



City of Ekurhuleni
Consolidated Annual Financial Statements
for the year ended 30 June 2017

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Municipality
Legislation governing the entity's operations	Municipal Finance Management Act (Act No. 56 of 2003)
Mayoral committee	
New Executive Mayor	Clr M Masina
Previous Executive Mayor	Clr M Gungubele
Speaker	Clr P Khumalo
Chief Whip	Chief Whip: Clr J Dhlabathi
New Members of Mayoral Committee	MMC: Finance and Economic Development: Clr D Xhakaza MMC: Community Services: Clr D Mlambo MMC: Human Settlement: Clr L Mpya MMC: Environmental and Waste Management Services: Clr N Shongwe MMC: City Planning: Clr M Madihlaba MMC: Corporate and Shared Services: Clr K Mabaso MMC: Water, Sanitation and Energy: Clr T Nketele MMC: Community Safety: Clr V Chauke MMC: Infrastructure: Clr R Mashego MMC: Transport Planning: Clr P Mabunda
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.
City manager	Dr. I Mashazi 011 999 0760 imogen.mashazi@ekurhuleni.gov.za
Previous City manager	K Ngema, resigned 31 August 2016
Group Chief Financial Officer (GCFO)	Ms.G Malaza 011 999 6511 gugu.malaza@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

City of Ekurhuleni

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The reports and statements set out below comprise the consolidated annual financial statements presented to the provincial legislature:

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Abbreviations

MEC	Member of the Executive Council
COID	Compensation for Occupational Injuries and Diseases
UIF	Unemployment Insurance Fund
GAMAP	Generally Accepted Municipal Accounting Practice
IPSAS	International Public Sector Accounting Standards
CoE	City of Ekurhuleni
GRAP	Generally Recognised Accounting Practice
WCA	Workmen's Compensation
IMFO	Institute of Municipal Finance Officers
SDL	Skills Development Levy
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
WCA	Workmen's Compensation

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Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the consolidated annual financial statements fairly present the state of affairs of the city 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the city and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officers set 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 city and all employees are required to maintain the highest ethical standards in ensuring the city's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the city is on identifying, assessing, managing and monitoring all known forms of risk across the city. While operating risk cannot be fully eliminated, the city 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 officers are 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 consolidated 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 officers have reviewed the city's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the city has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officers are primarily responsible for the financial affairs of the city, he is supported by the city's internal auditors.

The consolidated annual financial statements set out on pages 4 to 97, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2017.

Accounting Officer
Dr. I Mashazi

Group Chief Financial Officer
Ms. Gugu Malaza

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2017	2016 Restated*	2017	2016 Restated*
Assets					
Current Assets					
Inventories	10	527 708 258	365 933 938	527 708 258	354 918 054
Other investments	11	125 036 131	155 534 594	116 916 646	147 020 659
Current tax receivable		-	1 053 942	-	-
Other receivables from exchange transactions	12	919 006 947	877 572 125	884 957 352	855 531 039
Other receivables from non-exchange transactions	13	40 403 310	29 452 034	40 403 310	29 452 034
Consumer debtors	14	4 778 588 110	5 256 386 810	4 778 588 110	5 256 386 810
Cash and cash equivalents	15	6 000 822 434	8 307 061 759	5 809 953 546	7 972 586 235
		12 391 565 190	14 992 995 202	12 158 527 222	14 615 894 831
Non-Current Assets					
Investment property	3	656 355 825	547 174 255	524 733 797	499 316 148
Property, plant and equipment	4	51 256 864 486	48 828 701 823	49 287 779 068	47 097 354 509
Intangible assets	5	361 913 095	75 931 655	355 094 891	73 508 576
Heritage assets	6	62 517 082	59 454 180	62 517 082	59 454 180
Investments in controlled entities	7	-	-	106	306
Other investments	11	1 353 011 092	1 095 830 622	1 353 011 092	1 095 830 622
Deferred tax	8	3 146 956	33 822 335	-	-
Long-term receivables	9	6 033 967	9 395 409	3 124 380	6 890 631
		53 699 842 503	50 650 310 279	51 586 260 416	48 832 354 972
Total Assets		66 091 407 693	65 643 305 481	63 744 787 638	63 448 249 803
Liabilities					
Current Liabilities					
Long term liabilities	17	457 960 854	419 128 045	402 710 089	384 807 233
Current tax payable		19 019 772	-	-	-
Finance lease obligation	16	238 932	350 540	-	-
Trade and other payables from exchange transactions	18	6 724 530 417	6 668 239 964	6 727 302 753	6 627 730 829
Deposits	19	811 283 741	754 288 482	807 025 549	750 847 367
Unspent conditional grants and receipts	20	126 092 252	445 922 996	113 408 897	433 285 889
Provisions	21	514 987 995	430 909 038	477 371 489	403 806 769
		8 654 113 963	8 718 839 065	8 527 818 777	8 600 478 087
Non-Current Liabilities					
Long term liabilities	17	5 219 101 999	5 649 246 626	4 669 348 050	5 050 855 469
Finance lease obligation	16	358 398	597 330	-	-
Retirement benefit obligation	22	2 172 804 653	2 556 638 581	2 138 634 653	2 527 234 581
Deferred tax	8	32 613 665	1 960 627	-	-
Provisions	21	834 046 367	946 711 300	834 046 367	946 711 300
		8 258 925 082	9 155 154 464	7 642 029 070	8 524 801 350
Total Liabilities		16 913 039 045	17 873 993 529	16 169 847 847	17 125 279 437
Net Assets		49 178 368 648	47 769 311 952	47 574 939 791	46 322 970 366
Net Assets Attributable to Owners of Controlling Entity					
Accumulated surplus		49 133 382 338	47 728 930 130	47 574 939 791	46 322 970 366
		49 133 382 338	47 728 930 130	47 574 939 791	46 322 970 366
Non-controlling interest		44 986 310	40 381 822	-	-
Total Net Assets		49 178 368 648	47 769 311 952	47 574 939 791	46 322 970 366

* See Note 48

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2017	2016 Restated*	2017	2016 Restated*
Revenue					
Property rates	25	4 052 246 760	3 943 772 434	4 053 558 160	3 946 658 651
Property rates - penalties and collection charges		63 725 030	100 916 675	63 725 030	100 916 675
Service charges	26	18 690 444 703	17 134 490 950	18 746 400 361	17 130 454 896
Rendering of services		9 158 743	10 403 970	-	-
Rental of facilities and equipment	27	95 744 062	86 071 924	67 521 340	59 256 123
Interest earned - outstanding debtors		304 694 051	459 031 354	304 694 051	459 031 354
Licences and permits		50 248 868	51 650 784	50 248 868	51 650 784
Income from agency services		282 273 625	276 375 456	282 218 826	276 375 456
Fines		282 428 172	218 443 438	282 428 172	218 443 438
Government grants & subsidies	28	6 867 924 510	6 627 902 598	6 836 096 411	6 612 130 291
Public contributions and donations		-	53 457 399	-	53 457 399
Interest revenue	29	554 435 825	647 549 267	536 303 137	632 624 010
Other income	30	203 368 720	164 813 873	157 024 350	107 259 994
Dividends received		554 648	149 705	-	-
Total revenue		31 457 247 717	29 775 029 827	31 380 218 706	29 648 259 071
Expenditure					
Employee related costs	31	(6 350 765 284)	(6 601 301 462)	(6 051 005 522)	(6 338 421 150)
Remuneration of councillors	32	(119 944 483)	(105 696 037)	(119 944 483)	(105 696 037)
Administration		(700 128)	(2 917 460)	-	-
Depreciation and amortisation	33	(1 946 029 827)	(1 754 879 790)	(1 885 512 196)	(1 696 674 974)
Impairment of assets	34	(49 765 107)	(447 395 734)	(128 284 674)	(447 395 734)
Finance costs	35	(973 653 188)	(903 326 558)	(901 847 024)	(848 639 400)
Debt impairment	36	(2 617 778 757)	(1 438 967 865)	(2 609 578 888)	(1 434 057 613)
Collection costs		(141 353 097)	(117 335 436)	(141 193 723)	(116 163 244)
Bulk purchases	37	(11 901 146 869)	(11 255 067 255)	(12 402 510 939)	(11 662 156 131)
Contracted services	40	(1 051 474 788)	(847 467 989)	(1 061 353 750)	(856 564 396)
Grants and subsidies paid	41	(1 047 905 651)	(1 004 765 577)	(1 206 629 927)	(1 096 477 179)
General expenses	42	(3 779 401 945)	(3 173 275 249)	(3 628 339 635)	(3 074 602 072)
Total expenditure		(29 979 919 124)	(27 652 396 412)	(30 136 200 761)	(27 676 847 930)
Operating surplus		1 477 328 593	2 122 633 415	1 244 017 945	1 971 411 141
Loss on disposal of capital assets		6 982 492	(12 914 952)	7 951 480	-
Surplus before taxation		1 484 311 085	2 109 718 463	1 251 969 425	1 971 411 141
Taxation	38	75 254 371	(13 109 294)	-	-
Surplus for the year		1 409 056 714	2 122 827 757	1 251 969 425	1 971 411 141
Attributable to:					
Owners of the controlling entity		1 404 452 226	2 116 763 386	1 251 969 425	1 971 411 141
Non-controlling interest		4 604 488	6 064 371	-	-
		1 409 056 714	2 122 827 757	1 251 969 425	1 971 411 141

* See Note 48

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Statement of Changes in Net Assets

	Share premium	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Non-controlling interest	Total net assets
Figures in Rand					
Economic entity					
Opening balance as previously reported	7 442 007	43 997 191 497	44 004 633 504	37 655 081	44 042 288 585
Adjustments					
Surplus for the year as restated	-	2 169 359 927	2 169 359 927	3 444 828	2 172 804 755
Prior period adjustments	-	(561 819 743)	(561 819 743)	148 468	(561 671 275)
Balance at 01 July 2015 as restated*	7 442 007	45 605 809 713	45 613 251 720	41 248 377	45 654 500 097
Surplus for the year as restated	-	2 116 763 386	2 116 763 386	6 064 371	2 122 827 757
Share buy-back controlling entities	(7 442 007)	6 357 031	(1 084 976)	(6 930 926)	(8 015 902)
Total changes	(7 442 007)	2 123 120 417	2 115 678 410	(866 555)	2 114 811 855
Restated* Balance at 01 July 2016	-	47 728 930 112	47 728 930 112	40 381 840	47 769 311 952
Changes in net assets					
Surplus for the year	-	1 404 452 226	1 404 452 226	4 604 488	1 409 056 714
Total changes	-	1 404 452 226	1 404 452 226	4 604 488	1 409 056 714
Balance at 30 June 2017	-	49 133 382 338	49 133 382 338	44 986 310	49 178 368 648
Note(s)					
Controlling entity					
Opening balance as previously reported	-	44 912 387 206	44 912 387 206	-	44 912 387 206
Restated* Balance at 01 July 2015	-	44 912 387 206	44 912 387 206	-	44 912 387 206
Changes in net assets					
Prior period adjustments	-	(560 827 981)	(560 827 981)	-	(560 827 981)
Net income (losses) recognised directly in net assets	-	(560 827 981)	(560 827 981)	-	(560 827 981)
Surplus for the year	-	1 971 411 141	1 971 411 141	-	1 971 411 141
Total recognised income and expenses for the year	-	1 410 583 160	1 410 583 160	-	1 410 583 160
Total changes	-	1 410 583 160	1 410 583 160	-	1 410 583 160
Balance at 01 July 2016	-	46 322 970 366	46 322 970 366	-	46 322 970 366
Changes in net assets					
Surplus for the year	-	1 251 969 425	1 251 969 425	-	1 251 969 425
Total changes	-	1 251 969 425	1 251 969 425	-	1 251 969 425
Balance at 30 June 2017	-	47 574 939 791	47 574 939 791	-	47 574 939 791

* See Note 48

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2017	2016 Restated*	2017	2016 Restated*
Cash flows from operating activities					
Receipts					
Property rates		3 703 937 688	3 890 104 559	3 705 249 088	3 894 773 406
Income from rendering of services		17 307 596 108	15 103 139 672	17 371 751 635	15 102 231 241
Grants - operational		4 753 666 666	4 345 582 898	4 727 762 787	4 345 582 898
Grants - capital		1 794 427 100	2 164 403 448	1 788 456 632	2 146 787 623
Interest income		554 435 825	983 979 448	536 303 137	969 054 191
Dividends received		554 648	149 705	-	-
Other receipts		827 316 262	762 695 970	758 660 658	634 582 906
		28 941 934 297	27 250 055 700	28 888 183 937	27 093 012 265
Payments					
Employee costs		(7 129 028 875)	(6 336 897 354)	(6 844 593 556)	(6 079 543 886)
Suppliers		(16 808 705 083)	(13 961 562 551)	(17 173 514 938)	(14 309 964 723)
Finance costs		(618 440 483)	(655 515 304)	(554 861 393)	(600 828 146)
Other payments		(1 124 403 268)	(1 188 478 902)	(1 239 994 731)	(1 242 317 440)
Taxes on surpluses		6 147 761	(15 187 863)	-	-
		(25 674 429 948)	(22 157 641 974)	(25 812 964 618)	(22 232 654 195)
Net cash flows from operating activities	43	3 267 504 349	5 092 413 726	3 075 219 319	4 860 358 070
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE)	4	(4 668 905 052)	(4 085 579 932)	(4 372 471 600)	(3 843 385 964)
Proceeds from the sale of property, plant and equipment	4	-	114 619	-	-
Purchase of investment property	3	(39 368 839)	(32 160 852)	(31 039 119)	(32 138 052)
Proceeds from sale of investment property	3	-	6 500	-	-
Purchase of intangible assets	5	(304 174 230)	(166 142 146)	(299 838 451)	(164 883 902)
Purchases of heritage assets	6	-	(288)	-	(288)
Net movement of investments		(226 682 007)	(245 338 259)	(227 076 457)	(245 277 311)
Net movement in long-term receivables		53 553	4 135 365	-	4 088 570
Net cash flows from investing activities		(5 239 076 575)	(4 524 964 993)	(4 930 425 627)	(4 281 596 947)
Cash flows from financing activities					
Long-term liabilities raised		-	233 059 731	-	-
Repayment of long term liabilities		(391 311 818)	(353 250 846)	(363 604 563)	(344 699 586)
Net movement in consumer deposits		56 995 259	37 213 253	56 178 182	37 148 585
Finance lease raised/(payments)		(350 540)	862 376	-	-
Net cash flows from financing activities		(334 667 099)	(82 115 486)	(307 426 381)	(307 551 001)
Net (decrease) / increase in cash and cash equivalents		(2 306 239 325)	485 333 247	(2 162 632 689)	271 210 122
Cash and cash equivalents at the beginning of the year		8 307 061 759	7 821 728 512	7 972 586 235	7 701 376 113
Cash and cash equivalents at the end of the year	15	6 000 822 434	8 307 061 759	5 809 953 546	7 972 586 235

* See Note 48

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2017											
Financial Performance											
Property rates	4 781 916 159	(625 711 142)	4 156 205 017	-	-	4 156 205 017	4 115 971 790		(40 233 227)	99 %	86 %
Service charges	19 816 760 697	495 111 143	20 311 871 840	-	-	20 311 871 840	18 690 444 703		(1 621 427 137)	92 %	94 %
Investment revenue	324 996 006	949 999	325 946 005	-	-	325 946 005	554 435 825		228 489 820	170 %	171 %
Transfers recognised - operational	5 299 633 347	(124 323 641)	5 175 309 706	-	-	5 175 309 706	5 079 467 872		(95 841 834)	98 %	96 %
Other own revenue	1 330 933 803	9 119 999	1 340 053 802	-	-	1 340 053 802	1 231 313 579		(108 740 223)	92 %	93 %
Total revenue (excluding capital transfers and contributions)	31 554 240 012	(244 853 642)	31 309 386 370	-	-	31 309 386 370	29 671 633 769		(1 637 752 601)	95 %	94 %
Employee costs	(7 667 941 853)	387 421 638	(7 280 520 215)	-	-	(7 280 520 215)	(6 350 322 762)		930 197 453	87 %	83 %
Remuneration of councillors	(126 553 233)	(227 941)	(126 781 174)	-	-	(126 781 174)	(119 944 483)		6 836 691	95 %	95 %
Debt impairment	(1 472 248 897)	450 000	(1 471 798 897)			(1 471 798 897)	(2 617 778 757)		(1 145 979 860)	178 %	178 %
Depreciation and asset impairment	(1 848 551 749)	(4 172 004)	(1 852 723 753)			(1 852 723 753)	(1 995 753 015)		(143 029 262)	108 %	108 %
Finance charges	(714 708 761)	25 448 678	(689 260 083)	-	-	(689 260 083)	(973 684 616)		(284 424 533)	141 %	136 %
Materials and bulk purchases	(12 687 384 104)	(169 367 289)	(12 856 751 393)	-	-	(12 856 751 393)	(11 903 864 244)		952 887 149	93 %	94 %
Transfers and grants	(1 001 432 561)	(275 156 956)	(1 276 589 517)	-	-	(1 276 589 517)	(1 047 905 651)		228 683 866	82 %	105 %
Other expenditure	(5 879 762 756)	126 843 512	(5 752 919 244)	-	-	(5 752 919 244)	(4 971 575 656)		781 343 588	86 %	85 %
Total expenditure	(31 398 583 914)	91 239 638	(31 307 344 276)	-	-	(31 307 344 276)	(29 980 829 184)		1 326 515 092	96 %	95 %
Surplus/(Deficit)	155 656 098	(153 614 004)	2 042 094	-	-	2 042 094	(309 195 415)		(311 237 509)	(15 141)%	(15 141)%

City of Ekurhuleni

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	1 776 755 252	70 930 740	1 847 685 992	-		1 847 685 992	1 788 456 638		(59 229 354)	97 %	101 %
Surplus (Deficit) after capital transfers and contributions	1 932 411 350	(82 683 264)	1 849 728 086	-		1 849 728 086	1 479 261 223		(370 466 863)	80 %	77 %
Taxation	-	73 473 516	73 473 516	-		73 473 516	72 308 419		(1 165 097)	98 %	DIV/0 %
Attributable to minorities	-	-	-	-		-	4 604 488		4 604 488	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	1 932 411 350	(156 156 780)	1 776 254 570	-		1 776 254 570	1 402 348 316		(373 906 254)	79 %	73 %
Capital expenditure and funds sources											
Total capital expenditure	5 467 167 878	(55 737)	5 467 112 141	-		5 467 112 141	5 011 448 232		(455 663 909)	92 %	92 %
Sources of capital funds											
Transfers recognised - capital	1 926 756 000	-	1 926 756 000	-		1 926 756 000	1 778 456 638		(148 299 362)	92 %	92 %
Borrowing	103 809 407	-	103 809 407	-		103 809 407	2 093 580		(101 715 827)	2 %	2 %
Internally generated funds	3 436 602 471	-	3 436 602 471	-		3 436 602 471	3 230 898 014		(205 704 457)	94 %	94 %
Total sources of capital funds	5 467 167 878	-	5 467 167 878	-		5 467 167 878	5 011 448 232		(455 719 646)	92 %	92 %

City of Ekurhuleni

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	4 813 542 176	-	4 813 542 176	-		4 813 542 176	3 267 504 349		(1 546 037 827)	68 %	68 %
Net cash from (used) investing	(4 854 309 859)	-	(4 854 309 859)	-		(4 854 309 859)	(5 239 076 575)		(384 766 716)	108 %	108 %
Net cash from (used) financing	1 501 517 656	-	1 501 517 656	-		1 501 517 656	(334 667 099)		(1 836 184 755)	(22)%	(22)%
Net increase/(decrease) in cash and cash equivalents	1 460 749 973	-	1 460 749 973	-		1 460 749 973	(2 306 239 325)		(3 766 989 298)	(158)%	(158)%
Cash and cash equivalents at the beginning of the year	85 209 884	(85 209 884)	-	-		-	8 307 061 759		8 307 061 759	DIV/0 %	9 749 %
Cash and cash equivalents at year end	1 545 959 857	(85 209 884)	1 460 749 973	-		1 460 749 973	6 000 822 434		4 540 072 461	411 %	388 %

Controlling entity - 2017

Financial Performance

Property rates	4 781 916 159	(625 711 142)	4 156 205 017	-		4 156 205 017	4 117 283 190		(38 921 827)	99 %	86 %
Service charges	19 171 544 251	495 111 143	19 666 655 394	-		19 666 655 394	18 746 400 361		(920 255 033)	95 %	98 %
Investment revenue	321 130 000	949 999	322 079 999	-		322 079 999	536 303 137		214 223 138	167 %	167 %
Transfers recognised - operational	5 278 290 089	(139 139 689)	5 139 150 400	-		5 139 150 400	5 047 639 773		(91 510 627)	98 %	96 %
Other own revenue	1 139 075 477	15 119 999	1 154 195 476	-		1 154 195 476	1 152 087 087		(2 108 389)	100 %	101 %
Total revenue (excluding capital transfers and contributions)	30 691 955 976	(253 669 690)	30 438 286 286	-		30 438 286 286	29 599 713 548		(838 572 738)	97 %	96 %
Employee costs	(7 350 307 848)	391 417 638	(6 958 890 210)	-		(6 958 890 210)	(6 051 005 522)		907 884 688	87 %	82 %
Remuneration of councillors	(126 553 233)	(227 941)	(126 781 174)	-		(126 781 174)	(119 944 483)		6 836 691	95 %	95 %
Debt impairment	(1 468 870 977)	-	(1 468 870 977)	-		(1 468 870 977)	(2 609 578 888)		(1 140 707 911)	178 %	178 %
Depreciation and asset impairment	(1 805 346 054)	-	(1 805 346 054)	-		(1 805 346 054)	(2 013 796 870)		(208 450 816)	112 %	112 %

