



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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Metropolitan Municipality
Legislation governing the entity's operations	Municipal Finance Management Act (Act No. 56 of 2003)
Mayoral committee	
Executive Mayor	Clr M Gungubele
	Speaker: Clr P Khumalo
Councillors	Chief Whip: Clr R Mashego
	MMC: Finance: Clr M Makwakwa
	MMC: Health and Social Development: Clr M Mabaso
	MMC: Human Settlements: Clr A Nxumalo
	MMC: Environmental Management: Clr N Shongwe
	MMC: City Planning and Economic Development: Clr T Mahlangu
	MMC: Corporate and Shared Services: Clr Q Duba
	MMC: Water and Energy: Clr D Xhakaza
	MMC: Community Safety: Clr V Chauke
	MMC: Sport, Heritage, Recreation, Arts and Crafts: Clr D Mlambo
	MMC : Roads and Transport: Clr P Muhlari
Grading of local authority	The municipality is a category A grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	K Ngema 011 999 0481 khaya.ngema@ekurhuleni.gov.za
Group Chief Financial Officer (GCFO)	R Ganda 011 999 6514 ramasela.ganda@ekurhuleni.gov.za
Registered office	Corner of Rose and Cross Streets Germiston 1400
Business address	Corner of Rose and Cross Streets Germiston 1400
Postal address	Private Bag X69 Germiston 1400
Bankers	ABSA Bank / Nedbank
Auditors	Auditor-General of South Africa

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Index

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

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

Abbreviations

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The annual financial statements set out on pages 4 to 79, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2016.

Accounting Officer
K Ngema

Group Chief Financial Officer
R Ganda

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	9	367 125 414	366 936 452
Other investments	10	147 020 659	115 978 314
Other receivables from exchange transactions	11	855 531 039	729 149 028
Other receivables from non-exchange transactions	12	29 452 033	23 973 756
Consumer debtors	13	5 591 557 713	4 386 817 674
Cash and cash equivalents	14	7 972 586 235	7 701 376 113
		14 963 273 093	13 324 231 337
Non-Current Assets			
Investment property	3	578 806 867	571 281 545
Property, plant and equipment and Investment Property	4	47 501 005 344	45 558 024 508
Intangible assets	5	290 670 103	130 259 846
Heritage assets	6	59 454 180	59 453 892
Investments in controlled entities	7	306	306
Other investments	10	1 095 830 622	881 595 656
Long-term receivables	8	6 890 631	4 974 360
		49 532 658 053	47 205 590 113
Total Assets		64 495 931 146	60 529 821 450
Liabilities			
Current Liabilities			
Long-term liabilities	15	384 807 233	368 432 050
Trade and other payables from exchange transactions	16	6 627 639 729	5 345 408 994
Deposits	17	750 847 367	713 698 782
Unspent conditional grants and receipts	18	433 656 704	553 045 659
Provisions	19	403 806 769	372 871 780
		8 600 757 802	7 353 457 265
Non-Current Liabilities			
Long-term liabilities	15	5 050 855 469	5 411 930 238
Retirement benefit obligation	20	2 527 234 581	2 049 898 581
Provisions	19	946 711 300	849 302 804
		8 524 801 350	8 311 131 623
Total Liabilities		17 125 559 152	15 664 588 888
Net Assets		47 370 371 994	44 865 232 562
Net Assets Attributable to Owners of Controlling Entity			
Accumulated surplus		47 370 371 994	44 865 232 562

* See Note 44

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Property rates	23	3 946 658 651	3 693 387 443
Property rates - penalties and collection charges		100 916 675	88 405 293
Service charges	24	17 546 821 528	16 304 459 304
Rental of facilities and equipment	25	59 256 123	62 454 731
Interest earned - outstanding debtors		459 031 354	292 739 718
Licences and permits		51 650 784	53 622 189
Income from agency services		276 375 456	257 982 770
Fines		218 443 438	224 949 291
Government grants & subsidies	26	6 611 759 476	5 760 182 991
Public contributions and donations		53 457 399	92 196 676
Interest revenue		632 624 010	519 167 378
Other income	28	107 259 994	101 349 468
Total revenue		30 064 254 888	27 450 897 252
Expenditure			
Employee related costs	29	(6 338 421 151)	(5 587 350 485)
Remuneration of councillors	30	(105 696 037)	(99 977 319)
Depreciation and amortisation	31	(1 663 543 008)	(1 879 297 210)
Impairment of assets	32	(281 690 611)	(178 083 343)
Finance costs	33	(848 639 400)	(571 556 210)
Debt Impairment	34	(1 098 886 710)	(2 211 425 099)
Collection costs		(116 163 244)	(148 107 160)
Repairs and maintenance		(1 660 760 157)	(1 328 381 213)
Bulk purchases	35	(11 662 156 131)	(10 218 507 648)
Contracted services	36	(856 564 396)	(714 568 087)
Grants and subsidies paid	37	(1 512 843 810)	(1 167 558 759)
General Expenses	38	(1 413 750 815)	(1 280 424 977)
Total expenditure		(27 559 115 470)	(25 385 237 510)
Operating surplus		2 505 139 418	2 065 659 742
Loss on disposal of capital assets		-	(7 838 173)
Surplus before taxation		2 505 139 418	2 057 821 569
Surplus for the year		2 505 139 418	2 057 821 569

* See Note 44

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

	Share premium	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Non-controlling interest	Total net assets
Figures in Rand					
Opening balance as previously reported	-	41 682 972 696	41 682 972 696	-	41 682 972 696
Adjustments					
Prior period error	-	1 124 438 297	1 124 438 297	-	1 124 438 297
Restated* Balance at 01 July 2014	-	42 807 410 993	42 807 410 993	-	42 807 410 993
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
Restated* Balance at 01 July 2015	-	44 865 232 576	44 865 232 576	-	44 865 232 576
Changes in net assets					
Surplus for the year	-	2 505 139 418	2 505 139 418	-	2 505 139 418
Total changes	-	2 505 139 418	2 505 139 418	-	2 505 139 418
Balance at 30 June 2016	-	47 370 371 994	47 370 371 994	-	47 370 371 994

Note(s)

* See Note 44

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Property rates		3 525 413 662	3 728 133 481
Income from rendering of services		14 462 423 045	14 281 852 532
Grants-Operational		4 345 582 898	3 904 522 825
Grants-Capital		2 146 787 623	2 038 103 235
Interest income		1 091 655 364	811 907 096
Other receipts		634 582 906	335 254 360
		26 206 445 498	25 099 773 529
Payments			
Employee costs		(6 159 575 519)	(5 596 166 001)
Suppliers		(12 967 106 069)	(13 075 369 342)
Finance costs		(848 639 400)	(571 556 210)
Other payments		(219 648 836)	(1 327 092 599)
Taxes on surpluses		-	-
		(20 194 969 824)	(20 570 184 152)
Net cash flows from operating activities	39	6 011 475 674	4 529 589 377
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)	4	(3 896 843 363)	(2 993 332 296)
Purchase of investment property	3	(32 138 052)	(37 228 402)
Purchase of intangible assets	5	(164 883 902)	(38 603 572)
Purchases of heritage assets	6	(288)	-
Purchase of investments		(245 277 311)	(217 242 302)
Purchase of long-term receivables		(1 916 271)	1 577 689
Net cash flows from investing activities		(5 432 714 551)	(3 284 828 883)
Cash flows from financing activities			
Long-term liabilities raised		-	750 000 000
Repayment of long term liabilities		(344 699 586)	(258 414 757)
Net movement in consumer deposits		37 148 585	70 489 877
Net cash flows from financing activities		(307 551 001)	562 075 120
Net increase/ (decrease) in cash and cash equivalents		271 210 122	1 806 835 614
Cash and cash equivalents at the beginning of the year		7 701 376 113	5 894 540 499
Cash and cash equivalents at the end of the year	14	7 972 586 235	7 701 376 113

