

ANNEXURE B



City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2021

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

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, ICT and Economic Development: Clr D Xhakaza MMC: Health & Social Development : Clr N Nkozi MMC: Human Settlement: Clr L Mpya MMC: Environmental and Waste Management Services: Clr K Mabaso MMC: City Planning: Clr N Shongwe MMC: Corporate and Shared Services: Clr D Mlambo MMC: Water, Sanitation and Energy: Clr T Nketle MMC: Community Safety: Clr F Mmoko MMC: Infrastructure Services: Clr M Madihlaba MMC: Transport Planning: Clr P Nkunjana
Grading of local authority	The City is a category A grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers act, 1998.
City Manager	Dr. I Mashazi 011 999 0760 imogen.mashazi@ekurhuleni.gov.za
Group Chief Financial Officer (GCFO)	Mr. K Lerutla 011 999 1310 kagiso.lerutla@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
Primary banker	Nedbank
Auditors	Auditor-General of South Africa

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

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 2021 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 on 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 places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal controls aimed at reducing 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 risks 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 that 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 2022 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.

The accounting officer is responsible for the financial affairs of the City, and she is assisted by the City's Senior Management team.

The consolidated annual financial statements set out on pages 4 to 114, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2021 and were signed on its behalf by:

Accounting Officer
Dr. I Mashazi

Accounting Officer
Mr. K Lerutla

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated	2021	2020 Restated
Assets					
Current Assets					
Inventories	10	1,422,964,750	1,294,034,053	1,422,964,750	1,294,032,253
Other investments	8	606,373,392	1,863,869,374	598,420,165	1,857,475,861
Current tax receivable		2,461,834	3,212,532	-	-
Receivables from non exchange transactions	13	-	5,113,059	-	5,113,059
Receivables from exchange transactions	11&14	6,053,917,323	6,130,164,608	6,045,969,558	6,068,022,345
Statutory receivables	12	884,095,854	863,950,242	884,095,854	863,950,242
Cash and cash equivalents	15	1,138,921,954	1,669,450,887	958,370,861	1,644,224,892
		10,108,735,107	11,829,794,755	9,909,821,188	11,732,818,652
Non-Current Assets					
Investment property	3	741,602,553	727,180,325	530,164,845	530,782,451
Property, plant and equipment	4	61,574,853,030	59,800,698,404	59,371,576,633	57,553,056,877
Intangible assets	5	1,343,391,480	1,233,357,551	1,335,547,421	1,224,363,044
Heritage assets	6	82,007,433	66,085,061	82,007,433	66,085,061
Investments in controlled entities	7	-	-	106	106
Other investments	8	670,817,023	616,146,743	670,817,023	616,146,743
Long term receivables	9	18,369,410	15,421,679	4,407,272	3,345,200
		64,431,040,929	62,458,889,763	61,994,520,733	59,993,779,482
Total Assets		74,539,776,036	74,288,684,518	71,904,341,921	71,726,598,134
Liabilities					
Current Liabilities					
Short term portion of long term liabilities	16	864,007,103	2,392,202,405	812,248,517	2,338,021,378
Current tax payable		467,508	-	-	-
Finance lease obligation		1,213,915	1,018,717	-	-
Trade and other payables from exchange transactions	20	8,731,808,806	8,584,381,570	8,708,730,928	8,543,833,876
Deposits	21	999,713,595	935,100,451	999,713,595	935,100,451
Retirement benefit obligation	17	99,238,000	103,253,000	97,072,000	101,152,000
Unspent conditional grants and receipts	22	195,554,905	492,860,020	191,770,138	492,860,020
Provisions	19	834,797,099	730,592,414	796,536,687	697,221,809
		11,726,800,931	13,239,408,577	11,606,071,865	13,108,189,534
Non-Current Liabilities					
Long term liabilities	16	9,274,905,425	8,016,646,206	8,932,970,997	7,624,921,670
Finance lease obligation		239,432	1,453,346	-	-
Retirement benefit obligation	17	2,108,411,581	2,066,674,581	2,066,404,581	2,028,936,581
Deferred tax	18	31,974,610	38,111,808	-	-
Provisions	19	920,619,148	858,963,852	920,619,148	858,963,852
		12,336,150,196	10,981,849,793	11,919,994,726	10,512,822,103
Total Liabilities		24,062,951,127	24,221,258,370	23,526,066,591	23,621,011,637
Net Assets		50,476,824,909	50,067,426,148	48,378,275,330	48,105,586,497
Accumulated surplus		50,419,956,876	50,013,388,731	48,378,275,330	48,105,586,497
		50,419,956,876	50,013,388,731	48,378,275,330	48,105,586,497
Non-controlling interest		56,868,033	54,037,417	-	-
Total Net Assets		50,476,824,909	50,067,426,148	48,378,275,330	48,105,586,497

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated	2021	2020 Restated
Revenue					
Revenue from exchange transactions					
Service charges	23&25	23,832,856,104	22,901,460,037	23,935,071,577	23,030,695,000
Rendering of services		3,197,253	6,062,941	-	-
Construction contracts - HSDG grant	57	248,068,366	78,675,730	248,068,366	78,675,730
Rental of facilities and equipment	26	149,398,116	126,220,796	107,384,050	84,099,157
Interest earned on outstanding debtors	23	299,002,892	354,577,088	299,002,892	354,577,088
Income from agency services	2357	302,440,429	246,003,581	302,440,429	246,003,581
Licences and permits	23	41,829,990	32,915,237	41,829,990	32,915,237
Other income	29	251,270,259	268,418,497	185,293,774	154,054,203
Interest revenue	28	178,418,469	314,579,940	173,603,849	306,732,178
Gains on sale of assets	23	2,539,590	18,079,942	-	18,039,993
Dividends received	28	60,118	97,074	-	-
Total revenue from exchange transactions		25,309,081,586	24,347,090,863	25,292,694,927	24,305,792,167
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	24	5,935,443,116	5,668,546,859	5,935,443,116	5,668,546,859
Property rates - penalties and collection charges	24	64,391,660	83,401,449	64,391,660	83,401,449
Transfer revenue					
Government grants & subsidies	27	9,302,132,810	8,354,622,969	9,267,627,846	8,323,884,611
Public contributions and donations		103,023,326	143,384,792	103,023,326	143,384,792
Fines	23	806,548,225	720,757,605	806,548,225	720,757,605
Total revenue from non-exchange transactions		16,211,539,137	14,970,713,674	16,177,034,173	14,939,975,316
Total revenue	23	41,520,620,723	39,317,804,537	41,469,729,100	39,245,767,483
Expenditure					
Employee related costs	30	(9,412,689,572)	(9,177,628,059)	(8,968,698,540)	(8,769,926,678)
Remuneration of councillors	31	(141,428,993)	(141,224,613)	(141,428,993)	(141,224,613)
Depreciation and amortisation	32	(2,653,073,301)	(2,713,852,853)	(2,543,155,848)	(2,613,405,797)
Impairment and derecognition loss	33	(34,230,194)	(44,704,873)	(33,455,450)	(43,793,819)
Finance costs	34	(1,391,569,100)	(1,239,326,178)	(1,360,639,047)	(1,187,412,121)
Debt impairment	35	(4,207,240,648)	(3,729,847,278)	(4,212,619,324)	(3,702,413,924)
Collection costs		(116,129,850)	(114,868,883)	(116,129,850)	(114,868,883)
Bulk purchases	36	(15,730,322,474)	(15,160,539,606)	(16,658,420,803)	(15,932,324,319)
Contracted services	38	(2,583,547,605)	(2,527,603,236)	(2,583,547,605)	(2,527,617,945)
Grants and subsidies paid	39	(1,237,671,854)	(1,277,351,227)	(1,320,751,575)	(1,490,676,623)
General expenses	40	(3,608,048,994)	(3,335,798,857)	(3,258,193,229)	(3,041,181,627)
Total expenditure		(41,115,952,585)	(39,462,745,663)	(41,197,040,264)	(39,564,846,349)
Surplus (deficit) before taxation		404,668,138	(144,941,126)	272,688,836	(319,078,866)
Taxation		(4,730,623)	132,819	-	-
Surplus (deficit) for the year		409,398,761	(145,073,945)	272,688,836	(319,078,866)
Attributable to:					
Owners of the controlling entity		406,568,145	(150,570,891)	272,688,836	(319,078,866)
Non-controlling interest		2,830,616	5,496,946	-	-
		409,398,761	(145,073,945)	272,688,836	(319,078,866)

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

	Accumulated surplus	Total attributable to owners of the economic entity / controlling entity	Non-controlling interest	Total net assets
Figures in Rand				
Economic entity				
Opening balance as previously reported	49,749,903,579	49,749,903,579	48,544,097	49,798,447,676
Balance at 01 July 2019 as restated	49,749,903,579	49,749,903,579	48,544,097	49,798,447,676
Prior period error	414,056,043	414,056,043	(3,626)	414,052,417
Deficit for the year as restated	(150,570,891)	(150,570,891)	5,496,946	(145,073,945)
Total changes	263,485,152	263,485,152	5,493,320	268,978,472
Restated Balance at 01 July 2020	50,013,388,731	50,013,388,731	54,037,417	50,067,426,148
Deficit for the year	406,568,145	406,568,145	2,830,616	409,398,761
Total changes	406,568,145	406,568,145	2,830,616	409,398,761
Balance at 30 June 2021	50,419,956,876	50,419,956,876	56,868,033	50,476,824,909
Note(s)				
Controlling entity				
Opening balance as previously reported	48,010,742,746	48,010,742,746	-	48,010,742,746
Correction of errors	413,922,614	413,922,614	-	413,922,614
Restated* Balance at 01 July 2019	48,424,665,363	48,424,665,363	-	48,424,665,363
Deficit for the year as restated	(319,078,866)	(319,078,866)	-	(319,078,866)
Total changes	(319,078,866)	(319,078,866)	-	(319,078,866)
Balance at 01 July 2019	48,105,586,494	48,105,586,494	-	48,105,586,494
Deficit for the year	272,688,836	272,688,836	-	272,688,836
Total changes	272,688,836	272,688,836	-	272,688,836
Balance at 30 June 2020	48,378,275,330	48,378,275,330	-	48,378,275,330
Note(s)				

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020	2021	2020
			Restated		Restated
Cash flows from operating activities					
Receipts on:					
Property rates		5,671,478,641	3,508,234,566	5,671,478,641	3,508,234,590
Income from rendering of services		20,761,338,187	21,451,040,903	20,803,980,489	21,314,249,368
Grants - operational		6,823,139,138	5,944,710,250	6,784,849,408	5,934,834,599
Grants - capital		2,429,756,923	2,000,734,540	2,429,756,923	2,000,734,540
Interest income		178,418,470	314,579,940	173,603,849	306,732,178
Dividends received		60,118	97,074	-	-
Other receipts		1,196,745,627	902,146,219	1,085,557,826	1,079,943,623
		<u>37,060,937,104</u>	<u>34,121,543,492</u>	<u>36,949,227,136</u>	<u>34,144,728,898</u>
Payments to:					
Employees		(9,839,334,565)	(9,534,703,050)	(9,395,726,533)	(9,129,815,589)
Suppliers		(21,889,609,534)	(19,982,956,280)	(22,450,384,094)	(20,395,498,444)
Finance costs		(1,068,631,100)	(949,413,724)	(1,041,652,046)	(897,530,826)
Other payments		(1,145,612,352)	(1,370,009,566)	(1,233,483,196)	(1,582,330,897)
Taxes on surpluses		(188,369)	(11,890,471)	-	-
		<u>(33,943,375,920)</u>	<u>(31,848,973,091)</u>	<u>(34,121,245,869)</u>	<u>(32,005,175,756)</u>
Net cash flows from operating activities	41	<u>3,117,561,184</u>	<u>2,272,570,401</u>	<u>2,827,981,267</u>	<u>2,139,553,142</u>
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE)	4	(4,401,306,865)	(4,659,596,840)	(4,340,695,860)	(4,507,730,215)
Purchase of investment property	3	(41,506,757)	(38,829,032)	(21,999,992)	(38,829,032)
Purchase of intangible assets	5	(136,739,256)	(277,335,069)	(136,739,256)	(277,269,527)
Proceeds from sale of assets	5	2,539,590	-	-	-
Increase/decrease in investments		1,202,825,702	(382,138,382)	1,204,385,417	(383,959,788)
Increase in long term receivables		(2,947,731)	(1,809,849)	(1,062,072)	(15,985)
		<u>(3,377,135,317)</u>	<u>(5,359,709,172)</u>	<u>(3,296,111,764)</u>	<u>(5,207,804,547)</u>
Net cash flows from investing activities		<u>(3,377,135,317)</u>	<u>(5,359,709,172)</u>	<u>(3,296,111,764)</u>	<u>(5,207,804,547)</u>
Cash flows from financing activities					
Long-term liabilities raised		1,976,000,000	1,650,000,000	1,976,000,000	1,650,000,000
Repayment of long term liabilities		(2,245,936,084)	(423,839,547)	(2,193,723,531)	(368,405,608)
Finance lease raised/(payments)		(1,018,716)	1,453,346	-	-
		<u>(270,954,800)</u>	<u>1,227,613,799</u>	<u>(217,723,534)</u>	<u>1,281,594,392</u>
Net cash flows from financing activities		<u>(270,954,800)</u>	<u>1,227,613,799</u>	<u>(217,723,534)</u>	<u>1,281,594,392</u>
Net decrease in cash and cash equivalents		<u>(530,528,933)</u>	<u>(1,859,524,972)</u>	<u>(685,854,031)</u>	<u>(1,786,657,013)</u>
Cash and cash equivalents at the beginning of the year		1,669,450,887	3,528,975,859	1,644,224,892	3,430,881,905
Cash and cash equivalents at the end of the year	15	<u>1,138,921,954</u>	<u>1,669,450,887</u>	<u>958,370,861</u>	<u>1,644,224,892</u>