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

						Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome		
Finance charges	(662 382 802)	24 248 678	(638 134 124)	-	-	(638 134 124)	(901 847 024)	-	(263 712 900)	141 %	136 %
Materials and bulk purchases	(12 489 022 464)	(169 367 289)	(12 658 389 753)	-	-	(12 658 389 753)	(12 402 510 939)	-	255 878 814	98 %	99 %
Transfers and grants	(1 001 432 561)	(269 244 908)	(1 270 677 469)	-	-	(1 270 677 469)	(1 206 629 927)	-	64 047 542	95 %	120 %
Other expenditure	(5 637 267 494)	126 843 512	(5 510 423 982)	-	-	(5 510 423 982)	(4 830 887 108)	-	679 536 874	88 %	86 %
Total expenditure	(30 541 183 433)	103 669 690	(30 437 513 743)	-	-	(30 437 513 743)	(30 136 200 761)	-	301 312 982	99 %	99 %
Surplus/(Deficit)	150 772 543	(150 000 000)	772 543	-	772 543	(536 487 213)		(537 259 756)	(69 444)%	(356)%	
Transfers recognised - capital	1 726 755 252	70 930 740	1 797 685 992	-	1 797 685 992	1 788 456 638		(9 229 354)	99 %	104 %	
Surplus (Deficit) after capital transfers and contributions	1 877 527 795	(79 069 260)	1 798 458 535	-	1 798 458 535	1 251 969 425		(546 489 110)	70 %	67 %	
Surplus/(Deficit) for the year	1 877 527 795	(79 069 260)	1 798 458 535	-	1 798 458 535	1 251 969 425		(546 489 110)	70 %	67 %	
Capital expenditure and funds sources											
Total capital expenditure	5 130 961 437	(55 737)	5 130 905 700	-	5 130 905 700	4 702 034 505		(428 871 195)	92 %	92 %	
Sources of capital funds											
Transfers recognised - capital	1 876 756 000	-	1 876 756 000	-	1 876 756 000	1 788 456 638		(88 299 362)	95 %	95 %	
Borrowing	1 790 950 000	-	1 790 950 000	-	1 790 950 000	-		(1 790 950 000)	- %	- %	
Internally generated funds	1 463 255 437	(55 737)	1 463 199 700	-	1 463 199 700	2 913 577 867		1 450 378 167	199 %	199 %	
Total sources of capital funds	5 130 961 437	(55 737)	5 130 905 700	-	5 130 905 700	4 702 034 505		(428 871 195)	92 %	92 %	

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome of the budget	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	4 702 371 975	-	4 702 371 975	-		4 702 371 975	3 075 219 319		(1 627 152 656)	65 %	65 %
Net cash from (used) investing	(4 518 103 418)	-	(4 518 103 418)	-		(4 518 103 418)	(4 930 425 627)		(412 322 209)	109 %	109 %
Net cash from (used) financing	1 427 285 190	-	1 427 285 190	-		1 427 285 190	(307 426 381)		(1 734 711 571)	(22)%	(22)%
Net increase/(decrease) in cash and cash equivalents	1 611 553 747	-	1 611 553 747	-		1 611 553 747	(2 162 632 689)		(3 774 186 436)	(134)%	(134)%
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	7 972 586 234		7 972 586 234	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	1 611 553 747	-	1 611 553 747	-		1 611 553 747	5 809 953 545		(4 198 399 798)	361 %	361 %

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Preparation

This group 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 group 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 this group annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year group 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 City'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 group annual financial statements:

- **Operating lease commitments – City 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 City 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. This was performed on an individual basis as well as per service-identifiable categories across all debtor classes.

- **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 City.

- **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 annual financial statements, unless explicitly stated otherwise.

1.2 Presentation currency

This consolidated annual financial statements are presented in South African Rand, which is the functional currency of the City.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Investment property

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

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

At initial recognition, the City 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.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment

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

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

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

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

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

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is 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 City 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 City depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets. Depreciation starts when the asset is available for use. Work in progress is not depreciated.

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

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

Other vehicles

3 - 28 years

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

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

At each reporting date all items of property, plant and equipment are reviewed for any indication that they may be impaired. An impairment exists when an asset's 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 asset's 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.

The City assesses at each reporting date whether there is any indication that the City expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the City revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The City separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

1.6 Intangible assets

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

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

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

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

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

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

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

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

Item	Useful life
Computer software	1 - 23 years

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Heritage assets

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

The City 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 City, 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 City 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 City. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.

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

1.8 Investments in controlled entities

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

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments

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

- (i) the City 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 City 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

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

The City recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The City 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 City first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the City analyses a concessionary loan into its component parts and accounts for each component separately. The City 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; and
- Financial instruments at cost.

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments (continued)

Fair value measurement considerations

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

a) Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly 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 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 City 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 City 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 City does not offset the transferred asset and the associated liability.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.10 Inventories

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the City; 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 acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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

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

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

Redundant and slow-moving inventories are identified and written down to the estimated net realisable value, and are recognised as an expense in the period in which the write-down or loss occurs. 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.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.11 Employee benefits

Short-term employee benefits

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

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

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

Retirement funds

The City 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 City'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 an independent actuary for each separate plans.

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

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, reduced by the fair value of plan assets (if any). Any asset is limited to the present value of available refunds and reduction in future contributions to the plan.

The City 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 City 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 City 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 City 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 City for the remaining portion.

City of Ekurhuleni

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Accounting Policies

1.12 Provisions and contingencies

A provision is recognised when the City 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 City 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 to which the provision was originally recognised.

a) Leave provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end, any unused leave days are forfeited six months after the end of leave cycle.

b) COID provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7.36% (2016: 6.00%) per annum over members' expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.46% (2016: 10.47%).

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 statement of financial position date at the cost of capital (time value of money), which is currently 10.46% (2016: 10.47%).

The City 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 City 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 City considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If such an indication exists, 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 City 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 City's obligation to the Germiston Municipal Retirement Fund due to the City 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 City's section 57 employees and, independent contractors, where applicable.

City of Ekurhuleni

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Accounting Policies

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

Cash-generating assets are those assets managed by the City with the objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated City, it generates a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

The City 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 City 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 shall be 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; and
- 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 City assesses 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 City 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.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Revenue from exchange transactions

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

Revenue from exchange transactions refers to revenue that accrued to the City 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 City 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 City 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 City's right to receive payment is established.

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

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

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the City 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 City 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 the reduction.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the City. When, as a result of a non-exchange transaction, the City 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 as a liability. Where a liability is required to be recognised it will be measured as the best estimates 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.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Taxes (property rates)

The City 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 City 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 City 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 City 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 City.

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

Services in-kind

Except for financial guarantee contracts, the City recognises services in-kind that are significant to its operations and/or service delivery objective as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the City and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the City's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the City discloses the nature and type of services in-kind received during the reporting period.

Grants, donations and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the City has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised when the criteria, conditions or obligations have not been met.

Unspent conditional grants and receipts

Amounts received before the related work is performed are included in the statement of financial position as a liability, as unspent conditional grants and receipts.

City of Ekurhuleni

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Accounting Policies

1.16 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases – lessor

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

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

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

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

Income for leases is disclosed under revenue in Statement of Financial Performance.

Operating leases – lessee

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

1.17 Borrowing costs

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

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

1.18 Value Added Tax

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

1.19 Unauthorised expenditure

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

1.20 Fruitless and wasteful expenditure

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

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the City'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.

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Accounting Policies

1.22 Internal reserves

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

Capital replacement reserve (CRR)

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

Self-insurance reserve

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

Sinking funds reserve

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

1.23 Budget information

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30. 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 group annual financial statements.

1.24 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the City, including those charged with the governance of the City 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 City.

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

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

1.25 Events after reporting date

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

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

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

1.26 Commitments

The City discloses each class of capital assets (PPE, investment properties, intangible assets and heritage assets) recognised in the group annual financial statements as well as future minimum lease payments under non-cancellable operating leases for each of the following periods:

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.27 Going concern

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

1.28 Comparative figures

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

1.29 Taxes

Controlling entity

The City is exempt from tax in terms of section 10(1)(c)B(i)(ff) of the Income Tax Act.

Economic entity

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

1.30 Share Premium

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

1.31 Research and Development expenditure

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

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

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

Standard/ Interpretation: Effective date:	Years beginning on or after
>GRAP 12 (as amended 2016): Inventories	01 April 2018
>GRAP 27 (as amended 2016): Agriculture	01 April 2018
>GRAP 31 (as amended 2016): Intangible Assets	01 April 2018
>GRAP 20: Related parties	01 April 2017
>GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018
>GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018
>GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018
>GRAP 103 (as amended 2016): Heritage Assets	01 April 2018
>IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019

No material impact are expected from these changes

The following standards were approved, but their effective dates were not yet determined by the Minister of Finance.

- >GRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset
- >GRAP 32: Service Concession Arrangements: Grantor
- >GRAP 34: Separate Financial Statements
- >GRAP 35: Consolidated Financial Statements
- >GRAP 36: Investments in Associates and Joint
- >GRAP 37: Joint Arrangements
- >GRAP 38: Disclosure of Interests in Other
- >GRAP 108: Statutory Receivables
- >GRAP 110 (as amended 2016): Living and Non-living Resources
- >GRAP 109: Accounting by Principals and Agents
- >Directive 12: The Selection of an Appropriate Reporting Framework

No material impact are expected from these changes

City of Ekurhuleni

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	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

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3. Investment property

Economic entity	2017			2016		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	768 381 798	(112 025 973)	656 355 825	652 120 670	(104 946 415)	547 174 255

Controlling entity	2017			2016		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	619 236 620	(94 502 823)	524 733 797	588 197 500	(88 881 352)	499 316 148

Reconciliation of investment property - Economic entity - 2017

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Investment property	547 174 255	118 057 385	757 725	(9 633 540)	656 355 825

Reconciliation of investment property - Economic entity - 2016

	Opening balance	Additions	Disposals	Transfers to property, plant and equipment	Other changes, movements	Impairments & derecognition	Depreciation	Total
Investment property	469 653 208	32 160 852	(6 500)	(5 593 230)	65 481 800	(10 313 006)	(4 208 869)	547 174 255

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2017

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Investment property	499 316 148	31 039 119	1 210 436	(6 831 906)	524 733 797

Reconciliation of investment property - Controlling entity - 2016

	Opening balance	Additions	Disposals	Transfers from property, plant and equipment	Transfer to property, plant and equipment	Impairments	Depreciation	Total
Investment property	447 192 223	32 138 052	(6 500)	39 526 066	(5 593 230)	(10 313 007)	(3 627 456)	499 316 148

Other disclosure

Total rental income received on investment property

Total rental income received on investment property	49 676 660	67 984 304	21 453 938	19 895 072
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Included in the carrying value of investment property is an amount R119,941,712 (2016: R99,434,093) 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 City.

Transfer of assets from property, plant and equipment of R19,498,219 (2016: R39,526,066) were received in the current year, while in prior year transfer of R5,593,230 were made to property, plant and equipment. At Group level other assets worth R0 (2016: R25,955,735) were transferred to the EHC upon consolidation of the social housing companies.

City of Ekurhuleni

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4. Property, plant and equipment

Economic entity	2017			2016		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & buildings	2 191 406 748	(5 372 822)	2 186 033 926	2 055 159 650	(4 457 955)	2 050 701 695
Infrastructure	47 872 664 179	(13 232 729 750)	34 639 934 429	46 536 066 523	(11 968 274 661)	34 567 791 862
Community	5 364 062 385	(1 743 271 461)	3 620 790 924	5 186 676 678	(1 533 587 284)	3 653 089 394
Other property, plant and equipment	5 836 742 660	(2 679 397 466)	3 157 345 194	5 171 150 668	(2 231 440 298)	2 939 710 370
Work in progress	7 652 760 013	-	7 652 760 013	5 617 408 502	-	5 617 408 502
Total	68 917 635 985	(17 660 771 499)	51 256 864 486	64 566 462 021	(15 737 760 198)	48 828 701 823

Controlling entity	2017			2016		
	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 142 407 287	-	2 142 407 287	2 006 545 852	-	2 006 545 852
Infrastructure	46 355 339 581	(12 882 687 454)	33 472 652 127	45 403 662 199	(11 664 451 408)	33 739 210 791
Community	5 364 062 385	(1 743 271 461)	3 620 790 924	5 186 676 678	(1 533 587 284)	3 653 089 394
Other property, plant and equipment	5 695 547 917	(2 630 150 853)	3 065 397 064	5 055 347 474	(2 188 121 902)	2 867 225 572
Work in progress	6 986 531 666	-	6 986 531 666	4 831 282 900	-	4 831 282 900
Total	66 543 888 836	(17 256 109 768)	49 287 779 068	62 483 515 103	(15 386 160 594)	47 097 354 509

Reconciliation of property, plant and equipment - Economic entity - 2017

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

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4. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Other movements	Transfer to other assets	Depreciation	Impairment loss	Total
Land & buildings	2 050 701 695	385 663	(832 000)	136 695 689	(2 254)	-	(914 867)	-	2 186 033 926
Infrastructure	34 567 791 862	165 245 018	(10 026 755)	1 189 615 703	(4 454 956)	-	(1 268 236 443)	-	34 639 934 429
Community	3 653 089 394	-	-	186 476 403	(7 917 332)	-	(209 172 690)	(1 684 851)	3 620 790 924
Other property, plant and equipment	2 939 710 370	436 125 562	(6 119 883)	245 024 496	(14 194 988)	(56 276)	(443 142 977)	(1 110)	3 157 345 194
Work in progress	5 617 408 502	4 067 148 809	(126 568 223)	(1 757 812 291)	(6 233 281)	(141 183 503)	-	-	7 652 760 013
	48 828 701 823	4 668 905 052	(143 546 861)	-	(32 802 811)	(141 239 779)	(1 921 466 977)	(1 685 961)	51 256 864 486

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

	Opening balance	Additions	Derecognition/ disposals	Transfers received	Transfers out of property, plant and equipment	Other changes, movements	Depreciation	Impairment loss	Total
Land & buildings	2 066 624 771	5 652 758	(9 593)	11 569 211	(24 619 295)	(7 796 889)	(719 268)	-	2 050 701 695
Infrastructure	34 302 472 472	62 300 825	(2 962 449)	1 357 152 254	(6 073 648)	58 490 221	(1 203 557 261)	(30 552)	34 567 791 862
Community	3 614 493 053	-	(10 641)	236 303 131	-	(3 043 603)	(176 464 853)	(18 187 693)	3 653 089 394
Other property, plant and equipment	2 840 666 808	398 983 802	(4 231 417)	70 188 909	(196 291)	(40 890)	(365 660 551)	-	2 939 710 370
Work in progress	3 951 011 970	3 672 403 757	(249 354 124)	(1 674 998 336)	(52 858 981)	(28 795 784)	-	-	5 617 408 502
	46 775 269 074	4 139 341 142	(256 568 224)	215 169	(83 748 215)	18 813 055	(1 746 401 933)	(18 218 245)	48 828 701 823

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2017

	Opening balance	Additions	Derecognition/ disposals	Transfers received	Other movements	Transfers out of property, plant and equipment	Depreciation	Impairment loss	Total
Land	2 006 545 852	-	(832 000)	136 695 689	(2 254)	-	-	-	2 142 407 287
Infrastructure	33 739 210 791	-	(9 490 383)	968 095 666	(3 113 161)	-	(1 222 050 786)	-	33 472 652 127
Assets under construction: Infrastructure	3 297 528 430	2 735 394 766	(99 176 908)	(968 095 666)	(5 733 337)	27 098 131	-	-	4 987 015 416
Community	3 653 089 394	-	-	186 476 403	(7 917 332)	-	(209 172 690)	(1 684 851)	3 620 790 924
Assets under construction: Community	866 686 302	579 591 440	(23 712 810)	(186 476 403)	-	-	-	-	1 236 088 529
Other property, plant and equipment	2 867 225 572	407 445 717	(5 440 486)	245 024 496	(14 232 884)	-	(434 625 351)	-	3 065 397 064
Assets under construction: Other property, plant and equipment	667 068 168	650 039 878	(3 678 505)	(381 720 185)	-	(168 281 634)	-	-	763 427 722
	47 097 354 509	4 372 471 801	(142 331 092)	-	(30 998 968)	(141 183 503)	(1 865 848 827)	(1 684 851)	49 287 779 069

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

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Transfers out of property, plant and equipment	Depreciation	Impairment loss	Total
Land	2 019 595 936	-	-	11 569 211	-	(24 619 295)	-	-	2 006 545 852
Infrastructure	33 543 241 082	-	(209 354)	1 357 152 254	-	(6 073 648)	(1 154 868 991)	(30 552)	33 739 210 791
Community	3 614 493 053	-	(10 641)	236 303 131	-	(3 043 603)	(176 464 853)	(18 187 693)	3 653 089 394
Other property, plant and equipment	2 784 625 969	373 674 562	(2 854 175)	69 973 740	-	(196 291)	(357 998 233)	-	2 867 225 572
Assets under construction	3 258 789 204	3 522 354 080	(249 354 124)	(1 674 998 336)	27 351 057	(52 858 981)	-	-	4 831 282 900
	45 220 745 244	3 896 028 642	(252 428 294)	-	27 351 057	(86 791 818)	(1 689 332 077)	(18 218 245)	47 097 354 509

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

4. Property, plant and equipment (continued)

Classes of assets under construction

Property, plant and equipment assets under construction:

Infrastructure	6 503 052 981	4 766 668 896	4 987 015 416	3 168 689 809
Community	1 484 763 728	1 018 217 000	1 236 088 528	1 002 861 103
Other assets	902 303 618	915 462 755	763 427 722	659 731 988
	8 890 120 327	6 700 348 651	6 986 531 666	4 831 282 900

Disclosure of repairs and maintenance (material and other costs)

Infrastructure	1 477 045 560	-	1 436 465 321	-
Community	252 383 972	-	252 383 972	-
Investment property	55 160 476	-	55 160 476	-
Other property, plant and equipment	265 402 571	-	261 703 400	-
	2 049 992 579	-	2 005 713 169	-

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

Buildings	672 916	87 525	672 916	87 525
Motor vehicles	437 694	3 429	437 694	3 429
Infrastructure	489 520	-	489 520	-
	1 600 130	90 954	1 600 130	90 954

The other movement relates to transfers out of property, plant and equipment, which were effected as follows, an amount of R168,281,634 (2016: R65,066,341) was transferred to inventory and R19,498 219 (2016:0) was transferred to Investments. Capital spares were bought as part of the project capital expenditure, which were transferred to inventory (R0) (2016: R14,634,563), this relates to the net movement of capital spares for the year between the inventory account and the WIP account, refer to note 10.

Deemed cost

Included in the additions for the year is public contributed assets with deemed cost amounts of R0 (2016: R53,457,399). Deemed cost was determined using fair value or depreciated replacement cost, depending on the most appropriate measurement for the specific asset/scenario.

