ANNEXURE B

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

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	City
Legislation governing the entity's operations	Municipal Finance Management Act (Act No. 56 of 2003)
Mayoral Committee	
Executive Mayor	Clr M Masina
Speaker	Clr P Khumalo
Chief Whip	Chief Whip: Clr J Dlabathi
Members of Mayoral Committee	MMC: Finance and Economic Development: Clr D Xhakaza MMC: Community Services: Clr D Mlambo MMC: Human Settlement: Clr L Mpya MMC: Environmental and Waste Management Services: Clr N Shongwe MMC: City Planning: Clr M Madihlaba MMC: Corporate and Shared Services: Clr K Mabaso MMC: Water, Sanitation and Energy: Clr T Nketle MMC: Community Safety: Clr V Chauke MMC: Infrastructure Services: Clr R Mashego MMC: Transport Planning: Clr P Mabunda
Grading of local authority	The City is a category A grade 6 local authority in teams of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers act, 1998.
City Manager	Dr. I Mashazi 011 999 0760 imogen.mashazi@ekurhuleni.gov.za
Group Chief Financial Officer (GCFO)	Ms.G Malaza 011 999 6511 gugu.malaza@ekurhuleni.gov.za
Registered office	Corner of Rose and Cross Streets Germiston 1400
Business address	Corner of Rose and Cross Streets Germiston 1400
Postal address	Private Bag X69 Germiston 1400
Bankers	Nedbank
Auditors	Auditor-General of South Africa

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

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Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

Accounting Officer
Dr. I Mashazi

Group Chief Financial Officer
Ms. G Malaza

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2018	2017 Restated	2018	2017 Restated
Assets					
Non-Current Assets					
Investment property	3	681,612,562	566,254,200	486,143,335	434,632,172
Property, plant and equipment	4	54,332,051,059	50,759,107,257	52,213,641,428	48,792,657,648
Intangible assets	5	826,738,982	550,589,783	820,119,987	543,771,579
Heritage assets	6	76,223,837	76,223,837	76,223,837	76,223,837
Investments in controlled entities	7	-	-	106	106
Other investments	8	1,625,681,259	1,454,100,491	1,625,681,259	1,454,100,491
Deferred tax	53	-	3,146,956	-	-
Long term receivables	9	6,757,615	6,765,032	3,317,824	3,124,380
		57,549,065,314	**53,416,187,556**	**55,225,127,776**	**51,304,510,213**
Current Assets					
Inventories	10	1,021,415,954	532,294,496	1,021,377,614	532,294,496
Other investments	8	555,526,155	125,036,131	547,105,419	116,916,646
Receivables from exchange transactions	11	1,303,126,832	870,667,552	1,196,315,248	877,665,263
Receivables from non-exchange transactions	12	63,113,225	50,667,417	62,252,027	50,667,417
Consumer debtors	13	5,486,430,787	4,703,601,650	5,486,430,787	4,703,601,650
Cash and cash equivalents	14	3,658,286,230	6,000,822,434	3,527,793,794	5,809,953,546
		12,087,899,183	**12,283,089,680**	**11,841,274,889**	**12,091,099,018**
Non-Current Assets		57,549,065,314	53,416,187,556	55,225,127,776	51,304,510,213
Current Assets		12,087,899,183	12,283,089,680	11,841,274,889	12,091,099,018
Total Assets		**69,636,964,497**	**65,699,277,236**	**67,066,402,665**	**63,395,609,231**
Liabilities					
Non-Current Liabilities					
Long term liabilities	15	5,994,949,603	5,219,101,999	5,497,508,615	4,669,348,050
Finance lease obligation	54	119,466	358,398	-	-
Retirement benefit obligation	16	1,985,201,581	2,236,655,063	1,954,081,581	2,202,485,063
Deferred tax	53	47,823,806	32,613,665	-	-
Provisions	17	846,307,294	765,759,792	846,307,294	765,759,792
		8,874,401,750	**8,254,488,917**	**8,297,897,490**	**7,637,592,905**
Current Liabilities					
Long term liabilities	15	558,973,828	457,960,854	502,569,199	402,710,089
Current tax payable		36,968,047	19,019,772	-	-
Finance lease obligation	54	238,932	238,932	-	-
Trade and other-payables from exchange transactions	18	7,318,320,692	6,371,517,903	7,190,707,510	6,375,274,190
Deposits	19	866,331,112	806,762,579	866,331,112	806,762,579
Unspent conditional grants and receipts	20	597,883,358	126,092,252	577,020,651	113,408,897
Provisions	17	618,407,213	514,987,995	593,887,616	477,371,489
		9,997,123,182	**8,296,580,287**	**9,730,516,088**	**8,175,527,244**
Non-Current Liabilities		8,874,401,750	8,254,488,917	8,297,897,490	7,637,592,905
Current Liabilities		9,997,123,182	8,296,580,287	9,730,516,088	8,175,527,244
Total Liabilities		**18,871,524,932**	**16,551,069,204**	**18,028,413,578**	**15,813,120,149**
Assets		69,636,964,497	65,699,277,236	67,066,402,665	63,395,609,231
Liabilities		(18,871,524,932)	(16,551,069,204)	(18,028,413,578)	(15,813,120,149)
Net Assets		**50,765,439,565**	**49,148,208,032**	**49,037,989,087**	**47,582,489,082**

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2018	2017 Restated*	2018	2017 Restated*
Net Assets Attributable to Owners of Controlling Entity					
Accumulated surplus		50,717,241,689	49,103,111,252	49,037,989,087	47,582,489,082
		50,717,241,689	49,103,111,252	49,037,989,087	47,582,489,082
Non-controlling interest		48,197,876	45,096,780	-	-
Total Net Assets		**50,765,439,565**	**49,148,208,032**	**49,037,989,087**	**47,582,489,082**

* See Note 43

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017 Restated	2018	2017 Restated
Revenue					
Property rates	23	5,200,065,020	3,989,125,402	5,200,065,020	3,990,436,802
Property rates - penalties and collection charges		57,700,398	51,859,928	57,700,398	51,859,928
Service charges	24	18,908,373,038	18,690,444,703	18,930,199,029	18,746,400,361
Rendering of services		9,499,532	9,158,743	-	-
Rental of facilities and equipment	25	108,597,141	95,744,062	73,356,530	67,521,340
Interest earned - outstanding debtors		279,018,363	304,694,051	279,018,363	304,694,051
Licences and permits		54,880,804	50,248,868	54,880,804	50,248,868
Income from agency services		293,244,137	282,273,625	293,198,719	282,218,826
Fines		334,253,645	282,428,172	334,253,645	282,428,172
Government grants & subsidies	26	7,274,925,428	6,867,924,510	7,262,341,924	6,836,096,411
Public contributions and donations		590,501,134	122,740,802	590,501,134	122,740,802
Interest revenue	27	624,636,127	656,256,288	613,811,427	637,392,535
Other income	28	341,619,348	165,138,907	331,051,726	158,947,731
Dividends received		65,985	554,648	-	-
Total revenue		**34,077,380,100**	**31,568,592,709**	**34,020,378,719**	**31,530,985,827**
Expenditure					
Employee related costs	29	(7,551,383,975)	(6,472,178,107)	(7,233,916,439)	(6,172,418,344)
Remuneration of councillors	30	(132,699,899)	(119,944,483)	(132,699,899)	(119,944,483)
Depreciation and amortisation	31	(2,306,770,482)	(1,946,035,016)	(2,234,123,551)	(1,885,512,196)
Impairment and derecognition loss	32	(104,607,616)	(151,252,949)	(171,692,345)	(229,772,516)
Finance costs	33	(985,916,529)	(973,653,187)	(921,399,008)	(901,847,024)
Debt impairment	34	(1,471,428,957)	(2,617,778,757)	(1,464,826,053)	(2,609,578,888)
Collection costs		(197,291,621)	(141,353,097)	(197,291,621)	(141,193,723)
Bulk purchases	35	(12,299,229,218)	(11,896,226,059)	(12,942,284,399)	(12,402,510,939)
Contracted services	37	(1,345,754,998)	(1,051,474,788)	(1,345,754,998)	(1,061,353,750)
Grants and subsidies paid	38	(1,576,754,420)	(1,047,905,651)	(1,726,401,174)	(1,206,629,927)
General expenses	39	(4,443,538,646)	(3,781,002,861)	(4,190,966,104)	(3,628,339,635)
Total expenditure		**(32,415,376,361)**	**(30,198,804,955)**	**(32,561,355,591)**	**(30,359,101,425)**
		-	-	-	-
Total revenue		34,077,380,100	31,568,592,709	34,020,378,719	31,530,985,827
Total expenditure		(32,415,376,361)	(30,198,804,955)	(32,561,355,591)	(30,359,101,425)
Operating surplus		**1,662,003,739**	**1,369,787,754**	**1,459,023,128**	**1,171,884,402**
(Loss)/profit on disposal of capital assets		(4,329,576)	6,982,492	(3,523,123)	7,951,480
Operating surplus		1,662,003,739	1,369,787,754	1,459,023,128	1,171,884,402
		(4,329,576)	6,982,492	(3,523,123)	7,951,480
Surplus before taxation		**1,657,674,163**	**1,376,770,246**	**1,455,500,005**	**1,179,835,882**
Taxation		41,437,794	75,254,371	-	-
Operating surplus/deficit		(4,329,576)	6,982,492	(3,523,123)	7,951,480
Surplus before taxation		1,657,674,163	1,376,770,246	1,455,500,005	1,179,835,882
Taxation		41,437,794	75,254,371	-	-
Surplus for the year		**1,616,236,369**	**1,301,515,875**	**1,455,500,005**	**1,179,835,882**
Attributable to:					
Owners of the controlling entity		1,612,041,144	1,296,911,387	1,455,500,005	1,179,835,882
Non-controlling interest		4,195,225	4,604,488	-	-
		1,616,236,369	**1,301,515,875**	**1,455,500,005**	**1,179,835,882**

* See Note 43

City of Ekurhuleni

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Non-controlling interest	Total net assets
Economic entity				
Opening balance as previously reported	47,728,930,130	47,728,930,130	40,381,822	47,769,311,952
Adjustments				
Correction of errors	77,269,735	77,269,735	110,470	77,380,205
Balance at 01 July 2016 as restated*	**47,806,199,865**	**47,806,199,865**	**40,492,292**	**47,846,692,157**
Changes in net assets				
Surplus for the year	1,296,911,387	1,296,911,387	4,604,488	1,301,515,875
Total changes	1,296,911,387	1,296,911,387	4,604,488	1,301,515,875
Opening balance as previously reported	49,103,111,252	49,103,111,252	45,906,780	49,149,018,032
Adjustments				
Correction of errors	2,089,293	2,089,293	(1,904,129)	185,164
Restated* Balance at 01 July 2017 as restated*	**49,105,200,545**	**49,105,200,545**	**44,002,651**	**49,149,203,196**
Changes in net assets				
Surplus for the year	1,612,041,144	1,612,041,144	4,195,225	1,616,236,369
Total changes	1,612,041,144	1,612,041,144	4,195,225	1,616,236,369
Balance at 30 June 2018	**50,717,241,689**	**50,717,241,689**	**48,197,876**	**50,765,439,565**
Note(s)				
Controlling entity				
Opening balance as previously reported	46,322,970,366	46,322,970,366	-	46,322,970,366
Adjustments				
Correction of errors	79,682,834	79,682,834	-	79,682,834
Balance at 01 July 2016 as restated*	**46,402,653,200**	**46,402,653,200**	**-**	**46,402,653,200**
Changes in net assets				
Surplus for the year	1,179,835,882	1,179,835,882	-	1,179,835,882
Total changes	1,179,835,882	1,179,835,882	-	1,179,835,882
Restated* Balance at 01 July 2017	**47,582,489,082**	**47,582,489,082**	**-**	**47,582,489,082**
Changes in net assets				
Surplus for the year	1,455,500,005	1,455,500,005	-	1,455,500,005
Total changes	1,455,500,005	1,455,500,005	-	1,455,500,005
Balance at 30 June 2018	**49,037,989,087**	**49,037,989,087**	**-**	**49,037,989,087**
Note(s)				

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*
Cash flows from operating activities					
Receipts					
Property rates		4,878,057,692	3,703,937,688	4,878,057,692	3,705,249,088
Income from rendering of services		17,351,018,088	17,307,596,108	17,341,269,928	17,371,751,635
Grants - operational		5,732,817,438	4,753,666,666	5,724,671,011	4,727,762,787
Grants - capital		2,001,282,667	1,794,427,100	2,001,282,667	1,788,456,632
Interest income		619,175,098	554,435,825	609,502,980	536,303,137
Dividends received		65,985	554,648	-	-
Other receipts		1,115,220,054	827,316,262	1,074,282,275	758,660,658
		31,697,637,022	28,941,934,297	31,629,066,553	28,888,183,937
Payments					
Employee costs		(8,276,787,838)	(7,129,028,875)	(7,941,216,322)	(6,844,593,556)
Suppliers		(17,842,071,664)	(16,809,145,575)	(18,326,603,173)	(17,173,514,938)
Finance costs		(719,975,927)	(618,440,483)	(658,619,156)	(554,861,393)
Other payments		(1,651,038,599)	(1,123,962,775)	(1,736,672,205)	(1,239,994,731)
Taxes on surpluses		(23,618,313)	6,147,760	-	-
		(28,513,492,341)	(25,674,429,948)	(28,663,110,856)	(25,812,964,618)
Total receipts		31,697,637,022	28,941,934,297	31,629,066,553	28,888,183,937
Total payments		(28,513,492,341)	(25,674,429,948)	(28,663,110,856)	(25,812,964,618)
Net cash flows from operating activities	40	**3,184,144,681**	**3,267,504,349**	**2,965,955,697**	**3,075,219,319**
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE)	4	(5,483,406,498)	(4,668,905,052)	(5,257,397,432)	(4,372,471,600)
Proceeds from the sale of property, plant and equipment	4	372	-	-	-
Purchase of investment property	3	(41,610,763)	(39,368,839)	(40,779,611)	(31,039,119)
Purchase of intangible assets	5	(336,633,909)	(304,174,230)	(335,563,630)	(299,838,451)
Increase in investments		(601,769,541)	(226,682,007)	(601,769,541)	(227,076,457)
Net movements in long-term receivables not due to cash movements		(193,444)	53,553	(193,444)	-
Net cash flows from investing activities		**(6,463,613,783)**	**(5,239,076,575)**	**(6,235,703,658)**	**(4,930,425,627)**
Cash flows from financing activities					
Long-term liabilities raised		1,300,000,000	-	1,300,000,000	-
Repayment of long term liabilities		(423,139,422)	(391,311,818)	(371,980,325)	(363,604,563)
Net movement in consumer deposits		60,311,252	56,995,259	59,568,534	56,178,182
Finance lease raised/(payments)		(238,932)	(350,540)	-	-
Net cash flows from financing activities		**936,932,898**	**(334,667,099)**	**987,588,209**	**(307,426,381)**
Net (decrease) / increase in cash and cash equivalents		**(2,342,536,204)**	**(2,306,239,325)**	**(2,282,159,752)**	**(2,162,632,689)**
Cash and cash equivalents at the beginning of the year		6,000,822,434	8,307,061,759	5,809,953,546	7,972,586,235
Cash and cash equivalents at the end of the year	14	**3,658,286,230**	**6,000,822,434**	**3,527,793,794**	**5,809,953,546**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	19,716,759,331	99,900,312	**19,816,659,643**	18,908,373,038	**(908,286,605)**	
Rendering of services	-	-	**-**	9,499,532	**9,499,532**	
Rental of facilities and equipment	118,429,131	-	**118,429,131**	108,597,141	**(9,831,990)**	
Interest received (trading)	468,786,326	-	**468,786,326**	279,018,363	**(189,767,963)**	
Agency services	319,310,291	-	**319,310,291**	293,244,137	**(26,066,154)**	
Licences and permits	75,045,588	-	**75,045,588**	54,880,804	**(20,164,784)**	
Other income - (rollup)	103,127,928	-	**103,127,928**	341,619,348	**238,491,420**	
Interest received - investment	391,476,000	-	**391,476,000**	624,636,127	**233,160,127**	
Dividends received	-	-	**-**	65,985	**65,985**	
Total revenue from exchange transactions	**21,192,934,595**	**99,900,312**	**21,292,834,907**	**20,619,934,475**	**(672,900,432)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	5,063,604,172	144,640,468	**5,208,244,640**	5,200,065,020	**(8,179,620)**	
Property rates - penalties imposed	102,233,580	(46,692,607)	**55,540,973**	57,700,398	**2,159,425**	
Transfer revenue						
Government grants & subsidies	7,717,718,515	169,840,787	**7,887,559,302**	7,274,925,428	**(612,633,874)**	
Public contributions and donations	3,000	-	**3,000**	590,501,134	**590,498,134**	
Fines, Penalties and Forfeits	304,373,796	(25,000,000)	**279,373,796**	334,253,645	**54,879,849**	
Total revenue from non-exchange transactions	**13,187,933,063**	**242,788,648**	**13,430,721,711**	**13,457,445,625**	**26,723,914**	
'Total revenue from exchange transactions'	21,192,934,595	99,900,312	**21,292,834,907**	20,619,934,475	**(672,900,432)**	
'Total revenue from non-exchange transactions'	13,187,933,063	242,788,648	**13,430,721,711**	13,457,445,625	**26,723,914**	
Total revenue	**34,380,867,658**	**342,688,960**	**34,723,556,618**	**34,077,380,100**	**(646,176,518)**	
Expenditure						
Personnel	(8,000,928,658)	220,562,178	**(7,780,366,480)**	(7,551,383,975)	**228,982,505**	
Remuneration of councillors	(128,521,987)	(3,500,000)	**(132,021,987)**	(132,699,899)	**(677,912)**	
Depreciation and amortisation	(2,158,087,775)	(350,000)	**(2,158,437,775)**	(2,306,770,482)	**(148,332,707)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(104,607,616)	**(104,607,616)**	
Finance costs	(738,236,170)	128,648,249	**(609,587,921)**	(985,916,529)	**(376,328,608)**	
Debt Impairment	(1,546,856,282)	221,272,815	**(1,325,583,467)**	(1,471,428,957)	**(145,845,490)**	
Collection costs	(200,428,297)	(7,894,123)	**(208,322,420)**	(197,291,621)	**11,030,799**	
Bulk purchases	(12,911,367,409)	(26,711,862)	**(12,938,079,271)**	(12,299,229,218)	**638,850,053**	
Contracted Services	(1,086,470,938)	(315,606,744)	**(1,402,077,682)**	(1,345,754,998)	**56,322,684**	
Transfers and Subsidies	(1,042,623,394)	(674,564,150)	**(1,717,187,544)**	(1,576,754,420)	**140,433,124**	
General Expenses	(4,858,785,979)	481,135,300	**(4,377,650,679)**	(4,443,538,646)	**(65,887,967)**	
Total expenditure	**(32,672,306,889)**	**22,991,663**	**(32,649,315,226)**	**(32,415,376,361)**	**233,938,865**	
	34,380,867,658	342,688,960	**34,723,556,618**	34,077,380,100	**(646,176,518)**	
	(32,672,306,889)	22,991,663	**(32,649,315,226)**	(32,415,376,361)	**233,938,865**	
Operating surplus	**1,708,560,769**	**365,680,623**	**2,074,241,392**	**1,662,003,739**	**(412,237,653)**	
Loss on non-current assets held for sale or disposal groups	(15,000,000)	-	**(15,000,000)**	(4,329,576)	**10,670,424**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus on distribution of non-cash assets to owners	459,014,147	(363,177,372)	**95,836,775**	-	**(95,836,775)**	
	444,014,147	**(363,177,372)**	**80,836,775**	**(4,329,576)**	**(85,166,351)**	
	1,708,560,769	365,680,623	**2,074,241,392**	1,662,003,739	**(412,237,653)**	
	444,014,147	(363,177,372)	**80,836,775**	(4,329,576)	**(85,166,351)**	
Surplus before taxation	**2,152,574,916**	**2,503,251**	**2,155,078,167**	**1,657,674,163**	**(497,404,004)**	
Taxation	-	24,054,160	**24,054,160**	41,437,794	**17,383,634**	
Deficit before taxation	2,152,574,916	2,503,251	**2,155,078,167**	1,657,674,163	**(497,404,004)**	
Taxation	-	24,054,160	**24,054,160**	41,437,794	**17,383,634**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**2,152,574,916**	**(21,550,909)**	**2,131,024,007**	**1,616,236,369**	**(514,787,638)**	
Reconciliation						

