



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

City of Ekurhuleni

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 Masele 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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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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the 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 annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting 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 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 annual financial statements set out on pages 4 to 85, 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

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	8	527 708 258	354 918 054
Other investments	9	116 916 646	147 020 659
Other receivables from exchange transactions	10	1 397 267 030	855 531 039
Other receivables from non-exchange transactions	11	40 403 310	29 452 034
Consumer debtors	12	6 488 536 096	5 256 386 810
Cash and cash equivalents	13	5 294 470 904	7 972 586 235
		13 865 302 244	14 615 894 831
Non-Current Assets			
Investment property	2	662 499 298	622 729 778
Property, plant and equipment	3	49 546 045 073	47 271 990 987
Intangible assets	4	407 023 217	77 721 201
Heritage assets	5	62 517 082	59 454 180
Investments in controlled entities	6	106	306
Other investments	9	1 353 011 092	1 095 830 622
Long-term receivables	7	3 144 128	6 890 631
		52 034 239 996	49 134 617 705
Non-Current Assets		52 034 239 996	49 134 617 705
Current Assets		13 865 302 244	14 615 894 831
Total Assets		65 899 542 240	63 750 512 536
Liabilities			
Current Liabilities			
Long term liabilities	14	402 710 089	384 807 233
Trade and other payables from exchange transactions	15	7 370 290 628	6 627 730 829
Deposits	16	807 025 549	750 847 367
Unspent conditional grants and receipts	17	113 408 897	433 285 889
Provisions	18	477 371 489	403 806 769
		9 170 806 652	8 600 478 087
Non-Current Liabilities			
Long term liabilities	14	4 669 348 050	5 050 855 469
Retirement benefit obligation	19	2 138 634 653	2 527 234 581
Provisions	18	834 046 367	946 711 300
		7 642 029 070	8 524 801 350
Non-Current Liabilities		7 642 029 070	8 524 801 350
Current Liabilities		9 170 806 652	8 600 478 087
Total Liabilities		16 812 835 722	17 125 279 437
Assets		65 899 542 240	63 750 512 536
Liabilities		(16 812 835 722)	(17 125 279 437)
Net Assets		49 086 706 518	46 625 233 099
Accumulated surplus		49 086 706 518	46 625 233 099

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Property rates	22	4 053 558 160	3 946 658 651
Property rates - penalties and collection charges		63 725 030	100 916 675
Service charges	23	18 746 400 361	17 130 454 896
Rental of facilities and equipment	24	67 521 340	59 256 123
Interest earned - outstanding debtors		304 694 051	459 031 354
Licences and permits		50 248 868	51 650 784
Income from agency services		282 218 826	276 375 456
Fines		282 428 172	218 443 438
Government grants & subsidies	25	6 836 096 411	6 612 130 291
Public contributions and donations		-	53 457 399
Interest revenue	26	536 303 137	632 624 010
Other income	27	127 992 854	107 259 994
Total revenue		31 351 187 210	29 648 259 071
Expenditure			
Employee related costs	28	(6 051 005 522)	(6 338 421 150)
Remuneration of councillors	29	(119 944 483)	(105 696 037)
Depreciation and amortisation	30	(1 814 885 747)	(1 698 877 909)
Impairment of assets	31	(246 103 620)	(447 389 234)
Finance costs	32	(901 847 024)	(848 639 400)
Debt impairment	33	(1 517 099 195)	(1 434 057 613)
Collection costs		(141 193 723)	(116 163 244)
Repairs and maintenance		(2 005 713 169)	(1 660 851 257)
Bulk purchases	34	(12 402 510 939)	(11 662 156 131)
Contracted services	36	(1 061 353 750)	(856 564 396)
Grants and subsidies paid	37	(1 188 032 315)	(1 096 477 179)
General expenses	38	(1 626 949 009)	(1 413 750 815)
Total expenditure		(29 076 638 496)	(27 679 044 365)
Total revenue		31 351 187 210	29 648 259 071
Total expenditure		(29 076 638 496)	(27 679 044 365)
Operating surplus		2 274 548 714	1 969 214 706
Loss on disposal of capital assets		(14 108 820)	-
Operating surplus/deficit		(14 108 820)	-
Surplus before taxation		2 260 439 894	1 969 214 706
Taxation		-	-
Surplus for the year		2 260 439 894	1 969 214 706

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	Share premium	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Non-controlling interest	Total net assets
Figures in Rand					
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					
Surplus for the year	-	1 969 214 706	1 969 214 706	-	1 969 214 706
Prior period errors	-	(256 368 813)	(256 368 813)	-	(256 368 813)
Total changes	-	1 712 845 893	1 712 845 893	-	1 712 845 893
Balance at 01 July 2016	-	47 082 635 434	47 082 635 434	-	47 082 635 434
Changes in net assets					
Surplus for the year	-	2 260 439 894	2 260 439 894	-	2 260 439 894
Prior period errors	-	(256 368 810)	(256 368 810)	-	(256 368 810)
Total changes	-	2 004 071 084	2 004 071 084	-	2 004 071 084
Balance at 30 June 2017	-	49 086 706 518	49 086 706 518	-	49 086 706 518

Note(s)

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Property rates		3 953 452 850	3 894 773 406
Income from rendering of services		16 465 676 271	15 102 231 241
Grants - operational		4 727 762 787	4 345 582 898
Grants - capital		1 788 456 632	2 146 787 623
Interest income		537 809 859	969 054 191
Other receipts		562 416 843	634 582 906
		28 035 575 242	27 093 012 265
Payments			
Employee costs		(6 974 817 019)	(6 079 543 886)
Suppliers		(16 547 246 852)	(14 309 964 723)
Finance costs		(557 391 187)	(600 828 146)
Other payments		(1 397 564 074)	(1 242 317 440)
		(25 477 019 132)	(22 232 654 195)
Total receipts		28 035 575 242	27 093 012 265
Total payments		(25 477 019 132)	(22 232 654 195)
Net cash flows from operating activities	39	2 558 556 110	4 860 358 070
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)	3	(4 371 971 656)	(3 843 385 964)
Purchase of investment property	2	(31 039 119)	(32 138 052)
Purchase of intangible assets	4	(299 023 730)	(164 883 902)
Purchases of heritage assets	5	-	(288)
Net movement of investments		(227 076 457)	(245 277 311)
Net movement in long-term receivables		(134 098)	4 088 570
Net cash flows from investing activities		(4 929 245 060)	(4 281 596 947)
Cash flows from financing activities			
Repayment of long term liabilities		(363 604 563)	(344 699 586)
Net movement in consumer deposits		56 178 182	37 148 585
Net cash flows from financing activities		(307 426 381)	(307 551 001)
Net (decrease) / increase in cash and cash equivalents		(2 678 115 331)	271 210 122
Cash and cash equivalents at the beginning of the year		7 972 586 235	7 701 376 113
Cash and cash equivalents at the end of the year	13	5 294 470 904	7 972 586 235

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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

The reasons for the difference between budget and actuals, refer to note 54.

City of Ekurhuleni

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
2017											
Financial Performance											
Property rates	4 647 942 681	2 208 251	4 650 150 932	-	1	4 650 150 933	4 117 283 190		(532 867 743)	89 %	89 %
Service charges	19 254 348 676	(190 389 888)	19 063 958 788	-	(37 800 000)	19 026 158 788	18 746 400 361		(279 758 427)	99 %	97 %
Investment revenue	322 080 000	-	322 080 000	-		322 080 000	536 303 137		214 223 137	167 %	167 %
Transfers recognised - operational	5 128 290 089	(7 289 689)	5 121 000 400	-	18 150 000	5 139 150 400	5 047 639 773		(91 510 627)	98 %	98 %
Other own revenue	1 278 048 955	15 120 000	1 293 168 955	-	(1)	1 293 168 954	1 115 104 111		(178 064 843)	86 %	87 %
Total revenue (excluding capital transfers and contributions)	30 630 710 401	(180 351 326)	30 450 359 075	-	(19 650 000)	30 430 709 075	29 562 730 572		(867 978 503)	97 %	97 %
Employee costs	(7 635 966 330)	289 803 235	(7 346 163 095)	-	104 635 169	(7 241 527 926)	(6 051 005 522)		1 190 522 404	84 %	79 %
Remuneration of councillors	(38 472 941)	(22 452 430)	(60 925 371)	-	(3 400 522)	(64 325 893)	(119 944 483)		(55 618 590)	186 %	312 %
Debt impairment	(1 468 870 977)	-	(1 468 870 977)	-		(1 468 870 977)	(1 517 099 195)		(48 228 218)	103 %	103 %
Depreciation and asset impairment	(1 804 382 061)	-	(1 804 382 061)	-		(1 804 382 061)	(2 060 989 367)		(256 607 306)	114 %	114 %
Finance charges	(662 382 802)	(950 323)	(663 333 125)	-	25 199 001	(638 134 124)	(901 847 024)		(263 712 900)	141 %	136 %
Materials and bulk purchases	(14 464 635 740)	(16 104 265)	(14 480 740 005)	-	(193 569 838)	(14 674 309 843)	(12 402 510 939)		2 271 798 904	85 %	86 %
Transfers and grants	(890 773 825)	(165 572 254)	(1 056 346 079)	-	25 271 823	(1 031 074 256)	(1 188 032 315)		(156 958 059)	115 %	133 %
Other expenditure	(3 664 453 182)	95 627 363	(3 568 825 819)	-	61 514 367	(3 507 311 452)	(4 849 318 471)		(1 342 007 019)	138 %	132 %
Total expenditure	(30 629 937 858)	180 351 326	(30 449 586 532)	-	19 650 000	(30 429 936 532)	(29 090 747 316)		1 339 189 216	96 %	95 %
Total revenue (excluding capital transfers and contributions)	30 630 710 401	(180 351 326)	30 450 359 075	-	(19 650 000)	30 430 709 075	29 562 730 572		(867 978 503)	97 %	97 %
Total expenditure	(30 629 937 858)	180 351 326	(30 449 586 532)	-	19 650 000	(30 429 936 532)	(29 090 747 316)		1 339 189 216	96 %	95 %
Surplus/(Deficit)	772 543	-	772 543	-		772 543	471 983 256		471 210 713	61 095 %	61 095 %