5. Intangible assets

Economic entity	2017			2016		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	419 529 243	(57 616 148)	361 913 095	118 619 360	(42 687 705)	75 931 655

Controlling entity	2017			2016		
	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	408 860 246	(53 765 355)	355 094 891	113 100 863	(39 592 287)	73 508 576

Reconciliation of intangible assets - Economic entity - 2017

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

5. Intangible assets (continued)

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software (other)	75 931 655	304 174 230	(3 264 347)	(14 928 443)	361 913 095

Reconciliation of intangible assets - Economic entity - 2016

	Opening balance	Additions	Derecognition/ disposals	Transfers received	Amortisation	Impairment loss	Total
Computer software (other)	80 342 112	166 142 146	(731 065)	146 073	(4 268 988)	(165 698 623)	75 931 655

Reconciliation of intangible assets - Controlling entity - 2017

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software (other)	73 508 576	299 838 451	(4 079 068)	(14 173 068)	355 094 891

Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Additions	Transfers out	Amortisation	Impairment loss	Total
Computer software (other)	77 982 221	165 698 623	(731 065)	(3 742 580)	(165 698 623)	73 508 576

Other information

Reconciliation of work in progress

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

Work in progress

Opening balance	63 925 591	63 925 591	63 925 591	63 925 591
Software development incurred during the year	299 838 451	165 698 623	299 838 451	165 698 623
Impairment loss	-	(165 698 623)	-	(165 698 623)
Work in progress transferred to completed assets	(44 451 354)	-	(44 451 354)	-
	319 312 688	63 925 591	319 312 688	63 925 591

6. Heritage assets

Economic entity	2017			2016		
	Cost/ valuation	Accumulated impairment losses	Carrying value	Cost/ valuation	Accumulated impairment losses	Carrying value
Art collections, antiquities and exhibits	13 766 334	-	13 766 334	10 681 792	-	10 681 792
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	42 974 237	-	42 974 237	42 995 877	-	42 995 877
Total	62 517 082	-	62 517 082	59 454 180	-	59 454 180

Controlling entity	2017			2016		
	Cost/ valuation	Accumulated impairment losses	Carrying value	Cost/ valuation	Accumulated impairment losses	Carrying value
Cultural	13 766 334	-	13 766 334	10 681 792	-	10 681 792
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	42 974 237	-	42 974 237	42 995 877	-	42 995 877

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
6. Heritage assets (continued)				
Total	62 517 082	-	62 517 082	59 454 180
			-	59 454 180

Reconciliation of heritage assets - Economic entity - 2017

	Opening balance	Derecognition/ disposals	Transfers received	Other changes, movements	Total
Art collections, antiquities and exhibits	10 681 792	(31 600)	3 116 430	(288)	13 766 334
Conservation areas	351 149	-	-	-	351 149
Historical buildings	5 425 362	-	-	-	5 425 362
Other various collections	42 995 877	(21 640)	-	-	42 974 237
	59 454 180	(53 240)	3 116 430	(288)	62 517 082

Reconciliation of heritage assets - Economic entity - 2016

	Opening balance	Additions	Total
Art collections, antiquities and exhibits	10 681 504	288	10 681 792
Conservation areas	351 149	-	351 149
Historical buildings	5 425 362	-	5 425 362
Other various collections	42 995 877	-	42 995 877
	59 453 892	288	59 454 180

Reconciliation of heritage assets - Controlling entity 2017

	Opening balance	Disposals	Transfers	Other changes, movements	Total
Cultural	10 681 792	(31 600)	3 116 430	(288)	13 766 334
Conservation areas	351 149	-	-	-	351 149
Historical buildings	5 425 362	-	-	-	5 425 362
Other various collections	42 995 877	(21 640)	-	-	42 974 237
	59 454 180	(53 240)	3 116 430	(288)	62 517 082

Reconciliation of heritage assets - Controlling entity 2016

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

Deemed costs

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

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
7. Investments in controlled entities				
Name of company	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Brakpan Bus Company SOC Ltd	100,00 %	100,00 %	6	6
Ekurhuleni Development Company SOC Ltd	- %	100,00 %	-	100
East Rand Water Care Company, NPC	97,00 %	97,00 %	-	-
Pharoe Park Housing Company SOC Ltd	- %	100,00 %	-	100
Germiston Phase II Housing Company SOC Ltd	- %	100,00 %	-	100
Lethabong Housing Institute, NPC	- %	100,00 %	-	-
Ekurhuleni Housing Company	100,00 %	- %	100	-
			106	306

In the 2014/2015 financial year, Pharoe Park Housing Company and Germiston Phase II Housing Company, effected a share buy-back which had the effect that the entities' shareholding percentages increased to 100% in both companies. Council took a resolution, in the 2015/2016 financial year to consolidate all the housing companies, (Ekurhuleni Development Company, Pharoe Park Housing and Germiston Phase II Housing), into a new company (Ekurhuleni Housing Company) in order to optimise the City's service delivery regarding the provision of social housing and rental services to its residents.

8. Deferred tax

Deferred tax liability

Immovable property	(29 226 608)	-	-	-
Provision for bad debts	(2 080 472)	-	-	-
Other temporary differences	(1 306 585)	(1 960 627)	-	-
Total deferred tax liability	(32 613 665)	(1 960 627)	-	-

Deferred tax asset

Investment property	-	20 414 284	-	-
Assessed losses	1 606 486	11 455 198	-	-
Other temporary differences	1 540 470	1 952 853	-	-
Total deferred tax asset	3 146 956	33 822 335	-	-

Deferred tax liability	(32 613 665)	(1 960 627)	-	-
Deferred tax asset	3 146 956	33 822 335	-	-
Total net deferred tax (liability) asset	(29 466 709)	31 861 708	-	-

Reconciliation of deferred tax asset \ (liability)

At beginning of year	31 861 708	4 636 237	-	-
Tax available to set off against future taxable income	(144 615)	1 575 443	-	-
Movement on tax on income received in advance	(3 262)	(4 688)	-	-
Movement on tax on assessed loss	3 093 829	(1 433 893)	-	-
Provisions - due to transfer of functions	-	358 628	-	-
Movements on provisions	344 536	-	-	-
Investment property - market value different to book value transferred - due to transfer of functions	(50 227 649)	19 819 866	-	-
Investment property - buildings - due to transfer of functions	-	594 418	-	-
Provision for interest on deposit - due to transfer of functions	20 874	129 106	-	-
Property, plant and equipment	(221 693)	-	-	-
Operating lease liability	22 591	-	-	-
Assessable loss	(9 838 231)	3 892 266	-	-
Allowance for impairment	(4 374 797)	2 294 325	-	-
	(29 466 709)	31 861 708	-	-

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
9. Long-term receivables				
Long-term receivables	7 957 348	11 324 145	5 047 761	8 819 367
Impairment allowance	(1 923 381)	(1 928 736)	(1 923 381)	(1 928 736)
	6 033 967	9 395 409	3 124 380	6 890 631

The long-term receivables comprises of:

Rental deposits made	R1,220,747	R1,081,293
Housing schemes	R1,903,633	R1,928,736
ERPM debtor	R 0	R3,880,602

10. Inventories

Inventories Bedfordview Stanford Gardens	-	4 856 400	-	-
Inventories Bedfordview Tennis Court	-	5 790 280	-	-
Other inventories	-	254 029	-	-
Electrical consumables	114 635 462	131 435 613	114 635 462	131 435 613
Cleansing consumables	475 795	389 279	475 795	389 279
Consumable stores	1 325 306	1 949 847	1 325 306	1 949 847
Maintenance materials	7 351 207	5 026 834	7 351 207	4 911 659
Water consumables	4 602 446	3 593 452	4 602 446	3 593 452
Water inventory	9 159 565	8 185 491	9 159 565	8 185 491
Land held as inventory for development	384 599 186	198 797 551	384 599 186	198 797 551
Food and beverage	26 603	20 529	26 603	20 529
Fleet and transport consumables	641 097	1 154 096	641 097	1 154 096
Fuel (diesel, petrol)	5 385 934	4 598 413	5 385 934	4 598 413
	528 202 601	366 051 814	528 202 601	355 035 930
Provision for obsolete Inventories	(494 343)	(117 876)	(494 343)	(117 876)
	527 708 258	365 933 938	527 708 258	354 918 054

Land inventory sold during the year and recognised as an expense R0 (2016: R0).

Inventory written down due to redundancy/obsolescence is valued at R494,343 (2016: R117,876) by way of a provision for obsolete inventories.

The provision for obsolete inventories amounting to R494,343 consists of:

Consumable items	R494,343
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Capital spares bought as part of capital project expenditure, were transferred to inventory during the year, as follows: water R626,399 and electricity R26,471,732 (2016: water R3,443,121 and electricity R8,764,239). Land transferred from property, plant and equipment amounts to R168,281,634 (2016: R65,066,341).

11. Other investments

At cost

Unlisted shares	4 000 000	4 000 000	4 000 000	4 000 000
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At fair value

Old Mutual and Sanlam	8 119 485	8 513 935	-	-
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At amortised cost

Investments	1 465 927 738	1 238 851 281	1 465 927 738	1 238 851 281
These investments have varying interest rates as well as varying maturity dates.				

Total other investments	1 478 047 223	1 251 365 216	1 469 927 738	1 242 851 281
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Non-current assets

At cost	4 000 000	4 000 000	4 000 000	4 000 000
At amortised cost	1 349 011 092	1 091 830 622	1 349 011 092	1 091 830 622
	1 353 011 092	1 095 830 622	1 353 011 092	1 095 830 622

City of Ekurhuleni

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
11. Other investments (continued)				
Current assets				
At fair value	8 119 485	8 513 935	-	-
At amortised cost	116 916 646	147 020 659	116 916 646	147 020 659
	125 036 131	155 534 594	116 916 646	147 020 659
	1 478 047 223	1 251 365 216	1 469 927 738	1 242 851 281

Residual interest at cost

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

The carrying amount of these financial instruments is as follows:

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

The company's financial statements used were audited results for 2013 and no financial information was received for financial years ending 2014, 2015, 2016 and 2017.

The company's equity amounted to R622,854,485 represented by share capital of R5,201,000, reserves of R165,755,503 as well as retained income of R299,397,521 as at 28 February 2013.

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

There were no gains or losses realised on the disposal of held to maturity financial assets in 2016 and 2017, as all the financial assets will be disposed of at their redemption date.

Investments with a carrying value of R1,349,011,092 (2016: R1,091,626,114) are held with the top five banks in South Africa for the repayment of long term liabilities with a carrying value of R2,415,000,000 (2016: R2,415,000,000) as disclosed in the long-term liabilities note (note 17). 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 (as determined by rating agencies) available, or to historical information about counterparty default rates. Investments are only made with South African top five banks.

12. Other receivables from exchange transactions

Trade receivables	13 519 505	20 714 745	-	-
Pre-paid electricity 3rd party vendors	78 193 986	56 270 138	77 919 343	56 270 138
Other receivables	335 278 800	309 379 345	324 977 681	320 023 127
VAT accruals on outstanding creditors	467 807 881	455 195 546	467 807 881	455 195 546
VAT receivables	88 337 497	101 664 849	68 476 162	78 769 367
Operating lease straightline	818 657	315 233	818 657	315 233
Allowance for impairment	(64 949 379)	(65 967 731)	(55 042 372)	(55 042 372)
	919 006 947	877 572 125	884 957 352	855 531 039

Credit quality of trade and other receivables

In determining the recoverability of other receivables, the City considers any change in the credit quality of other receivables from the date on which the credit was initially granted up to the reporting date.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
13. Other receivables from non-exchange transactions				
Traffic fines	116 803 548	65 448 962	116 803 548	65 448 962
Impairment loss - traffic fines	(76 400 238)	(35 996 929)	(76 400 238)	(35 996 929)
	40 403 310	29 452 034	40 403 310	29 452 034

Credit quality of other receivables from non-exchange transactions

In determining the recoverability of other receivables, the City considers any change in the credit quality of other receivables from the date on which the credit was initially granted up to the reporting date.

14. Consumer debtors

Gross balances

Rates	1 854 106 101	1 726 987 299	1 854 106 101	1 726 987 299
Electricity	3 917 895 017	3 407 843 435	3 917 895 017	3 407 843 435
Water	4 626 721 850	3 924 609 271	4 626 721 850	3 924 609 271
Waste water	1 344 297 738	1 157 200 780	1 344 297 738	1 157 200 780
Refuse	1 302 883 073	1 049 733 113	1 302 883 073	1 049 733 113
Other	113 687 823	92 531 673	113 687 823	92 531 673
Interest and sundries	2 075 746 903	1 863 732 323	2 075 746 903	1 863 732 323
	15 235 338 505	13 222 637 894	15 235 338 505	13 222 637 894

Less: Allowance for impairment

Rates	(1 284 528 042)	(1 159 304 276)	(1 284 528 042)	(1 159 304 276)
Electricity	(1 684 192 149)	(663 745 195)	(1 684 192 149)	(663 745 195)
Water	(3 479 038 927)	(2 746 320 416)	(3 479 038 927)	(2 746 320 416)
Waste water	(1 011 854 231)	(817 762 838)	(1 011 854 231)	(817 762 838)
Refuse	(1 065 236 361)	(898 226 959)	(1 065 236 361)	(898 226 959)
Other	(109 930 386)	(92 919 385)	(109 930 386)	(92 919 385)
Interest and sundries	(1 821 970 299)	(1 587 972 015)	(1 821 970 299)	(1 587 972 015)
	(10 456 750 395)	(7 966 251 084)	(10 456 750 395)	(7 966 251 084)

Net balance

Rates	569 578 059	567 683 023	569 578 059	567 683 023
Electricity	2 233 702 868	2 744 098 240	2 233 702 868	2 744 098 240
Water	1 147 682 923	1 178 288 855	1 147 682 923	1 178 288 855
Waste water	332 443 507	339 437 942	332 443 507	339 437 942
Refuse	237 646 712	151 506 154	237 646 712	151 506 154
Other	3 757 437	(387 712)	3 757 437	(387 712)
Interest and sundries	253 776 604	275 760 308	253 776 604	275 760 308
	4 778 588 110	5 256 386 810	4 778 588 110	5 256 386 810

Included in above is receivables from exchange transactions

Electricity	2 233 702 868	2 744 098 240	2 233 702 868	2 744 098 240
Water	1 147 682 922	1 178 288 855	1 147 682 922	1 178 288 855
Waste water	332 443 507	339 437 942	332 443 507	339 437 942
Refuse	237 646 712	151 506 154	237 646 712	151 506 154
Housing rental	3 757 437	(387 712)	3 757 437	(387 712)
Other	253 776 604	275 760 308	253 776 604	275 760 308
	4 209 010 050	4 688 703 787	4 209 010 050	4 688 703 787

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

Rates	569 578 060	567 683 023	569 578 060	567 683 023
Net balance	4 778 588 110	5 256 386 810	4 778 588 110	5 256 386 810

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
14. Consumer debtors (continued)				
Rates				
Current (0 - 30 days)	280 019 274	267 146 062	280 019 274	267 146 062
31 - 60 days	80 330 503	77 102 214	80 330 503	77 102 214
61 - 90 days	70 190 664	56 677 432	70 190 664	56 677 432
91 days and more	1 423 565 660	1 326 061 590	1 423 565 660	1 326 061 590
	1 854 106 101	1 726 987 298	1 854 106 101	1 726 987 298
Electricity				
Current (0 - 30 days)	2 409 125 037	2 053 110 351	2 409 125 037	2 053 110 351
31 - 60 days	120 258 604	125 975 629	120 258 604	125 975 629
61 - 90 days	52 732 900	68 824 690	52 732 900	68 824 690
91 - 120 days	1 335 778 475	1 159 932 765	1 335 778 475	1 159 932 765
	3 917 895 016	3 407 843 435	3 917 895 016	3 407 843 435
Water				
Current (0 - 30 days)	625 249 512	581 621 831	625 249 512	581 621 831
31 - 60 days	138 599 341	142 687 780	138 599 341	142 687 780
61 - 90 days	132 988 181	122 436 132	132 988 181	122 436 132
91 - 120 days	3 729 884 815	3 077 863 508	3 729 884 815	3 077 863 508
	4 626 721 849	3 924 609 251	4 626 721 849	3 924 609 251
Waste water				
Current (0 - 30 days)	183 343 354	179 236 692	183 343 354	179 236 692
31 - 60 days	40 421 244	40 367 938	40 421 244	40 367 938
61 - 90 days	39 874 981	33 127 240	39 874 981	33 127 240
91 - 120 days	1 080 658 158	904 468 910	1 080 658 159	904 468 910
	1 344 297 737	1 157 200 780	1 344 297 738	1 157 200 780
Refuse				
Current (0 - 30 days)	81 341 537	71 882 010	81 341 537	71 882 010
31 - 60 days	42 419 638	36 133 193	42 419 638	36 133 193
61 - 90 days	47 435 478	31 111 495	47 435 478	31 111 495
91 - 120 days	1 131 686 420	910 606 415	1 131 686 420	910 606 415
	1 302 883 073	1 049 733 113	1 302 883 073	1 049 733 113
Housing rental				
Current (0 - 30 days)	1 590 494	1 354 425	1 590 494	1 354 425
31 - 60 days	2 166 944	1 867 350	2 166 944	1 867 350
61 - 90 days	2 103 913	1 790 558	2 103 913	1 790 558
91 - 120 days	107 826 472	87 219 351	107 826 472	87 219 351
	113 687 823	92 231 684	113 687 823	92 231 684
Other (specify)				
Current (0 - 30 days)	76 341 956	67 334 414	76 341 956	67 334 414
31 - 60 days	39 246 816	54 651 449	39 246 816	54 651 449
61 - 90 days	42 544 135	56 218 457	42 544 135	56 218 457
91 - 120 days	1 917 613 997	1 685 412 265	1 917 613 997	1 685 412 265
	2 075 746 904	1 863 616 585	2 075 746 904	1 863 616 585

The total debtors for June 2017 includes a total of R1,744,733,580 (2016:R1,631,135,757) in respect of the value of revenue emanating from various meter reading cut-off dates at year end. This is an annual occurrence and is adjusted at every financial year-end.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
14. Consumer debtors (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 - 30 days)	1 387 413 788	1 184 249 811	1 387 413 788	1 184 249 811
31 - 60 days	289 850 616	295 458 242	289 850 616	295 458 242
61 - 90 days	291 449 631	253 935 811	291 449 631	253 935 811
91 - 120 days	8 490 369 114	7 106 340 945	8 490 369 114	7 106 340 945
	10 459 083 149	8 839 984 809	10 459 083 149	8 839 984 809
Less: Allowance for impairment	(8 191 795 785)	(6 361 589 874)	(8 191 795 785)	(6 361 589 874)
	2 267 287 364	2 478 394 935	2 267 287 364	2 478 394 935
Industrial/ commercial				
Current (0 - 30 days)	2 077 615 576	1 866 694 041	2 077 615 576	1 866 694 041
31 - 60 days	153 988 250	162 163 265	153 988 250	162 163 265
61 - 90 days	82 276 639	97 972 871	82 276 639	97 972 871
91 - 120 days	1 842 464 065	1 680 058 179	1 842 464 065	1 680 058 179
	4 156 344 530	3 806 888 356	4 156 344 530	3 806 888 356
Less: Allowance for impairment	(2 029 431 285)	(1 073 477 972)	(2 029 431 285)	(1 073 477 972)
	2 126 913 245	2 733 410 384	2 126 913 245	2 733 410 384
National and provincial government				
Current (0 - 30 days)	95 705 033	67 214 273	95 705 033	67 214 273
31 - 60 days	11 265 696	13 615 445	11 265 696	13 615 445
61 - 90 days	6 945 910	11 194 628	6 945 910	11 194 628
91 - 120 days	60 666 169	118 987 757	60 666 169	118 987 757
	174 582 808	211 012 103	174 582 808	211 012 103
Less: Allowance for impairment	(75 202 612)	(90 041 907)	(75 202 612)	(90 041 907)
	99 380 196	120 970 196	99 380 196	120 970 196
Total				
Current (0 - 30 days)	3 657 011 164	3 201 043 835	3 657 011 164	3 201 043 835
31 - 60 days	463 443 091	478 785 573	463 443 091	478 785 573
61 - 90 days	387 870 252	370 186 003	387 870 252	370 186 003
91 - 120 days	10 727 013 997	9 172 622 484	10 727 013 997	9 172 622 484
	15 235 338 504	13 222 637 895	15 235 338 504	13 222 637 895
Less: Allowance for impairment	(10 456 750 394)	(7 966 251 085)	(10 456 750 394)	(7 966 251 085)
	4 778 588 110	5 256 386 810	4 778 588 110	5 256 386 810
Less: Allowance for impairment				
31 - 60 days	(247 487 411)	(492 828 903)	(247 487 411)	(492 828 903)
61 - 90 days	(124 541 060)	(174 432 271)	(124 541 060)	(174 432 271)
91 - 120 days	(212 768 399)	(255 835 672)	(212 768 399)	(255 835 672)
121 - 365 days	(9 871 953 525)	(7 043 154 238)	(9 871 953 525)	(7 043 154 238)
	(10 456 750 395)	(7 966 251 084)	(10 456 750 395)	(7 966 251 084)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(7 966 251 084)	(9 144 328 715)	(7 966 251 084)	(9 144 328 715)
Contributions to allowance	(1 438 672 537)	(1 447 471 856)	(1 438 672 537)	(1 447 471 856)
Debt impairment written off against allowance	658 140 959	2 625 549 487	658 140 959	2 625 549 487
Additional allowance	(1 709 967 733)	-	(1 709 967 733)	-
	(10 456 750 395)	(7 966 251 084)	(10 456 750 395)	(7 966 251 084)

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

14. Consumer debtors (continued)

Credit quality of consumer debtors

In determining the recoverability of a receivable, the City considers any change in the credit quality of the receivable from the date on which the credit was initially granted, up to the reporting date. The concentration of credit risk is limited but take into consideration the repayments trends and collections rate, as the customer base is large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Consumer debtors past due but not impaired

At 30 June 2017, consumer debtors of R4,778,588,110 (2016:R5,591,557,713) were past due but not impaired.

30 Days	3 409 523 753	2 708 214 932	3 409 523 753	2 708 214 932
60 Days	338 902 031	304 353 302	338 902 031	304 353 302
90 Days	175 101 853	114 350 331	175 101 853	114 350 331
90+ Days	855 060 473	2 464 639 148	855 060 473	2 464 639 148

Consumer debtors impaired

As at 30 June 2017, consumer debtors of R10,456,750,395 (2016:R7,631,080,182) were impaired and provided for.