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

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2018											
Financial Performance											
Property rates	5,168,497,735	97,947,861	5,266,445,596	-		5,266,445,596	5,257,765,418		(8,680,178)	100 %	102 %
Service charges	20,478,348,452	(57,359,441)	20,420,989,011	-	24	20,420,989,035	18,908,373,038		(1,512,615,997)	93 %	92 %
Investment revenue	400,989,171	450,523	401,439,694	-		401,439,694	624,636,127		223,196,433	156 %	156 %
Transfers recognised - operational	5,419,959,610	121,381,118	5,541,340,728	-	66,000,000	5,607,340,728	5,273,642,763		(333,697,965)	94 %	97 %
Other own revenue	1,583,099,276	(29,519,839)	1,553,579,437	-		1,553,128,913	2,021,285,714		468,156,801	130 %	128 %
Total revenue (excluding capital transfers and contributions)	**33,050,894,244**	**132,900,222**	**33,183,794,466**	**-**	**66,000,024**	**33,249,343,966**	**32,085,703,060**		**(1,163,640,906)**	**97 %**	**97 %**
Employee costs	(8,316,174,602)	115,027,131	(8,201,147,471)	-	107,962,697	(8,094,284,360)	(7,551,383,975)	-	542,900,385	93 %	91 %
Remuneration of councillors	(137,665,375)	(2,255,335)	(139,920,710)	-	-	(138,821,124)	(132,699,899)	-	6,121,225	96 %	96 %
Debt impairment	(1,544,394,551)	283,347,540	(1,261,047,011)		(66,036,456)	(1,327,083,467)	(1,471,428,957)	-	(144,345,490)	111 %	95 %
Depreciation and asset impairment	(2,076,596,626)	550,000	(2,076,046,626)			(2,076,046,626)	(2,411,378,098)	-	(335,331,472)	116 %	116 %
Finance charges	(801,411,170)	150,000,000	(651,411,170)	-	(21,301,751)	(672,712,921)	(985,916,529)	-	(313,203,608)	147 %	123 %
Materials and bulk purchases	(13,127,894,466)	(98,300,000)	(13,226,194,466)	-	73,288,138	(13,152,906,328)	(12,299,229,218)	-	853,677,110	94 %	94 %
Transfers and grants	(1,197,649,493)	(415,995,796)	(1,613,645,289)	-	(103,195,068)	(1,716,840,357)	(1,576,754,420)	-	140,085,937	92 %	132 %
Other expenditure	(5,848,932,629)	(140,369,217)	(5,989,301,846)	-	(56,699,370)	(6,046,296,078)	(6,586,826,473)	-	(540,530,395)	109 %	113 %
Total expenditure	**(33,050,718,912)**	**(107,995,677)**	**(33,158,714,589)**	**-**	**(65,981,810)**	**(33,224,991,261)**	**(33,015,617,569)**	**-**	**209,373,692**	**99 %**	**100 %**
Total revenue (excluding capital transfers and contributions)	33,050,894,244	132,900,222	33,183,794,466	-	66,000,024	33,249,343,966	32,085,703,060	-	(1,163,640,906)	97 %	97 %
Total expenditure	(33,050,718,912)	(107,995,677)	(33,158,714,589)	-	(65,981,810)	(33,224,991,261)	(33,015,617,569)	-	209,373,692	99 %	100 %
Surplus/(Deficit)	**175,332**	**24,904,545**	**25,079,877**	**-**	**18,214**	**24,352,705**	**(929,914,509)**		**(954,267,214)**	**(3,819)%**	**(3,708)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2,336,123,911	(72,114,331)	2,264,009,580	-	2,191,895,249	2,336,123,911	2,001,282,763		(334,841,148)	86 %	86 %
Contributions recognised - capital and contributed assets	3,000	-	3,000	-		3,000	590,501,134		590,498,134	19,683,371 %	19,683,371 %
Surplus/(Deficit)	175,332	24,904,545	25,079,877	-	18,214	24,352,705	(929,914,509)	-	(954,267,214)	(3,819)%	(530,374)%
Capital transfers and contributions	2,336,126,911	(72,114,331)	2,264,012,580	-	27,466,000	2,336,126,911	2,591,783,897	-	255,656,986	111 %	111 %
Surplus (Deficit) after capital transfers and contributions	**2,336,302,243**	**(47,209,786)**	**2,289,092,457**	**-**	**27,484,214**	**2,360,479,616**	**1,661,869,388**		**(698,610,228)**	**70 %**	**71 %**
Taxation	-	24,054,160	24,054,160	-		24,054,160	41,437,794		17,383,634	172 %	DIV/0 %
Attributable to minorities	-	-	-	-		-	4,195,225		4,195,225	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	2,336,302,243	(47,209,786)	2,289,092,457	-	27,484,214	2,360,479,616	1,661,869,388	-	(698,610,228)	70 %	71 %
Taxation and minorities	-	(24,054,160)	(24,054,160)	-	-	(24,054,160)	(45,633,019)	-	(21,578,859)	190 %	DIV/0 %
Surplus/(Deficit) for the year	**2,336,302,243**	**(71,263,946)**	**2,265,038,297**	**-**	**27,484,214**	**2,336,425,456**	**1,616,236,369**		**(720,189,087)**	**69 %**	**69 %**
Capital expenditure and funds sources											
Total capital expenditure	6,708,615,783	(37,404,386)	6,671,211,397	-		6,671,211,397	5,807,403,557		(863,807,840)	87 %	87 %
Sources of capital funds											
Transfers recognised - capital	2,353,664,242	(17,540,328)	2,336,123,914	-		2,336,123,914	2,051,282,667		(284,841,247)	88 %	87 %
Internally generated funds	4,354,951,541	(19,864,058)	4,335,087,483	-		4,335,087,483	3,756,120,890		(578,966,593)	87 %	86 %
Total sources of capital funds	**6,708,615,783**	**(37,404,386)**	**6,671,211,397**	**-**		**6,671,211,397**	**5,807,403,557**		**(863,807,840)**	**87 %**	**87 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	5,410,049,939	1,848,100,054	7,258,149,993	-		7,258,149,993	3,184,144,681		(4,074,005,312)	44 %	59 %
Net cash from (used) investing	(6,820,164,109)	(575,898,937)	(7,396,063,046)	-		(7,396,063,046)	(6,463,613,783)		932,449,263	87 %	95 %
Net cash from (used) financing	2,949,010,796	(110,859,556)	2,838,151,240	-		2,838,151,240	936,932,898		(1,901,218,342)	33 %	32 %
Net increase/(decrease) in cash and cash equivalents	**1,538,896,626**	**1,161,341,561**	**2,700,238,187**	**-**		**2,700,238,187**	**(2,342,536,204)**		**(5,042,774,391)**	**(87)%**	**(152)%**
Cash and cash equivalents at the beginning of the year	8,594,198,167	-	8,594,198,167	-		8,594,198,167	6,000,822,434		(2,593,375,733)	70 %	70 %
Net increase / (decrease) in cash and cash equivalents	1,538,896,626	1,161,341,561	2,700,238,187	-	-	2,700,238,187	(2,342,536,204)	-	(5,042,774,391)	(87)%	(152)%
Cash and cash equivalents at the beginning of the year	8,594,198,167	-	8,594,198,167	-	-	8,594,198,167	6,000,822,434	-	(2,593,375,733)	70 %	70 %
Cash and cash equivalents at year end	**10,133,094,793**	**1,161,341,561**	**11,294,436,354**	**-**		**11,294,436,354**	**3,658,286,230**		**(7,636,150,124)**	**32 %**	**36 %**
Controlling entity - 2018											
Financial Performance											
Property rates	5,168,497,735	97,947,861	5,266,445,596	-		5,266,445,596	5,257,765,418		(8,680,178)	100 %	102 %
Service charges	19,758,413,452	(57,359,441)	19,701,054,011	-	24	19,701,054,035	18,930,199,029		(770,855,006)	96 %	96 %
Investment revenue	394,902,171	-	394,902,171	-		394,902,171	613,811,427		218,909,256	155 %	155 %
Transfers recognised - operational	5,406,054,273	95,518,935	5,501,573,208	-	66,000,000	5,567,573,208	5,531,692,551		(35,880,657)	99 %	102 %
Other own revenue	1,353,469,338	(25,000,000)	1,328,469,338	-		1,328,469,338	1,365,759,789		37,290,451	103 %	101 %
Total revenue (excluding capital transfers and contributions)	**32,081,336,969**	**111,107,355**	**32,192,444,324**	**-**	**66,000,024**	**32,258,444,348**	**31,699,228,214**		**(559,216,134)**	**98 %**	**99 %**
Employee costs	(7,978,923,074)	115,897,131	(7,863,025,943)	-	107,962,697	(7,755,063,246)	(7,296,665,516)	-	458,397,730	94 %	91 %

Appropriation Statement

Figures in Rand

							Reported unauthorised expenditure	**Expenditure authorised in terms of section 32 of MFMA**	**Balance to be recovered**	**Restated audited outcome**	
Remuneration of councillors	(130,315,880)	(3,500,000)	(133,815,880)	-	-	(133,815,880)	(132,699,899)	-	1,115,981	99 %	102 %
Debt impairment	(1,540,949,282)	283,347,540	(1,257,601,742)		(66,036,456)	(1,323,638,198)	(1,464,826,053)	-	(141,187,855)	111 %	95 %
Depreciation and asset impairment	(2,001,799,161)	-	(2,001,799,161)			(2,001,799,161)	(2,405,815,896)	-	(404,016,735)	120 %	120 %
Finance charges	(738,209,170)	150,000,000	(588,209,170)	-	(21,301,751)	(609,510,921)	(921,399,008)	-	(311,888,087)	151 %	125 %
Materials and bulk purchases	(12,918,328,409)	(100,000,000)	(13,018,328,409)	-	73,288,138	(12,945,040,271)	(12,942,284,399)	-	2,755,872	100 %	100 %
Transfers and grants	(1,197,649,493)	(415,995,796)	(1,613,645,289)	-	(103,195,068)	(1,716,840,357)	(1,726,401,174)	-	(9,560,817)	101 %	144 %
Other expenditure	(5,575,052,212)	(140,856,230)	(5,715,908,442)	-	(56,699,370)	(5,772,607,812)	(5,554,220,433)	-	218,387,379	96 %	100 %
Total expenditure	**(32,081,226,681)**	**(111,107,355)**	**(32,192,334,036)**	**-**	**(65,981,810)**	**(32,258,315,846)**	**(32,444,312,378)**	**-**	**(185,996,532)**	**101 %**	**101 %**
Total revenue (excluding capital transfers and contributions)	32,081,336,969	111,107,355	32,192,444,324	-	66,000,024	32,258,444,348	31,699,228,214	-	(559,216,134)	98 %	99 %
Total expenditure	(32,081,226,681)	(111,107,355)	(32,192,334,036)	-	(65,981,810)	(32,258,315,846)	(32,444,312,378)	-	(185,996,532)	101 %	101 %
Surplus/(Deficit)	**110,288**	**-**	**110,288**	**-**	**18,214**	**128,502**	**(745,084,164)**		**(745,212,666)**	**(579,823)%**	**(675,580)%**
Transfers recognised - capital	2,303,664,242	(72,114,331)	2,231,549,911	-	27,466,000	2,259,015,911	2,001,282,667		(257,733,244)	89 %	87 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	590,501,134		590,501,134	- %	- %
Surplus/(Deficit)	110,288	-	110,288	-	18,214	128,502	(745,084,164)	-	(745,212,666)	(579,823)%	(675,580)%
Capital transfers and contributions	2,303,664,242	(72,114,331)	2,231,549,911	-	27,466,000	2,259,015,911	2,591,783,801	-	332,767,890	115 %	113 %
Surplus (Deficit) after capital transfers and contributions	**2,303,774,530**	**(72,114,331)**	**2,231,660,199**	**-**	**27,484,214**	**2,259,144,413**	**1,846,699,637**		**(412,444,776)**	**82 %**	**80 %**
Surplus (Deficit) after capital transfers and contributions	2,303,774,530	(72,114,331)	2,231,660,199	-	27,484,214	2,259,144,413	1,846,699,637	-	(412,444,776)	82 %	80 %
Surplus/(Deficit) for the year	**2,303,774,530**	**(72,114,331)**	**2,231,660,199**	**-**	**27,484,214**	**2,259,144,413**	**1,846,699,637**		**(412,444,776)**	**82 %**	**80 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	6,399,356,712	(37,404,386)	6,361,952,326	-		6,361,952,326	5,587,606,921		(774,345,405)	88 %	87 %
Sources of capital funds											
Transfers recognised - capital	2,303,664,242	(17,540,328)	2,286,123,914	-		2,286,123,914	2,001,282,667		(284,841,247)	88 %	87 %
Internally generated funds	4,095,692,470	(19,864,058)	4,075,828,412	-		4,075,828,412	3,586,206,392		(489,622,020)	88 %	88 %
Total sources of capital funds	**6,399,356,712**	**(37,404,386)**	**6,361,952,326**	**-**		**6,361,952,326**	**5,587,489,059**		**(774,463,267)**	**88 %**	**87 %**
Cash flows											
Net cash from (used) operating	5,286,376,246	1,848,100,054	7,134,476,300	-		7,134,476,300	2,965,955,697		(4,168,520,603)	42 %	56 %
Net cash from (used) investing	(6,483,957,668)	(575,898,937)	(7,059,856,605)	-		(7,059,856,605)	(6,235,703,658)		824,152,947	88 %	96 %
Net cash from (used) financing	2,978,587,737	(110,859,556)	2,867,728,181	-		2,867,728,181	987,588,209		(1,880,139,972)	34 %	33 %
Net increase/(decrease) in cash and cash equivalents	**1,781,006,315**	**1,161,341,561**	**2,942,347,876**	**-**		**2,942,347,876**	**(2,282,159,752)**		**(5,224,507,628)**	**(78)%**	**(128)%**
Cash and cash equivalents at the beginning of the year	8,288,844,836	-	8,288,844,836	-		8,288,844,836	5,809,953,546		(2,478,891,290)	70 %	70 %
Net increase / (decrease) in cash and cash equivalents	1,781,006,315	1,161,341,561	2,942,347,876	-	-	2,942,347,876	(2,282,159,752)	-	5,224,507,628	(78)%	(128)%
Cash and cash equivalents at the beginning of the year	8,288,844,836	-	8,288,844,836	-	-	8,288,844,836	5,809,953,546	-	2,478,891,290	70 %	70 %
Cash and cash equivalents at year end	**10,069,851,151**	**1,161,341,561**	**11,231,192,712**	**-**		**11,231,192,712**	**3,527,793,794**		**7,703,398,918**	**31 %**	**35 %**

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Preparation

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

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

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

• Useful lives of property, plant and equipment and investment property held at cost
The useful lives of assets are based on management’s estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. This was performed on an individual basis as well as per service-identifiable categories across all debtor classes.
• Traffic Fines
Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the City.

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

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

1.2 Presentation currency

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

Accounting Policies

1.3 Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.4 Investment property

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

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

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

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

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

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

Item	Useful life
Property - land	Indefinite
Property - buildings	32 - 60 years

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

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

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

Accounting Policies

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the City; and
- the cost or the fair value of the item can be measured reliably.

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

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

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

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

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

The depreciation charge for each period is recognised in the statement of financial performance unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.6 Intangible assets

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

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

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

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

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

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

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

Amortisation to intangible assets is provided on a straight line basis as follows:

Item	Useful life
Computer software	1 - 23 years

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

1.7 Heritage assets

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

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

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

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

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

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

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

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

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

1.8 Investments in controlled entities

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

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

Accounting Policies

1.9 Financial instruments

a) Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
(i) the City designates at fair value at initial recognition; or
(ii) are held for trading.

