



Emfuleni Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Mayoral committee

Executive Mayor	MS Mofokeng
Speaker	ME Tsokolibane
Chief whip	MC Sale
Members of mayoral committee	
MMC - Infrastructure planning, development and asset management (IPAM)	K Ntombela
MMC - Human settlement	MJ Moshooluba
MMC - Public safety	BP Maseko
MMC - Corporate and governance	B Mncube
MMC - Health and social development	S Sengoatsi
MMC - Sports, recreation, arts and culture, library information services, parks and cemeteries	LE Kele
MMC - Environmental management and planning	DM Malisa
MMC - Finance and revenue	R Thema
MMC - Basic services	NR Thulo
MMC - Agriculture, local economic development, development planning and tourism	TS Nquba

Accounting Officer

D Nkoane

Chief Finance Officer (CFO)

M Maseanoka

Auditors

Auditor-General of South Africa

Primary banking institution

Standard bank of South Africa

Registered office

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Business address

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Postal address

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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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Abbreviations

ELM	Emfuleni Local Municipality
DBSA	Development Bank of South Africa
GRAP	Standards of Generally Recognised Accounting Practice
RUL	Remaining Useful Life
EUL	Estimated Useful Life
AUC	Asset under construction
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Local Government : Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AFS	Annual Financial Statements
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund

Emfuleni Local Municipality

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Accounting Officer's responsibilities and approval

I am responsible for the preparation of these financial statements which are set out on pages 5 to 90, in terms of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearer's act, 1998 (Act no. 20 of 1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

D Nkoane
Municipal Manager

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current assets			
Cash and cash equivalents	2	66 839 955	125 928 879
Trade and other receivables from exchange transactions	3	310 425 026	241 751 301
Trade and other receivables from non-exchange transactions	4	235 412 664	243 033 604
Inventories	5	58 862 552	58 791 545
VAT receivable	6	175 291 517	107 098 234
		846 831 714	776 603 563
Non-current assets			
Property, plant and equipment	7	9 789 052 652	9 892 928 194
Investment property	8	1 422 643 946	1 405 108 547
Intangible assets	9	17 838 329	18 049 449
Heritage assets	10	90 316	90 316
Sanlam shares		17 470	16 279
		11 229 642 713	11 316 192 785
Total Assets		12 076 474 427	12 092 796 348
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	11	2 065 462 797	1 404 711 637
Unspent conditional grants and receipts	13	20 320 872	7 840 806
Borrowings	14	2 719 829	4 405 728
Finance lease	15	6 849 736	-
Provision	16	15 269 952	9 439 218
Bank overdraft	2	87 630 391	48 666 507
		2 198 253 577	1 475 063 896
Non-current liabilities			
Consumer deposits	12	46 953 563	44 884 636
Borrowings	14	8 768 347	11 488 176
Provision	16	153 534 585	135 119 545
Employee benefit obligation	38	209 760 970	208 836 970
Finance lease	15	10 670 337	-
		429 687 802	400 329 327
Total liabilities		2 627 941 379	1 875 393 223
Net assets		9 448 533 048	10 217 403 125
Reserves			
Self insurance reserve	47	2 139 552	24 220 470
Accumulated surplus		9 446 393 496	10 193 182 627
Total Net Assets		9 448 533 048	10 217 403 097

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	17	3 665 346 702	3 403 178 196
Rental of facilities and equipment	18	12 043 370	12 005 429
Trade and other licenses		117 359	99 170
Actuarial gain		10 240 881	7 950 631
Other income	20	136 469 510	137 312 563
Interest income	19	53 149 426	44 666 223
Dividends received	19	-	3 025
Total revenue from exchange transactions		3 877 367 248	3 605 215 237
Revenue from non-exchange transactions			
Property rates	21	660 532 525	598 394 248
Interest received		-	2 671 681
Donations		17 790 144	56 705 650
Fines	23	165 126 155	128 278 156
Transfer revenue			
Government grants & subsidies	22	869 359 907	884 953 489
Total revenue from non-exchange transactions		1 712 808 731	1 671 003 224
Total revenue		5 590 175 979	5 276 218 461
Expenditure			
Employee related costs	24	(1 156 508 353)	(955 415 245)
Remuneration of councillors	25	(49 341 720)	(47 012 902)
Depreciation and impairment		(479 227 086)	(444 652 379)
Finance costs	26	(102 867 099)	(64 091 964)
Debt Impairment		(1 141 400 998)	(726 687 941)
(Loss)/Gain on sale of assets		(4 197 325)	1 869 772
Repairs and maintenance		(233 882 688)	(130 914 492)
Bulk purchases	27	(2 216 006 120)	(2 152 372 625)
Contracted services		(145 882 912)	(116 558 302)
Imputed interest		7 610 230	12 059 418
General expenses	28	(978 293 508)	(971 340 402)
Total expenditure		(6 499 997 579)	(5 595 117 062)
Operating deficit		(909 821 600)	(318 898 601)
Fair value adjustments		140 951 550	32 685 328
(Deficit)/surplus for the year		(768 870 050)	(286 213 273)

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of changes in net assets

	Insurance reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2015	25 578 843	10 485 784 848	10 511 363 691
Changes in net assets			
Adjustment 2014/15	-	(7 747 321)	(7 747 321)
Net transfers in net assets	-	(7 747 321)	(7 747 321)
Surplus for the year	-	(286 213 273)	(286 213 273)
Total recognised income and expenses for the year	-	(293 960 594)	(293 960 594)
Other 2	(1 358 373)	1 358 373	-
Total changes	(1 358 373)	(292 602 221)	(293 960 594)
Opening balance as previously reported	24 220 470	10 126 630 884	10 150 851 354
Adjustments			
Adjustment 2015/2016	-	66 551 744	66 551 744
Restated* Balance at 01 July 2016 as restated*	24 220 470	10 193 182 628	10 217 403 098
Changes in net assets			
Deficit for the year	-	(768 870 050)	(768 870 050)
Other 1	(22 080 918)	22 080 918	-
Total changes	(22 080 918)	(746 789 132)	(768 870 050)
Balance at 30 June 2017	2 139 552	9 446 393 496	9 448 533 048

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash flow statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		2 688 903 460	2 601 219 256
Grants		881 839 973	862 268 037
Interest income		13 581 187	23 134 709
Dividends received		-	3 025
Other receipts		719 653 337	883 775 338
		<u>4 303 977 957</u>	<u>4 370 400 365</u>
Payments			
Employee costs		(1 194 685 192)	(964 457 601)
Suppliers		(1 935 091 584)	(2 240 109 024)
Finance costs		(64 822 058)	(24 278 138)
Other payments		(986 168 428)	(954 307 015)
		<u>(4 180 767 262)</u>	<u>(4 183 151 778)</u>
Net cash flows from operating activities	29	<u>123 210 695</u>	<u>187 248 587</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(224 576 814)	(242 357 562)
Proceeds from sale of assets	7	9 574 374	9 482 913
Purchase of intangible assets	9	(1 311 591)	(134 946)
Net cash flows from investing activities		<u>(216 314 031)</u>	<u>(233 009 595)</u>
Cash flows from financing activities			
Repayment of borrowings		(2 719 829)	(4 268 305)
Movement in consumer deposits		2 068 927	2 503 737
Finance lease payments		(4 298 548)	-
Net cash flows from financing activities		<u>(4 949 450)</u>	<u>(1 764 568)</u>
Net increase/(decrease) in cash and cash equivalents		(98 052 786)	(47 525 576)
Cash and cash equivalents at the beginning of the year		77 262 372	123 981 682
Effect of corrections on cash balances		-	806 266
Cash and cash equivalents at the end of the year	2	<u>(20 790 414)</u>	<u>77 262 372</u>

* See Note

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4 340 335 767	(39 291 913)	4 301 043 854	3 665 346 702	(635 697 152)	
Rental of facilities and equipment	13 743 609	5 403 047	19 146 656	12 043 370	(7 103 286)	
Trade and other licenses	13 051	100 342	113 393	117 359	3 966	Note 41
Actuarial gain	-	-	-	10 240 881	10 240 881	Note 41
Other income	54 144 558	27 674 477	81 819 035	136 469 510	54 650 475	
Interest received	47 815 281	(4 872 175)	42 943 106	53 149 426	10 206 320	Note 41
Total revenue from exchange transactions	4 456 052 266	(10 986 222)	4 445 066 044	3 877 367 248	(567 698 796)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	787 746 962	183 761 414	971 508 376	660 532 525	(310 975 851)	
Donations	-	-	-	17 790 144	17 790 144	Note 41
Fines	169 260 357	(115 017)	169 145 340	165 126 155	(4 019 185)	
Transfer revenue						
Government grants & subsidies	869 843 056	20 586 260	890 429 316	869 359 907	(21 069 409)	
Total revenue from non-exchange transactions	1 826 850 375	204 232 657	2 031 083 032	1 712 808 731	(318 274 301)	
Total revenue	6 282 902 641	193 246 435	6 476 149 076	5 590 175 979	(885 973 097)	
Expenditure						
Personnel	(1 054 424 383)	37 347 145	(1 017 077 238)	(1 156 508 353)	(139 431 115)	
Remuneration of councillors	(48 832 209)	85 262	(48 746 947)	(49 341 720)	(594 773)	
Depreciation and amortisation	(402 058 656)	(315 924)	(402 374 580)	(479 227 086)	(76 852 506)	Note 41
Finance costs	(10 331 589)	-	(10 331 589)	(102 867 099)	(92 535 510)	
Bad debts written off	(736 001 189)	(193 863 431)	(929 864 620)	(1 141 400 998)	(211 536 378)	
(Loss)/gain on disposal of assets	-	-	-	(4 197 325)	(4 197 325)	Note 41
Repairs and maintenance	(259 523 665)	(330 246)	(259 853 911)	(233 882 688)	25 971 223	Note 41
Bulk purchases	(2 391 311 493)	59 000 000	(2 332 311 493)	(2 216 006 120)	116 305 373	Note 41
Contracted Sservices	(186 793 582)	38 622 633	(148 170 949)	(145 882 912)	2 288 037	
Imputed interest	-	-	-	7 610 230	7 610 230	Note 41
General Expenses	(847 952 498)	153 378 501	(694 573 997)	(978 293 508)	(283 719 511)	Note 41
Total expenditure	(5 937 229 264)	93 923 940	(5 843 305 324)	(6 499 997 579)	(656 692 255)	
Operating deficit	345 673 377	287 170 375	632 843 752	(909 821 600)	(1 542 665 352)	
Fair value adjustments	-	-	-	140 951 550	140 951 550	
Deficit before taxation	345 673 377	287 170 375	632 843 752	(768 870 050)	(1 401 713 802)	
Actual amount on comparable basis as presented in the budget and actual comparative statement	345 673 377	287 170 375	632 843 752	(768 870 050)	(1 401 713 802)	

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Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of financial position						
Assets						
Current assets						
Inventories	30 000 000	(1 340 000)	28 660 000	58 862 552	30 202 552	
Trade and other receivables from non-exchange transactions	200 000 000	174 390 000	374 390 000	235 412 664	(138 977 336)	Note 41
VAT receivable	-	-	-	175 291 517	175 291 517	Note 41
Trade and other receivables from exchange transactions	453 685 000	(12 127 000)	441 558 000	310 425 026	(131 132 974)	
Cash and cash equivalents	91 125 000	15 948 000	107 073 000	66 839 955	(40 233 045)	Note 41
	774 810 000	176 871 000	951 681 000	846 831 714	(104 849 286)	
Non-current assets						
Investment property	1 373 409 000	28 650 000	1 402 059 000	1 422 643 946	20 584 946	
Property, plant and equipment	10 741 391 000	(982 407 000)	9 758 984 000	9 789 052 652	30 068 652	
Intangible assets	19 555 000	(1 594 000)	17 961 000	17 838 329	(122 671)	
Heritage assets	108 000	(18 000)	90 000	90 316	316	
Sanlam shares	-	-	-	17 470	17 470	Note 41
	12 134 463 000	(955 369 000)	11 179 094 000	11 229 642 713	50 548 713	
Total Assets	12 909 273 000	(778 498 000)	12 130 775 000	12 076 474 427	(54 300 573)	
Liabilities						
Current liabilities						
Borrowings	2 689 000	(508 000)	2 181 000	2 719 829	538 829	
Finance lease	-	-	-	6 849 736	6 849 736	
Trade and other payables from exchange transactions	465 026 000	1 349 302 000	1 814 328 000	2 065 462 797	251 134 797	Note 41
Unspent conditional grants and receipts	-	-	-	20 320 872	20 320 872	
Provision	27 584 000	(4 591 000)	22 993 000	15 269 952	(7 723 048)	Note 41
Bank overdraft	-	-	-	87 630 391	87 630 391	
	495 299 000	1 344 203 000	1 839 502 000	2 198 253 577	358 751 577	
Non-current liabilities						
Borrowings	16 800 000	(5 174 000)	11 626 000	8 768 347	(2 857 653)	Note 41
Finance lease	-	-	-	10 670 337	10 670 337	
Employee benefit obligation	448 770 000	(37 410 000)	411 360 000	209 760 970	(201 599 030)	Note 41
Provision	-	-	-	153 534 585	153 534 585	Note 41
Consumer deposits	36 845 000	9 194 000	46 039 000	46 953 563	914 563	Note 41
	502 415 000	(33 390 000)	469 025 000	429 687 802	(39 337 198)	
Total liabilities	997 714 000	1 310 813 000	2 308 527 000	2 627 941 379	319 414 379	
Net assets	11 911 559 000	(2 089 311 000)	9 822 248 000	9 448 533 048	(373 714 952)	