* See Note 44

Ekurhuleni Metropolitan Municipality

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
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	17 546 821 528		(1 527 032 793)	92 %	95 %
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	27 864 009 866		(1 384 519 776)	95 %	97 %
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 %
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)	(1 098 886 710)		336 675 731	77 %	77 %
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	(1 410 522 407)	(869 849 767)	(2 280 372 174)	-	(21 105 549)	(2 301 477 723)	(1 512 843 810)		788 633 913	66 %	107 %
Other expenditure	(4 716 188 845)	(144 151 463)	(4 860 340 308)	-	(53 675 988)	(4 914 016 296)	(4 047 238 612)		866 777 684	82 %	86 %
Total expenditure	(28 613 191 466)	(835 939 900)	(29 449 131 366)	-	334 254 750	(29 114 876 616)	(27 559 115 470)		1 555 761 146	95 %	96 %
Surplus/(Deficit)	132 967 026	686 000	133 653 026	-		133 653 026	304 894 396		171 241 370	228 %	229 %
Transfers recognised - capital	1 975 555 521	488 082 148	2 463 637 669	-		2 463 637 669	2 146 787 623		(316 850 046)	87 %	109 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	53 457 399		53 457 399	- %	- %
Surplus (Deficit) after capital transfers and contributions	2 108 522 547	488 768 148	2 597 290 695	-		2 597 290 695	2 505 139 418		(92 151 277)	96 %	119 %
Surplus/(Deficit) for the year	2 108 522 547	488 768 148	2 597 290 695	-		2 597 290 695	2 505 139 418		(92 151 277)	96 %	119 %

Ekurhuleni Metropolitan Municipality

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	6 011 475 674		2 104 875 424	154 %	154 %
Net cash from (used) investing	(4 759 000 527)	(175 497 978)	(4 934 498 505)	-		(4 934 498 505)	(5 432 714 551)		(498 216 046)	110 %	114 %
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)	271 210 122		543 918 394	(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	7 972 586 235		(3 462 896 698)	177 %	170 %

2015

Financial Performance

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

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)
Surplus/(Deficit)		318 537 977
Transfers recognised - capital		1 647 086 916
Contributions recognised - capital and contributed assets		92 196 676
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
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
Cash and cash equivalents at year end		7 701 376 113

Appropriation Statement

Figures in Rand

Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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Refer to note 54 for explanations on Budget differences

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Preparation

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

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

- **Impairment of receivables**

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. 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.

- **Budget information**

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

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

1.2 Presentation currency

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Investment property

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

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

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

Cost model

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

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

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

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

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

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Property, plant and equipment and Investment Property

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

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

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

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

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

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

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

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Property, plant and equipment and Investment Property (continued)

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.

1.5 Intangible assets

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

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

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

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

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

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

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

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

Item	Useful life
Computer software	2 - 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Heritage assets

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

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

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

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

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

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

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

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

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 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

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

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

a) Financial assets measured at amortised cost:

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

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

b) Financial assets measured at cost:

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

Derecognition

a) Financial assets

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

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

b) Financial liabilities

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

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

Presentation

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

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

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

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

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Inventories

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

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

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

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

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

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

Unsold properties are valued at lower of cost or the net replacement cost. Direct costs are accumulated for each separately identifiable development.

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

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Employee benefits

Short-term employee benefits

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

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

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

Retirement funds

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

The amount recognised 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.10 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% (2014: 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

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 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

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Revenue from exchange transactions

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

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

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

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

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

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

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.13 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

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.14 Leases

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

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

Operating leases – lessor

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

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

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

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

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

Operating leases - lessee

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

1.15 Borrowing costs

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

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

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

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

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

1.16 Value Added Tax

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

1.17 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.

1.18 Fruitless and wasteful expenditure

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

1.19 Irregular expenditure

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.20 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. .

1.21 Budget information

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

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

1.22 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.

1.23 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

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.24 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.

1.25 Going concern

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

1.26 Comparative figures

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

3. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	727 188 761	(148 381 894)	578 806 867	575 234 526	(3 952 981)	571 281 545

Reconciliation of investment property - 2016

	Opening balance	Additions	Other changes, movements	Transfer from PPE Depreciation	Impairments & Deregontion	Depreciation	Total
Investment property	571 281 545	32 138 052	(2 836 253)	(5 593 230)	(10 313 007)	(5 870 240)	578 806 867

Reconciliation of investment property - 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	19 895 072	16 840 491
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Included in the carrying value of Investment Property is an amount R88,902,593 (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

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment and Investment Property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 663 374 934	-	1 663 374 934	1 673 074 267	-	1 673 074 267
Infrastructure	44 131 261 735	(11 660 201 497)	32 471 060 238	42 781 979 576	(10 538 141 301)	32 243 838 275
Community	5 001 849 935	(1 523 927 240)	3 477 922 695	4 765 575 021	(1 332 912 459)	3 432 662 562
Other property, plant and equipment	4 981 496 670	(2 183 767 199)	2 797 729 471	4 545 599 699	(1 831 994 998)	2 713 604 701
Work-in-Progress	7 090 918 006	-	7 090 918 006	5 494 844 703	-	5 494 844 703
Total	62 868 901 280	(15 367 895 936)	47 501 005 344	59 261 073 266	(13 703 048 758)	45 558 024 508

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Impairment/ Derecognition	Transfers received	Other changes, movements	Transfers out of PPE	Depreciation	Impairment loss	Total
Land	1 676 426 018	-	-	11 569 211	(25 500)	(24 594 795)	-	-	1 663 374 934
Infrastructure	32 243 838 275	-	(209 354)	1 357 152 255	(10 645 837)	3 517 833	(1 122 562 382)	(30 552)	32 471 060 238
Community	3 432 662 562	-	(10 641)	236 303 131	-	2 043 443	(174 888 107)	(18 187 693)	3 477 922 695
Other property, plant and equipment	2 713 604 701	371 043 826	(2 854 175)	69 973 740	2 637 368	(196 291)	(356 479 698)	-	2 797 729 471
Work-in-Progress	5 494 844 703	3 525 799 537	(249 354 124)	(1 674 998 337)	59 692 568	(65 066 341)	-	-	7 090 918 006
	45 561 376 259	3 896 843 363	(252 428 294)	-	51 658 599	(84 296 151)	(1 653 930 187)	(18 218 245)	47 501 005 344

Reconciliation of property, plant and equipment and investment property - 2015

	Opening balance	Additions	Impairment/ Derecognition	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 665 873 412	-	(3 106 400)	10 307 255	-	-	-	1 673 074 267
Infrastructure	32 817 080 012	-	-	738 206 457	92 196 675	(1 345 586 934)	(58 057 935)	32 243 838 275
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	4 001 650 512	2 595 250 827	-	(1 021 004 508)	-	-	(81 052 128)	5 494 844 703
	44 532 618 515	2 993 332 296	(3 824 353)	(96 058 469)	146 676 814	(1 868 728 283)	(145 992 012)	45 558 024 508

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

4. Property, plant and equipment and Investment Property (continued)

Borrowing costs capitalised

Borrowing costs capitalised in this period

Property, plant and equipment	-	8 766 845
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Capitalisation rates used during the year were 0.00% (2015 - 10.49%), depending on the finance source or external loan facility.