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

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

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

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

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

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

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

The City recognises financial assets using trade date accounting.

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

The City first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the City analysis a concessionary loan into its component parts and accounts for each component separately. The City accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities
The City measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value;
- Financial instruments at amortised cost; and
- Financial instruments at cost.

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

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

Accounting Policies

1.9 Financial instruments (continued)

Gains and losses
A gain or loss arising from a change in the fair value of a financial asset measured at fair value is recognised in the statement of financial performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Inventories

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

Inventories shall be recognised as an asset if, and only if:
- it is probable that future economic benefits or service potential associated with the item will flow to the City; and
- the cost of the inventories can be measured reliably.

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

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

Inventories held for sale in the ordinary course of business are valued at the lower of cost and net realisable value , or where unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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

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

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

Accounting Policies

1.11 Employee benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.12 Leases

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

Accounting Policies

1.12 Leases (continued)

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

Finance leases - lessee

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

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

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

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

Finance leases - lessee

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

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

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

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

Accounting Policies

1.13 Provisions and contingencies

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

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

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

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

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

a) COID provision
The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% (2017: 7.36%) per annum over members`expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.52% (2017: 10.46%).

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

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

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

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

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

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

c) Workmen's compensation provision
The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

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

1.14 Impairment of cash-generating assets

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

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

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

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

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the City recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in the statement of financial performance.

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

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

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

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

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

1.15 Impairment of non-cash-generating assets

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

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

Identification

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

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

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

Recognition and measurement

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

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

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

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in the statement of financial performance.

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

1.16 Share capital / contributed capital

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

1.17 Employee benefits

Benefits

Retirement Funds

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

Defined contribution plans

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

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

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

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

Accounting Policies

1.17 Employee benefits (continued)

Defined benefit plans

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

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

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

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

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

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

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

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

The municipality does not apply “defined benefit accounting” to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved.

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

Medical Aid: Continued Members

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

Accounting Policies

1.18 Revenue from exchange transactions

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

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

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

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

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:
• The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
• A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

1.20 Borrowing costs

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

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

1.21 Value Added Tax

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

1.22 Unauthorised expenditure

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

Accounting Policies

1.23 Fruitless and wasteful expenditure

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

1.24 Irregular expenditure

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

1.25 Internal reserves

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

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

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

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

1.26 Budget information

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

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30. These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the consolidated annual financial statements.

1.27 Related parties

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

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

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

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

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

Accounting Policies

1.28 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

1.29 Commitments

The City discloses each class of capital assets (PPE, investment properties, intangible assets and heritage assets) recognised in the consolidated annual financial statements as well as future minimum lease payments under non-cancellable operating leases for each of the following periods:
- Not later than one year;
- Later than one year and not later than five years; and
- Later than five years.

1.30 Going concern

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

1.31 Comparative figures

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

1.32 Taxes

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

Economic entity

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

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

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

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

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

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

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

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

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

No material impact are expected from these changes.

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

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

No material impact are expected from these changes.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property

Economic entity	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	804,942,240	(123,329,678)	681,612,562	678,280,173	(112,025,973)	566,254,200

Controlling entity	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	587,881,182	(101,737,847)	486,143,335	529,134,995	(94,502,823)	434,632,172

Reconciliation of investment property - Economic entity - 2018

	Opening balance	Additions	Transfers received	Depreciation	Total
Investment property	566,254,200	41,610,762	85,051,306	(11,303,706)	681,612,562

Reconciliation of investment property - Economic entity - 2017

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Investment property	457,072,630	116,261,127	1,210,436	(8,289,993)	566,254,200

Reconciliation of investment property - Controlling entity - 2018

	Opening balance	Additions	Transfers	Depreciation	Total
Investment property	434,632,172	40,779,611	17,966,577	(7,235,025)	486,143,335

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2017

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Investment property	409,214,523	31,039,119	1,210,436	(6,831,906)	434,632,172

Other disclosure

Total rental income received on investment property

Total rental income received on investment property	49,676,660	67,984,304	19,938,856	21,453,938

Included in the carrying value of investment property is an amount R40,779,611 (2017: R31,039,119) which relates to work in progress at the reporting date.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the City.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & buildings	2,232,639,602	-	2,232,639,602	2,238,449,312	-	2,238,449,312
Infrastructure	57,669,641,506	(14,903,364,064)	42,766,277,442	53,340,717,646	(13,329,335,459)	40,011,382,187
Community	7,239,819,976	(1,985,950,497)	5,253,869,479	6,444,140,891	(1,736,449,670)	4,707,691,221
Other property, plant and equipment	3,946,280,335	(2,245,915,352)	1,700,364,983	3,449,547,596	(1,854,004,360)	1,595,543,236
Operational and housing buildings	3,307,713,739	(928,814,186)	2,378,899,553	3,018,477,265	(812,435,964)	2,206,041,301
Total	**74,396,095,158**	**(20,064,044,099)**	**54,332,051,059**	**68,491,332,710**	**(17,732,225,453)**	**50,759,107,257**

Controlling entity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,219,622,319	-	2,219,622,319	2,225,432,029	-	2,225,432,029
Infrastructure	55,320,782,909	(14,502,518,092)	40,818,264,817	51,175,975,193	(12,980,319,654)	38,195,655,539
Community	7,239,819,976	(1,985,950,497)	5,253,869,479	6,444,140,891	(1,736,449,670)	4,707,691,221
Other property, plant and equipment	3,779,812,975	(2,186,227,225)	1,593,585,750	3,306,028,763	(1,804,149,559)	1,501,879,204
Operational and housing buildings	3,250,797,857	(922,498,794)	2,328,299,063	2,969,062,797	(807,063,142)	2,161,999,655
Total	**71,810,836,036**	**(19,597,194,608)**	**52,213,641,428**	**66,120,639,673**	**(17,327,982,025)**	**48,792,657,648**

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Transfers from AUC	Other movements	Depreciation	Impairment loss	Total
Land & buildings	2,238,449,312	-	(9,786,980)	3,977,270	-	-	-	-	2,232,639,602
Infrastructure	40,014,589,705	3,764,426,122	(2,423,245)	1,612,306,934	(1,652,193,104)	606,989,265	(1,503,382,700)	(74,035,628)	42,766,277,349
Community	4,707,691,221	728,255,202	-	342,171,017	(276,205,904)	1,458,770	(234,354,619)	(15,146,208)	5,253,869,479
Other property, plant and equipment	1,595,916,516	515,403,725	(1,051,752)	-	-	(7,444,149)	(390,672,001)	-	1,712,152,339
Operational and housing buildings	2,202,608,961	531,617,369	(2,563)	201,343,705	(215,236,792)	(234,321,761)	(113,857,996)	(5,038,625)	2,367,112,298
	50,759,255,715	**5,539,702,418**	**(13,264,540)**	**2,159,798,926**	**(2,143,635,800)**	**366,682,125**	**(2,242,267,316)**	**(94,220,461)**	**54,332,051,067**

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land & buildings	2,089,570,594	-	(832,000)	136,695,689	-	13,015,029	-	-	-	2,238,449,312
Infrastructure	38,348,496,958	3,049,547,293	(109,203,668)	991,944,321	(991,944,321)	22,878,830	(1,293,495,176)	(3,634,532)	-	40,014,589,705
Community	4,563,456,583	392,811,522	(23,712,810)	291,248,661	(291,248,661)	(7,917,332)	(215,261,891)	(1,684,851)	-	4,707,691,221
Other property, plant and equipment	1,554,418,541	431,461,455	(14,315,760)	-	-	(14,232,884)	(349,808,670)	1,696,687	47,334	1,609,266,703
Operational and housing buildings	1,650,896,898	785,923,163	(2,643,216)	115,650,460	(252,346,149)	(12,058,721)	(96,163,661)	-	-	2,189,258,774
	48,206,839,574	**4,659,743,433**	**(150,707,454)**	**1,535,539,131**	**(1,535,539,131)**	**1,684,922**	**(1,954,729,398)**	**(3,622,696)**	**47,334**	**50,759,255,715**

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

	Opening balance	Additions	Disposals//Derecognition	Transfers from assets under constructions	Transfers to asset class	Transfers other classes of assets	Depreciation	Impairment loss	Total
Land	2,225,432,029	-	(9,786,980)	3,977,270	-	-	-	-	2,219,622,319
Infrastructure	38,195,655,539	3,577,704,922	(67,084,729)	1,612,306,934	(1,585,108,375)	606,989,264	(1,448,163,110)	(74,035,628)	40,818,264,817
Community	4,707,691,221	728,255,202	-	342,171,017	(276,205,904)	1,458,770	(234,354,619)	(15,146,208)	5,253,869,479
Other property, plant and equipment	1,501,879,204	481,828,537	(600,175)	-	-	(7,444,149)	(382,077,667)	-	1,593,585,750
Operational and housing buildings	2,161,999,655	529,942,908	-	201,343,705	(215,236,792)	(234,321,761)	(110,390,027)	(5,038,625)	2,328,299,063
	48,792,657,648	**5,317,731,569**	**(77,471,884)**	**2,159,798,926**	**(2,076,551,071)**	**366,682,124**	**(2,174,985,423)**	**(94,220,461)**	**52,213,641,428**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals/Derecognition	Transfers received	Transfers from assets under constructions	Other movements	Depreciation	Impairment loss	Total
Land	2,089,570,594	-	(832,000)	136,695,689	-	(2,254)	-	-	2,225,432,029
Infrastructure	36,729,843,843	2,789,702,945	(108,667,296)	991,944,321	(991,944,321)	22,878,830	(1,238,102,783)	-	38,195,655,539
Community	4,563,456,583	392,811,522	(23,712,810)	291,248,661	(291,248,661)	(7,917,332)	(215,261,891)	(1,684,851)	4,707,691,221
Other property, plant and equipment	1,463,396,732	407,445,718	(14,005,137)	-	-	(14,232,884)	(340,725,225)	-	1,501,879,204
Operational and housing buildings	1,619,932,320	774,221,123	(2,271,531)	115,650,460	(252,346,149)	-	(93,186,568)	-	2,161,999,655
	46,466,200,072	**4,364,181,308**	**(149,488,774)**	**1,535,539,131**	**(1,535,539,131)**	**726,360**	**(1,887,276,467)**	**(1,684,851)**	**48,792,657,648**

Classes of assets under construction

Assets under construction:

Infrastructure	7,074,169,376	5,109,939,395	6,902,757,149	4,293,285,039
Community	1,156,754,880	844,554,431	1,156,754,880	844,554,431
Other assets	683,281,497	597,291,595	676,013,557	584,817,867
	8,914,205,753	**6,551,785,421**	**8,735,525,586**	**5,722,657,337**

Disclosure of repairs and maintenance (material and other costs)

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

4. Property, plant and equipment (continued)

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

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

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

Deemed cost

Included in the additions for the year is public contributed assets with deemed cost amounts of R590,501,134 (2017: R122,740,802). Deemed cost was determined using fair value or depreciated replacement cost, depending on the most appropriate measurement for the specific asset/scenario.

5. Intangible assets

Economic entity	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	708,139,392	(125,199,049)	582,940,343	373,082,190	(66,291,046)	306,791,144
Rights to use naturally occurring assets	243,798,639	-	243,798,639	243,798,639	-	243,798,639
Total	**951,938,031**	**(125,199,049)**	**826,738,982**	**616,880,829**	**(66,291,046)**	**550,589,783**

Controlling entity	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	696,558,136	(120,236,788)	576,321,348	362,504,642	(62,531,702)	299,972,940
Rights to use naturally occurring assets	243,798,639	-	243,798,639	243,798,639	-	243,798,639
Total	**940,356,775**	**(120,236,788)**	**820,119,987**	**606,303,281**	**(62,531,702)**	**543,771,579**

Reconciliation of intangible assets - Economic entity - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software (other)	306,791,144	336,633,909	(7,285,251)	(53,199,459)	582,940,343
Rights to use naturally occurring assets	243,798,639	-	-	-	243,798,639
	550,589,783	**336,633,909**	**(7,285,251)**	**(53,199,459)**	**826,738,982**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

5. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2017

	Opening balance	Additions	Disposals	Other changes, movements	Amortisation	Total
Computer software (other)	79,531,607	304,988,952	(57,646,098)	(4,008,566)	(16,074,751)	306,791,144
Rights to use naturally occurring assets	243,798,639	-	-	-	-	243,798,639
	323,330,246	**304,988,952**	**(57,646,098)**	**(4,008,566)**	**(16,074,751)**	**550,589,783**

Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software (other)	299,972,940	335,563,630	(7,312,120)	(51,903,102)	576,321,348
Rights to use naturally occurring assets	243,798,639	-	-	-	243,798,639
	543,771,579	**335,563,630**	**(7,312,120)**	**(51,903,102)**	**820,119,987**

Reconciliation of intangible assets - Controlling entity - 2017

	Opening balance	Additions	Derecognition/Im pairments	Other changes, movements	Amortisation	Total
Computer software (other)	77,108,528	299,838,452	(57,646,098)	(4,079,068)	(15,248,874)	299,972,940
Rights to use naturally occurring assets	243,798,639	-	-	-	-	243,798,639
	320,907,167	**299,838,452**	**(57,646,098)**	**(4,079,068)**	**(15,248,874)**	**543,771,579**

Other information

Reconciliation of work in progress

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

Work in progress				
Opening balance	189,439,854	63,925,591	189,439,854	63,925,591
Software development incurred during the year	336,633,909	304,988,952	335,563,630	299,838,452
Transfers	(149,808,657)	(116,678,090)	(149,808,657)	(116,678,090)
	376,265,106	**252,236,453**	**375,194,827**	**247,085,953**

6. Heritage assets

Economic entity	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiquities and exhibits	27,406,659	-	27,406,659	27,406,659	-	27,406,659
Conservation areas	351,149	-	351,149	351,149	-	351,149
Historical buildings	5,425,362	-	5,425,362	5,425,362	-	5,425,362
Other heritage assets	43,040,667	-	43,040,667	43,040,667	-	43,040,667
Total	**76,223,837**	**-**	**76,223,837**	**76,223,837**	**-**	**76,223,837**

Controlling entity	2018	2017

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

6. Heritage assets (continued)

	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Cultural	27,406,659	-	27,406,659	27,406,659	-	27,406,659
Conservation areas	351,149	-	351,149	351,149	-	351,149
Historical buildings	5,425,362	-	5,425,362	5,425,362	-	5,425,362
Other heritage assets	43,040,667	-	43,040,667	43,040,667	-	43,040,667
Total	**76,223,837**	**-**	**76,223,837**	**76,223,837**	**-**	**76,223,837**

Reconciliation of heritage assets - Economic entity - 2018

	Opening balance	Total
Art collections, antiquities and exhibits	27,406,659	27,406,659
Conservation areas	351,149	351,149
Historical buildings	5,425,362	5,425,362
Other various collections	43,040,667	43,040,667
	76,223,837	**76,223,837**

Reconciliation of heritage assets - Economic entity - 2017

	Opening balance	Disposals	Transfers	Other changes, movements	Total
Art collections, antiquities and exhibits	24,322,117	(31,600)	3,116,430	(288)	27,406,659
Conservation areas	351,149	-	-	-	351,149
Historical buildings	5,425,362	-	-	-	5,425,362
Other various collections	43,062,307	(21,640)	-	-	43,040,667
	73,160,935	**(53,240)**	**3,116,430**	**(288)**	**76,223,837**

Reconciliation of heritage assets Controlling entity - 2018

	Opening balance	Total
Cultural	27,406,659	27,406,659
Conservation areas	351,149	351,149
Historical buildings	5,425,362	5,425,362
Other various collections	43,040,667	43,040,667
	76,223,837	**76,223,837**

Reconciliation of heritage assets Controlling entity - 2017

	Opening balance	Disposals	Transfers	Other movements	Total
Cultural	24,322,117	(31,600)	3,116,430	(288)	27,406,659
Conservation areas	351,149	-	-	-	351,149
Historical buildings	5,425,362	-	-	-	5,425,362
Other various collections	43,062,307	(21,640)	-	-	43,040,667
	73,160,935	**(53,240)**	**3,116,430**	**(288)**	**76,223,837**

Deemed costs

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

7. Investments in controlled entities

Name of company	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Brakpan Bus Company SOC Ltd	100.00 %	100.00 %	6	6
East Rand Water Care Company, NPC	97.00 %	97.00 %	-	-
Ekurhuleni Housing Company	100.00 %	100.00 %	100	100
			106	**106**

8. Other investments

At cost				
Unlisted shares	4,000,000	4,000,000	4,000,000	4,000,000
At fair value				
Old Mutual and Sanlam	8,420,736	8,119,485	-	-
At amortised cost				
Investments	2,168,786,678	1,567,017,137	2,168,786,678	1,567,017,137
These investments have varying interest rates as well as varying maturity dates.				
	-	-	-	-
	4,000,000	4,000,000	4,000,000	4,000,000
	8,420,736	8,119,485	-	-
	2,168,786,678	1,567,017,137	2,168,786,678	1,567,017,137
	-	-	-	-
Total other investments	**2,181,207,414**	**1,579,136,622**	**2,172,786,678**	**1,571,017,137**
Non-current assets				
At cost	4,000,000	4,000,000	4,000,000	4,000,000
At amortised cost	1,621,681,259	1,450,100,491	1,621,681,259	1,450,100,491
	1,625,681,259	**1,454,100,491**	**1,625,681,259**	**1,454,100,491**
Current assets				
At fair value	8,420,736	8,119,485	-	-
At amortised cost	547,105,419	116,916,646	547,105,419	116,916,646
	555,526,155	**125,036,131**	**547,105,419**	**116,916,646**
Non-current assets	1,625,681,259	1,454,100,491	1,625,681,259	1,454,100,491
Current assets	555,526,155	125,036,131	547,105,419	116,916,646
	2,181,207,414	**1,579,136,622**	**2,172,786,678**	**1,571,017,137**

Residual interest at cost

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

The carrying amount of these financial instruments is as follows:

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

The company's draft financial statements used were for the period ended 29 February 2016 and no audited financial information was received for financial years ending 2016 and 2017.