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Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net assets						
Reserves						
Insurance reserve	27 036 000	(2 815 000)	24 221 000	2 139 552	(22 081 448)	
Accumulated surplus	11 884 523 000	(2 086 496 000)	9 798 027 000	9 446 393 496	(351 633 504)	
Total Net Assets	11 911 559 000	(2 089 311 000)	9 822 248 000	9 448 533 048	(373 714 952)	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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
	R	R	R	R	R	

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	3 509 001 000	(1 471 184 000)	2 037 817 000	2 688 903 460	651 086 460
Grants	869 843 000	29 671 000	899 514 000	881 839 973	(17 674 027)
Interest income	47 815 000	10 509 000	58 324 000	13 581 187	(44 742 813)
Other receipts	829 828 000	772 581 000	1 602 409 000	719 653 337	(882 755 663)
	5 256 487 000	(658 423 000)	4 598 064 000	4 303 977 957	(294 086 043)

Payments

Employee costs and suppliers	(4 899 039 000)	(32 168 000)	(4 931 207 000)	(3 129 776 759)	1 801 430 241
Finance costs	(10 332 000)	-	(10 332 000)	(64 822 058)	(54 490 058)
Other payments	-	-	-	(986 168 444)	(986 168 444)
	(4 909 371 000)	(32 168 000)	(4 941 539 000)	(4 180 767 261)	760 771 739

Net cash flows from operating activities	347 116 000	(690 591 000)	(343 475 000)	123 210 696	466 685 696
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Cash flows from investing activities

Purchase of property, plant and equipment	(328 917 000)	(17 955 000)	(346 872 000)	(224 576 814)	122 295 186
Proceeds from sale of property, plant and equipment	-	-	-	9 574 374	9 574 374
Purchase of other intangible assets	-	-	-	(1 311 591)	(1 311 591)
(Increase)/decrease in non-current investments	-	20 418 000	20 418 000	-	(20 418 000)

Net cash flows from investing activities	(328 917 000)	2 463 000	(326 454 000)	(216 314 031)	110 139 969
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Cash flows from financing activities

Increase(decrease) in consumer deposit	-	1 155 000	1 155 000	-	(1 155 000)
Repayment of borrowings	(16 800 000)	(135 287 000)	(152 087 000)	(2 719 829)	149 367 171
Finance lease payments	-	-	-	(4 298 548)	(4 298 548)
Movement in consumer deposits	-	-	-	2 068 927	2 068 927

Net cash flows from financing activities	(16 800 000)	(135 287 000)	(152 087 000)	(4 949 450)	147 137 550
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Net increase/(decrease) in cash and cash equivalents	1 399 000	(823 415 000)	(822 016 000)	(98 052 785)	723 963 215
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Cash and cash equivalents at the beginning of the year	123 982 000	(47 526 000)	76 456 000	77 262 372	806 372
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Cash and cash equivalents at the end of the year	125 381 000	(870 941 000)	(745 560 000)	(20 790 413)	724 769 587
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the 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 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in the accounting policies are explained in the relevant policy.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements and underlying assumptions are reviewed on a constant basis. Significant judgements include:

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

Trade receivables and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each quarter. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events and changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest value for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and assumptions were made that the areas may stay the same in size for a number of years.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.2 Significant judgements and sources of estimation (continued)

Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. These norms are based on South African Institution of Civil Engineering norms. Management will decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The discount rate was set as the nominal and zero curves as at 30 June 2017 supplied by the JSE and the CPI assumptions at each relevant time period.

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

The municipality used the prime interest rate plus 2% to discount future cash flows as at 30 June 2017. This rate is similar to the interest rate levied on arrear consumer accounts.

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments due and an assessment of their ability to make payments based on their credit worthiness. This was performed per service identifiable category across all classes of debtors.

Property plant and equipment

The useful life of property plant and equipment are based on management's estimation. Infrastructure assets useful life are based on technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate.

Self- insurance reserve

A self-insurance reserve has been established which covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

Other

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses are recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts.

1.3 Investment property

Initial measurement

Investment property is initially recognised at cost.

Subsequent measurement

Subsequently investment property is recognised at fair value and fair value of investment property reflects market conditions at the reporting date.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.3 Investment property (continued)

Where investment property is acquired through a none exchanged transaction, it's cost is its fair value as at the date of acquisition. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. A gain or loss arising from the disposal or retirement of an item of investment property is determined as difference between the proceeds and the carrying value and is recognised in the statement of financial performance.

1.4 Property, plant and equipment

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

Initial measurement

Property, plant and equipment is initially measured at cost.

Assets acquired by grant or donation are newly identified assets.

Property, plant and equipment are measured at fair value at the date of acquisition, where assets have been acquired by donation or grant and for assets that are newly identified through formal assets verification procedures for which cost records are not available or not reliable at the date of acquisition

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.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

After initial recognition property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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.

Enhancement to property, plant and equipment do not qualify as assets unless these extend the usefull life of the enhanced property, plant and equipment. Day to day servicing cost of an assets are not recognised in the carrying amount of an item of property, plant and equipment.

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1.4 Property, plant and equipment (continued)

Major spare parts, standby equipment which are expected to be used for more than one period are included in the property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Depreciation is calculated on the depreciable amount (Cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Item	Depreciation method	Average useful life
Infrastructure		
• Roads and paving		20
• Electricity		50-60
• Water		15-20
• Sewerage		15-20
• Housing		30
Community assets		
• Buildings		30
• Recreational facilities		20-30
• Security		5
Other assets		
• Buildings		30
• Specialised vehicle		10
• Other vehicles		5
• Office equipment		3-7
• Furniture and fittings		7-10
• Water craft		15
• Bins and containers		5
• Specialised plant and equipment		10-15
• Other items of plant and equipment		2-5
• Landfill sites		30-55
• Computer software		3-5
• Art, paintings, sculptures and ornaments		10

An asset only has a residual value when the useful life of the asset (the period the asset is used or available for use) is shorter than the economic life of the asset (the period the asset is used or available for use by all users or owners of the asset). As the municipality plans to use the assets for the entire economic lives, the residual value is considered to be negligible or even zero.

Land is not depreciated as it is deemed to have an indefinite life.

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to surplus and deficit.

Derecognition

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.

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1.4 Property, plant and equipment (continued)

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

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

1.5 Intangible assets

Initial measurement

Intangible assets are initially recognised at cost.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

If an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of its acquisition.

Subsequent measurement

After the initial recognition intangible assets with finite useful lives are carried at cost less accumulated amortisation.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Internally generated intangible assets

Websites

Initial recognition.

Website are internally generated intangible assets that are initially recognised at the value of improvement/development costs in terms of IGRAP16.

The cost of an internally generated intangible asset (website) is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. After initial recognition, and intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent measurement

After initial measurement, websites will be carried at cost less ant accumulated amortisation and impairment loss.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

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

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

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1.5 Intangible assets (continued)

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.

For intangible assets with a finite useful life the residual value is always deemed zero unless:

- A third party has committed to purchase the asset at the end of the useful life;
- There is an active market for the asset and
 - a) the residual value can be determined by reference to that market; and
 - b) it is probable that such market will exist at the end of the asset's useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software, internally generated	3-5 years
Computer software, other	3-5 years
Intangible assets under development	3-5 years
Servitudes	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Heritage assets are defined as any asset that has a cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if it is probable that economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Recognition and measurement

Initial recognition

A heritage asset that qualifies for recognition as an asset, is measured at its cost. 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.

The fair value of a heritage asset can be determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

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1.6 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment.

An impairment is reversed only to the extent that the asset's carrying amount that would have been determined had no impairment been recognised.

Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage assets. The gain or loss arising from the disposal or retirement of heritage asset is determined as a difference between the sales proceeds and the carrying value of the heritage assets and is recognised in the statement of financial performance.

1.7 Financial instruments

Classification

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

The municipality 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:

<u>Class</u>	<u>Category</u>
Cash and cash equivalents	Financial asset at amortised cost
Trade and other receivables from exchange transactions	Financial asset at amortised cost
Consumer debtors	Financial asset at amortised cost
Long term receivables	Financial asset at amortised cost
Investments	Financial asset at amortised cost

The municipality 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:

<u>Class</u>	<u>Category</u>
Borrowings	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

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Accounting policies

1.7 Financial instruments (continued)

Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured at amortised cost.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or non-collectability.

Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers in the municipality;
- economic conditions that correlate with defaults, or
- the disappearance of an active market for a security

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

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

The municipality de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

Gains and losses

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

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

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1.7 Financial instruments (continued)

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

1.8 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.

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.

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

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

Operating leases - lessor

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

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

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

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

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

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1.8 Leases (continued)

Operating leases - lessee

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

1.9 Inventories

Inventories include consumable stores, maintenance materials, spare parts for the plant and equipment, work in progress, water, the ash and land and property held for sale.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2014. Direct costs are accumulated for each separately identifiable development. Costs also include a portion of overhead cost, if the cost occur frequently and are separately identifiable.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. Assets that generate a commercial return are those that generate positive cashflows which are expected to be significantly higher than the cost of the assets. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than the carrying amount. The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable amount of the asset is the higher of asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable and willing parties.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

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1.10 Impairment of cash-generating assets (continued)

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

Reversal of impairment loss

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

Redesignation

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

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets where its objective is not to use the asset to generate a commercial return but to deliver services.

Identification

The municipality 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 municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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 surplus or deficit.

Any impairment loss of a revalued non-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 non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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.

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

Reversal of an impairment loss

The municipality 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 municipality 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 surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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.

1.12 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.

Other post retirement obligations

The municipality provides post-retirement health care benefits to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations using the projected unit credit method.

Long term employee benefits

The municipality provides long service awards. Awards are accrued over the period of employment. Independent qualified actuaries carry out valuations of these awards.

1.13 Provisions and contingencies

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 expenditure expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

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1.13 Provisions and contingencies (continued)

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.

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

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts.

Sale of goods

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

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality 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 municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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 municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; and
- the proportion that costs incurred to date bear to the total estimated costs of the transaction

Revenue arising from 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 licenses and permits.

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1.15 Revenue from exchange transactions (continued)

Interest and dividends

Interest is recognised in surplus or deficit using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Prepaid electricity estimation

The electricity is made available to the vendor and the vendor only pays over to the municipality once the electricity is sold, resulting in no electricity on hand at year end.

It is not possible to provide any statistics regarding the electricity smart meters as a process of installing the CIU (Communication device) takes a long time. After the installation of the communication device as well as the correcting of the consumer account, it will be possible to measure electricity on hand at year end.

1.16 Revenue from non-exchange transactions

Measurement

Revenue is measured at the fair value of the asset recorded less any liability recognised.

Rates, including collection charges and penalties interest

Property rates are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria of an asset.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines constitute both spot fines and summonses.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Where the amount due by a particular offender is specified on the notice, summons or equivalent document and the offender is informed of any reductions following certain processes within the municipality's discretion (i.e. it can decide on the reductions) these are estimated when measuring the asset (receivable) and the amount of revenue to be recognised. Any variations in the amount of reductions estimated are treated as a change in the estimated revenue and are accounted for as a change in accounting estimate.

Government grants

Government grants are recognised to the extent that the asset can be recognised less any liability for conditions imposed in terms of the grant.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equaling the fair value of the asset received.

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Accounting policies

1.16 Revenue from non-exchange transactions (continued)

Other grants and donations

Where there is conditions attached to the grant, transfer or donation that gives rise to a liability at initial recognition, that liability is transferred to revenue as and when conditions attached to the grant are met.

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

1.17 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 municipality and the fair value of the assets can be measured reliably.

Services in kind

Services in kind are recognised where they are significant to the municipality's operations or service delivery objectives.

1.18 Borrowing costs

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

Borrowing costs are recognised as an expense in the period in which they are incurred and borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of the assets.

1.19 Self-insurance reserve

A self-insurance reserve (SIR) covers claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

Repair and replacement costs not fully covered by external insurance are paid from the insurance cost centre expenditure account that is then financed or reimbursed by a transfer from the self-insurance reserve to the insurance cost centre income account.