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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	1 876 755 252	(3 692 591 244)	(1 815 835 992)	-	(9 316 000)	(1 825 151 992)	1 788 456 638		3 613 608 630	(98)%	95 %
Surplus/(Deficit)	772 543	-	772 543	-	-	772 543	471 983 256	-	471 210 713	61 095 %	61 095 %
Capital transfers and contributions	1 876 755 252	(3 692 591 244)	(1 815 835 992)	-	(9 316 000)	(1 825 151 992)	1 788 456 638	-	3 613 608 630	(98)%	95 %
Surplus (Deficit) after capital transfers and contributions	1 877 527 795	(3 692 591 244)	(1 815 063 449)	-	(9 316 000)	(1 824 379 449)	2 260 439 894		4 084 819 343	(124)%	120 %
Surplus (Deficit) after capital transfers and contributions	1 877 527 795	(3 692 591 244)	(1 815 063 449)	-	(9 316 000)	(1 824 379 449)	2 260 439 894	-	4 084 819 343	(124)%	120 %
Surplus/(Deficit) for the year	1 877 527 795	(3 692 591 244)	(1 815 063 449)	-	(9 316 000)	(1 824 379 449)	2 260 439 894		4 084 819 343	(124)%	120 %

Capital expenditure and funds sources

Total capital expenditure	5 130 961 437	(55 737)	5 130 905 700	-		5 130 905 700	-		(5 130 905 700)	- %	- %
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Cash flows

2016

Financial Performance

Property rates											4 047 575 326
Service charges											17 130 454 896
Investment revenue											632 624 010
Transfers recognised - operational											4 464 971 853
Other own revenue											1 172 017 149
Total revenue (excluding capital transfers and contributions)											27 447 643 234

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Employee costs	-	-	- (6 338 421 150)
Remuneration of councillors	-	-	- (105 696 037)
Debt impairment	-	-	- (1 434 057 613)
Depreciation and asset impairment	-	-	- (2 146 267 143)
Finance charges	-	-	- (848 639 400)
Materials and bulk purchases	-	-	- (11 662 156 131)
Transfers and grants	-	-	- (1 096 477 179)
Other expenditure	-	-	- (4 047 329 712)
Total expenditure	-	-	- (27 679 044 365)
Total revenue (excluding capital transfers and contributions)	-	-	- 27 447 643 234
Total expenditure	-	-	- (27 679 044 365)
Surplus/(Deficit)			(231 401 131)
Transfers recognised - capital			2 147 158 438
Contributions recognised - capital and contributed assets			53 457 399
Surplus/(Deficit)	-	-	- (231 401 131)
Capital transfers and contributions	-	-	- 2 200 615 837
Surplus (Deficit) after capital transfers and contributions			1 969 214 706
Surplus (Deficit) after capital transfers and contributions	-	-	- 1 969 214 706
Surplus/(Deficit) for the year			1 969 214 706
Capital expenditure and funds sources			
Total capital expenditure			4 093 865 317
Sources of capital funds			
Transfers recognised - capital			2 147 158 439
Internally generated funds			1 946 706 878
Total sources of capital funds			4 093 865 317
Cash flows			
Net cash from (used) operating			4 860 358 070
Net cash from (used) investing			(4 281 596 947)
Net cash from (used) financing			(307 551 001)
Net increase/(decrease) in cash and cash equivalents			271 210 122
Cash and cash equivalents at the beginning of the year			7 701 376 113
Net increase / (decrease) in cash and cash equivalents	-	-	- 271 210 122
Cash and cash equivalents at the beginning of the year	-	-	- 7 701 376 113
Cash and cash equivalents at year end			7 972 586 235

The reason for the differences between the budget and actuals are discussed in note 54.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Preparation

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

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

- **Impairment of receivables**

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that not individually significant.

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

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

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

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

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

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

- **Traffic Fines**

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

- **Budget information**

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

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

1.2 Presentation currency

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Investment property

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

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

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

Cost model

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

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

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

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

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

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

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Property, plant and equipment

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

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

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

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

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

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

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

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

The entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

The entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets. Depreciation starts when the asset is available for use. Work in progress is not depreciated.

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

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

City of Ekurhuleni

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Accounting Policies

1.4 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 it 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 depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the city. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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.

Assets which the city holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

The city discloses relevant information relating to assets under construction or development, in the notes to the financial statements..

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Intangible assets

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

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

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

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

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

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

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

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

Item	Useful life
Computer software	1 - 23 years

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

1.6 Heritage assets

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

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

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

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

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

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

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

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

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

City of Ekurhuleni

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Accounting Policies

1.7 Financial instruments

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

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

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

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

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

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Financial instruments (continued)

Fair value measurement considerations

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

a) Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly 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 entity derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the entity has transferred all of the significant risks and rewards of ownership using trade date accounting.

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

b) Financial liabilities

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

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

Presentation

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

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

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

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

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

City of Ekurhuleni

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Accounting Policies

1.8 Inventories

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

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

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

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

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

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

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

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

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

City of Ekurhuleni

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Accounting Policies

1.9 Employee benefits

Short-term employee benefits

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

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

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

Retirement funds

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

The amount recognised as a defined benefit liability is net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirement.

The entity does not apply "defined benefit accounting" to the defined benefit funds to which it is a member, where these funds as classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved.

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

Medical Aid: Continued Members

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

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Accounting Policies

1.10 Provisions and contingencies

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

The entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

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

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

a) Leave provision

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

b) COID provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7.36% (2016: 6.00%) per annum over member's 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 balance sheet date at the cost of capital (time value of money), which is currently 10.46% (2016: 10.47%).

The entity has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which an entity incurs as a consequence of having used the property during a particular period for landfill purposes. The entity estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

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

- a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

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

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

d) Workmen's compensation provision

The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

e) Long service awards provision

The entity offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

f) GMRF provision

The provision is for the entity's obligation to the Germiston Municipal Retirement Fund due to the entity failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

g) Bonus provision

The provision is to provide for performance bonuses of the entity's section 57 employees and, independent contractors, where applicable.

City of Ekurhuleni

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Accounting Policies

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

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

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the economic entity also test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

When estimating the value in use of a cash-generating asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows. The present value of the remaining service potential of a non-cash-generating assets is determined using the most appropriate between the following approaches:

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

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Accounting Policies

1.12 Revenue from exchange transactions

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

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

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

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

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

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

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

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

1.13 Revenue from non-exchange transactions

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the city;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The city assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the city;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

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

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

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

Taxes (property rates)

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

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

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

Transfers, including grants and receipts

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

Fines

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

Bequests

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

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

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

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Leases

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

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

Operating leases – lessor

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

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

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

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

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

Operating leases - lessee

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

1.15 Borrowing costs

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

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

1.16 Value Added Tax

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

1.17 Unauthorised expenditure

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

1.18 Fruitless and wasteful expenditure

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

1.19 Irregular expenditure

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

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.20 Internal reserves

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

Capital replacement reserve (CRR)

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

Self-insurance reserve

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

Sinking funds reserve

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

1.21 Budget information

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

The approved budget covers the fiscal period from 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 annual financial statements.

1.22 Related parties

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

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

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

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

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

1.23 Events after reporting date

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

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

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

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.24 Commitments

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

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

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

1.25 Going concern

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

1.26 Comparative figures

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

City of Ekurhuleni

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Figures in Rand

2017

2016

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand

2. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	822 896 880	(160 397 582)	662 499 298	769 559 280	(146 829 502)	622 729 778

Reconciliation of investment property - 2017

	Opening balance	Additions	Transfers received	Depreciation	Total
Investment property	622 729 778	31 039 119	19 498 220	(10 767 819)	662 499 298

Reconciliation of investment property - 2016

	Opening balance	Additions	Transfers received	Transfer from PPE	Impairments	Depreciation	Depreciation	Total
Investment property	578 645 388	32 138 052	39 526 066	(5 593 230)	(10 313 007)	(5 803 251)	(5 870 240)	622 729 778

Other disclosure

Total rental income received on investment property

Total rental income received on investment property 21 453 938 19 895 072

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.

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 142 433 291	-	2 142 433 291	2 005 737 602	-	2 005 737 602
Infrastructure	45 615 063 373	(12 873 545 561)	32 741 517 812	44 711 358 009	(11 664 175 864)	33 047 182 145
Community	5 191 916 535	(1 702 885 856)	3 489 030 679	5 017 812 807	(1 527 961 090)	3 489 851 717
Other property, plant and equipment	5 494 700 556	(2 486 544 242)	3 008 156 314	5 006 607 784	(2 187 398 685)	2 819 209 099
Work-in-Progress	8 164 906 977	-	8 164 906 977	5 910 010 424	-	5 910 010 424
Total	66 609 020 732	(17 062 975 659)	49 546 045 073	62 651 526 626	(15 379 535 639)	47 271 990 987

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals/derecognition	Transfers received	Transfers out of PPE	Depreciation	Impairment loss	Total
Land	2 005 737 602	-	-	136 695 689	-	-	-	2 142 433 291
Infrastructure	33 047 182 145	-	(9 490 383)	917 314 970	-	(1 213 488 920)	-	32 741 517 812
Community	3 489 851 717	-	(832 000)	184 026 411	(9 090 694)	(174 924 755)	-	3 489 030 679
Other property, plant and equipment	2 819 209 099	407 445 717	(5 497 148)	144 598 528	-	(355 915 032)	(1 684 850)	3 008 156 314
Work-in-Progress	5 910 010 424	3 964 526 138	(78 688 546)	(1 382 635 598)	(248 305 441)	-	-	8 164 906 977
	47 271 990 987	4 371 971 855	(94 508 077)	-	(257 396 135)	(1 744 328 707)	(1 684 850)	49 546 045 073