The company's equity amounted to R605,743,120 represented by share capital of R5,201,000, reserves of R147,090,563 as well as retained income of R453,451,557 as at 28 February 2016.

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

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

8. Other investments (continued)

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

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

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

Credit quality of other financial assets

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

9. Long term receivables

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

The long- term receivables comprises of:

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

10. Inventories

Electrical consumables	348,864,581	114,635,462	348,864,581	114,635,462
Cleansing consumables	965,214	475,795	965,214	475,795
Consumable stores	2,924,720	1,325,306	2,924,720	1,325,306
Maintenance materials	12,767,376	7,351,207	12,767,376	7,351,207
Water consumables	14,425,806	4,602,446	14,425,806	4,602,446
Water inventory	10,885,929	9,159,565	10,885,929	9,159,565
Land held as inventory for development	623,507,295	389,185,424	623,507,295	389,185,424
Food and beverage	-	26,603	-	26,603
Fleet and transport consumables	668,978	641,097	630,638	641,097
Fuel (diesel, petrol)	7,400,238	5,385,934	7,400,238	5,385,934
	1,022,410,137	532,788,839	1,022,371,797	532,788,839
Provision for obsolete Inventories	(994,183)	(494,343)	(994,183)	(494,343)
	1,021,415,954	**532,294,496**	**1,021,377,614**	**532,294,496**

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

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

Consumable items	R994,183

11. Receivables from exchange transactions

Trade receivables	18,164,160	13,519,505	-	-
Pre-paid electricity 3rd party vendors	71,496,517	78,193,986	71,408,476	77,919,343
Other receivables	286,910,441	295,880,359	234,943,015	331,353,989
VAT accruals on outstanding creditors	628,099,644	473,429,341	591,507,687	467,807,881
VAT receivables	396,912,766	97,707,587	396,912,766	78,740,269
Operating lease straightline	587,510	818,657	587,510	818,657
Allowance for impairment	(99,044,206)	(88,881,883)	(99,044,206)	(78,974,876)
	1,303,126,832	**870,667,552**	**1,196,315,248**	**877,665,263**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

11. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

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

12. Receivables from non-exchange transactions

Traffic fines	165,603,173	116,803,548	165,603,173	116,803,548
Grant debtors	-	-	-	-
GMRF	11,145,858	10,264,107	11,145,858	10,264,107
Insurance claim debtors	861,198	-	-	-
Impairment loss - traffic fines	(114,497,004)	(76,400,238)	(114,497,004)	(76,400,238)
	63,113,225	**50,667,417**	**62,252,027**	**50,667,417**

Credit quality of receivables from non-exchange transactions

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

13. Consumer debtors

Gross balances				
Rates	2,158,827,367	1,779,119,641	2,158,827,367	1,779,119,641
Electricity	3,640,154,693	3,917,895,017	3,640,154,693	3,917,895,017
Water	5,532,121,128	4,626,721,850	5,532,121,128	4,626,721,850
Waste water	1,571,975,841	1,344,297,738	1,571,975,841	1,344,297,738
Refuse	1,539,219,436	1,302,883,073	1,539,219,436	1,302,883,073
Other	134,863,617	113,687,823	134,863,617	113,687,823
Interest and sundries	2,256,456,038	2,075,746,903	2,256,456,038	2,075,746,903
	16,833,618,120	**15,160,352,045**	**16,833,618,120**	**15,160,352,045**
Less: Allowance for impairment				
Rates	(1,364,380,687)	(1,284,528,042)	(1,364,380,687)	(1,284,528,042)
Electricity	(1,111,692,673)	(1,684,192,149)	(1,111,692,673)	(1,684,192,149)
Water	(4,245,521,060)	(3,479,038,927)	(4,245,521,060)	(3,479,038,927)
Waste water	(1,206,074,027)	(1,011,854,231)	(1,206,074,027)	(1,011,854,231)
Refuse	(1,251,568,668)	(1,065,236,361)	(1,251,568,668)	(1,065,236,361)
Other	(128,917,550)	(109,930,386)	(128,917,550)	(109,930,386)
Interest and sundries	(2,039,032,668)	(1,821,970,299)	(2,039,032,668)	(1,821,970,299)
	(11,347,187,333)	**(10,456,750,395)**	**(11,347,187,333)**	**(10,456,750,395)**
Net balance				
Rates	794,446,680	494,591,599	794,446,680	494,591,599
Electricity	2,528,462,020	2,233,702,868	2,528,462,020	2,233,702,868
Water	1,286,600,068	1,147,682,923	1,286,600,068	1,147,682,923
Waste water	365,901,814	332,443,507	365,901,814	332,443,507
Refuse	287,650,768	237,646,712	287,650,768	237,646,712
Other	5,946,067	3,757,437	5,946,067	3,757,437
Interest and sundries	217,423,370	253,776,604	217,423,370	253,776,604
	5,486,430,787	**4,703,601,650**	**5,486,430,787**	**4,703,601,650**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

13. Consumer debtors (continued)

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

13. Consumer debtors (continued)

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

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

13. Consumer debtors (continued)

Summary of debtors by customer classification

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

13. Consumer debtors (continued)

Credit quality of consumer debtors

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

Consumer debtors past due but not impaired

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

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

Consumer debtors impaired

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

The ageing of these consumer debtors is as follows:

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

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	673,901	563,725	568,727	534,384
Bank balances	3,643,508,849	5,987,118,042	3,527,225,067	5,809,419,162
Short-term deposits	14,103,480	13,140,667	-	-
	3,658,286,230	**6,000,822,434**	**3,527,793,794**	**5,809,953,546**

The City has provided bank guarantees to the amount of R26,074,874 (2017: R26,074,874) with regard to special clauses in contracts concluded with various third parties. Most of these conditions have been met,and the guarantees will be cancelled in due course.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

14. Cash and cash equivalents (continued)

ABSA				
ABSA - Income Alberton	-	(22,284)	-	(22,284)
ABSA - Dirrect banking Alberton	(2,170)	-	(2,170)	-
ABSA - Income Benoni	(1,630)	17,400,298	(1,630)	17,400,298
ABSA - Direct banking Benoni	15,358,331	(158,927)	15,358,331	(158,927)
MASK Account Benoni	(7,200)	(359,284)	(7,200)	(359,284)
ABSA - Income Boksburg	-	8,585,659	-	8,585,659
ABSA - Direct banking KL Boksburg	6,824,417	(1,163,974)	6,824,417	(1,163,974)
ABSA - Direct Banking Bt Boksburg	-	391,441	-	391,441
ABSA - Income Brakpan	9,263,765	1,939,100	9,263,765	1,939,100
Pre paid sales account Brakpan	-	(409,500)	-	(409,500)
ABSA - Income Germiston	-	15,193,654	-	15,193,654
ABSA - Direct banking Germiston	12,937,425	(148,287)	12,937,425	(148,287)
ABSA - Income account Kempton Park	-	(4,864,505)	-	(4,864,505)
ABSA - Direct banking Kempton Park	7,284,215	8,280,002	7,284,215	8,280,002
ABSA - Direct banking Edenvale	2,837,422	(74,998)	2,837,422	(74,998)
ABSA - Income Edenvale	-	2,817,582	-	2,817,582
ABSA - Income Nigel	-	10,495,200	-	10,495,200
ABSA - Income Springs	-	18,092,938	-	18,092,938
ABSA - Direct banking Springs	9,862,659	(106,327)	9,862,659	(106,327)
ABSA - Market account	1,134,982	1,134,982	1,134,982	1,134,982
ABSA - EFF Account (ex CLF)	-	158	-	158
ABSA - C R R Account (ex CDF)	-	1,489	-	1,489
ABSA - Primary bank account (ex from revenue)	-	10,116,607	-	10,116,607
ABSA - Salary account	(408,626)	(30,146)	(408,626)	(30,146)
ABSA - Treasury account	51,575,862	795,431,120	51,575,862	279,948,478
ABSA - Expenditure imprest account	1,104	(2,755,900)	1,104	(2,755,900)
ABSA - USDG Account	-	953	-	953
ABSA - Housing account	-	106	-	106
Short Term Deposits at various institutions with dates within 3 months	-	1,065,997,148	-	1,065,997,148
Lease bank account	71,334	240,439	71,334	240,439
Petty Cash and Floats	673,901	563,725	568,727	534,384
ABSA - Traffic fines collection	-	(48,395)	-	(48,395)
STANDARD BANK- Mask account Springs	336,502,057	208,617,356	336,502,057	208,617,356
FNB Musk account Edenvale	280,861,841	158,146,694	280,861,841	158,146,694
NEDBANK MASK ACCOUNT	100,325,450	272,186,670	100,325,450	272,186,670
E-Siyakhokha Mask Account	4,505,548	15,532,682	4,505,548	15,532,682
CoE Salary Account - Nedbank	107,896,164	78,518,001	107,896,164	78,518,001
CoE Expenditure Account - Nedbank	271,007,922	94,832,121	271,007,922	94,832,121
CoE Treasury account - Nedbank	190,596,582	1,397,123,715	190,596,582	1,397,123,715
CoEUSDG Account - Nedbank	744,250,820	602,935,872	744,250,820	602,935,872
CoE Housing Account - Nedbank	40,991,016	49,486,602	40,991,016	49,486,602
CoE Depreciation Reserve Account - Nedbank	555,139,180	628,072,497	555,139,180	628,072,497
CoE External Funding Fund - Nedbank	154,590,125	31,252,458	154,590,125	31,252,458
CoE Primary Bank Account - Nedbank	574,470,613	248,585,282	574,470,613	248,585,282
IRPTN Bank 2	1,199,314	-	1,199,314	-
IRPTN Bank Collect	324,298	-	324,298	-
CoE Springs Market Account - Nedbank	1,427,188	660,365	1,427,188	660,365
CoE Traffic Fines Collection Account - Nedbank	135,669	406,025	135,669	406,025
CoE License Account - Nedbank	2,823,129	5,722,870	2,823,129	5,722,870
CoE Disaster Relief Fund - Nedbank	-	1,584	-	1,584
CoE Income Alberton - Nedbank	2,037,977	3,995,416	2,037,977	3,995,416
CoE Direct banking Alberton - Nedbank	164,926	748,452	164,926	748,452
CoE Direct Banking Benoni - Nedbank	347,082	2,272,020	347,082	2,272,020
CoE Income Benoni - Nedbank	2,418,012	10,347,523	2,418,012	10,347,523
CoE Siyakhokha - Nedbank	(54,695)	25,617	(54,695)	25,617
CoE Income Boksburg - Nedbank	5,196,614	5,986,732	5,196,614	5,986,732
CoE Direct Banking Boksburg - Nedbank	1,521,170	1,559,447	1,521,170	1,559,447
CoE Prepaid Sales Account - Nedbank	-	5,845,536	-	5,845,536
CoE Solid Waste Account - Nedbank	38,961	344,680	38,961	344,680
CoE Direct Banking Brakpan - Nedbank	52,216	229,303	52,216	229,303
CoE Income Brakpan - Nedbank	3,864,024	1,239,472	3,864,024	1,239,472
CoE Direct Banking Edenvale - Nedbank	119,412	766,467	119,412	766,467
CoE Income Edenvale - Nedbank	767,829	1,822,878	767,829	1,822,878

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017
14. Cash and cash equivalents (continued)				
CoE Direct Banking Germiston - Nedbank	303,113	3,206,066	303,113	3,206,066
CoE Income Germiston - Nedbank	3,850,161	6,229,948	3,850,161	6,229,948
CoE Direct Banking Kempton Park - Nedbank	428,483	1,629,467	428,483	1,629,467
CoE Income Kemton Park - Nedbank	3,907,190	6,930,586	3,907,190	6,930,586
CoE Direct Banking Nigel - Nedbank	1,833,473	221,763	1,833,473	221,763
CoE Income Nigel - Nedbank	1,042,270	795,155	1,042,270	795,155
CoE Library Account - Nedbank	(72,858)	(85,770)	(72,858)	(85,770)
CoE Direct Banking Springs - Nedbank	13,740,363	14,225,820	13,740,363	14,225,820
CoE Income Springs - Nedbank	1,940,538	3,025,441	1,940,538	3,025,441
Sweeping Accounts	-	-	-	515,482,642
Call deposits - entities	-	3,404,621	-	-
Germiston Phase II Housing Company (Phase II)	35,539,974	17,063,910	-	-
East Rand Water Care Company (ERWAT)	86,921,600	157,760,502	-	-
Brakpan Bus Company (BBC)	7,925,689	12,610,514	-	-
	3,658,286,231	**6,000,822,434**	**3,527,793,794**	**5,809,953,546**

The City had the following bank accounts

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

14. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK - Income Alberton-111-841-0641	-	(22,284)	7,057,185	-	(22,284)	7,057,185
ABSA BANK - Direct Banking Alberton - 111-840-0646	-	-	133,498	(2,170)	-	133,498
ABSA BANK - Income Benoni - 4055327394	11,296	17,400,298	(2,565,901)	(1,630)	17,400,298	(2,565,901)
ABSA BANK - Direct Banking Benoni - 4055328015	15,494,808	-	(950,604)	15,358,331	(158,927)	57,715,340
ABSA BANK - Mask Account Benoni - 4065622380	-	-	(108,500)	(7,200)	(359,284)	(108,500)
ABSA BANK - Income Boksburg - 230000069	-	8,369,516	(887,894)	-	8,585,659	(887,894)
ABSA BANK - Direct Banking KL Boksburg - 230000220	6,840,482	-	(600,310)	6,824,417	(1,163,974)	(600,310)
ABSA BANK - Direct Banking BT Boksburg - 230000255	-	499,391	(14,932)	-	391,441	(14,932)
ABSA BANK - Income Brakpan - 240000024	8,336,677	2,057,691	(107,194)	9,263,765	1,939,100	(107,194)
ABSA BANK - Prepaid sales account Brakpan-240159392	-	182,810	1,159,650	-	(409,500)	1,159,650
ABSA BANK - Income Germiston - 2500002277	-	15,193,654	-	-	15,193,654	-
ABSA BANK - Direct banking Germiston - 250000804	13,317,168	-	(3,157,237)	12,937,425	(148,287)	(3,157,237)
ABSA BANK - Direct banking Kempton Park - 260181599	7,559,044	8,280,002	(368,673)	7,284,215	8,280,002	(368,673)
ABSA BANK - Income Kempton Park - 260000004	-	-	(7,925,460)	-	(4,864,505)	(7,925,460)
ABSA BANK - Income Edenvale - 4055442546	-	2,817,582	366,883	-	2,817,582	366,883
ABSA BANK - Direct banking Edenvale- 4055442596	2,837,422	-	(2,887,250)	2,837,422	(74,998)	(2,887,250)
ABSA BANK - Income Nigel - 270000010	-	10,584,320	(1,018,662)	-	10,495,200	(1,018,660)
ABSA BANK - Income Springs - 280000051	9,872,330	18,092,938	(1,193,461)	-	18,092,938	(1,193,461)
ABSA BANK - Direct Springs - 280000094 - 280000051	-	-	(254,247)	9,862,659	(106,327)	(254,247)
ABSA BANK - Fresh Produce Market - 1135470160	1,163,055	882,345	-	1,134,982	1,134,982	1,134,982
ABSA BANK - Lease Account 4075756252	-	240,375	-	-	240,439	-
ABSA BANK - EFF account (ex CLF) - 4053834321	-	158	217,432	-	158	217,432
ABSA BANK - C R R account (ex CDF) - 4053834779	-	1,489	1,677,694	-	1,489	1,677,694
ABSA BANK - Primary bank Acc - 4053835084	-	10,116,607	94,521,092	-	10,116,607	94,521,092
ABSA BANK - Salary account - 4055571973	(408,626)	(30,145)	29,382,719	(408,626)	(30,146)	29,382,719
ABSA BANK - Treasury account - 4055571931	51,575,863	795,431,120	2,180,193,827	51,575,863	795,431,120	2,180,193,827
ABSA BANK - Expenditure imprest acc - 4055571915	2,322	3,120	37,208,459	1,104	(2,755,900)	37,235,936
ABSA BANK - USDG account - 4055571884	-	953	1,092,668	-	953	1,092,668
ABSA BANK Solid waste account	-	344,680	-	-	344,680	-
ABSA BANK - Housing account - 4055571842	-	106	167,649	-	106	167,649
CoE Traffic fines 4072777706	-	-	(16,144)	-	(48,395)	(16,144)
FNB Mask account 62379403745	280,898,399	164,327,195	87,103,922	280,861,841	158,146,694	87,103,922
Petty Cash and Floats	-	-	-	568,727	534,384	533,546
Short term deposit Nedbank	-	1,065,997,148	2,018,632,968	-	1,065,997,148	2,018,495,890

			Economic entity		Controlling entity	
Figures in Rand			2018	2017	2018	2017

14. Cash and cash equivalents (continued)

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

			Economic entity		Controlling entity	
Figures in Rand			2018	2017	2018	2017
14. Cash and cash equivalents (continued)						
(Phase II) ABSA Current account - 4055919492	487,202	581,158	413,392	487,202	581,158	413,392
BBC ABSA - Current account - 4052643454	1,143,052	366,052	1,947,750	1,133,961	385,785	1,126,819
BBC ABSA money market account - 9193942873	6,229,726	12,224,756	8,641,175	6,229,726	12,224,756	8,641,175
(PhaseII) ABSA Cheque account - 4078340151	1,430,985	1,372,343	1,312,979	1,430,985	1,372,343	1,312,979
ERWAT ABSA - Current account - 2-6017-0120	58,941,557	157,714,415	302,802,058	60,508,905	157,367,173	302,801,808
ERWAT ABSA - Salary account - 2-6017-0139	26,412,695	393,329	2,531,423	26,412,695	393,329	2,531,423
Petty Cash and Floats	-	-	-	103,477	29,396	31,103
Total	**3,684,323,246**	**6,046,701,903**	**8,247,309,223**	**3,658,286,231**	**6,000,822,434**	**8,306,744,018**

15. Long-term liabilities

At amortised cost				
Bank loan - Nedbank Interest rate - 10.78% per annum. Redemption period - December 2018.	1,164,821,901	1,414,247,444	620,438,051	821,188,802
Development Bank of South Africa Interest rates as well as redemption periods are varying.	9,371,722	11,946,072	-	-
Municipal bonds Interest rates on the JSE CoE bonds vary between 9.155% and 11.32 % per annum. Final redemption dates on these bonds vary between July 2020 and July 2032.	5,379,729,763	4,250,869,337	5,379,729,763	4,250,869,337
	6,553,923,386	**5,677,062,853**	**6,000,167,814**	**5,072,058,139**
At amortised cost				
Bank loans and municipal bonds	(558,909,431)	(457,960,854)	(502,569,199)	(402,710,089)
Non-current liabilities				
At amortised cost	5,994,949,603	5,219,101,999	5,497,508,615	4,669,348,050
Current liabilities				
At amortised cost	558,973,828	457,960,854	502,569,199	402,710,089

Encumbered investments

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

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

16. Employee benefit obligations

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

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

Defined Contribution Funds
Where an employee has rendered services to the City during the year, the City recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.
Defined Benefit Plans

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

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

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

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

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

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

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

2. Accrued Leave Pay
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end. Refer to provisions note (note 17) for leave pay provision.

Retirement benefit obligation (medical aid plan)

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

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

16. Employee benefit obligations (continued)

Pension benefits

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

Present value of the defined benefit obligation-wholly unfunded	(1,985,201,581)	(2,236,655,063)	(1,954,081,581)	(2,202,485,063)

Movements for the year

Opening balance	(2,236,655,063)	(2,678,097,365)	(2,202,485,063)	(2,527,234,581)
Benefits paid	96,978,162	85,619,189	95,532,198	84,532,189
Net expense recognised in the statement of financial performance	154,475,320	355,823,113	152,871,284	240,217,329
	(1,985,201,581)	**(2,236,655,063)**	**(1,954,081,581)**	**(2,202,485,063)**

Net expense recognised in the statement of financial performance

Current service cost	(83,904,797)	(101,049,000)	(82,666,797)	(99,968,000)
Interest cost	(199,273,790)	(244,689,000)	(195,873,790)	(241,700,000)
Actuarial gains	437,653,907	701,561,113	431,411,871	581,885,329
	154,475,320	**355,823,113**	**152,871,284**	**240,217,329**

Key assumptions used

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

Discount rates used (controlling entity)	9.78 %	9.35 %	9.78 %	9.35 %
Health care cost inflation rate (controlling entity)	7.67 %	7.67 %	7.67 %	7.67 %

Other assumptions:

Key Demographic Assumptions

Assumption	**Value**
Average retirement age for the City	63
Continuation of membership at retirement	90%
Proportion assumed married at retirement	90%
Mortality tables	SA 85/90
Mortality post-retirement for pensioners	PA90

Withdrawal from service

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

16. Employee benefit obligations (continued)

Other assumptions

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

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

	2018	2017	2016	2015	2014
	R	R	R	R	R
Defined benefit obligation	(1,954,081,581)	(2,202,485,063)	(2,527,235,581)	(2,049,898,581)	(1,967,931,581)
Deficit	(1,954,081,581)	(2,202,485,063)	(2,527,235,581)	(2,049,898,581)	(1,967,931,581)
Experience adjustments on plan	(128,639,000)	(234,450,000)	(271,494,000)	16,924,000	(73,044,000)

Notes to the Consolidated Annual Financial Statements

Figures in Rand

17. Provisions

Reconciliation of provisions - Economic entity - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
COID provision	29,524,857	3,762,880	(1,950,663)	-	-	31,337,074
Other provisions	535,644	107,308	(19,168)	-	-	623,784
Bonus provision	74,124,190	26,770,956	(1,825,321)	(17,201,507)	-	81,868,318
Leave provision	440,328,161	162,810,184	(80,257,810)	-	-	522,880,535
Landfill rehabilitation provision	326,110,340	(38,801,607)	-	-	61,322,487	348,631,220
WCA provision	-	34,878,848	(39,765,310)	4,886,462	-	-
Long service awards	410,124,595	39,485,628	(8,804,169)	(6,198,324)	31,731,270	466,339,000
GMRF	-	13,034,576	-	-	-	13,034,576
	1,280,747,787	**242,048,773**	**(132,622,441)**	**(18,513,369)**	**93,053,757**	**1,464,714,507**

Reconciliation of provisions - Economic entity - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
COID provision	22,701,350	6,139,144	(1,690,198)	-	2,374,561	29,524,857
Other provisions	461,094	100,085	(25,535)	-	-	535,644
Bonus provision	76,990,172	36,224,425	(39,090,407)	-	-	74,124,190
Leave provision	353,457,772	166,368,740	(79,498,351)	-	-	440,328,161
Landfill rehabilitation provision	294,399,304	(9,090,694)	-	-	40,801,730	326,110,340
WCA provision	-	37,527,360	(30,110,064)	(7,417,296)	-	-
Long service awards	424,277,962	31,410,957	(56,970,835)	(25,713,155)	37,119,666	410,124,595
GMRF	137,046,109	-	(159,505,989)	-	22,459,880	-
	1,309,333,763	**268,680,017**	**(366,891,379)**	**(33,130,451)**	**102,755,837**	**1,280,747,787**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

17. Provisions (continued)

Reconciliation of provisions - Controlling entity - 2018

	Opening Balance	Additions	Utilised during the year	Increased during the year	Change in discount factor	Total
COID provision	29,524,857	3,762,880	(1,950,663)	-	-	31,337,074
Bonus provision	55,777,169	25,778,287	(958,068)	-	-	80,597,388
Leave provision	421,594,320	150,536,712	(71,875,380)	-	-	500,255,652
Landfill rehabilitation provision	326,110,340	(38,801,607)	-	-	61,322,487	348,631,220
WCA provision	-	34,878,848	(39,765,310)	4,886,462	-	-
Long service awards	410,124,595	39,485,628	(8,804,169)	(6,198,324)	31,731,270	466,339,000
GMRF	-	13,034,576	-	-	-	13,034,576
	1,243,131,281	**228,675,324**	**(123,353,590)**	**(1,311,862)**	**93,053,757**	**1,440,194,910**

Reconciliation of provisions - Controlling entity - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
COID provision	22,701,350	6,139,144	(1,690,198)	-	2,374,561	29,524,857
Bonus provision	63,478,582	30,423,257	(38,124,670)	-	-	55,777,169
Leave provision	340,328,187	154,720,609	(73,454,476)	-	-	421,594,320
Landfill rehabilitation provision	294,399,304	(9,090,694)	-	-	40,801,730	326,110,340
WCA provision	-	37,527,360	(30,110,064)	(7,417,296)	-	-
Long service awards	424,277,962	31,410,957	(56,970,835)	(25,713,155)	37,119,666	410,124,595
GMRF	137,046,109	-	(159,505,989)	-	22,459,880	-
	1,282,231,494	**251,130,633**	**(359,856,232)**	**(33,130,451)**	**102,755,837**	**1,243,131,281**

Non-current liabilities	846,307,294	765,759,792	846,307,294	765,759,792
Current liabilities	618,407,213	514,987,995	593,887,616	477,371,489
	1,464,714,507	**1,280,747,787**	**1,440,194,910**	**1,243,131,281**

GMRF provision

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

17. Provisions (continued)

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

COID provision

This provision is made for future expected outflows as a result of the City's obligation to contribute towards occupational injuries with various employees in the old Benoni and Germiston local municipalities. The discount rate used in determining the present value of the obligation is 10.52% (2017: 10.46%) and the inflation assumption used for the increase in expenses/contributions is 7.00% (2017: 7.36%).

Leave and bonus provision

The liability is based on the total accrued leave days at year end. A section 57 bonus provision is also provided for. The bonus is performance based, and is dependant on a performance assessment. The timing of both the leave and bonus is uncertain.

Landfill rehabilitation provision

In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision.The discounting rate is 10.52% (2017: 10.46%).The timing of outflow is uncertain,as well as relating amounts due to discounting and charges in inflation rates.

The net result of the re-estimation had the following effect on the current year amounts:
Decrease in the cost of property, plant and equipment R18,508,148 (2017: decrease of R9,090,694)
Amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset by R18,508,148 (2017: R9,090,694)

Workman's compensation provision

The provision is for the period March to June, which has been estimated in the latest return submitted to the compensation commissioner. The current year was prepaid.

Long service awards provision

An actuarial valuation for 2018 was performend by Zaqen Actuaries (Pty) Ltd and for 2017 it was performed br ARCH Actuarial Consulting CC.

Discount rate used: 9.35% (2017: 8.52%)
CPI used: 6.17% (2017: 6.32%)
Salary increase rate used: 7.00% (2017: 7.36%)

18. Trade and other-payables from exchange transactions

Accrual for interest on external loans	91,648,477	97,502,709	91,648,473	97,502,714
Civil contracts	970,097	968,634	-	-
Straight lining leases	482,280	5,402,711	11,444	409,289
Licence fees	15,016,828	4,238,974	14,914,694	4,238,974
Maintenance guarantees: new township development infrastructure	4,851,026	4,672,071	4,851,026	4,672,071
VAT balance on outstanding debtors	565,111,662	479,984,249	565,111,662	479,925,629
Other payables	298,892,794	902,225,961	259,582,983	882,541,048
Receipts in advance	625,427,713	579,364,700	625,427,713	579,364,700
Retentions	683,147,476	591,260,938	683,147,476	591,260,938
Trade payables	5,025,219,241	3,698,781,906	4,938,458,941	3,728,300,471
Unclaimed salaries	7,553,098	7,115,050	7,553,098	7,058,356
	7,318,320,692	**6,371,517,903**	**7,190,707,510**	**6,375,274,190**

19. Deposits

Consumer deposits - electricity and water	866,331,112	806,762,579	866,331,112	806,762,579

Guarantees in lieu of electricity and water deposits is R124,075,216 (2017:R101,688,342).

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

20. Unspent conditional grants and receipts

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

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Operating Grants - Buntle Ke Botle	-	16,207	-	16,207
Disaster Management Grant (Human Settle)	-	8,773	-	8,773
Operating Grants - Township Initiatives	(245,403)	888,620	(245,403)	888,620
PTNG	10,121,070	-	10,121,070	-
USDG	270,782,611	-	270,782,611	-
EPWP (PUBLIC WORKS)	94,962	2,076	94,962	2,076
WIFI Conectivity Grant	-	201,078	-	201,078
Operating Grants HSDG Accreditation	19,999,371	30,976,364	19,999,371	30,976,364
Capital Grants - USDG	43,941,030	21,713,359	43,941,030	21,713,359
Capital Grants - Electricity Demand Side Management	107	107	107	107
Capital Grants - INEP	-	-	-	-
Capital Grants - NDPG	6,147,792	29,145,706	6,147,792	29,145,706
Capital Grants - PTNG	224,818,844	29,884,181	224,818,844	29,884,180
Capital Grant - Township Initiatives	1,360,267	-	1,360,267	-
Integrated City Development Grant	-	572,427	-	572,427
Other	20,862,707	12,683,354	-	-
	597,883,358	**126,092,252**	**577,020,651**	**113,408,897**

Movement during the period

Balance at the beginning of the year	126,092,252	445,922,996	113,408,897	433,285,889
Additions during the year	7,847,021,028	6,880,020,083	7,826,158,814	6,861,608,434
Income recognition during the year	(7,275,024,786)	(6,848,491,355)	(7,262,341,924)	(6,836,096,417)
Appropriations	(100,205,136)	(351,359,472)	(100,205,136)	(345,389,009)
	597,883,358	**126,092,252**	**577,020,651**	**113,408,897**

See note 26 for reconciliation of all grants.

21. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2018

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	378,802,165	-	378,802,165
Consumer debtors	-	5,486,430,787	-	5,486,430,787
Cash and cash equivalents	-	3,658,286,230	-	3,658,286,230
Residual interest	7,358,146	-	4,000,000	11,358,146
Other investments	-	2,169,849,279	-	2,169,849,279
Long term receivables	-	6,757,615	-	6,757,615
	7,358,146	**11,700,126,076**	**4,000,000**	**11,711,484,222**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	6,150,790,663	6,150,790,663
Unspend conditional grants	597,883,358	597,883,358
Long term liabilities	6,553,923,431	6,553,923,431
Consumer deposits	866,331,112	866,331,112
	14,168,928,564	**14,168,928,564**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

. Financial instruments disclosure (continued)

Economic entity - 2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	355,819,501	-	355,819,501
Consumer debtors	-	4,703,601,650	-	4,703,601,650
Cash and cash equivalents	-	6,000,822,434	-	6,000,822,434
Residual interest	8,119,485	-	4,000,000	12,119,485
Other investments	-	1,567,017,137	-	1,567,017,137
Long term receivables	-	6,765,032	-	6,765,032
	8,119,485	**12,634,025,754**	**4,000,000**	**12,646,145,239**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5,423,951,240	5,423,951,240
Unspend conditional grants	126,092,252	126,092,252
Long term liabilities	5,677,062,853	5,677,062,853
Consumer deposits	806,762,579	806,762,579
	12,033,868,924	**12,033,868,924**

Controlling entity - 2018

Financial assets

	At amortised cost	At cost	Total
Other receivables	270,146,822	-	270,146,822
Consumer debtors	5,486,430,787	-	5,486,430,787
Cash and cash equivalents	3,527,793,794	-	3,527,793,794
Other investments (listed and unlisted shares)	-	4,000,000	4,000,000
Other investments	2,168,786,678	-	2,168,786,678
Long term receivables	3,317,824	-	3,317,824
	11,456,475,905	**4,000,000**	**11,460,475,905**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5,739,869,529	5,739,869,529
Unspend conditional grants	306,387,355	306,387,355
Long term liabilities	6,000,077,815	6,000,077,815
Consumer deposits	866,331,112	866,331,112
	12,912,665,811	**12,912,665,811**

Controlling entity - 2017

Financial assets

	At amortised cost	At cost	Total
Other receivables	381,784,530	-	381,784,530
Consumer debtors	4,703,601,650	-	4,703,601,650
Cash and cash equivalents	5,809,953,546	-	5,809,953,546
Other investments (listed and unlisted shares)	-	4,000,000	4,000,000
Other investments	1,567,017,137	-	1,567,017,137
Long term receivables	3,124,380	-	3,124,380
	12,465,481,243	**4,000,000**	**12,469,481,243**

Financial liabilities

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other payables from exchange transactions	5,432,759,564	5,432,759,564
Unspend conditional grants	113,408,897	113,408,897
Long term liabilities	5,072,058,139	5,072,058,139
Consumer deposits	806,762,579	806,762,579
	11,424,989,179	**11,424,989,179**

Financial instruments in Statement of financial performance

Economic entity - 2018

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	903,654,490	903,654,490
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(985,916,529)	(985,916,529)
Impairment loss	(2,398,871,113)	(2,398,871,113)
	(2,481,133,152)	**(2,481,133,152)**

Economic entity - 2017

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

Controlling entity - 2018

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	892,829,790	892,829,790
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(921,399,008)	(921,399,008)
Impairment loss	(2,389,102,709)	(2,389,102,709)
	(2,417,671,927)	**(2,417,671,927)**

Controlling entity - 2017

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

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

22. Revenue

Rendering of services	9,499,532	9,158,743	-	-
Service charges	18,908,373,038	18,690,444,703	18,930,199,029	18,746,400,361
Rental of facilities and equipment	108,597,141	95,744,062	73,356,530	67,521,340
Interest earned - outstanding debtors	279,018,363	304,694,051	279,018,363	304,694,051
Income from agency services	293,244,137	282,273,625	293,198,719	282,218,826
Licences and permits	54,880,804	50,248,868	54,880,804	50,248,868
Other income	341,619,348	165,138,907	331,051,726	158,947,731
Interest revenue	624,636,127	656,256,288	613,811,427	637,392,535
Dividends received	65,985	554,648	-	-
Property rates	5,200,065,020	3,989,125,402	5,200,065,020	3,990,436,802
Property rates - penalties and collection charges	57,700,398	51,859,928	57,700,398	51,859,928
Government grants & subsidies	7,274,925,428	6,867,924,510	7,262,341,924	6,836,096,411
Public contributions and donations	590,501,134	122,740,802	590,501,134	122,740,802
Fines	334,253,645	282,428,172	334,253,645	282,428,172
	34,077,380,100	**31,568,592,709**	**34,020,378,719**	**31,530,985,827**

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

Service charges	18,908,373,038	18,690,444,703	18,930,199,029	18,746,400,361
Rendering of services	9,499,532	9,158,743	-	-
Rental of facilities and equipment	108,597,141	95,744,062	73,356,530	67,521,340
Interest earned - outstanding debtors	279,018,363	304,694,051	279,018,363	304,694,051
Income from agency services	293,244,137	282,273,625	293,198,719	282,218,826
Licences and permits	54,880,804	50,248,868	54,880,804	50,248,868
Other income	341,619,348	165,138,907	331,051,726	158,947,731
Interest revenue	624,636,127	656,256,288	613,811,427	637,392,535
Dividends received	65,985	554,648	-	-
	20,619,934,475	**20,254,513,895**	**20,575,516,598**	**20,247,423,712**

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

Taxation revenue				
Property rates	5,200,065,020	3,989,125,402	5,200,065,020	3,990,436,802
Property rates - penalties and collection charges	57,700,398	51,859,928	57,700,398	51,859,928
Transfer revenue				
Government grants & subsidies	7,274,925,428	6,867,924,510	7,262,341,924	6,836,096,411
Public contributions and donations	590,501,134	122,740,802	590,501,134	122,740,802
Fines	334,253,645	282,428,172	334,253,645	282,428,172
	13,457,445,625	**11,314,078,814**	**13,444,862,121**	**11,283,562,115**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

23. Property rates

Rates received

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

Valuations (R'000)

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

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

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

24. Service charges

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

25. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	108,573,453	95,722,823	73,332,842	67,500,101
Rental of equipment	23,688	21,239	23,688	21,239
	108,597,141	**95,744,062**	**73,356,530**	**67,521,340**
	-	-	-	-
	-	-	-	-
Facilities and equipment	108,597,141	95,744,062	73,356,530	67,521,340
	108,597,141	**95,744,062**	**73,356,530**	**67,521,340**