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	26,296,599,435	(40,899,070)	26,255,700,365	23,832,856,104	(2,422,844,261)	60
Rendering of services	-	-	-	3,197,253	3,197,253	60
Construction contracts	-	-	-	248,068,366	248,068,366	
Rental of facilities and equipment	126,584,561	2,104,031	128,688,592	149,398,116	20,709,524	60
Interest earned on outstanding debtors	345,388,117	(1,395,430)	343,992,687	299,002,892	(44,989,795)	60
Licences and permits	44,872,000	21,955	44,893,955	41,829,990	(3,063,965)	60
Agency services	249,290,908	60,000,000	309,290,908	302,440,429	(6,850,479)	60
Other income	317,179,982	(132,560,770)	184,619,212	251,270,259	66,651,047	60
Interest revenue	237,499,715	(18,723,829)	218,775,886	178,418,469	(40,357,417)	60
Dividends received	-	-	-	60,118	60,118	60
Total revenue from exchange transactions	27,617,414,718	(131,453,113)	27,485,961,605	25,306,541,996	(2,179,419,609)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6,140,478,219	(190,000,000)	5,950,478,219	5,935,443,116	(15,035,103)	60
Property rates - penalties and collection charges	43,647,669	17,164,377	60,812,046	64,391,660	3,579,614	60
Transfer revenue						
Government grants & subsidies	8,865,715,884	891,017,437	9,756,733,321	9,302,132,810	(454,600,511)	60
Public contributions and donations	-	-	-	103,023,326	103,023,326	60
Fines	802,816,725	(25,255,607)	777,561,118	806,548,225	28,987,107	60
Total revenue from non-exchange transactions	15,852,658,497	692,926,207	16,545,584,704	16,211,539,137	(334,045,567)	
Total revenue	43,470,073,215	561,473,094	44,031,546,309	41,518,081,133	(2,513,465,176)	
Expenditure						
Employee related costs	(9,897,442,957)	(125,078,185)	(10,022,521,142)	(9,412,689,572)	609,831,570	60

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

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

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Remuneration of councillors	(142,795,066)	-	(142,795,066)	(141,428,993)	1,366,073	60
Depreciation, amortisation and impairment	(2,354,666,981)	(370,833,017)	(2,725,499,998)	(2,687,303,495)	38,196,503	60
Finance costs	(1,128,804,896)	(87,775,380)	(1,216,580,276)	(1,391,569,100)	(174,988,824)	60
Debt Impairment	(3,073,502,136)	(576,040,785)	(3,649,542,921)	(4,207,240,648)	(557,697,727)	60
Collection costs	(141,710,233)	4,998,918	(136,711,315)	(116,129,850)	20,581,465	60
Bulk purchases	(16,850,921,749)	744,059,991	(16,106,861,758)	(15,730,322,474)	376,539,284	60
Contracted services	(2,551,807,796)	(428,216,266)	(2,980,024,062)	(2,583,547,605)	396,476,457	60
Grants and subsidies paid	(1,204,228,482)	(108,843,216)	(1,313,071,698)	(1,237,671,854)	75,399,844	60
General expenses	(3,681,364,280)	566,354,949	(3,115,009,331)	(3,608,048,994)	(493,039,663)	60
Total expenditure	(41,027,244,576)	(381,372,991)	(41,408,617,567)	(41,115,952,585)	292,664,982	
Operating deficit	(41,027,244,576)	(381,372,991)	(41,408,617,567)	(41,115,952,585)	292,664,982	
Gains on sale of assets	(13,000,000)	-	(13,000,000)	2,539,590	15,539,590	60
Deficit before taxation	(41,040,244,576)	(381,372,991)	(41,421,617,567)	(41,113,412,995)	308,204,572	
Taxation	-	-	-	(4,730,623)	(4,730,623)	60
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2,429,828,639	180,100,103	2,609,928,742	317,310,378	(2,292,618,364)	
Reconciliation						

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

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

Budget on Accrual Basis

Approved budget Adjustments Final Budget

Figures in Rand

Controlling entity

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	26,482,714,325	(39,013,524)	26,443,700,801	23,935,071,577	(2,508,629,224)	60
Construction contracts	-	-	-	248,068,366	248,068,366	
Rental of facilities and equipment	77,189,004	4,531,031	81,720,035	107,384,050	25,664,015	60
Interest earned on outstanding debtors	343,992,687	-	343,992,687	299,002,892	(44,989,795)	60
Income from agency services	249,290,908	60,000,000	309,290,908	302,440,429	(6,850,479)	60
Licences and permits	44,872,000	21,955	44,893,955	41,829,990	(3,063,965)	60
Other income	142,385,688	3,196,094	145,581,782	185,293,774	39,711,992	60
Interest revenue	232,327,015	(18,230,000)	214,097,015	173,603,849	(40,493,166)	60
Total revenue from exchange transactions	27,572,771,627	10,505,556	27,583,277,183	25,292,694,927	(2,290,582,256)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	6,140,478,219	(190,000,000)	5,950,478,219	5,935,443,116	(15,035,103)	60
Property rates - penalties and collection charges	43,647,669	17,164,377	60,812,046	64,391,660	3,579,614	60

Transfer revenue

Government grants & subsidies	8,859,050,515	862,810,148	9,721,860,663	9,267,627,846	(454,232,817)	60
Public contributions and donations	-	-	-	103,023,326	103,023,326	60
Fines	802,816,725	(25,255,607)	777,561,118	806,548,225	28,987,107	60
Total revenue from non-exchange transactions	15,845,993,128	664,718,918	16,510,712,046	16,177,034,173	(333,677,873)	

Total revenue

43,418,764,755 675,224,474 44,093,989,229 41,469,729,100 (2,624,260,129)

Expenditure

Employee related cost	(9,431,672,148)	(129,591,388)	(9,561,263,536)	(8,968,698,540)	592,564,996	60
Remuneration of councillors	(142,795,066)	-	(142,795,066)	(141,428,993)	1,366,073	60
Depreciation and amortisation	(2,242,012,936)	(369,333,016)	(2,611,345,952)	(2,576,611,298)	34,734,654	60
Finance costs	(1,080,351,027)	(87,775,380)	(1,168,126,407)	(1,360,639,047)	(192,512,640)	60
Debt Impairment	(3,060,255,436)	(575,046,344)	(3,635,301,780)	(4,212,619,324)	(577,317,544)	60
Collection costs	(139,522,180)	4,998,918	(134,523,262)	(116,129,850)	18,393,412	60
Bulk purchases	(17,795,400,272)	705,819,992	(17,089,580,280)	(16,658,420,803)	431,159,477	60
Contracted Services	(2,482,743,178)	(434,688,832)	(2,917,432,010)	(2,583,547,605)	333,884,405	60
Grants and Subsidies	(1,424,217,244)	23,826,784	(1,400,390,460)	(1,320,751,575)	79,638,885	60
General Expenses	(3,366,008,159)	486,883,048	(2,879,125,111)	(3,258,193,229)	(379,068,118)	60
Total expenditure	(41,164,977,646)	(374,906,218)	(41,539,883,864)	(41,197,040,264)	342,843,600	

Operating surplus

Loss on disposal of capital assets	(13,000,000)	-	(13,000,000)	-	13,000,000	60
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Surplus before taxation

2,240,787,109 300,318,256 2,541,105,365 272,688,836 (2,268,416,529)

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement

2,240,787,109 300,318,256 2,541,105,365 272,688,836 (2,268,416,529)

Reconciliation

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2021

Economic entity - 2021

Financial Performance

Property rates	6,184,125,888	(172,835,623)	6,011,290,265	-	6,011,290,265	5,999,834,776	(11,455,489)	100 %	97 %
Service charges	25,328,286,413	(37,468,269)	25,290,818,144	-	25,290,818,144	23,832,856,104	(1,457,962,040)	94 %	94 %
Investment revenue	237,499,715	(18,723,829)	218,775,886	-	218,775,886	178,478,587	(40,297,299)	82 %	75 %
Transfers recognised - operational	6,625,050,645	682,083,934	7,307,134,579	-	7,307,134,579	6,872,375,888	(434,758,691)	94 %	104 %
Other own revenue	1,822,239,071	(97,085,821)	1,725,153,250	-	1,725,153,250	2,104,295,120	379,141,870	122 %	115 %
Total revenue (excluding capital transfers and contributions)	40,197,201,732	355,970,392	40,553,172,124	-	40,553,172,124	38,987,840,475	(1,565,331,649)	96 %	97 %
Employee costs	(9,897,442,957)	(125,078,185)	(10,022,521,142)	-	(10,022,521,142)	(9,412,689,572)	609,831,570	94 %	95 %
Remuneration of councillors	(142,795,066)	-	(142,795,066)	-	(142,795,066)	(141,428,993)	1,366,073	99 %	99 %
Debt impairment	(3,073,502,136)	(576,040,785)	(3,649,542,921)	-	(3,649,542,921)	(4,207,240,648)	(557,697,727)	115 %	137 %
Depreciation and asset impairment	(2,354,666,981)	(370,833,017)	(2,725,499,998)	-	(2,725,499,998)	(2,687,303,495)	38,196,503	99 %	114 %
Finance charges	(1,128,804,896)	(87,775,380)	(1,216,580,276)	-	(1,216,580,276)	(1,391,569,100)	(174,988,824)	114 %	123 %
Materials and bulk purchases	(16,850,921,749)	700,000,000	(16,150,921,749)	44,059,991	(16,106,861,758)	(15,730,322,474)	376,539,284	98 %	93 %
Transfers and grants	(1,362,280,787)	(68,783,225)	(1,431,064,012)	(44,059,991)	(1,387,004,021)	(1,237,671,854)	149,332,167	89 %	91 %
Other expenditure	(6,307,716,146)	143,137,601	(6,164,578,545)	-	(6,164,578,545)	(6,307,726,449)	(143,147,904)	102 %	100 %
Total expenditure	(41,118,130,718)	(385,372,991)	(41,503,503,709)	-	(41,415,383,727)	(41,115,952,585)	299,431,142	99 %	100 %
Surplus/(Deficit)	(920,928,986)	(29,402,599)	(950,331,585)	-	(862,211,603)	(2,128,112,110)	(1,265,900,507)	247 %	224 %

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

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	3,350,757,625	209,502,702	3,560,260,327	-		3,560,260,327	2,429,756,922		(1,130,503,405)	68 %	73 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	103,023,326		103,023,326	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	2,429,828,639	180,100,103	2,609,928,742	-		2,698,048,724	404,668,138		(2,293,380,586)	15 %	17 %
Taxation	-	-	-	-		-	(4,730,623)		(4,730,623)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	2,429,828,639	180,100,103	2,609,928,742	-		2,698,048,724	409,398,761		(2,288,649,963)	15 %	17 %
Capital expenditure and funds sources											
Total capital expenditure	4,929,977,645	(334,487,964)	4,595,489,681	-		4,595,489,681	4,574,860,864		(20,628,817)	100 %	93 %
Cash flows											
Net cash from (used) operating	2,429,330,118	3,265,676,000	5,695,006,118	-		5,695,006,118	3,117,561,184		(2,577,444,934)	55 %	128 %
Net cash from (used) investing	(1,895,637,392)	(2,737,213,000)	(4,632,850,392)	-		(4,632,850,392)	(3,377,135,317)		1,255,715,075	73 %	178 %
Net cash from (used) financing	714,025,350	(767,513,000)	(53,487,650)	-		(53,487,650)	(270,954,800)		(217,467,150)	507 %	(38)%
Net increase/(decrease) in cash and cash equivalents	1,247,718,076	(239,050,000)	1,008,668,076	-		1,008,668,076	(530,528,933)		(1,539,197,009)	(53)%	(43)%
Cash and cash equivalents at the beginning of the year	1,430,231,866	-	1,430,231,866	-		1,430,231,866	1,669,450,887		239,219,021	117 %	117 %
Cash and cash equivalents at year end	2,677,949,942	(239,050,000)	2,438,899,942	-		2,438,899,942	1,138,921,954		(1,299,977,988)	47 %	43 %