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Transfers out of PPE	Depreciation	Impairment loss	Total
Land	2 018 787 686	-	-	11 569 211	-	(24 619 295)	-	-	2 005 737 602
Infrastructure	32 851 212 435	-	(209 354)	1 357 152 254	-	(6 073 647)	(1 154 868 991)	(30 552)	33 047 182 145
Community	3 451 255 376	-	(10 641)	236 303 131	-	(3 043 603)	(176 464 853)	(18 187 693)	3 489 851 717
Other property, plant and equipment	2 727 388 410	373 674 562	(2 854 175)	79 194 826	-	(196 291)	(357 998 233)	-	2 819 209 099
Work-in-Progress	4 346 737 814	3 522 354 080	(249 354 124)	(1 684 219 422)	27 351 057	(52 858 981)	-	-	5 910 010 424
	45 395 381 721	3 896 028 642	(252 428 294)	-	27 351 057	(86 791 817)	(1 689 332 077)	(18 218 245)	47 271 990 987

City of Ekurhuleni

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Figures in Rand 2017 2016

3. Property, plant and equipment (continued)

Classes of Work-in-Progress

Property, Plant and Equipment assets under construction:

Infrastructure	-	3 980 543 294
Community	-	1 018 217 000
Other assets	-	911 250 130
	-	5 910 010 424

Disclosure of repairs and maintenance

Infrastructure	1 436 465 321	-
Community	252 383 972	-
Investment property	55 160 476	-
Other property, plant and equipment	261 661 637	-
	2 005 671 406	-

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

Buildings	672 916	87 525
Motor vehicles	437 694	3 429
Infrastructure	489 520	-
	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 R44,451,354 (2016:0) was transferred to Intangibles. 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 8.

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 DRC, depending on the most appropriate measurement for the specific asset/scenario.

4. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	460 788 572	(53 765 355)	407 023 217	117 313 488	(39 592 287)	77 721 201

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers received	Amortisation	Total
Computer software (other)	77 721 201	299 023 730	44 451 354	(14 173 068)	407 023 217

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Transfers	Amortisation	Derecognition / Impairment loss	Total
Computer software (other)	82 194 846	165 698 623	(731 065)	(3 742 580)	(165 698 623)	77 721 201

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

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4. Intangible assets (continued)

Other information

The transfer amount of R44 451 354 (2016:R0) relates to transfers of assets from property, plant and equipment to intangible assets.

Reconciliation of work-in-progress

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

Work-in-progress

Opening balance	67 323 495	68 138 516
Software development incurred during the year	299 023 730	164 883 902
Derecognised	-	(165 698 623)
	366 347 225	67 323 795

5. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Cultural	13 797 934	(31 600)	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	62 548 682	(31 600)	62 517 082	59 454 180	-	59 454 180

Reconciliation of heritage assets - 2017

	Opening balance	Disposals	Transfers	Other changes, movements	Total
Cultural	10 681 792	-	3 116 430	(31 888)	13 766 334
Conservation areas	351 149	-	-	-	351 149
Historical buildings	5 425 362	-	-	-	5 425 362
Other heritage assets	42 995 877	(21 640)	-	-	42 974 237
	59 454 180	(21 640)	3 116 430	(31 888)	62 517 082

Reconciliation of heritage assets - 2016

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

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

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand			2017	2016
6. Investments in controlled entities				
Name of company	% holding	% holding	Carrying amount	Carrying amount
	2017	2016	2017	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 buy back of shares, which had the effect that the entity's shareholding percentages increased to 100% in both. 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 into the 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.

7. Long-term receivables

Non-current receivables	5 067 509	8 819 367
Bad debt provision	(1 923 381)	(1 928 736)
	3 144 128	6 890 631

The long-term receivables comprises of:

Rental deposits made	R1,220,747	(June 2016 - R1,081,293)
Housing schemes	R3,846,762	(June 2016 - R3,857,472)
ERPM debtor	R0	(June 2016 - R3,880,602)

8. Inventories

Electrical consumables	114 635 462	131 435 613
Cleansing consumables	475 795	389 279
Consumable stores	1 325 306	1 949 847
Maintenance materials	7 351 207	4 911 659
Water consumables	4 602 446	3 593 452
Water inventory	9 159 565	8 185 491
Land held as inventory for development	384 599 186	198 797 551
Food and Beverage	26 603	20 529
Fleet and Transport consumables	641 097	1 154 096
Fuel (Diesel, Petrol)	5 385 934	4 598 413
	528 202 601	355 035 930
Provision for obsolete Inventories	(494 343)	(117 876)
	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 values to R494,343 (2016: R117,876) by way of a provision for obsolete inventories.

The provision for obsolete inventories amounts 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 R0 (2016: R65,066,341).

9. Other investments

At cost

Unlisted shares	4 000 000	4 000 000
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City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
9. Other investments (continued)		
At amortised cost		
Investments	1 465 927 738	1 238 851 281
These investments have varying interest rates as well as varying maturity dates		
	-	-
	4 000 000	4 000 000
	-	-
	1 465 927 738	1 238 851 281
	-	-
Total other investments	1 469 927 738	1 242 851 281
Non-current assets		
At cost	4 000 000	4 000 000
At amortised cost	1 349 011 092	1 091 830 622
	1 353 011 092	1 095 830 622
Current assets		
At amortised cost	116 916 646	147 020 659
Non-current assets	1 353 011 092	1 095 830 622
Current assets	116 916 646	147 020 659
	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) 20% interest in ordinary shares	4 000 000	4 000 000
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The company's statements used is unaudited for 2013 and no information was received since 2014, 2015 and 2016 yet.

The Company's Equity amounted to R622,854,485 represented by Share Capital of R5,201,000, reserves of R165,755,503 as well as Retained Income of R299,397,521 as at 28 February 2013.

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

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

Investments with a carrying value of R1,349,011,092 (2016: R1,091,626,114) are encumbered in respect of long term liabilities with a carrying value of R2,415,000,000 (2015: R2,415,000,000) as disclosed in the Long-term liabilities note (note 14). The amount of R2,415,000,000 consist of three bonds for which structured deposit sinking funds were established.

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

Credit quality of other financial assets

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

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
10. Other receivables from exchange transactions		
Pre-paid electricity 3rd party vendors	77 919 343	56 270 138
Other receivables	840 460 323	320 023 127
VAT receivable and VAT accruals on outstanding Creditors	464 634 917	455 195 546
VAT debtor	68 476 162	78 769 367
Lease rental receipts asset	818 657	315 233
Provision for debt impairment	(55 042 372)	(55 042 372)
	1 397 267 030	855 531 039

Credit quality of trade and other receivables

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

11. Other receivables from non-exchange transactions

Traffic fines	116 803 548	65 448 962
Impairment loss-traffic fines	(76 400 238)	(35 996 929)
	40 403 310	29 452 034

12. Consumer debtors

Gross balances

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

Less: Allowance for impairment

Rates	(1 139 007 706)	(1 159 304 276)
Electricity	(942 499 986)	(663 745 195)
Water	(3 095 926 417)	(2 746 320 416)
Waste water	(899 985 561)	(817 762 838)
Refuse	(947 360 874)	(898 226 959)
Other	(109 930 386)	(92 919 385)
Interest and sundries	(1 612 071 732)	(1 587 972 015)
	(8 746 782 662)	(7 966 251 084)

Net balance

Rates	715 098 395	567 683 023
Electricity	2 975 395 031	2 744 098 240
Water	1 530 795 433	1 178 288 855
Waste water	444 312 177	339 437 942
Refuse	355 522 199	151 506 154
Other	3 737 690	(387 712)
Interest and sundries	463 675 171	275 760 308
	6 488 536 096	5 256 386 810

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
12. Consumer debtors (continued)		
Included in above is receivables from exchange transactions		
Electricity	2 975 395 031	2 772 024 560
Water	1 530 795 433	1 293 837 145
Waste water	444 312 177	373 844 378
Refuse	65 940 423	189 298 026
Housing rental	3 737 690	3 521 765
Other	463 675 171	342 572 414
	5 483 855 925	4 975 098 288
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	715 098 395	616 459 425
Net balance	6 198 954 320	5 591 557 713
Rates		
Current (0 -30 days)	280 019 274	267 146 062
31 - 60 days	80 330 503	77 102 214
61 - 90 days	70 190 664	56 677 432
91 days and more	1 423 565 660	1 326 061 590
	1 854 106 101	1 726 987 298
Electricity		
Current (0 -30 days)	2 409 125 037	2 053 110 351
31 - 60 days	120 258 604	125 975 629
61 - 90 days	52 732 900	68 824 690
91 - 120 days	1 335 778 475	1 159 932 765
	3 917 895 016	3 407 843 435
Water		
Current (0 -30 days)	625 249 512	581 621 831
31 - 60 days	138 599 341	142 687 780
61 - 90 days	132 988 181	122 436 132
91 - 120 days	3 729 884 815	3 077 863 508
	4 626 721 849	3 924 609 251
Waste water		
Current (0 -30 days)	183 343 354	179 236 692
31 - 60 days	40 421 244	40 367 938
61 - 90 days	39 874 981	33 127 240
91 - 120 days	1 080 658 158	904 468 910
	1 344 297 737	1 157 200 780
Refuse		
Current (0 -30 days)	81 341 537	71 882 010
31 - 60 days	42 419 638	36 133 193
61 - 90 days	47 435 478	31 111 495
91 - 120 days	1 131 686 420	910 606 415
	1 302 883 073	1 049 733 113
Housing rental		
Current (0 -30 days)	1 590 494	1 354 425
31 - 60 days	2 166 944	1 867 350
61 - 90 days	2 103 913	1 790 558
91 - 120 days	107 826 472	87 219 351
	113 687 823	92 231 684