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

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

26. Government grants and subsidies

Operating grants				
Equitable share	2,719,861,000	2,381,366,993	2,719,861,000	2,381,366,993
Fuel levy	1,694,256,000	1,625,872,000	1,694,256,000	1,625,872,000
Ambulance subsidies	158,155,000	150,624,000	158,155,000	150,624,000
Finance Management Grant (FMG)	1,049,999	1,050,000	1,049,999	1,050,000
HIV/AIDS	13,236,906	12,719,535	13,236,906	12,719,535
Township Initiatives	4,875,799	-	4,875,799	-
Sector Education and Training Authority (Seta)	10,796,748	9,024,726	10,796,748	9,024,726
Disaster Grant	-	7,552,817	-	7,552,817
Bontle Ke Batho (BKB)	16,206	14,850	16,206	14,850
Health Subsidy	130,340,000	124,133,000	130,340,000	124,133,000
National Housing Fund	-	2,977,157	-	-
Human Settlements Development Grant (HSDG) Accreditation	31,203,789	34,805,312	31,203,789	34,805,312
Municipal Human Settlements Capacity	-	7,156,000	-	7,156,000
Department of transport	12,583,506	28,850,942	-	-
Urban Settlements Development Grant (USDG)	333,430,102	664,034,254	333,430,102	664,034,254
Public Transport Network Grant (PTNG)	119,214,670	780,079	119,214,670	780,079
Expanded Public Works Programme (EPWP)	44,623,038	22,122,924	44,623,038	22,122,924
Research and Technology Development	-	184,664	-	184,664
Libraries plan	-	6,198,620	-	6,198,620
	5,273,642,763	5,079,467,873	5,261,059,257	5,047,639,774
Capital grants				
Intergrated National Electrification Programme (INEP)	40,000,000	40,000,000	40,000,000	40,000,000
Urban Settlements Development Grant (USDG)	1,448,954,007	1,204,604,389	1,448,954,007	1,204,604,389
Public Transport Network Grant (PTNG)	346,563,416	419,337,740	346,563,416	419,337,740
Electricity Demand Site Management	12,000,000	14,999,893	12,000,000	14,999,893
WiFi Connectivity roll out	201,078	1,648,184	201,078	1,648,184
Human Settlements Development Grant (HSDG) Accreditation	-	23,158,888	-	23,158,888
Recap of Libraries	-	7,647,676	-	7,647,676
Intergrated city development	48,646,000	37,505,573	48,646,000	37,505,573
Township Initiatives	8,491,958	-	8,491,958	-
Neighbourhood Development Partnership Grant (NDPG)	96,426,208	39,554,294	96,426,208	39,554,294
	2,001,282,667	1,788,456,637	2,001,282,667	1,788,456,637
	7,274,925,430	**6,867,924,510**	**7,262,341,924**	**6,836,096,411**

Equitable share

Current-year receipts	2,719,861,000	2,381,366,993	2,719,861,000	2,381,366,993
Conditions met - transferred to revenue	(2,719,861,000)	(2,381,366,993)	(2,719,861,000)	(2,381,366,993)
	-	-	-	-

Fuel levy

Current-year receipts	1,694,256,000	1,694,256,000	1,694,256,000	1,625,872,000
Conditions met - transferred to revenue	(1,694,256,000)	(1,694,256,000)	(1,694,256,000)	(1,625,872,000)
	-	-	-	-

Ambulance Subsidy

Current-year receipts	158,155,000	150,624,000	158,155,000	150,624,000
Conditions met - transferred to revenue	(158,155,000)	(150,624,000)	(158,155,000)	(150,624,000)
	-	-	-	-

Finance Management Grant

Current-year receipts	1,050,000	1,050,000	1,050,000	1,050,000
Conditions met - transferred to revenue	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

26. Government grants and subsidies (continued)

	-	-	-	-
	-	-	-	-

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

Hiv/Aids

Current-year receipts	13,236,906	12,719,535	13,236,906	12,719,535
Conditions met - transferred to revenue	(13,236,906)	(12,719,535)	(13,236,906)	(12,719,535)
	-	-	-	-

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

Township Initiatives

Balance unspent at beginning of year	888,620	2,291,932	888,620	2,291,932
Current-year receipts	13,594,000	13,000,000	13,594,000	13,000,000
Conditions met - transferred to revenue	(13,367,757)	(13,846,296)	(13,367,757)	(13,846,296)
Surrendered/Appropriated	-	(557,016)	-	(557,016)
	1,114,863	**888,620**	**1,114,863**	**888,620**

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

Seta

Current-year receipts	10,796,748	10,796,748	10,796,748	9,024,726
Conditions met - transferred to revenue	(10,796,748)	(10,796,748)	(10,796,748)	(9,024,726)
	-	-	-	-

BKB

Balance unspent at beginning of year	16,207	31,057	16,207	31,057
Conditions met - transferred to revenue	(16,207)	(14,850)	(16,207)	(14,850)
	-	**16,207**	-	**16,207**

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

Health Subsidy

Current-year receipts	130,340,000	124,133,000	130,340,000	124,133,000
Conditions met - transferred to revenue	(130,340,000)	(124,133,000)	(130,340,000)	(124,133,000)
	-	-	-	-

INEP

Current-year receipts	40,000,000	40,000,000	40,000,000	40,000,000
Conditions met - transferred to revenue	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)
	-	-	-	-

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

Integrated City Development

Balance unspent at beginning of year	572,427	1,560,299	572,427	1,560,299
Current-year receipts	48,646,000	38,078,000	48,646,000	38,078,000
Conditions met - transferred to revenue	(48,646,000)	(37,505,573)	(48,646,000)	(37,505,573)

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017
26. Government grants and subsidies (continued)				
Surrendered/Appropriated	(572,427)	(1,560,299)	(572,427)	(1,560,299)
	-	**572,427**	**-**	**572,427**

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

PTNG

Balance unspent at beginning of year	29,884,181	22,085,434	29,884,181	22,085,434
Current-year receipts	700,718,000	450,002,000	700,718,000	450,002,000
Conditions met - transferred to revenue	(465,778,086)	(420,117,819)	(465,778,086)	(420,117,819)
Surrendered/Appropriated	(29,884,181)	(22,085,434)	(29,884,181)	(22,085,434)
	234,939,914	**29,884,181**	**234,939,914**	**29,884,181**

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

Electricity Demand Site Management

Balance unspent at beginning of year	108	191,513	108	191,513
Current-year receipts	12,000,000	15,000,000	12,000,000	15,000,000
Conditions met - transferred to revenue	(12,000,000)	(14,999,893)	(12,000,000)	(14,999,893)
Surrendered/Appropriated	-	(191,512)	-	(191,512)
	108	**108**	**108**	**108**

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

Municipal Human Settlements Capacity

Balance unspent at beginning of year	-	36,945,673	-	36,945,673
Conditions met - transferred to revenue	-	(7,156,000)	-	(7,156,000)
Surrendered/Appropriated	-	(29,789,673)	-	(29,789,673)
	-	**-**	**-**	**-**

USDG

Balance unspent at beginning of year	21,713,359	291,205,074	21,713,359	291,205,074
Current-year receipts	2,085,010,000	1,890,352,000	2,085,010,000	1,890,352,000
Conditions met - transferred to revenue	(1,782,384,108)	(1,868,638,641)	(1,782,384,108)	(1,868,638,641)
Surrendered/Appropriated	(9,615,610)	(291,205,074)	(9,615,610)	(291,205,074)
	314,723,641	**21,713,359**	**314,723,641**	**21,713,359**

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

EPWP

Balance unspent at beginning of year	2,076	-	2,076	-
Current-year receipts	44,718,000	22,125,000	44,718,000	22,125,000
Conditions met - transferred to revenue	(44,623,038)	(22,122,924)	(44,623,038)	(22,122,924)
Surrendered/Appropriated	(2,076)	-	(2,076)	-
	94,962	**2,076**	**94,962**	**2,076**

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

NDPG

Balance unspent at beginning of year	29,145,705	-	29,145,705	-
Current-year receipts	102,574,000	68,700,000	102,574,000	68,700,000
Conditions met - transferred to revenue	(96,426,208)	(39,554,295)	(96,426,208)	(39,554,295)
Surrendered/Appropriated	(29,145,705)	-	(29,145,705)	-

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

26. Government grants and subsidies (continued)

	6,147,792	**29,145,705**	**6,147,792**	**29,145,705**

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

HSDG Accreditation

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

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

Research and Technology

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

Disaster Grant

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

WIFI Connectivity Roll Out

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

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

National Housing Fund

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

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

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

Department of Transport

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

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

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

27. Interest revenue

Dividend revenue				
Unit trusts - local	65,985	554,648	-	-
Interest revenue				
Bank	322,536,214	429,530,940	313,094,119	412,098,034
External investments	302,099,913	226,725,348	300,717,308	225,294,501
	624,636,127	**656,256,288**	**613,811,427**	**637,392,535**
	65,985	554,648	-	-
	624,636,127	656,256,288	613,811,427	637,392,535
	624,702,112	**656,810,936**	**613,811,427**	**637,392,535**

28. Other income

Accident reports	2,816,159	1,074,106	1,157,288	1,074,106
Administration fees	610,836	169,580	127,909	169,580
Cleaning of stands	265,876	499,414	244,356	499,414
Entry fees	434,083	701,011	434,083	701,011
Essential services contributions	84,070,189	80,882,162	84,027,872	80,882,162
Gain on fair value adjustment	85,304	101,736	-	-
Insurance claims	16,029,078	-	-	-
Printing and copying of documents	1,003,340	190,956	1,003,340	190,956
Productions	-	(40,153,289)	-	-
Sundry income	234,634,155	117,773,647	242,418,524	71,959,370
Supply of information	372,610	448,764	372,610	448,764
Tender documents	251,574	2,374,510	219,600	1,946,058
Training	1,046,144	1,076,310	1,046,144	1,076,310
	341,619,348	**165,138,907**	**331,051,726**	**158,947,731**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

29. Employee related costs

Basic	4,719,236,521	4,114,379,455	4,504,966,956	3,942,291,098
Bonus	366,353,992	282,080,815	347,770,074	265,146,609
Medical aid - company contributions	461,528,514	409,586,839	458,471,954	405,938,008
UIF	31,570,474	29,231,836	31,388,917	29,176,066
WCA	47,985,611	39,316,263	46,275,379	37,541,860
SDL	61,227,949	54,038,427	60,852,332	53,873,338
Other payroll levies	1,749,674	1,593,603	1,749,674	1,593,603
Leave pay provision charge	162,656,874	130,848,645	150,799,564	120,244,753
Standby Allowances	44,531,422	37,314,902	44,367,022	37,314,902
Defined contribution plans expences and gain/(loss)	(363,067,514)	-	(356,825,478)	-
Defined contribution plans	865,849,424	191,807,915	815,780,757	190,231,808
Travel, motor car, accommodation, subsistence and other allowances	238,977,639	232,257,660	232,593,033	223,034,373
Overtime payments	790,566,571	828,366,296	763,954,914	808,552,210
Long-service awards	9,356,267	(45,042,386)	8,804,169	(45,339,455)
Acting allowances	70,563,523	55,277,501	70,036,135	55,277,501
Housing benefits and allowances	57,909,296	57,681,431	55,337,017	56,173,178
Allowances	24,226,981	80,865,619	20,231,756	18,795,206
Less: employee costs capitalised to property, plant and equipment	(22,637,736)	(27,426,714)	(22,637,736)	(27,426,714)
	7,551,383,975	**6,472,178,107**	**7,233,916,439**	**6,172,418,344**

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

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

Senior Management Remuneration (Key Management) for period ended 30 June 2017	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager(Expired 31/08/2016)	474,560	21,417	-	329,700	8,600	834,277
City Manager (Appointed 01/12/2016)	1,599,344	39,681	90,141	-	32,200	1,761,366
Chief Operating Officer(vacant 01/12/2016)	1,003,788	28,344	64,387	577,043	18,000	1,691,562
Chief Operating Officer(Appointed 01/06/2017)	181,041	149	-	-	3,600	184,790
Chief Financial Officer(Vacant 16/01/2017)	1,489,603	892	-	299,548	21,214	1,811,257
Chief Financial Officer(appointed 01/05/2017)	242,745	10,885	10,000	-	6,600	270,230
Head of Department: Internal Audit	1,598,340	94,484	120,000	307,529	43,200	2,163,553
Head of Department :Electricity & Energy	1,679,628	148,165	176,340	470,564	213,420	2,688,117
Head of Department: Strategy & Corporate Planning	814,217	107,220	-	-	21,600	943,037
Head of Department: Health	1,531,440	123,285	120,000	313,522	43,200	2,131,447
Head of Department: Customer Relations Management	1,974,348	1,785	120,000	441,287	43,200	2,580,620
Head of Department: Corporate & Legal	1,757,424	131,385	120,000	412,053	43,200	2,464,062
Head of Department: Communication	1,342,941	128,844	120,000	-	43,200	1,634,985
Head of Department: SRAC	1,343,113	1,487	90,000	168,110	33,900	1,636,610
Head of Department : City Development	1,532,102	182,825	100,000	293,808	39,600	2,148,335
Head of Department : Community Safety	1,122,489	110,093	80,000	207,751	28,800	1,549,133
Head of Department : Human Settlement	1,339,392	96,393	156,000	-	43,200	1,634,985
Head of Department : Economic Development	1,836,044	1,785	170,000	323,714	43,200	2,374,743
Head of Department : ICT (Resigned 31/12/2016)	1,405,044	27,892	50,857	301,388	21,600	1,806,781
Head of Department : ICT (Appointed 01/06/2017))	106,078	10,736	15,000	-	3,600	135,414
Head of Department : Transport	692,123	744	75,000	-	18,000	785,867
Head of Department : Environment	1,799,388	1,785	-	279,147	39,600	2,119,920
Head of Department : Solid Waste	892,914	31,966	49,000	103,452	25,200	1,102,532
Head of Department : Enterprise Project Management	1,796,376	1,785	144,000	304,997	43,200	2,290,358
Head of Department : Real Estate and Facilities	1,671,696	109,785	96,000	293,416	43,200	2,214,097
Head of Department : Roads and Transport	1,754,784	1,785	240,000	115,848	39,600	2,152,017
Head of Department : Water and Sanitation	754,947	38,692	90,000	-	21,600	905,239
Head of Department :Fleet	1,813,440	1,785	-	190,215	39,600	2,045,040
Chief Risk Officer	1,410,000	1,785	180,000	-	43,200	1,634,985

Notes to the Consolidated Annual Financial Statements

			Economic entity		Controlling entity	
Figures in Rand			2018	2017	2018	2017

29. Employee related costs (continued)

Chief of Police(Resigned 25/11/2016)	593,420	719	50,000	-	11,000	655,139
Chief of Police(Appointed 01/05/2017)	134,463	297	21,529	-	7,200	163,489
Secretary of Council	626,082	892	66,000	139,499	19,800	852,273
Subtotal	38,313,314	1,459,767	2,614,254	5,872,591	1,106,334	49,366,260
	38,313,314	**1,459,767**	**2,614,254**	**5,872,591**	**1,106,334**	**49,366,260**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

30. Remuneration of councillors

In-kind benefits

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

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

The Executive Mayor has full-time bodyguards.

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

All ERWAT directors make user of company owned laptops.

Related parties
Refer to note 42 for related party relationships.

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

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

31. Depreciation and amortisation

Property, plant and equipment	2,242,267,316	1,954,729,398	2,174,985,423	1,887,276,467
Investment property	11,303,706	8,289,993	7,235,025	6,831,906
Intangible assets	53,199,459	16,074,751	51,903,102	15,248,874
	2,306,770,481	**1,979,094,142**	**2,234,123,550**	**1,909,357,247**

32. Impairments of assets

Impairments				
Derecognition of property, plant and equipment	104,607,616	151,199,421	171,692,345	229,718,988
Heritage assets	-	53,528	-	53,528
	104,607,616	**151,252,949**	**171,692,345**	**229,772,516**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

33. Finance costs

External borrowings	645,637,708	620,549,009	645,637,708	556,932,803
Interest on convertible instruments	57,752,189	-	-	-
Trade and other payables	10,287,962	558,469	7,127,212	458,384
Finance leases	97,068	-	-	-
Unwinding of interest on provisions and obligations	272,141,602	352,545,709	268,634,088	344,455,837
	985,916,529	**973,653,187**	**921,399,008**	**901,847,024**

34. Debt impairment

Debt debts written off	658,140,959	2,625,549,487	378,620,247	658,140,959
Changes in debt impairment provision	1,471,428,957	2,617,778,757	1,464,826,053	2,609,578,888
Changes in provision for bad debts written off	(658,140,959)	(2,625,549,487)	(378,620,247)	(658,140,959)
	1,471,428,957	**2,617,778,757**	**1,464,826,053**	**2,609,578,888**

35. Bulk purchases

Electricity	9,359,140,740	9,315,588,096	9,310,647,314	9,253,232,812
Water	2,934,846,940	2,571,996,117	2,934,764,481	2,576,776,298
Sewer purification	5,241,538	8,641,846	696,872,604	572,501,829
	12,299,229,218	**11,896,226,059**	**12,942,284,399**	**12,402,510,939**

36. Auditors' remuneration

External audit fees	26,861,873	21,550,679	23,764,006	18,203,749

37. Contracted services

Information technology services	13,785,977	286,286	9,398,508	286,286
Security contracts	372,736,668	69,498,222	372,736,668	69,498,222
Meter management contracts	202,652,053	91,131,995	202,652,053	91,131,995
Environment contracts	283,290,319	184,733,415	283,290,319	184,733,415
Professional services	477,677,450	705,824,870	477,677,450	715,703,832
	1,350,142,467	**1,051,474,788**	**1,345,754,998**	**1,061,353,750**

38. Grants and subsidies paid

Other subsidies				
Discretionary grant: sport and social support	108,619,016	116,790,872	108,619,016	116,790,872
Subsidy: Society for the Prevention of Cruelty to Animals (SPCA)	3,368,675	3,175,000	3,368,675	3,175,000
Discretionary grant: general	724,518,510	284,865,808	874,165,264	443,590,084
Excess consumption and other grants paid	612,316,665	536,478,889	612,316,665	536,478,889
Grants: education (external)	127,931,554	106,595,082	127,931,554	106,595,082
	1,576,754,420	**1,047,905,651**	**1,726,401,174**	**1,206,629,927**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

39. General expenses

Advertising	39,424,542	41,889,754	38,462,756	40,964,125
Assessment rates and municipal charges	1,526,448	1,477,056	-	-
Animal care	3,995,868	3,628,454	3,995,868	3,628,454
Auditors remuneration	26,861,873	21,550,679	23,764,006	18,203,749
Awareness campaigns	25,865,628	30,200,072	23,211,373	30,200,072
Bank charges	11,473,101	12,168,621	10,189,785	11,603,048
Community development and wellbeing	16,532,854	97,985,585	16,532,854	97,985,585
Consulting and professional fees	224,138,888	189,198,330	203,715,686	165,722,645
Consumables (including materials)	106,352,075	52,618,948	106,332,484	52,521,700
Corporate Gifts	782,925	207,404	782,925	207,404
Disaster management	384,207	1,345,882	384,207	1,345,882
Donations	81,400	230,872	-	-
Electricity	197,562	163,155	-	-
Entertainment	3,010,270	2,070,971	221,361	317,355
Flowers	94,791	34,327	-	-
Fuel and oil	170,657,265	150,385,377	165,175,814	150,315,219
Human resource management	16,416,165	15,654,969	12,421,252	13,984,175
IT expenses	48,729,713	61,692,077	48,729,713	61,642,661
Insurance	78,180,220	68,899,108	73,526,789	64,841,579
Land management	37,826,932	88,523,326	37,826,932	88,523,326
Assets less than capital treshold	6,862,450	1,149,179	-	-
Magazines, books and periodicals	1,133,576	1,000,377	1,133,576	931,165
Marketing	120,818,181	108,942,279	119,104,465	107,565,752
Repairs and maintenance costs and operating expenses	2,814,925,872	2,380,250,964	2,678,889,272	2,326,372,170
Postage	28,388,279	31,559,890	28,388,279	28,510,830
Printing and stationery	50,365,434	47,574,711	48,548,865	45,715,675
Productions	49,650	178,285	49,650	178,285
Refreshments	8,970,189	11,609,033	8,970,189	11,386,431
Refuse	31,760,331	47,509,428	31,760,331	47,509,428
Rental	33,724,727	26,500,779	33,529,645	24,627,845
Rodent control	9,433,358	2,182,247	9,157,990	2,182,247
Security (Guarding of municipal property)	25,757,696	15,314,685	-	-
Sewerage and waste disposal	24,413	40,950	-	-
Research and development costs	652,728	673,335	-	-
Service connections	261,605,913	54,112,440	257,720,649	49,317,239
Software expenses	2,080,556	19,407,316	1,236,779	18,521,655
Subscriptions and membership fees	14,163,367	14,813,138	13,418,597	14,486,561
Telephone and fax	42,647,883	19,415,461	39,809,366	16,689,932
Title deed search fees	915,645	498,959	915,645	498,959
Training	28,744,052	22,401,759	22,821,532	17,749,456
Travel - local	8,130,017	9,424,716	2,107,339	4,637,017
Travel - overseas	5,082,959	6,005,423	5,082,959	6,005,423
Uniforms	59,699,483	59,255,161	59,699,483	59,133,811
Venue expenses	24,287,689	23,261,376	24,287,689	23,261,376
Vehicle licences and hire cost	50,773,513	37,987,448	39,059,999	21,051,399
Water	7,958	8,555	-	-
	4,443,538,646	**3,781,002,861**	**4,190,966,104**	**3,628,339,635**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

40. Cash generated from operations

Surplus	1,616,236,369	1,301,515,875	1,455,500,005	1,179,835,882
Adjustments for:				
Depreciation and amortisation	2,306,770,482	1,946,035,016	2,234,123,551	1,885,512,196
Gain on sale of fixed assets	-	-	-	-
Loss on disposal of assets	4,329,576	(6,982,492)	-	(7,951,480)
Impairment deficit	104,607,616	151,252,949	171,692,345	229,772,516
Debt impairment	1,471,428,957	2,617,778,757	1,464,826,053	2,609,578,888
Movements in retirement benefit	(251,453,482)	(319,983,518)	(248,403,482)	(324,749,518)
Movements in provisions	183,966,720	(28,585,976)	197,063,629	(39,100,213)
Movement in tax receivable and payable	17,948,275	20,073,714	-	-
Net movement on provision for bad debt on long term receivables	-	3,288,141	-	-
Annual charge for deferred tax	15,102,352	61,328,417	-	-
Other non-cash items (other movements within PPE)	(640,233,472)	162,857,980	(403,733,587)	302,109,410
Changes in working capital:				
Inventories	(489,121,458)	(166,360,558)	(489,083,118)	(177,376,442)
Receivables from exchange transactions	(433,441,841)	6,429,440	(318,649,985)	(35,802,621)
Consumer debtors	(2,254,258,904)	(2,064,993,597)	(2,247,655,190)	(2,056,793,728)
Other receivables from non-exchange transactions	(12,445,808)	(10,951,276)	(11,584,610)	(10,951,276)
Trade and other-payables from exchange transactions	1,072,918,193	(85,367,779)	698,248,332	(158,987,303)
Unspent conditional grants and receipts	471,791,106	(319,830,744)	463,611,754	(319,876,992)
	3,184,144,681	**3,267,504,349**	**2,965,955,697**	**3,075,219,319**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

41. Contingencies

Contingent laibilities

Category A:Claims exceeding R 500 000.

Category B: Claims between R100,000 and R500,000

Category C: Other legal matters less than R100,000.

CONTINGENT LIABILITIES

Category A Claims:				
The claim revolves around a dispute regarding payment for work done. EMM is defending the matter.	57,000,000	-	57,000,000	-
Plaintiff issued summons against EMM for the purchase of the remainder of ptn 9 of the farm driefontein no.87 in the amount of R63 000 000.00 which is illegally occupied and seeks to force the EMM to pay the purchase price.	17,825,900	17,825,900	17,825,900	17,825,900
Other	35,005,628	35,005,628	35,005,628	35,144,079
Ingwempisi Security Services CC *(B)	123,872,435	123,872,435	123,872,435	123,872,435
Red Ants	37,000,000	-	37,000,000	-
Other various claims, which the city is defenfing these matters	47,794,398	5,810,200	23,653,137	-
	318,498,361	**182,514,163**	**294,357,100**	**176,842,414**
Category B Claims				
Other various claims	-	1,787,879	-	1,076,747
	-	**1,787,879**	**-**	**1,076,747**

CONTINGENT ASSETS

e-Valuations	-	39,000,000	-	39,000,000
Anicic Engineering	-	2,941,710	-	2,941,710
NCP Clorchem - Dispute regarding price charged for energy supply	-	178,788,869	-	178,788,869
Combi trade Eleven (Pty) - Unpaid rate and taxes	-	2,832,963	-	2,832,963
Lucmer construction & New National Assurance - Failure to comply with contract conditions	-	3,174,615	-	3,174,615
Kgorong and another	-	260,232	-	260,232
Quigely Khuanyane	8,500,000	-	8,500,000	-
Mkhabela Sibeko and others - Goods supplied did not comply with safety standard	-	1,024,290	-	1,024,290
D Msimango	-	500,000	-	500,000
J P Ruhling	1,313,606	-	1,313,606	-
Civcon	5,963,644	-	5,963,644	-
Weber Wentzel	1,140,000	-	1,140,000	-
Liviero Moseme Joint Venture	4,600,000	-	4,600,000	-
Madisha & Associates	1,383,652	-	1,383,652	-
Elspark Golfbaan	1,172,830	-	1,172,830	-
	24,073,732	**228,522,679**	**24,073,732**	**228,522,679**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

42. Related parties

Relationships	
Accounting officer	Dr. I Mashazi refer to accounting officer's report
Controlling entity	City of Ekurhuleni
Controlled entities	Brakpan Bus Company SOC Ltd (BBC) East Rand Water Care Company NPC (ERWAT) Germiston Phase II Housing Company SOC Ltd (EHC)
Close family member of key management	Declarations are retained in a register at tender office.
Members of key management	For details of Members of key management see note below,for remuneration refer to note 29

Notes to the Consolidated Annual Financial Statements

Figures in Rand

42. Related parties (continued)

Key Management

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

Related party balances

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

42. Related parties (continued)

Amounts included in trade receivable and consumer debtors regarding related parties - municipal entities				
East Rand Water Care Company, NPC			4,487,909	7,557,523
Brakpan Bus Company SOC Ltd			14,656,871	4,941,244
Amounts included in trade payable regarding related parties - municipal entities				
East Rand Water Care Company, NPC			77,947,430	99,091,678
Brakpan Bus Company SOC Ltd			53,894	-
Related party transactions				
Sales to related parties - municipal entities				
East Rand Water Care Company, NPC			70,554,098	71,896,187
Germiston Phase II Housing Company SOC Ltd			7,228,902	6,039,867
Brakpan Bus Company SOC Ltd			110,000	110,000
Purchases from related parties - municipal entities				
East Rand Water Care Company, NPC			771,360,910	699,057,055
Brakpan Bus Company			9,605,627	6,531,689
Grants to related parties - municipal entities				
Brakpan Bus Company SOC Ltd			-	5,000,000
Germiston Phase II Housing Company SOC Ltd T/A Ekurhuleni Housing Company			33,862,183	18,147,435
East Rand Water Care Company, NPC			50,000,000	50,000,000
Germiston Phase II Housing Company SOC Ltd T/A Ekurhuleni Housing Company Assets transferred			67,084,729	78,233,893
Development contributions to related parties - municipal entities				
East Rand Water Care Company, NPC			65,784,571	85,408,228

Guarantee and debtors ceded

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

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

43. Prior period errors

2017

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

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

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

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

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand

43. Prior period errors (continued)

Statement of Financial Position				
Inventory	(4,586,238)	-	(4,586,238)	-
Receivables from exchange transactions	48,339,395	-	7,292,089	-
Receivables from non- exchange transactions	(10,264,107)	-	(10,264,107)	-
Consumer debtors	74,986,460	-	74,986,460	-
Investment property	90,101,625	-	90,101,625	-
Property, plant and equipment	497,757,229	-	495,121,420	-
Intangible assets	(188,676,688)	-	(188,676,688)	-
Heritage assets	(13,706,755)	-	(13,706,755)	-
Other investments	(101,089,399)	-	(101,089,399)	-
Long-term receivables	(731,065)	-	-	-
Trade and other payables	(353,012,514)	-	(234,843,571)	-
Deposits	(4,521,162)	-	(262,970)	-
Retirement benefit obligation	63,850,410	-	63,850,410	-
Provisions	(68,286,575)	-	(68,286,575)	-
Accumulated surplus	(30,160,616)	-	(109,635,701)	-
Statement of Financial Performance				
Property rates	63,121,358	-	63,121,358	-
Property rates - penalties imposed and collection charges	11,865,102	-	11,865,102	-
Public contributions and donations	(122,740,802)	-	(122,740,802)	-
Other Income	38,229,813	-	(1,923,381)	-
Interest revenue	(101,820,463)	-	(101,089,398)	-
Employee related costs	121,412,823	-	121,412,823	-
Depreciation and amortisation	5,189	-	-	-
Impairment of assets	101,487,842	-	101,487,842	-
Bulk purchases	(4,920,810)	-	-	-
Contracted services	1,705,996	-	-	-
General expenses	(805,208)	-	-	-
Other	-	-	-	-
Irregular expenditure	(121,479,598)	-	(119,298,893)	-
Fruitless and wasteful expenditure	(5,093,951)	-	-	-
Deviation from SCM regulations	(242,002,553)	-	(242,002,553)	-

44. Comparative figures

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

45. Risk management

Capital Risk Management

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

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

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

There are no externally imposed capital requirements.

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

The gearing ratio 2018 and 2017 respectively are as follow:

Figures in Rand

45. Risk management (continued)

Other financial liabilities	(6,553,923,431)	(5,677,062,853)	(6,000,077,815)	(5,072,058,139)
Less: Cash and cash equivalent	3,658,286,230	6,000,822,434	3,527,793,794	5,809,953,546
Net Debt	(2,895,637,201)	323,759,581	(2,472,284,021)	737,895,407
Total equity	50,756,270,666	49,328,997,868	49,050,302,236	47,465,304,090
Total capital	**47,860,633,465**	**49,652,757,449**	**46,578,018,215**	**48,203,199,497**

Financial risk management

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

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

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

Liquidity risk

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

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

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

Interest rate risk

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

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

Cash flow interest rate risk

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

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due after five years
Long term and other liabilities	Various	558 909 431	2 309 276 326	1 904 557 843	1 781 115 434

Figures in Rand

45. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash & cash equivalents, derivative financial instruments and trade debtors. The only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial instrument	Economic entity - 2018	Economic entity - 2017	Controlling entity - 2018	Controlling entity - 2017
Other Investments	2,169,849,279	1,567,017,137	2,168,786,678	1,567,017,137
Long-term receivables	6,757,615	6,765,032	3,317,824	3,124,380
Consumer debtors	5,486,430,787	4,703,601,650	5,486,430,787	4,703,601,650
Other receivables	378,802,165	355,819,501	270,146,822	381,784,530
Cash and cash equivalents	3,658,286,230	6,000,822,434	3,527,793,794	5,809,953,546
Listed and Unlisted shares	11,358,146	12,119,485	4,000,000	4,000,000
	11,711,484,222	**12,646,145,239**	**11,460,475,905**	**12,469,481,243**

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

46. Going concern

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

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

47. Events after the reporting date

There were no subsequent events affecting this annual financial statements at the reporting date.
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48. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Items of unauthorised, irregular and fruitless and wasteful expenditure are referred to MPAC for further investigations and detemination of appropriate steps to be taken. During the current year the Council approved R10,173,528 (2017: R5,281,886) for irregular expenditure and R1,691,153 (2017: R291,734) for fruitless expenditure for write-off. The remaining amounts are still under investigation by the MPAC and other organs of state. No resolutions were not yet available.

Irregular expenditure				
Opening balance	1,498,664,848	968,938,842	1,250,709,115	783,307,530
Add: Expenditure identified for the year	247,870,232	256,700,895	222,716,222	248,849,225
Add: Expenditure identified in the current year, relating to prior years	72,344,266	278,306,997	51,866,048	223,834,246
Less: Amounts ratified/approved by council/board and/or not recoverable	(10,173,528)	(5,281,886)	(10,173,528)	(5,281,886)
	1,808,705,818	**1,498,664,848**	**1,515,117,857**	**1,250,709,115**
Fruitless and Wasteful expenditure				
Opening balance	162,085,175	151,819,403	151,627,230	146,455,409
Add: Expenditure identified for the year	4,044,465	9,594,065	-	4,500,114
Add: Expenditure identified in the current year, relating to prior years	4,691,208	963,441	4,691,208	963,441
Less: Amounts ratified/approved by council/board	-	(291,734)	-	(291,734)
	170,820,848	**162,085,175**	**156,318,438**	**151,627,230**
Unauthorised expenditure				
Add:Expenditure identified for the year	-	67,090,606	-	67,090,606
Less: Amounts ratified/approved by council/board	-	(67,090,606)	-	(67,090,606)
	-	**-**	**-**	**-**

June 2018
Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
ICT	Section110:Telkom not classified as organ of State	Irregular	148,451,123
Energy	Contravention of SCM Policy	Irregular	6,463,530
Transport	Contravention of SCM Policy	Irregular	511,182
Human resource	Contravention of SCM Policy	Irregular	79,750
ICT	Contravention of SCM Policy	Irregular	8,667,683
BBC	Contravention of SCM Policy	Fruitless	883,881
Real Estate	Contravention of SCM Policy	Irregular	78,146
Various Departments	Contravention of SCM Regulation; Utilisation of functionality as per SCM	Irregular	38,232,814
BBC	Contravention of SCM Policy	Irregular	1,650,474
BBC	Board remuneration not approved by shareholder	Irregular	2,014,873
BBC	Contravention of SCM Policy	Fruitless	678,384
ERWAT	Contravention of SCM Policy	Irregular	19,421,404
EHC	Interest and penalties paid	Fruitless	3,160,750
Finance	Awards made to employees in service of the State	Irregular	129,192
EPMO	Contravention of SCM Regulation; Use of panel	Irregular	19,169,587
Various Departments	Splitting of goods and services	Irregular	881,915
EHC	Contravention of SCM Policy	Irregular	1,338,875

Figures in Rand

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

Various Departments	Awards made to employees in service of the municipality	Irregular	51,300
			251,864,863

June 2018
Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Human Settlements	Contravention of SCM Policy	Irregular	23,392,353
Real Estate	Contravention of SCM Policy	Irregular	27,583,618
Communications and Brand Management	Contravention of SCM Policy	Irregular	479,256
Transport, Planning	Contravention of SCM Policy	Irregular	379,000
Health & Social	Contravention of SCM Policy	Irregular	31,689
EMPD	Value for money not obtained	Fruitless	1,395,294
Waste Management	Value for money not obtained	Fruitless	495,256
Economic Development	Value for money not obtained	Fruitless	157,303
Corporate and Legal	Value for money not obtained	Fruitless	6,692
Finance	Fraudulent transactions	Fruitless	623,972
CRM	Fraudulent transactions	Fruitless	2,012,823
BBC	Interest and penalties paid	Fruitless	883,715
ERWAT	Contravention of SCM Policy	Irregular	16,495,100
EHC	Contravention of SCM Policy	Irregular	3,983,118
			77,919,189