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

Buildings	87 525	-
Furniture and fixtures	-	1 673
Motor vehicles	3 429	-
Office equipment	-	13 750
Infrastructure	-	3 883 205
	90 954	3 898 628

The transfer differences relate to an amount of R65,066,341 (2015: R101,570,088) which was transferred to inventory from property plant and equipment assets. Capital spares were bought as part of the project capital expenditure, which were transferred to inventory (R0) (2015: R14,634,563), this relates to the net movement of capital spares for the year between the inventory account and the WIP account, refer to note 9.

Deemed cost

Included in the additions for the year is public contributed assets with deemed cost amounts of R0 (2015: R92,196,676). Deemed cost was determined using fair value or DRC, depending on the most appropriate measurement for the specific asset/scenario.

5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	330 262 390	(39 592 287)	290 670 103	166 109 552	(35 849 706)	130 259 846

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software (other)	130 259 846	164 883 902	(731 065)	(3 742 580)	290 670 103

Reconciliation of intangible assets - 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

The transfer amount of R0 (2015:R0) relates to transfers of assets to property, plant and equipment from intangible assets.

Reconciliation of work-in-progress

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

Work-in-progress

Opening balance	116 203 516	95 418 995
Software development incurred during the year	164 883 902	38 603 572
Work in progress transferred to completed assets	-	(711 246)
Impairment loss	-	(17 107 805)
	281 087 418	116 203 516

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

6. Heritage assets

	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 - 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 - 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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
8. Long-term receivables		
Non-current receivables	8 819 367	12 907 937
Bad debt provision	(1 928 736)	(7 933 577)
	6 890 631	4 974 360
The Long-term receivables comprises of:		
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)	
9. Inventories		
Electrical consumables	143 642 973	206 304 209
Cleansing consumables	22 975	431 503
Consumable stores	123 093	3 544 736
Maintenance materials	7 104 717	5 706 371
Water consumables	3 593 452	3 825 408
Water inventory	8 185 491	7 259 587
Land held as inventory for development	198 797 551	133 731 210
Food and Beverage	20 529	10 624
Fleet and Transport consumables	1 154 096	1 575 122
Fuel (Diesel, Petrol)	4 598 413	5 037 133
	367 243 290	367 425 903
Provision for obsolete Inventories	(117 876)	(489 451)
	367 125 414	366 936 452
Land inventory sold during the year and recognised as an expense R0 (2015 R5,000). Inventory written down due to redundancy/obsolescence values to R117,876 (2015: R489,451) by way of a provision for obsolete inventories.		
Capital spares bought as part of capital project expenditure, were transferred to inventory during the year, as follows: Water R4,987,568 and Electricity R26,726,133 (2015: Water R1,537,325 and Electricity R32,648,112). Land transferred from PPE amounts to R65,066,341 (2015 - R110,565,834).		
10. Other investments		
At cost		
Unlisted shares	4 000 000	4 000 000
At amortised cost		
Investments	1 238 851 281	993 573 970
These investments have varying interest rates as well as varying maturity dates		
Total other investments	1 242 851 281	997 573 970
Non-current assets		
At cost	4 000 000	4 000 000
At amortised cost	1 091 830 622	877 595 656
	1 095 830 622	881 595 656
Current assets		
At amortised cost	147 020 659	115 978 314
	1 242 851 281	997 573 970

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

10. Other investments (continued)

Residual interest at cost

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

The carrying amount of these financial instruments is as follows:

Rand Airport (Awaiting information) 20% interest in ordinary shares	4 000 000	4 000 000
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The company's statements used is unaudited for 2013 and no information was received since 2014, 2015 and 2016 yet.

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

There were no gains or losses realised on the disposal of held to maturity financial assets in 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 15). 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.

11. Other receivables from exchange transactions

Pre-paid electricity 3rd party vendors	56 270 138	225 035 668
Other receivables	320 023 127	235 620 835
VAT receivable and VAT accruals on outstanding Creditors	455 195 546	287 291 282
VAT debtor	78 769 367	43 311 680
Lease rental receipts asset	315 233	2 708 511
Provision for debt impairment	(55 042 372)	(64 818 948)
	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.

12. Other receivables from non-exchange transactions

Traffic fines	65 448 961	59 996 270
Grant debtors	-	259 923
Impairment loss - traffic fines	(35 996 928)	(36 282 437)
	29 452 033	23 973 756

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
13. Consumer debtors		
Gross balances		
Rates	1 726 987 299	2 160 900 539
Electricity	3 407 843 435	3 161 914 250
Water	3 924 609 271	3 840 545 982
Waste water	1 157 200 780	1 152 387 401
Refuse	1 049 733 113	1 079 877 760
Housing rental	92 531 673	74 745 980
Other	1 863 732 323	2 060 774 477
	13 222 637 894	13 531 146 389
Less: Allowance for impairment		
Rates	(1 110 527 874)	(1 673 746 149)
Electricity	(635 818 875)	(723 282 119)
Water	(2 630 772 126)	(2 884 578 256)
Waste water	(783 356 402)	(851 147 974)
Refuse	(860 435 087)	(904 841 790)
Housing rental	(89 009 908)	(71 858 119)
Other	(1 521 159 909)	(2 034 874 308)
	(7 631 080 181)	(9 144 328 715)
Net balance		
Rates	616 459 425	487 154 390
Electricity	2 772 024 560	2 438 632 131
Water	1 293 837 145	955 967 726
Waste water	373 844 378	301 239 427
Refuse	189 298 026	175 035 970
Housing rental	3 521 765	2 887 861
Other	342 572 414	25 900 169
	5 591 557 713	4 386 817 674
Included in above is receivables from exchange transactions		
Electricity	2 772 024 560	2 438 632 131
Water	1 293 837 145	955 967 726
Waste water	373 844 378	301 239 427
Refuse	189 298 026	175 035 970
Housing rental	3 521 765	-
Other	342 572 414	25 900 169
	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
	5 591 557 713	4 383 929 813
Rates		
Current (0 -30 days)	267 146 062	279 974 155
31 - 60 days	77 102 214	78 000 172
61 - 90 days	56 677 432	58 837 176
91 - 120 days	1 326 061 590	1 744 089 036
	1 726 987 298	2 160 900 539
Electricity		
Current (0 -30 days)	2 053 110 351	1 821 018 434
31 - 60 days	125 975 629	123 466 649
61 - 90 days	68 824 690	74 210 786
91 - 120 days	1 159 932 765	1 143 218 381
	3 407 843 435	3 161 914 250

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
13. Consumer debtors (continued)		
Water		
Current (0 -30 days)	581 621 831	539 978 953
31 - 60 days	142 687 780	132 597 450
61 - 90 days	122 436 132	116 806 050
91 - 120 days	3 077 863 508	3 051 163 529
	3 924 609 251	3 840 545 982
Waste water		
Current (0 -30 days)	179 236 692	168 920 662
31 - 60 days	40 367 938	39 374 227
61 - 90 days	33 127 240	34 716 624
91 - 120 days	904 468 910	909 375 887
	1 157 200 780	1 152 387 400
Refuse		
Current (0 -30 days)	71 882 010	66 754 020
31 - 60 days	36 133 193	31 327 387
61 - 90 days	31 111 495	27 847 041
91 - 120 days	910 606 415	953 949 312
	1 049 733 113	1 079 877 760
Housing rental		
Current (0 -30 days)	1 354 425	1 285 721
31 - 60 days	1 867 350	1 602 140
61 - 90 days	1 790 558	1 550 851
91 - 120 days	87 219 351	70 307 268
	92 231 684	74 745 980
Interest and other		
Current (0 -30 days)	67 334 414	68 857 742
31 - 60 days	54 651 449	47 572 095
61 - 90 days	56 218 457	46 436 720
91 - 120 days	1 685 412 265	1 897 907 920
	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