The calculation for self-insurance contribution for the year is computed by the insurance underwriters based on the computed amount at each year end. A transfer from the accumulated surplus is made towards the self-insurance reserve and is cash backed.

1.20 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. 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 the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.21 Unauthorised expenditure (continued)

Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority, is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of Generally Accepted Accounting Practices (GRAP)

1.25 Budget information

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget. The budget information is based on the same period as the actual amount.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include:

Key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 56 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the municipality.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting policies

1.26 Related parties (continued)

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 management in their dealings with the municipality.

Where transactions occurred between the municipality and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate; only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

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)

Notes to the annual financial statements

	2017 R	2016 R
<hr/>		
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	15 350	16 300
Bank balances	3 391 402	30 021 964
Call accounts	63 433 203	95 890 615
Bank overdraft	(87 630 391)	(48 666 507)
	(20 790 436)	77 262 372
Current assets	66 839 955	125 928 879
Current liabilities	(87 630 391)	(48 666 507)
	(20 790 436)	77 262 372

The primary banking institution is Standard bank, the following secondary banking institutions are also applicable

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

2. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
ABSA bank - current account - 530-000-087	3 987 887	8 245 141	1 790 044	7 600 342
ABSA bank - salary account - 405-774-9059	127 008	739 298	127 008	(23 066)
First National Bank - traffic fines - 620-723-53396	944 275	930 523	944 275	930 523
ABSA bank - traffic fines - 407-683-0782	10 000	10 000	10 000	10 000
Standard bank - current account - 420-502-084	(81 513 063)	30 283 823	(86 817 095)	13 007 739
Nedbank - current account - 101-065-4888	201 725	203 424	201 725	203 424
Standard bank - current account - 021-879-370	(119 196)	4 502 392	(813 256)	4 502 392
Standard bank - current account - 080-488-129	318 349	3 790 611	318 349	3 790 611
First National Bank - current account - 624-919-68205	-	(48 666 467)	-	(48 666 467)
Total	(76 043 015)	38 745	(84 238 950)	(18 644 502)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

2. Cash and cash equivalents (continued)

Call accounts

Invested with	01 July 2016	Invested	Interest capitalised	Withdrawn	Total
ABSA-9208236189	491 648	-	22 486	-	514 134
ABSA-9286830535	16 001 151	-	688 638	(16 537 227)	152 562
ABSA-9289903783	16 742 541	-	684 959	(17 000 205)	427 295
ABSA- 9297192700	9 878 321	-	450 156	(10 050 871)	277 606
ABSA-4087082936	1 093 880	-	2 762	(1 096 642)	-
STD Bank- 028606817#54#58#66	14 635 179	-	1 177 691	-	15 812 870
STD Bank- 028606817#60#62	1 434 652	-	-	-	1 434 652
STD Bank- 028606817#60#68	256 807	-	18 154	-	274 961
Nedbank- 03/7881044284#015	930 484	-	-	-	930 484
Nedbank- 03/7881044284/0025	3 950 580	-	-	-	3 950 580
Nedbank- 03/7881044284/0036	3 357 429	-	231 985	-	3 589 414
Investec - 1400192509500	11 107 178	50 024 032	-	(25 062 590)	36 068 620
FNB - 62601766613	16 010 747	-	246 388	(16 257 135)	-
	95 890 597	50 024 032	3 523 219	(86 004 670)	63 433 178

Unlimited cession dated 25/07/2008 of a Absa call account no 9208236189, Held to partly secure (76%) of a R587 094 financial guarantee facility.

During the financial year the municipality obtained an overdraft facility of R150 000 000 from Standard Bank, as per the terms of condition of the facility, R50 million is repayable on 30 November 2016, another R50 million on 31 March 2017 and the balance repayable on 30 June 2017. The aforesaid conditions on the overdraft agreement were revised to settle the whole amount by the end of June 2017 due to cashflow constraints. As at the end of the financial year an amount of R 87million remained unsettled. No securities were pledged for the overdraft.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
3. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	464 519 075	401 920 433
Water	2 770 776 617	2 575 220 325
Sewerage	803 356 154	813 317 951
Refuse	496 251 103	510 242 018
	4 534 902 949	4 300 700 727
Less: Allowance for impairment		
Electricity	(378 873 378)	(362 757 941)
Water	(2 620 604 643)	(2 439 486 421)
Sewerage	(754 430 242)	(768 923 649)
Refuse	(470 569 660)	(487 781 415)
	(4 224 477 923)	(4 058 949 426)
Net balance		
Electricity	85 645 697	39 162 492
Water	150 171 974	135 733 904
Sewerage	48 925 912	44 394 302
Refuse	25 681 443	22 460 603
	310 425 026	241 751 301
Included in above is receivables from exchange transactions		
Current (0-30 days)	250 627 352	220 714 427
31 - 60 days	121 282 077	109 000 567
61 - 90 days	114 635 646	91 731 945
91 days +	4 048 357 874	3 879 253 789
	4 534 902 949	4 300 700 728
Reconciliation of allowance for impairment		
Balance at beginning of the year	(4 058 949 426)	(3 418 999 532)
Contributions to allowance	(861 348 158)	(563 892 215)
Contribution - VAT portion	(116 415 294)	(76 097 779)
Debt impairment written off against allowance	812 234 955	40 100
	(4 224 477 923)	(4 058 949 426)

Credit quality of consumer debtors

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in public sector, through established practices and legislation.

All debtors accounts are assessed for impairments, where applicable we impaired debtors over 90 days, according to the following criteria:

Bad debt

Government accounts : 0% of the total outstanding amount

Sundry accounts: 100% between 91 days and more

Business/industrial: 100% between 91 days and more

Residential: average ratio between 91 days and more

Indigent accounts: 100% of outstanding amount

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
3. Trade and other receivables from exchange transactions (continued)		
All other accounts:		
- Outstanding amounts between 181 days and more		
- Balance of amounts not collected under collectable and doubtful debt.		
4. Trade and other receivables from non-exchange transactions		
Property rates	621 910 200	576 906 834
Impairment property rates	(533 022 139)	(495 392 509)
Other debtors	482 551 997	632 191 558
Impairment other debtors	(345 753 572)	(479 435 566)
Other receivables- fines	244 244 464	156 069 230
Impairment fines	(234 518 286)	(147 305 943)
Grant debtors	-	8 482 450
Impairment grant debtor	-	(8 482 450)
	235 412 664	243 033 604
Reconciliation for allowance for impairment		
Opening balance	(1 130 616 468)	(1 083 514 097)
Contribution to allowance	(280 052 840)	(162 795 726)
Contribution - VAT portion	(3 201 876)	(214 772)
Amounts written off as uncollectible	300 577 185	115 908 127
	(1 113 293 999)	(1 130 616 468)
Age analysis: property rates		
Current (0-30 days)	44 759 404	40 302 014
31-60 days	17 998 645	16 144 594
61-90 days	14 852 032	13 210 924
91 days +	544 300 120	507 249 302
	621 910 201	576 906 834
Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in public sector, through established practices and legislation.		
Interest at a rate of prime plus 2% is levied on arrear debtors accounts.		
All debtors accounts are assessed for impairments, where applicable we impaired debtors over 90 days.		
5. Inventories		
Consumable stores	28 013 649	28 183 630
Water	848 903	607 915
Ash Dump	30 000 000	30 000 000
	58 862 552	58 791 545
6. Value added tax receivable		
VAT	175 291 517	107 098 234

Value added tax is payable on the receipts basis and is paid over to South African Revenue Services only once payment is received from debtors. The value added tax receivable relates to net input vat claimable from SARS.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Building property	657 888 494	(265 598 737)	392 289 757	546 790 477	(237 254 578)	309 535 899
Community assets	754 837 884	(151 377 579)	603 460 305	726 002 857	(126 715 686)	599 287 171
Infrastructure	11 921 270 668	(3 821 341 365)	8 099 929 303	11 807 765 766	(3 412 338 627)	8 395 427 139
Other assets	345 913 472	(243 186 619)	102 726 853	309 396 199	(225 446 063)	83 950 136
Capital work in progress	590 646 434	-	590 646 434	504 727 849	-	504 727 849
Total	14 270 556 952	(4 481 504 300)	9 789 052 652	13 894 683 148	(4 001 754 954)	9 892 928 194

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Fair value adjustment	Disposals / Derecognition	AUC Transfers	Donated assets	Transfer	Depreciation	Impairment	Total
Building property	309 535 899	-	50 926	(5 050 000)	-	-	116 097 092	(28 344 160)	-	392 289 757
Community assets	599 287 171	520 957	-	(88 000)	28 402 070	-	-	(18 998 212)	(5 663 681)	603 460 305
Infrastructure	8 395 427 139	1 502 860	-	(116 743)	106 162 826	4 741 095	-	(397 409 808)	(10 378 066)	8 099 929 303
Other assets	83 950 136	35 742 657	1 664 564	(2 914 585)	-	1 194 528	-	(16 136 535)	(773 912)	102 726 853
Capital work in progress	504 727 849	214 298 357	-	-	(134 564 896)	6 185 124	-	-	-	590 646 434
	9 892 928 194	252 064 831	1 715 490	(8 169 328)	-	12 120 747	116 097 092	(460 888 715)	(16 815 659)	9 789 052 652

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Fair value adjustment	Disposals / Derecognition	AUC Transfers	Donated assets	Transfer	Depreciation	Impairment	Total
Building property	337 420 295	-	-	-	431 000	-	-	(28 315 396)	-	309 535 899
Community assets	611 143 414	-	-	-	5 072 308	-	-	(16 928 551)	-	599 287 171
Infrastructure	8 608 342 451	45 679 155	-	(471 621)	73 559 298	55 884 126	-	(387 566 270)	-	8 395 427 139
Other assets	89 296 763	6 528 080	862 923	(2 348 426)	-	-	(12 977)	(10 147 138)	(229 089)	83 950 136
Capital work in progress	397 045 946	186 744 509	-	-	(79 062 606)	-	-	-	-	504 727 849
	10 043 248 869	238 951 744	862 923	(2 820 047)	-	55 884 126	(12 977)	(442 957 355)	(229 089)	9 892 928 194

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017	2016
	R	R

7. Property, plant and equipment (continued)

Change in estimates, RUL and RV

During the annual review meetings, the RUL, EUL and RV definitions and GRAP requirements were explained to the ELM technical department. Emfuleni Local Municipality technical departments reviewed the EULs, RULs and RVs on existing assets as at 2016. During the review it was decided that certain component's remaining useful life should be changed. The financial implication is that the annual depreciation will decrease by R12 860 397 in the 2016/17 financial year.

De-recognition

During the financial year certain assets were transferred amounting to R65 138 000. Included in this amount is building property assets amounting to R88 000. The derecognitions were included in the 2016/17 asset register.

Provision adjustment

The provision for environmental rehabilitation was restated after a prior year error correcting the value of the underlying assets relating to the provision amounted to R76 563 369 as at 30 June 2017.

Fair value adjustment

Newly identified movable assets to the value of R1 474 037 were added to the fixed asset register after being fair valued.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017		2016	
	R		R	
8. Investment property				
	2017		2016	
	Valuation	Accumulated depreciation	Valuation	Accumulated depreciation
Investment property	1 422 643 946	- 1 422 643 946	1 405 108 547	- 1 405 108 547

Reconciliation of investment property - 2017

	Opening balance	Disposals / Derecognition	Transfers received	Fair value adjustments	Total
Investment property	1 405 108 547	(5 602 371)	(116 097 092)	139 234 862	1 422 643 946

Reconciliation of investment property - 2016

	Opening balance	Disposals / Derecognition	Donated assets	Fair value adjustments	Total
Investment property	1 377 777 979	(4 536 412)	42 960	31 824 020	1 405 108 547

Details of valuation

Fair value adjustments - Investment property

Investment property is measured using the fair value model.