Appropriation Statement

Figures in Rand

Reported unauthorised expenditure Expenditure authorised in terms of section 32 of MFMA Balance to be recovered Restated audited outcome

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
Controlling entity - 2021											
Financial Performance											
Property rates	6,184,125,888	(172,835,623)	6,011,290,265	-	-	6,011,290,265	5,999,834,776	-	(11,455,489)	100 %	97 %
Service charges	25,507,884,276	(35,013,524)	25,472,870,752	-	-	25,472,870,752	23,935,071,577	-	(1,537,799,175)	94 %	94 %
Investment revenue	232,327,015	(18,230,000)	214,097,015	-	-	214,097,015	173,603,849	-	(40,493,166)	81 %	75 %
Transfers recognised - operational	6,618,385,276	672,870,074	7,291,255,350	-	-	7,291,255,350	6,837,870,924	-	(453,384,426)	94 %	103 %
Other own revenue	1,596,653,790	42,493,473	1,639,147,263	-	-	1,639,147,263	1,990,567,726	-	351,420,463	121 %	125 %
Total revenue (excluding capital transfers and contributions)	40,139,376,245	489,284,400	40,628,660,645	-	-	40,628,660,645	38,936,948,852	-	(1,691,711,793)	96 %	97 %
Employee costs	(9,431,672,148)	(129,591,388)	(9,561,263,536)	-	-	(9,561,263,536)	(8,968,698,540)	-	592,564,996	94 %	95 %
Remuneration of councillors	(142,795,066)	-	(142,795,066)	-	-	(142,795,066)	(141,428,993)	-	1,366,073	99 %	99 %
Debt impairment	(3,060,255,436)	(575,046,344)	(3,635,301,780)	-	-	(3,635,301,780)	(4,212,619,324)	-	(577,317,544)	116 %	138 %
Depreciation and asset impairment	(2,242,012,936)	(369,333,016)	(2,611,345,952)	-	-	(2,611,345,952)	(2,576,611,298)	-	34,734,654	99 %	115 %
Finance charges	(1,080,351,027)	(87,775,380)	(1,168,126,407)	-	-	(1,168,126,407)	(1,360,639,047)	-	(192,512,640)	116 %	126 %
Materials and bulk purchases	(17,795,400,272)	661,760,001	(17,133,640,271)	-	44,059,991	(17,089,580,280)	(16,658,420,803)	-	431,159,477	97 %	94 %
Transfers and grants	(1,582,269,549)	63,886,775	(1,518,382,774)	-	(44,059,991)	(1,562,442,765)	(1,320,751,575)	-	241,691,190	85 %	83 %
Other expenditure	(5,921,107,354)	57,193,134	(5,863,914,220)	-	-	(5,863,914,220)	(5,957,870,684)	-	(93,956,464)	102 %	101 %
Total expenditure	(41,255,863,788)	(378,906,218)	(41,634,770,006)	-	-	(41,634,770,006)	(41,197,040,264)	-	437,729,742	99 %	100 %
Surplus/(Deficit)	(1,116,487,543)	110,378,182	(1,006,109,361)	-	-	(1,006,109,361)	(2,260,091,412)	-	(1,253,982,051)	225 %	202 %

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2021

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	3,357,274,652	189,940,074	3,547,214,726	-		3,547,214,726	2,429,756,922		(1,117,457,804)	68 %	72 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	103,023,326		103,023,326	- %	- %
Surplus (Deficit) after capital transfers and contributions	2,240,787,109	300,318,256	2,541,105,365	-		2,541,105,365	272,688,836		(2,268,416,529)	11 %	12 %
Surplus/(Deficit) for the year	2,240,787,109	300,318,256	2,541,105,365	-		2,541,105,365	272,688,836		(2,268,416,529)	11 %	12 %
Capital expenditure and funds sources											
Total capital expenditure	4,929,977,645	(334,487,964)	4,595,489,681	-		4,595,489,681	4,982,395,259		386,905,578	108 %	101 %
Cash flows											
Net cash from (used) operating	2,170,642,000	3,265,676,000	5,436,318,000	-		5,436,318,000	2,827,981,267		(2,608,336,733)	52 %	130 %
Net cash from (used) investing	(1,839,283,000)	(2,737,213,000)	(4,576,496,000)	-		(4,576,496,000)	(3,296,111,764)		1,280,384,236	72 %	179 %
Net cash from (used) financing	767,513,000	(767,513,000)	-	-		-	(217,723,534)		(217,723,534)	DIV/0 %	(28)%
Net increase/(decrease) in cash and cash equivalents	1,098,872,000	(239,050,000)	859,822,000	-		859,822,000	(685,854,031)		(1,545,676,031)	(80)%	(62)%
Cash and cash equivalents at the beginning of the year	1,428,164,000	-	1,428,164,000	-		1,428,164,000	1,644,224,892		216,060,892	115 %	115 %
Cash and cash equivalents at year end	2,527,036,000	(239,050,000)	2,287,986,000	-		2,287,986,000	958,370,861		1,329,615,139	42 %	38 %

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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 significant effect on the amounts recognised in the annual financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively:

• Going Concern

Management considers key financial metrics and approved medium-term budgets, together with the City's dependency on the grants from national and provincial government, to conclude that the going concern assumptions used in the compilation of its consolidated annual financial statements, is appropriate.

• Operating lease commitments - City as lessor or leases

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. Further assumptions and estimates are disclosed in **note 15** to the consolidated financial statements.

• Cash-generating assets

The City is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of the tariff.

As such, management has determined that the City does not control assets that meet the definition of cash-generating assets, and that the GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the City.

• 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. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

• 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.

• Residual value of property, plant and equipment

Management has determined that none of its infrastructure assets have an active market value, and the value of the amount at the end of their useful lives would therefore be insignificant.

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

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

• Significant delays in assets under construction

The City regards delays in assets under construction of more than three years as significant. Further disclosures are made in **notes 2 to 5** to the consolidated annual financial statements.

• Investment accounted using the cost model

The City has accounted for the investment in Rand airport using the cost model, the City has a 20% shareholding. The reason for accounting this under the cost model is due to the fact the city has not exercised significant control, does not participate in operations or management decision nor serve on the board of directors of the entity.

• Provisions, contingent liabilities and contingent assets

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

• 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 8% 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.

• Material losses

Material losses are losses that occur due to factors other than normal production and utilisation, and are regarded as material if their omission or misstatement will affect the decisions made by users of the information. The losses disclosed include that of technical losses and non-technical losses related to water and electricity.

Losses that occur due to normal production and utilisation are classified as production costs and factored into the City's tariffs. They, therefore, do not constitute material losses. If actual production and utilisation losses exceed the normal budgeted production and utilisation losses factored into the tariff, this difference is considered material losses.

• Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Services provided on a prepaid basis

Various services are provided on a prepaid basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price.

1.2 Presentation currency

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

1.3 Consolidation

Basis of consolidation

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, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Consolidation (continued)

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.

The Controlling entities' operations are not the extension of the City's operations but independent operations. The amounts are consolidated in similar items and not aggregated into the Group's transactions.

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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 an 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. The City depreciates separately each part of an item of investment property that has a cost that is significant in relation to the total cost of the item. A significant part of an item of investment property may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. The annual depreciation rates are based on the following estimated average asset lives:

Item	Useful life
Property - land	Indefinite
Property - buildings	14 - 80 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. Assets under construction are carried at cost.

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. A significant part of an item of property, plant and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. 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 bridges	10 - 60 years
Electricity	3 - 100 years
Water	3 - 100 years
Sewer	3 - 100 years
Housing	80 years
Solid Waste	5 - 100 years
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

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Accounting Policies

1.5 Property, plant and equipment (continued)

Specialised vehicles	3 - 20 years
Other vehicles	3 - 28 years

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

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

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 economic entity expectations about the residual value and the useful life of an asset has changed since the preceding reporting date. If any such indication exists, the economic entity 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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.6 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets and obligations.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the City, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated 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
Servitudes	indefinite

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.

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.
- > the expenditure attributable to the asset during its development can be measured reliably.

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Accounting Policies

1.7 Heritage assets

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

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

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

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

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

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

The City assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the 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 controlling entity's annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

Accounting Policies

1.9 Financial instruments

Financial Instruments

A financial instrument is recognised if the City becomes a party to the contractual provisions of the instrument.

Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with the Standards of GRAP 104 the financial assets of the City are classified as follows into the three categories allowed by this standard:

- Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current asset
- Financial assets measured at fair value being financial assets that meet either of the following conditions:
 - a) Derivatives;
 - b) Combined instruments that are designated at fair value;
 - c) Instruments held for trading;
 - d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

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

Type of financial assets	Classifications
Other investments	amortised cost
Receivables from exchange	amortised cost
Cash and cash equivalents	amortised cost
Long-term receivables	amortised cost
Other investments (unlisted shares)	cost

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at fair value; or
- Financial liabilities measured at amortised cost.

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

Type of financial liability	Classifications
Long-term liabilities	amortised cost
Trade and other-payables from exchange transactions	amortised cost
Consumer deposits	amortised cost
Finance lease obligations	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.

Accounting Policies

1.9 Financial instruments (continued)

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.

Financial assets at fair value

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

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.

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 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.

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Accounting Policies

1.9 Financial instruments (continued)

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.

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

•The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means. Statutory receivables consists of property rates and traffic fines.

•An entity shall recognise statutory receivables as follows:

- (a) if the transaction is an exchange transaction;
- (b) if the transaction is a non-exchange transaction; or
- (c) if the transaction is not within the scope of the Standards of GRAP listed in (a) or (b) or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Statutory receivables that meets the definition of an asset shall be recognised as an asset when, and only when:

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

•An entity shall derecognise a statutory receivable, or a part thereof, when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived; or
- (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable.

•An entity shall measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) interest or other charges that may have accrued on the receivable (where applicable);
- (b) impairment losses; and
- (c) amounts derecognised.

•Where an entity levies interest on the outstanding balance of statutory receivables, it shall adjust the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

•Interest on statutory receivables shall be recognised as revenue.

Statutory receivables are tested for impairment on an annual basis and results thereof will be recognised.

No discounting to the transactions is applied.

If there is objective evidence that there is an impairment loss on statutory receivables, the amount of the loss is measured by comparing the carrying amount of the receivable to the cash flows the entity expects to receive. The cash flows are discounted if the time value of money is material. The carrying amount of the asset is reduced 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 statutory receivable 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.

Accounting Policies

1.11 Tax

Current tax assets and liabilities

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.

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Accounting Policies

1.12 Inventories

Inventories are assets:

- a) in the form of materials or supplies to be consumed in the production process;
- b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- c) held for sale or distribution in the ordinary course of operations; or
- d) in the process of production for sale or distribution.

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. The cost of inventory shall comprise of all costs, costs of conversion and other costs, incurred to 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 or current replacement cost.

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

1.13 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 4.6% (2020: 6.70%) per annum over members' expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.80% (2020: 10.81%).

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 10.80% (2020: 10.81%).

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.

1.14 Receivables from non exchange transactions

Non-exchange transaction that meets the definition of an asset shall be recognised as an asset when, and only when:

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

•An entity shall derecognise a non exchange receivable, or a part thereof, when:

- (a) the rights to the cash flows from the non-receivable are settled, expire or are waived; or
- (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the non-receivable.

Accounting Policies

1.15 Impairment of cash-generating assets

The City classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

The City does not have any cash generating assets, as its primary objective is service delivery.

1.16 Impairment of non-cash-generating assets

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

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The present value of the remaining service potential of a non-cash-generating asset is determined using the most appropriate of the following approaches depending on the impairment event:

- Depreciated replacement cost approach; or
- Restoration cost approach; or
- Service units approach.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The City assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Designation

At initial recognition, the City designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an City's objective of using the asset.

The City designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The City designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the City expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the City designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

City of Ekurhuleni Metropolitan Municipality

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Accounting Policies

1.17 Employee benefits

The City provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Benefits

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

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 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 and a reliable estimate can be made at the reporting date.

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

Long services awards

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

Retirement funds

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

Defined contribution plans

A defined contribution plan is a plan under which the City pays fixed contributions into a separate entity. The City has no legal or constructive obligation to pay further contributions, should the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The City's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees.

Defined benefit plans

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Employee benefits (continued)

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate.

Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the statement of financial performance.

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 City recognises all liabilities and all gains and losses.

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 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.

1.18 Revenue from exchange transactions

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

An exchange transaction is one in which the City receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other spheres of government and revenue from trading activities and other services provided.

The City recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the City and when specific criteria have been met for each of the City's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The City bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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.

Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and are recognised as revenue when billed. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Services provided on prepaid

Various services are provided on a prepaid services in which case there is no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Sale of goods

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

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

Income from agency services

Income from agency services, where the entity acts as an agent, is recognised monthly once the income collected on behalf of principals is earned. The income is recognised in terms of the agency agreement.

Interest

Interest earned on investments is recognised in the statement of financial performance on a time-proportionate basis, which takes into account the effective yield on the investment.

Dividends

Dividends are recognised on the date that the City becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Revenue Recognition of Unclaimed Deposits – exchange revenue

Unclaimed deposits older than one (1) year are recognised as revenue.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the City received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates and Taxes – non-exchange revenue

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the City is expected to enforce.

Subsequent to initial recognition and measurement, the City assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and Contributions

Donations and funding are recognised as revenue to the extent that the City has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Transfers and subsidies

Unconditional Grants

Equitable share allocations are recognised in revenue when they are appropriated and received by the City.

Conditional Grants

Conditional grants recognised as revenue to the extent that the City has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the City's interest it is recognised as interest earned in the Statement of Financial Performance.

Services Received In-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

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.

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.

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

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Grant-in-aid (expense)

The City annually awards grants to individuals and organisations based on merit. When making these transfers, the City does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the consolidated annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.21 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the City. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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 – lessor

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.

1.22 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.

1.23 Accounting by principals and agents

Identification

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.23 Accounting by principals and agents (continued)

When an entity is party to a principal-agent arrangement, it shall assess whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

An entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

When an entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If an entity concludes that it is not the agent, then it is the principal in the transactions.

Where an entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria in paragraph .25(a) to conclude that it is an agent. Entities shall apply judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal. An entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

1.24 Value Added Tax

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

1.25 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.

1.26 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.

1.27 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.

1.28 Internal reserves

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

Capital replacement reserve (CRR)

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

Self-insurance reserve

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

Sinking funds reserve

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

Accounting Policies

1.29 Segmental information

An entity shall report separately information about each segment that has been identified or results from aggregating two or more of those segments.

The segments of the City has been identified as those activities of the City that generate economic benefits or service potential whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing it's performance and for which separate financial information is available.

The City has aggregated some segments in accordance with GRAP 18.

These conditions are required to be met for aggregation of the City's segments:

Share nature of goods and services delivered;
Share class of customer or consumer;
Share methods used to distribute the services or goods;
Share nature of regulatory environment.

Or

May aggregate individually insignificant segments where practical limit of 10 segments has been reached;
The City shall disclose the segment information in the financial statements in accordance with the standard;
The City shall disclose the reportable segments, segment specific disclosures and geographic disclosures as prescribed by the standard.

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30. 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.

1.31 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, City Manager, Head of departments and all other managers reporting directly to the City Manager or as designated by the City Manager.

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

1.33 Commitments

The City discloses capital expenditure as approved in the budget for each class of capital assets (PPE, investment properties, intangible assets and heritage assets) and as well as future minimum lease payments under non-cancellable operating leases. No commitments are disclosed for operating expenditure as the nature of the contracts "As and When required".

1.34 Going concern

This consolidated annual financial statements were prepared based on the expectation that the City will continue to operate as a going concern for at least the next 12 months. The City's budget for the next financial year as approved by Council is fully funded.

Accounting Policies

1.35 Comparative figures

When the presentation or classification of items in the consolidated 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The following standards and interpretations have been published and are mandatory for the City's accounting periods beginning on or after:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 1: Presentation of Financial Statements	01 April 2021	Unlikely there will be a material impact
GRAP 2: Cash Flow Statements	01 April 2021	Unlikely there will be a material impact
GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors	01 April 2021	Unlikely there will be a material impact
GRAP 5: Borrowing Costs	01 April 2021	Unlikely there will be a material impact
GRAP 9: Revenue from Exchange Transactions	01 April 2021	Unlikely there will be a material impact
GRAP 12: Inventories	01 April 2021	Unlikely there will be a material impact
GRAP 13: Leases	01 April 2021	Unlikely there will be a material impact
GRAP 14: Events After the Reporting Date	01 April 2021	Unlikely there will be a material impact
GRAP 16: Investment Property	01 April 2021	Unlikely there will be a material impact
GRAP 17: Property Plant and Equipment	01 April 2021	Unlikely there will be a material impact
GRAP 18: Segment Reporting	01 April 2021	Unlikely there will be a material impact
GRAP 19: Provisions, Contingent Liabilities and Contingent Assets	01 April 2021	Unlikely there will be a material impact
GRAP 20: Related Party Disclosures	01 April 2021	Unlikely there will be a material impact
GRAP 21: Impairment of Non-cash-generating Assets	01 April 2021	Unlikely there will be a material impact
GRAP 24: Presentation of Budget Information in Financial Statements	01 April 2021	Unlikely there will be a material impact
GRAP 25: Employee Benefits	01 April 2021	Unlikely there will be a material impact
GRAP 26: Impairment of Cash-generating assets	01 April 2021	Unlikely there will be a material impact
GRAP 31: Intangible Assets	01 April 2021	Unlikely there will be a material impact
GRAP 34: Separate Financial Statements	01 April 2021	Unlikely there will be a material impact

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 103: Heritage Assets	01 April 2021	Unlikely there will be a material impact
GRAP 104: Financial Instruments	01 April 2021	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01 April 2021	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	01 April 2021	Unlikely there will be a material impact
GRAP 1: Presentation of Financial Statements	01 April 2021	Unlikely there will be a material impact
GRAP 2: Cash Flow Statements	01 April 2021	Unlikely there will be a material impact
GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors	01 April 2021	Unlikely there will be a material impact
GRAP 5: Borrowing Costs	01 April 2021	Unlikely there will be a material impact
GRAP 9: Revenue from Exchange Transactions	01 April 2021	Unlikely there will be a material impact
GRAP 12: Inventories	01 April 2021	Unlikely there will be a material impact
GRAP 13: Leases	01 April 2021	Unlikely there will be a material impact
GRAP 14: Events After the Reporting Date	01 April 2021	Unlikely there will be a material impact
GRAP 16: Investment Property	01 April 2021	Unlikely there will be a material impact
GRAP 17: Property Plant and Equipment	01 April 2021	Unlikely there will be a material impact
GRAP 18: Segment Reporting	01 April 2021	Unlikely there will be a material impact
GRAP 34: Seperate financial statements	01 April 2021	Unlikely there will be a material impact
GRAP 35: Consolidated financial statements	01 April 2021	Unlikely there will be a material impact
GRAP 36: Investment in associates and joint ventures	01 April 2021	Unlikely there will be a material impact
GRAP 37 Joint arrangements	01 April 2021	Unlikely there will be a material impact
GRAP 38 Disclosure of interest in other entities	01 April 2021	Unlikely there will be a material impact
IGRAP 20: Accounting for adjustment to revenue	01 April 2021	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Expected impact:
Guidelines for landfill sites.	Unlikely there will be a material impact
GRAP 25: Employee benefits	Unlikely there will be a material impact

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104 - Financial Instruments	Unlikely there will be a material impact
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Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property

Economic entity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	908,581,198	(166,978,645)	741,602,553	881,748,187	(154,567,862)	727,180,325

Controlling entity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	662,150,863	(131,986,018)	530,164,845	654,824,618	(124,042,167)	530,782,451

Reconciliation of investment property - Economic entity - 2021

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of asset under construction	Other changes, movements	Depreciation	Total
Investment property	727,180,325	41,506,757	(89,145)	60,829,025	(60,829,025)	(10,547,038)	(16,448,346)	741,602,553

Reconciliation of investment property - Economic entity - 2020

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of asset under construction	Other changes, movements	Depreciation	Total
Investment property	629,345,173	38,829,032	(245,338)	13,563,059	(13,563,059)	73,725,094	(14,473,636)	727,180,325

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2021

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of asset under construction	Other changes, movements	Depreciation	Total
Investment property	530,782,451	21,999,992	(89,146)	60,829,025	(60,829,025)	(10,547,038)	(11,981,414)	530,164,845

Reconciliation of investment property - Controlling entity - 2020

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of asset under construction	Other changes, movements	Depreciation	Total
Investment property	428,480,367	38,829,032	(245,337)	13,563,059	(13,563,059)	73,725,093	(10,006,704)	530,782,451

Investment property in the process of being constructed or developed

Opening Balance	38,829,032	13,563,059	38,829,032	13,563,059
Additions	21,999,992	38,829,032	21,999,992	38,829,032
Net of capitalisations and write-off	(60,829,024)	(13,563,059)	(60,829,024)	(13,563,059)
	<u>-</u>	<u>38,829,032</u>	<u>-</u>	<u>38,829,032</u>

The City did not have any investment projects which took significant long to complete as projects are being implemented in phases. There were no projects which were halted during the year.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
3. Investment property (continued)				
Other disclosure				
Total rental income received on investment property	71,398,623	64,332,882	29,384,556	22,211,244
Cumulative amount of borrowing costs included in the carrying amount of qualified assets				
Disclosure of repairs and maintenance (material and other cost)	38,161,479	31,111,435	34,153,620	26,894,689

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

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & buildings	2,205,480,998	-	2,205,480,998	2,225,101,257	-	2,225,101,257
Infrastructure	67,903,709,777	(20,011,633,151)	47,892,076,626	64,719,247,723	(18,226,336,567)	46,492,911,156
Community	10,194,818,016	(2,856,290,075)	7,338,527,941	9,581,361,545	(2,550,513,208)	7,030,848,337
Moveable assets	4,562,348,500	(3,183,942,303)	1,378,406,197	4,455,005,969	(2,834,696,358)	1,620,309,611
Operational and housing buildings	4,044,102,389	(1,283,741,121)	2,760,361,268	3,597,756,836	(1,166,228,793)	2,431,528,043
Total	88,910,459,680	(27,335,606,650)	61,574,853,030	84,578,473,330	(24,777,774,926)	59,800,698,404

Controlling entity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,192,463,715	-	2,192,463,715	2,212,083,974	-	2,212,083,974
Infrastructure	65,222,314,345	(19,377,186,431)	45,845,127,914	62,129,348,274	(17,717,923,446)	44,411,424,828
Community	10,194,818,016	(2,856,290,075)	7,338,527,941	9,581,361,545	(2,550,513,208)	7,030,848,337
Moveable Assets	4,378,401,758	(3,094,928,482)	1,283,473,276	4,273,636,679	(2,757,031,342)	1,516,605,337
Operational and housing buildings	3,986,154,070	(1,274,170,283)	2,711,983,787	3,539,808,518	(1,157,714,117)	2,382,094,401
Total	85,974,151,904	(26,602,575,271)	59,371,576,633	81,736,238,990	(24,183,182,113)	57,553,056,877

Reconciliation of property, plant and equipment - Economic entity - 2021

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals/derecognition	Transfers from assets under construction	Transfers out of asset under construction	Other movements	Transfers to/(from other assets)	Depreciation	Impairment loss	Total
Land & buildings	2,225,101,257	-	(19,622,259)	-	-	1,400,000	(1,398,000)	-	-	2,205,480,998
Infrastructure	46,492,911,156	3,459,913,153	(4,636,717)	1,728,625,222	(1,968,643,556)	96,789,855	(115,982,688)	(1,796,898,089)	(1,710)	47,892,076,626
Community	7,030,848,337	531,894,271	(548,149)	492,768,076	(390,909,929)	(3,825,431)	(15,922,372)	(305,569,567)	(207,295)	7,338,527,941
Moveables	1,620,309,611	109,499,967	(741,920)	942,000	-	-	-	(351,603,461)	-	1,378,406,197
Operational and housing buildings	2,431,528,043	299,999,474	(8,383,009)	368,959,351	(230,212,869)	-	11,945,038	(113,474,760)	-	2,760,361,268
	59,800,698,404	4,401,306,865	(33,932,054)	2,591,294,649	(2,589,766,354)	94,364,424	(121,358,022)	(2,567,545,877)	(209,005)	61,574,853,030

Reconciliation of property, plant and equipment - Economic entity - 2020

	Opening balance	Additions	Disposals/derecognition	Transfers from assets under construction	Transfers out of asset under construction	Other Movements	Transfers to/(from other assets)	Depreciation	Total
Land & buildings	2,228,560,857	-	(3,459,600)	-	-	-	-	-	2,225,101,257
Infrastructure	44,657,867,799	3,908,576,811	(83,113,232)	2,747,419,877	(3,152,490,342)	114,133,660	118,254,078	(1,817,737,495)	46,492,911,156
Community	6,659,887,157	358,745,797	(16,164,171)	877,711,657	(493,306,453)	(25,343,542)	(24,662,468)	(306,019,640)	7,030,848,337
Moveables	1,775,099,511	238,414,543	(3,400,340)	26,862,678	-	(151,368)	-	(416,515,413)	1,620,309,611
Operational and housing buildings	2,403,551,315	151,658,488	(468,000)	45,072,525	(24,407,462)	(30,535,523)	(2,200,210)	(111,143,090)	2,431,528,043
	57,724,966,639	4,657,395,639	(106,605,343)	3,697,066,737	(3,670,204,257)	58,103,227	91,391,400	(2,651,415,638)	59,800,698,404