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
13. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1 184 249 811	1 110 565 555
31 - 60 days	295 458 242	280 525 677
61 - 90 days	253 935 811	243 798 905
91 - 120 days	7 106 340 945	7 540 543 380
	8 839 984 809	9 175 433 517
Less: Allowance for impairment	(6 361 589 874)	(7 334 575 737)
	2 478 394 935	1 840 857 780
Industrial/ commercial		
Current (0 -30 days)	1 866 694 041	1 691 805 025
31 - 60 days	162 163 265	154 620 327
61 - 90 days	97 972 871	100 815 149
91 - 120 days	1 680 058 179	1 667 392 913
	3 806 888 356	3 614 633 414
Less: Allowance for impairment	(1 073 477 972)	(1 323 419 077)
	2 733 410 384	2 291 214 337
National and provincial government		
Current (0 -30 days)	67 214 273	60 007 910
31 - 60 days	13 615 445	12 589 140
61 - 90 days	11 194 628	9 970 943
91 - 120 days	118 987 757	170 007 476
	211 012 103	252 575 469
Less: Allowance for impairment	(90 041 907)	(148 205 155)
	120 970 196	104 370 314
Total		
Current (0 -30 days)	3 201 043 835	2 946 789 687
31 - 60 days	478 785 573	453 940 121
61 - 90 days	370 186 003	360 405 248
91 - 120 days	9 172 622 484	9 770 011 333
	13 222 637 895	13 531 146 389
Less: Allowance for impairment	(7 631 080 182)	(9 144 328 715)
	5 591 557 713	4 386 817 674
Less: Allowance for impairment		
31 - 60 days	(492 828 903)	(520 690 106)
61 - 90 days	(174 432 271)	(225 774 900)
91 - 120 days	(255 835 672)	(335 832 774)
121 - 365 days	(6 707 983 335)	(8 062 030 935)
	(7 631 080 181)	(9 144 328 715)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(9 144 328 715)	(8 371 490 355)
Contributions to allowance	(1 112 300 953)	(2 164 385 255)
Debt impairment written off against allowance	2 625 549 487	1 391 546 895
	(7 631 080 181)	(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

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

13. 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
60 Days	304 353 302	134 621 467
90 Days	114 350 331	76 761 656
90+ Days	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
60 Days	174 432 271	225 774 900
90 Days	255 835 672	335 832 774
90+ Days	6 707 983 336	8 062 030 935

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	533 546	551 171
Bank balances	7 972 052 689	7 700 824 942
	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

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
14. Cash and cash equivalents (continued)		
ABSA		
ABSA - Income Alberton	7 057 185	4 899 969
ABSA - Direct banking Alberton	133 498	12 294
ABSA - Income Benoni	(2 565 901)	3 877 355
ABSA - Direct banking Benoni	57 715 340	385 437
MASK Account Benoni	(108 500)	(49 068)
ABSA - Income Boksburg	(887 894)	3 533 203
ABSA - Direct banking KL Boksburg	(600 310)	(1 421 083)
ABSA - Direct Banking Bt Boksburg	(14 932)	(111 835)
ABSA - Income Brakpan	(107 194)	557 618
Pre paid sales account Brakpan	1 159 650	403 560
NEDBANK MUSK ACCOUNT	-	6 255 494
ABSA - Income Germiston	-	4 385 649
ABSA - Direct banking Germiston	(3 157 237)	(1 904 722)
ABSA - Income account Kempton Park	(7 925 460)	1 191 868
ABSA - Direct banking Kempton Park	(368 673)	710 360
ABSA - Direct banking Lethabong	(2 887 250)	(735 049)
ABSA - Income Lethabong	366 883	552 667
ABSA - Income Nigel	(1 018 662)	(5 253 505)
ABSA - Income Springs	(254 247)	940 800
ABSA - Direct banking Springs	(1 193 461)	(5 356 721)
ABSA - Market account	1 134 982	1 134 982
ABSA - EFF Account (ex CLF)	217 432	495 870 551
ABSA - C R R Account (ex CDF)	1 677 694	1 180 123 031
ABSA -Primary bank account (ex from revenue)	94 521 092	220 568 237
ABSA - Salary account	29 382 719	41 946 950
ABSA - Treasury account	2 180 193 827	4 081 218 331
ABSA - Expenditure imprest account	37 235 936	382 439 041
ABSA - USDG Account	1 092 668	973 802 020
ABSA - Housing account	167 649	36 994 366
ABSA - Capital Projects	-	200 274 177
Short Term Deposits at various institutions with dates within 3 months	2 018 632 968	133 845
Petty Cash and Floats	533 546	551 171
ABSA - Traffic fines collection	(16 144)	600
STANDARD BANK- Mask account	96 803 199	28 832 786
FNB Musk account	87 103 922	44 611 734
E-Siyakhokha Mask Account	105 782 607	-
EMM Salary Account - Nedbank	58 581 982	-
EMM Expenditure Account - Nedbank	99 554 808	-
EMM Treasury account - Nedbank	94 421 205	-
EMM USDG Account - Nedbank	1 070 309 442	-
EMM Housing Account - Nedbank	112 773 344	-
EMM Depreciation Reserve Account - Nedbank	1 383 473 019	-
EMM External Funding Fund - Nedbank	162 605 459	-
EMM Primary Bank Account - Nedbank	233 131 247	-
EMM Springs Market Account - Nedbank	1 204 009	-
EMM Traffic Fines Collection Account - Nedbank	52 559	-
EMM License Account - Nedbank	5 022 874	-
EMM Disaster Relief Fund - Nedbank	1 584	-
EMM Income Alberton - Nedbank	(1 298 373)	-
EMM Direct banking Alberton - Nedbank	398 289	-
EMM Direct Banking Benoni - Nedbank	1 065 857	-
EMM Income Benoni - Nedbank	11 211 907	-
EMM Siyakhokha - Nedbank	18 401	-
EMM Tender Income Account - Nedbank	1 750	-
EMM Income Boksburg - Nedbank	5 342 618	-
EMM Direct Banking Boksburg - Nedbank	971 068	-
EMM Direct Banking Brakpan - Nedbank	4 781 783	-
EMM Income Brakpan - Nedbank	4 401 927	-
EMM Direct Banking Edenvale - Nedbank	567 128	-
EMM Income Edenvale - Nedbank	7 061 956	-
EMM Direct Banking Germiston - Nedbank	2 636 583	-
EMM Income Germiston - Nedbank	5 251 978	-
EMM Direct Banking Kempton Park - Nedbank	925 328	-
EMM Income Kempton Park - Nedbank	2 622 519	-
EMM Direct Banking Nigel - Nedbank	237 215	-
EMM Income Nigel - Nedbank	517 330	-

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
14. Cash and cash equivalents (continued)		
EMM Library Account - Nedbank	(277 839)	-
EMM Direct Banking Springs - Nedbank	1 587 618	-
EMM Income Springs - Nedbank	3 622 728	-
	7 972 586 235	7 701 376 113

The entity had the following bank accounts

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand				2016			2015
14. 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	475 133	
FNB Mask account 62379403745	87 103 922	44 611 734	6 391 681	87 103 922	44 611 734	-	
Petty Cash and Floats	-	-	-	533 546	551 171	540 369	