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
12. Consumer debtors (continued)		
Other (specify)		
Current (0 -30 days)	76 341 956	67 334 414
31 - 60 days	39 246 816	54 651 449
61 - 90 days	42 544 135	56 218 457
91 - 120 days	1 917 613 997	1 685 412 265
	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 the revenue emanating from the various meter reading cut-off dates at year end. This is an annual occurrence and is adjusted at every financial year-end.		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1 387 413 788	1 184 249 811
31 - 60 days	289 850 616	295 458 242
61 - 90 days	291 449 631	253 935 811
91 - 120 days	8 490 369 114	7 106 340 945
	10 459 083 149	8 839 984 809
Less: Allowance for impairment	(7 415 249 232)	(6 361 589 874)
	3 043 833 917	2 478 394 935
Industrial/ commercial		
Current (0 -30 days)	2 077 615 576	1 866 694 041
31 - 60 days	153 988 250	162 163 265
61 - 90 days	82 276 639	97 972 871
91 - 120 days	1 842 464 065	1 680 058 179
	4 156 344 530	3 806 888 356
Less: Allowance for impairment	(1 439 455 103)	(1 073 477 972)
	2 716 889 427	2 733 410 384
National and provincial government		
Current (0 -30 days)	95 705 033	67 214 273
31 - 60 days	11 265 696	13 615 445
61 - 90 days	6 945 910	11 194 628
91 - 120 days	60 666 169	118 987 757
	174 582 808	211 012 103
Less: Allowance for impairment	(50 795 610)	(90 041 907)
	123 787 198	120 970 196
Total		
Current (0 -30 days)	3 657 011 164	3 201 043 835
31 - 60 days	463 443 091	478 785 573
61 - 90 days	387 870 252	370 186 003
91 - 120 days	10 726 994 251	9 172 622 484
	15 235 318 758	13 222 637 895
Less: Allowance for impairment	(8 746 782 662)	(7 966 251 085)
	6 488 536 096	5 256 386 810
Less: Allowance for impairment		
31 - 60 days	(247 487 411)	(492 828 903)
61 - 90 days	(124 541 060)	(174 432 271)
91 - 120 days	(212 768 399)	(255 835 672)
121 - 365 days	(8 161 985 792)	(7 043 154 238)
	(8 746 782 662)	(7 966 251 084)

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
12. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(7 966 251 084)	(9 144 328 715)
Contributions to allowance	(1 438 672 537)	(1 447 471 856)
Debt impairment written off against allowance	658 140 959	2 625 549 487
	(8 746 782 662)	(7 966 251 084)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer debtors past due but not impaired

At 30 June 2017, consumer debtors of R14,877,477,982 (2016:R5,591,557,713) were past due but not impaired.

30 Days	3 904 498 575	2 708 214 932
60 Days	587 984 151	304 353 302
90 Days	600 638 652	114 350 331
90+ Days	18 888 999 790	2 464 639 148

Consumer debtors impaired

As at 30 June 2017, consumer debtors of R7,631,080,182 (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
60 Days	124 541 060	174 432 271
90 Days	212 768 399	255 835 672
90+ Days	8 161 985 792	6 707 983 336

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	534 384	533 546
Bank balances	5 293 936 520	7 972 052 689
	5 294 470 904	7 972 586 235

The entity has provided bank guarantees to the amount of R 26,074,874 (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.

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
13. Cash and cash equivalents (continued)		
ABSA		
ABSA - Income Alberton	(22 284)	7 057 185
ABSA - Direct banking Alberton	-	133 498
ABSA - Income Benoni	17 400 298	(2 565 901)
ABSA - Direct banking Benoni	(158 927)	(950 604)
MASK Account Benoni	(359 284)	(108 500)
ABSA - Income Boksburg	8 585 659	(887 894)
ABSA - Direct banking KL Boksburg	(1 163 974)	(600 310)
ABSA - Direct Banking Bt Boksburg	391 441	(14 932)
ABSA - Income Brakpan	1 939 100	(107 194)
Pre paid sales account Brakpan	(409 500)	1 159 650
ABSA - Income Germiston	15 193 654	-
ABSA - Direct banking Germiston	(148 287)	(3 157 237)
ABSA - Income account Kempton Park	(4 864 505)	(7 925 460)
ABSA - Direct banking Kempton Park	8 280 002	(368 673)
ABSA - Direct banking Lethabong	(74 998)	(2 887 250)
ABSA - Income Lethabong	2 817 582	366 883
ABSA - Income Nigel	10 495 200	(1 018 662)
ABSA - Income Springs	18 092 938	(254 247)
ABSA - Direct banking Springs	(106 327)	(1 193 461)
ABSA - Market account	1 134 982	1 134 982
ABSA - EFF Account (ex CLF)	158	217 432
ABSA - C R R Account (ex CDF)	1 489	1 677 694
ABSA - Primary bank account (ex from revenue)	10 116 607	94 521 092
ABSA - Salary account	(30 146)	29 382 719
ABSA - Treasury account	279 948 478	2 180 193 827
ABSA - Expenditure imprest account	(2 755 900)	37 235 936
ABSA - USDG Account	953	1 092 668
ABSA - Housing account	106	167 649
ABSA- Solid Waste account	344 680	-
Short Term Deposits at various institutions with dates within 3 months	1 065 997 148	2 018 632 968
Lease bank account	240 439	-
Petty Cash and Floats	534 384	533 546
ABSA - Traffic fines collection	(48 395)	(16 144)
STANDARD BANK- Mask account	208 617 356	96 803 199
FNB Musk account	158 146 694	87 103 922
NEDBANK MASK ACCOUNT	272 186 670	58 665 944
E-Siyakhokha Mask Account	15 532 682	105 782 607
EMM Salary Account - Nedbank	78 518 001	58 581 982
EMM Expenditure Account - Nedbank	94 832 121	99 554 808
EMM Treasury account - Nedbank	1 397 123 715	94 421 205
EMM USDG Account - Nedbank	602 935 872	1 070 309 442
EMM Housing Account - Nedbank	49 486 602	112 773 344
EMM Depreciation Reserve Account - Nedbank	628 072 497	1 383 473 019
EMM External Funding Fund - Nedbank	31 252 458	162 605 459
EMM Primary Bank Account - Nedbank	248 585 282	233 131 247
EMM Springs Market Account - Nedbank	660 365	1 204 009
EMM Traffic Fines Collection Account - Nedbank	406 025	52 559
EMM License Account - Nedbank	5 722 870	5 022 874
EMM Disaster Relief Fund - Nedbank	1 584	1 584
EMM Income Alberton - Nedbank	3 995 416	(1 298 373)
EMM Direct banking Alberton - Nedbank	748 452	398 289
EMM Direct Banking Benoni - Nedbank	2 272 020	1 065 857
EMM Income Benoni - Nedbank	10 347 523	11 211 907
EMM Siyakhokha - Nedbank	25 617	18 401
EMM Tender Income Account - Nedbank	-	1 750
EMM Income Boksburg - Nedbank	5 986 732	5 342 618
EMM Direct Banking Boksburg - Nedbank	1 559 447	971 068
EMM Prepaid Sales Account - Nedbank	5 845 536	-
EMM Direct Banking Brakpan - Nedbank	229 303	4 781 783
EMM Income Brakpan - Nedbank	1 239 472	4 401 927
EMM Direct Banking Edenvale - Nedbank	766 467	567 128
EMM Income Edenvale - Nedbank	1 822 878	7 061 956
EMM Direct Banking Germiston - Nedbank	3 206 066	2 636 583
EMM Income Germiston - Nedbank	6 229 948	5 251 978
EMM Direct Banking Kempton Park - Nedbank	1 629 467	925 328
EMM Income Kempton Park - Nedbank	6 930 586	2 622 519

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
13. Cash and cash equivalents (continued)		
EMM Direct Banking Nigel - Nedbank	221 763	237 215
EMM Income Nigel - Nedbank	795 155	517 330
EMM Library Account - Nedbank	(85 770)	(277 839)
EMM Direct Banking Springs - Nedbank	14 225 820	1 587 618
EMM Income Springs - Nedbank	3 025 441	3 622 728
	5 294 470 904	7 972 586 235

The entity had the following bank accounts

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

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	(158 827)	(950 604)	-	(158 927)	57 715 340	385 437
ABSA BANK - Mask Account Benoni - 4065622380	(358 652)	(108 500)	-	(358 652)	(108 500)	(49 068)
ABSA BANK - Income Boksburg - 230000069	8 585 659	(887 894)	-	8 585 659	(887 894)	3 533 203
ABSA BANK - Direct Banking KL Boksburg - 230000220	(219 942)	(600 310)	-	(219 942)	(600 310)	(1 421 083)
ABSA BANK - Direct Banking BT Boksburg - 230000255	391 441	(14 932)	-	391 441	(14 932)	(111 835)
ABSA BANK - Income Brakpan - 240000024	1 939 100	(107 194)	-	1 939 100	(107 194)	557 618
ABSA BANK - Prepaid sales account Brakpan-240159392	(409 500)	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	(141 287)	(3 157 237)	-	(141 287)	(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	(3 418 930)	(7 925 460)	-	(3 418 930)	(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	(68 663)	(2 887 250)	-	(68 663)	(2 887 250)	(735 049)
ABSA BANK - Income Nigel - 270000010	10 495 700	(1 018 662)	-	10 495 700	(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	(106 327)	(254 247)	-	(106 327)	(254 247)	940 800
ABSA BANK - Fresh Produce Market - 1135470160	-	-	1 390 118	-	1 134 982	1 134 982
ABSA BANK - Lease Account 4075756252	240 437	-	-	240 437	-	-
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	(30 145)	29 382 719	41 946 950
ABSA BANK - Treasury account - 4055571931	279 948 478	2 180 193 827	4 081 218 331	279 948 478	2 180 193 827	4 081 218 331
ABSA BANK - Expenditure imprest acc - 4055571915	(2 755 900)	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	(48 395)	(16 144)	-	(48 395)	(16 144)	600
ABSA BANK - Guarantee account - FNB Mask account 62379403745	-	-	-	-	-	475 133
Petty Cash and Floats	-	-	-	-	533 546	551 171
Short term deposit Nedbank	1 025 120 844	2 018 495 890	-	1 025 120 844	2 018 495 890	-
Short Term deposit Landbank	40 735 389	-	-	40 735 389	-	-

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017		2016			
13. Cash and cash equivalents (continued)						
Short term deposit Sanlam	140 915	137 077	133 845	140 915	137 077	133 845
Standard bank mask account	208 617 356	96 803 199	28 830 960	208 617 356	96 803 199	28 832 786
E-Siyakhokha Mask Account	15 532 681	105 782 607	-	15 532 681	105 782 607	-
Nedbank Income Alberton	3 995 416	(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	10 347 523	1 065 857	-	10 347 523	1 065 857	-
Nedbank Income Benoni	2 272 020	11 211 907	-	2 272 020	11 211 907	-
Nedbank Income Boksburg	5 986 732	5 342 618	-	5 986 732	5 342 618	-
Nedbank Direct banking Boksburg	1 559 947	971 068	-	1 559 947	971 068	-
Nedbank Direct banking Brakpan	1 239 472	4 781 783	-	1 239 472	4 781 783	-
Nedbank Income Brakpan	229 303	4 401 927	-	229 303	4 401 927	-
Nedbank Direct banking Edenvale	1 822 878	567 128	-	1 822 878	567 128	-
Nedbank Income Edenvale	766 467	7 061 956	-	766 467	7 061 956	-
Nedbank Direct banking Germiston	3 206 066	2 636 583	-	3 206 066	2 636 583	-
Nedbank Income Germiston	6 229 948	5 251 978	-	6 229 948	5 251 978	-
Nedbank Di banking Kempton Park	1 680 100	925 328	-	1 680 100	925 328	-
Nedbank Income Kempton Park	6 930 586	2 622 519	-	6 930 586	2 622 519	-
Nedbank direct banking Nigel	795 155	237 215	-	795 155	237 215	-
Nedbank Income Nigel	617 961	517 330	-	617 961	517 330	-
Nedbank Direct banking Springs	3 025 591	1 587 618	-	3 025 591	1 587 618	-
Nedbank Income Springs	14 225 820	3 622 728	-	14 225 820	3 622 728	-
Nedbank Library account	(85 770)	(277 839)	-	(85 770)	(277 839)	-
Nedbank Salary account	78 563 635	58 581 982	-	78 563 635	58 581 982	-
Nedbank Expenditure account	98 047 869	99 554 808	-	98 047 869	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	660 365	1 204 009	-	660 365	1 204 009	-
Nedbank Traffic Fines account	-	52 559	-	-	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	25 617	18 401	-	25 617	18 401	-
Nedbank Tender account	-	1 750	-	-	1 750	-
Nedbank Mask account	272 295 004	-	6 258 868	272 295 004	-	6 255 494
Nedbank Pre paid account	5 845 535	-	-	5 845 535	-	-
Nedbank Solid Waste account	344 680	-	-	344 680	-	-
Total	5 304 797 382	7 912 224 285	7 980 055 011	5 305 097 282	7 972 586 236	7 701 851 246
14. Long-term liabilities						
At amortised costs						
Bank loans				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						
Municipal bonds				4 250 869 337	4 434 065 798	
Interest rates on the JSE EMM bonds vary between 9.155% and 10.72 % per annum. Final redemption dates on these bonds vary between July 2020 and April 2029.						
				5 072 058 139	5 435 662 702	
At amortised cost						
Bank loan and Municipal bonds				(402 710 089)	(384 807 233)	
Non-current liabilities						
At amortised cost				4 669 348 050	5 050 855 469	
Current liabilities						
At amortised cost				402 710 089	384 807 233	

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

14. Long-term liabilities (continued)

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 9). 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.

15. Trade and other payables from exchange transactions

Accrual for interest on external loans	97 502 713	94 972 920
Civil contracts	41 087 723	40 870 062
Lease rental payments liability	409 289	367 525
Licence fees	1 421 392	3 999 209
Maintenance guarantees: New township development infrastructure	4 672 071	4 367 067
VAT balance on outstanding debtors	1 421 902 777	1 215 238 994
Other payables	849 352 896	303 878 175
Receipts in advance	579 364 700	612 190 914
Retentions	461 398 199	374 051 915
Insurance: Stated benefits and group accident for employees	26 950 051	33 437 917
Trade payables	3 878 929 811	3 938 604 449
Unclaimed salaries	7 299 006	5 751 682
	7 370 290 628	6 627 730 829

16. Deposits

Consumer deposits - Electricity and water	807 025 549	750 847 367
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Guarantees in lieu of electricity and water deposits is R101,688,342 (2016: R 85,893,377).

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Operating Grants - Municipal Human Settlements Capacity	-	36 945 673
Operating Grants - Buntle Ke Botle	16 207	31 057
Research & Technology Development	-	184 664
Disaster Management Grant (Human Settle)	8 773	7 561 590
Operating Grants - Township Initiatives	888 620	2 291 932
NEIGHBOUR DEV P/SHIP GRT SCH 5B	29 145 706	-
EPWP (PUBLIC WORKS)	2 075	-
WIFI Conectivity Grant	201 078	1 849 263
Operating Grants HSDG Accreditation	30 976 364	69 379 389
Capital Grants - USDG	21 713 359	291 205 074
Capital Grants - PTIS	29 884 181	22 085 435
Electricity Demand Side Management	107	191 513
Integrated City Development Grant	572 427	1 560 299
	113 408 897	433 285 889

Movement during the period

Balance at the beginning of the year	433 285 889	553 045 658
Additions during the year	6 861 608 434	6 493 214 775
Income recognition during the year	(6 836 096 417)	(6 612 130 291)
Unspend grants repaid	-	(261 708)
Appropriations	(345 389 009)	(582 545)
	113 408 897	433 285 889

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17. Unspent conditional grants and receipts (continued)

See note 25 for reconciliation of all grants.

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18. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
COVID 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	22 459 880	(159 505 989)	-	-	-
	1 350 518 069	273 590 513	(359 856 232)	(33 130 451)	80 295 957	1 311 417 856

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
COVID provision	24 606 470	-	(1 596 450)	(2 884 967)	2 576 297	22 701 350
Bonus provision	64 449 575	38 618 043	(8 797 699)	(30 791 337)	-	63 478 582
Leave provision	295 931 270	105 392 269	(60 995 352)	-	-	340 328 187
Landfill rehabilitation provision	302 573 696	28 432 717	-	-	31 679 466	362 685 879
WCA provision	12 490 935	32 356 196	(55 659 562)	10 812 431	-	-
Long service awards	396 032 201	30 261 067	(50 451 731)	14 649 943	33 786 482	424 277 962
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
Current liabilities	477 371 489	403 806 769
	1 311 417 856	1 350 518 069

GMRF provision

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18. Provisions (continued)

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

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 was 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 exceed the carrying amount of the asset 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%)

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19. Employee benefit obligations

1. Retirement Funds

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

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

Defined Contribution Funds

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

Defined Benefit Plans

The entity does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved. The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. Due to the nature of these funds and fact that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan, these funds are accounted for as defined contribution funds in terms of paragraph 31 of GRAP 25. The total contributions are included in Employee related costs, Note 28. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds.

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

1. Joint Municipal Pension Fund

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

2. Municipal Employees Pension Fund

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

3. South African Local Authorities Pension Fund

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

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

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

2. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end. Refer to Provisions note (note 18) for leave pay provision.

Retirement benefit obligation (medical aid plan)

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

An actuarial valuation was performed by IAC Actuarial Consulting at 30 June 2016, as well as at 30 June 2015, for the controlling entity by applying the Projected Unit Funding method.

Pension benefits

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19. Employee benefit obligations (continued)

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

Present value of the defined benefit obligation-wholly unfunded	(2 138 634 653)	(2 527 234 581)
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Movements for the year

Opening balance	(2 527 234 581)	(2 049 898 581)
Benefits paid	84 532 189	79 429 000
Net expense recognised in the statement of financial performance	304 067 739	(556 765 000)
	(2 138 634 653)	(2 527 234 581)

Net expense recognised in the statement of financial performance

Current service cost	(99 968 000)	(70 275 000)
Interest cost	(241 700 000)	(180 994 000)
Actuarial gains (losses)	645 735 739	(305 496 000)
	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 %
Health care cost inflation rate controlling entity	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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19. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Medical inflation (Service cost and interest cost)	2 297 961 000	1 945 082 000
Medical inflation (Liability)	301 384 100	249 181 400
Valuation interest rate (Service cost and interest cost)	1 869 319 000	2 475 310 000
Valuation interest rate (Liability)	(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)	(2 138 634 653)	(2 527 235 581)	(2 049 898 581)	(1 967 931 581)	(1 765 075 000)
Experience adjustments on plan *	-	(271 494 000)	16 924 000	(73 044 000)	-

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

20. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	At cost	Total
Other receivables	904 559 261	-	904 559 261
Consumer debtors	6 488 536 096	-	6 488 536 096
Cash and cash equivalents	5 294 470 904	-	5 294 470 904
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	3 144 128	-	3 144 128
	14 156 638 127	4 000 000	14 160 638 127

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5 368 572 100	5 368 572 100
Unspend conditional grants	113 537 345	113 537 345
Long term liabilities	5 072 058 139	5 072 058 139
Consumer deposits	807 025 549	807 025 549
	11 361 193 133	11 361 193 133

2016

Financial assets

	At amortised cost	At cost	Total
Other receivables	321 595 578	-	321 595 578
Consumer debtors	5 256 386 810	-	5 256 386 810
Cash and cash equivalents	7 972 586 235	-	7 972 586 235
Other investments (listed and unlisted shares)	-	4 000 000	4 000 000
Other investments	1 238 851 284	-	1 238 851 284
Long term receivables	6 890 631	-	6 890 631
	14 796 310 538	4 000 000	14 800 310 538

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Figures in Rand	2017	2016
Financial instruments disclosure (continued)		
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	4 799 842 296	4 799 842 296
Unspent conditional grants	433 656 704	433 656 704
Long term liabilities	5 435 662 702	5 435 662 702
Consumer deposits	750 847 367	750 847 367
	11 420 009 069	11 420 009 069

Financial instruments in Statement of financial performance

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	(623 027 358)	(623 027 358)
Impairment loss	(1 802 684 631)	(1 802 684 631)
	(1 584 714 801)	(1 584 714 801)

2016

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1 091 655 364	1 091 655 364
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(848 639 400)	(848 639 400)
Impairment loss	(1 434 057 613)	(1 434 057 613)
	(1 191 041 649)	(1 191 041 649)

21. Revenue

Service charges	18 746 400 361	17 130 454 896
Rental of facilities and equipment	67 521 340	59 256 123
Interest earned - outstanding debtors	304 694 051	459 031 354
Income from agency services	282 218 826	276 375 456
Licences and permits	50 248 868	51 650 784
Other income	127 992 854	107 259 994
Interest revenue	536 303 137	632 624 010
Property rates	4 053 558 160	3 946 658 651
Property rates - penalties and collection charges	63 725 030	100 916 675
Government grants & subsidies	6 836 096 411	6 612 130 291
Public contributions and donations	-	53 457 399
Fines	282 428 172	218 443 438
	31 351 187 210	29 648 259 071

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

Service charges	18 746 400 361	17 130 454 896
Rental of facilities and equipment	67 521 340	59 256 123
Interest earned - outstanding debtors	304 694 051	459 031 354
Income from agency services	282 218 826	276 375 456
Licences and permits	50 248 868	51 650 784
Other income	127 992 854	107 259 994
Interest revenue	536 303 137	632 624 010
	20 115 379 437	18 716 652 617

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Figures in Rand	2017	2016
21. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	4 053 558 160	3 946 658 651
Property rates - penalties and collection charges	63 725 030	100 916 675
Transfer revenue		
Government grants & subsidies	6 836 096 411	6 612 130 291
Public contributions and donations	-	53 457 399
Fines	282 428 172	218 443 438
	11 235 807 773	10 931 606 454

22. Property rates

Rates received

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

Valuations (R'000)

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

23. Service charges

Sale of electricity	12 906 310 651	11 826 299 355
Sale of water	3 395 580 968	3 217 167 171
Solid waste	1 273 529 201	961 447 467
Sewerage and sanitation charges	1 109 672 360	1 054 668 281
Fresh produce market	13 459 218	17 460 391
Other service charges	47 847 963	53 412 231
	18 746 400 361	17 130 454 896

24. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	67 500 101	59 241 359
Rental of equipment	21 239	14 764
	67 521 340	59 256 123

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Figures in Rand	2017	2016
24. Rental of facilities and equipment (continued)		
	-	-
Facilities and equipment	67 521 340	59 256 123
	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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25. Government grants and subsidies		
Operating grants		
Equitable share	2 381 366 993	2 181 182 000
Fuel levy	1 625 872 000	1 528 809 000
Ambulance subsidies	150 624 000	143 043 000
FMG	1 050 000	1 050 000
Accreditation Capacity Enhancement	-	154 001
HIV/AIDS	12 719 535	12 033 372
Township Initiatives	-	5 544 329
Seta	9 024 726	1 553 051
Disaster Grant	7 552 817	14 007 410
BKB	14 850	269 379
Health Subsidy	124 133 000	117 885 000
Integrated City Development	-	41 633 701
HSDG Accreditation	34 805 312	40 983 800
Municipal Human Settlements Capacity	7 156 000	27 050 545
USDG (Operational)	664 034 254	307 571 217
PTIS	780 079	28 454 712
EPWP	22 122 924	13 709 000
Research and Technology Development	184 664	38 336
Libraries plan	6 198 620	-
	5 047 639 774	4 464 971 853
Capital grants		
INEP	40 000 000	49 754 705
USDG (Capital and operational)	1 204 604 389	1 730 618 123
PTIS	419 337 740	294 078 781
Electricity Demand Site Management	14 999 893	17 808 487
WiFi Connectivity roll out	1 648 184	5 526 008
HSDG Accreditation	23 158 888	24 714 512
Recap of Libraries	7 647 676	-
Municipal Human Settlements Capacity	-	1 134 568
Integrated city development	37 505 573	-
Township Initiatives	-	3 523 254
NDPG	39 554 294	20 000 000
	1 788 456 637	2 147 158 438
	6 836 096 411	6 612 130 291
Equitable share		
Current-year receipts	2 381 366 993	2 181 182 000
Conditions met - transferred to revenue	(2 381 366 993)	(2 181 182 000)
	-	-
Fuel levy		
Current-year receipts	1 625 872 000	1 528 809 000
Conditions met - transferred to revenue	(1 625 872 000)	(1 528 809 000)
	-	-
Ambulance Subsidy		
Current-year receipts	150 624 000	143 043 000
Conditions met - transferred to revenue	(150 624 000)	(143 043 000)
	-	-
Finance Management Grant		
Current-year receipts	1 050 000	1 050 000
Conditions met - transferred to revenue	(1 050 000)	(1 050 000)

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Figures in Rand	2017	2016
25. Government grants and subsidies (continued)		
	-	-
	-	-
Accreditation Capacity Enhancement		
Balance unspent at beginning of year	-	154 001
Conditions met - transferred to revenue	-	(154 001)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Hiv/Aids		
Current-year receipts	12 719 535	12 033 372
Conditions met - transferred to revenue	(12 719 535)	(12 033 372)
	-	-
Township Initiatives		
Balance unspent at beginning of year	2 291 932	1 780 514
Current-year receipts	13 000 000	9 579 000
Conditions met - transferred to revenue	(13 846 296)	(9 067 582)
Surrender to NT	(557 016)	-
	888 620	2 291 932
Conditions still to be met - remain liabilities (see note 17).		
Seta		
Current-year receipts	9 024 726	1 553 051
Conditions met - transferred to revenue	(9 024 726)	(1 553 051)
	-	-
Public Contributions		
BKB		
Balance unspent at beginning of year	31 057	300 436
Conditions met - transferred to revenue	(14 850)	(269 379)
	16 207	31 057
Conditions still to be met - remain liabilities (see note 17).		
Health Subsidy		
Current-year receipts	124 133 000	117 885 000
Conditions met - transferred to revenue	(124 133 000)	(117 885 000)
	-	-
INEP		
Current-year receipts	40 000 000	49 754 705
Conditions met - transferred to revenue	(40 000 000)	(49 754 705)
Other	-	-
	-	-
Integrated City Development		

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

Conditions still to be met - remain liabilities (see note 17).

PTIS

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

Conditions still to be met - remain liabilities (see note 17).

Electricity Demand Site Management

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

Conditions still to be met - remain liabilities (see note 17).

HSDG

Municipal Human Settlements Capacity

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

Conditions still to be met - remain liabilities (see note 17).

LED

USDG

Balance unspent at beginning of year	291 205 074	486 507 413
Current-year receipts	1 890 352 000	1 842 887 000
Conditions met - transferred to revenue	(1 868 510 192)	(2 038 189 339)
Other	(291 205 074)	-
	21 841 808	291 205 074

Conditions still to be met - remain liabilities (see note 17).

EPWP

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

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Figures in Rand	2017	2016
25. Government grants and subsidies (continued)		
DWAF		
Balance unspent at beginning of year	-	582 545
Other	-	(582 545)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
NDPG		
Current-year receipts	68 700 000	20 000 000
Conditions met - transferred to revenue	(39 554 295)	(20 000 000)
	29 145 705	-
HSDG Accreditation		
Balance unspent at beginning of year	69 379 389	7 318 327
Current-year receipts	19 561 174	127 759 374
Conditions met - transferred to revenue	(57 964 200)	(65 698 312)
	30 976 363	69 379 389
Conditions still to be met - remain liabilities (see note 17).		
Environment Quality Management		
Balance unspent at beginning of year	-	26 318
Other	-	(26 318)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Research and Technology		
Balance unspent at beginning of year	184 664	-
Current-year receipts	-	223 000
Conditions met - transferred to revenue	(184 664)	(38 336)
	-	184 664
Conditions still to be met - remain liabilities (see note 17).		
Disaster Grant		
Balance unspent at beginning of year	7 561 590	-
Current-year receipts	-	21 569 000
Conditions met - transferred to revenue	(7 552 817)	(14 007 410)
	8 773	7 561 590
Conditions still to be met - remain liabilities (see note 17).		
WIFI Connectivity Roll Out		
Balance unspent at beginning of year	1 849 263	-
Current-year receipts	-	7 375 271
Conditions met - transferred to revenue	(1 648 184)	(5 526 008)
	201 079	1 849 263

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Figures in Rand	2017	2016
25. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 17).		
26. Interest revenue		
Bank	412 098 034	504 675 313
External investments	124 205 103	127 948 697
	536 303 137	632 624 010
	-	-
	536 303 137	632 624 010
27. Other income		
Accident reports	1 074 106	1 069 009
Administration fees	169 580	217 958
Cleaning of stands	499 414	170 007
Entry fees	701 011	606 011
Essential services contributions	73 036 446	67 157 295
Printing and copying of documents	190 956	193 425
Sundry income	48 850 209	29 607 839
Supply of information	448 764	834 167
Tender documents	1 946 058	5 748 195
Training	1 076 310	1 656 088
	127 992 854	107 259 994

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand	2017	2016
28. Employee related costs		
Basic	3 942 298 901	3 874 814 077
Bonus	265 146 609	-
Medical aid - company contributions	405 938 008	668 413 051
UIF	29 176 066	27 078 490
WCA	37 541 860	24 149 654
SDL	53 873 338	48 494 813
Other payroll levies	1 593 603	1 431 736
Leave pay provision charge	120 244 753	105 370 320
Standby Allowances	37 314 902	32 282 358
Defined contribution plans	756 667 228	691 796 984
Travel, motor car, accommodation, subsistence and other allowances	223 026 571	208 985 420
Overtime payments	750 989 796	653 234 110
Long-service awards	(45 339 455)	(5 540 721)
Acting allowances	55 277 501	-
Ad Hoc Travelling	-	112 172
Housing benefits and allowances	56 173 178	57 073 775
Allowances	18 795 206	17 383 990
Remuneration of interns	-	1 050 000
Protective clothing	(630 285 829)	-
Less: Employee costs capitalised to PPE	(27 426 714)	(67 709 079)
	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
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

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand					2017	2016
28. Employee related costs (continued)						
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

Annual Financial Statements for the year ended 30 June 2017

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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.

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

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29. 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
Other councillors	48 645 587	3 069 690	47 042 420	4 295 009	4 758 579	107 811 285
Total	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
Other councillors	44 604 145	10 519 047	25 982 876	8 406 880	3 938 835	93 451 783
Total	50 275 214	11 718 518	29 968 103	9 482 180	4 252 023	105 696 038

30. Depreciation and amortisation

Property, plant and equipment	1 800 712 679	1 689 332 077
Investment property	-	5 803 251
Intangible assets	14 173 068	3 742 581
Total	1 814 885 747	1 698 877 909

31. Impairments of assets

Impairments / derecognitions

Derecognition of Property, plant and equipment	246 072 020	252 428 294
Derecognition of Investment property	-	10 313 007
Derecognition of intangible assets	-	166 429 688
Impairment of property plant and equipment	-	18 218 245
Heritage assets	31 600	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Total	246 103 620	447 389 234

32. Finance costs

External borrowings	556 932 803	590 237 129
Trade and other payables	458 384	330 449
Unwinding of interest on provisions and obligations	344 455 837	258 071 822
Total	901 847 024	848 639 400

33. Debt impairment

Changes in debt impairment provision	1 517 099 195	1 434 057 613
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34. Bulk purchases

Electricity	9 253 232 812	8 560 732 115
Water	2 576 776 298	2 480 844 176
Sewer purification	572 501 829	620 579 840
Total	12 402 510 939	11 662 156 131

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
35. Auditors' remuneration		
External audit fees	18 203 749	20 931 569
36. Contracted services		
Information Technology Services	286 286	13 769 872
Security contracts	307 202 719	244 139 042
Meter management contracts	153 783 673	148 667 648
Environment contracts	337 994 209	270 840 186
Asset management	262 086 863	179 147 648
	1 061 353 750	856 564 396
37. Grants and subsidies paid		
Other subsidies		
Discretionary grant: Sport and Social support	116 790 872	31 107 065
Subsidy: SPCA	3 175 000	3 022 750
Discretionary grant: General	442 862 400	434 785 835
Excess consumption	536 478 889	590 610 023
Grants: Education (External)	88 725 154	36 951 506
	1 188 032 315	1 096 477 179
38. General expenses		
Advertising	40 964 125	38 889 683
Animal care	3 628 454	3 139 890
Auditors remuneration	18 203 749	20 931 569
Awareness campaigns	30 707 289	19 638 148
Bank charges	11 603 048	4 058 725
Community development and wellbeing	97 985 585	119 063 383
Consulting and professional fees	163 323 376	131 949 296
Consumables (including materials)	52 521 700	57 913 315
Corporate Gifts	207 404	285 570
Disaster management	1 345 882	5 675 175
Entertainment	317 355	1 634 814
Vehicle licences and hire cost	21 052 253	52 454 725
Fuel and oil	150 315 219	141 715 082
Human resource management	13 984 175	13 642 798
IT expenses	61 642 661	44 925 619
Insurance	64 841 579	61 601 646
Land management	88 523 326	18 255 744
Magazines, books and periodicals	931 165	564 853
Marketing	113 128 295	116 123 459
Other expenses	319 843 132	104 619 315
Postage	28 510 830	24 870 450
Printing and stationery	45 715 675	51 380 440
Productions	178 285	199 018
Refreshments	11 386 431	8 464 557
Refuse	47 509 428	61 352 694
Rental	24 627 845	19 070 275
Rodent control	2 182 247	10 048 919
Service connections	49 317 239	57 721 552
Software expenses	18 521 655	8 601 670
Stock adjustments and write-offs	1 459 657	437 457
Subscriptions and membership fees	14 486 561	15 081 259
Telephone and fax	16 689 932	58 937 955
Title deed search fees	506 369	790 588
Training	17 749 456	14 713 174
Travel - local	4 478 997	8 773 994
Travel - overseas	6 005 423	35 505 951
Uniforms	59 291 831	56 698 470
Venue expenses	23 261 376	24 019 583
	1 626 949 009	1 413 750 815

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
39. Cash generated from operations		
Surplus	2 260 439 894	1 969 214 706
Adjustments for:		
Depreciation and amortisation	1 814 885 747	1 698 877 909
Gain on sale of fixed assets	-	-
Gain on discontinued operations	14 108 820	-
Impairment deficit	246 103 620	447 389 234
Debt impairment	1 517 099 195	1 434 057 613
Movements in retirement benefit	(388 599 928)	477 336 000
Movements in provisions	(39 100 213)	128 343 485
Net movement on provision for bad debt on long term receivables	(5 355)	-
Annual charge for deferred tax	-	(6 004 841)
Other non-cash items (Other movements within PPE)	(119 026 577)	(27 949 461)
Changes in working capital:		
Inventories	(172 790 204)	12 018 398
Other receivables from exchange transactions	(541 735 991)	(126 382 011)
Consumer debtors	(2 749 248 481)	(2 303 626 749)
Other receivables from non-exchange transactions	(10 951 276)	(5 478 278)
Trade and other payables from exchange transactions	742 559 800	1 282 321 835
Taxes and transfers payable (non exchange)	-	-
Unspent conditional grants and receipts	(319 876 992)	(119 759 770)
Interest on Consumer accounts	304 694 051	-
	2 558 556 110	4 860 358 070

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	4 793 248 912	2 775 075 953
Not yet contracted for and authorised by accounting officers		
• Other financial assets	1 606 107 800	2 555 127 796
Total capital commitments		
Already contracted for but not provided for	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
	6 399 356 712	5 330 203 749

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

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	12 735 556	6 653 246
- in second to fifth year inclusive	-	1 155 789
	12 735 556	7 809 035

Operating lease payments represent rentals payable by the entity for certain of its office buildings and photocopier machines. Leases are negotiated for periods ranging from two years to five years, for office building, and the expired photocopier machine leases are incurred on a month to month basis. The rentals escalate on average at 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
- in second to fifth year inclusive	24 695 422	17 732 885
- later than five years	28 842 374	17 496 464
	60 783 991	40 575 027

Certain of the entity's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to 99 years. Monthly lease payments range from R1 (2016: R1) (social benefit) up to R212,070,00 (2016: R203,913,00).

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
41. Contingencies		
<u>Contingent liabilities</u>		
Category A: Claims exceeding R 500 000.		
Category B: Claims between R100,000 and R500,000		
Category C: Other legal matters less than R100,000.		
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
Hometalk- Possible claim for losses in respect of developments	60 000 000	60 000 000
Siyavuka projects: Claim for alleged unlawful termination of contract A/ED (MP) 20/2008	5 401 380	5 401 380
Rose Acres Development Pty Ltd *(A)	17 825 900	17 825 900
Lesira Teq: Claim for cancellation of contract for supply of water meters	8 224 062	8 224 062
Ubuhlebethu Business Enterprises	5 836 065	5 836 065
Other	3 794 057	4 472 872
Ingwempisi Security Services CC *(B)	123 872 435	123 872 435
Aloecap (PTY) LTD	-	5 301 000
Multi Waste Wadeville	2 407 112	2 407 112
Zanusi Marketing	-	1 152 169
K E Lebelo	3 700 000	3 700 000
Superway Construction	10 235 715	10 235 715
Nyoni Projects	-	3 675 493
KYK Construction*(C)	-	29 313 217
Scarlett Sun Pty Ltd	1 630 351	1 630 351
Zwakala Quantity Surveyors	3 105 216	3 105 216
	262 769 568	302 890 262
Category B Claims		
Other various claims	1 076 747	1 076 747
	1 076 747	1 076 747
CONTINGENT ASSETS		
e-Valuations	39 000 000	39 000 000
Anicic Engineering	2 941 710	2 941 710
NCP Clorchem - Dispute regarding price charged for energy supply	178 788 869	178 788 869
Combi trade Eleven (Pty) - Unpaid rate and taxes	2 832 963	2 832 963
Lucmer construction & New national Assurance - Failure to comply with contract conditions	3 174 615	3 174 615
Kgorong and other - Fail to perform work in terms of contract	776 591	776 591
Mkhabela Sibeko and others - Goods supplied did not comply with safety standard	1 024 290	1 024 290
D Msimango	635 142	-
D Seakamela	328 686	-
	229 502 866	228 539 038

*NOTES

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

City of Ekurhuleni

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2016

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

City of Ekurhuleni

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42. Related parties

Relationships
Accounting Officers
Controlling entity
Controlled entities

Close family member of key management
Members of key management

Dr I Mashazi refer to accounting officer's report
Ekurhuleni Meropolitan Municipality
Brakpan Bus Company SOC Ltd
Ekurhuleni Development Company SOC Ltd
East Rand Water Care Company NPC
Pharoe Park Housing Company SOC Ltd
Germiston Phase II Housing Company SOC Ltd
Lethabong Housing Institue NPC
Declarations are retained in a register at tender office.
For details of Members of key management see note
below,for remuneration refer to note 28

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

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42. Related parties (continued)

Key Management

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

City of Ekurhuleni

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42. 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	Senoir 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	Senoir 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
4	A-RE 01-2015	LMM Trading and Development CC	Spouse	K Mangwane	Senior Clerk	63 745 568

City of Ekurhuleni

Annual Financial Statements for the year ended 30 June 2017

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42. Related parties (continued)

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	Security Guard	1 856 859
10		LMM Training and Development CC	Spouse	Dhlahdla 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
8	A-WMS 20-2015(T)	LMM Training & Development	Spouse	K Mangwane	Senoir Clerk	19 798 267
Subtotal						95 256 800

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42. Related parties (continued)

95 256 800

March 2017 staff	Quotations awarded to family members of	No	Supplier Name	Relation	Employee Name	Employee designation	Amount
		1	Menyaka Events CC	Spouse	T J Maema	Technical assistant	40 690

City of Ekurhuleni

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42. Related parties (continued)

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 Sibiyi	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

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

City of Ekurhuleni

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Figures in Rand	2017	2016
42. Related parties (continued)		
Amounts included in Trade Payable regarding related parties - municipal entities		
East Rand Water Care Company, NPC	82 183 224	69 348 185
Germiston Phase II Housing Company SOC Ltd	-	817
Lethabong Housing Institute, NPC	-	34 393
Brakpan Bus Company SOC Ltd	15 000 000	10 000 000
Related party transactions		
Sales to related parties - municipal entities		
East Rand Water Care Company, NPC	78 627 336	67 543 155
Pharoe Park Housing Company SOC Ltd	-	1 391 938
Germiston Phase II Housing Company SOC Ltd	6 040 029	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	698 260 165	631 611 137
Grants to related parties - municipal entities		
Pharoe Park Housing Company SOC Ltd	-	20 430 102
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	78 688 546	-
Development contributions to related parties - municipal entities		
East Rand Water Care Company, NPC	85 408 228	40 228 487

Refer to Employee related costs note (note 28) for remuneration paid to key management.