The values as determined during the 2015/16 served as a basis and were adjusted to the latest updated valuation roll implemented during the 2016/17 financial year.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

Figures in Rand

9. Intangible assets

	2017			2016		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	32 235 343	(28 246 530)	3 988 813	30 923 752	(26 723 819)	4 199 933
Servitudes	13 849 516	-	13 849 516	13 849 516	-	13 849 516
Total	46 084 859	(28 246 530)	17 838 329	44 773 268	(26 723 819)	18 049 449

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	4 199 933	1 311 591	(1 522 711)	3 988 813
Servitudes	13 849 516	-	-	13 849 516
	18 049 449	1 311 591	(1 522 711)	17 838 329

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	5 691 752	226 514	12 978	(1 731 311)	4 199 933
Servitudes	13 849 516	-	-	-	13 849 516
	19 541 268	226 514	12 978	(1 731 311)	18 049 449

10. Heritage assets

	2017	2016
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017			2016		
	R			R		
10. Heritage assets (continued)						
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	90 316	-	90 316	90 316	-	90 316

Reconciliation of heritage assets 2017

	Opening balance	Total
Heritage assets	90 316	90 316

Reconciliation of heritage assets 2016

	Opening balance	Total
Heritage assets	90 316	90 316

Age and/or condition of heritage assets

Assets previously recognised as heritage assets were assessed for significance aligned with Section 3 (3) of the National Heritage Resources Act. The chief criteria for classifying an asset as heritage asset are:

- Social and cultural significance
- Historical significance
- Archaeological significance
- Architectural significance
- Aesthetic significance
- Scientific and technological significance
- Group and relationship significance
- Landmark significance

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
11. Trade and other payables from exchange transactions		
Trade payables	1 491 259 006	958 013 349
Payments received in advance	196 594 347	164 669 924
Retentions	38 890 479	35 543 364
Accrued interest	456 214	594 444
Accrual for annual leave	64 364 551	60 169 818
Accrual for 13th cheque	24 530 331	23 823 509
Year-end salary creditors	245 155 537	120 631 803
Unclaimed wages	1 366 564	1 426 117
Other payables	7 165 153	3 205 517
Unrealised income	-	42 641 326
Imputed interest on creditors	(4 319 385)	(6 007 534)
	2 065 462 797	1 404 711 637

12. Consumer deposits

Electricity and water	46 953 563	44 884 636
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The amounts reflected represent a cost value. Management believes that the cost value approximates the fair value. Bank guarantees to the value of R14 865 613 form part of the amount disclosed as R46 953 563.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Social development grant	6 911 235	-
EPWP grant	20 363	-
Bontle ke botho	582 266	771 160
Neighbourhood development grant	1 084 345	500
National electrification grant	787 745	-
Library grant	6 036 035	1 784 560
Department of water affairs grant	-	930 484
Projects funded ex Sedibeng district municipality	1 160 599	2 704 127
Sedibeng maintenance grant	293 197	385 092
Financial management grant	-	(50)
Cogta Grant (Pumpstation)	2 551 363	-
Cogta grant	893 724	1 264 933
	20 320 872	7 840 806

Refer to note 22 for detailed movements on grants

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
14. Borrowings		
At amortised cost		
Borrowings	11 488 176	15 893 904
Non-current liabilities		
At amortised cost	8 768 347	11 488 176
Current liabilities		
At amortised cost	2 719 829	4 405 728
15. Finance lease		
Minimum lease payments due		
- within one year	6 849 736	-
- in second to fifth year inclusive	10 670 337	-
Present value of minimum lease payments	17 520 073	-
within one year	6 849 736	-
in second to fifth year	10 670 337	-
	17 520 073	-

The average lease term is 3years and the average effective borrowing rate or escalation was 10.5% interest rates are fixed at a contract date. All leases have variable or fixed repayments and in certain instances contingent rent is payable as per stipulation in the lease agreements.

The municipality's obligation under finance leases are secured by the leases charge over the leased assets. The municipality did not default on any of the interest or capital repayments of the leases. No terms and conditions of finance leases were re-negotiated. There is no restriction imposed on the lease agreements

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

			2017 R	2016 R
16. Provision				
Reconciliation of provision - 2017				
	Opening balance	Additions	Increase due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	135 119 545	-	18 415 040	153 534 585
Legal proceedings	9 439 218	5 830 734	-	15 269 952
	144 558 763	5 830 734	18 415 040	168 804 537
Reconciliation of provision - 2016				
	Opening Balance	Reversed during the year	Increase/(decr ease) due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	176 047 579	-	(40 928 034)	135 119 545
Legal proceedings	16 725 713	(7 286 495)	-	9 439 218
	192 773 292	(7 286 495)	(40 928 034)	144 558 763
Non-current liabilities			153 534 585	135 119 545
Current liabilities			15 269 952	9 439 218
			168 804 537	144 558 763

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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16. Provision (continued)

Environmental rehabilitation provision

The financial provision calculated represents the expenditure required for rehabilitation of the cell areas currently used (not the entire site), including areas that have been used but not rehabilitated. The expected rehabilitation costs have been determined and interest added up to the expected date of rehabilitation of the respective landfill cell areas by escalating the current rehabilitation costs over the remaining useful life up to the expected date of rehabilitation of the respective landfill cell areas by using an average increase of 8.22% rate based on the year-to-year increased cost per square meter, and discounting the future rehabilitation costs at the cost of capital rate.

The discount rate of 13.63% utilised to account for the finance cost is based on the weighted average cost of capital rate to the municipality. Using the methodology of the calculation of first escalating the proposed costs, then discounting the costs by the relevant dates allows for a full life cycle analysis as well as appropriate cost value which takes into consideration the time value of money.

Boitshepi

The landfill site was licensed in 2011 as a G:L:B+ landfill site and is situated in the outskirts of the Tshepiso residential area near Vanderbijlpark. The extent of the property is 34,4195Ha and the footprint of the current waste disposal area is 26,843Ha. As no progressive rehabilitation has taken place, the entire site will need to be rehabilitated as part of the final closure. The areas to be closed off as at 30th of June 2017 is 24.37Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2017 is R88 525 886 excluding VAT.

Waldrift

The landfill site was licensed in 2011 as a G:L:B- site and is situated in the mining farm areas near Vereeniging. The extent of the property is 31.8842Ha. The proposed waste disposal area is 18.7946Ha and the surface area to be rehabilitated as at 30th of June 2017 is 15.00Ha. Disposal is licensed to be filled to 32m above NGL at closure.

The estimated cost (rehabilitation provision) for the entire site, as at 30th June 2017 is R51 674 687 excluding VAT.

Palm Springs

The landfill site was licensed in 2007 as a G:M:B- landfill site and is situated near Orange Farm. The disposal cells of the site have recently been upgraded to include formal disposal phases, both of which are still operational. The site will grow to include 6 disposal phases over the life of the site.

The extent of the property is 66,6384Ha and the waste disposal area is 25,0597Ha. t

The cost estimated (rehabilitation provision) to close the entire site, based on a value determined at 30 June 2017 is R13 334 013 excluding VAT.

On this base the provisions at 30 June 2017 can be summarised as follows:

i) Waldrift landfill site : R 51 674 687

ii) Boitshepi landfill site : R 88 525 887

iii) Palm springs landfill site: R 13 334 012

The decrease in the rehabilitation of the landfill sites is due to the following:

The Palm springs landfill site is now classified as a G:M:B- which states that no progressive rehabilitation may be stipulated or required but the license holder is responsible for any environmental damage caused by the site in the long term.

Total provision for rehabilitation as at 30 June 2017 for all three sites at the respective closure dates is estimated at R153 534 585.

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
17. Service charges		
Sewerage and sanitation charges	345 528 058	301 765 114
Sale of electricity	1 859 840 769	1 854 284 956
Sale of water	1 246 950 669	1 059 101 399
Refuse removal	213 027 206	188 026 727
	3 665 346 702	3 403 178 196
18. Rental of facilities and equipment		
Premises		
Rental of facilities	12 039 673	12 000 908
Facilities and equipment		
Rental of equipment	3 697	4 521
	12 043 370	12 005 429
<p>The municipality has two loans with DBSA, loan #13554/101 with an interest rate of 15.74% and loan #13959/101 with an interest rate of 10.45%. Both loans are payable on a half yearly basis.</p>		
19. Finance income		
Dividend revenue		
Dividends	-	3 025
Interest revenue		
Interest on arrears	47 134 373	37 794 845
Bank	6 015 053	6 871 378
	53 149 426	44 666 223
	53 149 426	44 669 248

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
20. Other income		
Industrial effluent	30 018 431	52 825 322
Access to information	179 114	227 881
Capital contribution	4 008 806	5 128 689
Dishonoured cheques	45 427	53 160
Refunds (SETA)	1 645 266	1 610 886
Sundries/unallocated income	11 994 759	9 090 098
Surplus cash	2 145	5 885
Warning services	1 056 527	1 609 279
Advertising	625 684	666 468
Informal trading revenue	112 680	139 380
Alienation of stand	157 723	54 386
Deed searches	938	24 817
Reconnection fees	5 587 736	3 866 516
Planning fees	98 057	117 048
Sale of tender documents	1 561 350	835 250
Zoning certificates	469 563	390 111
Activity room/auditorium	52 236	24 485
Building plans	1 895 148	1 825 298
Cemeteries	10 030 185	11 058 197
Entrance fees	1 154 126	1 098 527
General service fees	6 507 219	6 421 593
Fire rescue services	177 609	214 148
Flammable liquid	188 722	143 033
Refuse dumping landfill site	16 257 794	10 641 652
Lost and damaged library material	939	688
Sale of right to collect	42 641 326	29 239 766
	136 469 510	137 312 563
21. Property rates		
Rates		
Rates levied	660 532 525	598 394 248
The valuations are utilised to levy property rates on a monthly basis.		
Rebates on property rates levied can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been foregone by way of rebate or remission.		
Valuations		
Residential	58 788 074 355	58 540 794 471
Business	9 013 047 750	8 807 204 750
Industrial	4 931 311 000	4 884 855 000
State owned properties	1 865 043 000	1 865 916 000
Municipal	964 140 000	964 935 000
Agricultural	1 193 190 002	1 191 000 000
Other	1 155 347 056	1 136 759 051
	77 910 153 163	77 391 464 272

Emfuleni Local Municipality

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	2017 R	2016 R
22. Government grants and subsidies		
Operating grants		
Equitable share	608 581 000	600 888 307
Financial management grant	1 474 950	1 450 050
Cogta grant	3 755 209	7 260 067
Municipal systems improvement grant	-	930 000
Social development grant	16 661 996	41 676 824
Expanded public works programme grant	2 507 637	3 583 200
Cogta Grant (Pumpstation)	11 448 637	-
Bontle ke botho	188 893	1 431 395
Project Funded ex Sedibeng District	1 543 529	-
Health and environmental subsidies	43 215 740	47 736 336
Neighbourhood development grant	8 051 155	-
Debtors book restructuring grant	-	219 952
Sedibeng maintenance grant	91 896	433 360
Department of water affairs	930 484	-
Regional sewer scheme	-	1 134 668
Sport and recreation	-	560 132
Infrastructure asset management grant	-	1 000 000
Gauteng department of economic development(LED)	-	1 500 000
	<u>698 451 126</u>	<u>708 304 291</u>
Capital grants		
Municipal infrastructure grant	160 763 000	163 009 000
National electrification programme	2 097 255	-
Library grant	8 048 526	8 482 559
Sedibeng regional sewer scheme	-	3 607 639
Municipal systems improvement grant(Sedibeng)	-	50 000
	<u>170 908 781</u>	<u>175 149 198</u>
	<u>869 359 907</u>	<u>884 953 489</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.		
Financial management grant		
Balance unspent at beginning of year	(50)	-
Current-year receipts	1 475 000	1 450 000
Conditions met - transferred to revenue	(1 474 950)	(1 450 050)
	<u>-</u>	<u>(50)</u>
Conditions still to be met - remain liabilities (see note 13).		
This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.		
Municipal systems improvement grant		
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	<u>-</u>	<u>-</u>

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
22. Government grants and subsidies (continued)		
To assist municipalities to build in-house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA), and other related legislation policies and the local government turnaround strategy - the focus being MPRA, effective implementation of ward committees and improvement to fixed asset registers.		
Social development grant		
Balance unspent at beginning of year	-	11 276 824
Current-year receipts	23 573 231	30 400 000
Conditions met - transferred to revenue	(16 661 996)	(41 676 824)
	6 911 235	-
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is for the construction of 20 Priority township project (Early Childhood Development Centres).		
Expanded public works programme		
Balance unspent at beginning of year	-	30 200
Current-year receipts	2 528 000	3 553 000
Conditions met - transferred to revenue	(2 507 637)	(3 583 200)
	20 363	-
Conditions still to be met - remain liabilities (see note 13).		
To provide expanded public works programme (EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.		
Bontle ke botho		
Balance unspent at beginning of year	771 160	2 202 554
Conditions met - transferred to revenue	(188 894)	(1 431 394)
	582 266	771 160
Conditions still to be met - remain liabilities (see note 13).		
The MEC agriculture conservation and environment, initiated a clean and green programme based on the Johannesburg plan of implementation, whereby the municipalities, wards and schools are encouraged to keep the nearest places clean. This is done through a campaign named Bontle ke botho which rewards the best municipality.		
Health and environment subsidies		
Current-year receipts	43 215 740	47 736 336
Conditions met - transferred to revenue	(43 215 740)	(47 736 336)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Neighbourhood development grant		
Balance unspent at beginning of year	500	4 431 807
Current-year receipts	9 135 000	-
Conditions met - transferred to revenue	(8 051 155)	-
Withheld by Treasury during the year	-	(4 431 307)
	1 084 345	500

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	2017 R	2016 R
22. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to support and facilitate the development of urban network plans that consist of primary and secondary networks that interconnect at strategic nodes, which in townships are referred to as urban hubs. The amount of R4 431 307 was offset against the equitable share in November 2015..		
Infrastructure asset management grant		
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to support identified municipalities to update and maintain the infrastructure (Service delivery, asset registers in compliance with GRAP 17).		
Municipal Infrastructure grant		
Current-year receipts	160 763 000	163 009 000
Conditions met - transferred to revenue	(160 763 000)	(163 009 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld by the grantor		
National electrification programme		
Current-year receipts	2 885 000	-
Conditions met - transferred to revenue	(2 097 255)	-
	<u>787 745</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
To implement the integrated national electrification programme (INEP) by providing capital subsidies to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure in order to improve quality of supply.		
Library grant		
Balance unspent at beginning of year	1 784 560	1 042 120
Current-year receipts	12 300 000	9 225 000
Conditions met - transferred to revenue	(8 048 525)	(8 482 560)
	<u>6 036 035</u>	<u>1 784 560</u>
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to financially support municipal library services in the administration of libraries, in order to render efficient, effective and economic library and information services to communities.		
Sedibeng regional sewer scheme		
Current-year receipts	-	3 607 639

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
22. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	-	(3 607 639)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of several municipalities. The grant supplements regional bulk collection and wastewater treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.