Reconciliation of property, plant and equipment - Controlling entity - 2021

	Opening balance	Additions	Disposals/derecognition	Transfers from assets under construction	Transfers out of asset under construction	Other Movements	Transfers to/from other classes	Depreciation	Impairment loss	Total
Land	2,212,083,974	-	(19,622,259)	-	-	1,400,000	(1,398,000)	-	-	2,192,463,715
Infrastructure	44,411,424,828	3,404,978,988	(4,603,883)	1,642,034,338	(1,882,052,672)	96,789,855	(115,982,688)	(1,707,459,143)	(1,709)	45,845,127,914
Community	7,030,848,337	531,894,271	(548,149)	492,768,076	(390,909,929)	(3,825,431)	(15,922,372)	(305,569,567)	(207,295)	7,338,527,941
Movable Assets	1,516,605,337	103,823,127	-	942,000	-	-	-	(337,897,188)	-	1,283,473,276
Operational and housing buildings	2,382,094,401	299,999,474	(8,383,009)	368,959,351	(230,212,868)	-	11,945,038	(112,418,600)	-	2,711,983,787
	57,553,056,877	4,340,695,860	(33,157,300)	2,504,703,765	(2,503,175,469)	94,364,424	(121,358,022)	(2,463,344,498)	(209,004)	59,371,576,633

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Disposals/derecognition	Transfers from assets under construction	Transfers out of asset under construction	Other Movements	Transfers to/from other classes	Depreciation	Total
Land	2,215,543,574	-	(3,459,600)	-	-	-	-	-	2,212,083,974
Infrastructure	42,637,889,142	3,765,777,898	(83,090,942)	2,663,014,877	(3,068,085,342)	114,198,685	118,254,078	(1,736,533,568)	44,411,424,828
Community	6,659,887,157	358,745,797	(16,164,171)	877,711,657	(493,306,453)	(25,343,542)	(24,662,468)	(306,019,640)	7,030,848,337
Movable Assets	1,667,003,060	229,347,823	(2,580,504)	26,862,677	-	-	-	(404,027,719)	1,516,605,337
Operational and housing buildings	2,353,061,644	151,658,488	(468,000)	45,072,525	(24,407,462)	(30,535,523)	(2,200,210)	(110,087,061)	2,382,094,401
	55,533,384,577	4,505,530,006	(105,763,217)	3,612,661,736	(3,585,799,257)	58,319,620	91,391,400	(2,556,667,988)	57,553,056,877

Assets taking significant longer to complete

The City identified the following projects deemed to be taking significantly long to complete, the projects taking longer to complete can be categorised into the following reasons, projects in planning and design phase (13 projects), projects in construction phase (36 projects), suspended due to budgets constraints (35 projects) and poor performance (4 projects). These can also be attributed to adverse economic conditions, failing liquidity position and impact of covid 19.

The City did not have any projects which took significantly long to complete during 2019, due to the fact that projects are being implemented in phases. There were no projects which were halted during that year.

The City disclosed the aggregate amount per class as per below:

Assets Class	2021	2020
Infrastructure	R 400 738 821	R308 193 132
Community	R 89 962 412	R17 285 648
Operational and housing buildings	R100 589 006	R128 313 309

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
4. Property, plant and equipment (continued)				
Disclosure of repairs and maintenance (material and other costs)				
Infrastructure	2,083,477,380	2,245,507,781	1,943,603,213	2,055,986,283
Community	36,505	816,485	36,505	816,485
Other property, plant and equipment	562,353,940	552,809,297	562,353,940	552,809,297
	2,645,867,825	2,799,133,563	2,505,993,658	2,609,612,065
Compensation received for losses on property, plant and equipment – included in operating profit.				
IT equipment	-	166,836	-	166,836
Reconciliation of assets under construction Economic entity - 2021				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	5,682,530,519	674,071,025	520,484,306	6,877,085,850
Additions/capital expenditure	3,459,679,762	531,894,271	299,999,474	4,291,573,507
Other movements (transfers to/from other assets)	(77,012,759)	(1,490,149)	(8,383,009)	(86,885,917)
Transferred to completed items	(2,012,447,006)	(405,890,301)	(230,212,869)	(2,648,550,176)
	7,052,750,516	798,584,846	581,887,902	8,433,223,264
Reconciliation of assets under construction Economic entity - 2020				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	5,282,077,073	913,772,621	447,093,270	6,642,942,964
Additions/capital expenditure	3,904,407,869	359,825,664	150,578,621	4,414,812,154
Other movements (transfers to/from other assets)	15,551,013	(41,951,388)	(33,203,733)	(59,604,108)
Transferred to completed items	(3,519,505,436)	(557,575,872)	(43,983,852)	(4,121,065,160)
	5,682,530,519	674,071,025	520,484,306	6,877,085,850
Reconciliation of assets under construction 2021				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	5,263,216,695	674,071,025	504,608,600	6,441,896,320
Additions/capital expenditure	3,404,978,988	531,894,271	299,999,474	4,236,872,733
Other movements (transfers to/from other assets)	(77,012,759)	(1,490,149)	(8,383,009)	(86,885,917)
Transferred to completed items	(1,925,856,122)	(405,890,301)	(230,212,869)	(2,561,959,292)
	6,665,326,802	798,584,846	566,012,196	8,029,923,844
Reconciliation of assets under construction 2020				
	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	4,916,988,220	913,772,621	431,217,564	6,261,978,405
Additions/capital expenditure	3,765,777,898	359,825,664	150,578,621	4,276,182,183
Other movements (transfers to/from other assets)	15,551,013	(41,951,388)	(33,203,733)	(59,604,108)
Transferred to completed items	(3,435,100,436)	(557,575,872)	(43,983,852)	(4,036,660,160)
	5,263,216,695	674,071,025	504,608,600	6,441,896,320

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

4. Property, plant and equipment (continued)

Other movements and transfers to other assets

The City did not have any projects which took significantly long to complete due to the fact that projects are being implemented in phases. There were no projects which were halted during the year under review.

The transfer (to)/from movement relates to transfers within the asset categories and out of property, plant and equipment, which were affected as follows, an amount of R70,297,787 (2020: R65 654 835) was transferred to inventory, transfers to Intangible assets is (R43 803 352) and transfers to Heritage assets is (R15 922 372). Capital spares were bought as part of the project's capital expenditure, which were transferred to/(from) inventory R1 881 549 (2020: R118 254 078) this relates to the net movement of capital spares for the year between the inventory account and the WIP account, refer note 10.

Deemed cost

Included in other movement, are additions received from public contributed assets with deemed cost amounts of R103 023 326 (2020: R143 384 792). Deemed cost was determined using fair value or depreciated replacement cost, depending on the most appropriate measurement for the specific asset/scenario.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

5. Intangible assets

Economic entity

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	1,337,914,266	(238,321,425)	1,099,592,841	1,158,869,838	(169,310,926)	989,558,912
Servitudes	243,798,639	-	243,798,639	243,798,639	-	243,798,639
Total	1,581,712,905	(238,321,425)	1,343,391,480	1,402,668,477	(169,310,926)	1,233,357,551

Controlling entity

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	1,321,843,537	(230,094,755)	1,091,748,782	1,142,829,224	(162,264,819)	980,564,405
Servitudes	243,798,639	-	243,798,639	243,798,639	-	243,798,639
Total	1,565,642,176	(230,094,755)	1,335,547,421	1,386,627,863	(162,264,819)	1,224,363,044

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Additions	Transfers from assets under construction	Transfers out of asset under construction	Amortisation	Total
Computer software (other)	989,558,912	136,739,256	171,235,722	(128,910,590)	(69,030,459)	1,099,592,841
Servitudes	243,798,639	-	-	-	-	243,798,639
	1,233,357,551	136,739,256	171,235,722	(128,910,590)	(69,030,459)	1,343,391,480

Notes to the Consolidated Annual Financial Statements

Figures in Rand

5. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Additions	Transfers from assets under construction	Transfers out of asset under construction	Amortisation	Impairment loss	Total
Computer software (other)	760,693,998	277,335,069	440,648,068	(440,648,068)	(47,946,906)	(523,249)	989,558,912
Servitudes	243,798,639	-	-	-	-	-	243,798,639
	1,004,492,637	277,335,069	440,648,068	(440,648,068)	(47,946,906)	(523,249)	1,233,357,551

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Additions	Transfers from assets under construction	Transfers out of asset under construction	Amortisation	Total
Computer software	980,564,405	136,739,256	171,185,647	(128,910,590)	(67,829,936)	1,091,748,782
Servitudes	243,798,639	-	-	-	-	243,798,639
	1,224,363,044	136,739,256	171,185,647	(128,910,590)	(67,829,936)	1,335,547,421

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Additions	Transfers out of asset under construction	Transfers received from other classes	Amortisation	Impairment loss	Total
Computer software	750,549,231	277,269,527	440,648,068	(440,648,068)	(46,731,104)	(523,249)	980,564,405
Servitudes	243,798,639	-	-	-	-	-	243,798,639
	994,347,870	277,269,527	440,648,068	(440,648,068)	(46,731,104)	(523,249)	1,224,363,044

Other information

Reconciliation of work in progress

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

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
5. Intangible assets (continued)				
Work in progress				
Opening balance	164,240,380	327,618,921	164,240,380	327,618,921
Software development incurred during the year	136,739,256	277,269,527	136,739,256	277,269,527
Transfers/ capitalisation	(128,910,590)	(440,648,068)	(128,910,590)	(440,648,068)
	172,069,046	164,240,380	172,069,046	164,240,380

Notes to the Consolidated Annual Financial Statements

Figures in Rand

6. Heritage assets

Economic entity

	2021			2020		
	Cost / Valuation	Accumulated impairment loss	Carrying value	Cost / Valuation	Accumulated impairment loss	Carrying value
Art collections, antiquities and exhibits	20,216,333	(31,600)	20,184,733	20,216,333	(31,600)	20,184,733
Conservation areas	351,149	-	351,149	351,149	-	351,149
Historical buildings	5,425,362	(1,039,016)	4,386,346	5,425,362	(1,039,016)	4,386,346
Other heritage assets	58,963,039	(1,877,834)	57,085,205	43,040,667	(1,877,834)	41,162,833
Total	84,955,883	(2,948,450)	82,007,433	69,033,511	(2,948,450)	66,085,061

Controlling entity

	2021			2020		
	Cost / Valuation	Accumulated impairment loss	Carrying value	Cost / Valuation	Accumulated impairment loss	Carrying value
Art collections,antiquities and exhibits	20,216,333	(31,600)	20,184,733	20,216,333	(31,600)	20,184,733
Conservation areas	351,149	-	351,149	351,149	-	351,149
Historical buildings	5,425,362	(1,039,016)	4,386,346	5,425,362	(1,039,016)	4,386,346
Other heritage assets	58,963,039	(1,877,834)	57,085,205	43,040,667	(1,877,834)	41,162,833
Total	84,955,883	(2,948,450)	82,007,433	69,033,511	(2,948,450)	66,085,061

Reconciliation of heritage assets - Economic entity - 2021

	Opening balance	Transfers out of asset under construction	Total
Art collections, antiquities and exhibits	20,184,733	-	20,184,733
Conservation areas	351,149	-	351,149
Historical buildings	4,386,346	-	4,386,346
Other heritage assets	41,162,833	15,922,372	57,085,205
	66,085,061	15,922,372	82,007,433

Reconciliation of heritage assets - Economic entity - 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand

6. Heritage assets (continued)

	Opening balance	Impairment losses recognised	Total
Art collections, antiquities and exhibits	20,184,733	-	20,184,733
Conservation areas	351,149	-	351,149
Historical buildings	5,425,362	(1,039,016)	4,386,346
Other heritage assets	43,040,667	(1,877,834)	41,162,833
	69,001,911	(2,916,850)	66,085,061

Reconciliation of heritage assets Controlling entity - 2021

	Opening balance	Transfers out of asset under construction	Total
Art collections,antiquities and exhibits	20,184,733	-	20,184,733
Conservation areas	351,149	-	351,149
Historical buildings	4,386,346	-	4,386,346
Other heritage assets	41,162,833	15,922,372	57,085,205
	66,085,061	15,922,372	82,007,433

Reconciliation of heritage assets Controlling entity - 2020

	Opening balance	Impairment losses recognised	Total
Art collections,antiquities and exhibits	20,184,733	-	20,184,733
Conservation areas	351,149	-	351,149
Historical buildings	5,425,362	(1,039,016)	4,386,346
Other heritage assets	43,040,667	(1,877,834)	41,162,833
	69,001,911	(2,916,850)	66,085,061

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

6. Heritage assets (continued)

Deemed costs

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

7. Investments in controlled entities

Name of company	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
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
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At fair value

Old Mutual and Sanlam	7,953,227	6,393,513	-	-
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At amortised cost

Investments	1,265,237,188	2,469,622,604	1,265,237,188	2,469,622,604
These investments have varying interest rates as well as varying maturity dates.				
At fair value	7,953,227	6,393,513	-	-
	1,273,190,415	2,476,016,117	1,265,237,188	2,469,622,604

Non-current assets

At cost	4,000,000	4,000,000	4,000,000	4,000,000
At amortised cost	666,817,023	612,146,743	666,817,023	612,146,743
	670,817,023	616,146,743	670,817,023	616,146,743

Current assets

At amortised cost	606,373,392	1,863,869,374	598,420,165	1,857,475,861
	1,277,190,415	2,480,016,117	1,269,237,188	2,473,622,604

Residual interest at cost

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

The carrying amount of these financial instruments is as follows:

Rand Airport 20% interest in ordinary shares	4,000,000	4,000,000	4,000,000	4,000,000
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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 to 2021

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

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

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

8. Other investments (continued)

There were no gains or losses realised on the disposal of held to maturity financial assets for the year ended 2021, as all the financial assets will be disposed of at their redemption date.

Investments with a carrying value of R666,817,022 (2020: R2,197,566,525) are held with the top five banks in South Africa for the repayment of long term liabilities with a carrying value of R800,000,000 (2020: R2,415,000,000) as disclosed in the long-term liabilities note (note 16). The amount of R800,000,000 (2020:R2,415,000,000)consists of one bond 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	20,523,936	17,546,131	6,561,798	5,469,652
Bad debt provision	(2,154,526)	(2,124,452)	(2,154,526)	(2,124,452)
	18,369,410	15,421,679	4,407,272	3,345,200

The long-term receivables comprises of:

Rental deposits made	R18,369,410 (June 2020 - R15,421,679)
Housing schemes	R2,154,526 (June 2020 - R2,124,452)

10. Inventories

Electrical consumables	255,154,259	212,882,722	255,154,259	212,882,722
Cleansing consumables	3,037,070	3,703,686	3,037,070	3,703,686
Consumable stores	10,450,166	11,829,518	10,450,166	11,827,718
Maintenance materials	31,993,594	17,086,345	31,993,594	17,086,345
Water consumables	35,922,563	25,005,393	35,922,563	25,005,393
Land held as inventory for social housing and development	1,078,039,684	1,009,130,797	1,078,039,684	1,009,130,797
Fuel (diesel, petrol)	8,367,414	14,395,592	8,367,414	14,395,592
	1,422,964,750	1,294,034,053	1,422,964,750	1,294,032,253

Inventory written down due to redundancy/obsolescence is valued at R0 (2020: R0) by way of a provision for obsolete inventories

Included in the inventory balance is land held for social housing development that has been carried for more than 12 months due to the development of the social housing units taking more than 12 months to complete.	1,007,741,896	932,017,947	1,007,741,896	932,017,947
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City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
11. Receivables from exchange transactions				
Trade receivables	-	-	-	-
Consumer debtors - Electricity - Gross	3,802,926,699	3,580,506,978	3,802,926,699	3,580,506,978
Consumer debtors - Electricity - Impairment	(1,887,855,325)	(1,660,444,044)	(1,887,855,325)	(1,660,444,044)
Consumer debtors - Water - Gross	8,485,657,781	6,650,143,188	8,485,657,781	6,650,143,188
Consumer debtors - Water - Impairment	(6,424,913,423)	(4,697,474,114)	(6,424,913,423)	(4,697,474,114)
Consumer debtors - Waste water - Gross	2,253,909,615	1,858,405,413	2,253,909,615	1,858,405,413
Consumer debtors - Waste water - Impairment	(1,706,554,350)	(1,265,931,549)	(1,706,554,350)	(1,265,931,549)
Consumer debtors - Refuse -Gross	1,993,126,337	1,631,585,094	1,993,126,337	1,631,585,094
Consumer debtors - Refuse - Impairment	(1,617,057,270)	(1,242,691,561)	(1,617,057,270)	(1,242,691,561)
Consumer debtors - Other - Gross	170,222,700	132,995,056	170,222,700	132,995,056
Consumer debtors - Other - Impairment	(160,442,950)	(122,349,236)	(160,442,950)	(122,349,236)
Consumer debtors - Interest and sundries - Gross	2,262,894,549	1,855,232,648	2,262,894,549	1,855,232,648
Consumer debtors - Interest and sundries - Impairment	(1,891,090,403)	(1,467,051,552)	(1,891,090,403)	(1,467,051,552)
Pre-paid electricity 3rd party vendors	63,674,173	80,962,857	63,674,173	80,962,857
Other receivables	208,686,682	250,263,382	200,738,917	190,353,337
VAT accruals on outstanding creditors	556,663,324	640,601,809	556,663,324	640,601,809
VAT receivables	-	48,845,624	-	46,613,406
Operating lease straightline	1,341,444	2,592,301	1,341,444	2,592,301
Allowance other receivables	(57,272,260)	(146,027,686)	(57,272,260)	(146,027,686)
	6,053,917,323	6,130,164,608	6,045,969,558	6,068,022,345

Receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by previous payments and collection trends, and any other default information.

12. Statutory receivables

Traffic fines - Gross	1,670,332,347	1,133,256,790	1,670,332,347	1,133,256,790
Traffic fines -Impairment	(1,350,493,038)	(904,563,621)	(1,350,493,038)	(904,563,621)
Property rates debtors - Gross	3,002,925,032	2,674,568,932	3,002,925,032	2,674,568,932
Property rates debtors - Impairment	(2,438,668,487)	(2,039,311,859)	(2,438,668,487)	(2,039,311,859)
	884,095,854	863,950,242	884,095,854	863,950,242

Credit quality of statutory receivables

The credit quality of statutory receivables that are neither past nor due nor impaired can be assessed by previous payments and collection trends, and any other default information.

13. Receivables from non-exchange transactions

Germiston Municipal Retirement Fund	-	5,113,059	-	5,113,059
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Credit quality of non-exchange transactions

The credit quality of non-exchange transactions that are neither past nor due nor impaired can be assessed by previous payments and collection trends, and any other default information.

Additional text

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
14. Consumer debtors disclosure				
Gross balances				
Consumer debtors - Rates	3,002,925,032	2,674,568,932	3,002,925,032	2,674,568,932
Consumer debtors - Electricity	3,802,926,699	3,580,506,978	3,802,926,699	3,580,506,978
Consumer debtors - Water	8,485,657,781	6,650,143,188	8,485,657,781	6,650,143,188
Consumer debtors - Waste water	2,253,909,615	1,858,405,413	2,253,909,615	1,858,405,413
Consumer debtors - Refuse	1,993,126,337	1,631,585,094	1,993,126,337	1,631,585,094
Consumer debtors - Other	170,222,700	132,995,056	170,222,700	132,995,056
Consumer debtors - Interest and sundries	2,262,894,549	1,855,232,648	2,262,894,549	1,855,232,648
	21,971,662,713	18,383,437,309	21,971,662,713	18,383,437,309
Less: Allowance for impairment				
Consumer debtors - Rates	(2,438,668,487)	(2,039,311,859)	(2,438,668,487)	(2,039,311,859)
Consumer debtors - Electricity	(1,887,855,325)	(1,660,444,044)	(1,887,855,325)	(1,660,444,044)
Consumer debtors - Water	(6,424,913,423)	(4,697,474,114)	(6,424,913,423)	(4,697,474,114)
Consumer debtors - Waste water	(1,706,554,350)	(1,265,931,549)	(1,706,554,350)	(1,265,931,549)
Consumer debtors - Refuse	(1,617,057,270)	(1,242,691,561)	(1,617,057,270)	(1,242,691,561)
Consumer debtors - Other	(160,442,950)	(122,349,236)	(160,442,950)	(122,349,236)
Consumer debtors - Interest and sundries	(1,891,090,403)	(1,467,051,552)	(1,891,090,403)	(1,467,051,552)
	(16,126,582,208)	(12,495,253,915)	(16,126,582,208)	(12,495,253,915)
Net balance				
Consumer debtors - Rates	564,256,545	635,257,073	564,256,545	635,257,073
Consumer debtors - Electricity	1,915,071,374	1,920,062,934	1,915,071,374	1,920,062,934
Consumer debtors - Water	2,060,744,358	1,952,669,074	2,060,744,358	1,952,669,074
Consumer debtors - Waste water	547,355,265	592,473,864	547,355,265	592,473,864
Consumer debtors - Refuse	376,069,067	388,893,533	376,069,067	388,893,533
Consumer debtors - Housing rental	9,779,750	10,645,820	9,779,750	10,645,820
Consumer debtors - Interest and sundries	371,804,146	388,181,096	371,804,146	388,181,096
	5,845,080,505	5,888,183,394	5,845,080,505	5,888,183,394
Included in above is receivables from exchange transactions				
Electricity	1,915,071,374	1,920,062,934	1,915,071,374	1,920,062,934
Water	2,060,744,358	1,952,669,074	2,060,744,358	1,952,669,074
Waste water	547,355,265	592,473,864	547,355,265	592,473,864
Refuse	376,069,067	388,893,533	376,069,067	388,893,533
Housing rental	9,779,750	10,645,820	9,779,750	10,645,820
Interest and sundries	371,804,146	388,181,096	371,804,146	388,181,096
	5,280,823,960	5,252,926,321	5,280,823,960	5,252,926,321
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	564,256,579	635,257,073	564,256,579	635,257,073
	5,845,080,539	5,888,183,394	5,845,080,539	5,888,183,394
Rates				
Current (0 -30 days)	383,514,392	389,861,671	383,514,392	389,861,671
31 - 60 days	135,851,759	149,944,709	135,851,759	149,944,709
61 - 90 days	92,297,209	113,296,645	92,297,209	113,296,645
91 - 120 days	2,391,261,671	2,021,465,907	2,391,261,671	2,021,465,907
	3,002,925,031	2,674,568,932	3,002,925,031	2,674,568,932

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
14. Consumer debtors disclosure (continued)				
Electricity				
Current (0 -30 days)	2,537,149,115	2,308,634,646	2,537,149,115	2,308,634,646
31 - 60 days	128,546,144	169,375,012	128,546,144	169,375,012
61 - 90 days	65,717,440	99,489,814	65,717,440	99,489,814
91 - 120 days	1,071,513,998	1,003,007,503	1,071,513,998	1,003,007,503
	3,802,926,697	3,580,506,975	3,802,926,697	3,580,506,975
Water				
Current (0 -30 days)	985,575,570	1,109,387,149	985,575,570	1,109,387,149
31 - 60 days	244,438,307	272,130,987	244,438,307	272,130,987
61 - 90 days	223,764,989	173,422,008	223,764,989	173,422,008
91 - 120 days	7,031,878,915	5,095,203,044	7,031,878,915	5,095,203,044
	8,485,657,781	6,650,143,188	8,485,657,781	6,650,143,188
Waste water				
Current (0 -30 days)	280,400,359	376,821,949	280,400,359	376,821,949
31 - 60 days	66,162,779	74,942,383	66,162,779	74,942,383
61 - 90 days	57,699,545	49,278,036	57,699,545	49,278,036
91 - 120 days	1,849,646,930	1,357,363,044	1,849,646,930	1,357,363,044
	2,253,909,613	1,858,405,412	2,253,909,613	1,858,405,412
Refuse				
Current (0 -30 days)	106,475,261	108,299,817	106,475,261	108,299,817
31 - 60 days	56,435,845	61,029,660	56,435,845	61,029,660
61 - 90 days	49,544,732	53,430,783	49,544,732	53,430,783
91 - 120 days	1,780,670,499	1,408,824,833	1,780,670,499	1,408,824,833
	1,993,126,337	1,631,585,093	1,993,126,337	1,631,585,093
Housing rental				
Current (0 -30 days)	2,576,734	1,466,769	2,576,734	1,466,769
31 - 60 days	3,679,341	4,605,806	3,679,341	4,605,806
61 - 90 days	3,523,674	4,127,172	3,523,674	4,127,172
91 - 120 days	160,442,950	122,795,312	160,442,950	122,795,312
	170,222,699	132,995,059	170,222,699	132,995,059
Other (specify)				
Current (0 -30 days)	100,620,752	66,878,111	100,620,752	66,878,111
31 - 60 days	50,577,028	18,529,524	50,577,028	18,529,524
61 - 90 days	46,581,510	39,200,086	46,581,510	39,200,086
91 - 120 days	2,065,115,259	1,730,624,927	2,065,115,259	1,730,624,927
	2,262,894,549	1,855,232,648	2,262,894,549	1,855,232,648

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
14. Consumer debtors disclosure (continued)				
Summary of debtors by customer classification				
Residential				
Current (0 -30 days)	1,631,351,594	2,005,778,355	1,631,351,594	2,005,778,355
31 - 60 days	485,026,893	485,449,785	485,026,893	485,449,785
61 - 90 days	413,831,871	365,773,333	413,831,871	365,773,333
91 - 120 days	14,202,281,205	10,684,427,934	14,202,281,205	10,684,427,934
	<u>16,732,491,563</u>	<u>13,541,429,407</u>	<u>16,732,491,563</u>	<u>13,541,429,407</u>
Less: Allowance for impairment	(13,173,845,461)	(9,984,206,675)	(13,173,845,461)	(9,984,206,675)
	<u>3,558,646,102</u>	<u>3,557,222,732</u>	<u>3,558,646,102</u>	<u>3,557,222,732</u>
Industrial/ commercial				
Current (0 -30 days)	2,583,920,333	2,231,933,010	2,583,920,333	2,231,933,010
31 - 60 days	184,193,082	228,048,987	184,193,082	228,048,987
61 - 90 days	115,629,047	141,978,882	115,629,047	141,978,882
91 - 120 days	1,950,112,883	1,753,693,257	1,950,112,883	1,753,693,257
	<u>4,833,855,345</u>	<u>4,355,654,136</u>	<u>4,833,855,345</u>	<u>4,355,654,136</u>
Less: Allowance for impairment	(2,714,740,576)	(2,336,544,872)	(2,714,740,576)	(2,336,544,872)
	<u>2,119,114,769</u>	<u>2,019,109,264</u>	<u>2,119,114,769</u>	<u>2,019,109,264</u>
National and provincial government				
Current (0 -30 days)	91,220,057	89,464,922	91,220,057	89,464,922
31 - 60 days	13,677,397	29,773,142	13,677,397	29,773,142
61 - 90 days	6,996,985	17,739,884	6,996,985	17,739,884
91 - 120 days	33,650,747	51,210,735	33,650,747	51,210,735
	<u>145,545,186</u>	<u>188,188,683</u>	<u>145,545,186</u>	<u>188,188,683</u>
Less: Allowance for impairment	(53,510,334)	(89,615,431)	(53,510,334)	(89,615,431)
	<u>92,034,852</u>	<u>98,573,252</u>	<u>92,034,852</u>	<u>98,573,252</u>
Total				
Current (0 -30 days)	4,396,311,380	4,361,350,112	4,396,311,380	4,361,350,112
31 - 60 days	685,691,205	750,558,079	685,691,205	750,558,079
61 - 90 days	539,129,902	532,244,545	539,129,902	532,244,545
91 - 120 days	16,350,530,223	12,739,284,572	16,350,530,223	12,739,284,572
	<u>21,971,662,710</u>	<u>18,383,437,308</u>	<u>21,971,662,710</u>	<u>18,383,437,308</u>
Less: Allowance for impairment	(16,126,582,209)	(12,495,253,915)	(16,126,582,209)	(12,495,253,915)
	<u>5,845,080,501</u>	<u>5,888,183,393</u>	<u>5,845,080,501</u>	<u>5,888,183,393</u>
Less: Allowance for impairment				
Current (0 -30 days)	(2,288,940,225)	(2,315,939,896)	(2,288,940,225)	(2,315,939,896)
31 - 60 days	(434,949,081)	(403,902,883)	(434,949,081)	(403,902,883)
61 - 90 days	(413,532,844)	(386,255,546)	(413,532,844)	(386,255,546)
91 - 120 days	(12,989,160,059)	(9,389,155,590)	(12,989,160,059)	(9,389,155,590)
	<u>(16,126,582,209)</u>	<u>(12,495,253,915)</u>	<u>(16,126,582,209)</u>	<u>(12,495,253,915)</u>
Reconciliation of allowance for impairment				
Balance at beginning of the year	(12,495,253,915)	(9,114,377,582)	(12,495,253,915)	(9,114,377,582)
Contributions to allowance	(4,116,187,914)	(3,638,005,622)	(4,116,187,914)	(3,638,005,622)
Debt impairment written off against allowance	484,859,620	257,129,289	484,859,620	257,129,289
	<u>(16,126,582,209)</u>	<u>(12,495,253,915)</u>	<u>(16,126,582,209)</u>	<u>(12,495,253,915)</u>

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

14. Consumer debtors disclosure (continued)

The total debtors for June 2021 includes a total of R2,253,171,148 (2020: R2,088,254,837) 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.

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 collection rate, as the consumer base is large and unrelated. Accordingly, management believes that further credit provision are required in excess of the present allowance for doubtful debts.

Consumer debtors past due but not impaired

30 Days	2,107,371,156	2,045,410,217	2,107,371,156	2,045,410,217
60 Days	250,742,124	346,655,195	250,742,124	346,655,195
90 Days	125,597,057	145,988,999	125,597,057	145,988,999
90+ Days	3,361,370,164	3,350,128,983	3,361,370,164	3,350,128,983
	5,845,080,501	5,888,183,394	5,845,080,501	5,888,183,394

The ageing of consumer debts impaired

30 Days	2,288,940,225	2,315,939,896	2,288,940,225	2,315,939,896
60 Days	434,949,081	403,902,883	434,949,081	403,902,883
90 Days	413,532,844	386,255,546	413,532,844	386,255,546
90+ Days	12,989,160,059	9,389,155,590	12,989,160,059	9,389,155,590
	16,126,582,209	12,495,253,915	16,126,582,209	12,495,253,915

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	584,102	602,334	568,714	568,714
Bank balances	1,130,713,600	1,658,666,396	957,802,147	1,643,656,178
Short-term deposits	7,624,252	10,182,157	-	-
	1,138,921,954	1,669,450,887	958,370,861	1,644,224,892

The City has provided bank guarantees to the amount of R33,096,424 (2020: R30,304,487) with regards 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.

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
15. Cash and cash equivalents (continued)				
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:				
Cash book balances				
ABSA - Income Benoni	202,877	349,264	202,877	349,264
ABSA - Direct banking Benoni	21,643,168	14,462,289	21,643,168	14,462,289
MASK Account Benoni	(199,622)	-	(199,622)	-
ABSA - Income Boksburg	37,442	-	37,442	-
ABSA - Direct banking KL Boksburg	35,664,271	10,829,750	35,664,271	10,829,750
ABSA - Income Brakpan	5,255,898	2,549,481	5,255,898	2,549,481
ABSA - Direct banking Germiston	24,587,095	20,325,729	24,587,095	20,325,729
ABSA - Direct banking Kempton Park	21,580,201	11,314,384	21,580,201	11,314,384
ABSA - Direct banking Edenvale	9,656,383	4,092,261	9,656,383	4,092,261
FNB Mask Account Edenvale	13,131,454	59,168,390	13,131,454	59,168,390
ABSA - Income Springs	(4,210)	-	(4,210)	-
ABSA - Direct banking Springs	28,076,045	19,477,534	28,076,045	19,477,534
ABSA - Market account	-	1,134,982	-	1,134,982
STANDARD BANK - Mask Account Springs	4,645,608	42,270,981	4,645,608	42,270,981
ABSA - Primary bank account	153,393,328	(1)	153,393,328	(1)
ABSA - Salary account	-	(10,527)	-	(10,527)
ABSA - Treasury account	49,864,713	35,598,069	49,864,713	35,598,069
ABSA - Expenditure imprest account	95,936	58,580	95,936	58,580
Lease Bank Account	281,166	311,039	281,166	311,039
Petty Cash and Floats	568,714	602,334	568,714	568,714
ABSA - Traffic Fines collection	-	400	-	400
NEDBANK Mask Account	3,104	(4,047,631)	3,104	(4,047,631)
E-Siyakhokha Mask Account	831,083	(438)	831,083	(438)
Nedbank - Salary Account	7,215,709	13,491,579	7,215,709	13,491,579
Nedbank - Expenditure Account	(287,154,674)	(105,638,636)	(287,154,674)	(105,638,636)
Nedbank - Treasury Account	283,344,000	165,917,082	283,344,000	165,917,082
Nedbank - USDG Account	97,392,378	113,392,381	97,392,378	113,392,381
Nedbank - Housing Account	257,350,131	24,761,151	257,350,131	24,761,151
Nedbank - Depreciation Reserve Account	576,296	576,296	576,296	576,296
Nedbank - External Finance Fund Account	79,399,834	16,399,833	79,399,834	16,399,833
Nedbank - Primary Bank Account	36,888,786	1,080,760,503	36,888,786	1,080,760,503
Nedbank - IRPTN Funding account	1,000,163	860,236	1,000,163	860,236
Nedbank - IRPTN Bank Collect	22,338,949	13,848,839	22,338,949	13,848,839
Nedbank - Traffic Fines Collection	508,526	310,386	508,526	310,386
Nedbank - License Account	3,711,896	7,522,026	3,711,896	7,522,026
Nedbank - Income Alberton	3,033,712	2,674,729	3,033,712	2,674,729
Nedbank - Direct banking Alberton	1,167,463	1,438,715	1,167,463	1,438,715
Nedbank - Income Benoni	4,215,766	5,205,396	4,215,766	5,205,396
Nedbank - Direct banking Benoni	6,066,237	1,491,626	6,066,237	1,491,626
Nedbank - Siyakhokha	2,860,047	8,405,929	2,860,047	8,405,929
Nedbank - Income Boksburg	4,517,513	5,255,173	4,517,513	5,255,173
Nedbank - Direct banking Boksburg	4,370,948	5,965,139	4,370,948	5,965,139
Nedbank - Prepaid Sales Account	11,173,283	10,813,692	11,173,283	10,813,692
Nedbank - Solid Waste Account	322,857	122,793	322,857	122,793
Nedbank - Income Brakpan	2,408,223	1,416,179	2,408,223	1,416,179
Nedbank - Direct banking Brakpan	933,742	692,084	933,742	692,084
Nedbank - Income Edenvale	1,307,246	1,037,726	1,307,246	1,037,726
Nedbank - Direct banking Edenvale	1,208,638	13,979,719	1,208,638	13,979,719
Nedbank - Income Germiston	2,830,192	2,149,648	2,830,192	2,149,648
Nedbank - Direct banking Germiston	3,782,625	4,478,693	3,782,625	4,478,693
Nedbank - Income Kempton Park	3,850,833	4,391,770	3,850,833	4,391,770
Nedbank - Direct banking Kempton Park	1,844,541	2,535,037	1,844,541	2,535,037
Nedbank - Income Nigel	629,698	704,495	629,698	704,495
Nedbank - Direct banking Nigel	15,282,612	1,715,219	15,282,612	1,715,219
Nedbank - Income Springs	10,960,097	13,893,837	10,960,097	13,893,837
Nedbank - Direct banking Springs	2,725,612	4,756,675	2,725,612	4,756,675
Nedbank - Springs Market Account	780,770	417,980	780,770	417,980
Nedbank - Library Account	211,560	31,711	211,560	31,711
ERWAT	150,913,937	2,049,466	-	-

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
15. Cash and cash equivalents (continued)				
BBC	1,179,402	1,840,587	-	-
EHC	28,457,752	21,302,321	-	-
	<u>1,138,921,954</u>	<u>1,669,450,885</u>	<u>958,370,863</u>	<u>1,644,224,891</u>