The ageing of these consumer debtors is as follows:

30 Days	247 487 411	492 828 903	247 487 411	492 828 903
60 Days	124 541 060	174 432 271	124 541 060	174 432 271
90 Days	212 768 399	255 835 672	212 768 399	255 835 672
90+ Days	9 871 953 525	6 707 983 336	9 871 953 525	6 707 983 336

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	563 725	564 398	534 384	533 546
Bank balances	5 987 118 042	8 290 410 635	5 809 419 162	7 972 052 689
Short-term deposits	13 140 667	16 086 726	-	-
	6 000 822 434	8 307 061 759	5 809 953 546	7 972 586 235

The City has provided bank guarantees to the amount of R26,074,874 (2016: 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.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
15. Cash and cash equivalents (continued)				
ABSA				
ABSA - Income Alberton	(22 284)	7 057 185	(22 284)	7 057 185
ABSA - Direct banking Alberton	-	133 498	-	133 498
ABSA - Income Benoni	17 400 298	(2 565 901)	17 400 298	(2 565 901)
ABSA - Direct banking Benoni	(158 927)	(950 604)	(158 927)	(950 604)
MASK Account Benoni	(359 284)	(108 500)	(359 284)	(108 500)
ABSA - Income Boksburg	8 585 659	(887 894)	8 585 659	(887 894)
ABSA - Direct banking KL Boksburg	(1 163 974)	(600 310)	(1 163 974)	(600 310)
ABSA - Direct Banking Bt Boksburg	391 441	(14 932)	391 441	(14 932)
ABSA - Income Brakpan	1 939 100	(107 194)	1 939 100	(107 194)
Pre paid sales account Brakpan	(409 500)	1 159 650	(409 500)	1 159 650
ABSA - Income Germiston	15 193 654	-	15 193 654	-
ABSA - Direct banking Germiston	(148 287)	(3 157 237)	(148 287)	(3 157 237)
ABSA - Income account Kempton Park	(4 864 505)	(7 925 460)	(4 864 505)	(7 925 460)
ABSA - Direct banking Kempton Park	8 280 002	(368 673)	8 280 002	(368 673)
ABSA - Direct banking Lethabong	(74 998)	(2 887 250)	(74 998)	(2 887 250)
ABSA - Income Lethabong	2 817 582	366 883	2 817 582	366 883
ABSA - Income Nigel	10 495 200	(1 018 662)	10 495 200	(1 018 662)
ABSA - Income Springs	18 092 938	(254 247)	18 092 938	(254 247)
ABSA - Direct banking Springs	(106 327)	(1 193 461)	(106 327)	(1 193 461)
ABSA - Market account	1 134 982	1 134 982	1 134 982	1 134 982
ABSA - EFF Account (ex CLF)	158	217 432	158	217 432
ABSA - C R R Account (ex CDF)	1 489	1 677 694	1 489	1 677 694
ABSA - Primary bank account (ex from revenue)	10 116 607	94 521 092	10 116 607	94 521 092
ABSA - Salary account	(30 146)	29 382 719	(30 146)	29 382 719
ABSA - Treasury account	795 431 120	2 180 193 827	279 948 478	2 180 193 827
ABSA - Expenditure imprest account	(2 755 900)	37 235 936	(2 755 900)	37 235 936
ABSA - USDG Account	953	1 092 668	953	1 092 668
ABSA - Housing account	106	167 649	106	167 649
ABSA- Solid Waste account	344 680	-	344 680	-
Short Term Deposits at various institutions with dates within 3 months	1 065 997 148	2 018 632 968	1 065 997 148	2 018 632 968
Lease bank account	240 439	-	240 439	-
Petty Cash and Floats	563 725	533 546	534 384	533 546
ABSA - Traffic fines collection	(48 395)	(16 144)	(48 395)	(16 144)
STANDARD BANK- Mask account	208 617 356	96 803 199	208 617 356	96 803 199
FNB Musk account	158 146 694	87 103 922	158 146 694	87 103 922
NEDBANK MASK ACCOUNT	272 186 670	58 665 944	272 186 670	58 665 944
E-Siyakhokha Mask Account	15 532 682	105 782 607	15 532 682	105 782 607
EMM Salary Account - Nedbank	78 518 001	58 581 982	78 518 001	58 581 982
EMM Expenditure Account - Nedbank	94 832 121	99 554 808	94 832 121	99 554 808
EMM Treasury account - Nedbank	1 397 123 715	94 421 205	1 397 123 715	94 421 205
EMM USDG Account - Nedbank	602 935 872	1 070 309 442	602 935 872	1 070 309 442
EMM Housing Account - Nedbank	49 486 602	112 773 344	49 486 602	112 773 344
EMM Depreciation Reserve Account - Nedbank	628 072 497	1 383 473 019	628 072 497	1 383 473 019
EMM External Funding Fund - Nedbank	31 252 458	162 605 459	31 252 458	162 605 459
EMM Primary Bank Account - Nedbank	248 585 282	233 131 247	248 585 282	233 131 247
EMM Springs Market Account - Nedbank	660 365	1 204 009	660 365	1 204 009
EMM Traffic Fines Collection Account - Nedbank	406 025	52 559	406 025	52 559
EMM License Account - Nedbank	5 722 870	5 022 874	5 722 870	5 022 874
EMM Disaster Relief Fund - Nedbank	1 584	1 584	1 584	1 584
EMM Income Alberton - Nedbank	3 995 416	(1 298 373)	3 995 416	(1 298 373)
EMM Direct banking Alberton - Nedbank	748 452	398 289	748 452	398 289
EMM Direct Banking Benoni - Nedbank	2 272 020	1 065 857	2 272 020	1 065 857
EMM Income Benoni - Nedbank	10 347 523	11 211 907	10 347 523	11 211 907
EMM Siyakhokha - Nedbank	25 617	18 401	25 617	18 401
EMM Tender Income Account - Nedbank	-	1 750	-	1 750
EMM Income Boksburg - Nedbank	5 986 732	5 342 618	5 986 732	5 342 618
EMM Direct Banking Boksburg - Nedbank	1 559 447	971 068	1 559 447	971 068
EMM Prepaid Sales Account - Nedbank	5 845 536	-	5 845 536	-
EMM Direct Banking Brakpan - Nedbank	229 303	4 781 783	229 303	4 781 783
EMM Income Brakpan - Nedbank	1 239 472	4 401 927	1 239 472	4 401 927
EMM Direct Banking Edenvale - Nedbank	766 467	567 128	766 467	567 128
EMM Income Edenvale - Nedbank	1 822 878	7 061 956	1 822 878	7 061 956
EMM Direct Banking Germiston - Nedbank	3 206 066	2 636 583	3 206 066	2 636 583

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
15. Cash and cash equivalents (continued)				
EMM Income Germiston - Nedbank	6 229 948	5 251 978	6 229 948	5 251 978
EMM Direct Banking Kempton Park - Nedbank	1 629 467	925 328	1 629 467	925 328
EMM Income Kemton Park - Nedbank	6 930 586	2 622 519	6 930 586	2 622 519
EMM Direct Banking Nigel - Nedbank	221 763	237 215	221 763	237 215
EMM Income Nigel - Nedbank	795 155	517 330	795 155	517 330
EMM Library Account - Nedbank	(85 770)	(277 839)	(85 770)	(277 839)
EMM Direct Banking Springs - Nedbank	14 225 820	1 587 618	14 225 820	1 587 618
EMM Income Springs - Nedbank	3 025 441	3 622 728	3 025 441	3 622 728
Sweeping Accounts	-	30 853	515 482 642	-
Lethabong Housing Institute (LHI)	-	317 992	-	-
Call deposits - entities	3 404 621	20 003 850	-	-
Germiston Phase II Housing Company (Phase II)	17 063 910	7 662 779	-	-
East Rand Water Care Company (ERWAT)	157 760 502	305 333 231	-	-
Brakpan Bus Company (BBC)	12 610 514	1 126 819	-	-
	6 000 822 434	8 307 061 759	5 809 953 546	7 972 586 235

The entity had the following bank accounts

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity			Controlling entity		
	2017	2016		2017	2016	
15. Cash and cash equivalents (continued)						
Account number/ description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA BANK - Income Alberton-111-841-0641	(22 284)	7 057 185	-	(22 284)	7 057 185	4 899 969
ABSA BANK - Direct Banking Alberton - 111-840-0646	-	133 498	-	-	133 498	12 294
ABSA BANK - Income Benoni - 4055327394	17 400 298	(2 565 901)	-	17 400 298	(2 565 901)	3 877 355
ABSA BANK - Direct Banking Benoni - 4055328015	-	(950 604)	-	(158 927)	57 715 340	385 437
ABSA BANK - Mask Account Benoni - 4065622380	-	(108 500)	-	(359 284)	(108 500)	(49 068)
ABSA BANK - Income Boksburg - 230000069	8 369 516	(887 894)	-	8 585 659	(887 894)	3 533 203
ABSA BANK - Direct Banking KL Boksburg - 230000220	-	(600 310)	-	(1 163 974)	(600 310)	(1 421 083)
ABSA BANK - Direct Banking BT Boksburg - 230000255	499 391	(14 932)	-	391 441	(14 932)	(111 835)
ABSA BANK - Income Brakpan - 240000024	2 057 691	(107 194)	-	1 939 100	(107 194)	557 618
ABSA BANK - Prepaid sales account Brakpan-240159392	182 810	1 159 650	-	(409 500)	1 159 650	403 560
ABSA BANK - Income Germiston - 2500002277	15 193 654	-	-	15 193 654	-	4 385 649
ABSA BANK - Direct banking Germiston - 250000804	-	(3 157 237)	-	(148 287)	(3 157 237)	(1 904 722)
ABSA BANK - Direct banking Kempton Park - 260181599	8 280 002	(368 673)	-	8 280 002	(368 673)	710 360
ABSA BANK - Income Kempton Park - 260000004	-	(7 925 460)	-	(4 864 505)	(7 925 460)	1 191 868
ABSA BANK - Income Lethabong - 4055442546	2 817 582	366 883	-	2 817 582	366 883	552 667
ABSA BANK - Direct banking Lethabong - 4055442596	-	(2 887 250)	-	(74 998)	(2 887 250)	(735 049)
ABSA BANK - Income Nigel - 270000010	10 584 320	(1 018 662)	-	10 495 200	(1 018 660)	(5 253 505)
ABSA BANK - Income Springs - 280000051	18 092 938	(1 193 461)	-	18 092 938	(1 193 461)	(5 356 721)
ABSA BANK - Direct Springs - 280000094	-	(254 247)	-	(106 327)	(254 247)	940 800
ABSA BANK - Fresh Produce Market - 1135470160	882 345	-	1 390 118	1 134 982	1 134 982	1 134 982
ABSA BANK - Lease Account 4075756252	240 375	-	-	240 439	-	-
ABSA BANK - EFF account (ex CLF) - 4053834321	158	217 432	495 870 551	158	217 432	495 870 551
ABSA BANK - C R R account (ex CDF) - 4053834779	1 489	1 677 694	1 180 123 031	1 489	1 677 694	1 180 123 031
ABSA BANK - Primary bank Acc - 4053835084	10 116 607	94 521 092	220 568 237	10 116 607	94 521 092	220 568 237
ABSA BANK - Salary account - 4055571973	(30 145)	29 382 719	44 043 149	(30 146)	29 382 719	41 946 950
ABSA BANK - Treasury account - 4055571931	795 431 120	2 180 193 827	4 081 218 331	795 431 120	2 180 193 827	4 081 218 331
ABSA BANK - Expenditure imprest acc - 4055571915	3 120	37 208 459	665 935 624	(2 755 900)	37 235 936	382 439 041
ABSA BANK - USDG account - 4055571884	953	1 092 668	973 802 020	953	1 092 668	973 802 020
ABSA BANK - Housing account - 4055571842	106	167 649	36 994 366	106	167 649	36 994 366
ABSA Capital Account (DBSA)	-	-	200 274 177	-	-	200 274 177
EMM Traffic fines 4072777706	-	(16 144)	-	(48 395)	(16 144)	600
ABSA BANK - Guarantee account - FNB Mask account 62379403745	-	-	-	-	-	475 133
Petty Cash and Floats	164 327 195	87 103 922	44 611 734	158 146 694	87 103 922	44 611 734
	-	-	-	534 384	533 546	551 171

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity				
	2017	2016	2017	2016			
15. Cash and cash equivalents (continued)							
Short term deposit Nedbank	1 025 120 844	2 018 632 968	-	1 025 120 895	2 018 495 890	-	-
Short Term deposit Landbank	40 735 389	-	-	40 735 389	-	-	-
Short term deposit Sanlam	140 915	137 077	-	140 915	137 077	-	133 845
Standard bank mask account	208 619 384	96 803 199	28 830 960	208 617 356	96 803 199	28 832 786	-
E-Siyakhokha Mask Account	15 497 560	105 782 607	-	15 532 682	105 782 607	-	-
Nedbank Income Alberton	1 427 525	(1 298 373)	-	3 995 416	(1 298 373)	-	-
Nedbank Direct banking Alberton	748 452	398 289	-	748 452	398 289	-	-
Nedbank Direct banking Benoni	2 275 441	1 065 857	-	2 272 020	1 065 857	-	-
Nedbank Income Benoni	6 110 298	11 211 907	-	10 347 523	11 211 907	-	-
Nedbak Income Boksburg	-	5 342 618	-	5 986 732	5 342 618	-	-
Nedbank Direct banking Boksburg	1 640 627	971 068	-	1 559 447	971 068	-	-
Nedbank Direct banking Brakpan	614 381	4 781 783	-	229 303	4 781 783	-	-
Nedbank Income Brakpan	229 303	4 401 927	-	1 239 472	4 401 927	-	-
Nedbank Direct banking Edenvale	806 448	567 128	-	766 467	567 128	-	-
Nedbank Income Edenvale	767 017	7 061 956	-	1 822 878	7 061 956	-	-
Nedbank Direct banking Germiston	3 206 066	2 636 583	-	3 206 066	2 636 583	-	-
Nedbank Income Germiston	3 386 422	5 251 978	-	6 229 948	5 251 978	-	-
Nedbank Di banking Kempton Park	1 694 500	925 328	-	1 629 467	925 328	-	-
Nedbank Income Kempton Park	3 120 210	2 622 519	-	6 930 586	2 622 519	-	-
Nedbank direct banking Nigel	413 603	237 215	-	221 763	237 215	-	-
Nedbank Income Nigel	619 381	517 330	-	795 155	517 330	-	-
Nedbank Direct banking Springs	1 840 820	1 587 618	-	14 225 820	1 587 618	-	-
Nedbank Income Springs	14 225 820	3 622 728	-	3 025 441	3 622 728	-	-
Nedbank Library account	-	(277 839)	-	(85 770)	(277 839)	-	-
Nedbank Salary account	79 560 184	58 581 982	-	78 518 001	58 581 982	-	-
Nedbank Expenditure account	144 740 321	99 554 808	-	94 832 121	99 554 808	-	-
Nedbank Treasury account	1 397 123 715	94 421 205	-	1 397 123 715	94 421 205	-	-
Nedbank USDG account	602 935 872	1 070 309 442	-	602 935 872	1 070 309 442	-	-
Nedbank Housing account	49 486 602	112 773 344	-	49 486 602	112 773 344	-	-
Nedbank Depreciation Reserve account	628 072 497	1 383 473 019	-	628 072 497	1 383 473 019	-	-
Nedbank External Funding Fund	31 252 458	162 605 459	-	31 252 458	162 605 459	-	-
Nedbank Primary Bank account	248 585 282	233 131 247	-	248 585 282	233 131 247	-	-
Nedbank Springs Market account	1 420 209	1 204 009	-	660 365	1 204 009	-	-
Nedbank Traffic Fines account	406 025	52 559	-	406 025	52 559	-	-
Nedbank License account	5 722 870	5 022 874	-	5 722 870	5 022 874	-	-
Nedbank Disaster Relief Fund	1 584	1 584	-	1 584	1 584	-	-
Nedbank E-Siyakhokha	69 417	18 401	-	25 617	18 401	-	-
Nedbank Tender account	-	1 750	-	-	1 750	-	-
Nedbank Mask account	272 298 004	-	6 258 868	272 186 670	-	6 255 494	-
Nedbank Pre paid account	5 845 535	-	-	5 845 536	-	-	-
Nedbank Solid Waste account	344 680	-	-	344 680	-	-	-
(BBC) ABSA Money market account - 9193942873	12 224 756	8 641 175	1 979 488	12 224 756	8 641 175	1 979 488	-
(BBC) Current account - 4052643454	366 052	1 947 750	1 947 750	385 785	1 126 819	2 025 064	-
(EHC) ABSA Current account - 4055919492	581 158	413 392	-	581 158	413 392	-	-
(ERWAT) ABSA Current account - 260170139	157 714 415	302 802 058	81 431 231	157 367 173	302 802 058	81 431 231	-
(ERWAT) Salary account - 260 170 139	393 329	2 531 423	2 396 261	393 329	2 531 423	2 396 261	-
(EHC) ABSA Current account - 4052348660	1 184 520	7 102 625	4 308 708	1 184 520	7 102 625	4 308 708	-
(EHC) ABSA Call account - 4078340070	2 032 277	1 943 741	1 870 165	2 032 277	1 943 741	1 870 165	-
(EHC) ABSA Call account - 2071747815	4 678 197	7 248 863	12 383 324	4 678 197	7 248 863	12 383 324	-
(EHC) ABSA Call account - 2072805440	-	857 092	4 560 187	-	857 092	4 560 187	-
(EHC) ABSA Current account - 4050383636	2 157 565	146 762	-	2 157 565	146 762	-	-
(EHC) ABSA Cheque account - 4078340151	1 372 343	1 312 979	-	1 372 343	1 312 979	-	-
(EHC) ABSA Call account - 676886622010	8 462 389	-	-	8 462 389	-	-	-

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
15. Cash and cash equivalents (continued)				
Petty Cash and Floats	-	-	29 345	27 322
Total	6 046 701 903	8 247 309 223	6 000 822 434	8 306 744 018

16. Finance lease obligation

Minimum lease payments due

- within one year	238 932	350 540	-	-
- in second to fifth year inclusive	358 398	597 330	-	-
Present value of minimum lease payments	597 330	947 870	-	-
Non-current liabilities	358 398	597 330	-	-
Current liabilities	238 932	350 540	-	-
	597 330	947 870	-	-

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

The finance lease obligation relates to Incity Security (alarm system) and Fidelity Security (access control, electricity fencing and CCTV equipment).

17. Long-term liabilities

At amortised costs

Bank loans	1 414 247 444	1 618 930 534	821 188 802	1 001 596 904
Interest rates range from 7.0% to 11.68%. Redemption periods range from December 2018 to November 2029.				
Development Bank of South Africa	11 946 072	15 378 339	-	-
Interest rates as well as redemption periods are varying.				
Municipal bonds	4 250 869 337	4 434 065 798	4 250 869 337	4 434 065 798
Interest rates on the JSE COE bonds vary between 9.155% and 10.72 % per annum. Final redemption dates on these bonds vary between July 2020 and April 2029.				
	5 677 062 853	6 068 374 671	5 072 058 139	5 435 662 702

At amortised cost

Bank loan and municipal bonds	(457 960 854)	(419 128 045)	(402 710 089)	(384 807 233)
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Non-current liabilities

At amortised cost	5 219 101 999	5 649 246 626	4 669 348 050	5 050 855 469
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Current liabilities

At amortised cost	457 960 854	419 128 045	402 710 089	384 807 233
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Encumbered investments

Investments with a carrying value of R1,349,011,092 (2016: R1,091,626,115) are encumbered in respect of long term liabilities above with a carrying value of R2,415,000,000 (2016: R2,415,000,000) as disclosed in the other investments note (note 11). The amount of R2,415,000,000 consist of three bonds for which structured deposit sinking funds were established.

A new bond was raised for funding capital expenditure for the year ended 30 June 2017. However the proceeds of this bond was only received in the 2017/2018 financial year.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
18. Trade and other payables from exchange transactions				
Accrual for interest on external loans	97 502 714	94 972 920	97 502 709	94 972 920
Civil contracts	42 056 357	40 870 062	41 087 723	40 870 062
Lease rental payments liability	422 100	367 525	409 289	367 525
Licence fees	4 238 974	3 999 209	4 238 974	3 999 209
Maintenance guarantees: new township development infrastructure	4 672 071	4 367 067	4 672 071	4 367 067
VAT balance on outstanding debtors	804 473 358	1 215 238 994	804 414 738	1 215 238 994
Other payables	843 371 672	319 616 972	824 715 663	304 070 465
Receipts in advance	579 364 700	612 190 914	579 364 700	612 190 914
Retentions	461 398 199	374 051 915	461 398 199	374 051 915
Insurance: stated benefits and group accident for employees	102 020	33 437 917	-	33 437 917
Trade payables	3 878 163 899	3 963 567 073	3 902 440 331	3 938 604 449
Unclaimed salaries	8 764 353	5 559 396	7 058 356	5 559 392
	6 724 530 417	6 668 239 964	6 727 302 753	6 627 730 829

19. Deposits

Consumer deposits - electricity and water	807 025 549	750 847 367	807 025 549	750 847 367
Rental deposits held	4 258 192	3 441 115	-	-
	811 283 741	754 288 482	807 025 549	750 847 367

Guarantees in lieu of electricity and water deposits is R101,688,342 (2016:R85,893,377).

20. Unspent conditional grants and receipts

The unspent conditional grants and receipts relates to funds received for multi-year capital projects for which the funds are not yet spend at year end.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Operating Grants - Municipal Human Settlements Capacity	-	36 945 673	-	36 945 673
Operating Grants - Buntle Ke Botle	16 207	31 057	16 207	31 057
Research & Technology Development	-	184 664	-	184 664
Disaster Management Grant (Human Settle)	8 773	7 561 590	8 773	7 561 590
Operating Grants - Township Initiatives	888 620	2 291 932	888 620	2 291 932
Neighbour dev p/ship grt sch 5b	29 145 706	-	29 145 706	-
EPWP (public works)	2 076	-	2 075	-
WIFI Conectivity Grant	201 078	1 849 263	201 078	1 849 263
Operating Grants HSDG Accreditation	30 976 364	69 379 389	30 976 364	69 379 389
Capital Grants - USDG	21 713 359	291 205 074	21 713 359	291 205 074
Capital Grants - PTIS	29 884 181	22 085 435	29 884 181	22 085 435
Electricity Demand Side Management	107	191 513	107	191 513
Integrated City Development Grant	572 427	1 560 299	572 427	1 560 299
National Housing Fund	12 683 354	12 637 107	-	-
	126 092 252	445 922 996	113 408 897	433 285 889

Movement during the period

Balance at the beginning of the year	445 922 996	563 839 192	433 285 889	553 045 658
Additions during the year	6 880 020 083	6 498 603 018	6 861 608 434	6 493 214 775
Income recognition during the year	(6 848 491 355)	(6 615 674 961)	(6 836 096 417)	(6 612 130 291)
Unspend grants repaid	-	(261 708)	-	(261 708)
Appropriations	(351 359 472)	(582 545)	(345 389 009)	(582 545)
	126 092 252	445 922 996	113 408 897	433 285 889

See note 28 for reconciliation of all grants.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

21. Provisions

Reconciliation of provisions - Economic entity - 2017

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Total
COID provision	22 701 350	6 139 144	(1 690 198)	-	2 374 561	29 524 857
Other provisions	461 094	100 085	(25 535)	-	-	535 644
Bonus provision	76 990 172	36 224 425	(39 090 407)	-	-	74 124 190
Leave provision	353 457 772	166 368 740	(79 498 351)	-	-	440 328 161
Landfill rehabilitation provision	362 685 879	(9 090 694)	-	-	40 801 730	394 396 915
WCA provision	-	37 527 360	(30 110 064)	(7 417 296)	-	-
Long service awards	424 277 962	31 410 957	(56 970 835)	(25 713 155)	37 119 666	410 124 595
GMRF	137 046 109	-	(159 505 989)	-	22 459 880	-
	1 377 620 338	268 680 017	(366 891 379)	(33 130 451)	102 755 837	1 349 034 362

Reconciliation of provisions - Economic entity - 2016

	Opening Balance	Additions	Utilised during the year	Other adjustments	Unwinding of discount	Prior period error	Total
COID provision	24 606 470	-	(1 596 450)	(2 884 967)	2 576 297	-	22 701 350
Other provisions	1 324 208	5 218 172	(610 064)	(49 672)	-	(5 421 550)	461 094
Bonus provision	72 755 371	44 117 739	(9 091 601)	(30 791 337)	-	-	76 990 172
Leave provision	309 302 692	114 515 144	(70 326 371)	(33 693)	-	-	353 457 772
Landfill rehabilitation provision	302 573 696	28 432 717	-	-	31 679 466	-	362 685 879
WCA provision	12 490 935	32 356 196	(55 659 562)	10 812 431	-	-	-
Long service awards	396 032 201	30 261 067	(50 451 731)	14 649 943	33 786 482	-	424 277 962
GMRF	126 090 437	-	-	10 955 672	-	-	137 046 109
	1 245 176 010	254 901 035	(187 735 779)	2 658 377	68 042 245	(5 421 550)	1 377 620 338

Reconciliation of provisions - Controlling entity - 2017

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

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

21. Provisions (continued)

COID provision	22 701 350	6 139 144	(1 690 198)	-	2 374 561	29 524 857
Bonus provision	63 478 582	30 423 257	(38 124 670)	-	-	55 777 169
Leave provision	340 328 187	154 720 609	(73 454 476)	-	-	421 594 320
Landfill rehabilitation provision	362 685 879	(9 090 694)	-	-	40 801 730	394 396 915
WCA provision	-	37 527 360	(30 110 064)	(7 417 296)	-	-
Long service awards	424 277 962	31 410 957	(56 970 835)	(25 713 155)	37 119 666	410 124 595
GMRF	137 046 109	-	(159 505 989)	-	22 459 880	-
	1 350 518 069	251 130 633	(359 856 232)	(33 130 451)	102 755 837	1 311 417 856

Reconciliation of provisions - Controlling entity - 2016

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

Non-current liabilities	834 046 367	946 711 300	834 046 367	946 711 300
Current liabilities	514 987 995	430 909 038	477 371 489	403 806 769
	1 349 034 362	1 377 620 338	1 311 417 856	1 350 518 069

GMRF provision

The provision relates to claims against the City, 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

City of Ekurhuleni

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	2017	2016	2017	2016

21. Provisions (continued)

This provision is made for future expected outflows as a result of the City's obligation to contribute to the pension fund and medical expenses that were 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 is 10.46% (2016: 10.47%) and the inflation assumption used for the increase in expenses/contributions is 7.36% (2016: 6.0%).

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 10.46% (2016: 10.47%). 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 R0 (2016: increase of R28,432,717)

(Decrease)/ increase in the cost of property, plant and equipment (R9,090,694) (2016: increase of R28,432,717)

Amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset by R9,090,694 (2016: 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 2017, as well as 2016, has been performed by IAC Actuarial Consulting.

Discount rate used: 8.52% (2016: 9.36%)

CPI used: 6.32% (2016: 6.98%)

Salary increase rate used: 7.36% (2016: 7.98%)

City of Ekurhuleni

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	2017	2016	2017	2016

22. Employee benefit obligations

1. Retirement Funds

The City 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 City 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 City 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 the 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 31. 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 City of Ekurhuleni 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 the City of Ekurhuleni. The last actuarial valuation on this fund was performed in February 2011 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni 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 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni 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 the old rules taken in the rules of the fund. During 2005 GMRF outsourced the full administration of the pensioners component which relates to the old rules of the defined benefit fund.

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

2. Accrued Leave Pay

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

Retirement benefit obligation (medical aid plan)

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

An actuarial valuation was performed by ARCH Actuarial Consulting in the 2017 financial year and in the 2016 financial year, the actuarial valuation was performed by IAC Actuarial Consulting, for the controlling entity by applying the Projected Unit Funding method.

Pension benefits

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

City of Ekurhuleni

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
22. Employee benefit obligations (continued)				
Present value of the defined benefit obligation-wholly unfunded	(2 172 804 653)	(2 556 638 581)	(2 138 634 653)	(2 527 234 581)
Movements for the year				
Opening balance	(2 556 638 581)	(2 077 876 581)	(2 527 234 581)	(2 049 898 581)
Benefits paid	85 619 189	80 399 000	84 532 189	79 429 000
Net expense recognised in the statement of financial performance	298 214 739	(559 161 000)	304 067 739	(556 765 000)
	(2 172 804 653)	(2 556 638 581)	(2 138 634 653)	(2 527 234 581)
Net expense recognised in the statement of financial performance				
Current service cost	(101 049 000)	(71 249 000)	(99 968 000)	(70 275 000)
Interest cost	(244 689 000)	(183 488 000)	(241 700 000)	(180 994 000)
Actuarial gains/ (losses)	643 952 739	(304 424 000)	645 735 739	(305 496 000)
	298 214 739	(559 161 000)	304 067 739	(556 765 000)

Key assumptions used

Assumptions used on last valuation on Friday, 30 June 2017.

Discount rates used (controlling entity)	9,35 %	9,74 %	9,35 %	9,74 %
Health care cost inflation rate (controlling entity)	7,67 %	8,76 %	7,67 %	8,76 %

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	12%	12%
	40	8%	8%
	50	4%	4%
	>55	0%	0%

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

22. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Medical inflation (service cost and interest cost)	2 297 961 000	1 945 082 000	2 297 961 000	1 945 082 000
Medical inflation (liability)	301 384 100	249 181 400	301 384 100	249 181 400
Valuation interest rate (service cost and interest cost)	1 869 319 000	2 475 310 000	1 869 319 000	2 475 310 000
Valuation interest rate (liability)	(256 491 200)	(305 510 700)	(256 491 200)	(305 510 700)

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	(2 138 634 653)	(2 527 235 581)	(2 049 898 581)	(1 967 931 581)	(1 765 075 000)
Surplus/(deficit)	(2 138 643 653)	(2 527 235 581)	(2 049 898 581)	(1 967 931 581)	(1 765 075 000)
Experience adjustments on plan *	(234 450 000)	(271 494 000)	16 924 000	(73 044 000)	-

* Experience adjustments for the 2013 financial year is not available and therefore could not be disclosed

23. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	403 264 879	-	403 264 879
Consumer debtors	-	4 778 588 110	-	4 778 588 110
Cash and cash equivalents	-	6 000 822 434	-	6 000 822 434
Residual interest	8 119 485	-	4 000 000	12 119 485
Other investments	-	1 465 927 738	-	1 465 927 738
Long term receivables	-	6 033 967	-	6 033 967
	8 119 485	12 654 637 128	4 000 000	12 666 756 613

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5 340 270 259	5 340 270 259
Unspend conditional grants	126 092 252	126 092 252
Long term liabilities	5 677 062 853	5 677 062 853
Consumer deposits	811 283 741	811 283 741
	11 954 709 105	11 954 709 105

Economic entity - 2016

Financial assets

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

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Long term liabilities	6 068 374 671	6 068 374 671
Trade and other payables from exchange transactions	4 840 442 533	4 840 442 533
Unspent conditional grants	445 922 996	445 922 996
Consumer deposits	754 288 482	754 288 482
	12 109 028 682	12 109 028 682

Controlling entity - 2017

Financial assets

	At amortised cost	At cost	Total
Other receivables	389 076 619	-	389 076 619
Consumer debtors	4 778 588 110	-	4 778 588 110
Cash and cash equivalents	5 809 953 546	-	5 809 953 546
Other investments (listed and unlisted shares)	-	4 000 000	4 000 000
Other investments	1 465 927 738	-	1 465 927 738
Long term receivables	3 124 380	-	3 124 380
	12 446 670 393	4 000 000	12 450 670 393

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5 343 114 026	5 343 114 026
Unspent conditional grants	113 408 897	113 408 897
Long term liabilities	5 072 058 139	5 072 058 139
Consumer deposits	807 025 549	807 025 549
	11 335 606 611	11 335 606 611

Controlling entity - 2016

Financial assets

	At amortised cost	At cost	Total
Other receivables	351 018 160	-	351 018 160
Consumer debtors	5 256 386 810	-	5 256 386 810
Cash and cash equivalents	7 972 586 235	-	7 972 586 235
Other investments (listed and unlisted shares)	-	4 000 000	4 000 000
Other investments	1 238 851 284	-	1 238 851 284
Long term receivables	6 890 631	-	6 890 631
	14 825 733 120	4 000 000	14 829 733 120

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	4 799 933 396	4 799 933 396
Unspent conditional grants	433 285 889	433 285 889
Long term liabilities	5 435 662 702	5 435 662 702
Consumer deposits	750 847 367	750 847 367
	11 419 729 354	11 419 729 354

Financial instruments in Statement of financial performance

Economic entity - 2017

At amortised cost Total

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
Financial instruments disclosure (continued)				
Interest income (calculated using effective interest method) for financial instruments at amortised cost			859 129 876	859 129 876
Interest expense (calculated using effective interest method) for financial instruments at amortised cost			(973 690 305)	(973 690 305)
Impairment loss			(1 995 753 015)	(1 995 753 015)
			(2 110 313 444)	(2 110 313 444)

Economic entity - 2016

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1 106 580 621	1 106 580 621
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(903 326 558)	(903 326 558)
Impairment loss	(2 202 275 524)	(2 202 275 524)
	(1 999 021 461)	(1 999 021 461)

Controlling entity - 2017

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	840 997 188	840 997 188
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(901 847 024)	(901 847 024)
Impairment loss	(1 919 896 145)	(1 919 896 145)
	(1 980 745 981)	(1 980 745 981)

Controlling entity - 2016

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1 091 655 364	1 091 655 364
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(848 639 400)	(848 639 400)
Impairment loss	(2 144 070 708)	(2 144 070 708)
	(1 901 054 744)	(1 901 054 744)

24. Revenue

Rendering of services	9 158 743	10 403 970	-	-
Service charges	18 690 444 703	17 134 490 950	18 746 400 361	17 130 454 896
Rental of facilities and equipment	95 744 062	86 071 924	67 521 340	59 256 123
Interest earned - outstanding debtors	304 694 051	459 031 354	304 694 051	459 031 354
Income from agency services	282 273 625	276 375 456	282 218 826	276 375 456
Licences and permits	50 248 868	51 650 784	50 248 868	51 650 784
Other income	203 368 720	164 813 873	157 024 350	107 259 994
Interest revenue	554 435 825	647 549 267	536 303 137	632 624 010
Dividends received	554 648	149 705	-	-
Property rates	4 052 246 760	3 943 772 434	4 053 558 160	3 946 658 651
Property rates - penalties and collection charges	63 725 030	100 916 675	63 725 030	100 916 675
Government grants & subsidies	6 867 924 510	6 627 902 598	6 836 096 411	6 612 130 291
Public contributions and donations	-	53 457 399	-	53 457 399
Fines	282 428 172	218 443 438	282 428 172	218 443 438
	31 457 247 717	29 775 029 827	31 380 218 706	29 648 259 071

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
24. Revenue (continued)				
The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	18 690 444 703	17 134 490 950	18 746 400 361	17 130 454 896
Rendering of services	9 158 743	10 403 970	-	-
Rental of facilities and equipment	95 744 062	86 071 924	67 521 340	59 256 123
Interest earned - outstanding debtors	304 694 051	459 031 354	304 694 051	459 031 354
Income from agency services	282 273 625	276 375 456	282 218 826	276 375 456
Licences and permits	50 248 868	51 650 784	50 248 868	51 650 784
Other income	203 368 720	164 813 873	157 024 350	107 259 994
Interest revenue	554 435 825	647 549 267	536 303 137	632 624 010
Dividends received	554 648	149 705	-	-
	20 190 923 245	18 830 537 283	20 144 410 933	18 716 652 617

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

Taxation revenue				
Property rates	4 052 246 760	3 943 772 434	4 053 558 160	3 946 658 651
Property rates - penalties and collection charges	63 725 030	100 916 675	63 725 030	100 916 675
Transfer revenue				
Government grants & subsidies	6 867 924 510	6 627 902 598	6 836 096 411	6 612 130 291
Public contributions and donations	-	53 457 399	-	53 457 399
Fines	282 428 172	218 443 438	282 428 172	218 443 438
	11 266 324 472	10 944 492 544	11 235 807 773	10 931 606 454

25. Property rates

Rates received

Residential	2 674 287 438	2 431 974 039	2 674 287 438	2 431 974 039
Commercial	1 853 593 348	1 924 109 571	2 149 613 311	1 924 109 571
State	-	3 479 608	-	3 479 608
Municipal	49 025 622	29 192 022	49 025 622	29 192 022
Small holdings and farms	4 790 636	110 881 335	4 790 636	110 881 335
Vacant land	400 281 046	364 344 207	400 281 046	364 344 207
Other properties	52 326 842	51 393 424	52 326 842	51 393 424
Related entity elimination	(1 311 400)	(2 886 217)	-	-
Less: income forgone	(719 718 461)	(738 434 010)	(719 718 461)	(738 434 010)
Less: departmental rates	(261 028 311)	(230 281 545)	(557 048 274)	(230 281 545)
	4 052 246 760	3 943 772 434	4 053 558 160	3 946 658 651

Valuations (R'000)

Residential	252 263 289	250 379 647	252 263 289	250 379 647
Commercial	102 923 953	102 497 269	102 923 953	102 497 269
Provincial and National Government	5 306 358	5 248 130	5 306 358	5 248 130
Municipal	2 382 257	2 411 519	2 382 257	2 411 519
Small holdings and farms	5 673 638	5 653 681	5 673 638	5 653 681
Sectional title	45 174 845	43 317 097	45 174 845	43 317 097
Vacant land	11 850 536	10 992 047	11 850 536	10 992 047
Other	22 922 146	22 921 930	22 922 146	22 921 930
	448 497 022	443 421 320	448 497 022	443 421 320

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 outstanding account if paid after due date.

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
26. Service charges				
Sale of electricity	12 842 894 899	11 772 309 538	12 906 310 651	11 826 299 355
Sale of water	3 385 117 638	3 212 617 326	3 395 580 968	3 217 167 171
Solid waste	1 271 836 951	959 644 854	1 273 529 201	961 447 467
Sewerage and sanitation charges	1 129 288 034	1 119 046 610	1 109 672 360	1 054 668 281
Fresh produce market	13 459 218	17 460 391	13 459 218	17 460 391
Other service charges	47 847 963	53 412 231	47 847 963	53 412 231
	18 690 444 703	17 134 490 950	18 746 400 361	17 130 454 896

27. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	95 722 823	86 057 160	67 500 101	59 241 359
Rental of equipment	21 239	14 764	21 239	14 764
	95 744 062	86 071 924	67 521 340	59 256 123
	95 744 062	86 071 924	67 521 340	59 256 123

Included in the above rentals are operating lease rentals at straight-lined amounts of R6,892,567 (2016: R5,264,501) as well as contingent rentals of R18,545,810 (2016: R16,801,934).

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
28. Government grants and subsidies				
Operating grants				
Equitable share	2 381 366 993	2 181 182 000	2 381 366 993	2 181 182 000
Fuel levy	1 625 872 000	1 528 809 000	1 625 872 000	1 528 809 000
Ambulance subsidies	150 624 000	143 043 000	150 624 000	143 043 000
FMG	1 050 000	1 050 000	1 050 000	1 050 000
Accreditation Capacity Enhancement	-	154 001	-	154 001
HIV/AIDS	12 719 535	12 033 372	12 719 535	12 033 372
Township Initiatives	-	5 544 329	-	5 544 329
Seta	9 024 726	1 553 051	9 024 726	1 553 051
Disaster Grant	7 552 817	14 007 410	7 552 817	14 007 410
BKB	14 850	269 379	14 850	269 379
Health Subsidy	124 133 000	117 885 000	124 133 000	117 885 000
Integrated City Development	-	41 633 701	-	41 633 701
HSDG Accreditation	34 805 312	40 983 800	34 805 312	40 983 800
Municipal Human Settlements Capacity	7 156 000	27 050 545	7 156 000	27 050 545
USDG (Operational)	664 034 254	307 571 217	664 034 254	307 571 217
PTIS	780 079	28 454 712	780 079	28 454 712
EPWP	22 122 924	13 709 000	22 122 924	13 709 000
Research and Technology Development	184 664	38 336	184 664	38 336
Department of Transport	28 850 942	12 227 637	-	-
National housing fund	2 977 157	3 544 670	-	-
Libraries plan	6 198 620	-	6 198 620	-
	5 079 467 873	4 480 744 160	5 047 639 774	4 464 971 853
Capital grants				
INEP	40 000 000	49 754 705	40 000 000	49 754 705
USDG (Capital and operational)	1 204 604 389	1 730 618 123	1 204 604 389	1 730 618 123
PTIS	419 337 740	294 078 781	419 337 740	294 078 781
Electricity Demand Site Management	14 999 893	17 808 487	14 999 893	17 808 487
WiFi Connectivity roll out	1 648 184	5 526 008	1 648 184	5 526 008
HSDG Accreditation	23 158 888	24 714 512	23 158 888	24 714 512
Recap of Libraries	7 647 676	-	7 647 676	-
Municipal Human Settlements Capacity	-	1 134 568	-	1 134 568
Intergrated city development	37 505 573	-	37 505 573	-
Township Initiatives	-	3 523 254	-	3 523 254
NDPG	39 554 294	20 000 000	39 554 294	20 000 000
	1 788 456 637	2 147 158 438	1 788 456 637	2 147 158 438
	6 867 924 510	6 627 902 598	6 836 096 411	6 612 130 291
Equitable share				
Current-year receipts	2 381 366 993	2 181 182 000	2 381 366 993	2 181 182 000
Conditions met - transferred to revenue	(2 381 366 993)	(2 181 182 000)	(2 381 366 993)	(2 181 182 000)
	-	-	-	-
Fuel levy				
Current-year receipts	1 065 872 000	1 582 809 000	1 625 872 000	1 528 809 000
Conditions met - transferred to revenue	(1 065 872 000)	(1 582 809 000)	(1 625 872 000)	(1 528 809 000)
	-	-	-	-
Ambulance Subsidy				
Current-year receipts	150 624 000	143 043 000	150 624 000	143 043 000
Conditions met - transferred to revenue	(150 624 000)	(143 043 000)	(150 624 000)	(143 043 000)
	-	-	-	-
Finance Management Grant				

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
28. Government grants and subsidies (continued)				
Current-year receipts	1 050 000	1 050 000	1 050 000	1 050 000
Conditions met - transferred to revenue	(1 050 000)	(1 050 000)	(1 050 000)	(1 050 000)
	-	-	-	-
	-	-	-	-
Accreditation Capacity Enhancement				
Balance unspent at beginning of year	-	154 001	-	154 001
Conditions met - transferred to revenue	-	(154 001)	-	(154 001)
	-	-	-	-
	-	-	-	-
Conditions still to be met - remain liabilities (see note 20).				
Hiv/Aids				
Current-year receipts	12 719 535	12 033 372	12 719 535	12 033 372
Conditions met - transferred to revenue	(12 719 535)	(12 033 372)	(12 719 535)	(12 033 372)
	-	-	-	-
	-	-	-	-
Township Initiatives				
Balance unspent at beginning of year	2 291 932	1 780 514	2 291 932	1 780 514
Current-year receipts	13 000 000	9 579 000	13 000 000	9 579 000
Conditions met - transferred to revenue	(13 846 296)	(9 067 582)	(13 846 296)	(9 067 582)
Surrendered/Appropriated	(557 016)	-	(557 016)	-
	888 620	2 291 932	888 620	2 291 932
	-	-	-	-
	-	-	-	-
Conditions still to be met - remain liabilities (see note 20).				
Seta				
Current-year receipts	9 024 726	1 553 051	9 024 726	1 553 051
Conditions met - transferred to revenue	(9 024 726)	(1 553 051)	(9 024 726)	(1 553 051)
	-	-	-	-
	-	-	-	-
BKB				
Balance unspent at beginning of year	31 057	300 436	31 057	300 436
Conditions met - transferred to revenue	(14 850)	(269 379)	(14 850)	(269 379)
	16 207	31 057	16 207	31 057
	-	-	-	-
	-	-	-	-
Conditions still to be met - remain liabilities (see note 20).				
Health Subsidy				
Current-year receipts	124 133 000	117 885 000	124 133 000	117 885 000
Conditions met - transferred to revenue	(124 133 000)	(117 885 000)	(124 133 000)	(117 885 000)
	-	-	-	-
	-	-	-	-
INEP				
Current-year receipts	40 000 000	49 754 705	40 000 000	49 754 705
Conditions met - transferred to revenue	(40 000 000)	(49 754 705)	(40 000 000)	(49 754 705)
	-	-	-	-
	-	-	-	-

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
28. Government grants and subsidies (continued)				
Integrated City Development				
Balance unspent at beginning of year	1 560 299	-	1 560 299	-
Current-year receipts	38 078 000	43 194 000	38 078 000	43 194 000
Conditions met - transferred to revenue	(37 505 573)	(41 633 701)	(37 505 573)	(41 633 701)
Surrendered/Appropriated	(1 560 299)	-	(1 560 299)	-
	572 427	1 560 299	572 427	1 560 299

Conditions still to be met - remain liabilities (see note 20).

PTIS

Balance unspent at beginning of year	22 085 434	5 322 928	22 085 434	5 322 928
Current-year receipts	450 002 000	339 296 000	450 002 000	339 296 000
Conditions met - transferred to revenue	(420 117 819)	(322 533 494)	(420 117 819)	(322 533 494)
Surrendered/Appropriated	(22 085 434)	-	(22 085 434)	-
	29 884 181	22 085 434	29 884 181	22 085 434

Conditions still to be met - remain liabilities (see note 20).

Electricity Demand Site Management

Balance unspent at beginning of year	191 513	235 390	191 513	235 390
Current-year receipts	15 000 000	18 000 000	15 000 000	18 000 000
Conditions met - transferred to revenue	(14 999 893)	(17 808 487)	(14 999 893)	(17 808 487)
Surrendered/Appropriated	(191 512)	(235 390)	(191 512)	(235 390)
	108	191 513	108	191 513

Conditions still to be met - remain liabilities (see note 20).

Municipal Human Settlements Capacity

Balance unspent at beginning of year	36 945 673	50 817 786	36 945 673	50 817 786
Current-year receipts	-	14 313 000	-	14 313 000
Conditions met - transferred to revenue	(7 156 000)	(28 185 113)	(7 156 000)	(28 185 113)
Surrendered/Appropriated	(29 789 673)	-	(29 789 673)	-
	-	36 945 673	-	36 945 673

Conditions still to be met - remain liabilities (see note 20).

USDG

Balance unspent at beginning of year	291 205 074	486 507 413	291 205 074	486 507 413
Current-year receipts	1 890 352 000	1 842 887 000	1 890 352 000	1 842 887 000
Conditions met - transferred to revenue	(1 868 638 641)	(2 038 189 339)	(1 868 638 641)	(2 038 189 339)
Surrendered/Appropriated	(291 205 074)	-	(291 205 074)	-
	21 713 359	291 205 074	21 713 359	291 205 074

Conditions still to be met - remain liabilities (see note 20).

EPWP

Current-year receipts	22 125 000	13 709 000	22 125 000	13 709 000
Conditions met - transferred to revenue	(22 122 924)	(13 709 000)	(22 122 924)	(13 709 000)
	2 076	-	2 076	-

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
28. Government grants and subsidies (continued)				
DWAF				
Balance unspent at beginning of year	-	582 545	-	582 545
Conditions met - transferred to revenue	-	(582 545)	-	(582 545)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 20).				
NDPG				
Current-year receipts	68 700 000	20 000 000	68 700 000	20 000 000
Conditions met - transferred to revenue	(39 554 295)	(20 000 000)	(39 554 295)	(20 000 000)
	29 145 705	-	29 145 705	-
HSDG Accreditation				
Balance unspent at beginning of year	69 379 389	7 318 327	69 379 389	7 318 327
Current-year receipts	19 561 174	127 759 374	19 561 174	127 759 374
Conditions met - transferred to revenue	(57 964 200)	(65 698 312)	(57 964 200)	(65 698 312)
	30 976 363	69 379 389	30 976 363	69 379 389
Conditions still to be met - remain liabilities (see note 20).				
Environment Quality Management				
Balance unspent at beginning of year	-	26 318	-	26 318
Surrendered/Appropriated	-	(26 318)	-	(26 318)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 20).				
Research and Technology				
Balance unspent at beginning of year	184 664	-	184 664	-
Current-year receipts	-	223 000	-	223 000
Conditions met - transferred to revenue	(184 664)	(38 336)	(184 664)	(38 336)
	-	184 664	-	184 664
Conditions still to be met - remain liabilities (see note 20).				
Disaster Grant				
Balance unspent at beginning of year	7 561 590	-	7 561 590	-
Current-year receipts	-	21 569 000	-	21 569 000
Conditions met - transferred to revenue	(7 552 817)	(14 007 410)	(7 552 817)	(14 007 410)
	8 773	7 561 590	8 773	7 561 590
Conditions still to be met - remain liabilities (see note 20).				
WIFI Connectivity Roll Out				
Balance unspent at beginning of year	1 849 263	-	1 849 263	-
Current-year receipts	-	7 375 271	-	7 375 271
Conditions met - transferred to revenue	(1 648 184)	(5 526 008)	(1 648 184)	(5 526 008)

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

28. Government grants and subsidies (continued)

	201 079	1 849 263	201 079	1 849 263
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Conditions still to be met - remain liabilities (see note 20).

National Housing Fund

Balance unspent at beginning of year	7 248 864	10 793 534	-	-
Current-year receipts	8 411 649	-	-	-
Conditions met - transferred to revenue	(2 977 157)	(3 544 670)	-	-
	12 683 356	7 248 864	-	-

Conditions still to be met - remain liabilities (see note 20).

Department of Transport

Balance unspent at beginning of year	-	12 227 637	-	-
Current-year receipts	15 388 244	-	-	-
Conditions met - transferred to revenue	(15 388 244)	(12 227 637)	-	-
	-	-	-	-

Conditions still to be met - remain liabilities (see note 20).

29. Interest revenue

Dividend revenue

Unit trusts - local	554 648	149 705	-	-
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Bank	429 530 940	519 078 854	412 098 034	504 675 313
External investments	124 904 885	128 470 413	124 205 103	127 948 697
	554 435 825	647 549 267	536 303 137	632 624 010
	554 990 473	647 698 972	536 303 137	632 624 010

30. Other income

Accident reports	1 074 106	1 069 009	1 074 106	1 069 009
Administration fees	169 580	217 958	169 580	217 958
Cleaning of stands	499 414	170 007	499 414	170 007
Entry fees	701 011	606 011	701 011	606 011
Essential services contributions	73 036 446	107 385 781	73 036 446	67 157 295
Gain on fair value adjustment	101 736	(5 620)	-	-
Insurance claims	-	178 682	-	-
Printing and copying of documents	190 956	193 425	190 956	193 425
Sundry income	123 695 887	46 560 068	77 881 705	29 607 839
Supply of information	448 764	834 167	448 764	834 167
Tender documents	2 374 510	5 948 297	1 946 058	5 748 195
Training	1 076 310	1 656 088	1 076 310	1 656 088
	203 368 720	164 813 873	157 024 350	107 259 994

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
31. Employee related costs				
Basic	4 114 387 258	4 047 655 009	3 942 298 901	3 874 814 077
Bonus	282 080 815	1 003 966	265 146 609	-
Medical aid - company contributions	409 586 839	667 817 009	405 938 008	668 413 051
UIF	29 231 836	27 128 551	29 176 066	27 078 490
WCA	39 316 263	26 243 318	37 541 860	24 149 654
SDL	54 038 427	48 605 464	53 873 338	48 494 813
Other payroll levies	1 593 603	1 431 736	1 593 603	1 431 736
Leave pay provision charge	130 848 645	113 714 233	120 244 753	105 370 320
Standby Allowances	37 314 902	32 282 358	37 314 902	32 282 358
Defined contribution plans	127 943 407	693 351 782	126 367 300	691 796 984
Travel, motor car, accommodation, subsistence and other allowances	228 420 526	209 380 027	223 026 571	209 097 592
Overtime payments	770 803 882	669 423 475	750 989 796	653 234 110
Long-service awards	(45 042 386)	(5 419 951)	(45 339 455)	(5 540 721)
Acting allowances	55 277 501	-	55 277 501	-
Housing benefits and allowances	57 681 431	57 095 178	56 173 178	57 073 775
Allowances	80 879 718	71 816 743	18 809 305	17 383 990
Remuneration of interns	5 124	1 050 752	-	1 050 000
Other related costs	3 824 207	6 430 891	-	-
Less: employee costs capitalised to property, plant and equipment	(27 426 714)	(67 709 079)	(27 426 714)	(67 709 079)
	6 350 765 284	6 601 301 462	6 051 005 522	6 338 421 150

Senior Management Remuneration (Key Management) for the year as at 30 June 2017	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager(Expired 31/08/2016)	474 560	21 417	-	329 700	8 600	834 277
City Manager (Appointed 01/12/2016)	1 599 344	39 681	90 141	-	32 200	1 761 366
Chief Operating Officer(vacant 01/12/2016)	1 003 788	28 344	64 387	577 043	18 000	1 691 562
Chief Operating Officer(Appointed 01/06/2017)	181 041	149	-	-	3 600	184 790
Chief Financial Officer(Vacant 16/01/2017)	1 489 603	892	-	299 548	21 214	1 811 257
Chief Financial Officer(Appointed 01/05/2017))	242 745	10 885	10 000	-	6 600	270 230
Head of Department: Internal Audit	1 598 340	94 484	120 000	307 529	43 200	2 163 553
Head of Department :Electricity & Energy	1 679 628	148 165	176 340	470 564	213 420	2 688 117
Head of Department: Strategy & corporate planning	814 217	107 220	-	-	21 600	943 037
Head of Department : Health	1 531 440	123 285	120 000	313 522	43 200	2 131 447
Head of Department:Customer Relations Management	1 974 348	1 785	120 000	441 287	43 200	2 580 620
Head of Department : Corporate Legal	1 757 424	131 385	120 000	412 053	43 200	2 464 062
Head of Department: Communication	1 342 941	128 844	120 000	-	43 200	1 634 985
Head of Department : Sport, Recreation, Arts and Culture (SRAC)	1 343 113	1 487	90 000	168 110	33 900	1 636 610
Head of Department : City Development	1 532 102	182 825	100 000	293 808	39 600	2 148 335
Head of Department : Community Safety	1 122 489	110 093	80 000	207 751	28 800	1 549 133
Head of Department: Human Settlement	1 339 392	96 393	156 000	-	43 200	1 634 985
Head of Department: Economic Development	1 836 044	1 785	170 000	323 714	43 200	2 374 743
Head of Department : ICT(Resigned 31/12/2016)	1 405 044	27 892	50 857	301 388	21 600	1 806 781
Head of Department : ICT(Appointed 01/06/2017))	106 078	10 736	15 000	-	3 600	135 414
Head of Department : Transport	692 123	744	75 000	-	18 000	785 867
Head of Department : Environment	1 799 388	1 785	-	279 147	39 600	2 119 920

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2017	2016	2017	2016		
31. Employee related costs (continued)						
Head of Department : Solid Waste	892 914	31 966	49 000	103 452	25 200	1 102 532
Head of Department : Enterprise Project Management	1 796 376	1 785	144 000	304 997	43 200	2 290 358
Head of Department: Real Estate and Facilities	1 671 696	109 785	96 000	293 416	43 200	2 214 097
Head of Department ; Roads and Transport	1 754 784	1 785	240 000	115 848	39 600	2 152 017
Head of Department : Water Services	754 947	38 692	90 000	-	21 600	905 239
Head of Department:Fleet	1 813 440	1 785	-	190 215	39 600	2 045 040
Chief Risk Officer	1 410 000	1 785	180 000	-	43 200	1 634 985
Chief of Police(Resigned 25/11/2016)	593 420	719	50 000	-	11 000	655 139
Chief of Police(Appointed 01/05/2017))	134 463	297	21 529	-	7 200	163 489
Secretary of council	626 082	892	66 000	139 499	19 800	852 273
Subtotal	38 313 314	1 459 767	2 614 254	5 872 591	1 106 334	49 366 260
	38 313 314	1 459 767	2 614 254	5 872 591	1 106 334	49 366 260

Senior Management Remuneration (Key Management) for period ended 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: 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 and Sanitation	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

In-kind benefits

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

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.

All ERWAT directors make use of company owned laptops.

Refer to note 46 for related party relationships.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

32. Remuneration of councillors

June 2017	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	931 807	-	133 592	-	35 012	1 100 411
Speaker	423 919	173 739	312 546	74 580	40 069	1 024 853
Chief Whip	717 597	-	105 518	-	20 349	843 464
Members of the Mayoral Committee	3 590 438	3 759 778	1 073 343	516 759	224 153	9 164 471
Chairpersons Section 79 Members	4 834 017	813 277	7 889 059	628 564	374 896	14 539 813
Other councillors	43 811 570	2 256 413	39 153 361	3 666 445	4 383 683	93 271 472
	54 309 348	7 003 207	48 667 419	4 886 348	5 078 162	119 944 484

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
Chairpersons Section 79 Members	4 665 692	1 386 901	5 894 509	941 774	313 020	13 201 896
Other councillors	39 938 453	9 132 146	20 088 367	7 465 106	3 625 815	80 249 887
Total	50 275 214	11 718 518	29 968 103	9 482 180	4 252 023	105 696 038

33. Depreciation and amortisation

Property, plant and equipment	1 921 467 844	1 746 401 933	1 865 848 827	1 689 304 937
Investment property	9 633 540	4 208 869	5 490 302	3 627 456
Intangible assets	14 928 443	4 268 988	14 173 067	3 742 581
	1 946 029 827	1 754 879 790	1 885 512 196	1 696 674 974

34. Impairments of assets

Impairments/ derecognitions				
Derecognition of property, plant and equipment **	49 711 579	252 434 794	128 232 146	252 434 794
Derecognition of investment property	-	10 313 007	-	10 313 007
Derecognition of intangible assets	-	166 429 688	-	166 429 688
Impairment of property plant and equipment	-	18 218 245	-	18 218 245
Heritage assets	53 528	-	53 528	-
	49 765 107	447 395 734	128 285 674	447 395 734

35. Finance costs

External borrowings	620 549 009	642 233 782	556 932 803	590 237 129
Trade and other payables	458 384	330 612	458 384	330 449
Unwinding of interest on provisions and obligations	352 645 795	260 762 164	344 455 837	258 071 822
	973 653 188	903 326 558	901 847 024	848 639 400

36. Debt impairment

Debt debts written off	658 140 959	2 625 549 487	658 140 959	2 625 549 487
Changes in debt impairment provision	2 617 778 757	1 438 967 865	2 609 578 888	1 434 057 613
Changes in provision for bad debts written off	(658 140 959)	(2 625 549 487)	(658 140 959)	(2 625 549 487)
	2 617 778 757	1 438 967 865	2 609 578 888	1 434 057 613

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
37. Bulk purchases				
Electricity	9 315 588 096	8 614 325 656	9 253 232 812	8 560 732 115
Water	2 571 996 117	2 481 831 778	2 576 776 298	2 480 844 176
Sewer purification	13 562 656	158 909 821	572 501 829	620 579 840
	11 901 146 869	11 255 067 255	12 402 510 939	11 662 156 131
38. Taxation				
Major components of the tax expense (income)				
Current				
Local income tax	1 892 582	14 116 177	-	-
Deferred				
Originating and reversing temporary differences	73 361 789	(27 225 471)	-	-
	75 254 371	(13 109 294)	-	-
Reconciliation of the tax expense				
Applicable tax rate amount	-	4 234 445	-	-
Grant received	-	(5 720 428)	-	-
Temporary differences	-	3 950 896	-	-
Capital gains tax	-	13 901 171	-	-
Utilisation of tax losses	-	(1 899 628)	-	-
Other	1 892 582	(350 279)	-	-
	1 892 582	14 116 177	-	-
39. Auditors' remuneration				
External audit fees	21 550 679	24 234 141	18 203 749	20 931 569
40. Contracted services				
Information technology services	286 286	13 769 872	286 286	13 769 872
Security contracts	307 202 719	244 139 042	307 202 719	244 139 042
Meter management contracts	153 783 673	148 667 648	153 783 673	148 667 648
Environment contracts	337 994 209	270 840 186	337 994 209	270 840 186
Asset management	252 207 901	170 051 241	262 086 863	179 147 648
	1 051 474 788	847 467 989	1 061 353 750	856 564 396
41. Grants and subsidies paid				
Other subsidies				
Discretionary grant: sport and social support	116 790 872	31 107 065	116 790 872	31 107 065
Subsidy: SPCA	3 175 000	3 022 750	3 175 000	3 022 750
Discretionary grant: general	284 865 808	343 074 233	443 590 084	434 785 835
Excess consumption and other grants paid	536 478 889	590 610 023	536 478 889	590 610 023
Grants: education (external)	106 595 082	36 951 506	106 595 082	36 951 506
	1 047 905 651	1 004 765 577	1 206 629 927	1 096 477 179

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
42. General expenses				
Advertising	41 889 754	40 317 719	40 964 125	38 889 683
Assessment rates and municipal charges	1 477 056	-	-	-
Animal care	3 628 454	3 139 890	3 628 454	3 139 890
Auditors remuneration	21 550 679	24 234 141	18 203 749	20 931 569
Awareness campaigns	30 707 289	20 083 946	30 707 289	19 638 148
Bank charges	12 707 128	4 993 867	11 603 048	4 058 725
Community development and wellbeing	97 985 585	119 063 383	97 985 585	119 063 383
Consulting and professional fees	186 804 998	151 509 222	164 563 376	131 949 296
Consumables (including materials)	52 618 948	59 614 564	52 521 700	57 913 315
Corporate Gifts	207 404	285 570	207 404	285 570
Disaster management	1 345 882	5 675 175	1 345 882	5 675 175
Donations	230 872	986 210	-	-
Electricity	163 155	110 835	-	-
Entertainment	2 070 971	3 419 345	317 355	1 634 814
Repairs and Maintenance	2 049 992 580	1 679 355 221	2 005 713 169	1 660 851 257
Flowers	34 327	192 462	-	-
Fuel and oil	150 385 377	141 779 722	150 315 219	141 715 082
Lease rentals	1 705 996	1 202 747	-	-
Human resource management	15 654 969	13 642 798	13 984 175	13 642 798
IT expenses	61 692 077	46 641 961	61 642 661	44 925 619
Insurance	68 899 108	64 323 705	64 841 579	61 601 646
Land management	88 523 326	18 255 744	88 523 326	18 255 744
Occupational and safety	1 149 179	49 063	-	-
Magazines, books and periodicals	1 000 377	629 699	931 165	564 853
Marketing	108 942 279	117 444 392	107 565 752	116 123 459
Motor vehicle expenses	6 446 203	6 355 419	-	-
Other expenses	326 831 159	102 792 502	319 843 132	104 619 315
Postage	31 559 890	24 872 912	28 510 830	24 870 450
Printing and stationery	47 574 711	52 877 221	45 715 675	51 380 440
Productions	178 285	199 018	178 285	199 018
Refreshments	11 609 033	8 615 159	11 386 431	8 464 557
Refuse	47 509 428	61 352 694	47 509 428	61 352 694
Rental	26 500 779	19 985 303	24 627 845	19 070 275
Rodent control	2 182 247	10 048 919	2 182 247	10 048 919
Security (Guarding of municipal property)	15 314 685	11 823 148	-	-
Sewerage and waste disposal	40 950	42 029	-	-
Research and development costs	673 335	-	-	-
Service connections	54 112 440	61 527 637	49 317 239	57 721 552
Software expenses	19 407 316	8 730 040	18 521 655	8 601 670
Stock adjustments and write-offs	1 459 657	437 457	1 459 657	437 457
Subscriptions and membership fees	14 813 138	15 208 061	14 486 561	15 081 259
Telephone and fax	19 415 461	61 142 272	16 689 932	58 937 955
Title deed search fees	506 369	790 588	506 369	790 588
Training	22 401 759	17 622 562	17 749 456	14 713 174
Travel - local	9 266 696	12 829 083	4 478 997	8 773 994
Travel - overseas	6 005 423	35 505 951	6 005 423	35 505 951
Uniforms	59 413 181	56 809 349	59 291 831	56 698 470
Venue expenses	23 261 376	24 072 620	23 261 376	24 019 583
Vehicle licences and hire cost	31 542 099	62 663 794	21 052 253	52 454 725
Water	8 555	20 130	-	-
	3 779 401 945	3 173 275 249	3 628 339 635	3 074 602 072

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
43. Cash generated from operations				
Surplus	1 409 056 714	2 122 827 757	1 251 969 425	1 971 411 141
Adjustments for:				
Depreciation and amortisation	1 946 029 827	1 754 879 790	1 885 512 196	1 696 674 974
Gain on sale of fixed assets	-	-	-	-
(Loss) gain on discontinued operations	(6 982 492)	12 914 952	(7 651 480)	-
Impairment deficit	49 765 107	447 395 734	128 284 674	447 395 734
Debt impairment	2 617 778 757	1 438 967 865	2 609 578 888	1 434 057 613
Movements in retirement benefit	(383 833 928)	478 762 000	(388 599 928)	477 336 000
Movements in provisions	(28 585 976)	132 444 328	(39 100 213)	128 343 485
Movement in tax receivable and payable	20 073 714	(1 071 686)	-	-
Other non-cash items - prior year adjustments	-	(38 269 023)	-	-
Net movement on provision for bad debt on long term receivables	3 288 141	(6 004 840)	3 766 251	-
Annual charge for deferred tax	61 328 417	(27 225 471)	-	(6 004 841)
Other non-cash items (other movements within PPE)	195 442 116	(11 256 503)	202 275 095	(27 949 461)
Changes in working capital:				
Inventories	(161 774 320)	12 018 398	(172 790 204)	12 018 398
Other receivables from exchange transactions	(44 551 343)	(93 042 653)	(29 426 313)	(126 382 011)
Consumer debtors	(2 139 980 057)	(2 308 537 001)	(2 131 780 188)	(2 303 626 749)
Other receivables from non-exchange transactions	(10 951 276)	(5 478 278)	(10 951 276)	(5 478 278)
Trade and other payables from exchange transactions	61 231 692	1 301 004 553	94 009 384	1 282 321 835
Taxes and transfers payable (non exchange)	-	-	-	-
Unspent conditional grants and receipts	(319 830 744)	(117 916 196)	(319 876 992)	(119 759 770)
	3 267 504 349	5 092 413 726	3 075 219 319	4 860 358 070

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
44. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Capital assets	5 010 319 072	2 928 899 151	4 793 248 912	2 775 075 953
Not yet contracted for and authorised by accounting officers				
• Capital assets	1 606 107 800	2 555 127 796	1 606 107 800	2 555 127 796
Total capital commitments				
Already contracted for but not provided for	5 010 319 072	2 928 899 151	4 793 248 912	2 775 075 953
Not yet contracted for and authorised by accounting officers	1 606 107 800	2 555 127 796	1 606 107 800	2 555 127 796
	6 616 426 872	5 484 026 947	6 399 356 712	5 330 203 749

This committed expenditure relates to the acquisition of property, plant and equipment for the 2017/2018 financial year (Approved Capital Expenditure Programme) based on the projects values as approved in the City Capital Budget for the following year 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 borrowings options.

Commitments not yet contracted for and authorised, relate to capital projects as approved by Council on the City Capital Budget which there is no contracts in place at the end of the financial year.

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	13 676 990	7 269 356	12 735 556	6 653 246
- in second to fifth year inclusive	2 435 205	1 220 148	-	1 155 789
	16 112 195	8 489 504	12 735 556	7 809 035

Operating lease payments represent rentals payable by the City 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 7.00% (2016: 8.00%) for office buildings.

The actual lease contract amounts range between R49,220 and R539,999 (2016: R15,923 and R403,436) per month on the office buildings.

Operating leases - as lessor (income)

Minimum lease payments due				
- within one year	7 246 195	5 345 678	7 246 195	5 345 678
- in second to fifth year inclusive	24 695 422	17 732 885	24 695 422	17 732 885
- later than five years	28 842 374	17 496 464	28 842 374	17 496 464
	60 783 991	40 575 027	60 783 991	40 575 027

Certain of the City'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 (2016: R1) (social benefit) up to R212,070 (2016: R203,913).

City of Ekurhuleni

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
45. Contingencies				
Contingent liabilities				
Category A: Claims exceeding R 500 000.				
Category B: Claims between R100,000 and R500,000				
Category C: Other legal matters less than R100,000.				
CONTINGENT LIABILITIES				
Category A Claims:				
Engen Petroleum Ltd/Atlas road claim as a result of rerouting of a provincial road	-	14 061 088	-	14 061 088
Bondev Midrand: claim for failure to issue section 82 certificate i.r.o.various townships	2 676 187	2 676 187	2 676 187	2 676 187
Hometalk- Possible claim for losses in respect of developments	-	60 000 000	-	60 000 000
Siyavuka projects: claim for alleged unlawful termination of contract A/ED (MP) 20/2008	5 401 380	5 401 380	5 401 380	5 401 380
Rose Acres Development Pty Ltd *(A)	17 825 900	17 825 900	17 825 900	17 825 900
Lesira Teq: claim for cancellation of contract for supply of water meters	8 224 062	8 224 063	8 224 062	8 224 062
Ubuhlebethu Business Enterprises	5 836 065	5 836 065	5 836 065	5 836 065
Other	3 794 057	4 472 872	3 794 057	4 472 872
Ingwempisi Security Services CC *(B)	123 872 435	123 872 435	123 872 435	123 872 435
Aloecap (Pty) Ltd	-	5 301 000	-	5 301 000
Multi Waste Wadeville	2 407 112	2 407 112	2 407 112	2 407 112
Zanusi Marketing	-	1 152 169	-	1 152 169
K E Lebelo	3 700 000	3 700 000	3 700 000	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
Zwakala Quantity Surveyors	3 105 216	3 105 216	3 105 216	3 105 216
ERWAT guarantees	2 940 200	2 955 100	-	-
H M Eyethu construction and plant hire CC	2 300 000	-	-	-
M S Khudu	570 000	-	-	-
	182 652 614	305 845 363	176 842 414	302 890 262
Category B Claims				
Other various claims	1 076 747	1 076 747	1 076 747	1 076 747
	1 076 747	1 076 747	1 076 747	1 076 747
CONTINGENT ASSETS				
e-Valuations	39 000 000	39 000 000	39 000 000	39 000 000
Anicic Engineering	2 941 710	2 941 710	2 941 710	2 941 710
NCP Clorchem - Dispute regarding price charged for energy supply	178 788 869	178 788 869	178 788 869	178 788 869
Combi trade Eleven (Pty) - Unpaid rate and taxes	2 832 963	2 832 963	2 832 963	2 832 963
Lucmer construction & New national Assurance - Failure to comply with contract conditions	3 174 615	3 174 615	3 174 615	3 174 615
Kgorong and other - Fail to perform work in terms of contract	260 232	776 591	260 232	776 591
Mkhabela Sibeko and others - Goods supplied did not comply with safety standard	1 024 290	1 024 290	1 024 290	1 024 290
D Msimango	500 000	-	500 000	-
	228 522 679	228 539 038	228 522 679	228 539 038

*NOTES

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

45. Contingencies (continued)

(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 COE through the tender process on as and when basis. Plaintiff's application was dismissed with cost. We are awaiting court date to go to trial.

City of Ekurhuleni

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46. Related parties

Relationships

Accounting officer

Controlling entity

Controlled entities

Close family member of key management

Members of key management

Dr. I Mashazi refer to accounting officer's report

City of Ekurhuleni

Brakpan Bus Company SOC Ltd

East Rand Water Care Company NPC

Germiston Phase II Housing Company SOC Ltd

Declarations are retained in a register at tender office.

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

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46. Related parties (continued)

Key Management

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

City of Ekurhuleni

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46. Related parties (continued)

June 2017

Tenders awarded to family members

No	Contract number	Supplier Name	Relation	Employee name	Employee designation	Amount R0,00
1	A-ICT 08/2016	Altech Alcom Matomo	Spouse	R V Vuuren	Exec manager	30 379 207
2	A-RS 09/2016	Anix Trading 587	Spouse	M J Msimango	Senior Clerk	5 357 143
3	A-EE 13/2016	Empower Electrical CC	Spouse	H E Sikihitha	Snr Admin Officer	2 525 000
4	A-RS 09/2016	LMM Training and Development	Spouse	K Mangwane	Senior clerk	5 357 143
5	A-EE 21/2016	MPPM consulting Engineers Cc	Spouse	M Senyatsi	Senior clerk	4 020 000
6	A-EE 13/2016	Green today projects (pty)ltd	Spouse	GLN Nqubezelo	Professional Nurse	3 028 632
7	C-EPMO 01-2017	IMQS	Father	W Valentin	Executive Manager	58 532 355
Subtotal						109 199 480
						109 199 480

June 2017

Deviations on tenders awarded to family members of staff

No	Contract number	Supplier Name	Relation	Employee name	Employee designation	Amount R0.00
1	A-ED WMS 12-2009(T)	Hlanzekile Waste Services (Pty)Ltd	Spouse	P M Lekgwathi	Senior clerk	1 805 003
2	PS-EE 27-2014(T)	Tsekema Consulting Engineers	Child	D A Motsoane	Apprentice	3 251 375
Subtotal						5 056 378
						5 056 378

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

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

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46. Related parties (continued)

4	A-RE 01-2015	LMM Trading and Development CC	Spouse	K Mangwane	Senior Clerk	63 745 568
5	AS 08-2015	Orabe Business Enterprise	Spouse	K Mangwane	Senior Clerk	172 008
6	A-RS 05-2016	Seletje Constuction and Management CC	Spouse	P M Lekgwathi	Senior Clerk	76 635 384
7	A-EE 07-2016	Tsekema Consulting Engineers	Child	D A Motsokane	Apprentice	30 786 000
8		Springs Clutch & Brake Services CC	Spouse	G R Beukes	Snr District manager	671 990
9		Sebatatso Caterers	Spouse	Moegeni Dhladhla	Security Guard	1 856 859
10		LMM Training and Development CC	Spouse	Kholofelo Mangwane	Snr Clerk	20 854 211
11		Tsekema Consulting Engineers	Spouse	Zodwa Zungu	General Worker	3 440 430
12		Mjimijela trading Enterprise CC	Unknown	Shirley Mthimkulu	General worker	667 560
13		Dalindyebo and Sons Trading CC	Unknown	Millicent Dalindyebo	Snr controller	1 847 966
14		NMVL Trading and Projects CC	Unknown	Ntsako Mashele	Horticulturist	250 367
15		Makplan Construction and Projects	Unknown	Iorraine Gagula	General Assistant	461 573
Subtotal						233 159 032
						233 159 032

June 2016

Deviations on tenders awarded to family members of staff

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

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46. Related parties (continued)

	8	A-WMS 20-2015(T) LMM Training & Development	Spouse	K Mangwane	Senior Clerk	19 798 267
Subtotal						95 256 800
						95 256 800

June 2016

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	LI Dlamini	General assistant	9 850
4	Bamabata-sa (pty) ltd	Spouse	Amis Sibiya	Coordinator	40 800
5	Beyondlimits trading pty ltd	Spouse	Moleboheng Modise	Relief worker	82 820
6	Izy daz it (pty) ltd	Spouse	Thabiso Naleli	Snr clerk	29 750
7	Mankena Maselaelo business enterprise	Spouse	Susan Sibisi	Snr clerk	162 937
8	ETN trading enterprise CC	Spouse	Zanele Ndlovu	Grade II	93 359
9	Distinctive choice catering and crafts CC	Spouse	Laurie Hattingh	Sup Handyman	11 922
10	NMVL trading and projects CC	Spouse	Ntsako Mashele	Horticulturist	250 367
11	WJS Maintenance pty ltd	Spouse	Andries Schoonbee	Administrator	27 992
12	Empower Electrical CC	Spouse	Humbulani Erick Sikhitha	Snr Admin officer	53 096
13	Green Prints	Spouse	ZKenneth Sitiba	Ward co-ordinator	5 760
14	Mthiya Production CC	Spouse	Bafana Aaorn Mbatha	Meter reader	86 776
15	Motheo Gardening and cleaning Services CC	Spouse	Phalakgoro Maila	Word Processing Operater	1 200
16	Moratwe-Monehela Trading CC	Spouse	Makose MogHasi	Professional Nurse	80 400
17	Mr Bones Trading and Projects CC	Spouse	NSibusiso Mbasane	Driver	5 000
18	Amagilija and Daughters Holdings (pty)ltd	Spouse	Daryll Nhleko	General Worker	3 930
19	Padons Fire Security Services (pty)ltd	Spouse	Abigail Maggo	Indigent clerk	2 590

1 159 883

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
46. Related parties (continued)				
Related party balances				
Amounts included in trade receivable and consumer debtors regarding related parties - municipal entities				
East Rand Water Care Company, NPC			7 557 523	13 170 353
Brakpan Bus Company SOC Ltd			4 941 244	13 299 555
Amounts included in trade payable regarding related parties - municipal entities				
East Rand Water Care Company, NPC			99 091 678	69 348 185
Germiston Phase II Housing Company SOC Ltd			-	817
Lethabong Housing Institute, NPC			-	34 393
Related party transactions				
Sales to related parties - municipal entities				
East Rand Water Care Company, NPC			71 896 187	67 543 155
Pharoe Park Housing Company SOC Ltd			-	1 391 938
Germiston Phase II Housing Company SOC Ltd			6 039 867	4 664 620
Ekurhuleni Development Company SOC Ltd			-	60 233
Brakpan Bus Company SOC Ltd			110 000	110 000
Lethabong Housing Institute, NPC			-	179 763
Purchases from related parties - municipal entities				
East Rand Water Care Company, NPC			699 057 055	631 611 137
Brakpan Bus Company			6 531 689	6 328 178
Grants to related parties - municipal entities				
Pharoe Park Housing Company SOC Ltd			-	20 430 102
Brakpan Bus Company SOC Ltd			5 000 000	5 000 000
Germiston Phase II Housing Company SOC Ltd T/A Ekurhuleni Housing Company			18 147 435	16 281 500
East Rand Water Care Company, NPC			50 000 000	50 000 000
Germiston Phase II Housing Company SOC Ltd T/A Ekurhuleni Housing Company			78 233 893	-
Development contributions to related parties - municipal entities				
East Rand Water Care Company, NPC			85 408 228	40 228 487
Guarantee and debtors ceded				

COE guaranteed the Nedbank loan to ERWAT, with a carrying value of R533,281,072 (2016: R552,553,867). 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 COE claims against its book debtors, in the event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of COE 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 COE in favour of Nedbank Ltd as guarantee for the loan remains in effect.

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

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47. Change in estimate

Property, plant and equipment

Economic entity

Useful lives review for 2016/2017 had the following impact:

Depreciation expense before remaining useful lives review	(R73,916,940)
Depreciation expense after remaining useful lives review	(R102,662,536)
Future increase in depreciation due to review	(R33,587,614)

Controlling entity

Useful lives review for 2016/2017 had the following impact:

Depreciation expense before remaining useful lives review	(R54,584,300)
Depreciation expense after remaining useful lives review	(R67,724,176)
Future increase in depreciation due to review	(R17,981,894)

Discount rate

The discount rate has changed from 10.46% (2016: 10.49%) to 10.46% (2016: 10.47%). The impact of this change has been disclosed in the relevant note, where applicable.

48. Prior period errors

2017

Property plant and equipment, investment property, projects completed prior years were only capitalised in the current year as projects close out reports were provided the current year, and certain projects were derecognised as they did not meet the subsequent capitalisation requirements. Land that was previously reserved for social housing units were brought back as they will no longer be used for social housing purposes. Other assets were reclassified between the asset categories as they either categorised incorrectly between the various types, were found or removed from the relating registers..

The correction of the errors results in adjustments as follows (detected in 2017):

Statement of Financial Position

Work-in-progress (opening balance 01/07/2015)	(2 243 183 502)	-	(2 243 183 502)	-
Land (opening balance 01/07/2015)	299 367 041	-	299 367 041	-
Community assets (opening balance 01/07/2015)	180 253 745	-	180 253 745	-
Other assets (opening balance 01/07/2015)	69 502 733	-	69 502 733	-
Investment property (opening balance 01/07/2015)	(121 853 038)	-	(121 853 038)	-
Intangible assets (opening balance 01/07/2015)	(217 976 248)	-	(217 976 248)	-
Infrastructure asset (opening balance 01/07/2015)	1 274 224 200	-	1 274 224 200	-
Finance lease obligation - current (01/07/2015)	16 275	-	-	-
Trade & other payables from exchange	(1 112 991)	-	-	-
Provision - current (01/07/2015)	5 421 550	-	-	-
Finance lease obligation - non-current (01/07/2015)	(94 284)	-	-	-
Non-controlling interest	148 468	-	-	-
Accumulated surplus (opening balance 01/07/2015)	(755 434 516)	-	(759 665 068)	-

Statement of Financial Performance

Depreciation for the year	33 131 966	-	33 131 966	-
Impairment and derecognition loss	165 705 123	-	165 705 123	-
Finance costs	31 428	-	-	-
Repairs and maintenance	(4 637 541)	-	-	-
Employee costs	89 161	-	-	-
Impairment and derecognition loss	(556 911)	-	-	-
Net surplus for the year	(193 763 226)	-	(198 837 089)	-

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

49. Comparative figures

Certain comparative figures have been reclassified as a result of the Municipal Standard Chart Of Accounts (mSCOA).

50. Risk management

Capital Risk Management

The City's objectives, when managing capital, are to safeguard the City'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 City consists of debt, which includes the borrowings disclosed in note 17 and cash and cash equivalent disclosed in note 15.

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

There are no externally imposed capital requirements.

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

The gearing ratio 2017 and 2016 respectively are as follow:

Other financial liabilities	(5 677 062 853)	(6 068 374 671)	(5 072 058 139)	(5 435 662 702)
Less: Cash and cash equivalent	<u>6 000 822 434</u>	<u>8 307 061 759</u>	<u>5 809 953 546</u>	<u>7 972 586 235</u>
Net debt	323 759 581	2 238 687 088	737 895 407	2 536 923 533
Total equity	49 178 368 648	47 769 311 952	47 574 939 791	46 322 970 366
Total capital	49 502 128 229	50 007 999 040	48 312 835 198	48 859 893 899

Financial risk management

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

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

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50. Risk management (continued)

Liquidity risk

The City's risk to liquidity is a result of the funds available to cover future commitments. The City 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 City'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 City's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the City to cash flow interest rate risk. Borrowings issued at fixed rates expose the City to fair value interest rate risk. The City's policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

The City 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 City calculates the impact on surplus or 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 %	4 778 588 110		
Long term receivables	variable %	2 011 322	2 011 322	2 011 323

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	457 960 855	292 345 365	1 751 969 582	3 174 787 052

City of Ekurhuleni

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50. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash & cash equivalents, derivative financial instruments and trade debtors. The City 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

COE guaranteed the Nedbank loan to ERWAT, with a carrying value of R533,281,072 (2016: R552,553,867). 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 COE 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 COE 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 COE in favour of Nedbank Ltd as guarantee for the loan remains in effect.

Financial instrument	Economic entity - 2017	Economic entity - 2016	Controlling entity - 2017	Controlling entity - 2016
Other Investments	1 465 927 738	1 238 851 281	1 465 927 738	1 238 851 284
Long-term receivables	6 033 967	9 395 409	3 144 128	6 890 631
Consumer debtors	4 778 588 110	5 256 386 810	4 778 588 110	5 256 386 810
Other receivables	403 264 879	350 163 763	389 076 619	321 595 578
Cash and cash equivalents	6 000 822 434	8 307 061 759	5 809 953 546	7 972 586 235
Listed and Unlisted shares	12 119 485	12 513 935	4 000 000	4 000 000
	12 666 756 613	15 174 372 957	12 450 690 141	14 800 310 538

Price risk

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

The City has a R4,000,000 investment in unlisted shares, which is the exposure to price risk. The price risk on this investment cannot be determined due to the fact that the shares are not listed and therefore unknown.

51. Going concern

This group 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 economic entity has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

52. Events after the reporting date

There were no subsequent events affecting this group annual financial statements at the reporting date.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

53. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Items of unauthorised, irregular and fruitless and wasteful expenditure are referred to MPAC for further investigations and determination of appropriate steps to be taken. During the current year the Council approved R0 (2016 - R49,417,688) for irregular expenditure and R0 (2016 - R1,638,618) for fruitless expenditure for write-off. The remaining amounts are still under investigation through MPAC and other organs of state. No resolution is yet available.