Department of water affairs and forestry

Balance unspent at beginning of year	930 484	930 484
Conditions met - transferred to revenue	(930 484)	-
	<u>-</u>	<u>930 484</u>

Conditions still to be met - remain liabilities (see note 13).

This grant is used for water demands management.

Electricity demand site management grant

Current-year receipts	-	1 517 299
Withheld by Treasury	-	(1 517 299)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

To provide subsidies to municipalities to implement electricity demand site management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Regional sewer scheme

Balance unspent at beginning of year	-	1 134 668
Conditions met - transferred to revenue	-	(1 134 668)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of other municipalities. The grant supplements regional bulk collection and waste water treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.

Projects funded ex Sedibeng district municipality

Balance unspent at beginning of year	2 704 127	2 704 127
Conditions met - transferred to revenue	(1 543 528)	-
	<u>1 160 599</u>	<u>2 704 127</u>

Conditions still to be met - remain liabilities (see note 13).

Funds are used for upgrading of cemeteries. No funds have been withheld by the grantor.

Municipal systems improvement grant (Sedibeng)

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
22. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	50 000
Conditions met - transferred to revenue	-	(50 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
Funds meant to fund an LED project. No funds have been withheld by the grantor.		
Debtors book restructuring grant		
Balance unspent at beginning of year	-	219 953
Conditions met - transferred to revenue	-	(219 953)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
To provide financial assistance to the municipality for the implementation of the Gauteng revenue enhancement and debtor management project (municipal debtors book project) and structuring of the debtors book and preparatory work.		
Sports and recreation grant		
Balance unspent at beginning of year	-	560 132
Conditions met - transferred to revenue	-	(560 132)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
Sedibeng maintenance grant		
Balance unspent at beginning of year	385 092	818 452
Conditions met - transferred to revenue	(91 895)	(433 360)
	<u>293 197</u>	<u>385 092</u>
Conditions still to be met - remain liabilities (see note 13).		
The purpose of this grant is the maintenance of farming equipment and implements donated by GDARD to Sedibeng Municipality as part of GDARD's mechanisation programme.		
LED grant		
Current-year receipts	-	1 500 000
Conditions met - transferred to revenue	-	(1 500 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
The purpose is to lead, facilitate and manage sustainable job creation and inclusive economic growth and development un the Gauteng city region.		
COGTA Grant(Pumpstation)		
Current-year receipts	14 000 000	-
Conditions met - transferred to revenue	(11 448 637)	-
	<u>2 551 363</u>	<u>-</u>

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Notes to the annual financial statements

	2017 R	2016 R
22. Government grants and subsidies (continued)	2 551 363	-
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
Cogta grant		
Balance unspent at beginning of year	1 264 933	-
Current-year receipts	3 384 000	8 525 000
Conditions met - transferred to revenue	(3 755 209)	(7 260 067)
	893 724	1 264 933
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to assist Emfuleni to finance the 90 days service delivery plan.		
23. Fines		
Traffic fines	165 115 436	128 265 431
Other fines	10 719	12 725
	165 126 155	128 278 156

In terms of IGRAP 1 the impact on the initial measurement of fines was assessed and appropriate adjustments based on assumptions were made from reliable information. The monetary value of fines as disclosed for 2016/17 was calculated from the value of fines issued less the fines withdrawn and, as granting of reductions are within the discretion of the entity issuing fines, these were deducted from the fines issued.

The debtor as disclosed in note 4 was calculated using the above assumption and the existing debtor as 30 June 2017.

Subsequent measurement was done by utilising reliable information from the previous 7 years. The average percentage payment of fines versus fines issued of the previous 7 years, deducting the average percentage of fines paid versus fines issued for the period under review, were utilised to calculate the estimated recoverable fines for the period. The recoverable amount was deducted from the calculated outstanding as at 30 June 2017 resulting in the calculated impairment of fines (R229 763 209)

Emfuleni Local Municipality

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	2017 R	2016 R
24. Employee related costs		
Basic salaries	579 152 747	527 365 180
13th cheque	42 961 064	41 577 943
Medical aid - company contributions	50 895 936	44 550 237
Unemployment insurance fund (UIF)	4 433 850	4 161 689
Redemption of leave	9 600 825	8 083 825
Leave pay and 13th cheque contribution	4 194 733	6 360 203
Long service awards and medical aid	25 707 678	3 063 128
Salary disparities	123 033 364	13 725 387
Pension fund contribution	107 133 024	101 323 854
Overtime payments	76 800 922	61 441 458
Acting allowances	17 565 787	15 209 566
Car allowance	38 029 523	37 281 285
Housing benefits and allowances	7 070 950	3 800 161
Other allowance	19 213 646	41 279 604
Group insurance	34 869 099	32 976 663
Skills development and casualty contributions	15 845 205	13 215 062
	1 156 508 353	955 415 245
Municipal Manager		
Annual Remuneration	414 608	1 799 854
Car Allowance	30 000	356 447
	444 608	2 156 301
<p>The position of the Municipal Manager was permanently filled on the 1st of January 2017, however the incumbent resigned on the 31st of March 2017. The position is vacant and the Chief Operations officer is currently appointed to act in the position.</p>		
Chief Financial Officer		
Annual remuneration	-	579 715
Travel, motor car, accommodation, subsistence and other allowances	-	54 214
Annual leave	-	199 973
	-	833 902
<p>The position of CFO was vacant from December 2015 and an incumbent was seconded from Sedibeng District Municipality to the position from 1 February 2016.</p>		
Corporate Services (DMM)		
Annual remuneration	1 410 089	1 427 625
Travel, motor car, accommodation, subsistence and other allowances	258 000	258 000
	1 668 089	1 685 625
Basic Services (DMM)		
Annual remuneration	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
	-	-

The position of DMM: Basic Services is vacant, and an incumbent was appointed to act in the position.

Emfuleni Local Municipality

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	2017 R	2016 R
24. Employee related costs (continued)		
Chief Audit Executive		
Annual remuneration	1 573 392	1 495 418
Travel, motor car, accommodation, subsistence and other allowances	196 200	196 200
	<u>1 769 592</u>	<u>1 691 618</u>
Economic Development and Planning (DMM)		
Annual remuneration	1 751 592	1 652 445
Travel, motor car, accommodation, subsistence and other allowances	18 000	18 000
	<u>1 769 592</u>	<u>1 670 445</u>
Public Safety & Community Development (DMM)		
Annual remuneration	1 510 501	1 503 874
Travel, motor car, accommodation, subsistence and other allowances	138 000	138 000
	<u>1 648 501</u>	<u>1 641 874</u>
Infrastructure Planning and Development (DMM)		
Annual remuneration	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
	<u>-</u>	<u>-</u>
The position of DMM: Infrastructure Planning and Development is vacant, and an incumbent was appointed to act in the position.		
Chief Operating Officer		
Annual remuneration	1 863 507	1 918 635
Travel, motor car, accommodation, subsistence and other allowances	138 000	138 000
	<u>2 001 507</u>	<u>2 056 635</u>
Chief Risk Officer		
Annual remuneration	1 036 068	1 002 116
Travel, motor car, accommodation, subsistence and other allowances	138 000	138 000
	<u>1 174 068</u>	<u>1 140 116</u>
Chief Information Officer		
Annual remuneration	999 256	1 095 543
Travel, motor car, accommodation, subsistence and other allowances	214 500	234 000
	<u>1 213 756</u>	<u>1 329 543</u>

Head of Revenue

The position for Head of Revenue is vacant and an incumbent was appointed to act in the position.

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	2017 R	2016 R
24. Employee related costs (continued)		
Head Strategic Manager: Support		
Annual remuneration	1 080 648	1 012 687
Travel, motor car, accommodation, subsistence and other allowances	138 000	138 000
	1 218 648	1 150 687
Chief Director: Metsi a Lekoa		
Annual remuneration	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
	-	-
The position for Chief Director: Metsi a Lekoa is vacant and an incumbent was appointed to act in the position.		
25. Remuneration of councillors		
Mayoral Committee members	7 269 060	7 441 013
Councillors	42 072 660	39 571 889
	49 341 720	47 012 902
Mayor		
Annual remuneration	721 704	795 680
Travel, motor, accommodation, subsistence and other allowances	350 758	352 422
	1 072 462	1 148 102
Speaker		
Annual remuneration	600 561	627 557
Travel, motor, accommodation, subsistence and other allowances	292 189	287 894
	892 750	915 451
In-kind benefits		
The Office of the Executive Mayor, Speaker and Mayoral committee members are full time positions. Each is provided with an office and secretariat support at the cost of the municipality.		
The Mayor and Speaker make use of municipal owned vehicles for official duties.		
26. Finance costs		
Interest: external borrowings and creditors	42 367 470	26 883 708
Interest landfill site rehabilitation	18 415 041	19 244 256
interest post employee benefits: health care	11 825 000	11 481 000
Interest long service awards	7 805 000	6 483 000
	80 412 511	64 091 964
27. Bulk purchases		
Electricity	1 502 595 542	1 502 075 222
Water	713 410 578	650 297 403
	2 216 006 120	2 152 372 625

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
28. General expenses		
Advertising	6 432 426	3 634 331
Audit fees	6 133 958	5 803 607
Bank charges	3 143 253	2 753 937
Commission paid	12 276 499	15 117 068
Consulting and professional fees	51 032 291	19 195 121
Consumables	3 429 752	5 589 666
Insurance	65 657 430	50 083 821
Conferences and seminars	4 309 774	2 481 256
Magazines, books and periodicals	461 396	425 028
Medical expenses	290 495	22 912
Rezoning costs	26 316	-
Relocation cost	-	20 851
Postage and courier	6 539 877	4 775 655
Printing and stationery	8 971 772	6 256 512
Bursary fund	1 489 306	1 836 798
Royalties and license fees	2 573 431	2 780 329
Security (guarding of municipal property)	82 735 995	55 343 350
Software licensing	2 123 826	1 622 256
Subscriptions and membership fees	114 113	20 713 279
Telephone and fax	15 987 388	12 876 491
Training	7 426 254	4 306 305
Uniforms	5 289 014	6 102 385
Special programmes	15 391 127	39 113 331
Indigent support	371 562 451	405 426 439
Valuation roll expense	7 352 962	53 771
Public expenditure	1 270 606	2 018 899
Lease rentals	72 584 848	65 571 594
Disaster relief	25 965	-
Other expenses	223 660 983	237 415 410
	978 293 508	971 340 402

"Other expenses" consist of various minor expenses.