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand			2016	2015
14. Cash and cash equivalents (continued)				
Short Term Deposits at various institutions with dates within 3 months	-	-	2 018 632 968	133 845
STANDARD BANK mask account	96 803 199	28 830 960	96 803 199	28 832 786
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	-
Total	5 893 591 318	7 979 921 166	7 972 586 237	7 701 851 246
15. Long-term liabilities				
At amortised cost				
Bank loans			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				
Municipal bonds			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.				
			5 435 662 702	5 780 362 288
At amortised cost				
Bank loan and Municipal bonds			(384 807 233)	(368 432 050)
Non-current liabilities				
At amortised cost			5 050 855 469	5 411 930 238
Current liabilities				
At amortised cost			384 807 233	368 432 050

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

15. Long-term liabilities (continued)

Encumbered investments

Investments with a carrying value of R1,091,626,115 (2015: R856,740,526) are encumbered in respect of 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 10). The amount of R2,415,000,000 consist of three bonds for which structured deposit sinking funds were established

16. Trade and other payables from exchange transactions

Accrual for interest on external loans	94 972 920	96 197 911
Civil contracts	40 870 062	49 702 876
Lease rental payments liability	367 525	1 277 387
Licence fees	3 145 496	5 061 324
Maintenance guarantees: New township development infrastructure	4 367 067	3 514 571
VAT balance on outstanding debtors	1 215 238 994	1 181 774 999
Other payables	689 522 929	125 621 903
Receipts in advance	612 190 914	516 855 556
Retentions	374 051 915	290 597 423
Insurance: Stated benefits and group accident for employees	33 437 917	29 663 606
Trade payables	3 553 914 598	3 040 684 484
Unclaimed salaries	5 559 392	4 456 954
	6 627 639 729	5 345 408 994

17. Deposits

Consumer deposits - Electricity and water	750 847 367	713 698 782
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Guarantees in lieu of electricity and water deposits is R85,893,377 (2015: R73,483,747).

18. 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
Operating Grants - Buntle Ke Botle	31 056	300 436
Operating Grants - Energy	-	26 318
Research & Technology Development	184 664	-
Disaster Management Grant (Human Settle)	7 561 590	-
Operating Grants - Township Initiatives	2 291 932	1 780 515
Accreditation Capacity Enhancement	-	154 001
WIFI Conectivity Grant	1 849 263	-
Operating Grants HSDG Accreditation	69 379 389	7 318 327
Capital Grants - USDG	291 575 890	486 507 413
Capital Grants - INEP	-	-
Capital Grants - DWA	-	582 545
Capital Grants - PTIS	22 085 435	5 322 928
Electricity Demand Side Management	191 513	235 390
Integrated City Development Grant	1 560 299	-
	433 656 704	553 045 659

Movement during the period

Balance at the beginning of the year	553 045 658	370 602 590
Additions during the year	6 493 214 775	6 024 181 736
Income recognition during the year	(6 611 759 476)	(5 760 182 991)
Unspend grants repaid	(261 708)	(81 685 136)
Appropriations	(582 545)	(130 463)
Debtors	-	259 923
	433 656 704	553 045 659

See note 26 for reconciliation of all grants.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Total
COVID 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
GMRP	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 - 2015

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Total
COVID provision	24 656 145	-	(1 548 701)	(1 087 404)	2 586 430	24 606 470
Bonus provision	19 975 598	44 747 802	(273 825)	-	-	64 449 575
Leave provision	252 954 567	100 915 783	(57 939 080)	-	-	295 931 270
Landfill rehabilitation provision	224 539 376	54 480 139	-	-	23 554 181	302 573 696
WCA provision	-	12 490 935	-	-	-	12 490 935
Long service awards	485 141 009	41 180 240	(44 748 869)	(129 931 824)	44 391 645	396 032 201
GMRP	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
Current liabilities	403 806 769	372 871 780
	1 350 518 069	1 222 174 584

GMRP provision

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

19. Provisions (continued)

The provision relates to claims against the municipality, instituted by the Germiston Municipal Retirement Fund in terms of the rules of the pension fund where the required investment yield was not being achieved. The timing of the outflow is uncertain, as well as the relating amount due to interest charges

COID provision

This provision is made for future expected outflows as a result of the entity's obligation to contribute to the pension fund and medical expenses that was incurred due to past contractual arrangements with various employees in the old Benoni- and Germiston local municipalities. The discount rate used in determining the present value of the obligation was 10.47% (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%)

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

20. 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 29. 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 19) 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

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

20. 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	(2 527 234 581)	(2 049 898 581)
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Movements for the year

Opening balance	(2 049 898 581)	(1 967 931 581)
Benefits paid	79 429 000	73 146 000
Net expense recognised in the statement of financial performance	(556 765 000)	(155 113 000)
	(2 527 234 581)	(2 049 898 581)

Net expense recognised in the statement of financial performance

Current service cost	(70 275 000)	(65 948 000)
Interest cost	(180 994 000)	(188 056 000)
Actuarial gains (losses)	(305 496 000)	98 891 000
	(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 %
Health care cost inflation rate controlling entity	8,76 %	7,90 %

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

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

20. 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
Medical inflation (Service cost and interest cost)	2 900 366 000	2 185 766 000
Medical inflation (Liability)	399 760 000	289 167 000
Valuation interest rate (Service cost and interest cost)	2 900 366 000	2 185 766 000
Valuation interest rate (Liability)	(373 131 000)	(341 469 000)

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	(2 527 235 581)	(2 049 898 581)	(1 967 931 581)	(1 765 075 000)	(1 605 262 580)
Surplus (deficit)	(2 527 235 581)	(2 049 898 581)	(1 967 931 581)	(1 765 075 000)	(1 605 262 580)
Experience adjustments on plan *	(272 174 000)	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

21. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	At cost	Total
Other receivables	321 595 578	-	321 595 578
Consumer debtors	5 591 441 974	-	5 591 441 974
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
	15 135 365 699	4 000 000	15 139 365 699

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

2015

Financial assets

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Financial instruments disclosure (continued)		
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

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)

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)

22. Revenue

Service charges	17 546 821 528	16 304 459 304
Rental of facilities and equipment	59 256 123	62 454 731
Interest earned - outstanding debtors	459 031 354	292 739 718
Income from agency services	276 375 456	257 982 770
Licences and permits	51 650 784	53 622 189
Other income	107 259 994	101 349 468
Interest revenue	632 624 010	519 167 378
Property rates	3 946 658 651	3 693 387 443
Property rates - penalties and collection charges	100 916 675	88 405 293
Government grants & subsidies	6 611 759 476	5 760 182 991
Public contributions and donations	53 457 399	92 196 676
Fines	218 443 438	224 949 291
	30 064 254 888	27 450 897 252

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

Service charges	17 546 821 528	16 304 459 304
Rental of facilities and equipment	59 256 123	62 454 731
Interest earned - outstanding debtors	459 031 354	292 739 718
Income from agency services	276 375 456	257 982 770
Licences and permits	51 650 784	53 622 189
Other income	107 259 994	101 349 468
Interest revenue	632 624 010	519 167 378
	19 133 019 249	17 591 775 558

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
22. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	3 946 658 651	3 693 387 443
Property rates - penalties and collection charges	100 916 675	88 405 293
Transfer revenue		
Government grants & subsidies	6 611 759 476	5 760 182 991
Public contributions and donations	53 457 399	92 196 676
Fines	218 443 438	224 949 291
	10 931 235 639	9 859 121 694

23. Property rates

Rates received

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

Valuations (R'000)

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

24. Service charges

Sale of electricity	12 043 743 423	11 215 633 785
Sale of water	3 256 062 513	2 970 665 454
Solid waste	1 091 039 774	1 040 978 670
Sewerage and sanitation charges	1 082 973 533	1 005 143 539
Fresh produce market	17 460 391	17 926 442
Other service charges	55 541 894	54 111 414
	17 546 821 528	16 304 459 304

25. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	59 241 359	62 437 383
Rental of equipment	14 764	17 348
	59 256 123	62 454 731
	59 256 123	62 454 731

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

25. Rental of facilities and equipment (continued)

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

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies		
Operating grants		
Equitable share	2 181 182 000	2 042 951 000
Fuel levy	1 528 809 000	1 469 674 000
Ambulance subsidies	143 043 000	136 040 000
FMG	1 050 000	1 250 000
Accreditation Capacity Enhancement	154 001	786 116
HIV/AIDS	12 033 372	11 085 999
Township Initiatives	5 544 329	3 908 192
Seta	1 553 051	7 374 225
Disaster Grant	14 007 410	-
BKB	269 379	261 206
Health Subsidy	117 885 000	111 952 000
Integrated City Development	41 633 701	48 379 740
HSDG Accreditation	40 983 800	46 805 290
Municipal Human Settlements Capacity	27 050 545	1 556 214
Environment Quality Management	-	291 551
USDG (Operational)	307 571 217	-
PTIS	28 454 712	-
EPWP	13 709 000	-
Research and Technology Development	38 336	-
	4 464 971 853	3 882 315 533
Capital grants		
INEP	49 754 705	60 924 586
USDG (Capital and operational)	1 730 247 308	1 498 622 869
PTIS	294 078 781	294 900 820
Electricity Demand Site Management	17 808 487	16 997 181
WiFi Connectivity roll out	5 526 008	-
HSDG Accreditation	24 714 512	-
Municipal Human Settlements Capacity	1 134 568	-
EPWP (Capital and operational)	-	6 422 000
Township Initiatives	3 523 254	-
NDPG	20 000 000	-
	2 146 787 623	1 877 867 456
	6 611 759 476	5 760 182 989
Equitable share		
Current-year receipts	2 181 182 000	2 042 951 000
Conditions met - transferred to revenue	(2 181 182 000)	(2 042 951 000)
	-	-
Fuel levy		
Current-year receipts	1 528 809 000	1 469 674 000
Conditions met - transferred to revenue	(1 528 809 000)	(1 469 674 000)
	-	-
Ambulance Subsidy		
Current-year receipts	143 043 000	136 040 000
Conditions met - transferred to revenue	(143 043 000)	(136 040 000)
	-	-
Finance Management Grant		
Current-year receipts	1 050 000	1 250 000
Conditions met - transferred to revenue	(1 050 000)	(1 250 000)
	-	-

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies (continued)		
	-	-
Accreditation Capacity Enhancement		
Balance unspent at beginning of year	154 001	940 117
Conditions met - transferred to revenue	(154 001)	(786 116)
	-	154 001
Conditions still to be met - remain liabilities (see note 18).		
Hiv/Aids		
Current-year receipts	12 033 372	11 071 372
Conditions met - transferred to revenue	(12 033 372)	(11 085 999)
Other	-	14 627
	-	-
Township Initiatives		
Balance unspent at beginning of year	1 780 514	488 709
Current-year receipts	9 579 000	5 200 000
Conditions met - transferred to revenue	(9 067 582)	(3 908 195)
	2 291 932	1 780 514
Conditions still to be met - remain liabilities (see note 18).		
Seta		
Current-year receipts	1 553 051	7 374 225
Conditions met - transferred to revenue	(1 553 051)	(7 374 225)
	-	-
Public Contributions		
Balance unspent at beginning of year	-	130 463
Other	-	(130 463)
	-	-
BKB		
Balance unspent at beginning of year	300 436	1 642
Current-year receipts	-	560 000
Conditions met - transferred to revenue	(269 379)	(261 206)
	31 057	300 436
Conditions still to be met - remain liabilities (see note 18).		
Health Subsidy		
Current-year receipts	117 885 000	111 952 000
Conditions met - transferred to revenue	(117 885 000)	(111 952 000)
	-	-
INEP		
Current-year receipts	49 754 705	60 679 291
Conditions met - transferred to revenue	(49 754 705)	(60 924 586)

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies (continued)		
Other	-	245 295
	-	-
Integrated City Development		
Balance unspent at beginning of year	-	8 056 740
Current-year receipts	43 194 000	40 323 000
Conditions met - transferred to revenue	(41 633 701)	(48 379 740)
	1 560 299	-
Conditions still to be met - remain liabilities (see note 18).		
PTIS		
Balance unspent at beginning of year	5 322 928	50 223 748
Current-year receipts	339 296 000	250 000 000
Conditions met - transferred to revenue	(322 533 494)	(294 900 820)
	22 085 434	5 322 928
Conditions still to be met - remain liabilities (see note 18).		
Electricity Demand Site Management		
Balance unspent at beginning of year	235 390	-
Current-year receipts	18 000 000	17 232 571
Conditions met - transferred to revenue	(17 808 487)	(16 997 181)
Surrendered	(235 390)	-
	191 513	235 390
Conditions still to be met - remain liabilities (see note 18).		
HSDG		
Balance unspent at beginning of year	-	3 503 210
Other	-	(3 503 210)
	-	-
Municipal Human Settlements Capacity		
Balance unspent at beginning of year	50 817 786	-
Current-year receipts	14 313 000	52 374 000
Conditions met - transferred to revenue	(28 185 113)	(1 556 214)
	36 945 673	50 817 786
Conditions still to be met - remain liabilities (see note 18).		
LED		
Balance unspent at beginning of year	-	569 273
Other	-	(569 273)
	-	-
USDG		
Balance unspent at beginning of year	486 507 413	180 598 282
Current-year receipts	1 842 887 000	1 804 532 000
Conditions met - transferred to revenue	(2 038 189 339)	(1 498 622 869)
	291 205 074	486 507 413

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 18).		
EPWP		
Current-year receipts	13 709 000	6 422 000
Conditions met - transferred to revenue	(13 709 000)	(6 422 000)
	-	-
DWAF		
Balance unspent at beginning of year	582 545	582 545
Appropriated	(582 545)	-
	-	582 545
Conditions still to be met - remain liabilities (see note 18).		
NDPG		
Current-year receipts	20 000 000	-
Conditions met - transferred to revenue	(20 000 000)	-
	-	-
HSDG Accreditation		
Balance unspent at beginning of year	7 318 327	128 693 203
Current-year receipts	127 759 374	6 546 277
Conditions met - transferred to revenue	(65 698 312)	(46 805 290)
Surrendered/Appropriated	-	(81 115 863)
	69 379 389	7 318 327
Conditions still to be met - remain liabilities (see note 18).		
Environment Quality Management		
Balance unspent at beginning of year	26 318	317 869
Conditions met - transferred to revenue	-	(291 551)
Surrendered	(26 318)	-
	-	26 318
Conditions still to be met - remain liabilities (see note 18).		
Research and Technology		
Current-year receipts	223 000	-
Conditions met - transferred to revenue	(38 336)	-
	184 664	-
Conditions still to be met - remain liabilities (see note 18).		
Disaster Grant		
Current-year receipts	21 569 000	-
Conditions met - transferred to revenue	(14 007 410)	-
	7 561 590	-

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
26. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 18).		
WiFi Connectivity Roll Out		
Current-year receipts	7 375 271	-
Conditions met - transferred to revenue	(5 526 008)	-
	1 849 263	-
Conditions still to be met - remain liabilities (see note 18).		
27. Investment revenue		
Interest revenue		
Bank	504 675 313	447 377 543
External investments	127 948 697	71 789 835
	632 624 010	519 167 378
28. Other income		
Accident reports	1 069 009	466 518
Administration fees	217 958	217 153
Cleaning of stands	170 007	339 633
Entry fees	606 011	713 976
Essential services contributions	67 157 295	57 910 921
Printing and copying of documents	193 425	279 013
Sundry income	29 607 839	37 320 554
Supply of information	834 167	184 225
Tender documents	5 748 195	3 555 048
Training	1 656 088	362 427
	107 259 994	101 349 468

