



City of Ekurhuleni
Consolidated Annual Financial Statements
for the year ended 30 June 2018

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	City
Legislation governing the entity's operations	Municipal Finance Management Act (Act No. 56 of 2003)
Mayoral Committee	
Executive Mayor	Clr M Masina
Speaker	Clr P Khumalo
Chief Whip	Chief Whip: Clr J Dlabathi
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 Madhlaba MMC: Corporate and Shared Services: Clr K Mabaso MMC: Water, Sanitation and Energy: Clr T Nketele MMC: Community Safety: Clr V Chauke MMC: Infrastructure Services: Clr R Mashego MMC: Transport Planning: Clr P Mabunda
Grading of local authority	The City 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
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	Nedbank
Auditors	Auditor-General of South Africa

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Abbreviations

MEC	Member of the Executive Council
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GAMAP	Generally Accepted Municipal Accounting Practice
IPSAS	International Public Sector Accounting Standards
CoE	City of Ekurhuleni
GRAP	Generally Recognised Accounting Practice
SDL	Skills Development Levy
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
WCA	Workmans Compensation Act

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the City as at 30 June 2018 and the results of its operations and cash flows for the year then ended.

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

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

The accounting officer acknowledges that she is 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 officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The accounting officer has reviewed the City's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the City has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

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

The consolidated annual financial statements set out on pages 4 to 108 which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 September 2018.

Accounting Officer
Dr. I Mashazi

Group Chief Financial Officer
Ms. G Malaza

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017 Restated	2018	2017 Restated
Assets					
Non-Current Assets					
Investment property	3	681 432 743	584 219 171	485 963 516	452 597 143
Property, plant and equipment	4	54 505 783 140	51 014 329 789	52 386 070 826	49 047 008 483
Intangible assets	5	823 001 094	550 607 817	816 382 106	543 789 613
Heritage assets	6	62 583 512	62 583 512	62 583 512	62 583 512
Investments in controlled entities	7	-	-	106	106
Other investments	8	1 621 372 812	1 454 100 491	1 621 372 812	1 454 100 491
Deferred tax	53	6 568 171	3 146 956	-	-
Long term receivables	9	6 757 615	6 033 967	3 317 824	3 124 380
		57 707 499 087	53 675 021 703	55 375 690 702	51 563 203 728
Current Assets					
Inventories	10	1 004 236 865	532 294 496	1 004 200 065	532 294 496
Other investments	8	554 463 565	125 036 131	547 105 419	116 916 646
Receivables from exchange transactions	11	1 334 675 348	925 383 255	1 227 104 083	891 333 660
Receivables from non-exchange transactions	12	63 113 225	40 403 310	62 252 027	40 403 310
Consumer debtors	13	5 486 430 787	4 703 601 650	5 486 430 787	4 703 601 650
Cash and cash equivalents	14	3 664 960 098	6 000 822 434	3 534 467 662	5 809 953 546
		12 107 879 888	12 327 541 276	11 861 560 043	12 094 503 308
Non-Current Assets		57 707 499 087	53 675 021 703	55 375 690 702	51 563 203 728
Current Assets		12 107 879 888	12 327 541 276	11 861 560 043	12 094 503 308
Total Assets		69 815 378 975	66 002 562 979	67 237 250 745	63 657 707 036
Liabilities					
Non-Current Liabilities					
Long term liabilities	15	5 994 949 603	5 219 101 999	5 497 508 615	4 669 348 050
Finance lease obligation	54	119 466	358 398	-	-
Retirement benefit obligation	16	1 985 201 581	2 172 804 653	1 954 081 581	2 138 634 653
Deferred tax	53	49 409 301	32 613 665	-	-
Provisions	17	914 593 869	834 046 367	914 593 869	834 046 367
		8 944 273 820	8 258 925 082	8 366 184 065	7 642 029 070
Current Liabilities					
Long term liabilities	15	558 909 431	457 960 854	502 569 199	402 710 089
Current tax payable		37 056 499	19 019 772	-	-
Finance lease obligation	54	238 932	238 932	-	-
Trade and other-payables from exchange transactions	18	6 991 962 153	6 058 950 749	6 841 109 024	6 349 517 396
Deposits	19	866 331 112	806 762 579	866 331 112	806 762 579
Unspent conditional grants and receipts	20	327 250 062	126 092 252	306 387 355	113 408 897
Provisions	17	622 172 447	514 987 995	593 887 616	477 371 489
		9 403 920 636	7 984 013 133	9 110 284 306	8 149 770 450
Non-Current Liabilities		8 944 273 820	8 258 925 082	8 366 184 065	7 642 029 070
Current Liabilities		9 403 920 636	7 984 013 133	9 110 284 306	8 149 770 450
Total Liabilities		18 348 194 456	16 242 938 215	17 476 468 371	15 791 799 520
Assets		69 815 378 975	66 002 562 979	67 237 250 745	63 657 707 036
Liabilities		(18 348 194 456)	(16 242 938 215)	(17 476 468 371)	(15 791 799 520)
Net Assets		51 467 184 519	49 759 624 764	49 760 782 374	47 865 907 516

City of Ekurhuleni

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Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017 Restated*	2018	2017 Restated*
Net Assets Attributable to Owners of Controlling Entity					
Accumulated surplus		51 419 340 838	49 428 614 901	49 760 782 374	47 865 907 516
		51 419 340 838	49 428 614 901	49 760 782 374	47 865 907 516
Non-controlling interest		47 843 681	45 096 780	-	-
Total Net Assets		51 467 184 519	49 473 711 681	49 760 782 374	47 865 907 516

* See Note 43

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017 Restated	2018	2017 Restated
Revenue					
Property rates	23	5 200 065 020	3 869 251 391	5 200 065 020	3 870 562 791
Property rates - penalties and collection charges		57 700 398	51 859 928	57 700 398	51 859 928
Service charges	24	18 908 373 038	18 690 444 703	18 930 199 029	18 746 400 361
Rendering of services		9 499 532	9 158 743	-	-
Rental of facilities and equipment	25	108 642 559	95 744 062	73 356 530	67 521 340
Interest earned - outstanding debtors		279 018 363	304 694 051	279 018 363	304 694 051
Licences and permits		54 880 804	50 248 868	54 880 804	50 248 868
Income from agency services		293 244 137	282 273 625	293 198 719	282 218 826
Fines		334 253 645	282 428 172	334 253 645	282 428 172
Government grants & subsidies	26	7 545 558 724	6 867 924 510	7 532 975 220	6 836 096 411
Public contributions and donations		540 368 060	111 295 627	540 368 060	111 295 627
Interest revenue	27	620 327 680	655 525 223	609 502 980	637 392 535
Other income	28	349 323 931	203 368 720	331 051 726	157 024 350
Dividends received		65 985	554 648	-	-
Total revenue		34 301 321 876	31 474 772 271	34 236 570 494	31 397 743 260
Expenditure					
Employee related costs	29	(7 616 206 071)	(6 350 765 283)	(7 296 665 516)	(6 051 005 520)
Remuneration of councillors	30	(132 699 899)	(119 944 483)	(132 699 899)	(119 944 483)
Administration		-	(700 128)	-	-
Depreciation and amortisation	31	(2 293 694 542)	(1 971 264 879)	(2 221 515 663)	(1 910 747 248)
Impairment and derecognition loss	32	(83 338 684)	(152 328 755)	(83 338 684)	(230 848 322)
Finance costs	33	(985 865 199)	(973 653 187)	(921 399 008)	(901 847 024)
Debt impairment	34	(1 511 582 246)	(2 617 778 757)	(1 464 826 053)	(2 609 578 888)
Collection costs		(197 262 755)	(141 353 097)	(197 262 755)	(141 193 723)
Bulk purchases	35	(12 299 192 651)	(11 901 146 869)	(12 942 247 832)	(12 402 510 939)
Contracted services	37	(1 356 369 772)	(1 053 180 784)	(1 345 357 693)	(1 061 353 750)
Grants and subsidies paid	38	(1 531 542 690)	(928 031 640)	(1 724 782 549)	(1 086 755 916)
General expenses	39	(4 258 061 390)	(3 753 731 973)	(4 008 076 862)	(3 604 914 167)
Total expenditure		(32 265 815 899)	(29 963 879 835)	(32 338 172 514)	(30 120 699 980)
Total revenue		34 301 321 876	31 474 772 271	34 236 570 494	31 397 743 260
Total expenditure		(32 265 815 899)	(29 963 879 835)	(32 338 172 514)	(30 120 699 980)
Operating surplus		2 035 505 977	1 510 892 436	1 898 397 980	1 277 043 280
(Loss)/profit on disposal of capital assets		(5 392 166)	6 982 492	(3 523 123)	7 951 480
Operating surplus		2 035 505 977	1 510 892 436	1 898 397 980	1 277 043 280
		(5 392 166)	6 982 492	(3 523 123)	7 951 480
Surplus before taxation		2 030 113 811	1 517 874 928	1 894 874 857	1 284 994 760
Taxation		36 530 503	75 254 371	-	-
Operating surplus/deficit		(5 392 166)	6 982 492	(3 523 123)	7 951 480
Surplus before taxation		2 030 113 811	1 517 874 928	1 894 874 857	1 284 994 760
Taxation		36 530 503	75 254 371	-	-
Surplus for the year		1 993 583 308	1 442 620 557	1 894 874 857	1 284 994 760

* See Note 43

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Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total attributable to owners of the controlling entity	Non-controlling interest	Total net assets
Economic entity					
Opening balance as previously reported	7 442 007	48 040 572 716	48 048 014 723	40 381 822	48 088 396 545
Adjustments					
Change in accounting policy (Note 2)	(7 442 007)	-	(7 442 007)	-	(7 442 007)
Balance at 01 July 2016 as restated*	- 48 040 572 716	48 040 572 716	48 040 572 716	40 381 822	48 080 954 538
Prior period error	-	(49 973 884)	(49 973 884)	110 470	(49 863 414)
Surplus for the year as restated	-	1 438 016 069	1 438 016 069	4 604 488	1 442 620 557
Total changes	-	1 388 042 185	1 388 042 185	4 714 958	1 392 757 143
Restated* Balance at 01 July 2017	- 49 428 614 901	49 428 614 901	49 428 614 901	44 986 310	49 473 601 211
Changes in net assets					
Surplus for the year	-	1 990 725 937	1 990 725 937	2 857 371	1 993 583 308
Total changes	-	1 990 725 937	1 990 725 937	2 857 371	1 993 583 308
Balance at 30 June 2018	- 51 419 340 838	51 419 340 838	51 419 340 838	47 843 681	51 467 184 519
Note(s)					
Controlling entity					
Opening balance as previously reported	-	46 322 970 366	46 322 970 366	-	46 322 970 366
Balance at 01 July 2016	- 46 322 970 366	46 322 970 366	46 322 970 366	-	46 322 970 366
Changes in net assets					
Prior period error	-	290 967 726	290 967 726	-	290 967 726
Other 2	-	(33 025 336)	(33 025 336)	-	(33 025 336)
Net income (losses) recognised directly in net assets	-	257 942 390	257 942 390	-	257 942 390
Surplus for the year	-	1 284 994 760	1 284 994 760	-	1 284 994 760
Total recognised income and expenses for the year	-	1 542 937 150	1 542 937 150	-	1 542 937 150
Total changes	-	1 542 937 150	1 542 937 150	-	1 542 937 150
Restated* Balance at 01 July 2017	- 47 865 907 517	47 865 907 517	47 865 907 517	-	47 865 907 517
Changes in net assets					
Surplus for the year	-	1 894 874 857	1 894 874 857	-	1 894 874 857
Total changes	-	1 894 874 857	1 894 874 857	-	1 894 874 857
Balance at 30 June 2018	- 49 760 782 374	49 760 782 374	49 760 782 374	-	49 760 782 374

* See Note 43

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017 Restated*	2018	2017 Restated*
Cash flows from operating activities					
Receipts					
Property rates		4 878 057 692	3 703 937 688	4 878 057 692	3 870 290 377
Income from rendering of services		17 313 085 698	17 307 596 108	17 341 269 928	16 741 738 975
Grants - operational		5 745 433 867	4 753 666 666	5 724 671 011	4 727 762 787
Grants - capital		2 001 282 667	1 794 427 100	2 001 282 667	1 788 456 632
Interest income		620 327 680	554 435 825	609 502 980	637 392 537
Dividends received		65 985	554 648	-	-
Other receipts		1 217 812 706	827 316 262	963 987 155	1 208 677 335
		31 776 066 295	28 941 934 297	31 518 771 433	28 974 318 643
Payments					
Employee costs		(8 015 986 970)	(7 129 028 875)	(7 882 552 575)	(6 559 549 931)
Suppliers		(18 204 512 433)	(16 809 145 575)	(18 270 265 212)	(17 549 603 784)
Finance costs		(658 350 448)	(618 440 483)	(658 619 156)	(901 847 024)
Other payments		(1 693 545 439)	(1 123 962 775)	(1 724 981 676)	(949 762 301)
Taxes on surpluses		(5 119 355)	6 147 760	-	-
		(28 577 514 645)	(25 674 429 948)	(28 536 418 619)	(25 960 763 040)
Total receipts		31 776 066 295	28 941 934 297	31 518 771 433	28 974 318 643
Total payments		(28 577 514 645)	(25 674 429 948)	(28 536 418 619)	(25 960 763 040)
Net cash flows from operating activities	40	3 198 551 650	3 267 504 349	2 982 352 814	3 013 555 603
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE)	4	(5 485 286 428)	(4 668 905 052)	(5 343 663 242)	(4 432 740 255)
Proceeds from the sale of property, plant and equipment	4	(5 392 166)	-	(3 523 123)	157 440 254
Purchase of investment property	3	(41 610 763)	(39 368 839)	40 779 611	31 039 119
Purchase of intangible assets	5	(342 274 304)	(304 174 230)	(341 365 615)	(299 838 451)
Increase in investments		(596 699 755)	(226 682 007)	(597 461 094)	(328 165 856)
Net movements in long-term receivables not due to cash movements		723 648	53 553	(193 444)	3 766 248
		(6 470 539 768)	(5 239 076 575)	(6 245 426 907)	(4 868 498 941)
Cash flows from financing activities					
Long-term liabilities raised		1 300 000 000	-	1 300 000 000	-
Repayment of long term liabilities		(423 203 819)	(391 311 818)	(371 980 325)	(363 604 563)
Net movement in consumer deposits		59 568 533	56 995 259	59 568 534	55 915 212
Finance lease raised/(payments)		(238 932)	(350 540)	-	-
		936 125 782	(334 667 099)	987 588 209	(307 689 351)
Net (decrease) / increase in cash and cash equivalents		(2 335 862 336)	(2 306 239 325)	(2 275 485 884)	(2 162 632 689)
Cash and cash equivalents at the beginning of the year		6 000 822 434	8 307 061 759	5 809 953 546	7 972 586 235
Cash and cash equivalents at the end of the year	14	3 664 960 098	6 000 822 434	3 534 467 662	5 809 953 546

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts (Appropriation Statement)

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2018											
Financial Performance											
Property rates	5 168 497 735	97 947 861	5 266 445 596	-	-	5 266 445 596	5 257 765 418		(8 680 178)	100 %	102 %
Service charges	20 478 348 452	(57 359 441)	20 420 989 011	-	24	20 420 989 035	18 908 373 038		(1 512 615 997)	93 %	92 %
Investment revenue	400 989 171	450 523	401 439 694	-	-	401 439 694	554 435 825		152 996 131	138 %	138 %
Transfers recognised - operational	5 419 959 610	121 381 118	5 541 340 728	-	66 000 000	5 607 340 728	5 552 768 015		(54 572 713)	99 %	102 %
Other own revenue	1 583 099 276	(29 519 839)	1 553 579 437	-	-	1 553 579 437	1 231 313 579		(322 265 858)	79 %	78 %
Total revenue (excluding capital transfers and contributions)	33 050 894 244	132 900 222	33 183 794 466	-	66 000 024	33 249 794 490	31 504 655 875		(1 745 138 615)	95 %	95 %
Employee costs	(8 316 174 602)	115 027 131	(8 201 147 471)	-	107 962 697	(8 093 184 774)	(6 350 322 762)		1 742 862 012	78 %	76 %
Remuneration of councillors	(137 665 375)	(2 255 335)	(139 920 710)	-	-	(139 920 710)	(132 699 899)		7 220 811	95 %	96 %
Debt impairment	(1 544 394 551)	283 347 540	(1 261 047 011)		(66 036 456)	(1 327 083 467)	(1 511 582 246)		(184 498 779)	114 %	98 %
Depreciation and asset impairment	(2 076 596 626)	550 000	(2 076 046 626)			(2 076 046 626)	(1 995 753 015)		80 293 611	96 %	96 %
Finance charges	(801 411 170)	150 000 000	(651 411 170)	-	(21 301 751)	(672 712 921)	(973 684 616)		(300 971 695)	145 %	121 %
Materials and bulk purchases	(13 127 894 466)	(98 300 000)	(13 226 194 466)	-	73 288 138	(13 152 906 328)	(11 903 864 244)		1 249 042 084	91 %	91 %
Transfers and grants	(1 197 649 493)	(415 995 796)	(1 613 645 289)	-	(103 195 068)	(1 716 840 357)	(1 531 542 690)		185 297 667	89 %	128 %
Other expenditure	(5 848 932 629)	(140 369 217)	(5 989 301 846)	-	(56 699 370)	(6 046 001 216)	(4 971 575 656)		1 074 425 560	82 %	85 %
Total expenditure	(33 050 718 912)	(107 995 677)	(33 158 714 589)	-	(65 981 810)	(33 224 696 399)	(29 371 025 128)		3 853 671 271	88 %	89 %
Total revenue (excluding capital transfers and contributions)	33 050 894 244	132 900 222	33 183 794 466	-	66 000 024	33 249 794 490	31 504 655 875		(1 745 138 615)	95 %	95 %
Total expenditure	(33 050 718 912)	(107 995 677)	(33 158 714 589)	-	(65 981 810)	(33 224 696 399)	(29 371 025 128)		3 853 671 271	88 %	89 %
Surplus/(Deficit)	175 332	24 904 545	25 079 877	-	18 214	25 098 091	2 133 630 747		2 108 532 656	8 501 %	8 507 %

City of Ekurhuleni

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2 353 664 242	(72 114 331)	2 281 549 911	-	27 466 000	2 309 015 911	1 992 790 709		(316 225 202)	86 %	85 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	540 368 060		540 368 060	DIV/0 %	DIV/0 %
Surplus/(Deficit)	175 332	24 904 545	25 079 877	-	18 214	25 098 091	2 133 630 747	-	2 108 532 656	8 501 %	216 909 %
Capital transfers and contributions	2 353 664 242	(72 114 331)	2 281 549 911	-	27 466 000	2 309 015 911	2 533 158 769	-	224 142 858	110 %	108 %
Surplus (Deficit) after capital transfers and contributions	2 353 839 574	(47 209 786)	2 306 629 788	-	27 484 214	2 334 114 002	4 666 789 516		2 332 675 514	200 %	198 %
Taxation	-	24 054 160	24 054 160	-		24 054 160	72 308 419		48 254 259	301 %	DIV/0 %
Attributable to minorities	-	-	-	-		-	2 857 371		2 857 371	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	2 353 839 574	(47 209 786)	2 306 629 788	-	27 484 214	2 334 114 002	4 666 789 516	-	2 332 675 514	200 %	198 %
Taxation and minorities	-	(24 054 160)	(24 054 160)	-	-	(24 054 160)	(75 165 790)	-	(51 111 630)	312 %	DIV/0 %
Surplus/(Deficit) for the year	2 353 839 574	(71 263 946)	2 282 575 628	-	27 484 214	2 310 059 842	4 591 623 726		2 281 563 884	199 %	195 %
Capital expenditure and funds sources											
Total capital expenditure	6 708 615 783	(37 404 386)	6 671 211 397	-		6 671 211 397	5 807 403 557		(863 807 840)	87 %	87 %
Sources of capital funds											
Transfers recognised - capital	2 353 664 242	(17 540 328)	2 336 123 914	-		2 336 123 914	2 051 282 667		(284 841 247)	88 %	87 %
Internally generated funds	4 354 951 541	(19 864 058)	4 335 087 483	-		4 335 087 483	3 756 120 890		(578 966 593)	87 %	86 %
Total sources of capital funds	6 708 615 783	(37 404 386)	6 671 211 397	-		6 671 211 397	5 807 403 557		(863 807 840)	87 %	87 %

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	5 410 049 939	1 848 100 054	7 258 149 993	-		7 258 149 993	3 198 551 650		(4 059 598 343)	44 %	59 %
Net cash from (used) investing	(6 820 164 109)	(575 898 937)	(7 396 063 046)	-		(7 396 063 046)	(6 470 539 768)		925 523 278	87 %	95 %
Net cash from (used) financing	2 949 010 796	(110 859 556)	2 838 151 240	-		2 838 151 240	936 125 782		(1 902 025 458)	33 %	32 %
Net increase/(decrease) in cash and cash equivalents	1 538 896 626	1 161 341 561	2 700 238 187	-		2 700 238 187	(2 335 862 336)		(5 036 100 523)	(87)%	(152)%
Cash and cash equivalents at the beginning of the year	8 594 198 167	-	8 594 198 167	-		8 594 198 167	6 000 822 434		(2 593 375 733)	70 %	70 %
Net increase / (decrease) in cash and cash equivalents	1 538 896 626	1 161 341 561	2 700 238 187	-	-	2 700 238 187	(2 335 862 336)		(5 036 100 523)	(87)%	(152)%
Cash and cash equivalents at the beginning of the year	8 594 198 167	-	8 594 198 167	-	-	8 594 198 167	6 000 822 434		(2 593 375 733)	70 %	70 %
Cash and cash equivalents at year end	10 133 094 793	1 161 341 561	11 294 436 354	-		11 294 436 354	3 664 960 098		(7 629 476 256)	32 %	36 %

Controlling entity - 2018

Financial Performance

Property rates	5 168 497 735	97 947 861	5 266 445 596	-		5 266 445 596	5 257 765 418		(8 680 178)	100 %	102 %
Service charges	19 758 413 452	(57 359 441)	19 701 054 011	-	24	19 701 054 035	18 930 199 029		(770 855 006)	96 %	96 %
Investment revenue	394 902 171	-	394 902 171	-		394 902 171	609 502 980		214 600 809	154 %	154 %
Transfers recognised - operational	5 406 054 273	95 518 935	5 501 573 208	-	66 000 000	5 567 573 208	5 531 692 551		(35 880 657)	99 %	102 %
Other own revenue	1 353 469 338	(25 000 000)	1 328 469 338	-		1 328 469 338	1 365 759 789		37 290 451	103 %	101 %
Total revenue (excluding capital transfers and contributions)	32 081 336 969	111 107 355	32 192 444 324	-	66 000 024	32 258 444 348	31 694 919 767		(563 524 581)	98 %	99 %
Employee costs	(7 978 923 074)	115 897 131	(7 863 025 943)	-	107 962 697	(7 755 063 246)	(7 296 665 516)		458 397 730	94 %	91 %

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

								Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome	
Remuneration of councillors	(130 315 880)	(3 500 000)	(133 815 880)	-	-	(133 815 880)	(132 699 899)	-	-	1 115 981	99 %	102 %
Debt impairment	(1 540 949 282)	283 347 540	(1 257 601 742)	-	(66 036 456)	(1 323 638 198)	(1 464 826 053)	-	-	(141 187 855)	111 %	95 %
Depreciation and asset impairment	(2 001 799 161)	-	(2 001 799 161)	-	-	(2 001 799 161)	(2 304 854 347)	-	-	(303 055 186)	115 %	115 %
Finance charges	(738 209 170)	150 000 000	(588 209 170)	-	(21 301 751)	(609 510 921)	(921 399 008)	-	-	(311 888 087)	151 %	125 %
Materials and bulk purchases	(12 918 328 409)	(100 000 000)	(13 018 328 409)	-	73 288 138	(12 945 040 271)	(12 942 247 832)	-	-	2 792 439	100 %	100 %
Transfers and grants	(1 197 649 493)	(415 995 796)	(1 613 645 289)	-	(103 195 068)	(1 716 840 357)	(1 724 782 549)	-	-	(7 942 192)	100 %	144 %
Other expenditure	(5 575 052 212)	(140 856 230)	(5 715 908 442)	-	(56 699 370)	(5 772 607 812)	(5 558 499 407)	-	-	214 108 405	96 %	100 %
Total expenditure	(32 081 226 681)	(111 107 355)	(32 192 334 036)	-	(65 981 810)	(32 258 315 846)	(32 345 974 611)	-	-	(87 658 765)	100 %	101 %
Total revenue (excluding capital transfers and contributions)	32 081 336 969	111 107 355	32 192 444 324	-	66 000 024	32 258 444 348	31 694 919 767	-	-	(563 524 581)	98 %	99 %
Total expenditure	(32 081 226 681)	(111 107 355)	(32 192 334 036)	-	(65 981 810)	(32 258 315 846)	(32 345 974 611)	-	-	(87 658 765)	100 %	101 %
Surplus/(Deficit)	110 288	-	110 288	-	18 214	128 502	(651 054 844)	-	-	(651 183 346)	(506 650)%	(590 322)%
Transfers recognised - capital	2 303 664 242	(72 114 331)	2 231 549 911	-	27 466 000	2 259 015 911	2 001 282 667	-	-	(257 733 244)	89 %	87 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	540 368 060	-	-	540 368 060	- %	- %
Surplus/(Deficit)	110 288	-	110 288	-	18 214	128 502	(651 054 844)	-	-	(651 183 346)	(506 650)%	(590 322)%
Capital transfers and contributions	2 303 664 242	(72 114 331)	2 231 549 911	-	27 466 000	2 259 015 911	2 541 650 727	-	-	282 634 816	113 %	110 %
Surplus (Deficit) after capital transfers and contributions	2 303 774 530	(72 114 331)	2 231 660 199	-	27 484 214	2 259 144 413	1 890 595 883	-	-	(368 548 530)	84 %	82 %
Surplus (Deficit) after capital transfers and contributions	2 303 774 530	(72 114 331)	2 231 660 199	-	27 484 214	2 259 144 413	1 890 595 883	-	-	(368 548 530)	84 %	82 %
Surplus/(Deficit) for the year	2 303 774 530	(72 114 331)	2 231 660 199	-	27 484 214	2 259 144 413	1 890 595 883	-	-	(368 548 530)	84 %	82 %

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	6 399 356 712	(37 404 386)	6 361 952 326	-		6 361 952 326	5 587 489 089		(774 463 237)	88 %	87 %
Sources of capital funds											
Transfers recognised - capital	2 303 664 242	(17 540 328)	2 286 123 914	-		2 286 123 914	2 001 282 667		(284 841 247)	88 %	87 %
Internally generated funds	4 095 692 470	(19 864 058)	4 075 828 412	-		4 075 828 412	3 586 206 392		(489 622 020)	88 %	88 %
Total sources of capital funds	6 399 356 712	(37 404 386)	6 361 952 326	-		6 361 952 326	5 587 489 059		(774 463 267)	88 %	87 %
Cash flows											
Net cash from (used) operating	5 286 376 246	1 848 100 054	7 134 476 300	-		7 134 476 300	2 982 352 814		(4 152 123 486)	42 %	56 %
Net cash from (used) investing	(6 483 957 668)	(575 898 937)	(7 059 856 605)	-		(7 059 856 605)	(6 245 426 907)		814 429 698	88 %	96 %
Net cash from (used) financing	2 978 587 737	(110 859 556)	2 867 728 181	-		2 867 728 181	987 588 209		(1 880 139 972)	34 %	33 %
Net increase/(decrease) in cash and cash equivalents	1 781 006 315	1 161 341 561	2 942 347 876	-		2 942 347 876	(2 275 485 884)		(5 217 833 760)	(77)%	(128)%
Cash and cash equivalents at the beginning of the year	8 288 844 836	-	8 288 844 836	-		8 288 844 836	5 809 953 546		(2 478 891 290)	70 %	70 %
Net increase / (decrease) in cash and cash equivalents	1 781 006 315	1 161 341 561	2 942 347 876	-		2 942 347 876	(2 275 485 884)		5 217 833 760	(77)%	(128)%
Cash and cash equivalents at the beginning of the year	8 288 844 836	-	8 288 844 836	-		8 288 844 836	5 809 953 546		2 478 891 290	70 %	70 %
Cash and cash equivalents at year end	10 069 851 151	1 161 341 561	11 231 192 712	-		11 231 192 712	3 534 467 662		7 696 725 050	31 %	35 %

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Preparation

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

- **Operating lease commitments - City as lessor or lessee**

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

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

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

- **Impairment of receivables**

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. The City first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are 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, the using cost of capital.

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

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. This was performed on an individual basis as well as per service-identifiable categories across all debtor classes.

- **Traffic Fines**

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

- **Budget information**

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

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

1.2 Presentation currency

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

Non-controlling interests in the statement of financial performance of the economic entity is separately disclosed.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Investment property

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

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

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

Cost model

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

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

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

Item	Useful life
Property - land	Indefinite
Property - buildings	32 - 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 the statement of financial performance in the period of retirement or disposal.

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the City; 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.

Assets under construction represents capital expenditure incurred on projects not yet completed nor ready for use at period end.

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

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

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

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

The City depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets. Depreciation starts when the asset is available for use. Assets under construction are 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
Other vehicles	3 - 28 years

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

The depreciation charge for each period is recognised in the statement of financial performance 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 the statement of financial performance 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.

1.6 Intangible assets

An asset is identified as an intangible asset when it is capable of being separated or divided from the City 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 City 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 City; 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 to intangible assets is provided on a straight line basis as follows:

Item	Useful life
Computer software	1 - 23 years

The gain or loss arising from the derecognition of an intangible asset is recognised in the statement of financial performance when the asset is derecognised.

City of Ekurhuleni

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Accounting Policies

1.6 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
 - there are available technical, financial and other resources to complete the development and to use or sell the asset.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.7 Heritage assets

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

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

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

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

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

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

The City assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the City 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 definite limit to the period over which a heritage asset is expected to be held by the City. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.

The City derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of a heritage asset is recognised in the statement of financial performance when the asset is derecognised.

1.8 Investments in controlled entities

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

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

City of Ekurhuleni

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Accounting Policies

1.9 Financial instruments

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

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

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

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

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

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

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

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

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

Initial recognition

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

The City recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

Subsequent measurement of financial assets and financial liabilities

The City 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 at each reporting period.

Fair value measurement considerations

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

City of Ekurhuleni

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Accounting Policies

1.9 Financial instruments (continued)

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 the statement of financial performance.

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

Impairment and uncollectibility of financial assets

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

a) Financial assets measured at amortised cost:

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

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 the statement of financial performance.

b) Financial assets measured at cost:

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

Derecognition

a) Financial assets

The City derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the City 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 the statement of financial performance.

b) Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of financial performance. 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 the statement of financial performance.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

Gains and losses relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

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

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

City of Ekurhuleni

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Accounting Policies

1.10 Inventories

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

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

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

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their present location and condition.

Where inventory is acquired by the City 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 held for sale in the ordinary course of business are valued at the lower of cost and net realisable value, or where 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.

Inventories held for consumption, distribution, consumables stores, raw materials, finished goods and unsold properties, are valued at lower of cost or net replacement cost.

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

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

City of Ekurhuleni

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Accounting Policies

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the 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.

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.

Long services awards

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

Retirement funds

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

Defined contribution plans

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

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

Defined benefit plans

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

Actuarial valuations are conducted on an annual basis by an independent actuary for each separate plans.

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

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

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

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

Medical aid: continued members

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

1.12 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.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Leases (continued)

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

Finance leases - lessee

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

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

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

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

Finance leases - lessee

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

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

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

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

City of Ekurhuleni

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Accounting Policies

1.13 Provisions and contingencies

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

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

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

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

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

a) 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% (2017: 7.36%) per annum over members' expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.52% (2017: 10.46%).

b) Landfill rehabilitation provision

The landfill rehabilitation provision is created for the rehabilitation of the current operational sites at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the statement of financial position date at the cost of capital (time value of money), which is currently 10.52% (2017: 10.46%).

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

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

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

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 the statement of financial performance as they occur.

The periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

c) Workmen's compensation provision

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

d) GMRF provision

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

1.14 Impairment of cash-generating assets

Cash-generating assets are those assets held by the City with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

City of Ekurhuleni

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the City; or
- (b) the number of production or similar units expected to be obtained from the asset by the City.

Identification

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

The City assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the City estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the City also test a cash-generating intangible asset with an indefinite useful life or a cash-generating 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.

When estimating the value in use of an asset, the City estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the City applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the City:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the City expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The City considers the weighted average cost of capital as their discount rate (time value of money).

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in the statement of financial performance.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the City 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 cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The City assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating 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 the statement of financial performance.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.15 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

City of Ekurhuleni

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Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Identification

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

The City assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the City estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the City also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in the statement of financial performance.

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

Reversal of an impairment loss

The City assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the City estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service 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 non-cash-generating asset is recognised immediately in the statement of financial performance.

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

1.16 Share capital / contributed capital

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

1.17 Employee benefits

Benefits

Retirement Funds

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

Defined contribution plans

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

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

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

The municipality 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.

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Accounting Policies

1.17 Employee benefits (continued)

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.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in statement of financial performance over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the City is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

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

The municipality 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 IAS 19 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 municipality 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 municipality 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 municipality 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 municipality for the remaining portion.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.18 Revenue from exchange transactions

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

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

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

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

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

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

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes (property rates)

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

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

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

Transfers, including grants and receipts

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

Fines

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

Bequests

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

Grants, donations and receipts

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

Unspent conditional grants and receipts

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

1.20 Borrowing costs

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

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

1.21 Value Added Tax

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

1.22 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, City 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.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.23 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.

1.24 Irregular expenditure

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

1.25 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 City. The following internal reserves are maintained:

Capital replacement reserve (CRR)

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

Self-insurance reserve

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

Sinking funds reserve

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

1.26 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 consolidated annual financial statements, and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30. 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 consolidated annual financial statements.

1.27 Related parties

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

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

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

Control is the power to govern the financial and operating policies of the City 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.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.28 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 consolidated annual financial statements relate. The City adjusts the amounts recognised in its interim financial statements to reflect adjusting events after the reporting date. The City does not adjust the amounts recognised in consolidated annual financial statements to reflect non-adjusting events after the reporting date.

1.29 Commitments

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

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

1.30 Going concern

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

1.31 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 restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.32 Taxes

Controlling entity

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

Economic entity

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.33 Share Premium

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

1.34 Research and Development expenditure

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

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the City's accounting periods beginning on or after 01 July 2018 or later periods but are not relevant to its operations:

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

No material impact are expected from these changes.

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

- >GRAP 20: Related Party Disclosures
- >GRAP 32: Service Concession Arrangements: Grantor
- >GRAP 34: Separate Financial Statements
- >GRAP 35: Consolidated Financial Statements
- >GRAP 36: Investments in Associates and Joint
- >GRAP 37: Joint Arrangements
- >GRAP 38: Disclosure of Interests in Other Entities
- >GRAP 108: Statutory Receivables
- >GRAP 109: Accounting by Principals and Agents
- >GRAP 110: Living and Non-living Resources
- >Directive 12: The Selection of an Appropriate Reporting Framework
- GRAP 110: Living and Non-living Resources

No material impact are expected from these changes.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property

Economic entity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	804 942 240	(123 509 497)	681 432 743	696 246 750	(112 027 579)	584 219 171

Controlling entity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	587 881 182	(101 917 666)	485 963 516	547 101 572	(94 504 429)	452 597 143

Reconciliation of investment property - Economic entity - 2018

	Opening balance	Additions	Transfers received	Depreciation	Total
Investment property	584 219 171	41 610 763	67 084 728	(11 481 919)	681 432 743

Reconciliation of investment property - Economic entity - 2017

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Investment property	475 037 601	116 261 127	1 210 436	(8 289 993)	584 219 171

Reconciliation of investment property - Controlling entity - 2018

	Opening balance	Additions	Depreciation	Total
Investment property	452 597 143	40 779 611	(7 413 238)	485 963 516

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2017

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Investment property	427 179 494	31 039 119	1 210 436	(6 831 906)	452 597 143

Other disclosure

Total rental income received on investment property

Total rental income received on investment property	49 676 660	67 984 304	19 938 856	21 453 938
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Included in the carrying value of investment property is an amount R71,818,730 (2017: R31,039,119) 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

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & buildings	2 232 621 406	-	2 232 621 406	2 238 449 312	-	2 238 449 312
Infrastructure	57 332 391 246	(14 776 219 826)	42 556 171 420	53 446 791 450	(13 259 768 602)	40 187 022 848
Community	7 535 165 495	(1 958 358 655)	5 576 806 840	6 504 749 610	(1 717 915 519)	4 786 834 091
Other property, plant and equipment	3 946 239 488	(2 190 168 238)	1 756 071 250	3 448 288 646	(1 854 122 667)	1 594 165 979
Operational and housing buildings	3 307 713 739	(923 601 515)	2 384 112 224	3 018 433 620	(810 576 061)	2 207 857 559
Total	74 354 131 374	(19 848 348 234)	54 505 783 140	68 656 712 638	(17 642 382 849)	51 014 329 789

Controlling entity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 219 604 123	-	2 219 604 123	2 225 432 029	-	2 225 432 029
Infrastructure	54 983 532 739	(14 375 695 410)	40 607 837 329	51 278 841 481	(12 910 752 797)	38 368 088 684
Community	7 535 165 495	(1 958 358 655)	5 576 806 840	6 504 749 610	(1 717 915 519)	4 786 834 091
Other property, plant and equipment	3 779 769 614	(2 131 458 815)	1 648 310 799	3 306 028 763	(1 804 149 559)	1 501 879 204
Operational and housing buildings	3 250 797 857	(917 286 122)	2 333 511 735	2 969 977 714	(805 203 239)	2 164 774 475
Total	71 768 869 828	(19 382 799 002)	52 386 070 826	66 285 029 597	(17 238 021 114)	49 047 008 483

Reconciliation of property, plant and equipment - Economic entity - 2018

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Transfers from AUC	Other movements	Other changes, movements	Depreciation	Total
Land & buildings	2 238 449 312	-	(9 786 980)	3 959 074	-	-	-	-	2 232 621 406
Infrastructure	40 187 022 848	3 710 010 132	(69 507 974)	1 044 639 639	(1 103 424 758)	17 946 902	289 325 277	(1 519 840 646)	42 556 171 420
Community	4 786 834 091	728 255 202	-	216 203 571	(146 576 522)	(18 509 150)	251 042 784	(240 443 136)	5 576 806 840
Other property, plant and equipment	1 594 165 979	515 403 725	(1 651 915)	-	(9 202 092)	600 163	-	(343 244 610)	1 756 071 250
Operational and housing buildings	2 207 857 559	531 617 369	(2 563)	186 419 541	(192 018 453)	(234 205 188)	-	(115 556 041)	2 384 112 224
	51 014 329 789	5 485 286 428	(80 949 432)	1 451 221 825	(1 451 221 825)	(234 167 273)	540 368 061	(2 219 084 433)	54 505 783 140

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land & buildings	2 089 570 594	-	(832 000)	136 695 689	-	13 015 029	-	-	2 238 449 312
Infrastructure	38 575 462 141	2 995 239 114	(109 203 668)	968 095 666	(968 095 666)	17 730 262	(1 292 205 001)	-	40 187 022 848
Community	4 449 730 334	579 591 440	(23 712 810)	190 465 408	(190 465 408)	(7 917 332)	(209 172 690)	(1 684 851)	4 786 834 091
Other property, plant and equipment	1 538 370 837	431 461 455	(14 312 849)	-	-	(12 535 087)	(348 817 267)	(1 110)	1 594 165 979
Operational and housing buildings	1 794 127 590	661 741 918	(2 643 216)	240 282 367	(376 978 056)	(11 795 825)	(96 877 219)	-	2 207 857 559
	48 447 261 496	4 668 033 927	(150 704 543)	1 535 539 130	(1 535 539 130)	(1 502 953)	(1 947 072 177)	(1 685 961)	51 014 329 789