Emfuleni Local Municipality

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	2017 R	2016 R
29. Cash generated from operations		
Deficit for the year	(768 870 050)	(286 213 273)
Adjustments for:		
Depreciation and amortisation	479 227 086	444 652 379
Gain on sale of assets	-	(1 869 772)
Fair value adjustments	(140 951 550)	(32 685 328)
Debt impairment	1 141 400 998	726 687 941
Employee benefit obligation	924 000	2 931 000
Contribution to provisions	24 245 774	8 921 192
Donations	(17 790 144)	(14 751 049)
Loss on sale of asset	4 197 325	-
Non-cash movement in assets	-	(7 231 048)
Changes in working capital:		
Inventories	(71 007)	454 758
Trade and other receivables from exchange transactions	(930 021 883)	(623 490 710)
Other receivables from non-exchange transactions	(272 431 898)	(188 099 455)
Trade and other payables from exchange transactions	660 751 160	248 906 776
VAT	(68 193 283)	(16 669 872)
Unspent conditional grants and receipts	12 480 066	(22 685 452)
Decrease/Increase in current borrowings	(1 685 899)	334 422
Finance lease	-	(538 770)
Prior year correction	-	(51 405 152)
	123 210 695	187 248 587

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Notes to the annual financial statements

	2017 R	2016 R
30. Correction of error		
During the 2016/17 financial year the following adjustments were made to transactions whereby amounts were erroneously stated in the previous financial periods. The comparative amounts have been restated as follows:		
Balance previously reported 2014/15		10 485 784 848
Adjustments for 2014/15		(12 202 375)
Restated balance for 2014/15		10 473 582 473
Surplus/(deficit) for the financial year ended 2015/16		(352 765 015)
Adjustments: 2015/16		66 551 744
Withdrawal		1 358 373
		10 188 727 575
2014/2015		
Statement of performance		
Revenue from non-exchange transactions		
Interest received		(885 762)
Donations		(43 351 952)
Sundry revenue		(60 682)
Expenditure		
Contracted services		99 395
Employee related costs		77 474 943
Finance costs		(56 273 106)
Bulk purchases		(8 135 884)
Repairs and maintenance		7 038 281
(Loss)/gain on sale of assets		(4 763 309)
Depreciation		46 798 957
General expenses		(9 993 676)
Fair Value Adjustments		(199 884)
Restatement for 2014/2015		7 747 321
2015/2016		
Statement of performance		
Revenue from exchange transactions		
Interest received		(623 211)
Revenue from non-exchange transactions		-
Donations		(41 176 037)
Sundry revenue		(1 038 543)
Surplus cash		(4 881)
Expenditure		
Contracted services		1 553 994
Depreciation and amortisation		(30 722 201)
Employee related costs		35 039 544
Bulk purchases		(17 052 930)
Finance cost		(2 130 574)
Repairs and maintenance		4 562 993
General expenditure		(15 059 044)
Fair Vlaue Adjustment		99 145
		(66 551 745)
2014/15		
Statement of financial position		
Current assets		
Cash and cash equivalents		125 254
Trade and other receivables from non-exchanged transaction		10 097 634
Inventory		30 000 000

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
Value added tax(VAT)		(978 987)
Non-Current assets		
Property, plant and equipment		176 983 720
Investment property		3 148 584
Work in progress(WIP)		(213 160 435)
Current liabilities		
Trade and other payables		(14 969 437)
Year end salaries		(66 987 764)
Provision for legal fees		10 858 390
Non-Current liabilities		
Provisions		57 135 721
		(7 747 320)

Statement of financial position 2015/2016

	2017 R	2016 R
Current assets		
Cash and cash equivalents		676 132
Cash on hand		4 881
Trade and other receivables from non-exchange transactions		19 287 193
Value added tax receivables		(1 853 499)
Non-Current assets		
Property, plant and equipment		89 788 202
Investment property		(99 145)
Work in progress(WIP)		(26 911 133)
Intangible assets		88 343
Current liabilities		
Trade and other payables		(6 078 157)
Year end salaries		(21 314 156)
Borrowings		(137 423)
Provision legal fees		2 695 465
Non-Current liabilities		-
Provisions		10 267 618
Borrowings		137 423
		66 551 744

Statement of financial position	Balance 2015/2016	Adjustments 2014/2015	Adjustments 2015/2016	Restated balance 2015/2016
Cash and cash equivalent	125 122 613	125 254	681 013	125 928 880
Trade and other receivables from non-exchange transactions	213 648 777	10 097 634	19 287 193	243 033 604
Inventory	28 791 545	30 000 000	-	58 791 545
Value Added Tax receivable	109 930 720	(978 987)	(1 853 499)	107 098 234
Property, plant and equipment	9 866 227 839	(36 176 715)	62 877 070	9 892 928 194
Investment property	1 402 059 108	3 148 584	(99 145)	1 405 108 547
Intangible assets	17 961 105	-	88 344	18 049 449
Trade and other payables	(1 295 362 121)	(81 957 201)	(27 392 314)	(1 404 711 636)
Provision legal fees	(22 993 073)	10 858 390	2 695 466	(9 439 217)
Borrowings (Current)	(4 268 305)	-	(137 423)	(4 405 728)
Borrowings (Non Current)	(11 625 599)	-	137 423	(11 488 176)
Provisions	(202 522 883)	57 135 721	10 267 618	(135 119 544)
	10 226 969 726	(7 747 320)	66 551 746	10 285 774 152

Cash & Cash Equivalents

Various cheques that were not cashed were cancelled.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
Finance lease liability		
During the 2014/15 it was discovered that the vehicles for fire and emergency for the contract entered into in 2012/2013 were not capitalised this was corrected in this current financial year.		
Inventory		
This is to correct the calculation for the water stock on hand in the previous financial year which did not take into account the water research levy.		
Investment property		
Investment property that was previously held for sale prior years was brought back on to the asset register during this current year		
Provisions		
Rehabilitation of landfill sites		
The environmental rehabilitation provision was restated due to the change in the method of the calculation of the provision to conform to the requirements of GRAP 19. The requirements require that present obligation be calculated by determining the future cost of rehabilitation discounted to the present value using the cost of capital rate of the municipality. In the past an construction cost increase rate of 6% was utilised but this was adjusted to 8,22% in the 2016-2017 financial period based on the increase in the average base cost rehabilitation rate per square meter as determined by an environmental specialist professional engineer. The annual interest rate was also adjusted from the prime lending rate of 10,5% to 13,63% based on the current weighted average interest rate currently applicable to the municipality on its long-term borrowings.		
The useful lives of the sites was also amended where the estimation is based on the annual consumption rate of the available airspace.		
The previous provisions raised on the Vaaloewer site was also reversed, as it is not foreseen that the municipality will need to obtain a license to classify this site as a landfill site. The site has been transformed into a transfer site and all waste on this site are transported to the three landfill sites currently in operation.		
Value added tax		
Correction of VAT where various cheques were cancelled..		
VAT that were not included in the accruals now corrected.		
Property plant and equipment		
Projects that were under W.I.P are now capitalised		
Certain infrastructure assets that were capitalised in previous years were de-recognised		
Trade and other payables		
Creditors that were not accrued,now accrued		
Accrual for standby allowances awarded by judgement		
Trade and other receivables from non exchange transactions		
Various Developer created assets accounted for		
Various receipts allocated to sundry revenue instead of sundry debtors		
Statement of Financial Performance		
Interest received		

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
Credit received from supplier. Accounted for in 2016/2017		
Sundry revenue		
Correction of incorrect accounting for waste removal		
Donations		
Developer created assets accounted for		
Employee related costs		
Salaries awarded back dated (arbitration awards)		
Contracted services		
Various payments to Service Providers accrued		
Loss/Gain on sale of asset		
Certain infrastructure assets that were capitalised in previous years were de-recognised		
Depreciation and amortisation and impairment		
Various projects under W.I.P that should have been capitalised. Additional depreciation for the period.		
Included in the opening balance for the assets under construction was an amount of R 53 631 676 for the construction of a recreational facility which was only partially completed and where construction was halted. In order to assess the asset components a physical verification was undertaken on the site. The identified asset components was fair valued (deemed cost) at R21 575 728 and an impairment loss was recognised as a prior year adjustment amounting to R32 055 948 on the assets under construction.		
Finance costs		
Time value of money - provision for rehabilitation landfill sites		
Various judgements against Emfuleni and the payables included interest		
General expenses		
Various payments that were not cashed were cancelled. Various creditors that were not accrued for, now accrued		
Collection cost		
Reversal of accrual.		
Repair and maintenance		
Maintenance done to electrical networks and sport and recreation facilities		
Bulk purchases		
Credit received from supplier. Accounted for in 2016/2017		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
31. Unauthorised, irregular, fruitless and wasteful expenditure		
Unauthorised expenditure		
Opening balance	192 819 928	874 864 383
Unauthorised expenditure	594 863 922	204 548 484
Less: approved/condoned by Council in respect of the previous financial year	-	(874 864 383)
Less: approved/condoned by Council in respect of the current financial year	-	(11 728 556)
	787 683 850	192 819 928
Details of unauthorised expenditure		
Political office	-	85 648
Municipal manager's office	-	11 337 773
Financial services	257 661 832	66 629 972
Corporate services	217 077 414	-
Basic services	68 535 981	124 596 657
Agriculture, economic development planning and human settlement	724 088	28 543
Public safety and community development	50 864 607	1 869 892
	594 863 922	204 548 485
Irregular		
Opening balance	148 503 808	-
Irregular-current	161 088 336	127 658 495
Irregular - prior year	-	20 845 313
Less: approved/condoned by Council	-	-
	309 592 144	148 503 808
Fruitless & wasteful expenditure		
Opening balance	19 796 026	5 748 821
Fruitless and wasteful expenditure	58 243 259	14 047 205
Fruitless and wasteful expenditure - prior	1 639 744	-
	79 679 029	19 796 026

During the current financial year interest amounting to R58 243 259 was incurred due to late payment of accounts and R1 639 744 was incurred in the current period but relating to the previous financial year.

32. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Opening balance	12 501 442	11 079 345
Current year subscription / fee	191 375 146	149 627 142
Amount paid - current period	(176 587 898)	(137 125 700)
Amount paid - previous years	(12 501 442)	(11 079 345)
	14 787 248	12 501 442

Emfuleni Local Municipality

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Notes to the annual financial statements

	2017 R	2016 R
32. 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 at 30 June 2017:		
30 June 2017		Total R
Mahommed YJ		133 296
Ndlovu MP		88 748
Nthebe MM		63 602
Nxongo NPG		58 117
Molefe HT		49 263
Motsei LA		39 890
Moshoaluba MM & MJ		38 054
Mzongwane SL & LM		37 928
Shabalala HH		37 817
Msolo NJ		34 994
Mkhwanazi OA		31 407
Maseko BP		20 882
Mashabela MS		18 920
Mooi NJ		16 255
Tlhokwe TG		8 750
Monyembane TT		7 907
Von Bodenstein EK		7 314
Matsie-Skosana ML		3 809
Baloyi HH		2 577
Mollo DS		1 128
		700 658
30 June 2016		Total R
Mahommed YJ		121 052
Nthebe MM		63 602
Pooe NS		44 688
Mashabela MS		37 258
Mzongwane SL & LM		32 873
Maseko BP		19 958
Mooi NJ		16 255
Von Bodenstein EK		7 903
Malindi JK		4 540
Mofokeng MJ		2 050
		350 179

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
33. Electricity and water distribution losses		
Distribution losses relate to unaccounted for electricity and water losses. These losses arise mainly from illegal connections from both electricity and water networks, physical losses due to network operations and economical losses due to faulty meters. The total distribution losses are as follows:		
Electricity		
Kilowatts	319 449 836	396 624 431
Amount	262 364 150	304 409 250
Percentage	17.99%	20.11%
Water		
Kiloliters	28 940 511	33 390 840
Amount	220 549 675	227 503 649
Percentage	30.69%	34%

Emfuleni Local Municipality

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Notes to the annual financial statements

34. Contingencies

Contingent assets

A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events beyond the control of the municipality.

Contingent liability (civil matters)

Claim number	Description	Amount
1	Megazone - claim for damages	154 000 000
2	Vaal show society	80 000 000
3	Old apostolic church	5 500 651
4	Pele Selepe	5 000 000
5	L Mnyandeni - dilectual claim	3 500 000
6	Inhlavuka Consult - contractual claim	3 187 346
7	Fleet Africa	1 823 576
8	Maluleke Seriti - legal fees	1 787 495
9	Spies and Nkamane	1 762 924
10	Tsoneva Asphalt	1 500 812
11	M Phale - Defamation claim	1 000 000
12	Nurcha Finance - Contractual Claim	875 588
13	B du Preez - delictual claim	807 433
14	Devinity - Contractual Claim	724 794
15	Radius Industrial - Compensation	670 750
16	NG Kubheka - dilectual claim	651 000
17	Sesi Transport	596 480
18	PJ Scheepers - delictual claim	400 000
19	Du Preez	350 000
20	LS Hanyane - dilectual claim	300 000
21	Jooste	300 000
22	Management Design	275 410
23	P H Hamman	137 014
24	NJ Bholo	100 000
25	PJ Pienaar	100 000
26	Continental Outdoor Media (Pty) Ltd	100 000
27	J Wilczynski - Delictual Claim	70 000
28	BF Petersen - Delictual Claim	60 000
29	L Mafale - Unlawful Arrest	50 000
30	MJ Motaung	50 000
31	MZ Lesenyeho	50 000
32	MP Skosana - Delictual Claim	40 000
33	D Pather - Delictual Claim	38 475
34	EP Smith	36 934
35	FR Kruger	33 016
36	EZ Mehlala	28 849
37	MJ Makume	26 991
38	M Moeti	26 991
39	J Cilliers	23 159
40	WH Lambrecht	16 796
41	V DuPreez	14 112
42	SJ Botha	11 906
43	HM Bezuidenhout	9 311
44	PJ Kloppers	9 024
		<hr/>
		266 046 837

Contingent liabilities (insurance)

During the 2016/17 financial year, the Municipality encountered insurance claims amounting to R5 477 725

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

34. Contingencies (continued)

Contingent liability (labour)

There are a number of labour related cases that are still under conciliation, arbitration and review at labour court. Quantum and the outcomes are not yet known.