June 2017
Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Comms and Marketing	Contravention of SCM Policy	Irregular	29,520
Economic Development	Paid wrong service provider	Irregular,	27,800
Customer Relations	Contravention of SCM Policy	Irregular	15,612
Fleet	Contravention of SCM Policy	Irregular	4,277,845
SRAC	Contravention of SCM Policy	Irregular	7,000,000
SRAC	Contravention of SCM Policy	Irregular	1,972,000
Health	Contravention of SCM Policy	Fruitless	1,003,349
Waste management	Contravention of SCM Policy	Fruitless	3,159,714
Human Settlements	Contravention of SCM Policy	Fruitless	243,724
Human Settlements	Contravention of SCM Policy	Fruitless	39,327
Comms and Marketing	Contravention of SCM Policy	Irregular	1,431,934
City Planning	Contravention of SCM Policy	Fruitless	54,000
City Planning	Contravention of SCM Policy	Fruitless	2,877,036
Comms and Marketing	Contravention of SCM Policy	Irregular	479,256
Real Estate	Contravention of SCM Policy	Irregular	2,040,435
EMPD	Contravention of SCM Policy	Irregular	593,241
EMPD	Contravention of SCM Policy	Irregular	1,456,477
Energy	Contravention of SCM Policy	Irregular	320,902
Health	Contravention of SCM Policy	Irregular	452,401
Human Resources	Contravention of SCM Policy	Irregular	332,704
ICT	Contravention of SCM Policy	Irregular	62,212,222
ICT	Contravention of SCM Policy	Irregular	3,058,802

Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

Real Estate	Contravention of SCM Policy	Irregular	2,574,913
Waste Management	Contravention of SCM Policy	Irregular	69,289
City Planning	Contravention of SCM Policy	Irregular	3,731,320
Energy	Contravention of SCM Policy	Irregular	3,806,806
Energy	Contravention of SCM Policy	Irregular	128,952
Human Settlements	Contravention of SCM Policy	Irregular	10,114,621
ICT	Contravention of SCM Policy	Irregular	69,962
Environment	Contravention of SCM Policy	Irregular	1,768,200
Real Estate	Contravention of SCM Policy	Irregular	149,500
Transport	Contravention of SCM Policy	Irregular	5,000
Human Resource	Contravention of SCM Policy	Irregular	10,736
Real Estate	Contravention of SCM regulation no 36	Irregular	1,450,560
Waste Management	Contravention of SCM regulation no 36	Irregular	23,000,000
Water	Contravention of SCM regulation no 36	Irregular	40,698,000
Human Settlement	Contravention of SCM regulation no 36	Irregular	22,996,087
Waste Management	Contravention of SCM regulation no 36	Irregular	2,609,609
Human Settlement	Contravention of SCM regulation no 36	Irregular	7,133,004
Real Estate	Contravention of SCM Policy	Irregular	5,178,600
Finance	Contravention of SCM Policy	Irregular	24,866,279
Energy	Contravention of SCM Policy	Irregular	7,973,851
Finance	Contravention of SCM Policy	Irregular	1,587,535
Finance	Contravention of SCM Policy	Irregular	236,118
Finance	Contravention of SCM Policy	Irregular	112,096
ERWAT	Contravention of SCM Policy	Irregular	903,491
BBC	Contravention of SCM Policy	Irregular	2,888,297
EHC	Contravention of SCM Policy	Irregular	1,879,177
			259,020,304

Figures in Rand

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

June 2017
Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Fleet	Contravention of SCM Policy	Irregular	2,134,058
SRAC	Contravention of SCM Policy	Irregular	6,500,000
SRAC	Contravention of SCM Policy	Irregular	11,700
SRAC	Contravention of SCM Policy	Irregular	20,000
SRAC	Contravention of SCM Policy	Irregular	29,900
Fleet	Contravention of SCM Policy	Irregular	607,360
Customer relations	Contravention of SCM Policy	Fruitless	59,400
Customer relations	Contravention of SCM Policy	Fruitless	58,600
Customer relations	Contravention of SCM Policy	Fruitless	59,690
Customer relations	Contravention of SCM Policy	Fruitless	59,250
Customer relations	Contravention of SCM Policy	Fruitless	58,050
Customer relations	Contravention of SCM Policy	Irregular	144,210
Fleet	Contravention of SCM Policy	Irregular	4,277,845
Energy	Contravention of SCM Policy	Irregular	78,425
Energy	Contravention of SCM Policy	Fruitless	184,808
Energy	Contravention of SCM Policy	Fruitless	222,516
Energy	Contravention of SCM Policy	Fruitless	89,976
Energy	Contravention of SCM Policy	Fruitless	111,461
Human Resources	Contravention of SCM Policy	Irregular	90,915
Customer relations	Contravention of SCM Policy	Fruitless	59,690
Transport	Contravention of SCM Policy	Irregular	209,939,833
ERWAT	Contravention of SCM Policy	Irregular	54,472,750
			279,270,437

49. Additional disclosure in terms of Municipal Finance Management Act

June 2018 **Tenders**

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

June 2017 **Tenders**

	No	Contract number	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
awarded to family members							
	1	A- ICT 08/2016	Altech Alcom Matomo	Spouse	R van Vuuren	Executive Manager	30,379,207
	2	A-RS 09/2016	Anix Trading	Spouse	M J Msimango	Senior Clerk	5,357,143
	3	A-RE 13/2016	Empower Electrical CC	Spouse	H E Sikihitha	Snr Admin Officer	2,525,000
	4	A-RS 09/2016	LMM Trading and development CC	Spouse	K Mangwane	Senior clerck	5,357,143
	5	A-EE 21/2016	MPPM Consulting Engineers CC	Spouse	M Sentatsi	Senior Clerck	4,020,000
	6	A-EE 13/2016	Green today Projects pty ltd	Spouse	GLN Nqubezelo	Nurse	3,028,632
	7	C-EMPO 01/2017	IMQS	Son	W Valentin	Executive Manager	58,532,355
Subtotal		-	-	-	-	-	109,199,480
							109,199,480

June 2017

	No	Contract number	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
Deveations on tenders awarded to family members of staff							
	1	A-ED WMS 12/2009(T)	Hlanzekhile Waste Services Pty ltd	Spouse	P M Lekgwathi	Senior Clerck	1,805,003
	2	PS EE 27/2014(T)	Tsekema Cosulting Engineers	Child	D A Motsoane	Apprentice	3,251,375
Subtotal		-	-	-	-	-	5,056,378
							5,056,378

June 2018 **Quotations awarded to family**

	No	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
members of staff						
	1	LMM Training and Development	Spouse	K Mangwane	Senior Clerck	32,000
	2	Restery Trading PTY Ltd	Spouse	A Sihlangu	EDIC Coordinator	122,860
	3	C R safety solutions	Spouse	S Rajoo	Clerck	29,694

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

4 ETN Trading Enterprice CC	Spouse	Z R Ndlovu	Clerck		51,129
5 NMVL Trading and Projects	Spouse	N M Mashele	Horticulturist		214,678
6 WJS MaintenancePty ltd	Spouse	A J Schoombe	Security Officer		89,790
7 CMIT Electrical Contractor CC	Spouse	P T Mhlongo	Profesional Nurse		391,307
8 Sebabatso Caterers	Spouse	M M Dhladhla	Security Guard		2,130,897
9 Mzozu Electrical Enterprise CC	Spouse	Z C Zungu	General Worker		1,954,410
10 Mjikijela Trading Enterprise CC	Spouse	S R Mthimkulu	General Worker		142,226
11 Mdibane Trading Enterprises	Spouse	C M Nolutshungu	Driver		34,150
12 Refiloe Khutso Catering and draping CC	Spouse	B F Zulu	Electrician		6,750
13 Moratwe-Monehela Trading CC	Spouse	M J Moghasi	Profesional Nurse		80,400
14 Lemmon Peel management CC	Spouse	S P Patterson	Constable		29,754
15 Sizolwabo Trading and Projects Pty Ltd	Spouse	M J Kgatuke	Electrician		181,656
16 Akebono Industrial Supplies Pty Ltd	Spouse	J J Nortje	Clerck		86,785
Subtotal		-	-	-	- 5,578,486
					5,578,486

Contributions to organised local government

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

Material losses

Angelo	-	-	22,022,822	-

Audit fees

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

PAYE and UIF

Opening balance	2,980,618	20,990	-	-
Current year charges	1,196,503,106	1,033,792,324	1,146,642,709	1,000,047,952

Notes to the Consolidated Annual Financial Statements

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

Amount paid - current year	(1,195,363,340)	(1,030,832,696)	(1,146,642,709)	(1,000,047,952)
	4,120,384	**2,980,618**	**-**	**-**

Pension and Medical Aid Deductions

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

VAT

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

Councillors' arrear consumer accounts

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

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

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

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

30 June 2017	Highest outstanding amount	Aging (in days)

Notes to the Consolidated Annual Financial Statements

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

Chonco M F	-	-	30,465	1,350
Kodisang M N	-	-	2,476	120
Mafagane MC	-	-	1,304	270
Mafanga Z L	-	-	5,975	870
Nkunjana P	-	-	2,723	210
	-	**-**	**42,943**	**2,820**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

50. Utilisation of long-term liabilities reconciliation

Outstanding long-term liabilities beginning of the year	6,016,934,953	6,387,308,643	5,072,058,139	5,411,930,237
Redemption of loans	(483,904,807)	(372,237,345)	(433,174,086)	(361,074,769)
New loans	1,300,000,000	2,093,580	1,300,000,000	-
Interest accrued	(61,686,470)	(229,925)	61,193,762	21,202,671
	6,771,343,676	6,016,934,953	6,000,077,815	5,072,058,139
Used to finance property, plant and equipment: Opening balance	(6,012,414,975)	(6,383,533,152)	(5,072,058,139)	(5,411,930,237)
Redemption of loans	483,904,807	342,666,436	433,174,086	361,074,769
Capital expenditure for 2016/2017 financial year will be financed from loans taken up in 2017/2018 financial year.	-	28,451,741	-	-
Interest accrued	61,193,762	-	(61,193,762)	(21,202,671)
Unspend long term liabilities	**1,304,027,270**	**4,519,978**	**1,300,000,000**	**-**
Cash was invested for the repayment of long-term liabilities for the year	1,617,372,812	1,349,011,092	1,617,372,812	1,349,011,092

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

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

Notes to the Consolidated Annual Financial Statements

51. Deviation from supply chain management regulations

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

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

The expenses incurred, as listed hereunder, have been approved/condoned				
Emergencies	12,176,006	11,223,785	11,187,843	6,018,965
Sole supplier	866,762	7,059,523	-	5,805,223
Work of art	-	12,100,000	-	12,100,000
Other - Impractical	157,475,812	419,069,301	149,429,671	160,122,923
	170,518,580	**449,452,609**	**160,617,514**	**184,047,111**

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

30 June 2018

Extension of contracts include inter alia the following salient amounts:

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

30 June 2017

Extension of contracts include inter alia the following salient amounts:

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

52. Unaccounted Electricity And Water

Electricity	30 June 2018 Units	30 June 2018 Value	30 June 2017 Units	30 June 2017 Value
Units purchased	10,647,195,913	9,212,421,577	10,605,742,384	9,159,611,397
Units sold	(9,403,041,901)	(8,135,924,877)	(9,291,460,429)	(8,024,536,497)
	1,244,154,012	**1,076,496,700**	**1,314,281,955**	**1,135,074,900**
Unaccounted electricity (Value)				
Techincal loss	627,930,596	543,313,133	625,848,550	540,511,857
Non-technical loss	616,223,416	533,183,567	688,433,405	594,563,043
	1,244,154,012	**1,076,496,700**	**1,314,281,955**	**1,135,074,900**
Unaccounted electricity (%)				
Techincal loss	5.90 %	5.90 %	5.90 %	5.90 %
Non-technical loss	5.79 %	5.79 %	6.49 %	6.49 %
Total loss %	**11.69 %**	**11.69 %**	**12.39 %**	**12.39 %**

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

Notes to the Consolidated Annual Financial Statements

52. Unaccounted Electricity And Water (continued)

Unaccounted water (Value)				
Techincal loss	52,415,918	439,382,748	50,773,026	386,542,693
Non-technical loss	46,999,607	393,979,864	52,702,400	401,231,316
	99,415,525	**833,362,612**	**103,475,426**	**787,774,009**
Unaccounted water (%)				
Techincal loss	15.00 %	15.00 %	15.00 %	15.00 %
Non-technical loss	13.45 %	13.45 %	15.57 %	15.57 %
	28.45 %	**28.45 %**	**30.57 %**	**30.57 %**

53. Deferred tax

Deferred tax liability				
Immovable property	(42,841,130)	(29,226,608)	-	-
Provision for bad debts	-	(2,080,472)	-	-
Other temporary differences	-	(1,306,585)	-	-
Total deferred tax liability	**(42,841,130)**	**(32,613,665)**	**-**	**-**
Deferred tax asset				
Assessed losses	(47,823,806)	1,606,486	-	-
Other temporary differences	-	1,540,470	-	-
Deferred tax balance from temporary differences other than unused tax losses	(47,823,806)	3,146,956	-	-
Total deferred tax asset	**(47,823,806)**	**3,146,956**	**-**	**-**
Deferred tax liability	(47,823,806)	(32,613,665)	-	-
Deferred tax asset	-	3,146,956	-	-
Total net deferred tax liability	**(47,823,806)**	**(29,466,709)**	**-**	**-**
Reconciliation of deferred tax asset \ (liability)				
At beginning of year	(29,466,709)	31,861,708	-	-
Tax available to set off against future taxable income	-	(144,615)	-	-
Movement on tax on income received in advance	-	(3,262)	-	-
Movement on tax on assessed loss	-	3,093,829	-	-
Leave provision and performance bonus	(39,427)	344,536	-	-
Investment property - market value different to book value transferred - due to transfer of functions	(16,210,236)	(50,227,649)	-	-
Net effect on prior year deferred tax written off	(1,802,485)	-	-	-
Provision for interest on deposit - due to transfer of functions	-	20,874	-	-
Property, Plant and equipment	80,299	(221,693)	-	-
Operating lease liability	2,904	22,591	-	-
Assessable loss	-	(9,838,231)	-	-
Allowance for impairment	(388,152)	(4,374,797)	-	-
	(47,823,806)	**(29,466,709)**	**-**	**-**

Notes to the Consolidated Annual Financial Statements

54. Finance lease obligation

Minimum lease payments due				
- within one year	238,932	238,932	-	-
- in second to fifth year inclusive	119,466	358,398	-	-
Present value of minimum lease payments	**358,398**	**597,330**	**-**	**-**
Non-current liabilities	119,466	358,398	-	-
Current liabilities	238,932	238,932	-	-
	358,398	**597,330**	**-**	**-**

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

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

Notes to the Consolidated Annual Financial Statements

55. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	4,082,381,881	5,010,319,072	3,835,348,858	4,793,248,912
Not yet contracted for and authorised by accounting officer				
• Other financial assets	29,333,559,863	1,606,107,800	2,933,359,863	1,606,107,800
Total capital commitments				
Already contracted for but not provided for	4,082,381,881	5,010,319,072	3,835,348,858	4,793,248,912
Not yet contracted for and authorised by accounting officer	2,933,359,863	1,606,107,800	2,933,359,863	1,606,107,800
	7,015,741,744	**6,616,426,872**	**6,768,708,721**	**6,399,356,712**

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

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

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	1,069,825	13,676,990	83,462	25,745,709
- in second to fifth year inclusive	-	2,435,205	-	6,998
	1,069,825	**16,112,195**	**83,462**	**25,752,707**

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

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

Operating leases - as lessor (income)

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

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

56. Change in estimate

Property, plant and equipment

Economic entity

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

Depreciation expense before remaining useful lives review	(R593,781,738)
Depreciation expense after remaining useful lives review	(R565,600,170)
Future increase in depreciation due to review	(R28,181,569)

Notes to the Consolidated Annual Financial Statements

56. Change in estimate (continued)

Discount rate

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

57. Budget differences

2018

REVENUE

Figures in Rand

57. Budget differences (continued)

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

The contributing factors to the positive deviation is as follows:

i) Investment revenue

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

The negative movements were as follows:

ii) Transfers recognised - operational

Transfer recognised-operational relates to the Government grant and subsidies income which is reflecting a deviation of 1.2%. The budget was for R 3,9 billion while the actual receipts amounted to R 3,8 billion with a balance of R 61,7 million to be requested as a roll-over. This income reflects all the grants received from National and Provincial Government. The negative deviation is attributable to the following factors:

1. Public Transport and Systems Opex
   Contractor's poor performance
   Delays in the issuing of works permits as per OHS legislation
   Community unrests has resulted in project stoppage
   Transgressions on the conditions of water use license-causing stoppage to construction works.
   Transformation route has shacks on the servitude of the roads
   Illegal occupants in the Grey building encroaching the BRT busway.
   Long lead-time on procurement.

2. Urban Settlements Development Grant
   Contractor's poor performance on some projects
   Design changes.
   Delay in procurement
   Withdrawal of appointed contractors which negatively affected the implementation of projects for walk-in containers (Waste Management).

3. Human Settlements Development Grant

   Refurbishment of Hostels

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

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

   Housing Construction

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

   Geo-Tech Phase 2 Investigations
   Raft Foundations Designs
   Project was not enrolled with NHBRC
   House plans were not compiled
   Project was not allocated a G-Number

4. Township Initiatives (Libraries)

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

iii) Services Charges

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

Figures in Rand

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

EXPENDITURE

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

i) Employee related costs

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

The City spend 2% more in 2017/18 on overtime compared to 2016/17 financial year. The increase in vacancies has an effectof additional overtime payable. A large number of the overtime relates to the lack of capacity within Departments.

ii) Debt impairment

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

iii) Finance cost

Finance cost is budgeted according to all the existing loans of City plus the interest payable on any new loans to be obtained the particular financial year

iv) Depreciation and assets impairment

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

v) Other expenditure

Negative deviation on other expenditure is as a result of underspending of repair and maintenance and cost containment measures implemented on general expenses.

ADJUSTMENT BUDGET CHANGES AS INDICATED ON THE APPROPRIATION STATEMENT

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

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

REVENUE BUDGET

i) Transfers recognised - operational

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

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

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

EXPENDITURE BUDGET

ii) Employee Costs

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

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

Figures in Rand

57. Budget differences (continued)

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

iii) Finance Charges

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

iv) Bulk Purchases

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

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

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

v) Transfers and grants

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

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

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

vi) Other Expenditure

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

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

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

* See Note 43