Reconciliation of property, plant and equipment - Controlling entity - 2018

	Opening balance	Additions	Disposals//Derecognition	Transfers from assets under constructions	Transfers to asset class	Transfers other classes of assets	Other changes, movements	Depreciation	Total
Land	2 225 432 029	-	(9 786 980)	3 959 074	-	-	-	-	2 219 604 123
Infrastructure	38 368 088 684	3 523 288 926	(67 084 729)	1 044 639 639	(1 103 424 758)	17 946 902	289 325 277	(1 464 942 612)	40 607 837 329
Community	4 786 834 091	728 255 202	-	216 203 571	(146 576 522)	(18 509 150)	251 042 784	(240 443 136)	5 576 806 840
Other property, plant and equipment	1 501 879 204	481 828 537	(1 200 338)	-	-	600 163	-	(334 796 767)	1 648 310 799
Operational and housing buildings	2 164 774 475	529 942 908	-	186 419 541	(201 220 545)	(234 321 761)	-	(112 082 883)	2 333 511 735
	49 047 008 483	5 263 315 573	(78 072 047)	1 451 221 825	(1 451 221 825)	(234 283 846)	540 368 061	(2 152 265 398)	52 386 070 826

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals/Derecognition	Transfers received	Transfers from assets under constructions	Other movements	Depreciation	Impairment loss	Total
Land	2 089 570 594	-	(832 000)	136 695 689	-	(2 254)	-	-	2 225 432 029
Infrastructure	36 903 791 024	2 789 702 945	(108 667 296)	991 944 321	(991 944 321)	21 364 794	(1 238 102 783)	-	38 368 088 684
Community	4 642 599 453	392 811 522	(23 712 810)	291 248 661	(291 248 661)	(7 917 332)	(215 261 891)	(1 684 851)	4 786 834 091
Other property, plant and equipment	1 463 396 732	407 445 718	(14 005 137)	-	-	(14 232 884)	(340 725 225)	-	1 501 879 204
Operational and housing buildings	1 622 707 140	774 221 123	(2 271 531)	115 650 460	(252 346 149)	-	(93 186 568)	-	2 164 774 475
	46 722 064 943	4 364 181 308	(149 488 774)	1 535 539 131	(1 535 539 131)	(787 676)	(1 887 276 467)	(1 684 851)	49 047 008 483

Classes of assets under construction

Assets under construction:

Infrastructure	7 616 971 688	5 109 939 395	6 664 011 381	4 293 285 039
Community	1 426 233 111	844 554 431	1 426 233 111	844 554 431
Other assets	698 960 137	597 291 595	679 218 469	584 817 867
	9 742 164 936	6 551 785 421	8 769 462 961	5 722 657 337

Disclosure of repairs and maintenance (material and other costs)

Infrastructure	1 739 371 446	1 436 465 321	1 739 371 446	1 436 465 321
Community	145 409 380	252 383 972	145 409 380	252 383 972
Investment property	42 268 200	55 160 476	42 268 200	55 160 476
Other property, plant and equipment	265 402 571	265 402 571	179 099 027	261 703 400
	2 192 451 597	2 009 412 340	2 106 148 053	2 005 713 169

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

4. Property, plant and equipment (continued)

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

Buildings	367 334	672 916	367 334	672 916
Motor vehicles	62 856	437 694	62 856	437 694
IT equipment	88 930	-	88 930	-
Infrastructure	1 586 056	489 520	1 586 056	489 520
Total	2 105 176	1 600 130	2 105 176	1 600 130

The other movement relates to transfers out of property, plant and equipment, which were effected as follows, an amount of R234,283,846 (2017: R145,769,741) was transferred to inventory. Capital spares were bought as part of the project capital expenditure, which were transferred to inventory R45,045,033 (2017: R27,098,131), this relates to the net movement of capital spares for the year between the inventory account and the WIP account, refer to note 10.

Deemed cost

Included in the additions for the year is public contributed assets with deemed cost amounts of R540,368,060 (2017: R111,295,627). Deemed cost was determined using fair value or depreciated replacement cost, depending on the most appropriate measurement for the specific asset/scenario.

5. Intangible assets

Economic entity	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	709 584 705	(130 382 250)	579 202 455	373 173 639	(66 364 461)	306 809 178
Rights to use naturally occurring assets	243 798 639	-	243 798 639	243 798 639	-	243 798 639
Total	953 383 344	(130 382 250)	823 001 094	616 972 278	(66 364 461)	550 607 817

Controlling entity	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	698 003 456	(125 419 989)	572 583 467	362 504 642	(62 513 668)	299 990 974
Rights to use naturally occurring assets	243 798 639	-	243 798 639	243 798 639	-	243 798 639
Total	941 802 095	(125 419 989)	816 382 106	606 303 281	(62 513 668)	543 789 613

Reconciliation of intangible assets - Economic entity - 2018

	Opening balance	Additions	Disposals	Other changes, movements	Amortisation	Impairment loss	Total
Computer software (other)	306 809 178	342 274 304	(5 865 554)	4 517 819	(63 128 190)	(5 405 102)	579 202 455
Rights to use naturally occurring assets	243 798 639	-	-	-	-	-	243 798 639
Total	550 607 817	342 274 304	(5 865 554)	4 517 819	(63 128 190)	(5 405 102)	823 001 094

City of Ekurhuleni

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

5. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2017

	Opening balance	Additions	Disposals	Other changes, movements	Amortisation	Total
Computer software (other)	79 601 237	304 729 340	(57 646 098)	(3 972 592)	(15 902 709)	306 809 178
Rights to use naturally occurring assets	243 798 639	-	-	-	-	243 798 639
	323 399 876	304 729 340	(57 646 098)	(3 972 592)	(15 902 709)	550 607 817

Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software (other)	299 990 974	341 365 615	(5 866 802)	(62 906 320)	572 583 467
Rights to use naturally occurring assets	243 798 639	-	-	-	243 798 639
	543 789 613	341 365 615	(5 866 802)	(62 906 320)	816 382 106

Reconciliation of intangible assets - Controlling entity - 2017

	Opening balance	Additions	Derecognition/Impairments	Other changes, movements	Amortisation	Total
Computer software (other)	77 126 562	299 838 452	(57 646 098)	(4 079 068)	(15 248 874)	299 990 974
Rights to use naturally occurring assets	243 798 639	-	-	-	-	243 798 639
	320 925 201	299 838 452	(57 646 098)	(4 079 068)	(15 248 874)	543 789 613

Other information

Reconciliation of work in progress

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

Work in progress

Opening balance	189 439 854	63 925 591	189 439 854	63 925 591
Software development incurred during the year	342 274 304	304 729 340	341 365 615	299 838 452
Transfers	(149 808 657)	(116 678 090)	(149 808 657)	(116 678 090)
	381 905 501	251 976 841	380 996 812	247 085 953

6. Heritage assets

Economic entity	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiquities and exhibits	13 766 334	-	13 766 334	13 766 334	-	13 766 334
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	43 040 667	-	43 040 667	43 040 667	-	43 040 667
Total	62 583 512	-	62 583 512	62 583 512	-	62 583 512

Controlling entity	2018		2017	

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

6. Heritage assets (continued)

	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Cultural	13 766 334	-	13 766 334	13 766 334	-	13 766 334
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	43 040 667	-	43 040 667	43 040 667	-	43 040 667
Total	62 583 512	-	62 583 512	62 583 512	-	62 583 512

Reconciliation of heritage assets - Economic entity - 2018

	Opening balance	Total
Art collections, antiquities and exhibits	13 766 334	13 766 334
Conservation areas	351 149	351 149
Historical buildings	5 425 362	5 425 362
Other various collections	43 040 667	43 040 667
	62 583 512	62 583 512

Reconciliation of heritage assets - Economic entity - 2017

	Opening balance	Disposals	Transfers	Other changes, movements	Total
Art collections, antiquities and exhibits	10 681 792	(31 600)	3 116 430	(288)	13 766 334
Conservation areas	351 149	-	-	-	351 149
Historical buildings	5 425 362	-	-	-	5 425 362
Other various collections	43 062 307	(21 640)	-	-	43 040 667
	59 520 610	(53 240)	3 116 430	(288)	62 583 512

Reconciliation of heritage assets Controlling entity - 2018

	Opening balance	Total
Cultural	13 766 334	13 766 334
Conservation areas	351 149	351 149
Historical buildings	5 425 362	5 425 362
Other various collections	43 040 667	43 040 667
	62 583 512	62 583 512

Reconciliation of heritage assets Controlling entity - 2017

	Opening balance	Disposals	Transfers	Other movements	Total
Cultural	10 681 792	(31 600)	3 116 430	(288)	13 766 334
Conservation areas	351 149	-	-	-	351 149
Historical buildings	5 425 362	-	-	-	5 425 362
Other various collections	43 062 307	(21 640)	-	-	43 040 667
	59 520 610	(53 240)	3 116 430	(288)	62 583 512

Deemed costs

Deemed cost was determined using fair value or depreciated replacement cost.

City of Ekurhuleni

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
7. Investments in controlled entities				
Name of company	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Brakpan Bus Company SOC Ltd	100,00 %	100,00 %	6	6
East Rand Water Care Company, NPC	97,00 %	97,00 %	-	-
Ekurhuleni Housing Company	100,00 %	100,00 %	100	100
			106	106
8. Other investments				
At cost				
Unlisted shares	4 000 000	4 000 000	4 000 000	4 000 000
At fair value				
Old Mutual and Sanlam	7 358 146	8 119 485	-	-
At amortised cost				
Investments	2 164 478 231	1 567 017 137	2 164 478 231	1 567 017 137
These investments have varying interest rates as well as varying maturity dates.				
	-	-	-	-
	4 000 000	4 000 000	4 000 000	4 000 000
	7 358 146	8 119 485	-	-
	2 164 478 231	1 567 017 137	2 164 478 231	1 567 017 137
	-	-	-	-
Total other investments	2 175 836 377	1 579 136 622	2 168 478 231	1 571 017 137
Non-current assets				
At cost	4 000 000	4 000 000	4 000 000	4 000 000
At amortised cost	1 617 372 812	1 450 100 491	1 617 372 812	1 450 100 491
	1 621 372 812	1 454 100 491	1 621 372 812	1 454 100 491
Current assets				
At fair value	7 358 146	8 119 485	-	-
At amortised cost	547 105 419	116 916 646	547 105 419	116 916 646
	554 463 565	125 036 131	547 105 419	116 916 646
Non-current assets	1 621 372 812	1 454 100 491	1 621 372 812	1 454 100 491
Current assets	554 463 565	125 036 131	547 105 419	116 916 646
	2 175 836 377	1 579 136 622	2 168 478 231	1 571 017 137
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	4 000 000	4 000 000
The company's draft financial statements used were for the period ended 29 February 2016 and no audited financial information was received for financial years ending 2016 and 2017.				
The company's equity amounted to R605,743,120 represented by share capital of R5,201,000, reserves of R147,090,563 as well as retained income of R453,451,557 as at 28 February 2016.				
The City has not reclassified any financial assets from cost or amortised cost to fair value during the current or prior year.				

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

8. Other investments (continued)

There were no gains or losses realised on the disposal of held to maturity financial assets for the year ended 2018, as all the financial assets will be disposed of at their redemption date.

Investments with a carrying value of R1,617,372,812 (2017: R1,454,100,491) are held with the top five banks in South Africa for the repayment of long term liabilities with a carrying value of R2,415,000,000 (2017: R2,415,000,000) as disclosed in the long-term liabilities note (note 15). The amount of R2,415,000,000 consists of three bonds for which structured deposit sinking funds were established.

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

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (as determined by rating agencies) available, or to historical information about counterparty default rates. Investments are only made with South African top five banks.

9. Long term receivables

Non-current receivables	8 853 446	7 957 348	5 413 655	5 047 761
Bad debt provision	(2 095 831)	(1 923 381)	(2 095 831)	(1 923 381)
	6 757 615	6 033 967	3 317 824	3 124 380

The long-term receivables comprises of:

Rental deposits made	R4,661,784 (June 2017 - R4,110,586)
Housing schemes	R2,095,831 (June 2017 - R1,923,381)

10. Inventories

Electrical consumables	334 745 095	114 635 462	334 745 095	114 635 462
Cleansing consumables	965 214	475 795	965 214	475 795
Consumable stores	2 681 120	1 325 306	2 681 120	1 325 306
Maintenance materials	11 671 400	7 351 207	11 671 400	7 351 207
Water consumables	13 239 844	4 602 446	13 239 844	4 602 446
Water inventory	10 885 929	9 159 565	10 885 929	9 159 565
Land held as inventory for development	623 507 295	389 185 424	623 507 295	389 185 424
Food and beverage	-	26 603	-	26 603
Fleet and transport consumables	641 376	641 097	604 576	641 097
Fuel (diesel, petrol)	6 893 775	5 385 934	6 893 775	5 385 934
	1 005 231 048	532 788 839	1 005 194 248	532 788 839
Provision for obsolete Inventories	(994 183)	(494 343)	(994 183)	(494 343)
	1 004 236 865	532 294 496	1 004 200 065	532 294 496

Inventory written down due to redundancy/obsolescence is valued at R994,183 (2017: R494,343) by way of a provision for obsolete inventories.

The provision for obsolete inventories amounting to R994 183 consists of:

Consumable items	R994,183
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11. Receivables from exchange transactions

Trade receivables	54 479 344	13 519 505	-	-
Pre-paid electricity 3rd party vendors	71 496 517	78 193 986	71 408 476	77 919 343
Other receivables	298 111 042	341 655 108	245 107 162	331 353 989
VAT accruals on outstanding creditors	588 199 871	467 807 881	588 199 871	467 807 881
VAT receivables	396 912 766	88 337 497	396 912 766	68 476 162
Operating lease straightline	587 510	818 657	587 510	818 657
Allowance for impairment	(75 111 702)	(64 949 379)	(75 111 702)	(55 042 372)
	1 334 675 348	925 383 255	1 227 104 083	891 333 660

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
11. Receivables from exchange transactions (continued)				
Credit quality of trade and other receivables				
In determining the recoverability of other receivables, the City considers any change in the credit quality of other receivables from the date on which the credit was initially granted up to the reporting date.				
12. Receivables from non-exchange transactions				
Traffic fines	165 603 173	116 803 548	165 603 173	116 803 548
GMRF	11 145 858	-	11 145 858	-
Insurance claim debtors	861 198	-	-	-
Impairment loss - traffic fines	(114 497 004)	(76 400 238)	(114 497 004)	(76 400 238)
	63 113 225	40 403 310	62 252 027	40 403 310
Credit quality of receivables from non-exchange transactions				
In determining the recoverability of other receivables, the City considers any change in the credit quality of other receivables from the date on which the credit was initially granted up to the reporting date.				
13. Consumer debtors				
Gross balances				
Rates	2 158 827 367	1 779 119 641	2 158 827 367	1 779 119 641
Electricity	3 640 154 693	3 917 895 017	3 640 154 693	3 917 895 017
Water	5 532 121 128	4 626 721 850	5 532 121 128	4 626 721 850
Waste water	1 571 975 841	1 344 297 738	1 571 975 841	1 344 297 738
Refuse	1 539 219 436	1 302 883 073	1 539 219 436	1 302 883 073
Other	134 863 617	113 687 823	134 863 617	113 687 823
Interest and sundries	2 256 456 038	2 075 746 903	2 256 456 038	2 075 746 903
	16 833 618 120	15 160 352 045	16 833 618 120	15 160 352 045
Less: Allowance for impairment				
Rates	(1 364 380 687)	(1 284 528 042)	(1 364 380 687)	(1 284 528 042)
Electricity	(1 111 692 673)	(1 684 192 149)	(1 111 692 673)	(1 684 192 149)
Water	(4 245 521 060)	(3 479 038 927)	(4 245 521 060)	(3 479 038 927)
Waste water	(1 206 074 027)	(1 011 854 231)	(1 206 074 027)	(1 011 854 231)
Refuse	(1 251 568 668)	(1 065 236 361)	(1 251 568 668)	(1 065 236 361)
Other	(128 917 550)	(109 930 386)	(128 917 550)	(109 930 386)
Interest and sundries	(2 039 032 668)	(1 821 970 299)	(2 039 032 668)	(1 821 970 299)
	(11 347 187 333)	(10 456 750 395)	(11 347 187 333)	(10 456 750 395)
Net balance				
Rates	794 446 680	494 591 599	794 446 680	494 591 599
Electricity	2 528 462 020	2 233 702 868	2 528 462 020	2 233 702 868
Water	1 286 600 068	1 147 682 923	1 286 600 068	1 147 682 923
Waste water	365 901 814	332 443 507	365 901 814	332 443 507
Refuse	287 650 768	237 646 712	287 650 768	237 646 712
Other	5 946 067	3 757 437	5 946 067	3 757 437
Interest and sundries	217 423 370	253 776 604	217 423 370	253 776 604
	5 486 430 787	4 703 601 650	5 486 430 787	4 703 601 650

City of Ekurhuleni

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
13. Consumer debtors (continued)				
Included in above is receivables from exchange transactions				
Electricity	2 528 462 020	2 233 702 868	2 528 462 020	2 233 702 868
Water	1 286 600 068	1 147 682 922	1 286 600 068	1 147 682 922
Waste water	365 901 815	332 443 507	365 901 815	332 443 507
Refuse	287 650 768	237 646 712	287 650 768	237 646 712
Housing rental	5 946 067	3 757 437	5 946 067	3 757 437
Other	217 423 369	253 776 604	217 423 369	253 776 604
	4 691 984 107	4 209 010 050	4 691 984 107	4 209 010 050
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	794 446 680	569 578 060	794 446 680	569 578 060
Net balance	5 486 430 787	4 778 588 110	5 486 430 787	4 778 588 110
Rates				
Current (0 -30 days)	370 201 264	280 019 274	370 201 264	280 019 274
31 - 60 days	99 392 932	80 330 503	99 392 932	80 330 503
61 - 90 days	69 516 083	70 190 664	69 516 083	70 190 664
91 - 120 days	1 619 717 088	1 423 565 660	1 619 717 088	1 423 565 660
	2 158 827 367	1 854 106 101	2 158 827 367	1 854 106 101
Electricity				
Current (0 -30 days)	2 182 824 406	2 409 125 037	2 182 824 406	2 409 125 037
31 - 60 days	135 012 265	120 258 604	135 012 265	120 258 604
61 - 90 days	81 463 382	52 732 900	81 463 382	52 732 900
91 - 120 days	1 240 854 641	1 335 778 475	1 240 854 641	1 335 778 475
	3 640 154 694	3 917 895 016	3 640 154 694	3 917 895 016
Water				
Current (0 -30 days)	688 954 180	625 249 512	688 954 180	625 249 512
31 - 60 days	160 368 268	138 599 341	160 368 268	138 599 341
61 - 90 days	135 461 651	132 988 181	135 461 651	132 988 181
91 - 120 days	4 547 337 028	3 729 884 815	4 547 337 028	3 729 884 815
	5 532 121 127	4 626 721 849	5 532 121 127	4 626 721 849
Waste water				
Current (0 -30 days)	202 438 122	183 343 354	202 438 122	183 343 354
31 - 60 days	43 497 824	40 421 244	43 497 824	40 421 244
61 - 90 days	37 609 068	39 874 981	37 609 068	39 874 981
91 - 120 days	1 288 430 828	1 080 658 158	1 288 430 828	1 080 658 159
	1 571 975 842	1 344 297 737	1 571 975 842	1 344 297 738
Refuse				
Current (0 -30 days)	97 378 085	81 341 537	97 378 085	81 341 537
31 - 60 days	45 843 892	42 419 638	45 843 892	42 419 638
61 - 90 days	40 515 191	47 435 478	40 515 191	47 435 478
91 - 120 days	1 355 482 267	1 131 686 420	1 355 482 267	1 131 686 420
	1 539 219 435	1 302 883 073	1 539 219 435	1 302 883 073

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
13. Consumer debtors (continued)				
Housing rental				
Current (0 -30 days)	1 546 491	1 590 494	1 546 491	1 590 494
31 - 60 days	2 232 219	2 166 944	2 232 219	2 166 944
61 - 90 days	2 167 356	2 103 913	2 167 356	2 103 913
91 - 120 days	128 917 550	107 826 472	128 917 550	107 826 472
	134 863 616	113 687 823	134 863 616	113 687 823
Other (specify)				
Current (0 -30 days)	99 613 260	76 341 956	99 613 260	76 341 956
31 - 60 days	51 296 731	39 246 816	51 296 731	39 246 816
61 - 90 days	43 165 831	42 544 135	43 165 831	42 544 135
91 - 120 days	2 062 380 215	1 917 613 997	2 062 380 215	1 917 613 997
	2 256 456 037	2 075 746 904	2 256 456 037	2 075 746 904

The total debtors for June 2018 includes a total of R1,754,847,113 (2017:R1,744,733,580) in respect of the value of revenue emanating from various meter reading cut-off dates at year end. This is an annual occurrence and is adjusted at every financial year-end.

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
13. Consumer debtors (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	1 362 297 938	1 387 413 788	1 362 297 938	1 387 413 788
31 - 60 days	350 371 996	289 850 616	350 371 996	289 850 616
61 - 90 days	292 188 795	291 449 631	292 188 795	291 449 631
91 - 120 days	10 065 643 872	8 490 369 114	10 065 643 872	8 490 369 114
	12 070 502 601	10 459 083 149	12 070 502 601	10 459 083 149
Less: Allowance for impairment	(9 381 307 785)	(8 191 795 785)	(9 381 307 785)	(8 191 795 785)
	2 689 194 816	2 267 287 364	2 689 194 816	2 267 287 364
Industrial/ commercial				
Current (0 -30 days)	2 138 453 792	2 077 615 576	2 138 453 792	2 077 615 576
31 - 60 days	166 522 727	153 988 250	166 522 727	153 988 250
61 - 90 days	110 657 778	82 276 639	110 657 778	82 276 639
91 - 120 days	1 825 070 803	1 842 464 065	1 825 070 803	1 842 464 065
	4 240 705 100	4 156 344 530	4 240 705 100	4 156 344 530
Less: Allowance for impairment	(1 578 893 486)	(2 029 431 285)	(1 578 893 486)	(2 029 431 285)
	2 661 811 614	2 126 913 245	2 661 811 614	2 126 913 245
National and provincial government				
Current (0 -30 days)	85 468 887	95 705 033	85 468 887	95 705 033
31 - 60 days	14 964 438	11 265 696	14 964 438	11 265 696
61 - 90 days	1 815 814	6 945 910	1 815 814	6 945 910
91 - 120 days	45 162 811	60 666 169	45 162 811	60 666 169
	147 411 950	174 582 808	147 411 950	174 582 808
Less: Allowance for impairment	(45 928 782)	(75 202 612)	(45 928 782)	(75 202 612)
	101 483 168	99 380 196	101 483 168	99 380 196
Total				
Current (0 -30 days)	3 642 955 809	3 657 011 164	3 642 955 809	3 657 011 164
31 - 60 days	537 644 131	463 443 091	537 644 131	463 443 091
61 - 90 days	409 898 563	387 870 252	409 898 563	387 870 252
91 - 120 days	12 243 119 617	10 652 027 537	12 243 119 617	10 652 027 537
	16 833 618 120	15 160 352 044	16 833 618 120	15 160 352 044
Less: Allowance for impairment	(11 347 187 333)	(10 456 750 394)	(11 347 187 333)	(10 456 750 394)
	5 486 430 787	4 703 601 650	5 486 430 787	4 703 601 650
Allowance for impairment				
31 - 60 days	(564 293 921)	(247 487 411)	(564 293 921)	(247 487 411)
61 - 90 days	(279 901 296)	(124 541 060)	(279 901 296)	(124 541 060)
91 - 120 days	(240 397 679)	(212 768 399)	(240 397 679)	(212 768 399)
121 - 365 days	(10 262 594 437)	(9 871 953 525)	(10 262 594 437)	(9 871 953 525)
	(11 347 187 333)	(10 456 750 395)	(11 347 187 333)	(10 456 750 395)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(10 456 750 395)	(7 966 251 084)	(10 456 750 395)	(7 966 251 084)
Contributions to allowance	(1 490 000 078)	(1 438 672 537)	(1 490 000 078)	(1 438 672 537)
Debt impairment written off against allowance	599 563 140	658 140 959	599 563 140	658 140 959
Additional allowance	-	(1 709 967 733)	-	(1 709 967 733)
	(11 347 187 333)	(10 456 750 395)	(11 347 187 333)	(10 456 750 395)

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

13. Consumer debtors (continued)

Credit quality of consumer debtors

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

Consumer debtors past due but not impaired

At 30 June 2018, consumer debtors of R5,486,430,787 (2017:R4,778,588,110) were past due but not impaired.

30 Days	3 078 661 888	3 409 523 753	3 078 661 888	3 409 523 753
60 Days	257 742 835	338 902 031	257 742 835	338 902 031
90 Days	169 500 883	175 101 853	169 500 883	175 101 853
90+ Days	1 980 525 181	855 060 473	1 980 525 181	855 060 473

Consumer debtors impaired

As at 30 June 2018, consumer debtors of R11,347,187,332 (2017:R10,456,750,395) were impaired and provided for.

The ageing of these consumer debtors is as follows:

30 Days	564 293 921	247 487 411	564 293 921	247 487 411
60 Days	279 901 296	124 541 060	279 901 296	124 541 060
90 Days	240 397 679	212 768 399	240 397 679	212 768 399
90+ Days	10 262 594 436	9 871 953 525	10 262 594 436	9 871 953 525

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	673 901	563 725	568 727	534 384
Bank balances	3 650 182 717	5 987 118 042	3 533 898 935	5 809 419 162
Short-term deposits	14 103 480	13 140 667	-	-
	3 664 960 098	6 000 822 434	3 534 467 662	5 809 953 546

The City has provided bank guarantees to the amount of R26,074,874 (2017: 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

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
14. Cash and cash equivalents (continued)				
ABSA				
ABSA - Income Alberton	-	(22 284)	-	(22 284)
ABSA - Direct banking Alberton	(2 170)	-	(2 170)	-
ABSA - Income Benoni	(1 630)	17 400 298	(1 630)	17 400 298
ABSA - Direct banking Benoni	15 358 331	(158 927)	15 358 331	(158 927)
MASK Account Benoni	(7 200)	(359 284)	(7 200)	(359 284)
ABSA - Income Boksburg	-	8 585 659	-	8 585 659
ABSA - Direct banking KL Boksburg	6 824 417	(1 163 974)	6 824 417	(1 163 974)
ABSA - Direct Banking Bt Boksburg	-	391 441	-	391 441
ABSA - Income Brakpan	9 263 765	1 939 100	9 263 765	1 939 100
Pre paid sales account Brakpan	-	(409 500)	-	(409 500)
ABSA - Income Germiston	-	15 193 654	-	15 193 654
ABSA - Direct banking Germiston	12 937 425	(148 287)	12 937 425	(148 287)
ABSA - Income account Kempton Park	-	(4 864 505)	-	(4 864 505)
ABSA - Direct banking Kempton Park	7 284 215	8 280 002	7 284 215	8 280 002
ABSA - Direct banking Edenvale	2 837 422	(74 998)	2 837 422	(74 998)
ABSA - Income Edenvale	-	2 817 582	-	2 817 582
ABSA - Income Nigel	-	10 495 200	-	10 495 200
ABSA - Income Springs	-	18 092 938	-	18 092 938
ABSA - Direct banking Springs	9 862 659	(106 327)	9 862 659	(106 327)
ABSA - Market account	1 134 982	1 134 982	1 134 982	1 134 982
ABSA - EFF Account (ex CLF)	-	158	-	158
ABSA - C R R Account (ex CDF)	-	1 489	-	1 489
ABSA - Primary bank account (ex from revenue)	-	10 116 607	-	10 116 607
ABSA - Salary account	(408 626)	(30 146)	(408 626)	(30 146)
ABSA - Treasury account	58 249 730	795 431 120	58 249 730	279 948 478
ABSA - Expenditure imprest account	1 104	(2 755 900)	1 104	(2 755 900)
ABSA - USDG Account	-	953	-	953
ABSA - Housing account	-	106	-	106
Short Term Deposits at various institutions with dates within 3 months	-	1 065 997 148	-	1 065 997 148
Lease bank account	71 334	240 439	71 334	240 439
Petty Cash and Floats	673 901	563 725	568 727	534 384
ABSA - Traffic fines collection	-	(48 395)	-	(48 395)
STANDARD BANK- Mask account Springs	336 502 057	208 617 356	336 502 057	208 617 356
FNB Musk account Edenvale	280 861 841	158 146 694	280 861 841	158 146 694
E-Siyakhokha Mask Account	100 325 450	272 186 670	100 325 450	272 186 670
CoE Salary Account - Nedbank	4 505 548	15 532 682	4 505 548	15 532 682
CoE Salary Account - Nedbank	107 896 164	78 518 001	107 896 164	78 518 001
CoE Expenditure Account - Nedbank	271 007 922	94 832 121	271 007 922	94 832 121
CoE Treasury account - Nedbank	190 596 582	1 397 123 715	190 596 582	1 397 123 715
CoEUSDG Account - Nedbank	744 250 820	602 935 872	744 250 820	602 935 872
CoE Housing Account - Nedbank	40 991 016	49 486 602	40 991 016	49 486 602
CoE Depreciation Reserve Account - Nedbank	555 139 180	628 072 497	555 139 180	628 072 497
CoE External Funding Fund - Nedbank	154 590 125	31 252 458	154 590 125	31 252 458
CoE Primary Bank Account - Nedbank	574 470 613	248 585 282	574 470 613	248 585 282
IRPTN Bank 2	1 199 314	-	1 199 314	-
IRPTN Bank Collect	324 298	-	324 298	-
CoE Springs Market Account - Nedbank	1 427 188	660 365	1 427 188	660 365
CoE Traffic Fines Collection Account - Nedbank	135 669	406 025	135 669	406 025
CoE License Account - Nedbank	2 823 129	5 722 870	2 823 129	5 722 870
CoE Disaster Relief Fund - Nedbank	-	1 584	-	1 584
CoE Income Alberton - Nedbank	2 037 977	3 995 416	2 037 977	3 995 416
CoE Direct banking Alberton - Nedbank	164 926	748 452	164 926	748 452
CoE Direct Banking Benoni - Nedbank	347 082	2 272 020	347 082	2 272 020
CoE Income Benoni - Nedbank	2 418 012	10 347 523	2 418 012	10 347 523
CoE Siyakhokha - Nedbank	(54 695)	25 617	(54 695)	25 617
CoE Income Boksburg - Nedbank	5 196 614	5 986 732	5 196 614	5 986 732
CoE Direct Banking Boksburg - Nedbank	1 521 170	1 559 447	1 521 170	1 559 447
CoE Prepaid Sales Account - Nedbank	-	5 845 536	-	5 845 536
CoE Solid Waste Account - Nedbank	38 961	344 680	38 961	344 680
CoE Direct Banking Brakpan - Nedbank	52 216	229 303	52 216	229 303
CoE Income Brakpan - Nedbank	3 864 024	1 239 472	3 864 024	1 239 472
CoE Direct Banking Edenvale - Nedbank	119 412	766 467	119 412	766 467
CoE Income Edenvale - Nedbank	767 829	1 822 878	767 829	1 822 878

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
14. Cash and cash equivalents (continued)				
CoE Direct Banking Germiston - Nedbank	303 113	3 206 066	303 113	3 206 066
CoE Income Germiston - Nedbank	3 850 161	6 229 948	3 850 161	6 229 948
CoE Direct Banking Kempton Park - Nedbank	428 483	1 629 467	428 483	1 629 467
CoE Income Kemton Park - Nedbank	3 907 190	6 930 586	3 907 190	6 930 586
CoE Direct Banking Nigel - Nedbank	1 833 473	221 763	1 833 473	221 763
CoE Income Nigel - Nedbank	1 042 270	795 155	1 042 270	795 155
CoE Library Account - Nedbank	(72 858)	(85 770)	(72 858)	(85 770)
CoE Direct Banking Springs - Nedbank	13 740 363	14 225 820	13 740 363	14 225 820
CoE Income Springs - Nedbank	1 940 538	3 025 441	1 940 538	3 025 441
Sweeping Accounts	-	-	-	515 482 642
Call deposits - entities	-	3 404 621	-	-
Germiston Phase II Housing Company (Phase II)	35 539 974	17 063 910	-	-
East Rand Water Care Company (ERWAT)	86 921 600	157 760 502	-	-
Brakpan Bus Company (BBC)	7 925 689	12 610 514	-	-
	3 664 960 099	6 000 822 434	3 534 467 662	5 809 953 546

The City had the following bank accounts

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity			Controlling entity		
	2018	2017	2018	2018	2017	2018
14. Cash and cash equivalents (continued)						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK - Income Alberton-111-841-0641	-	(22 284)	7 057 185	-	(22 284)	7 057 185
ABSA BANK - Direct Banking Alberton - 111-840-0646	-	-	133 498	(2 170)	-	133 498
ABSA BANK - Income Benoni - 4055327394	11 296	17 400 298	(2 565 901)	(1 630)	17 400 298	(2 565 901)
ABSA BANK - Direct Banking Benoni - 4055328015	15 494 808	-	(950 604)	15 358 331	(158 927)	57 715 340
ABSA BANK - Mask Account Benoni - 4065622380	-	-	(108 500)	(7 200)	(359 284)	(108 500)
ABSA BANK - Income Boksburg - 230000069	-	8 369 516	(887 894)	-	8 585 659	(887 894)
ABSA BANK - Direct Banking KL Boksburg - 230000220	6 840 482	-	(600 310)	6 824 417	(1 163 974)	(600 310)
ABSA BANK - Direct Banking BT Boksburg - 230000255	-	499 391	(14 932)	-	391 441	(14 932)
ABSA BANK - Income Brakpan - 240000024	8 336 677	2 057 691	(107 194)	9 263 765	1 939 100	(107 194)
ABSA BANK - Prepaid sales account Brakpan-240159392	-	182 810	1 159 650	-	(409 500)	1 159 650
ABSA BANK - Income Germiston - 2500002277	-	15 193 654	-	-	15 193 654	-
ABSA BANK - Direct banking Germiston - 250000804	13 317 168	-	(3 157 237)	12 937 425	(148 287)	(3 157 237)
ABSA BANK - Direct banking Kempton Park - 260181599	7 559 044	8 280 002	(368 673)	7 284 215	8 280 002	(368 673)
ABSA BANK - Income Kempton Park - 260000004	-	-	(7 925 460)	-	(4 864 505)	(7 925 460)
ABSA BANK - Income Edenvale - 4055442546	-	2 817 582	366 883	-	2 817 582	366 883
ABSA BANK - Direct banking Edenvale- 4055442596	2 837 422	-	(2 887 250)	2 837 422	(74 998)	(2 887 250)
ABSA BANK - Income Nigel - 270000010	-	10 584 320	(1 018 662)	-	10 495 200	(1 018 660)
ABSA BANK - Income Springs - 280000051	9 872 330	18 092 938	(1 193 461)	-	18 092 938	(1 193 461)
ABSA BANK - Direct Springs - 280000094 - 280000051	-	-	(254 247)	9 862 659	(106 327)	(254 247)
ABSA BANK - Fresh Produce Market - 1135470160	1 163 055	882 345	-	1 134 982	1 134 982	1 134 982
ABSA BANK - Lease Account 4075756252	-	240 375	-	-	240 439	-
ABSA BANK - EFF account (ex CLF) - 4053834321	-	158	217 432	-	158	217 432
ABSA BANK - C R R account (ex CDF) - 4053834779	-	1 489	1 677 694	-	1 489	1 677 694
ABSA BANK - Primary bank Acc - 4053835084	-	10 116 607	94 521 092	-	10 116 607	94 521 092
ABSA BANK - Salary account - 4055571973	(408 626)	(30 145)	29 382 719	(408 626)	(30 146)	29 382 719
ABSA BANK - Treasury account - 4055571931	58 249 730	795 431 120	2 180 193 827	58 249 730	795 431 120	2 180 193 827
ABSA BANK - Expenditure imprest acc - 4055571915	2 322	3 120	37 208 459	1 104	(2 755 900)	37 235 936
ABSA BANK - USDG account - 4055571884	-	953	1 092 668	-	953	1 092 668
ABSA BANK Solid waste account	-	344 680	-	-	344 680	-
ABSA BANK - Housing account - 4055571842	-	106	167 649	-	106	167 649
CoE Traffic fines 4072777706	-	-	(16 144)	-	(48 395)	(16 144)
FNB Mask account 62379403745	280 898 399	164 327 195	87 103 922	280 861 841	158 146 694	87 103 922
Petty Cash and Floats	-	-	-	568 727	534 384	533 546
Short term deposit Nedbank	-	1 065 997 148	2 018 632 968	-	1 065 997 148	2 018 495 890

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2018	2017	2018	2017		
14. Cash and cash equivalents (continued)						
Short term deposit Sanlam	-	-	137 077	-	-	137 077
Standard bank mask account	336 516 929	208 619 384	96 803 199	336 502 057	208 617 356	96 803 199
E-Siyakhokha Mask Account	4 500 060	15 497 560	105 782 607	4 505 548	15 532 682	105 782 607
Nedbank Income Alberton	-	1 427 525	(1 298 373)	2 037 977	3 995 416	(1 298 373)
Nedbank Direct banking Alberton	-	748 452	398 289	164 926	748 452	398 289
Nedbank Direct banking Benoni	-	2 275 441	1 065 857	347 082	2 272 020	1 065 857
Nedbank Income Benoni	-	6 110 298	11 211 907	2 418 012	10 347 523	11 211 907
Nedbak Income Boksburg	-	-	5 342 618	5 196 614	5 986 732	5 342 618
Nedbank Direct banking Boksburg	-	1 640 627	971 068	1 521 170	1 559 447	971 068
Nedbank Direct banking Brakpan	-	614 381	4 781 783	52 216	229 303	4 781 783
Nedbank Income Brakpan	-	229 303	4 401 927	3 864 024	1 239 472	4 401 927
Nedbank Direct banking Edenvale	-	806 448	567 128	119 412	766 467	567 128
Nedbank Income Edenvale	-	767 017	7 061 956	767 829	1 822 878	7 061 956
Nedbank Direct banking Germiston	-	3 206 066	2 636 583	303 113	3 206 066	2 636 583
Nedbank Income Germiston	-	3 386 422	5 251 978	3 850 161	6 229 948	5 251 978
Nedbank Di banking Kempton Park	-	1 694 500	925 328	428 483	1 629 467	925 328
Nedbank Income Kempton Park	-	3 120 210	2 622 519	3 907 190	6 930 586	2 622 519
Nedbank direct banking Nigel	-	413 603	237 215	1 833 473	221 763	237 215
Nedbank Income Nigel	-	619 381	517 330	1 042 270	795 155	517 330
Nedbank Direct banking Springs	-	1 840 820	1 587 618	13 740 363	14 225 820	1 587 618
Nedbank Income Springs	-	14 225 820	3 622 728	1 940 538	3 025 441	3 622 728
Nedbank Library account	-	-	(277 839)	(72 858)	(85 770)	(277 839)
Nedbank IRPTN Bank 2 Funding 1119114845	1 199 314	-	-	1 199 314	-	-
Nedbank IRPTN Transport - collection 1120949068	324 298	-	-	324 298	-	-
Nedbank Salary account 1119114837	108 308 936	79 560 184	58 581 982	107 896 164	78 518 001	58 581 982
Nedbank Expenditure account 1119114829	317 520 367	144 740 321	99 554 808	271 007 922	94 832 121	99 554 808
Nedbank Treasury account 1119114810	218 446 048	1 397 123 715	94 421 205	190 596 582	1 397 123 715	94 421 205
Nedbank USDG account 1119114802	744 250 820	602 935 872	1 070 309 442	744 250 820	602 935 872	1 070 309 442
Nedbank Housing account 1119114799	40 991 016	49 486 602	112 773 344	40 991 016	49 486 602	112 773 344
Nedbank Depreciation Reserve account 1119114780	555 139 180	628 072 497	1 383 473 019	555 139 180	628 072 497	1 383 473 019
Nedbank External Funding Fund 1119114772	154 590 125	31 252 458	162 605 459	154 590 125	31 252 458	162 605 459
Nedbank Primary Bank account 1119114764	574 470 613	248 585 282	233 131 247	574 470 613	248 585 282	233 131 247
Nedbank Springs Market account 1119114853	1 427 188	1 420 209	1 204 009	1 427 188	660 365	1 204 009
Nedbank Traffic Fines account	-	406 025	52 559	135 669	406 025	52 559
Nedbank License account	-	5 722 870	5 022 874	2 823 129	5 722 870	5 022 874
Nedbank Disaster Relief Fund	-	1 584	1 584	-	1 584	1 584
Nedbank E-Siyakhokha	-	69 417	18 401	(54 695)	25 617	18 401
Nedbank Tender account	-	-	1 750	-	-	1 750
Nedbank Mask account 1104446634	100 322 524	272 298 004	-	100 325 450	272 186 670	-
Nedbank Pre paid account	-	5 845 535	-	-	5 845 536	-
Nedbank Solid Waste account	-	-	-	38 961	-	-
EMM Lease Account Nedbank	-	-	-	71 334	-	-
(Phase II) ABSA Current account - 4052348660	8 899 506	1 184 520	7 102 625	8 899 506	1 184 520	7 102 625
(Phase II) ABSA Call account - 4078340070	2 119 248	2 032 277	1 943 741	2 119 248	2 032 277	1 943 741
(Phase II) ABSA Call account - 2071747815	5 059 622	4 678 197	7 248 863	5 059 622	4 678 197	7 248 863
(Phase II) ABSA Call account - 4050383636	8 499 553	2 157 565	146 762	8 499 553	2 157 565	146 762
(Phase II) ABSA Call account - 2072805440	-	-	857 092	-	-	857 092
BBC Nedbank	548 584	-	-	563 698	-	-
(Phase II)Call 32 day 676886622010	9 043 858	8 462 389	-	9 043 858	8 462 389	-

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2018	2017	2018	2017		
14. Cash and cash equivalents (continued)						
(Phase II) ABSA Current account - 4055919492	487 202	581 158	413 392	487 202	581 158	413 392
BBC ABSA - Current account - 4052643454	1 143 052	366 052	1 947 750	1 133 961	385 785	1 126 819
BBC ABSA money market account - 9193942873	6 229 726	12 224 756	8 641 175	6 229 726	12 224 756	8 641 175
(Phase II) ABSA Cheque account - 4078340151	1 430 985	1 372 343	1 312 979	1 430 985	1 372 343	1 312 979
ERWAT ABSA - Current account - 2-6017-0120	58 941 557	157 714 415	302 802 058	60 508 905	157 367 173	302 801 808
ERWAT ABSA - Salary account - 2-6017-0139	26 412 695	393 329	2 531 423	26 412 695	393 329	2 531 423
Petty Cash and Floats	-	-	-	103 477	29 396	31 103
Total	3 690 997 113	6 046 701 903	8 247 309 223	3 664 960 098	6 000 822 434	8 306 744 018

15. Long-term liabilities

At amortised cost

Bank loan - Nedbank	1 164 757 549	1 414 247 444	620 438 051	821 188 802
Interest rate - 10.78% per annum. Redemption period - December 2018.				
Development Bank of South Africa	9 371 722	11 946 072	-	-
Interest rates as well as redemption periods are varying.				
Municipal bonds	5 379 729 763	4 250 869 337	5 379 729 763	4 250 869 337
Interest rates on the JSE CoE bonds vary between 9.155% and 11.32 % per annum. Final redemption dates on these bonds vary between July 2020 and July 2032.				
	6 553 859 034	5 677 062 853	6 000 167 814	5 072 058 139

At amortised cost

Bank loans and municipal bonds	(558 909 431)	(457 960 854)	(502 569 199)	(402 710 089)
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Non-current liabilities

At amortised cost	5 994 949 603	5 219 101 999	5 497 508 615	4 669 348 050
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Current liabilities

At amortised cost	558 909 431	457 960 854	502 569 199	402 710 089
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Encumbered investments

Investments with a carrying value of R1,617,372,812 (2017:R1,454,100,491) are encumbered in respect of long term liabilities above with a carrying value of R2,415,000,000 (2017: R2,415,000,000) as disclosed in the other investments note (note 8). The amount of R2,415,000,000 consist of three bonds for which structured deposit sinking funds were established.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

16. Employee benefit obligations

1. Retirement Funds

The City provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable. The City 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 City during the year, the City recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans

The City does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved. The City contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956 due to the nature of these funds and the fact that there is no consistent and reliable basis for allocating the obligation. Plan assets and cost to individual entities participating in the plan, these funds are accounted for as defined contribution funds in terms of paragraph 31 of GRAP 25, the total contributions are included in employee related costs, Note 29. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds. The City's participation in these plans is limited to the obligation of its own employees. Due to the nature of the funds, the obligation for each fund cannot be reasonably determined.

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 7.5% by the members and on average 22% by the City of Ekurhuleni. The last actuarial valuation on this fund was performed in March 2018 certified that the fund is in a sound financial state. The City of Ekurhuleni has 100 employees in this plan.

2. Municipal Employees Pension Fund

The average contribution rate payable is 7.5% by the members. The City of Ekurhuleni contributes 22% and 18% of members who existed as at 30 June 2012 and 01 July 2012, respectively. The last actuarial valuation on this fund was performed in February 2014 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni has 1415 employees in this plan.

3. South African Local Authorities Pension Fund

The average contribution rate payable is 9% by the members and on average 20.78% by the City of Ekurhuleni. The last actuarial valuation on this fund was performed as at 1 July 2015 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni has 94 employees in this plan.

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

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

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 17) for leave pay provision.

Retirement benefit obligation (medical aid plan)

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

The number of employees who are eligible for post-retirement benefits as at 30 June 2018 are 12,056 (2017: 11,019) in-service employees and 1,859 (2017: 1,861) pensioners. The actuarial valuation was performed by Zaqen Actuaries (Pty) Ltd in the 2018 financial year and in the 2017 financial year, the actuarial valuation was performed by ARCH Actuarial Consulting CC, by applying the Projected Unit Funding method.

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

16. Employee benefit obligations (continued)

Pension benefits

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

Present value of the defined benefit obligation-wholly unfunded	(1 985 201 581)	(2 172 804 653)	(1 954 081 581)	(2 138 634 653)
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Movements for the year

Opening balance	(2 179 046 689)	(2 556 638 581)	(2 138 634 653)	(2 527 234 581)
Benefits paid	96 978 162	85 619 189	95 532 198	84 532 189
Net expense recognised in the statement of financial performance	96 866 946	291 972 703	89 020 874	304 067 739
	(1 985 201 581)	(2 179 046 689)	(1 954 081 581)	(2 138 634 653)

Net expense recognised in the statement of financial performance

Current service cost	(83 904 797)	(101 049 000)	(82 666 797)	(99 968 000)
Interest cost	(199 273 790)	(244 689 000)	(195 873 790)	(241 700 000)
Actuarial gains	373 803 497	637 710 703	367 561 461	645 735 739
	90 624 910	291 972 703	89 020 874	304 067 739

Key assumptions used

Assumptions used on last valuation on Friday, 29 June 2018.

Discount rates used (controlling entity)	9,78 %	9,35 %	9,78 %	9,35 %
Health care cost inflation rate (controlling entity)	7,67 %	7,67 %	7,67 %	7,67 %

Other assumptions:

Key Demographic Assumptions

Assumption	Value		
Average retirement age for the City	63		
Continuation of membership at retirement	90%		
Proportion assumed married at retirement	90%		
Mortality tables	SA 85/90		
Mortality post-retirement for pensioners	PA90		
Withdrawal from service	Age	Males	Females
	20 - 24	16%	24%
	25 - 29	12%	18%
	30 - 34	10%	15%
	35 - 39	8%	10%
	40 - 44	6%	6%
	45 - 49	4%	4%
	50 - 54	2%	2%
	55 - 59	1%	1%
	60 +	0%	0%

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

16. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in the statement of financial performance. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Medical inflation (service cost and interest cost)	257 305 000	239 192 000	257 305 000	239 192 000
Medical inflation (liability)	2 023 919 000	1 874 300 000	2 023 919 000	1 874 300 000
Valuation interest rate (service cost and interest cost)	261 211 000	246 940 000	256 989 000	241 774 000
Valuation interest rate (liability)	1 875 141 000	1 883 600 000	1 847 779 000	1 847 779 000

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	(1 985 201 581)	(2 138 634 653)	(2 527 235 581)	(2 049 898 581)	(1 967 931 581)
Deficit	(1 985 201 581)	(2 138 643 653)	(2 527 235 581)	(2 049 898 581)	(1 967 931 581)
Experience adjustments on plan	(128 639 000)	(234 450 000)	(271 494 000)	16 924 000	(73 044 000)

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

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17. Provisions

Reconciliation of provisions - Economic entity - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
COID provision	29 524 857	3 762 880	(1 950 663)	-	-	31 337 074
Other provisions	535 644	107 308	(19 168)	-	-	623 784
Bonus provision	74 124 190	31 873 203	(1 825 321)	(13 407 703)	-	90 764 369
Leave provision	440 328 161	157 679 367	(80 257 810)	-	-	517 749 718
Landfill rehabilitation provision	394 396 915	(18 508 148)	-	-	41 029 028	416 917 795
WCA provision	-	34 878 848	(39 765 310)	4 886 462	-	-
Long service awards	410 124 595	39 485 628	(8 804 169)	(6 198 324)	31 731 270	466 339 000
GMRF	-	13 034 576	-	-	-	13 034 576
	1 349 034 362	262 313 662	(132 622 441)	(14 719 565)	72 760 298	1 536 766 316

Reconciliation of provisions - Economic entity - 2017

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

17. Provisions (continued)

Reconciliation of provisions - Controlling entity - 2018

	Opening Balance	Additions	Utilised during the year	Increased during the year	Change in discount factor	Total
COID provision	29 524 857	3 762 880	(1 950 663)	-	-	31 337 074
Bonus provision	55 777 169	25 778 287	(958 068)	-	-	80 597 388
Leave provision	421 594 320	150 536 712	(71 875 380)	-	-	500 255 652
Landfill rehabilitation provision	394 396 915	(18 508 148)	-	-	41 029 028	416 917 795
WCA provision	-	34 878 848	(39 765 310)	4 886 462	-	-
Long service awards	410 124 595	39 485 628	(8 804 169)	(6 198 324)	31 731 270	466 339 000
GMRF	-	13 034 576	-	-	-	13 034 576
	1 311 417 856	248 968 783	(123 353 590)	(1 311 862)	72 760 298	1 508 481 485

Reconciliation of provisions - Controlling entity - 2017

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

Non-current liabilities	914 593 869	834 046 367	914 593 869	834 046 367
Current liabilities	622 172 447	514 987 995	593 887 616	477 371 489
	1 536 766 316	1 349 034 362	1 508 481 485	1 311 417 856

GMRF provision

City of Ekurhuleni

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

17. 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 towards occupational injuries with various employees in the old Benoni and Germiston local municipalities. The discount rate used in determining the present value of the obligation is 10.52% (2017: 10.46%) and the inflation assumption used for the increase in expenses/contributions is 7.00% (2017: 7.36%).

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 10.52% (2017: 10.46%). 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:

Decrease in the cost of property, plant and equipment R18,508,148 (2017: decrease of R9,090,694)

Amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset by R18,508,148 (2017: R9,090,694)

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 2018 was performed by Zaqen Actuaries (Pty) Ltd and for 2017 it was performed by ARCH Actuarial Consulting CC.

Discount rate used: 9.35% (2017: 8.52%)

CPI used: 6.17% (2017: 6.32%)

Salary increase rate used: 7.00% (2017: 7.36%)

18. Trade and other-payables from exchange transactions

Accrual for interest on external loans	91 648 478	97 502 714	91 648 478	97 502 714
Straight lining leases	482 280	5 402 711	11 444	409 289
Licence fees	15 016 828	4 238 974	14 914 694	4 238 974
Maintenance guarantees: new township development infrastructure	4 851 026	4 672 071	4 851 026	4 672 071
VAT balance on outstanding debtors	565 111 662	479 984 249	565 111 662	479 925 629
Other payables	305 420 580	844 663 547	281 019 315	824 978 634
Receipts in advance	625 427 713	287 312 202	625 427 713	579 364 700
Retentions	594 372 460	502 485 922	594 372 460	502 485 922
Trade payables	4 781 107 931	3 824 604 675	4 656 199 134	3 848 881 107
Unclaimed salaries	7 553 098	7 115 050	7 553 098	7 058 356
	6 991 962 153	6 058 950 749	6 841 109 024	6 349 517 396

19. Deposits

Consumer deposits - electricity and water	866 331 112	806 762 579	866 331 112	806 762 579
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Guarantees in lieu of electricity and water deposits is R124,075,216 (2017: R101,688,342).

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

20. Unspent conditional grants and receipts

The unspent conditional grant and receipts relates to funds received for multi-year capital projects for which the funds are not yet spend at year end, other than that the conditions were met.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Operating Grants - Buntle Ke Botle	-	16 207	-	16 207
Disaster Management Grant (Human Settle)	-	8 773	-	8 773
Operating Grants - Township Initiatives	(245 403)	888 620	(245 403)	888 620
PTNG	10 121 070	-	10 121 070	-
USDG	149 315	-	149 315	-
	94 962	2 076	94 962	2 076
WIFI Conectivity Grant	-	201 078	-	201 078
Operating Grants HSDG Accreditation	19 999 371	30 976 364	19 999 371	30 976 364
Capital Grants - USDG	43 941 030	21 713 359	43 941 030	21 713 359
Capital Grants - Electricity Demand Side Management	107	107	107	107
Capital Grants - INEP	-	-	-	-
Capital Grants - NDPG	6 147 792	29 145 706	6 147 792	29 145 706
Capital Grants - PTNG	224 818 844	29 884 181	224 818 844	29 884 180
Capital Grant - Township Initiatives	1 360 267	-	1 360 267	-
Integrated City Development Grant	-	572 427	-	572 427
Other	20 862 707	12 683 354	-	-
	327 250 062	126 092 252	306 387 355	113 408 897

Movement during the period

Balance at the beginning of the year	126 092 252	445 922 996	113 408 897	433 285 889
Additions during the year	7 847 021 028	6 880 020 083	7 826 158 814	6 861 608 434
Income recognition during the year	(7 545 658 082)	(6 848 491 355)	(7 532 975 218)	(6 836 096 417)
Appropriations	(100 205 136)	(351 359 472)	(100 205 136)	(345 389 009)
	327 250 062	126 092 252	306 387 357	113 408 897

See note 26 for reconciliation of all grants.

21. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2018

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	412 675 936	-	412 675 936
Consumer debtors	-	5 486 430 787	-	5 486 430 787
Cash and cash equivalents	-	3 664 960 098	-	3 664 960 098
Residual interest	7 358 146	-	4 000 000	11 358 146
Other investments	-	2 164 478 231	-	2 164 478 231
Long term receivables	-	6 757 615	-	6 757 615
	7 358 146	11 735 302 667	4 000 000	11 746 660 813

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5 800 940 498	5 800 940 498
Unspend conditional grants	327 250 062	327 250 062
Long term liabilities	6 553 859 033	6 553 859 033
Consumer deposits	866 331 112	866 331 112
	13 548 380 705	13 548 380 705

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

Financial instruments disclosure (continued)

Economic entity - 2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	409 641 187	-	409 641 187
Consumer debtors	-	4 703 601 650	-	4 703 601 650
Cash and cash equivalents	-	6 000 822 434	-	6 000 822 434
Residual interest	8 119 485	-	4 000 000	12 119 485
Other investments	-	1 567 017 137	-	1 567 017 137
Long term receivables	-	6 033 967	-	6 033 967
	8 119 485	12 687 116 375	4 000 000	12 699 235 860

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5 286 251 587	5 286 251 587
Unspend conditional grants	126 092 252	126 092 252
Long term liabilities	5 677 062 853	5 677 062 853
Consumer deposits	806 762 579	806 762 579
	11 896 169 271	11 896 169 271

Controlling entity - 2018

Financial assets

	At amortised cost	At cost	Total
Other receivables	304 243 473	-	304 243 473
Consumer debtors	5 486 430 787	-	5 486 430 787
Cash and cash equivalents	3 534 467 662	-	3 534 467 662
Other investments (listed and unlisted shares)	-	4 000 000	4 000 000
Other investments	2 164 478 231	-	2 164 478 231
Long term receivables	3 317 824	-	3 317 824
	11 492 937 977	4 000 000	11 496 937 977

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5 650 558 205	5 650 558 205
Unspend conditional grants	306 387 355	306 387 355
Long term liabilities	6 000 077 815	6 000 077 815
Consumer deposits	866 331 112	866 331 112
	12 823 354 487	12 823 354 487

Controlling entity - 2017

Financial assets

	At amortised cost	At cost	Total
Other receivables	395 452 927	-	395 452 927
Consumer debtors	4 703 601 650	-	4 703 601 650
Cash and cash equivalents	5 809 953 546	-	5 809 953 546
Other investments (listed and unlisted shares)	-	4 000 000	4 000 000
Other investments	1 567 017 137	-	1 567 017 137
Long term receivables	3 124 380	-	3 124 380
	12 479 149 640	4 000 000	12 483 149 640

Financial liabilities

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other payables from exchange transactions	5 289 817 777	5 289 817 777
Unspent conditional grants	113 408 897	113 408 897
Long term liabilities	5 072 058 139	5 072 058 139
Consumer deposits	806 762 579	806 762 579
	11 282 047 392	11 282 047 392

Financial instruments in Statement of financial performance

Economic entity - 2018

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	899 346 043	899 346 043
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(985 865 199)	(985 865 199)
Impairment loss	(2 443 317 465)	(2 443 317 465)
	(2 529 836 621)	(2 529 836 621)

Economic entity - 2017

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	960 219 274	960 219 274
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(973 690 305)	(973 690 305)
Impairment loss	(2 098 358 582)	(2 098 358 582)
	(2 111 829 613)	(2 111 829 613)

Controlling entity - 2018

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	888 521 343	888 521 343
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(921 399 008)	(921 399 008)
Impairment loss	(2 304 730 550)	(2 304 730 550)
	(2 337 608 215)	(2 337 608 215)

Controlling entity - 2017

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	942 086 586	942 086 586
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(901 847 024)	(901 847 024)
Impairment loss	(2 115 284 712)	(2 115 284 712)
	(2 075 045 150)	(2 075 045 150)

City of Ekurhuleni

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
22. Revenue				
Rendering of services	9 499 532	9 158 743	-	-
Service charges	18 908 373 038	18 690 444 703	18 930 199 029	18 746 400 361
Rental of facilities and equipment	108 642 559	95 744 062	73 356 530	67 521 340
Interest earned - outstanding debtors	279 018 363	304 694 051	279 018 363	304 694 051
Income from agency services	293 244 137	282 273 625	293 198 719	282 218 826
Licences and permits	54 880 804	50 248 868	54 880 804	50 248 868
Other income	349 323 931	203 368 720	331 051 726	157 024 350
Interest revenue	620 327 680	655 525 223	609 502 980	637 392 535
Dividends received	65 985	554 648	-	-
Property rates	5 200 065 020	3 869 251 391	5 200 065 020	3 870 562 791
Property rates - penalties and collection charges	57 700 398	51 859 928	57 700 398	51 859 928
Government grants & subsidies	7 545 558 724	6 867 924 510	7 532 975 220	6 836 096 411
Public contributions and donations	540 368 060	111 295 627	540 368 060	111 295 627
Fines	334 253 645	282 428 172	334 253 645	282 428 172
	34 301 321 876	31 474 772 271	34 236 570 494	31 397 743 260

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

Service charges	18 908 373 038	18 690 444 703	18 930 199 029	18 746 400 361
Rendering of services	9 499 532	9 158 743	-	-
Rental of facilities and equipment	108 642 559	95 744 062	73 356 530	67 521 340
Interest earned - outstanding debtors	279 018 363	304 694 051	279 018 363	304 694 051
Income from agency services	293 244 137	282 273 625	293 198 719	282 218 826
Licences and permits	54 880 804	50 248 868	54 880 804	50 248 868
Other income	349 323 931	203 368 720	331 051 726	157 024 350
Interest revenue	620 327 680	655 525 223	609 502 980	637 392 535
Dividends received	65 985	554 648	-	-
	20 623 376 029	20 292 012 643	20 571 208 151	20 245 500 331

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

Taxation revenue				
Property rates	5 200 065 020	3 869 251 391	5 200 065 020	3 870 562 791
Property rates - penalties and collection charges	57 700 398	51 859 928	57 700 398	51 859 928
Transfer revenue				
Government grants & subsidies	7 545 558 724	6 867 924 510	7 532 975 220	6 836 096 411
Public contributions and donations	540 368 060	111 295 627	540 368 060	111 295 627
Fines	334 253 645	282 428 172	334 253 645	282 428 172
	13 677 945 847	11 182 759 628	13 665 362 343	11 152 242 929

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
23. Property rates				
Rates received				
Residential	2 146 318 186	1 834 694 967	2 146 318 186	1 834 694 967
Commercial	2 701 578 671	1 578 469 300	2 701 578 671	1 578 469 300
Small holdings and farms	20 895 166	4 790 636	20 895 166	4 790 636
Vacant land	289 449 137	400 281 046	289 449 137	400 281 046
Other properties	41 823 860	52 326 842	41 823 860	52 326 842
Related entity elimination	-	(2 886 217)	-	-
	5 200 065 020	3 867 676 574	5 200 065 020	3 870 562 791

Valuations (R'000)

Residential	305 154 346	252 263 289	305 154 346	252 263 289
Commercial	130 808 271	102 923 953	130 808 271	102 923 953
Provincial and National Government	27 847 587	5 306 358	27 847 587	5 306 358
Municipal	3 846 722	2 382 257	3 846 722	2 382 257
Small holdings and farms	6 529 218	5 673 638	6 529 218	5 673 638
Sectional title	52 979 688	45 174 845	52 979 688	45 174 845
Vacant land	11 850 536	11 850 536	12 863 892	11 850 536
Other	22 922 146	22 922 146	5 128 241	22 922 146
	561 938 514	448 497 022	545 157 965	448 497 022

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis, interest is levied on outstanding account if paid after due date.

24. Service charges

Sale of electricity	12 730 834 903	12 842 894 899	12 808 617 903	12 906 310 651
Sale of water	3 699 416 598	3 385 117 638	3 699 416 598	3 395 580 968
Solid waste	1 188 710 318	1 271 836 951	1 188 710 318	1 273 529 201
Sewerage and sanitation charges	1 223 027 781	1 129 288 034	1 167 180 772	1 109 672 360
Fresh produce market	20 863 367	13 459 218	20 863 367	13 459 218
Other service charges	45 520 071	47 847 963	45 410 071	47 847 963
	18 908 373 038	18 690 444 703	18 930 199 029	18 746 400 361

25. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	108 618 871	95 722 823	73 332 842	67 500 101
Rental of equipment	23 688	21 239	23 688	21 239
	108 642 559	95 744 062	73 356 530	67 521 340
	-	-	-	-
	-	-	-	-
Facilities and equipment	108 642 559	95 744 062	73 356 530	67 521 340
	108 642 559	95 744 062	73 356 530	67 521 340

Included in the above rentals are operating lease rentals at straight-lined amounts of R7,160,238 (2017: R6,892,567) as well as contingent rentals of R22,584,408 (2017: R18,545,810).

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
26. Government grants and subsidies				
Operating grants				
Equitable share	2 719 861 000	2 381 366 993	2 719 861 000	2 381 366 993
Fuel levy	1 694 256 000	1 625 872 000	1 694 256 000	1 625 872 000
Ambulance subsidies	158 155 000	150 624 000	158 155 000	150 624 000
Finance Management Grant (FMG)	1 049 999	1 050 000	1 049 999	1 050 000
HIV/AIDS	13 236 906	12 719 535	13 236 906	12 719 535
Township Initiatives	4 875 799	-	4 875 799	-
Sector Education and Training Authority (Seta)	10 796 748	9 024 726	10 796 748	9 024 726
Disaster Grant	-	7 552 817	-	7 552 817
Bontle Ke Batho (BKB)	16 206	14 850	16 206	14 850
Health Subsidy	130 340 000	124 133 000	130 340 000	124 133 000
National Housing Fund	-	2 977 157	-	-
Human Settlements Development Grant (HSDG) Accreditation	31 203 789	34 805 312	31 203 789	34 805 312
Municipal Human Settlements Capacity	-	7 156 000	-	7 156 000
Department of transport	12 583 506	28 850 942	-	-
Urban Settlements Development Grant (USDG)	604 063 396	664 034 254	604 063 396	664 034 254
Public Transport Network Grant (PTNG)	119 214 670	780 079	119 214 670	780 079
Expanded Public Works Programme (EPWP)	44 623 038	22 122 924	44 623 038	22 122 924
Research and Technology Development	-	184 664	-	184 664
Libraries plan	-	6 198 620	-	6 198 620
	5 544 276 057	5 079 467 873	5 531 692 551	5 047 639 774
Capital grants				
Intergrated National Electrification Programme (INEP)	40 000 000	40 000 000	40 000 000	40 000 000
Urban Settlements Development Grant (USDG)	1 448 954 007	1 204 604 389	1 448 954 007	1 204 604 389
Public Transport Network Grant (PTNG)	346 563 416	419 337 740	346 563 416	419 337 740
Electricity Demand Site Management	12 000 000	14 999 893	12 000 000	14 999 893
WiFi Connectivity roll out	201 078	1 648 184	201 078	1 648 184
Human Settlements Development Grant (HSDG) Accreditation	-	23 158 888	-	23 158 888
Recap of Libraries	-	7 647 676	-	7 647 676
Intergrated city development	48 646 000	37 505 573	48 646 000	37 505 573
Township Initiatives	8 491 958	-	8 491 958	-
Neighbourhood Development Partnership Grant (NDPG)	96 426 208	39 554 294	96 426 208	39 554 294
	2 001 282 667	1 788 456 637	2 001 282 667	1 788 456 637
	7 545 558 724	6 867 924 510	7 532 975 218	6 836 096 411
Equitable share				
Current-year receipts	2 719 861 000	2 381 366 993	2 719 861 000	2 381 366 993
Conditions met - transferred to revenue	(2 719 861 000)	(2 381 366 993)	(2 719 861 000)	(2 381 366 993)
	-	-	-	-
Fuel levy				
Current-year receipts	1 694 256 000	1 694 256 000	1 694 256 000	1 625 872 000
Conditions met - transferred to revenue	(1 694 256 000)	(1 694 256 000)	(1 694 256 000)	(1 625 872 000)
	-	-	-	-
Ambulance Subsidy				
Current-year receipts	158 155 000	150 624 000	158 155 000	150 624 000
Conditions met - transferred to revenue	(158 155 000)	(150 624 000)	(158 155 000)	(150 624 000)
	-	-	-	-
Finance Management Grant				
Current-year receipts	1 050 000	1 050 000	1 050 000	1 050 000
Conditions met - transferred to revenue	(1 050 000)	(1 050 000)	(1 050 000)	(1 050 000)

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
26. Government grants and subsidies (continued)				
	-	-	-	-
	-	-	-	-
Conditions still to be met - remain liabilities (see note 20).				
Hiv/Aids				
Current-year receipts	13 236 906	12 719 535	13 236 906	12 719 535
Conditions met - transferred to revenue	(13 236 906)	(12 719 535)	(13 236 906)	(12 719 535)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 20).				
Township Initiatives				
Balance unspent at beginning of year	888 620	2 291 932	888 620	2 291 932
Current-year receipts	13 594 000	13 000 000	13 594 000	13 000 000
Conditions met - transferred to revenue	(13 367 757)	(13 846 296)	(13 367 757)	(13 846 296)
Surrendered/Appropriated	-	(557 016)	-	(557 016)
	1 114 863	888 620	1 114 863	888 620
Conditions still to be met - remain liabilities (see note 20).				
Seta				
Current-year receipts	10 796 748	10 796 748	10 796 748	9 024 726
Conditions met - transferred to revenue	(10 796 748)	(10 796 748)	(10 796 748)	(9 024 726)
	-	-	-	-
BKB				
Balance unspent at beginning of year	16 207	31 057	16 207	31 057
Conditions met - transferred to revenue	(16 207)	(14 850)	(16 207)	(14 850)
	-	16 207	-	16 207
Conditions still to be met - remain liabilities (see note 20).				
Health Subsidy				
Current-year receipts	130 340 000	124 133 000	130 340 000	124 133 000
Conditions met - transferred to revenue	(130 340 000)	(124 133 000)	(130 340 000)	(124 133 000)
	-	-	-	-
INEP				
Current-year receipts	40 000 000	40 000 000	40 000 000	40 000 000
Conditions met - transferred to revenue	(40 000 000)	(40 000 000)	(40 000 000)	(40 000 000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 20).				
Integrated City Development				
Balance unspent at beginning of year	572 427	1 560 299	572 427	1 560 299
Current-year receipts	48 646 000	38 078 000	48 646 000	38 078 000
Conditions met - transferred to revenue	(48 646 000)	(37 505 573)	(48 646 000)	(37 505 573)

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
26. Government grants and subsidies (continued)				
Surrendered/Appropriated	(572 427)	(1 560 299)	(572 427)	(1 560 299)
	-	572 427	-	572 427
Conditions still to be met - remain liabilities (see note 20).				
PTNG				
Balance unspent at beginning of year	29 884 181	22 085 434	29 884 181	22 085 434
Current-year receipts	700 718 000	450 002 000	700 718 000	450 002 000
Conditions met - transferred to revenue	(465 778 086)	(420 117 819)	(465 778 086)	(420 117 819)
Surrendered/Appropriated	(29 884 181)	(22 085 434)	(29 884 181)	(22 085 434)
	234 939 914	29 884 181	234 939 914	29 884 181
Conditions still to be met - remain liabilities (see note 20).				
Electricity Demand Site Management				
Balance unspent at beginning of year	108	191 513	108	191 513
Current-year receipts	12 000 000	15 000 000	12 000 000	15 000 000
Conditions met - transferred to revenue	(12 000 000)	(14 999 893)	(12 000 000)	(14 999 893)
Surrendered/Appropriated	-	(191 512)	-	(191 512)
	108	108	108	108
Conditions still to be met - remain liabilities (see note 20).				
Municipal Human Settlements Capacity				
Balance unspent at beginning of year	-	36 945 673	-	36 945 673
Conditions met - transferred to revenue	-	(7 156 000)	-	(7 156 000)
Surrendered/Appropriated	-	(29 789 673)	-	(29 789 673)
	-	-	-	-
USDG				
Balance unspent at beginning of year	21 713 359	291 205 074	21 713 359	291 205 074
Current-year receipts	2 085 010 000	1 890 352 000	2 085 010 000	1 890 352 000
Conditions met - transferred to revenue	(2 053 017 403)	(1 868 638 641)	(2 053 017 403)	(1 868 638 641)
Surrendered/Appropriated	(9 615 610)	(291 205 074)	(9 615 610)	(291 205 074)
	44 090 346	21 713 359	44 090 346	21 713 359
Conditions still to be met - remain liabilities (see note 20).				
EPWP				
Balance unspent at beginning of year	2 076	-	2 076	-
Current-year receipts	44 718 000	22 125 000	44 718 000	22 125 000
Conditions met - transferred to revenue	(44 623 038)	(22 122 924)	(44 623 038)	(22 122 924)
Surrendered/Appropriated	(2 076)	-	(2 076)	-
	94 962	2 076	94 962	2 076
Conditions still to be met - remain liabilities (see note 20).				
NDPG				
Balance unspent at beginning of year	29 145 705	-	29 145 705	-
Current-year receipts	102 574 000	68 700 000	102 574 000	68 700 000
Conditions met - transferred to revenue	(96 426 208)	(39 554 295)	(96 426 208)	(39 554 295)
Surrendered/Appropriated	(29 145 705)	-	(29 145 705)	-

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

26. Government grants and subsidies (continued)

	6 147 792	29 145 705	6 147 792	29 145 705
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Conditions still to be met - remain liabilities (see note 20).

HSDG Accreditation

Balance unspent at beginning of year	30 976 363	69 379 389	30 976 363	69 379 389
Current-year receipts	51 203 160	19 561 174	51 203 160	19 561 174
Conditions met - transferred to revenue	(31 203 789)	(57 964 200)	(31 203 789)	(57 964 200)
Surrendered/Appropriated	(30 976 363)	-	(30 976 363)	-
	19 999 371	30 976 363	19 999 371	30 976 363

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

Research and Technology

Balance unspent at beginning of year	-	184 664	-	184 664
Conditions met - transferred to revenue	-	(184 664)	-	(184 664)
	-	-	-	-

Disaster Grant

Balance unspent at beginning of year	8 773	7 561 590	8 773	7 561 590
Conditions met - transferred to revenue	-	(7 552 817)	-	(7 552 817)
Surrendered/Appropriated	(8 773)	-	(8 773)	-
	-	8 773	-	8 773

WIFI Connectivity Roll Out

Balance unspent at beginning of year	201 079	1 849 263	201 079	1 849 263
Conditions met - transferred to revenue	(201 079)	(1 648 184)	(201 079)	(1 648 184)
	-	201 079	-	201 079

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

National Housing Fund

Balance unspent at beginning of year	12 683 356	7 248 864	-	-
Current-year receipts	8 179 352	8 411 649	-	-
Conditions met - transferred to revenue	-	(2 977 157)	-	-
	20 862 708	12 683 356	-	-

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

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

Department of Transport

Current-year receipts	12 616 429	15 388 244	-	-
Conditions met - transferred to revenue	(12 616 429)	(15 388 244)	-	-
	-	-	-	-

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

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
27. Interest revenue				
Dividend revenue				
Unit trusts - local	65 985	554 648	-	-
Interest revenue				
Bank	322 536 214	429 530 940	313 094 119	412 098 034
External investments	297 791 466	225 994 283	296 408 861	225 294 501
	620 327 680	655 525 223	609 502 980	637 392 535
	65 985	554 648	-	-
	620 327 680	655 525 223	609 502 980	637 392 535
	620 393 665	656 079 871	609 502 980	637 392 535
28. Other income				
Accident reports	2 816 159	1 074 106	1 157 288	1 074 106
Administration fees	610 832	169 580	127 909	169 580
Cleaning of stands	265 876	499 414	244 356	499 414
Entry fees	434 083	701 011	434 083	701 011
Essential services contributions	84 070 189	73 036 446	84 027 872	73 036 446
Gain on fair value adjustment	39 886	101 736	-	-
Insurance claims	15 975 184	-	-	-
Printing and copying of documents	1 003 340	190 956	1 003 340	190 956
Sundry income	242 438 054	123 695 887	242 418 524	77 881 705
Supply of information	372 610	448 764	372 610	448 764
Tender documents	251 574	2 374 510	219 600	1 946 058
Training	1 046 144	1 076 310	1 046 144	1 076 310
	349 323 931	203 368 720	331 051 726	157 024 350

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
29. Employee related costs				
Basic	4 717 584 314	4 114 379 455	4 504 966 956	3 942 291 098
Bonus	366 353 992	282 080 815	347 770 074	265 146 609
Medical aid - company contributions	461 488 506	409 586 839	458 471 954	405 938 008
UIF	31 570 474	29 231 836	31 388 917	29 176 066
WCA	47 985 611	39 316 263	46 275 379	37 541 860
SDL	61 227 949	54 038 427	60 852 332	53 873 338
Other payroll levies	1 749 674	1 593 603	1 749 674	1 593 603
Leave pay provision charge	157 526 057	130 848 645	150 799 564	120 244 753
Standby Allowances	44 531 422	37 314 902	44 367 022	37 314 902
Defined contribution plans	510 417 915	127 957 505	466 591 284	126 381 398
Travel, motor car, accommodation, subsistence and other allowances	238 977 639	232 257 660	232 593 033	223 034 373
Overtime payments	789 465 238	770 803 882	762 853 581	750 989 796
Long-service awards	65 570 672	(45 042 386)	65 018 574	(45 339 455)
Acting allowances	70 563 523	55 277 501	70 036 135	55 277 501
Housing benefits and allowances	57 909 296	57 681 431	55 337 017	56 173 178
Allowances	24 226 981	80 865 619	20 231 756	18 795 206
Less: employee costs capitalised to property, plant and equipment	(22 637 736)	(27 426 714)	(22 637 736)	(27 426 714)
	7 616 206 071	6 350 765 283	7 296 665 516	6 051 005 520

Senior Management Remuneration (Key Management) for the period ended 30 June 2018	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	2 959 772	68 025	154 528	-	55 200	3 237 525
Chief Operating Officer	2 018 026	328 485	151 833	-	43 200	2 541 544
Chief Financial Officer	1 702 661	128 844	120 000	-	43 200	1 994 705
Head of Department: Internal Audit (Vacant from 1/08/2017)	138 528	13 797	10 000	-	3 600	165 925
Head of Department :Electricity & Energy	1 880 741	176 520	276 340	-	213 420	2 547 021
Head of Department: Strategy & corporate planning	1 664 298	214 446	99 645	-	43 200	2 021 589
Head of Department : Health	1 667 720	163 785	120 000	-	43 200	1 994 705
Head of Department:Customer Relations Management(Vacant from 1/09/2017)	532 161	297	30 000	-	10 800	573 258
Head of Department : Corporate Legal	2 113 981	131 533	120 000	-	43 200	2 408 714
Head of Department: Communication	1 686 779	144 726	120 000	-	43 200	1 994 705
Head of Department : Human Resource(Appointed 1/08/2017)	1 434 848	70 780	80 000	-	35 100	1 620 728
Head of Department : Sport, Recreation, Arts and Culture (SRAC)	1 868 604	1 785	108 000	90 906	43 200	2 112 495
Head of Department : City Development	1 528 382	183 122	240 000	-	39 600	1 991 104
Head of Department : Community Safety(Appointed 1/12/2017)	955 128	108 693	74 557	-	25 200	1 163 578
Head of Department : Community Safety(Contract expired 01/02/2017)	-	-	-	121 388	-	121 388
Head of Department: Human Settlement	1 699 112	96 393	156 000	-	43 200	1 994 705
Head of Department: Economic Development	2 142 804	1 785	180 000	-	43 200	2 367 789
Head of Department : ICT	1 642 662	128 844	180 000	-	43 200	1 994 706
Head of Department : Transport	1 796 604	1 785	180 000	-	43 200	2 021 589
Head of Department : Solid Waste (Vacant 01/02/2017)	-	-	-	89 151	-	89 151
Head of Department : Enterprise Project Management	1 292 792	1 338	96 000	-	28 800	1 418 930
Head of Department: Real Estate and Facilities	1 809 756	109 784	96 000	-	43 200	2 058 740

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2018	2017	2018	2017		
29. Employee related costs (continued)						
Head of Department ; Roads and Transport	1 901 604	1 785	240 000	-	39 600	2 182 989
Head of Department : Water Services	1 645 404	152 985	180 000	-	43 200	2 021 589
Head of Department : Water Services (Resigned 30/06/2016)	-	-	-	135 226	-	135 226
Head of Department:Fleet	1 949 720	1 785	-	-	39 600	1 991 105
Chief Risk Officer(Vacant 01/01/2018)	884 860	1 041	90 000	-	21 600	997 501
Chief of Police	1 749 064	100 148	129 176	-	43 200	2 021 588
Secretary of Council	1 475 000	152 985	132 000	-	385 000	2 144 985
Subtotal	42 141 011	2 485 496	3 364 079	436 671	1 502 320	49 929 577
	42 141 011	2 485 496	3 364 079	436 671	1 502 320	49 929 577

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2018	2017	2018	2017		
29. Employee related costs (continued)						
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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

30. Remuneration of councillors

In-kind benefits

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

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

The Executive Mayor has full-time bodyguards.

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

All ERWAT directors make use of company owned laptops.

Related parties

Refer to note 42 for related party relationships.

June 2018	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	1 242 409	-	55 908	-	40 800	1 339 117
Speaker	439 602	173 739	369 389	65 940	40 800	1 089 470
Chief Whip	940 680	-	47 034	-	40 800	1 028 514
Members of the Mayoral Committee	3 852 056	455 334	5 133 045	436 706	408 000	10 285 141
Chairpersons Section 79 Members	5 227 704	800 846	9 617 572	652 460	693 600	16 992 182
Other councillors	45 740 611	6 452 088	38 638 132	3 241 146	7 893 498	101 965 475
Total	57 443 062	7 882 007	53 861 080	4 396 252	9 117 498	132 699 899

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

31. Depreciation and amortisation

Property, plant and equipment	2 219 084 433	1 947 072 177	2 152 265 398	1 887 276 467
Investment property	11 481 919	8 289 993	7 413 238	6 831 906
Intangible assets	63 128 190	15 902 709	62 906 320	15 248 874
Total	2 293 694 542	1 971 264 879	2 222 584 956	1 909 357 247

32. Impairments of assets

Impairments

Derecognition of property, plant and equipment	83 338 684	151 199 421	83 338 684	282 374 644
Heritage assets	-	53 528	-	53 528
Total	83 338 684	151 252 949	83 338 684	282 428 172

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
33. Finance costs				
External borrowings	645 637 708	620 549 009	645 637 708	556 932 803
Interest on convertible instruments	57 687 792	-	-	-
Trade and other payables	10 301 029	558 469	7 127 212	458 384
Finance leases	97 068	-	-	-
Unwinding of interest on provisions and obligations	272 141 602	352 545 709	268 634 088	344 455 837
	985 865 199	973 653 187	921 399 008	901 847 024
34. Debt impairment				
Debt debts written off	658 140 959	2 625 549 487	378 620 247	658 140 959
Changes in debt impairment provision	1 511 582 246	2 617 778 757	1 464 826 053	2 609 578 888
Changes in provision for bad debts written off	(658 140 959)	(2 625 549 487)	(378 620 247)	(658 140 959)
	1 511 582 246	2 617 778 757	1 464 826 053	2 609 578 888
35. Bulk purchases				
Electricity	9 359 104 173	9 315 588 096	9 310 610 747	9 253 232 812
Water	2 934 846 940	2 571 996 117	2 934 764 481	2 576 776 298
Sewer purification	5 241 538	13 562 656	696 872 604	572 501 829
	12 299 192 651	11 901 146 869	12 942 247 832	12 402 510 939
36. Auditors' remuneration				
External audit fees	26 861 873	21 550 679	23 764 006	18 203 749
37. Contracted services				
Information technology services	13 785 977	286 286	9 398 508	286 286
Security contracts	372 415 144	69 498 222	372 415 144	69 498 222
Meter management contracts	209 042 317	92 837 991	202 576 272	91 131 995
Environment contracts	283 290 319	184 733 415	283 290 319	184 733 415
Professional services	477 836 015	705 824 870	477 677 450	715 703 832
	1 356 369 772	1 053 180 784	1 345 357 693	1 061 353 750
38. Grants and subsidies paid				
Other subsidies				
Discretionary grant: sport and social support	108 619 016	133 524 426	108 619 016	133 524 426
Subsidy: Society for the Prevention of Cruelty to Animals (SPCA)	3 368 675	3 175 000	3 368 675	3 175 000
Discretionary grant: general	680 184 988	284 865 808	873 424 847	443 590 084
Excess consumption and other grants paid	612 316 665	399 871 324	612 316 665	399 871 324
Grants: education (external)	127 053 346	106 595 082	127 053 346	106 595 082
	1 531 542 690	928 031 640	1 724 782 549	1 086 755 916

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
39. General expenses				
Advertising	39 410 410	41 889 754	38 447 237	40 964 125
Assessment rates and municipal charges	1 526 448	1 477 056	-	-
Animal care	3 980 174	3 628 454	3 980 174	3 628 454
Auditors remuneration	26 861 873	21 550 679	23 764 006	18 203 749
Awareness campaigns	25 702 299	30 200 072	23 048 044	30 200 072
Bank charges	11 473 101	12 168 621	10 189 785	11 603 048
Community development and wellbeing	16 527 854	97 985 585	16 527 854	97 985 585
Consulting and professional fees	223 978 250	187 964 267	203 546 452	165 722 645
Consumables (including materials)	101 485 339	54 428 532	101 465 748	54 331 284
Corporate Gifts	782 925	207 404	782 925	207 404
Disaster management	384 207	1 345 882	384 207	1 345 882
Donations	81 400	230 872	-	-
Electricity	197 562	163 155	-	-
Entertainment	3 010 270	2 070 971	221 361	317 355
Flowers	94 791	34 327	-	-
Fuel and oil	170 656 381	150 385 377	165 174 930	150 315 219
Human resource management	16 190 939	15 654 969	12 196 026	13 984 175
IT expenses	46 226 329	61 692 077	46 226 329	61 642 661
Insurance	77 213 087	68 899 108	72 559 656	64 841 579
Land management	37 826 932	88 523 326	37 826 932	88 523 326
Assets less than capital threshold	6 862 450	1 149 179	-	-
Magazines, books and periodicals	1 133 193	1 000 377	1 133 193	931 165
Marketing	120 631 677	108 942 279	118 917 961	107 565 752
Repairs and maintenance costs and operating expenses	2 647 756 311	2 352 404 555	2 514 317 846	2 301 137 118
Postage	28 375 717	31 559 890	28 375 717	28 510 830
Printing and stationery	50 322 317	47 574 711	48 505 610	45 715 675
Productions	49 650	178 285	49 650	178 285
Refreshments	8 944 353	11 609 033	8 944 353	11 386 431
Refuse	31 759 354	47 509 428	31 759 354	47 509 428
Rental	32 000 795	26 500 779	31 805 713	24 627 845
Rodent control	9 433 358	2 182 247	9 157 990	2 182 247
Security (Guarding of municipal property)	25 757 696	15 314 685	-	-
Sewerage and waste disposal	24 413	40 950	-	-
Research and development costs	652 728	673 335	-	-
Service connections	261 321 619	54 112 440	257 436 355	49 317 239
Software expenses	2 080 556	19 407 316	1 236 779	18 521 655
Subscriptions and membership fees	14 163 367	14 813 138	13 418 597	14 486 561
Telephone and fax	36 912 855	19 415 461	34 074 338	16 689 932
Title deed search fees	915 645	498 959	915 645	498 959
Training	28 123 785	22 401 759	22 201 265	17 749 456
Travel - local	8 120 018	9 424 716	2 097 340	4 637 017
Travel - overseas	5 082 959	6 005 423	5 082 959	6 005 423
Uniforms	59 532 857	59 255 161	59 532 857	59 133 811
Venue expenses	23 801 418	23 261 376	23 801 418	23 261 376
Vehicle licences and hire cost	50 683 770	37 987 448	38 970 256	21 051 399
Water	7 958	8 555	-	-
	4 258 061 390	3 753 731 973	4 008 076 862	3 604 914 167

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
40. Cash generated from operations				
Surplus	1 993 583 308	1 442 620 557	1 894 874 857	1 284 994 760
Adjustments for:				
Depreciation and amortisation	2 293 694 542	1 971 264 879	2 221 515 663	1 910 747 248
Gain on sale of fixed assets	-	-	-	-
Loss on disposal of assets	5 392 166	(6 982 492)	3 523 123	(7 951 480)
Impairment deficit	83 338 684	152 328 755	83 338 684	230 848 322
Debt impairment	1 511 582 246	2 617 778 757	1 464 826 053	2 609 578 888
Movements in retirement benefit	(187 603 072)	(383 833 928)	(184 553 072)	(388 599 928)
Movements in provisions	187 731 954	(28 585 976)	197 063 629	(39 100 213)
Movement in tax receivable and payable	18 036 727	20 073 714	-	-
Net movement on provision for bad debt on long term receivables	-	3 288 141	-	-
Annual charge for deferred tax	13 374 421	61 328 417	-	-
Other non-cash items (other movements within PPE)	(58 837 094)	171 576 156	(305 626 310)	292 052 498
Changes in working capital:				
Inventories	(471 942 369)	(166 360 558)	(471 905 569)	(177 376 442)
Receivables from exchange transactions	(409 292 093)	(48 286 263)	(335 770 423)	(35 802 621)
Consumer debtors	(2 294 411 383)	(2 064 993 597)	(2 247 655 190)	(2 056 793 728)
Other receivables from non-exchange transactions	(22 709 915)	(10 951 276)	(21 848 717)	(10 951 276)
Trade and other-payables from exchange transactions	335 455 718	(142 930 193)	491 591 628	(278 213 433)
Unspent conditional grants and receipts	201 157 810	(319 830 744)	192 978 458	(319 876 992)
	3 198 551 650	3 267 504 349	2 982 352 814	3 013 555 603

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
41. Contingencies				
Contingent liabilities				
Category A: Claims exceeding R 500 000.				
Category B: Claims between R100,000 and R500,000				
Category C: Other legal matters less than R100,000.				
CONTINGENT LIABILITIES				
Category A Claims:				
The claim revolves around a dispute regarding payment for work done. EMM is defending the matter.	57 000 000	-	57 000 000	-
Plaintiff issued summons against EMM for the purchase of the remainder of ptn 9 of the farm driefontein no.87 in the amount of R63 000 000.00 which is illegally occupied and seeks to force the EMM to pay the purchase price.	17 825 900	17 825 900	17 825 900	17 825 900
Other	35 005 628	35 005 628	35 005 628	35 144 079
Ingwempisi Security Services CC *(B)	123 872 435	123 872 435	123 872 435	123 872 435
Red Ants	37 000 000	-	37 000 000	-
Other various claims, which the city is defending these matters	47 794 398	5 810 200	23 653 137	-
	318 498 361	182 514 163	294 357 100	176 842 414
Category B Claims				
Other various claims	-	1 787 879	-	1 076 747
	-	1 787 879	-	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 another	-	260 232	-	260 232
Quigely Khuanyane	8 500 000	-	8 500 000	-
Mkhabela Sibeko and others - Goods supplied did not comply with safety standard	-	1 024 290	-	1 024 290
D Msimango	-	500 000	-	500 000
J P Ruhling	1 313 606	-	1 313 606	-
Civcon	5 963 644	-	5 963 644	-
Weber Wentzel	1 140 000	-	1 140 000	-
Liviero Moseme Joint Venture	4 600 000	-	4 600 000	-
Madisha & Associates	1 383 652	-	1 383 652	-
Elspark Golfbaan	1 172 830	-	1 172 830	-
	24 073 732	228 522 679	24 073 732	228 522 679

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

42. Related parties

Relationships

Accounting officer

Controlling entity

Controlled entities

Close family member of key management

Members of key management

Dr. I Mashazi refer to accounting officer's report

City of Ekurhuleni

Brakpan Bus Company SOC Ltd (BBC)

East Rand Water Care Company NPC (ERWAT)

Germiston Phase II Housing Company SOC Ltd (EHC)

Declarations are retained in a register at tender office.

For details of Members of key management see note below, for remuneration refer to note 29

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

42. Related parties (continued)

Key Management

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

42. Related parties (continued)

June 2018

Tenders awarded to family members

No	Contract number	Supplier Name	Relation	Employee name	Employee designation	Amount R0,00
1	A-RE 06/2016	Bizy Boyz Trading Enterprise	Spouse	L P Khumalo	Chief Clerck	3 719 232
2	A-EE 02/2017	MPPM Consulting Engineers CC	Spouse	M Sentatsi	ICT Manager	1 833 333
3	A-IA 01/2017	PWC	Son	W Valentin	Executive Manager	5 123 050
4	P-CM 01/2016	Imbalenhle Catering and Projects	Spouse	L I Dlamini	EPWP Learnership	182 932
5	P-CM 01/2016	MA-ZEE Marketing Enterprises	Mother	L G G Ngcakana	Internal audit officer	379 250
6	EFW-DEMS 17/2018	Seletje Construction & Management CC	Spouse	P M Lekgwathi	Senior Clerk	32 251 602
Subtotal	-	-	-	-	-	43 489 399
						43 489 399

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 van Vuuren	Exec Manager	30 379 207
2	A-RS 09/2016	Anix Trading	Spouse	M J Msimango	Senior Clerk	5 357 143
3	A-RE 13/2016	Empower Electrical CC	Spouse	H E Sikihitha	Snr Admin Officer	2 525 000
4	A-RS 09/2016	LMM Trading and Development CC	Spouse	K Mangwane	Senior Clerk	5 357 143
5	A-EE 21/2016	MPPM consulting Engineers CC	Spouse	M Senyatsi	Senior Clerk	4 020 000
6	A -EE 13/2016	Green today projects (pty) ltd	Spouse	GLN Nqubezelo	Professional Nurse	3 028 632
7	C-EMPO 01/2017	IMQS	Father	W Valentin	Executive Manager	58 532 355
Subtotal						109 199 480

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

42. Related parties (continued)

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
1	A-ED WMS 12/2009(T)	Hlanzekhile Waste Services (Pty) Ltd	Spouse	PM Lekgwathi	Senior Clerk	R0.00 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 2018 staff

Quotations awarded to family members of staff

No	Supplier Name	Relation	Employee Name	Employee designation	Amount
1	LMM Training and Development	Spouse	K Mangwane	Senior Clerk	32 000
2	Restery Trading (Pty) Ltd	Spouse	A Sihlangu	EDIC Co-ordinator	122 860

154 860

Heading

Quotations awarded to family members of staff

Amount

-

-

-

Related party balances

Amounts included in trade receivable and consumer debtors regarding related parties - municipal entities

East Rand Water Care Company, NPC	4 487 909	7 557 523
Brakpan Bus Company SOC Ltd	14 656 871	4 941 244

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
42. Related parties (continued)				
Amounts included in trade payable regarding related parties - municipal entities				
East Rand Water Care Company, NPC			77 947 430	99 091 678
Brakpan Bus Company SOC Ltd			53 894	-
Related party transactions				
Sales to related parties - municipal entities				
East Rand Water Care Company, NPC			70 554 098	71 896 187
Germiston Phase II Housing Company SOC Ltd			7 228 902	6 039 867
Brakpan Bus Company SOC Ltd			110 000	110 000
Purchases from related parties - municipal entities				
East Rand Water Care Company, NPC			771 360 910	699 057 055
Brakpan Bus Company			9 605 627	6 531 689
Grants to related parties - municipal entities				
Brakpan Bus Company SOC Ltd			-	5 000 000
Germiston Phase II Housing Company SOC Ltd T/A Ekurhuleni Housing Company			33 862 183	18 147 435
East Rand Water Care Company, NPC			50 000 000	50 000 000
Germiston Phase II Housing Company SOC Ltd T/A Ekurhuleni Housing Company Assets transferred			67 084 729	78 233 893
Development contributions to related parties - municipal entities				
East Rand Water Care Company, NPC			65 784 571	85 408 228

Guarantee and debtors ceded

CoE guaranteed the Nedbank loan to ERWAT, with a carrying value of R490,305,536 (2017: R533,281,072). The guarantee shall expire at 15h00,10 calendar days after the full repayment or settlement of all amounts owed by ERWAT to Nedbank Ltd in terms of the contract. ERWAT has agreed to cede to CoE claims against its book debtors, in the event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of CoE all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, and the guarantee provided by CoE in favour of Nedbank Ltd as guarantee for the loan remains in effect.

Refer to employee related costs note (note 29) for remuneration paid to key management.

43. Prior period errors

2017

Property plant and equipment, investment property, projects completed prior years were only capitalised in the current year as projects close out reports were provided the current year, and certain projects were derecognised as they did not meet the subsequent capitalisation requirements.

Other assets were reclassified between the asset categories as they either categorised incorrectly between the various types, were found or removed from the relating registers.

Other property, plant and equipment and other property, plant and equipment: buildings, were previously shown as one line item, due to significant amounts in other property, plant and equipment, management deemed it fit to separate the line items.

Other investments - There was an error on the investment schedule used for the accrual of interest income.

The correction of the errors results in adjustments as follows (identified in 2018):

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

43. Prior period errors (continued)

Statement of Financial Position

Inventory	-	-	(4 586 238)	-
Investment property	-	-	72 136 654	-
Property, plant and equipment	-	-	242 534 697	-
Intangible assets	-	-	(188 694 722)	-
Heritage assets	-	-	(66 430)	-
Other investments	-	-	(101 089 399)	-
Other receivables from exchange transactions	-	-	(6 376 308)	-
Trade and other payables	-	-	(68 023 981)	-
Deposits	-	-	(4 521 162)	-
Consumer debtors	-	-	74 986 460	-

Statement of Financial Performance

Property rates	-	-	182 995 369	-
Property rates - penalties imposed and collection charges	-	-	11 865 102	-
Public contributions and donations	-	-	(111 295 627)	-
Interest revenue	-	-	(101 089 398)	-
Impairment on assets	-	-	102 563 648	-
Grants and subsidies paid	-	-	(119 874 011)	-
Contracted services	-	-	1 705 996	-
General expenses	-	-	(434 920)	-
Net surplus for the year	-	-	33 563 841	-
Other	-	-	-	-
Irregular expenditure	-	-	(118 602 562)	-
Fruitless and wasteful expenditure	-	-	(2 877 036)	-
Deviation from SCM regulations	-	-	(242 002 553)	-

44. Comparative figures

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

45. Risk management

Capital Risk Management

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

The capital structure of the City consists of debt, which includes the borrowings disclosed in note 15 and cash and cash equivalent disclosed in note 14.

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

There are no externally imposed capital requirements.

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

The gearing ratio 2018 and 2017 respectively are as follow:

Other financial liabilities	(6 553 859 033)	(5 677 062 853)	(6 000 077 815)	(5 072 058 139)
Less: Cash and cash equivalent	3 664 960 098	6 000 822 434	3 534 467 662	5 809 953 546
Net Debt	(2 888 898 935)	323 759 581	(2 465 610 153)	737 895 407
Total equity	51 467 184 519	49 162 069 078	49 758 961 177	47 868 792 908
Total capital	48 578 285 584	49 485 828 659	47 293 351 024	48 606 688 315

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

45. Risk management (continued)

Financial risk management

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

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

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

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

Interest rate risk

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

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years
Consumer debtors	10,5 %	5 486 430 787		
Long term receivables	variable %	2 252 538	2 252 538	2 252 538

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	558 909 431	2 309 276 326	1 904 557 843	1 781 115 434

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

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45. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash & cash equivalents, derivative financial instruments and trade debtors. The 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 instrument	Economic entity - 2018	Economic entity - 2017	Controlling entity - 2018	Controlling entity - 2017
Other Investments	2 164 478 231	1 567 017 137	2 164 478 231	1 567 017 137
Long-term receivables	6 757 615	6 033 967	3 317 824	3 124 380
Consumer debtors	5 486 430 787	4 703 601 650	5 486 430 787	4 703 601 650
Other receivables	412 675 936	409 641 187	304 652 114	395 452 927
Cash and cash equivalents	3 664 960 098	6 000 822 434	3 534 467 662	5 809 953 546
Listed and Unlisted shares	11 358 146	12 119 485	4 000 000	4 000 000
	11 746 660 813	12 699 235 860	11 497 346 618	12 483 149 640

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

46. Going concern

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

Management has reviewed the City's cash flow forecast for the period ended 30 June 2018 and the next financial year budget is fully funded, in the light of this review and the current financial position, management is satisfied that the City has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

47. Events after the reporting date

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

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Figures in Rand

48. 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 R10,173,528 (2017: R5,281,886) for irregular expenditure and R1,691,153 (2017: R291,734) for fruitless expenditure for write-off. The remaining amounts are still under investigation by the MPAC and other organs of state. No resolutions were not yet available.

Irregular expenditure

Opening balance	1 502 318 423	971 288 305	1 250 709 115	783 307 530
Add: Expenditure identified for the year	38 425 383	258 005 007	35 709 365	248 849 225
Add: Expenditure identified in the current year, relating to prior years	68 361 148	278 306 997	51 866 048	223 834 246
Less: Amounts ratified/approved by council/board and/or not recoverable	(10 173 528)	(5 281 886)	(10 173 528)	(5 281 886)
	1 598 931 426	1 502 318 423	1 328 111 000	1 250 709 115

Fruitless and Wasteful expenditure

Opening balance	(157 289 394)	147 024 178	151 627 230	146 455 409
Add: Expenditure identified for the year	3 174 353	9 593 899	-	4 500 114
Add: Expenditure identified in the current year, relating to prior years	4 691 208	963 441	4 691 208	963 441
Less: Amounts ratified/approved by council/board	(1 691 153)	(291 734)	-	(291 734)
	(151 114 986)	157 289 784	156 318 438	151 627 230

Unauthorised expenditure

Add: Expenditure identified for the year	-	67 090 606	-	67 090 606
Less: Amounts ratified/approved by council/board	-	(67 090 606)	-	(67 090 606)
	-	-	-	-

June 2018

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Energy	Contravention of SCM Policy	Irregular	6 463 530
Transport	Contravention of SCM Policy	Irregular	511 182
Human resource	Contravention of SCM Policy	Irregular	79 750
ICT	Contravention of SCM Policy	Irregular	8 667 683
Real Estate	Contravention of SCM Policy	Irregular	78 146
Various Departments	Splitting of goods or services	Irregular	19 909 074
BBC	Contravention of SCM Policy	Irregular	701 145
BBC	Board remuneration not approved by shareholder	Irregular	2 014 873
BBC	Interest on late payments to suppliers	Fruitless	536
EHC	Interest and penalties paid	Fruitless	3 173 817
			41 599 736

June 2018

Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Human Settlements	Contravention of SCM Policy	Irregular	23 392 353
Real Estate	Contravention of SCM Policy	Irregular	27 583 618

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

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

Communication and Brand Management	Contravention of SCM Policy	Irregular	479 256
Transport, Planning	Contravention of SCM Policy	Irregular	379 000
Health & Social EMPD	Contravention of SCM Policy	Irregular	31 689
Waste Management	Value for money not obtained	Fruitless	1 395 294
Economic Development	Value for money not obtained	Fruitless	495 256
Corporate and Legal	Value for money not obtained	Fruitless	157 303
Finance	Fraudulent transactions	Fruitless	6 692
CRM	Fraudulent transactions	Fruitless	623 972
ERWAT	Contravention of SCM Policy	Fruitless	2 012 823
ERWAT	Incorrect application of SCM Regulation 36	Fruitless	10 497 630
			5 997 470
			73 052 356

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 management	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
Comms and Marketing	Contravention of SCM Policy	Irregular	1 431 934
City Planning	Contravention of SCM Policy	Fruitless	54 000
City Planning	Contravention of SCM Policy	Fruitless	2 877 036
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
Waste Management	Contravention of SCM Policy	Irregular	69 289
City Planning	Contravention of SCM Policy	Irregular	3 731 320
Energy	Contravention of SCM Policy	Irregular	3 806 806
Energy	Contravention of SCM Policy	Irregular	128 952
Human Settlements	Contravention of SCM Policy	Irregular	10 114 621
ICT	Contravention of SCM Policy	Irregular	69 962
Environment	Contravention of SCM Policy	Irregular	1 768 200
Real Estate	Contravention of SCM Policy	Irregular	149 500
Transport	Contravention of SCM Policy	Irregular	5 000

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

Human Resource	Contravention of SCM Policy	Irregular	10 736
Real Estate	Contravention of SCM regulation no 36	Irregular	1 450 560
Waste Management	Contravention of SCM regulation no 36	Irregular	23 000 000
Water	Contravention of SCM regulation no 36	Irregular	40 698 000
Human Settlement	Contravention of SCM regulation no 36	Irregular	22 996 087
Waste Management	Contravention of SCM regulation no 36	Irregular	2 609 609
Human Settlement	Contravention of SCM regulation no 36	Irregular	7 133 004
Real Estate	Contravention of SCM Policy	Irregular	5 178 600
Finance	Contravention of SCM Policy	Irregular	24 866 279
Energy	Contravention of SCM Policy	Irregular	7 973 851
Finance	Contravention of SCM Policy	Irregular	1 587 535
Finance	Contravention of SCM Policy	Irregular	236 118
Finance	Contravention of SCM Policy	Irregular	112 096
			253 349 339

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
Customer relations	Contravention of SCM Policy	Fruitless	59 690
Transport	Contravention of SCM Policy	Irregular	209 939 833
			224 797 687

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	12 825 000	12 635 000	12 825 000	12 635 000
Amount paid - current year	(12 825 000)	(12 635 000)	(12 825 000)	(12 635 000)
	-	-	-	-

City of Ekurhuleni

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

Audit fees

Opening balance	5 564 302	311 466	5 564 302	303 801
Current year fees	27 854 100	23 743 378	24 771 358	20 404 113
Amount paid - current year	(27 264 551)	(18 490 542)	(24 181 809)	(15 143 612)
	6 153 851	5 564 302	6 153 851	5 564 302

PAYE and UIF

Opening balance	2 980 618	20 990	-	-
Current year charges	1 196 503 106	1 033 792 324	1 146 642 709	1 000 047 952
Amount paid - current year	(1 195 363 340)	(1 030 832 696)	(1 146 642 709)	(1 000 047 952)
	4 120 384	2 980 618	-	-

Pension and Medical Aid Deductions

Opening balance	7 031	(22 997)	-	-
Current year charges	2 041 379 216	1 773 733 031	1 974 320 182	1 711 983 523
Amount paid - current year	(2 041 426 255)	(1 773 703 003)	(1 974 320 182)	(1 711 983 523)
	(40 008)	7 031	-	-

VAT

VAT receivable	36 580 745	19 861 335	-	-
VAT paid during the year	(6 403 494)	(36 171 150)	(6 403 494)	(36 171 150)
	30 177 251	(16 309 815)	(6 403 494)	(36 171 150)

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2018..

30 June 2018	Outstanding more than 90 days	Aging in days
Mabanga V	8 942	480
Sarila MF	3 070	270
Shezi KE	48 747	1 830
	60 759	2 580

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

30 June 2018		Highest outstanding amount	Aging (in days)
Chonco M F	-	27 551	1 200
Mafanga Z L	-	4 975	780
Ueckermann S	-	562	120
Makaleng P J	-	1 647	120
Bambeni T	-	1 306	120
Moloko J	-	847	150
Mabanga V	-	25 349	1 110
Nyathe K B	-	5 614	1 800
Phakathi N M	-	2 622	210
Matheba S T	-	4 161	150
Kodisang M N	-	3 837	150
Mahano F L	-	841	120
Mkhize A L	-	3 952	150
Nkosi P	-	3 580	120
Lukhele V K	-	1 953	120
Shongwe N G	-	2 850	120
Wondo M B	-	3 204	120
Chauke E V	-	2 064	120
Reid B	-	2 221	120
Mathonsi S	-	42 194	1 830
Masina M C	-	32 999	120
Sarila M F	-	3 526	240
Shezi K E	-	48 747	1 830
	-	226 602	10 920

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

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50. Utilisation of long-term liabilities reconciliation

Outstanding long-term liabilities beginning of the year	6 016 934 953	6 387 308 643	5 072 058 139	5 411 930 237
Redemption of loans	(483 904 807)	(372 237 345)	(433 174 086)	(361 074 769)
New loans	1 300 000 000	2 093 580	1 300 000 000	-
Interest accrued	(61 686 470)	(229 925)	61 193 762	21 202 671
	<u>6 771 343 676</u>	<u>6 016 934 953</u>	<u>6 000 077 815</u>	<u>5 072 058 139</u>
Used to finance property, plant and equipment: Opening balance	(6 012 414 975)	(6 383 533 152)	(5 072 058 139)	(5 411 930 237)
Redemption of loans	483 904 807	342 666 436	433 174 086	361 074 769
Capital expenditure for 2016/2017 financial year will be financed from loans taken up in 2017/2018 financial year.	-	28 451 741	-	-
Interest accrued	61 193 762	-	(61 193 762)	(21 202 671)
Unspend long term liabilities	<u>1 304 027 270</u>	<u>4 519 978</u>	<u>1 300 000 000</u>	<u>-</u>

Cash was invested for the repayment of long-term liabilities for the year

1 617 372 812	1 349 011 092	1 617 372 812	1 349 011 092
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sinking funds (investments) were established to ensure that long-term liabilities can be repaid on redemption date.

The new loan raised relates to capital expenditure re-financed in the previous financial year

51. Deviation from supply chain management regulations

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

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

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

Emergencies	12 176 006	11 223 785	11 187 843	6 018 965
Sole supplier	866 762	7 059 523	-	5 805 223
Work of art	-	12 100 000	-	12 100 000
Other - Impractical	157 475 812	419 069 301	149 429 671	160 122 923
	<u>170 518 580</u>	<u>449 452 609</u>	<u>160 617 514</u>	<u>184 047 111</u>

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

30 June 2018

Extension of contracts include inter alia the following salient amounts:

Consultants - R7,131,045
 Maintenance and other related services - R28,825,687
 Security services - R71,787,437
 Other services - R17,173,665

30 June 2017

Extension of contracts include inter alia the following salient amounts:

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

52. Unaccounted Electricity And Water

City of Ekurhuleni

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52. Unaccounted Electricity And Water (continued)

Electricity

	30 June 2018 Units	30 June 2018 Value	30 June 2017 Units	30 June 2017 Value
Units purchased	10 647 195 913	9 212 421 577	10 605 742 384	9 159 611 397
Units sold	(9 403 041 901)	(8 135 924 877)	(9 291 460 429)	(8 024 536 497)
	1 244 154 012	1 076 496 700	1 314 281 955	1 135 074 900
Technical loss %	5,90 %	5,90 %	5,90 %	5,90 %
Non-technical loss %	5,79 %	5,79 %	6,49 %	6,49 %
Total loss %	11,69 %	11,69 %	12,39 %	12,39 %

Water

	30 June Units	30 June 2018 Value	30 June 2017 Units	30 June 2017 Value
Opening balance	1 201 918	9 159 565	1 201 918	8 185 488
Purchases	349 769 470	2 934 764 481	338 445 271	2 581 568 004
Less: closing balance	(1 296 566)	(10 885 929)	(1 201 918)	(9 159 565)
Units sold	(250 259 297)	(2 099 675 505)	(234 969 845)	(1 792 819 918)
	99 415 525	833 362 612	103 475 426	787 774 009
Technical loss %	15,00 %	15,00 %	15,00 %	15,00 %
Non-technical loss %	13,45 %	13,45 %	15,57 %	15,57 %
	28,45 %	28,45 %	30,57 %	30,57 %

City of Ekurhuleni

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53. Deferred tax

Deferred tax liability

Immovable property	(32 613 665)	(29 226 608)	-	-
Provision for bad debts	(241 024)	(2 080 472)	-	-
Other temporary differences	(16 554 612)	(1 306 585)	-	-
Total deferred tax liability	(49 409 301)	(32 613 665)	-	-

Deferred tax asset

Assessed losses	3 312 844	1 606 486	-	-
Other temporary differences	3 255 327	1 540 470	-	-
Deferred tax balance from temporary differences other than unused tax losses	6 568 171	3 146 956	-	-
Total deferred tax asset	6 568 171	3 146 956	-	-

Deferred tax liability	(49 409 301)	(32 613 665)	-	-
Deferred tax asset	6 568 171	3 146 956	-	-
Total net deferred tax liability	(42 841 130)	(29 466 709)	-	-

Reconciliation of deferred tax asset \ (liability)

At beginning of year	(29 466 709)	31 861 708	-	-
Tax available to set off against future taxable income	(112 471)	(144 615)	-	-
Movement on tax on income received in advance	(20 182)	(3 262)	-	-
Movement on tax on assessed loss	-	3 093 829	-	-
Leave provision and performance bonus	(39 427)	344 536	-	-
Investment property - market value different to book value transferred - due to transfer of functions	(16 210 236)	(50 227 649)	-	-
Provision for interest on deposit - due to transfer of functions	-	20 874	-	-
Property, Plant and equipment	80 299	(221 693)	-	-
Operating lease liability	2 904	22 591	-	-
Assessable loss	3 312 844	(9 838 231)	-	-
Allowance for impairment	(388 152)	(4 374 797)	-	-
	(42 841 130)	(29 466 709)	-	-

54. Finance lease obligation

Minimum lease payments due

- within one year	238 932	238 932	-	-
- in second to fifth year inclusive	119 466	358 398	-	-

Present value of minimum lease payments	358 398	597 330	-	-
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Non-current liabilities	119 466	358 398	-	-
Current liabilities	238 932	238 932	-	-
	358 398	597 330	-	-

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

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

City of Ekurhuleni

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55. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	4 082 381 881	5 010 319 072	3 835 348 858	4 793 248 912
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Not yet contracted for and authorised by accounting officer

• Other financial assets	29 333 559 863	1 606 107 800	2 933 359 863	1 606 107 800
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Total capital commitments

Already contracted for but not provided for	4 082 381 881	5 010 319 072	3 835 348 858	4 793 248 912
Not yet contracted for and authorised by accounting officer	2 933 359 863	1 606 107 800	2 933 359 863	1 606 107 800
	7 015 741 744	6 616 426 872	6 768 708 721	6 399 356 712

This committed expenditure relates to the acquisition of property, plant and equipment for the 2018/2019 financial year (Approved Capital Expenditure Programme) based on the projects values as approved by Council for the City's Capital Budget programme for the following year for which suppliers contracts are in place. These commitments will be financed by appropriated grants, internally generated funds (revenue or accumulated surplus), and other borrowings options where applicable.

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

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	381 728	13 676 990	83 462	25 745 709
- in second to fifth year inclusive	-	2 435 205	-	6 998
	381 728	16 112 195	83 462	25 752 707

Operating lease payments represent rentals payable by the City for certain of its office buildings and photocopier machines. Leases are negotiated for periods ranging from one year to five years, for office buildings, and the expired photocopier machine leases are incurred on a month to month basis. The rentals escalate on average at 7.00% (2017: 8.00%) for office buildings.

The actual lease contract amounts range between R6,000 and R561,912 (2017: R49,220 and R539,999) per month on the office buildings.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	6 424 991	7 246 195	6 424 991	7 246 195
- in second to fifth year inclusive	24 430 098	24 695 422	24 430 098	24 695 422
- later than five years	23 208 450	28 842 374	23 208 450	28 842 374
	54 063 539	60 783 991	54 063 539	60 783 991

Certain of the City's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to 99 years. Monthly lease payments range from R1 (2017: R1) (social benefit) up to R374,500 (2017: R212,070).

56. Change in estimate

Property, plant and equipment

Economic entity

Useful lives review for 2017/2018 had the following impact:

Depreciation expense before remaining useful lives review	(R1,404,742,524)
Depreciation expense after remaining useful lives review	(R1,349,747,294)
Future increase in depreciation due to review	(R60,746,324)

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56. Change in estimate (continued)

Discount rate

The discount rate has changed from 10.52% (2017: 10.44%) to 10.52% (2017: 10.46%). The impact of this change has been disclosed in the relevant note, where applicable.

57. Budget differences

2018

REVENUE

City of Ekurhuleni

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57. Budget differences (continued)

The total revenue for the year is 2.1% less than the budgeted revenue. The actual revenue is R31.5 billion while the budgeted revenue amounts to R32.3 billion, the variance amount is R661 million.

The contributing factors to the positive deviation is as follows:

i) Investment revenue

The budget provision on the investment revenue was a conservative allocation and the positive deviation (over-recovery) was as a result of the interest yielded from investments made by the City and the higher-than-anticipated bank balance.

The negative movements were as follows:

ii) Transfers recognised - operational

Transfer recognised-operational relates to the Government grant and subsidies income which is reflecting a deviation of 1.2%. The budget was for R 3,9 billion while the actual receipts amounted to R 3,8 billion with a balance of R 61,7 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
Contractor's poor performance
Delays in the issuing of works permits as per OHS legislation
Community unrests has resulted in project stoppage
Transgressions on the conditions of water use license-causing stoppage to construction works.
Transformation route has shacks on the servitude of the roads
Illegal occupants in the Grey building encroaching the BRT busway.
Long lead-time on procurement.
2. Urban Settlements Development Grant
Contractor's poor performance on some projects
Design changes.
Delay in procurement
Withdrawal of appointed contractors which negatively affected the implementation of projects for walk-in containers (Waste Management).
3. Human Settlements Development Grant

Refurbishment of Hostels

The contractor had cashflow challenges thus expenditure of the grant was slow however the pace of work and expenditure picked up late in the project.

Local leaderships did not agree on a number of issues. Numerous engagement meetings were held before the project could start and during the commencement of the project.

Housing Construction

Funds were initially allocated to a project (Mayfield Ext 32 & 34) which was not ready for implementation as a result the following challenges were experienced:

Geo-Tech Phase 2 Investigations
Raft Foundations Designs
Project was not enrolled with NHBRC
House plans were not compiled
Project was not allocated a G-Number
4. Township Initiatives (Libraries)

Procurement processes which took longer than expected.
Responses from Province on request for re-directions were delayed, which negatively affected the performance of the grant.
Challenges with imported equipment

iii) Services Charges

The largest income source on municipal revenue is Service Charges. The negative deviation is as a result of reduction in consumption is

City of Ekurhuleni

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57. Budget differences (continued)

due to the lower water consumption levels experienced during the Dec/Jan industry shut-down periods including the Easter week. The City also conducted zero-pressure drop tests to confirm that all supply points are metered and illegal connections identified in at least 700 industrial properties which are high water users since March 2018.

EXPENDITURE

The total expenditure for the year is R210 million less than the budgeted expenditure. The actual expenditure amounts to R32.182 billion while the budgeted expenditure was R32.258 billion. The following major expenditure items are analyzed:

i) Employee related costs

The negative variance of 6% less than the actual budget is equivalent to R224 million non-expenditure. The under spending of the salary budget is due to the funded vacant positions that were not filled positions which became vacant whilst provision was made for the full-year.

The City spend 2% more in 2017/18 on overtime compared to 2016/17 financial year. 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.

ii) Debt impairment

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

iii) Finance cost

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

iv) Depreciation and assets impairment

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

v) Other expenditure

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

The reasons for variances between the original and final adjustments budget are due to virements and adjustment budget approved on 25 January 2018.

The following reasons are for virements processed post the final adjustment budget.

REVENUE BUDGET

i) Transfers recognised - operational

The increase in grant revenue is as a result of grant funding which was rolled over from 2016/17, amounting to R 14,7 million .

An additional R 10,4 million for HIV/AIDS and Human Settlements Development Grant respectively was allocated as per the extraordinary gazette no 330 dated 11 December 2017.

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

EXPENDITURE BUDGET

ii) Employee Costs

The budget for employee costs was reduced due to the following reasons:

Savings were identified from the Clean City contracted workers which did not materialize in during the 2017/18 financial year. The funding was used to address the budget shortfall on refuse removal, illegal dumping and mini dumping sites contracts.

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57. Budget differences (continued)

Savings were further identified from overtime in order to fund the budget shortfall on meter management, postage costs, connections and reconnection contracts.

iii) Finance Charges

Increase in the budget was for the settlement of interest on overdue invoices for the Valuation contractors.

iv) Bulk Purchases

The 2017/18 budget for electricity bulk purchases was increased post the adjustment budget process in order to address the insufficient budget resulting from the following factors:

Impact of numerous external factors impacting electricity consumption, for example weather conditions, economic conditions
Increase in electricity losses. Losses are mainly caused by:
Illegal connections
Bypassed meters in all areas

Reduction in the water consumption has resulted in unspent budget which was used to supplement the insufficient budget on the ablution facilities to informal settlement.

v) Transfers and grants

The transfer and grants expenditure budget was increased as a result of the following:

Additional budget was required in order to provide ablution facilities to informal settlements around the City.

Provision for bursaries was also increased to address the shortfall resulting from misalignment of academic year in relation to the City's financial year.

vi) Other Expenditure

Other expenditure decreased with a net amount of R25.3 million attributable to the following major items:

Refuse removal, illegal dumping and mini dumping sites contracts were increased with saving from Clean City contracted workers which did not materialize in during the 2017/18 financial year

Meter management, postage costs, connections and reconnection contracts were increased with savings identified from overtime to enhance the revenue collection and billing processes.

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* See Note 43