35. Related parties

Section 56 managers
Councillors

Section 56 managers

Section 56 managers (management) received compensation as set out in note 24.

No remuneration was paid to families of Section 56 managers

Members of council

Members of council received compensation as set out in note 25.

No remuneration was paid to family members of council.

All councillors and employees have disclosed their financial interests.

36. Events after the reporting date

37. Standards and interpretations issued, but only effective for financial years beginning on or after 1 April 2018

The following standards were revised and improvements were made to them, but the revisions are only effective for financial years beginning on 1 April or thereafter

GRAP 18	Recognition and derecognition of land
IGRAP 16	Liabilities to pay levies
Directive 12	The selection of an appropriate reporting framework by public entities

The municipality expects to adopt the amendments for the first time in 2018 financial statements. The adoption of these amendments is not expected to impact on the results of the municipality but may result in more disclosures than is currently provided.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
38. Employee benefit obligations		
Post retirement benefit plan		
Post-employment health care benefits		
Opening accrued liability	123 626 000	129 840 000
Current-service cost	828 000	896 000
Interest cost	11 825 000	11 481 000
Contributions (benefit paid)	(10 248 119)	(9 697 000)
Total annual expense	-	-
Actuarial loss/(gain)	(373 881)	(8 894 000)
	125 657 000	123 626 000

The projected unit credit funding method has been used to determine the past service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The valuation was performed by ZAQ Consultants and Actuaries.

The main reasons for the actuarial gain can be attributed to the following factors:

1. Changes in economic variables – We used the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine out discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed. This resulted in an overall decrease in the liability of around R 3,585,000.
2. Changes in membership and other smaller assumptions – There were various changes in the membership data between the two valuations and more members left the data set than assumed. The in-service members decreased 9.6% while the pensioners decreased by 2.7%. The net effect of these and other smaller changes in assumptions and experience was a decrease in the liability of around R 5,300,000.

Key assumptions used

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Discount rate

The nominal and real zero curves as at 30 June 2017 supplied by the JSE was used to determine the discount rates and CPI assumptions at each relevant time period.

Medical aid inflation

The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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38. Employee benefit obligations (continued)

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

On the basis of the information supplied and the actuarial assumptions used, the value of the Municipality's liability for future subsidies of medical aid contributions has been calculated as at the valuation date, and is summarised below.

Accrued liability

The accrued liability is given below and is split between the current employees and continuation members (pensioners).

Category

Current (in service) members	29 077 000	29 255 000
Continuation members (Pensioners)	96 580 000	94 371 000
	125 657 000	123 626 000

Key financial assumptions

Withdrawal from service (sample annual rates)

2016/2017

Age	Female	Male
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

2015/2016

Age	Female	Male
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

Comparison with the preceding valuation

The section below compares the figures between the valuation dates and summarises the primary reasons for the changes in the liabilities since the last valuation

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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38. Employee benefit obligations (continued)

Membership changes

Changes to current (in-service) membership as at the valuation dates:

	30-06-2017 Valuation	30-06-2016 Valuation	% Change
Number of active employees	131	113	15.9%
Proportion male	71%	69%	2.8%
Subsidy weighted average age	52.2	53.51	-2.5%
Subsidy weighted average past service	23.84	26.65	-10.5%
Average monthly subsidy	R3 520	R3 340	5.4%

Changes to continuation membership (pensioners' membership) as at the valuation dates:

	30-06-2017 Valuation	30-06-2016 Valuation	% Change
Number of principal members	257	254	1.2%
Proportion male	40%	41%	-2.1%
Subsidy weighted average age	74.64	74.89	-0.3%
Average monthly subsidy	R3 250	R3 180	2.2%

The projections assume that the municipality's health care arrangements and subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members. There are no past service costs, curtailments or settlements to reflect.

Valuation of assets

As at the valuation date, the medical aid liability of the municipality was unfunded, i.e no dedicated assets have been set aside to meet the liability. The municipality therefore did not consider any assets as part of valuation.

Long service awards

The projected unit credit method has been used in the actuarial valuation of the liabilities. The valuation was performed by ZAQ Consultants and Actuaries.

Opening accrued liability	85 211 000	76 066 000
Current service costs	6 805 000	5 787 000
Interest costs	7 805 000	6 483 000
Benefit vestings	(5 850 000)	(4 167 305)
Actuarial loss(gain)	(9 867 000)	1 042 305
	84 104 000	85 211 000

The main reasons for the actuarial gain can be attributed to the following factors:

Changes in economic variables

1. Changes in economic variables – In this year's valuation the nominal and real zero curves as at 30 June 2017 supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed. This resulted in a decrease in liability of around R 4 000 000.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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38. Employee benefit obligations (continued)

2. Membership data changes – Over the past financial year, there were various membership changes in the data. This, along with some other smaller changes, resulted in an overall decrease in liability of around R 5 867 000.

Financial variables

The following values for these variables were assumed:

Financial variable		
Discount rate	9.13%	9.02%
CPI(Consumer price inflation)	6.61%	7.26%
Normal salary increase rate	7.61%	8.26%
net effective discount rate	1.41%	0.70%

Discount rate

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

To obtain the applicable discount rate, the implied duration of the liability to obtain an appropriate interest rate on the yield curve was used. The nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine the discounted rates and CPI assumptions was used.

Normal salary inflation rate

The underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) were derived. Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2017 of 7.36%.

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables.

Key demographic assumptions 2017

Withdrawal decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal rate (males)	Withdrawal rate (Females)
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
38. Employee benefit obligations (continued)		
20-24	16%	24%
25-29	12%	18%
30-34	10%	15%
35-39	8%	10%
40-44	6%	5%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Full details are included in the actuarial valuation report at the municipality.

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the municipality in the form of benefits will reduce and vice versa.

The effect of higher and lower withdrawal rates are illustrated by increasing and decreasing the withdrawal rate by 20%. The effect is as follows:

	-0.20% withdrawal rate	Valuation assumption	+0.20 withdrawal rate
Total accrued liability	87 904 000	84 104 000	80 662 000
Current service cost	6 541 000	6 104 000	5 718 000
Interest cost	8 054 000	7 687 000	7 355 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a. change in normal salary inflation was tested and the effect is as follows:

	-1% Normal salary inflation	Valuation assumption	+1 Normal salary inflation
Total accrued liability	78 574 000	84 104 000	90 239 000
Current service cost	5 611 000	6 104 000	6 661 000
Interest cost	7 160 000	7 687 000	8 272 000

Changes in the value obligation:

	Current valuation date 30-06-2017	1 year following the valuation date	2 years following the valuation date	3 years following the valuation date
PV of the obligation as at the previous valuation date	85 211 000	84 104 000	92 248 000	101 021 868
Current service cost	6 805 000	6 104 000	6 416 810	6 770 532
Interest cost	7 805 000	7 687 000	8 434 058	9 229 775

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

			2017 R	2016 R
38. Employee benefit obligations (continued)				
Benefits paid	(5 850 000)	(5 647 000)	(6 077 000)	(6 540 000)
Actuarial loss/ (gain)	(9 867 000)	-	-	-
	84 104 000	92 248 000	101 021 868	110 482 175

Amounts recognised in statement of financial position and statement of financial performance

	Current valuation date 30-06-2017	1 year following the valuation date	2 years following the valuation date	3 years following the valuation date
Liability recognised in statement of financial position	84 104 000	92 248 000	101 021 868	110 482 176
Current service cost in statement of financial performance	6 805 000	6 104 000	6 416 810	6 770 532
Interest cost in statement of financial performance	7 805 000	7 687 000	8 434 058	9 229 775
Actuarial loss/(gain) in OCI	(9 867 000)	-	-	-

Long service awards:

The awarded leave days were converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Long service awards for levels of past service

Completed years of service

Completed years of service	Total long service benefit award(% of annual salary)	Formula used to calculate long service benefit award
10	4%	$(10/250) \times \text{annual salary}$
15	8%	$(20/250) \times \text{annual salary}$
20 and every 5 years after	12%	$(30/250) \times \text{annual salary}$

Monetary gifts for levels of past service

Completed years of service	Rand amount
20	8 110
25	8 110
30	11 363
35	14 126
40 and every five years after	19 649

Specifics:

- In the month that each "completed service" milestone is reached, the employee is granted long service award;
- Working days awarded are valued at 1/250th of annual salary per day;
- These monetary amounts increase at CPI + 1% each year; and

The amounts stated in the previous report have been inflated by 7.36% in order to obtain the current levels.

Retirement gifts per level of service of retirement

Completed years of service	Rand amount
15	1 33

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
38. Employee benefit obligations (continued)		
20		3 931
25		5 682
30		11 363
35 and every five years after		19 649

The above monetary amounts increase at CPI+ 1% each year, and the amounts stated in the previous report have been inflated by 7.36% in order to obtain the current levels.

Valuation of assets

At the valuation date the long service leave award liability of the municipality was unfunded, i.e no dedicated assets have been set aside to meet this liability. The municipality therefore did not value any assets as part of this valuation

39. 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 third quarter financial statements.

The above services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Description

Deviations	<u>69 627 430</u>	<u>42 041 412</u>
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

2017	2016
R	R

40. Budget differences

Material differences between budget and actual amounts

(a) Finance income

The revenue includes interest on debtors which were high due to the high debtors book.

(b) Trade and other licenses

There were more trade licences purchased than the previous financial year. This is driven by demand.

(c) Actuarial gain

Actuarial gains and losses cannot be determined at the time of budgeting thus the variance.

(d) Depreciation and amortisation

This is due to the increase in assets leading to higher depreciation charges.

(e) Imputed interest

The interest calculated on creditors was less than the previous financial year.

(f) Loss on disposal of assets

This is uncontrollable. Council made a loss on the sale of assets for the year.

(g) General expenses

Indigent support expenditure was exceeded. Assumed indigent support is assumed to be 30kl which increased the subsidy costs and exceeded budget.

(h) Fair value adjustment

This is uncontrollable. The value of assets were assessed at higher value..

Emfuleni Local Municipality

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Notes to the annual financial statements

2017	2016
R	R

40. Budget differences (continued)

(i) Cash and cash equivalents

This includes call deposits on grants which were not fully spent at year end. It was anticipated that all will be spent at the time of budgeting.

(j) Other receivables from non-exchange transactions

Receivables are less than budgeted due to the provision for bad / doubtful debts. Please refer to the relevant note for the movement thereof and the movement in the provision for bad debts.

(k) Value added tax receivable

The value added tax receivable / payable is not known at the time of budgeting.

(l) Sanlam shares

Provision was not made for the Sanlam investment in the budgeted Statement of Financial Position.

(m) Trade and other payables from exchange transactions

More expenditure was incurred which was accrued at year-end due to cash flow constraints. The liability was anticipated to be less at the time of budgeting.

(n) Unspent conditional grants and receipts

It was planned that all conditional grants would be spent by the end of the financial year which did not realise.

(o) Borrowings

It was anticipated that the short-term borrowings would decrease from the 2014/2015 financial year after payments are made in the 2015/2016 financial year.

(p) Provisions

Short-term provisions increased. The budget amount is based on the performance as at mid-term.

(q) Bank overdraft

It was anticipated that the bank overdraft would be settled at year-end as required by law.

(r) Consumer deposits

Less consumer deposits were provided for in the budgeted statement of position.

(s) Employee benefit obligations

The budgeted provisions amount includes employee benefit obligations below which when factored in results in a variance of -4% which is not material

(t) Donations

This is due to developer-created assets which were donated to the municipality.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017 R	2016 R
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41. Risk management

Capital risk management

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents, and equity.

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

Financial risk management

The municipality's activities expose it to a variety of financial risks, credit risk and liquidity risk.

Risk management is carried out under policies approved by the accounting officer. 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 and investment of excess liquidity.

Credit risk

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large of rate payers, dispersed across different industries and geographical areas. Consumer debtors are presented net of provision impairment. In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by levying of penalty charges, demand for payment and as a last resort handed over for collection, whichever procedure is applicable in terms of Council's credit control and debt collection policy.