Irregular expenditure

Opening balance	968 938 842	786 386 330	783 307 530	665 542 049
Add: expenditure identified for the year	373 122 752	105 691 381	367 451 787	80 154 222
Add: expenditure identified in the current year, relating to prior years	278 306 996	126 419 631	223 834 246	87 028 947
Less: amounts ratified/approved by council/board and/or not recoverable	(5 281 886)	(49 558 500)	(5 281 886)	(49 417 688)
	1 615 086 704	968 938 842	1 369 311 677	783 307 530

Fruitless and Wasteful expenditure

Opening balance	151 819 403	146 942 034	146 455 409	145 723 446
Add: expenditure identified for the year	12 471 101	1 660 832	7 377 150	1 127 894
Add: expenditure identified in the current year, relating to prior years	963 441	1 242 687	963 441	1 242 687
Less: amounts ratified/approved by council/board	(291 734)	(1 638 618)	(291 734)	(1 638 618)
Transfers - prior year	-	3 612 468	-	-
	164 962 211	151 819 403	154 504 266	146 455 409

Unauthorised expenditure

Opening balance	67 090 606	-	67 090 606	-
Add: expenditure identified for the year	-	67 090 606	-	67 090 606
Less amount ratified by council	(67 090 606)	-	(67 090 606)	-
	-	67 090 606	-	67 090 606

June 2017

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Comms and Marketing	Contravention of SCM Policy	Irregular	29 520
Economic development	Paid wrong service provider	Irregular	27 800
Customer Relations	Contravention of SCM Policy	Irregular	15 612
EHC	Penalties paid to SARS	Fruitless	5 093 785
BBC	Interest for late payment to supplier	Fruitless	166
Fleet	Contravention of SCM Policy	Irregular	4 277 845
SRAC	Contravention of SCM Policy	Irregular	7 000 000
SRAC	Contravention of SCM Policy	Irregular	1 972 000
Health	Contravention of SCM Policy	Fruitless	1 003 349
Waste	Contravention of SCM Policy	Fruitless	3 159 714
Human Settlements	Contravention of SCM Policy	Fruitless	243 724
Human Settlements	Contravention of SCM Policy	Fruitless	39 327
EDC	Contravention of SCM Policy	Irregular	2 180 705
Comms and Marketing	Contravention of SCM Policy	Irregular	1 431 934
City Planning	Contravention of SCM Policy	Fruitless	2 931 036

City of Ekurhuleni

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

Comms and Marketing	Contravention of SCM Policy	Irregular	479 256
Real Estate	Contravention of SCM Policy	Irregular	2 040 435
EMPD	Contravention of SCM Policy	Irregular	593 241
EMPD	Contravention of SCM Policy	Irregular	1 456 477
Energy	Contravention of SCM Policy	Irregular	320 902
Health	Contravention of SCM Policy	Irregular	452 401
Human Resources	Contravention of SCM Policy	Irregular	332 704
ICT	Contravention of SCM Policy	Irregular	62 212 222
ICT	Contravention of SCM Policy	Irregular	3 058 802
Real Estate	Contravention of SCM Policy	Irregular	2 574 913
WMS	Contravention of SCM Policy	Irregular	69 289
City Planning	Contravention of SCM Policy	Irregular	3 731 320
Energy	Contravention of SCM Policy	Irregular	3 806 806
Energy	Contravention of SCM Policy	Irregular	128 952
Human Settlements	Contravention of SCM Policy	Irregular	10 114 621
ICT	Contravention of SCM Policy	Irregular	69 962
Environment	Contravention of SCM Policy	Irregular	1 768 200
Real Estate	Contravention of SCM Policy	Irregular	149 500
Transport	Contravention of SCM Policy	Irregular	5 000
Human Resource management	Contravention of SCM Policy	Irregular	10 736
Real Estate	Contravention of SCM Regulation no 36	Irregular	16 440 472
Waste management	Contravention of SCM Regulation no 36	Irregular	127 165 531
Water	Contravention of SCM Regulation no 36	Irregular	40 698 000
Human Settlement	Contravention of SCM Regulation no 36	Irregular	22 996 087
Waste Management	Contravention of SCM Regulation no 36	Irregular	2 609 609
Human Settlement	Contravention of SCM Regulation no 36	Irregular	7 133 004
Real Estate	Contravention of SCM Policy	Irregular	5 178 600
Finance	Contravention of SCM Policy	Irregular	24 866 279
DEMS	Contravention of SCM Policy	Irregular	7 973 851
Finance	Contravention of SCM Policy	Irregular	1 587 535
Finance	Contravention of SCM Policy	Irregular	236 118
Finance	Contravention of SCM Policy	Irregular	112 096
Various	Unapproved overtime	Irregular	143 450
ERWAT	Contravention of SCM Policy	Irregular	903 491
BBC	Contravention of SCM Policy	Irregular	2 888 297
EHC	Contravention of SCM Policy	Irregular	1 879 177

385 593 853

June 2017

Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Fleet	Contravention of SCM Policy	Irregular	2 134 058
SRAC	Contravention of SCM Policy	Irregular	6 500 000
SRAC	Contravention of SCM Policy	Irregular	11 700
SRAC	Contravention of SCM Policy	Irregular	20 000
SRAC	Contravention of SCM Policy	Irregular	29 900
Fleet	Contravention of SCM Policy	Irregular	607 360
Customer Relations	Contravention of SCM Policy	Fruitless	59 400
Customer Relations	Contravention of SCM Policy	Fruitless	58 600
Customer Relations	Contravention of SCM Policy	Fruitless	59 690
Customer Relations	Contravention of SCM Policy	Fruitless	59 250

City of Ekurhuleni

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

Customer Relations	Contravention of SCM Policy	Fruitless	58 050
Customer Relations	Contravention of SCM Policy	Irregular	144 210
Fleet	Contravention of SCM Policy	Irregular	4 277 845
Energy	Contravention of SCM Policy	Irregular	78 425
Energy	Contravention of SCM Policy	Fruitless	184 808
Energy	Contravention of SCM Policy	Fruitless	222 516
Energy	Contravention of SCM Policy	Fruitless	89 976
Energy	Contravention of SCM Policy	Fruitless	111 461
Human Resources	Contravention of SCM Policy	Irregular	90 915
Customer Relations	Contravention of SCM Policy	Fruitless	59 690
Transport	Contravention of SCM Policy	Irregular	209 939 833
ERWAT	Contravention of SCM Policy	Irregular	54 472 750
			279 270 437

June 2016

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Comms and Marketing	Contravention of SCM Policy	Fruitless	1 285 603
EMPD	Contravention of SCM Policy	Unauthorised	67 090 606
Finance	Contravention of SCM Policy	Irregular	1 233 616
Health	Contravention of SCM Policy	Irregular	1 526 999
Real Estate	Contravention of SCM Policy	Irregular	249 734
Real Estate	Contravention of SCM Policy	Irregular	7 923 645
Finance	Contravention of SCM Policy	Irregular	2 229 696
Transport	Contravention of SCM Policy	Irregular	718 278
Waste management	Contravention of SCM Policy	Irregular	724 725
Water and Sanitation	Contravention of SCM Policy	Irregular	4 748 265
WMS	Contravention of SCM Policy	Irregular	33 366 199
Economic Development	Penalty payment	Fruitless	72 720
Finance	Contravention of SCM Policy: Supplier not blocked	Irregular	385 115
Finance	Award to a prohibited suppliers	Irregular	11 970
Finance	Contravention of SCM Policy Splitting of quotes	Irregular	961 016
Various departments	Interest paid due to late payments	Irregular	330 449
GERMP11	SCM regulations not adhered to	Irregular	229 155
ERWAT	SCM regulations not adhered to	Irregular	303 783
BBC	SCM regulations not adhered to	Irregular	165 448
Waste Management	Deviations: Contravention of MFMA regulation 36	Irregular	24 565 427
Waste Management	Deviations: Contravention of MFMA regulation 36	Irregular	974 659
			149 097 108

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

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

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	Consultants paid for non-compliant plans	Irregular	203 205
CRM	Geotechnical reports provided that was not necessary	Irregular	9 200
Health and Social Development	Additional clerk hired even though an official of EMM did the same work	Irregular	595 038
Health and Social Development	Manager approved payments without authority	Irregular	1 308 495
CRM	Procurement irregularities	Irregular	42 800
City Planning	Contravention of SCM Policy	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
WMS	Contravention of SCM Policy	Fruitless	145 181
Customer relations	Contravention of SCM Policy	Irregular	1 390 968
Customer relations	Contravention of SCM Policy	Fruitless	322 469
SRAC	Contravention of SCM Policy: Training	Irregular	550 200
ERWAT	SCM regulations not adhered to	Irregular	39 390 685
			127 662 319

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription/ fee	12 635 000	14 494 500	12 635 000	14 494 500
Amount paid - current year	(12 635 000)	(14 494 500)	(12 635 000)	(14 494 500)
	-	-	-	-

Material losses through criminal conduct and fraudulent activities

Opening balance	-	20 832 772	-	20 832 772
Current year subscription/ fee	-	16 366 124	-	16 366 124
Amount paid - current year	-	3 780 380	-	3 780 380
	-	40 979 276	-	40 979 276

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 COE	R 14,856,823*
Payment approved - services never rendered	R 1,279,443*
Allegation of fraud	R 3,780,380

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

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

Audit fees

Opening balance	311 466	524 370	303 801	235 370
Current year subscription/ fee	23 743 378	24 232 572	20 404 113	21 000 000
Amount paid - current year	(18 490 542)	(24 436 476)	(15 143 612)	(20 931 569)
	5 564 302	320 466	5 564 302	303 801

PAYE and UIF

Opening balance	20 990	(3 779)	-	-
Current year subscription/ fee	1 040 909 657	918 687 147	1 000 047 952	880 028 609
Amount paid - current year	(1 037 766 718)	(918 662 378)	(1 000 047 952)	(880 028 609)
	3 163 929	20 990	-	-

Pension and Medical Aid Deductions

Opening balance	(22 997)	89 453	-	-
Current year subscription/ fee	1 773 733 031	1 611 588 948	1 711 983 523	1 555 941 004
Amount paid - current year	(1 773 703 003)	(1 611 701 398)	(1 711 983 523)	(1 555 941 004)
	7 031	(22 997)	-	-

VAT

VAT receivable	19 861 335	-	-	-
VAT paid during the year	(36 171 150)	(104 690 977)	(36 171 150)	(48 604 667)
	(16 309 815)	(104 690 977)	(36 171 150)	(48 604 667)

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2017.

During the year the following Councillors had arrears, where their accounts were outstanding for more than 90 days.

30 June 2017			Highest outstanding amount	Aging (in days)
Chonco M F	-	-	30 465	1 350
Kodisang MM	-	-	2 476	120
Mafagane MC	-	-	1 304	270
Mafanga ZL	-	-	5 975	870
Nkunjana P	-	-	2 723	210
	-	-	42 943	2 820

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

City of Ekurhuleni

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55. Utilisation of long-term liabilities reconciliation

Outstanding long-term liabilities beginning of the year	6 387 308 643	6 160 151 506	5 754 596 673	5 754 596 673
Redemption of loans	(372 237 345)	(353 318 934)	(342 666 436)	(342 666 436)
New loans	2 093 580	233 059 731	-	-
Interest accrued	(229 925)	-	-	-
	6 016 934 953	6 039 892 303	5 411 930 237	5 411 930 237
Used to finance property, plant and equipment: Opening balance	(6 383 533 152)	(6 185 954 585)	(5 783 048 414)	(5 783 048 414)
Redemption of loans	342 666 436	353 318 934	342 666 436	342 666 436
Capital financed from external loans for the year	-	(226 208 586)	-	-
Capital expenditure for 2016/2017 financial year will be financed from loans taken up in 2017/2018 financial year.	28 451 741	28 451 741	28 451 741	28 451 741
Interest accrued	-	(4 749 904)	-	-
Unspend long term liabilities	4 519 978	4 749 903	-	-

Cash was invested for the repayment of long-term liabilities for the year	1 349 011 092	1 091 626 115	1 349 011 092	1 091 626 115
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sinking funds (investments) were established to ensure that long-term liabilities can be repaid on redemption date.

56. Deviation from supply chain management regulations

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

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

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

Emergencies	11 223 785	10 106 850	6 018 965	9 943 127
Sole supplier	7 059 523	3 656 387	5 805 223	3 091 206
Appointment of consultants	2 375 469	123 382 226	1 953 228	123 382 226
Art	12 100 000	-	12 100 000	-
Events	4 982 741	78 001 784	4 982 741	78 001 784
Operational services	155 373 851	891 415 412	153 186 954	891 415 412
Extension of contracts	242 002 553	-	242 002 553	-
Water infrastructure upgrade	-	24 675 040	-	24 675 040
Other	14 334 687	16 149 846	-	-
	449 452 609	1 147 387 545	426 049 664	1 130 508 795

During the year the accounting officer ratified minor breaches in line with SCM regulation 36(2) R0.00 (2016:R502 464)

30 June 2017

Extension of contracts include inter alia the following salient amounts:

Variation of contract - R166,400,055;
 Consultants - R41,272,228; and
 Maintenance and other related services - R34,330,270.

30 June 2016

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

Electronic and print media until 30 June 2018 - R327,323,947;
 Additional licenses, technical support and software licences renewals, as and when, until 30 June 2018 - R204,993,959;
 Business magazines and journals, as and when, until 30 June 2018 - R120,000,000; and
 Maintenance and other related services - R239,097,506.

City of Ekurhuleni

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57. Unaccounted Electricity And Water

Electricity	30 June 2017	30 June 2017	30 June 2016	30 June 2016
	Units	Value	Units	Value
Units purchased	10 605 742 384	9 159 611 397	10 549 719 430	8 490 583 539
Units sold	(9 291 460 429)	(8 024 536 497)	(8 899 811 135)	(7 162 710 859)
	1 314 281 955	1 135 074 900	1 649 908 295	1 327 872 680

Technical loss %	5,90 %	5,90 %	5,90 %	5,90 %
Non-technical loss %	6,49 %	6,49 %	9,74 %	9,74 %
Total loss %	12,39 %	12,39 %	15,64 %	15,64 %

Water	30 June 2017	30 June 2017	30 June 2016	30 June 2016
	Units	Value	Units	Value
Opening balance	1 201 918	8 185 488	1 206 000	7 259 584
Purchases	338 445 271	2 581 568 004	363 964 110	2 482 695 981
Less: closing balance	(1 201 918)	(9 159 565)	(1 201 918)	(8 185 487)
Units sold	(234 969 845)	(1 792 819 918)	(252 605 565)	(1 722 769 953)
	103 475 426	787 774 009	111 362 627	759 000 125

Technical loss %	15,00 %	15,00 %	15,00 %	15,00 %
Non-technical loss %	15,57 %	15,57 %	15,60 %	15,60 %
	30,57 %	30,57 %	30,60 %	30,60 %

City of Ekurhuleni

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58. Budget differences

2017

Controlling entity

Revenue

The total revenue for the year is 3% less than the budgeted revenue. The actual revenue is R29,6 billion while the budgeted revenue amounts to R30,4 billion, the variance amount is R868 million.

The contributing factors to the positive deviation is as follows:

The budget provision on the investment revenue was a conservative allocation and the positive deviation was as a result of the interest yielded from investments made by the City and the bank balance being more than anticipated.

The negative movements were as follows:

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. It is also as a result of reduction in consumption is due to water restrictions implemented in 2016/17 financial year as a result of drought experienced.

Transfer recognized-operational relates to the Government grant and subsidies income which is reflecting a deviation of 1.78%. The budget was for R5,1 billion while the actual receipts amounted to R5,0 billion with a balance of R91,5 million to be requested as a roll-over. This income reflects all the grants received from National and Provincial Government. The negative deviation is attributable to the following factors:

Public Transport and Systems Opex;

The delay in the launch of the Public Transport system;

Procurement of the bus its equipment;

The finalization of the Special Purpose Vehicle;

Ticketing system;

Procurement of buses;

Value Chain;

Negotiations with the affected Operators;

Urban Settlements Development Grant; and

The highest contributors are Ablution Facilities and Pre-Planning (Township Establishment) due to contractor's under-performance.

Human Settlements Development Grant

The grant was a roll-over which was approved in October 2016 and the appointment of 'as and when contractors' only began then as there was no new allocation in 2016/17 FY against the OPEX but only for CAPEX hence the contractors could not be appointed on time.

The contractors were only appointed in December and the community consultations took place in March 2017.

The contractor only started work on site after the consultation processes which resulted in under-performance for all the projects.

Township Initiatives (Libraries)

Partial deliveries against order issued negatively affected the performance.

Delay in handing over of the libraries built by Province resulted in poor performance as some funds were ringfenced for opening of new libraries.

There are savings to be requested for operating activities.

The other own revenue for the year is R1,1 billion while the amount budgeted was R1,2 billion, the variance is R31,0 million or 3% less than the budget. The deviation mostly relates to the interest not levied on outstanding debtors accounts due to the increase in the collection rate compared to previous financial year.

Expenditure

The total expenditure for the year is 5% less than the budgeted expenditure. The actual expenditure amounts to R29,0 billion while the budgeted expenditure was R30,4 billion, the variance amount is R1,5 billion.

Employee related costs were 13% (R915 million) below the budget. The under spending of the salary budget is due to the funded vacant positions that are not filled and positions which became vacant whilst provision was made for the full-year. Provision for post-retirement benefits has decreased by R388 million as compared to the previous financial year.

The actual overtime for the year is exceeding the budget with 22.6%. The increase in vacancies has an effect of additional overtime payable. A large number of the overtime relates to the lack of capacity within departments.

Final calculation for debt impairment was based on the actual consumer debt and determined as per provision for bad debt policy

City of Ekurhuleni

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58. Budget differences (continued)

The deviation on depreciation and assets impairment relates to accelerated impairment as part of the year end assessment of the conditions of the assets.

Finance cost is budgeted according to all the existing loans of the City plus the interest payable on any new loans to be obtained for the particular financial year. Provision was made for interest payable on the anticipated borrowings of R1,8 billion, of which an amount of R1,3 billion was obtained in July 2017 (new financial year).

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 mSCOA requirements.

Transfers recognised – operational

The increase in grant revenue is as a result of grant funding which was rolled over from 2015/16, amounting to R150,0 million.

An additional R27,4m grant was allocated as per the extraordinary gazette dated 08 March 2017 to the City and the funds were transferred on the 17 March 2017. The additional amount was allocated to the City Planning department for the implementation of the NMT projects in Daveyton, Duduza, Tsakane, Tembisa and Vosloorus. The relevant income vote numbers in the operating budget were also amended.

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 adjustment was as a result of reclassification of grants to indigent and departmental charges. This had an impact on the transfers and grants item.

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 R290 (net) million mainly as a result of projected savings as at the end of the second quarter. This projected saving was largely based on the estimated number of vacancies that are not filled. Therefore the salary budget was analysed to identify vacant positions which could be frozen in order to generate savings to address the Adjustment Budget request. Further reduction to the salary budget was to address the repairs and maintenance budget shortfall at the end of the financial year.

Bulk purchases

The 2016/17 budget for electricity bulk purchases was increased post the adjustment budget process in order to address the insufficient budget resulting from the following factors:

- Actual increase on the bulk tariffs was more than the provision made of 7.86%. It was established that the approved tariff increase does not necessarily imply that every tariff component will increase by 7,86%, resulting in a linear increase of exactly 7,86%. If certain tariff components receive a slightly higher increase/ emphasis, and others a slightly lower increase, the net effect to Eskom will still be 7,86%.
- Increase in electricity losses. Losses are mainly caused by:
 - o Illegal connections;
 - o Bypassed meters in all areas; and
 - o Specifically also bypassed meters in areas where Energy is physically prevented from restoring bypassed meters (estimated 31,000 houses in the City, mainly in the following areas: Kwa-Thema, Tswelopele X5, Tembisa X24, Langavile X6, Klippoortje Agricultural Lots, Palm Ridge, Roodekop X11 and 31, South Germiston X8, Thokoza).

Finance charges

An amount of R662 million was budgeted in the 2016/17 operating budget for interest on all external borrowings. This included provision for

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2017

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58. Budget differences (continued)

interest on loan of R1,8 billion to fund the capital expenditure for the 2016/17. The amount borrowed was only received in July 2017, with the result that the provision made for new loan was not utilised to pay for the interest on loans and savings as therefore used to fund the shortfall on the electricity bulk purchases.

Other expenditure

Other expenditure decreased with a net amount of R157 million attributable to the following major items:

- Repairs and maintenance which form part of the other expenditure was increased with R25 million.
- The general expenditure budget was reduced to address the budget shortfall for the electricity bulk purchases.

Controlled entities

ERWAT

Total revenue - 112% achieved due to the following reasons:

Investment revenue - 827% achieved

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

Dividends received - ERWAT had received 693% higher than budgeted amount for dividends, as projected dividends, as projected income is subject to estimation uncertainty.

Other own revenue - 161% achieved

Development contribution - an amount of R85,408,228 relating to development contribution was received to which ERWAT could not budget as there is no information to calculate a budget.

Total operating Expense - 97% achieved due to the following reasons:

Debt impairment - 2283% incurred due to:

ERWAT has budgeted for a small impairment amount at the stage of preparing the budget, however with the change to a new accounting system we incurred a few challenges and therefore our impairment provision has increased significantly.

Depreciation and Amortisation - 167% achieved due to the following reasons:

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

Finance Costs - 130% achieved due to

The budgeted amount was based on prime interest at the date of the preparation of the budget, however due to an increase in the interest rate the finance cost increased over what had been budgeted. In addition the drawdown of the loan differed from the planned drawn down which also increased the finance cost.

Other expenditure - 86% achieved

ERWAT has reprioritised spending on other expenditure which resulted in a saving on expenditure.

Capital Expenditure - 86% achieved

ERWAT is still in the process of capturing accruals for assets this may result in a higher % achieved.

Net cash at the end of the year

The cashflow balance is higher than budgeted due to under spending on capital items, saving on operating expenditure and the increase in development contribution not budgeted for.

Sources of capital funds (Borrowing) - 2%

The need for external financing did not arise to the extent anticipated in the budget, resulting in reduced acquisition of loan finance.

City of Ekurhuleni

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58. Budget differences (continued)

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

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* See Note 48