43. Change in estimate

Property, plant and equipment

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

Depreciation expense before remaining useful lives review	(35,251,659.820)
Depreciation expense after remaining useful lives review	(R32,875,846)
Future increase in depreciation due to review	(R2,376,173.56)

Other 1

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

44. Prior period errors

2017

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

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

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44. Prior period errors (continued)

Statement of Financial Position

Work-In- Progress (Opening balance 01/07/2015)	(1 164 455 977)	-
Land(Opening balance 01/07/2015)	298 620 466	-
Community Assets (Opening balance 01/07/2015)	17 016 069	-
Other Assets (Opening balance 01/07/2015)	21 486 260	-
Investment Property (Opening balance 01/07/2015)	1 560 592	-
Intangible Assets (Opening balance 01/07/2015)	(213 763 623)	-
Infrastructure Asset (Opening balance 01/07/2015)	582 195 553	-
Accumulated Surplus (Opening balance 01/07/2015)	256 307 138	-
Depreciation for the year	35 334 900	-
Impairment and derecognition loss	165 698 623	-
Net Surplus for the year	(201 033 523)	-

45. Comparative figures

Certain comparative figures have been reclassified.

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

46. Risk management

Capital Risk Management

The entity's objectives, when managing capital, are to safeguard the entity's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consist of debt, which includes the borrowings disclosed in note 14 and cash and cash equivalent disclosed in note 13.

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

There are no externally imposed capital requirements.

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

The gearing ratio 2017 and 2016 respectively are as follow:

Other financial liabilities	(5 072 058 139)	(5 435 662 702)
Less: Cash and cash equivalent	<u>5 294 470 904</u>	<u>7 972 586 235</u>
Net debt	222 412 765	2 536 923 533
Total equity	49 086 706 518	47 082 635 434
Total capital	49 309 119 283	49 619 558 967

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. City 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.

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

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

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years
Consumer debtors	10,5 %	6 198 954 320		
Long term receivables	variable %	2 341 576	2 341 576	2 341 576

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	402 710 089	240 032 404	1 594 558 044	2 834 757 602

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46. 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

EMM guaranteed the Nedbank loan to ERWAT, with a carrying value of R533,281,072 (552,553,867). 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 EMM claims against its book debtors, in event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of EMM all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, and the guarantee provided by EMM in favour of Nedbank Ltd as guarantee for the loan remains in effect.

Financial instrument	Controlling entity - 2017	Controlling entity - 2016
Other Investments	1 465 927 738	1 238 851 281
Long-term receivables	3 144 128	6 890 631
Consumer debtors	6 488 536 096	5 256 271 071
Other receivables	904 559 261	321 595 579
Cash and cash equivalents	5 294 470 904	7 972 586 235
Listed and Unlisted shares	4 000 000	4 000 000
	14 160 638 127	14 800 194 797

Price risk

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

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

Market risk

Risk from biological assets

The city is exposed to financial risks arising from changes in milk prices. The city does not anticipate that milk prices will decline significantly in the foreseeable future. The city has not entered into derivative contracts to manage the risk of a decline in milk prices. The city reviews its outlook for milk prices regularly in considering the need for active financial risk management.

47. Going concern

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

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

48. Events after the reporting date

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

City of Ekurhuleni

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49. 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	783 307 530	665 542 049
Add: Expenditure identified for the year	535 132 408	80 154 222
Add: Expenditure identified in the current year, relating to prior years	9 303 018	87 028 947
Less: Amounts ratified/approved by council/board and/or not recoverable	-	(49 417 688)
	1 327 742 956	783 307 530

Fruitless and Wasteful expenditure

Opening balance	146 455 409	145 723 446
Add: Expenditure identified for the year	8 280 901	1 127 894
Add: Expenditure identified in the current year, relating to prior years	-	1 242 687
Less: Amounts ratified/approved by council/board	-	(1 638 618)
	154 736 310	146 455 409

Unauthorised expenditure

Add: Expenditure identified for the year	-	67 090 606
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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
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
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
Transport	Contravention of SCM Policy	Irregular	209 939 833
WMS	Contravention of SCM Policy	Irregular	69 289
City Planning	Contravention of SCM Policy	Irregular	4 253 705

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

SCM	Contravention of SCM Policy	Irregular	374 332
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		Irregular	10 736

332 256 175

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
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

14 798 164

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

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

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
Waste Management	Deviations: Contravention of MFMA regulation 36	Irregular	24 565 427
Waste Management	Deviations: Contravention of MFMA regulation 36	Irregular	974 659
			148 398 722

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

Department	Description	Classification	Amount
Waste management	Overpayment of contractor	Fruitless	733 037
CRM	Payment to officials no longer working on a project	Fruitless	42 000
CRM	Cosultants paid for non-complaint plans	Irregular	203 205
CRM	Geotechnical reports provided that was not necessary	Irregular	9 200
Health and Social Development	Additional clerk hired even though an official of EMM did the same work	Irregular	595 038
Health and Social Development	Manager approved payments without authority	Irregular	1 308 495
CRM	Procurement irregularities	Irregular	42 800
City Planning	Contravention of SCM Policy	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
			88 271 634

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

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

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

Material losses through criminal conduct and fraudulent activities

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

Audit fees

Opening balance	303 801	235 370
Current year subscription / fee	20 404 113	21 000 000
Amount paid - current year	(15 143 612)	(20 931 569)
	5 564 302	303 801

PAYE and UIF

Amount paid - current year	1 000 047 952	880 028 609
	(1 000 047 952)	(880 028 609)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	1 711 983 523	1 555 941 004
Amount paid - current year	(1 711 983 523)	(1 555 941 004)
	-	-

VAT

VAT paid during the year	36 171 150	48 604 667
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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days 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
Nkunjana P	2 723	210
	36 968	1 950

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

51. Utilisation of Long-term liabilities reconciliation

Outstanding long-term liabilities beginning of the year	5 411 930 237	5 754 596 673
Redemption of loans	(361 074 769)	(342 666 436)
	5 050 855 468	5 411 930 237
Used to finance PPE: Opening balance	(5 411 930 237)	(5 783 048 414)
Redemption of loans	361 074 769	342 666 436
Capital expenditure for 2016/2017 financial year will be financed from loans taken up in 2017/2018 financial year.	(1 300 000 000)	28 451 741
Unspend long term liabilities	(1 300 000 000)	-

Cash set aside for the repayment of long-term liabilities for the year	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. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

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52. Deviation from supply chain management regulations

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

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

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

Emergencies	6 018 965	9 943 127
Sole supplier	5 805 223	3 091 206
Appointment of consultants	1 953 228	123 382 226
Art	12 100 000	-
Events	4 982 741	78 001 784
Operational services	153 186 954	891 415 412
Extension of contracts	242 002 553	-
Water infrastructure upgrade	-	24 675 040
	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

R166 400 055 Variation of contract
R41,272,228 consultants
R34,330,270 maintenance and other related services

30 June 2016

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

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

53. 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 %

City of Ekurhuleni

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53. Unaccounted Electricity And Water (continued)

	30,57 %	30,57 %	30,60 %	30,60 %
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54. Budget differences

2017

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 2.73%. The budget was for R5.1 billion while the actual receipts amounted to R5 billion with a balance of R76,8 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:

1. Public Transport and Systems Opex
 - o The delay in the launch of the Public Transport system
 - o Procurement of the bus its equipment
 - o The finalization of the Special Purpose Vehicle
 - o Ticketing system
 - o Procurement of buses
 - o Value Chain
 - o Negotiations with the affected Operators
2. Urban Settlements Development Grant
 - o The highest contributors are Ablution Facilities and Pre-Planning (Township Establishment) due to contractor's under-performance.
3. Human Settlements Development Grant
 - o 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.
 - o The contractors were only appointed in December and the community consultations took place in March 2017.
 - o The contractor only started work on site after the consultation processes which resulted in under-performance for all the projects.
4. Township Initiatives (Libraries)
 - o Partial deliveries against order issued negatively affected the performance.
 - o Delay in handing over of the libraries built by Province resulted in poor performance as some funds were ringfenced for opening of new libraries.
 - o 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 R178 million or 16% 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 billion while the budgeted expenditure was R30.4 billion, the variance amount is R1.3 billion.

Employee related costs were 16% (R1.2 billion) 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 R400 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

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

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54. Budget differences (continued)

Finance cost is budgeted according to all the existing loans of City plus the interest payable on any new loans to be obtained the particular financial year. Provision was made for the 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 SCOA 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 million.

An additional R27,4m grant was allocated as per the extraordinary gazette dated 08 March 2017 to EMM 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
 - o Specifically also bypassed meters in areas where Energy is physically prevented from restoring bypassed meters (estimated 31,000 houses in EMM, 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 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:

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54. Budget differences (continued)

- Repair 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.

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

City of Ekurhuleni

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* See Note 44