Trade and other receivables from non exchange transactions	235 412 664	243 033 604
Trade and trade receivables from exchange transactions	310 425 026	241 751 301
Short term investment deposits	63 433 178	95 890 597
Cash and cash equivalents	66 839 955	125 928 879
	676 110 823	706 604 381

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the municipality maintains flexibility in funding by maintaining availability under committed credit lines.

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

Management plans to maintain adequate cash flows by alternative means such:

- disposal of assets
- Investigating other revenue enhancement possibilities and
- improving debt collection

to ensure that funds will be available to finance future operations and that realisation of assets and settlements of liabilities, contingents and commitments will occur in the ordinary course of business.

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

During the period under review the municipality made a loss of R 768,870,050. Although the current liabilities of the current year exceed the current assets with R 1, 351,421,846 (2016: 698,460,333) the municipality had an accumulated surplus of R 9,446,393,496. The total assets exceed total liabilities with R 9,493,385,974.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

	2017	2016
	R	R

42. Going concern (continued)

In assessing whether the the going concern basis is appropriate, management considered a wide range of factors surrounding current and expected performance, expected short and medium term economic environment in which the municipality operates, potential estimates of revenue, the power to levy rates and taxes and the fact that there are various multi-year funding arrangements in place that will ensure the continued operation of the municipality.

The municipality has adopted the four(4) pillars turnaround strategy in addressing going concern issues experienced by the municipality. These pillars are: a) Improve collection, b) Reduce distribution losses, c) Saving on expenditure and d) Credible indigent register.

Provincial Treasury has established the Emfuleni Support Team(EST) in collaboration with Sedibeng District Municipality(SDM) and Emfuleni Local Municipality to address amongst others cash flow and service delivery challenges.

43. Awards to close family member of an official/councillor

Employee name	Capacity	Amount (R)
SI Du Toit	Storeman	665 454
N Radebe	Senior clerk	210 459
PM Thusi	Adim clerk	29 423
Nkosingiphile Radebe	Senior Clerk	466 749
		<u>1 372 085</u>

44. Commitments

Council had the following Commitments as at 30 June 2017

Capital Expenditure

- Approved and contracted for Property, Plant & Equipment 569 109 437

Operational Expenditure

- Approved & Contracted 92 070 000

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

45. Public private partnerships

Background

On the 2nd of December 2013, the municipality entered into an agreement with Beijing Fuxing Xiaocheng Electronic Tecnology Stoc Co. Ltd. (FXXC) for the supply and installation of 66 000 electricity single phase meters, 5 100 three phase meters and 83 123 water meters. The cost per meter and financial benefit to be derived from the installation of these meters are uncertain and is dependent on:

- Increasing user payment collections; and
- Reducing the bulk purchase costs incurred by the municipality for both water and electricity, where this performance must have a positive impact on the benchmarked operating losses incurred by the municipality for both water and electricity operating cycles.

Even though the installed items will take on the inherent attributes of an asset, the control and risk associated with the meters vest with the supplier for the duration of the contract, while the mandated responsibility of water and electricity supply cannot be ceded to the third party.

46. Operating lease

Operating leases - municipality as a lessor - property

Within one year	109 170	352 084
In second to fifth year inclusive	39 268	148 438
	148 438	500 522

Operating leases - municipality as a lessee - fleet

Within one year	15 223 077	25 986 200
In second to fifth year inclusive	-	15 405 187
	15 223 077	41 391 387

Operating leases - municipality as a lessee - property

Within one year	7 535 072	7 535 072
In second to fifth year inclusive	31 998 665	39 533 737
	39 533 737	47 068 809

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the annual financial statements

46. Operating lease (continued)

Operating leases - municipality as a lessee - office equipment

Within one year	42 853	97 253
In second to fifth year inclusive	-	1 077
	<u>42 853</u>	<u>98 330</u>

Operating leases - Municipality as Lessor - Property

These leases are in respect of municipal property that is leased to third parties. These leases are payable by lessees, either monthly or annually. Leases escalate at annual fixed rates that vary between 0% and 8.5%

No contingent rent was recognised as revenue because rentals increases are escalated at a fixed percentage. Increases are not based on indices that result in a fluctuating interest rate.

Operating leases - Municipality as lessee - Property

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

Operating Leases - Municipality as lessee - Fleet

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

Operating leases - Municipality as lessee - Office equipment

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

47. Self - insurance reserve

Opening balance	24 220 470	25 578 843
Expenditure	(22 080 918)	(1 358 373)
	<u>2 139 552</u>	<u>24 220 470</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

**Emfuleni Local Municipality
Appendix A**

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at Thursday, 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Friday, 30 June 2017 Rand
Development Bank of South Africa					
DBSA Loan (15.74%)	13554/101 30.09.2020	15 969 353	-	964 285	15 005 068
DBSA Loan at 3 months reset	13959/101 31.03.2017	3 858 435	-	964 609	2 893 826
		19 827 788	-	1 928 894	17 898 894
Lease liability					
Fire and emergency	28.02.2016	537 798	-	400 488	137 310
		537 798	-	400 488	137 310
Total external loans					
Development Bank of South Africa		19 827 788	-	1 928 894	17 898 894
Lease liability		537 798	-	400 488	137 310
		20 365 586	-	2 329 382	18 036 204

**Emfuleni Local Municipality
Appendix B**

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	Donated and newly identified assets	AUC transfers	Fair value adjustments / Provision	Disposals/De-recognition	Closing Balance	Opening Balance	Derecognition /Transfer	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Building Property													
Dwellings	516 408 823	-	-	116 097 092	50 925	(5 050 000)	627 506 840	(178 071 725)	1 766 035	(28 003 747)	-	(204 309 437)	423 197 403
Operational buildings	30 104 767	-	-	(9 513)	-	(144 598)	29 950 656	(4 124 594)	64 892	(570 088)	-	(4 629 790)	25 320 866
	546 513 590	-	-	116 087 579	50 925	(5 194 598)	657 457 496	(182 196 319)	1 830 927	(28 573 835)	-	(208 939 227)	448 518 269
Infrastructure													
Electricity	2 229 768 049	4 640 112	-	4 843 983	-	(1 227 274)	2 238 024 870	(481 173 917)	341 300	(74 029 050)	-	(554 861 667)	1 683 163 203
Roads and Stormwater	6 859 737 864	4 159 172	17 437 967	-	-	(17 353 206)	6 863 981 797	(1 582 891 359)	10 491 719	(219 549 089)	(315 694)	(1 792 264 423)	5 071 717 374
Sanitation	1 284 044 636	8 439 270	4 426 557	(64 736)	-	(1 440 311)	1 295 405 416	(368 379 480)	759 377	(46 994 114)	-	(414 614 217)	880 791 199
Solid waste disposal	102 200 870	-	-	-	73 204 652	-	175 405 522	(40 520 548)	-	(33 428 966)	-	(73 949 514)	101 456 008
Water	894 702 048	10 107 939	2 301 837	19 942	-	(11 523)	907 120 243	(196 339 676)	4 203	(24 146 406)	-	(220 481 879)	686 638 364
	11 370 453 467	27 346 493	24 166 361	4 799 189	73 204 652	(20 032 314)	11 479 937 848	(2 669 304 980)	11 596 599	(398 147 625)	(315 694)	(3 056 171 700)	8 423 766 148
Community Assets													
Community facilities	472 014 438	-	4 304 595	-	-	(12 776)	476 306 257	(27 749 907)	11 359	(6 311 921)	(2 973 050)	(37 023 519)	439 282 738
Sports and recreation	200 592 215	-	-	-	-	(1 708 166)	198 884 049	(59 347 313)	1 518 630	(8 779 885)	(378 000)	(66 986 568)	131 897 481
	672 606 653	-	4 304 595	-	-	(1 720 942)	675 190 306	(87 097 220)	1 529 989	(15 091 806)	(3 351 050)	(104 010 087)	571 180 219

**Emfuleni Local Municipality
Appendix B**

**Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation Accumulated depreciation**

	Opening Balance	Additions	Donated and newly identified assets	AUC transfers	Fair value adjustments / Provision	Disposals/Derogation	Closing Balance	Opening Balance	Derecognition /Transfer	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets													
Heritage asset	90 316	-	-	-	-	-	90 316	-	-	-	-	-	90 316
	90 316	-	-	-	-	-	90 316	-	-	-	-	-	90 316
Other assets													
Machinery and equipment	66 554 749	321 614	-	5 396 510	704 177	(62 965)	72 914 085	(45 055 886)	(3 475 163)	(2 873 873)	(42 254)	(51 447 176)	21 466 909
Furniture and office equipment	34 779 892	382 628	-	847 771	523 344	(26 667)	36 506 968	(22 507 439)	(841 546)	(1 966 694)	(18 001)	(25 333 680)	11 173 288
Computer Equipment	15 769 427	1 420 958	-	219 216	204 241	(413 701)	17 200 141	(10 854 388)	136 241	(1 229 455)	(7 797)	(11 955 399)	5 244 742
Transport asset	159 343 856	-	-	9 104 847	52 275	(6 868 921)	161 632 057	(109 875 504)	(2 312 462)	(7 996 995)	(56 066)	(120 241 027)	41 391 030
Finance leased assets	19 166 764	-	-	(14 756 256)	-	(2 280 399)	2 130 109	(13 488 944)	13 021 587	(864 478)	-	(1 331 835)	798 274
Library boks	37 911 942	-	-	503 969	-	(16 745)	38 399 166	(26 987 362)	-	(814 140)	(195 550)	(27 997 052)	10 402 114
	333 526 630	2 125 200	-	1 316 057	1 484 037	(9 669 398)	328 782 526	(228 769 523)	6 528 657	(15 745 635)	(319 668)	(238 306 169)	90 476 357
Total property plant and equipment	12 923 190 656	29 471 693	28 470 956	122 202 825	74 739 614	(36 617 252)	13 141 458 492	(3 167 368 042)	21 486 172	(457 558 901)	(3 986 412)	(3 607 427 183)	9 534 031 309
Assets under construction													
Assets under construction	442 411 063	256 491 505	-	(5 389 913)	-	-	693 512 655	-	-	-	-	-	693 512 655
	442 411 063	256 491 505	-	(5 389 913)	-	-	693 512 655	-	-	-	-	-	693 512 655
Intangible assets													
Servitudes	13 849 516	-	-	-	-	-	13 849 516	-	-	-	-	-	13 849 516
Computer software	29 407 218	2 031 326	-	(715 819)	-	-	30 722 725	(23 306 555)	620 444	(2 331 057)	-	(25 017 168)	5 705 557
	43 256 734	2 031 326	-	(715 819)	-	-	44 572 241	(23 306 555)	620 444	(2 331 057)	-	(25 017 168)	19 555 073
Investment property	1 405 108 508	-	-	(116 097 092)	139 234 862	(5 602 370)	1 422 643 908	-	-	-	-	-	1 422 643 908
	1 405 108 508	-	-	(116 097 092)	139 234 862	(5 602 370)	1 422 643 908	-	-	-	-	-	1 422 643 908
Total													
Building Property	546 513 590	-	-	116 087 579	50 925	(5 194 598)	657 457 496	(182 196 319)	1 830 927	(28 573 835)	-	(208 939 227)	448 518 269
Infrastructure	11 370 453 467	27 346 493	24 166 361	4 799 189	73 204 652	(20 032 314)	11 479 937 848	(2 669 304 980)	11 596 599	(398 147 625)	(315 694)	(3 056 171 700)	8 423 766 148
Community Assets	672 606 653	-	4 304 595	-	-	(1 720 942)	675 190 306	(87 097 220)	1 529 989	(15 091 806)	(3 351 050)	(104 010 087)	571 180 219
Heritage assets	90 316	-	-	-	-	-	90 316	-	-	-	-	-	90 316
Other assets	333 526 630	2 125 200	-	1 316 057	1 484 037	(9 669 398)	328 782 526	(228 769 523)	6 528 657	(15 745 635)	(319 668)	(238 306 169)	90 476 357
Assets under construction	442 411 063	256 491 505	-	(5 389 913)	-	-	693 512 655	-	-	-	-	-	693 512 655
Intangible assets	43 256 734	2 031 326	-	(715 819)	-	-	44 572 241	(23 306 555)	620 444	(2 331 057)	-	(25 017 168)	19 555 073
	1 405 108 508	-	-	(116 097 092)	139 234 862	(5 602 370)	1 422 643 908	-	-	-	-	-	1 422 643 908
	14 813 966 961	287 994 524	28 470 956	1	213 974 476	(42 219 622)	15 302 187 296	(3 190 674 597)	22 106 616	(459 889 958)	(3 986 412)	(3 632 444 351)	11 669 742 945

**Emfuleni Local Municipality
Appendix B**

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

Opening Balance	Additions	Donated and newly identified assets	AUC transfers	Fair value adjustments / Provision	Disposals/De-recognition	Closing Balance	Opening Balance	Derecognition /Transfer	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand