense - 96% achieved due to the following reasons:

Depreciation and Amortisation - 167% achieved due to

ERWAT has performed an unbundling of assets which entailed a decrease of useful lives of assets which in turn increased the depreciation significantly.

Finance Costs - 114% achieved due to

The budgeted amount was based on prime interest at the date of the preparation of the budget, however due to an increase in the interest rate the finance cost increased over what had been budgeted.

Materials and bulk purchases - 86% achieved due to

ERWAT has contracted with suppliers which allowed for negotiation of discounted prices, resulting in a saving on bulk purchases.

Capital Expenditure - 61% achieved

A project that was budgeted for Integrated Sludge Beneficiation Plant could not be spent during the year due to the awarded supplier not meeting the CIDB requirements which in turn delayed the execution of the project hence the R100 million was not spent.

Further under spending was due to contractors that failed to execute projects and withdrew from the contract before any expenditure was incurred. These projects will be re-advertised in the next financial year. There were delays in delivery of equipment from suppliers, which also resulted in under spending.

Net cash at the end of the year

The cashflow balance is higher than budgeted due to under spending on capital items that was planned during the year and did not take place, and the saving on operating expenditures.

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* See Note 48