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
29. Employee related costs		
Basic	3 889 391 305	3 645 804 906
Medical aid - company contributions	668 413 051	427 025 789
UIF	27 078 490	26 569 633
WCA	24 149 654	31 070 159
SDL	48 494 813	44 683 292
Other payroll levies	1 431 736	1 337 568
Leave pay provision charge	105 370 320	100 915 783
Standby Allowances	32 282 358	27 899 345
Defined contribution plans	691 796 984	662 670 972
Travel, motor car, accommodation, subsistence and other allowances	208 393 812	203 778 803
Overtime payments	638 656 883	512 117 962
Long-service awards	(5 540 721)	(89 108 808)
Ad Hoc Travelling	703 780	757 632
Housing benefits and allowances	57 073 775	42 144 319
Allowances	17 383 990	16 833 134
Remuneration of interns	1 050 000	2 036 116
Less: Employee costs capitalised to PPE	(67 709 079)	(69 186 120)
	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
	40 315 948	1 556 678	2 477 868	1 643 726	1 132 620	47 126 840

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

29. Employee related costs (continued)

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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

30. 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
	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

31. Depreciation and amortisation

Property, plant and equipment	1 653 930 187	1 868 728 285
Investment property	5 870 240	579 682
Intangible assets	3 742 581	9 989 243
	1 663 543 008	1 879 297 210

32. Impairments of assets

Impairments/Derecognition

Property, plant and equipment and Investment Property	270 646 539	147 573 021
Investment property	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.]		
Intangible assets	731 065	17 107 805
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.]		
	281 690 611	178 083 343

33. Finance costs

External borrowings	590 237 129	529 978 370
Trade and other payables	330 449	44 207
Unwinding of interest on provisions and obligations	258 071 822	41 533 633
	848 639 400	571 556 210

34. Debt impairment

Changes in debt impairment provision	1 098 886 710	2 211 425 099
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35. Bulk purchases

Electricity	8 560 732 115	7 505 402 511
Water	2 480 844 176	2 204 341 676
Sewer purification	620 579 840	508 763 461
	11 662 156 131	10 218 507 648

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
36. Contracted services		
Information Technology Services	13 769 872	8 584 766
Security contracts	244 139 042	206 538 726
Meter management contracts	148 667 648	128 353 099
Environment contracts	270 840 186	240 562 135
Asset management	179 147 648	130 529 361
	856 564 396	714 568 087
37. Grants and subsidies paid		
Other subsidies		
Discretionary grant: Sport and Social support	31 107 065	21 387 387
Subsidy: SPCA	3 022 750	2 825 000
Discretionary grant: General	434 785 835	291 514 453
Free basic services	1 006 976 654	833 098 124
Discretionary grant: Educational	3 788 078	9 469 834
Grants: Education (External)	33 163 428	9 263 961
	1 512 843 810	1 167 558 759
38. General expenses		
Advertising	38 641 857	22 375 387
Animal care	3 139 890	1 995 228
Auditors remuneration	20 931 569	19 529 208
Awareness campaigns	19 638 148	7 628 498
Bank charges	4 058 725	4 567 603
Community development and wellbeing	119 063 383	123 134 433
Consulting and professional fees	131 949 296	125 011 107
Consumables (including materials)	58 388 139	58 085 400
Corporate Gifts	285 570	285 635
Disaster management	5 675 175	5 094 756
Entertainment	1 634 814	2 354 503
Vehicle licences and hire cost	52 454 725	36 553 093
Fuel and oil	141 715 082	140 911 917
Human resource management	13 642 798	11 701 866
IT expenses	44 925 619	38 673 467
Insurance	61 601 646	64 427 035
Land management	18 255 744	38 622 668
Magazines, books and periodicals	564 853	596 675
Marketing	116 371 285	96 272 552
Other expenses	104 619 315	94 641 820
Postage	24 870 450	22 055 680
Printing and stationery	51 380 440	43 599 458
Productions	199 018	194 375
Refreshments	7 989 733	8 095 589
Refuse	61 352 694	44 324 807
Rental	19 070 275	19 194 670
Rodent control	10 048 919	11 815 380
Service connections	57 721 552	62 887 599
Software expenses	8 601 670	3 256 362
Stock adjustments and write-offs	437 457	3 251 249
Subscriptions and membership fees	15 081 259	11 954 813
Telephone and fax	58 937 955	46 712 858
Title deed search fees	790 588	752 801
Training	14 713 174	19 841 683
Travel - local	8 773 994	6 603 187
Travel - overseas	35 505 951	29 487 279
Uniforms	56 698 470	34 571 190
Venue expenses	24 019 583	19 363 146
	1 413 750 815	1 280 424 977

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
39. Cash generated from operations		
Surplus	2 505 139 418	2 057 821 569
Adjustments for:		
Depreciation and amortisation	1 663 543 008	1 879 297 210
Gain on sale of fixed assets	-	-
Gain on discontinued operations	-	7 838 173
Impairment deficit	281 690 611	178 083 343
Debt impairment	1 098 886 710	2 211 425 099
Movements in retirement benefit	477 336 000	81 967 000
Movements in provisions	128 343 485	87 229 122
Net movement on provision for bad debt on long term receivables	-	(4 045 816)
Other non-cash items (Other movements within PPE)	1 129 370 662	(50 745 544)
Changes in working capital:		
Inventories	(188 962)	(178 963 962)
Other receivables from exchange transactions	(126 382 011)	(129 880 424)
Consumer debtors	(2 303 626 749)	(2 138 169 379)
Other receivables from non-exchange transactions	(5 478 278)	(18 064 319)
Trade and other payables from exchange transactions	1 282 230 735	363 354 236
Unspent conditional grants and receipts	(119 388 955)	182 443 069
	6 011 475 674	4 529 589 377

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Community	926 771 953	251 800 000
• Infrastructure	1 601 889 000	2 299 074 906
• Other	246 415 000	507 769 406
	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
Total capital commitments		
Already contracted for but not provided for	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
	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	6 653 246	16 446 260
- in second to fifth year inclusive	1 155 789	7 809 035
	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
- in second to fifth year inclusive	17 732 885	17 945 521
- later than five years	17 496 464	21 109 672
	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

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
41. Contingencies		
<u>Contingent liabilities</u>		
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.		
<u>CONTINGENT LIABILITIES</u>		
Category A Claims:		
Engen Petroleum Ltd/Atlas road Claim as a result of rerouting of a provincial road	14 061 088	14 061 088
WLT Advertising CC - Claim for damages as a result of conduct	-	31 706 247
Strata International Pty Ltd and The Garden estate	-	150 000 000
Bondev Midrand: Claim for failure to issue section 82 certificate i.r.o. various townships	2 676 187	2 676 187
Hometalk- Possible claim for losses in respect of developments	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
Rose Acres Development Pty Ltd *(A)	17 825 900	17 825 900
Scarlet IBIS 115 9 Pty Ltd: Claim for alleged wrongfully use of plaintiff's property	-	5 250 000
Lesira Teq: Claim for cancellation of contract for supply of water meters	8 224 062	8 224 062
Ubuhlebethu Business Enterprises	5 836 065	-
Other	4 472 872	4 979 188
Ingwempisi Security Services CC *(B)	123 872 435	123 872 435
Aloecap (PTY) LTD	5 301 000	5 301 000
Multi Waste Wadeville	2 407 112	2 407 112
Zanusi Marketing	1 152 169	1 152 169
K E Lebelo	3 700 000	-
Superway Construction	10 235 715	10 235 715
Nyoni Projects	3 675 493	3 675 493
KYK Construction*(C)	29 313 217	29 313 217
Scarlett Sun Pty Ltd	1 630 351	1 630 351
Inter Southern power (Pty) Ltd	-	1 630 351
Mabra construction (Pty) Ltd	-	3 449 300
ZwakalaQuantity Surveyors	3 105 216	3 105 216
GMRF claim - legal costs	-	1 773 869
	302 890 262	487 670 280
Category B Claims		
Other various claims	1 076 747	1 267 648
	1 076 747	1 267 648
<u>CONTINGENT ASSETS</u>		
e-Valuations	39 000 000	-
Anicic Engineering	2 941 710	-
NCP Clorchem - Dispute regarding price charged for energy supply	178 788 869	178 788 869
Combi trade Eleven (Pty) - Unpaid rate and taxes	2 832 963	2 832 963
Lucmer construction & New national Assurance - Failure to comply with contract conditions	3 174 615	3 174 615
Kgorong and other - Fail to perform work in terms of contract	776 591	776 591
Mkhabela Sibeko and others - Goods supplied did not comply with safety standard	1 024 290	1 024 290
	228 539 038	186 597 328

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

41. Contingencies (continued)

***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

Notes to the Annual Financial Statements

Figures in Rand

42. 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 29

Close family member of key management
Members of key management

Notes to the Annual Financial Statements

Figures in Rand

42. Related parties (continued)

Key Management

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

42. 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 Motsoane	Apprentice	30 786 000
Subtotal						203 108 076
						203 108 076

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
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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

42. Related parties (continued)

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
						849 228

June 2016 staff

Quotations awarded to family members of staff

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 Makaepea	General assistant	9 850
4	Bamabata-sa (pty) ltd	Spouse	Amis Sibiya	Coordinator	40 800

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

42. Related parties (continued)

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

921 131

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

42. 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 Mashela	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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

42. 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 29) for remuneration paid to key management.

43. Change in estimate

Property, plant and equipment and Investment Property

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

Depreciation expense before remaining useful lives review	(R19 907 925)
Depreciation expense after remaining useful lives review	(R33 712 469)
Future increase in depreciation due to review	(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.

44. 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

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

44. 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)	-	671 569 666
Heritage assets (Opening balance 01/07/2014)	-	23 259 641
Inventories	-	32 648 112
Investment property (Opening balance 01/07/2014)	-	396 960 891
Opening accumulated surplus (Opening balance 01/07/2014)	-	(1 124 438 310)

45. 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.

46. 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 15 and cash and cash equivalent disclosed in note 14.

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
Other financial liabilities	(5 435 662 702)	(5 754 596 673)
<u>Less: Cash and cash equivalent</u>	<u>7 972 586 235</u>	<u>7 701 851 246</u>
Net debt	2 536 923 533	1 947 254 573
<u>Total equity</u>	<u>47 370 371 994</u>	<u>44 824 299 937</u>
Total capital	49 907 295 527	46 771 554 510

Financial risk management

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

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

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

46. Risk management (continued)

Liquidity risk

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

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

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

Interest rate risk

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

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

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years
Consumer debtors	10,5 %	5 591 441 974		
Long term receivables	variable %	2 296 877	2 296 877	2 296 877

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	384 807 233	316 839 434	2 118 094 505	2 615 921 530

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

46. 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	Controlling entity - 2016	Controlling entity - 2015
Other Investments	1 238 851 281	993 573 970
Long-term receivables	6 890 631	4 974 360
Consumer debtors	5 591 441 974	4 554 760 139
Other receivables	321 595 578	437 323 045
Cash and cash equivalents	7 972 586 235	7 701 851 246
Listed and Unlisted shares	4 000 000	4 000 000
	15 135 365 699	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.

47. 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.

48. Events after the reporting date

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

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

49. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Items of unauthorised, irregular and fruitless and wasteful expenditure are refer to MPAC for further investigations and determination on 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. The remaining amounts are still under investigation through MPAC and other organs

Irregular expenditure

Opening balance	665 542 049	627 420 010
Add: Expenditure identified for the year	50 957 090	64 858 237
Add: Expenditure identified in the current year, relating to prior years	85 087 779	2 604 161
Less: Amounts ratified/approved by council/board and/or not recoverable	(49 417 688)	(29 340 359)
	752 169 230	665 542 049

Fruitless and Wasteful expenditure

Opening balance	145 723 446	126 136 315
Add: Expenditure identified for the year	403 169	1 217 037
Add: Expenditure identified in the current year, relating to prior years	775 037	19 536 024
Less: Amounts ratified/approved by council/board	(1 638 618)	(1 165 930)
	145 263 034	145 723 446

June 2016

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Comms and Marketing	Contravention of SCM Policy	Irregular	1 285 603
Health	Contravention of SCM Policy	Irregular	1 526 999
Real Estate	Contravention of SCM Policy	Irregular	7 923 645
Transport	Contravention of SCM Policy	Irregular	718 278
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
			51 330 259

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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

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
			85 862 816

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 and Sanitation	Maintenance and ops of Rietfontein landfill		
Water and Sanitation	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
			66 075 274

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

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

Material losses through criminal conduct and fraudulent activities

Opening balance	20 832 772	20 446 141
Amounts identified in current year	16 366 124	386 631
	37 198 896	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*

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

2015

Theft of money	R 386,631
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Audit fees

Opening balance	235 370	264 578
Current year fee	21 000 000	19 500 000
Amount paid - current year	(20 931 569)	(19 529 208)
	303 801	235 370

PAYE and UIF

Current year contributions	880 028 609	781 889 676
Amount paid - current year	(880 028 609)	(781 889 676)
	-	-

Pension and Medical Aid Deductions

Current year contributions	1 555 941 004	1 470 156 628
Amount paid - current year	(1 555 941 004)	(1 470 156 628)
	-	-

VAT

VAT paid during the year	48 604 667	85 449 960
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Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016.

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

30 June 2016	Highest outstanding amount	Aging (in days)
Anticevich J A	1 765	120
De Lange P R	7 834	120
Kriek M van N	16 938	120
Kruger S	628	120
Mohoaladi M S	2 348	120
Ngobese A K	26 999	690
Nkosi M I	3 808	120
Nxumalo A	2 158	120
Zwane T S	3 195	120
	65 673	1 650

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

51. Utilisation of Long-term liabilities reconciliation

Outstanding long-term liabilities beginning of the year	5 754 596 673	5 288 777 045
Redemption of loans	(342 666 436)	(284 180 372)
New loans	-	750 000 000
	5 411 930 237	5 754 596 673
Used to finance PPE: Opening balance	(5 783 048 414)	(5 095 621 579)
Redemption of loans	342 666 436	284 180 372
Capital financed from external loans for the year	-	(971 607 207)
Capital expenditure for 2014/2015 re-financed from revenue this year	28 451 741	-
Unspend long term liabilities	-	(28 451 741)
Cash set aside for the repayment of long-term liabilities for the year	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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

52. Deviation from supply chain management regulations

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

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

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

Emergencies	9 943 127	171 095 802
Sole supplier	3 091 206	11 478 293
Appointment of consultants	123 382 226	26 230 980
Events	78 001 784	20 576 280
Operational services	891 415 412	206 720 592
Water infrastructure upgrade	24 675 040	-
Training	-	33 131 210
	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

53. Unaccounted Electricity And Water

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 %

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

54. Budget differences

2016

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.

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

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

54. Budget differences (continued)

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.

Ekurhuleni Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

* See Note 44