The City had the following bank accounts

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity			Controlling entity		
	2021	2020		2021	2020	
15. Cash and cash equivalents (continued)						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA BANK - Income Benoni - 4055327394	202,876	349,264	105,399	202,877	349,264	105,399
ABSA BANK - Direct Banking Benoni - 4055328015	22,164,047	14,462,290	7,616,350	21,643,168	14,462,290	7,616,350
ABSA BANK - Mask Account Benoni - 4065622380	-	-	-	(199,622)	-	-
ABSA BANK - Income Boksburg - 230000069	-	-	-	37,442	-	-
ABSA BANK - Direct Banking KL Boksburg - 230000220	36,356,065	10,829,818	4,044,754	35,664,271	10,829,750	4,006,631
ABSA BANK - Income Brakpan - 240000024	5,392,580	2,549,481	7,712,058	5,255,898	2,549,481	7,965,128
ABSA BANK - Direct banking Germiston - 250000804	25,540,168	20,325,729	7,458,364	24,587,095	20,325,729	7,458,364
ABSA BANK - Direct banking Kempton Park - 260181599	26,313,919	14,999,535	4,957,763	21,580,200	11,314,384	4,957,763
ABSA BANK - Direct banking Edenvale- 4055442596	10,252,304	4,092,261	1,988,926	9,656,383	4,092,261	1,988,926
ABSA BANK - Income Springs - 280000051	-	-	-	(4,210)	-	-
ABSA BANK - Direct Springs - 280000051	29,071,198	19,479,176	9,546,987	28,076,045	19,477,534	9,546,987
ABSA BANK - Fresh Produce Market - 1135470160	-	-	-	-	1,134,982	1,134,982
ABSA BANK - Primary bank Acc - 4053835084	153,393,328	(1)	-	153,393,328	(1)	-
ABSA BANK - Salary account - 4055571973	-	-	-	-	(10,527)	-
ABSA BANK - Treasury account - 4055571931	49,864,713	35,598,069	56,642,950	49,864,713	35,598,069	56,642,950
ABSA BANK - Expenditure imprest acc - 4055571915	95,936	58,580	-	95,936	58,580	-
CoE Traffic fines 407277706	-	-	-	-	400	-
FNB Mask account 62379403745	23,177,816	59,168,390	40,758,837	13,131,454	59,168,390	40,758,837
Petty Cash and Floats	-	-	-	568,714	568,714	566,714
Standard bank mask account	4,672,261	42,270,981	48,293,123	4,645,607	42,270,981	48,293,123
E-Siyakhokha Mask Account	3,104	1,249,440	2,358,518	3,104	(437)	2,405,297
Nedbank Income Alberton	-	-	-	3,033,712	2,674,729	2,901,586
Nedbank Direct banking Alberton	-	-	-	1,167,463	1,438,715	229,022
Nedbank Direct banking Benoni	-	-	-	6,066,237	1,491,626	271,724
Nedbank Income Benoni	-	-	-	4,215,766	5,205,396	2,754,904
Nedbank Income Boksburg	-	-	-	4,517,513	5,255,173	3,267,047
Nedbank Direct banking Boksburg	-	-	-	4,370,948	5,965,139	370,665
Nedbank Direct banking Brakpan	-	-	-	933,742	692,084	109,976
Nedbank Income Brakpan	-	-	-	2,408,223	1,416,179	4,511,463
Nedbank Direct banking Edenvale	-	-	-	1,208,638	13,979,719	229,831
Nedbank Income Edenvale	-	-	-	1,307,246	1,037,726	1,276,613
Nedbank Direct banking Germiston	-	-	-	3,782,625	4,478,693	544,693
Nedbank Income Germiston	-	-	-	2,830,192	2,149,647	3,475,843
Nedbank Dir banking Kempton Park	-	-	-	1,844,541	2,535,037	557,163
Nedbank Income Kempton Park	-	-	-	3,850,833	4,391,770	4,140,636
Nedbank direct banking Nigel	-	-	-	15,282,612	1,715,219	12,430,864
Nedbank Income Nigel	-	-	-	629,698	704,495	498,941
Nedbank Direct banking Springs	-	-	-	2,725,611	4,756,675	17,807,144
Nedbank Income Springs	-	-	-	10,960,097	13,893,837	9,718,294
Nedbank IRPTN Bank 2 Funding 1119114845	1,000,174	860,237	1,275,565	1,000,163	860,237	1,275,565
Nedbank IRPTN Transport - collection 1120949068	22,338,949	13,844,839	4,933,524	22,338,949	13,844,839	4,933,524
Nedbank Salary account 1119114837	7,215,709	14,445,354	47,348,481	7,215,709	13,491,579	46,759,415
Nedbank Expenditure account 1119114829	(19,937,795)	(16,711,609)	347,259,153	(287,154,674)	(105,638,637)	230,632,761

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity			
	2021	2020	2021	2020		
15. Cash and cash equivalents (continued)						
Nedbank Treasury account 1119114810	283,344,000	165,917,082	1,247,583,105	283,344,000	165,917,082	1,205,074,449
Nedbank USDG account 1119114802	97,392,378	113,392,378	516,058,884	97,392,378	113,392,378	516,058,884
Nedbank Housing account 1119114799	257,350,134	24,761,151	512,883,693	257,350,134	24,761,151	512,883,693
Nedbank Depreciation Reserve account 1119114780	576,296	576,296	94,945,755	576,296	576,296	94,945,755
Nedbank External Funding Fund 1119114772	79,399,834	16,399,834	190,772,368	79,399,834	16,399,834	190,772,368
Nedbank Primary Bank account 1119114764	36,888,786	1,081,978,938	366,545,973	36,888,786	1,080,760,505	366,545,974
Nedbank Springs Market account 1119114853	780,770	417,980	1,099,925	780,770	417,980	1,099,925
Nedbank Traffic Fines account	-	-	-	508,526	310,386	118,174
Nedbank License account	-	-	-	3,711,896	7,522,026	3,161,616
Nedbank E-Siyakhokha	-	-	-	2,860,047	8,405,929	(338,014)
Nedbank Mask account 1104446634	831,083	(4,552,112)	(1,492,274)	831,083	(4,047,631)	(1,492,274)
Nedbank Pre paid account	-	-	-	11,173,283	10,813,692	-
Nedbank Solid Waste account	-	-	-	322,857	122,793	(255,863)
CoE Lease Account Nedbank	-	-	-	281,166	311,039	162,089
Nedbank Library Account	-	-	-	211,561	31,711	-
ERWAT ABSA Current account - 261070120	147,799,607	1,849,741	34,674,317	148,030,298	1,849,741	34,674,317
ERWAT ABSA Salary account - 261070139	2,883,639	199,725	19,792,316	2,883,639	199,725	19,792,316
(Phase II) ABSA Call account - 4052348660	886,085	1,917,218	15,243,343	886,085	1,917,218	15,243,343
(Phase II) ABSA Current account - 4099270252	10,741,671	-	-	10,741,671	-	-
(Phase II) ABSA Call account - 4078340070	2,309,131	2,285,679	2,208,784	2,309,131	2,285,679	2,208,784
(Phase II) ABSA Current account - 4055919492	-	1,026,192	637,090	-	1,026,192	637,090
(Phase II) ABSA Current account - 4099506067	5,311,430	-	-	5,311,430	-	-
(Phase II) ABSA Current account - 4050383636	25,983	4,347,712	6,105,401	25,983	4,347,712	6,105,401
(Phase II) ABSA Call account - 4078340151	1,559,200	1,543,364	1,491,442	1,559,200	1,543,364	1,491,442
Call 32 day 676886622010	7,624,252	10,182,158	17,850,927	7,624,252	10,182,158	17,850,927
BBC ABSA Current account	793,502	799,891	19,566	1,142,974	812,378	38,443
BBC ABSA Money market account	30,284	30,412	28,252	(9,441)	30,284	28,252
BBC Nedbank Current account	1,117,810	1,117,810	299,035	31,553	997,924	4,222
Petty Cash and Floats	14,300	-	-	14,315	33,619	19,422
Total	1,334,777,527	1,662,063,283	3,619,048,654	1,138,921,954	1,669,450,886	3,528,975,860

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
16. Long-term liabilities				
Designated at fair value				
Bank loan - Nedbank	361,583,860	404,367,914	-	-
Interest rate - JIBAR plus 2.32%. The loan is secured and repayable in bi-annual instalments.				
Bank loan - DBSA	4,028,641,175	2,026,085,196	4,028,641,175	2,024,933,185
COE - interest on the DBSA loans varies from 9.985% and 11.55%. These bullet and annuity loans are unsecured. Capital will be repaid by means of a once-off for bullet loans at redemption date and by means of semi-annual instalments for annuity loans. Redemption date vary between September 2031 and May 2034.				
ERWAT - Redeemable at 30 September 2020. The loan is unsecured and bears interest rate at 15%, fixed.				
Bank loan - Nedbank	938,007,164	971,424,897	938,007,164	971,424,897
Interest rates on the loan is 10.27%. The loan is unsecured. The loan shall be repaid by not later than the termination date and shall be repaid in semi-annual instalments, redemption date: June 2034.				
Bank loan - ABSA	369,068,863	437,965,685	369,068,863	437,965,685
Interest rates on the loan is 11.68%. The loan is unsecured. The loans shall be repaid in semi-annual instalments. Redemption dates between February 2025 and May 2025.				
Bank loan - INCA (Unsecured)	32,109,153	40,385,638	-	-
Interest rate is 5% (2019, 8%) per annum. The loan is repayable in bi-annual instalments and unsecured. Redeemable 28 June 2024.				
Municipal bonds	4,409,502,313	6,528,619,283	4,409,502,313	6,528,619,283
Interest rates on the JSE CoE bonds vary between 9.155% and 11.80 % per annum. Redemption dates on these bonds vary between July 2020 and July 2032.				
	10,138,912,528	10,408,848,613	9,745,219,515	9,962,943,050
At amortised cost				
Short term portion of long term liabilities	864,007,103	2,392,202,405	812,248,517	2,338,021,378
Non-current liabilities				
At amortised cost	9,274,905,425	8,016,646,206	8,932,970,997	7,624,921,670
Current liabilities				
At amortised cost	864,007,103	2,392,202,405	812,248,517	2,338,021,378

Encumbered investments

An investment with a carrying value of R666,817,022 (2020:R2,197,566,525) is encumbered in respect of the liability a carrying value of R800,000,000 (2020: R2,415,000,000) as disclosed in the other investments note (note 8). The amount of R800,000,000 consist of a bond for which structured deposit sinking funds was established.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

17. Retirement benefit obligations

Retirement Funds

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

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

Defined Contribution Funds

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

Defined Benefit Plans

The City does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved. The City contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956 due to the nature of these funds and the fact that there is no consistent and reliable basis for allocating the obligation. Plan assets and cost to individual entities participating in the plan, these funds are accounted for as defined contribution funds in terms of paragraph 31 of GRAP 25, the total contributions are included in employee related costs, Note 30. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds. The City's participation in these plans is limited to the obligation of its own employees. Due to the nature of the funds, the obligation for each fund cannot be reasonably determined.

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

1. Joint Municipal Pension Fund

The average contribution rate payable is 9% by the members and on average 22% by the City of Ekurhuleni. The last actuarial valuation on this fund was performed in September 2019 certified that the fund is in a sound financial state. The City of Ekurhuleni has 75 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 2017 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni has 1293 employees in this plan.

3. South African Local Authorities Pension Fund

The average contribution rate payable is 9% by the members and on average 22.78% by the City of Ekurhuleni. The last actuarial valuation on this fund was performed as at 1 July 2020 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni has 64 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 19) 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 2021 are 12,351 (2020: 12,560) in-service employees and 1,908 (2020: 1,890) pensioners. The actuarial valuation was performed by Deloitte and Touche by applying the Projected Unit Funding method.

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
17. Retirement benefit obligations (continued)				
The amounts recognised in the statement of financial position are as follows:				
Carrying value				
Present value of the defined benefit obligation-wholly unfunded	(2,207,649,581)	(2,169,927,581)	(2,163,476,581)	(2,130,088,581)
Non-current liabilities	(2,108,411,581)	(2,066,674,581)	(2,066,404,581)	(2,028,936,581)
Current liabilities	(99,238,000)	(103,253,000)	(97,072,000)	(101,152,000)
	(2,207,649,581)	(2,169,927,581)	(2,163,476,581)	(2,130,088,581)
Movements for the year				
Opening balance	(2,169,927,581)	(2,095,861,581)	(2,130,088,581)	(2,058,871,581)
Benefits paid	104,565,581	99,917,657	101,408,920	98,284,562
Net expense recognised in the controlling entity	(142,287,581)	(173,983,657)	(134,796,920)	(169,501,562)
	(2,207,649,581)	(2,169,927,581)	(2,163,476,581)	(2,130,088,581)
Net expense recognised in the controlling entity				
Current service cost	(64,720,000)	(60,852,000)	(63,584,000)	(59,612,000)
Interest cost	(262,250,000)	(205,625,000)	(258,299,000)	(202,255,000)
Actuarial gains	184,682,419	92,493,343	187,086,080	92,365,438
	(142,287,581)	(173,983,657)	(134,796,920)	(169,501,562)
Key assumptions used				
Assumptions used on last valuation on Wednesday, 30 June 2021.				
Discount rates used (controlling entity)	11.29 %	7.40 %	11.29 %	7.40 %
Health care cost inflation rate (controlling entity)	7.27 %	5.23 %	7.27 %	5.23 %
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%	2%	
	60 +	0%	0%	

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

17. Retirement 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)	344,486,406	305,568,073	337,702,406	300,464,073
Medical inflation (liability)	2,281,307,223	2,040,515,609	2,231,349,223	2,001,142,609
Valuation interest rate (service cost and interest cost)	288,463,035	375,954,535	283,337,035	369,186,535
Valuation interest rate (liability)	1,945,326,457	2,451,246,142	1,905,816,457	2,401,379,142

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	(2,163,476,581)	(2,130,088,581)	(2,058,871,581)	(1,954,081,581)	(2,202,485,063)
Deficit	(2,163,476,581)	(2,130,088,581)	(2,058,871,581)	(1,954,081,581)	(2,202,485,063)
Experience adjustments on plan	(322,960,929)	(17,870,000)	(18,863,000)	(128,639,000)	(234,450,000)

18. Deferred tax

Deferred tax liability

Deferred tax asset

Assessed losses	(31,974,610)	(38,111,808)	-	-
Other temporary differences	-	-	-	-
Deferred tax balance from temporary differences other than unused tax losses	(31,974,610)	(38,111,808)	-	-
Total deferred tax asset	(31,974,610)	(38,111,808)	-	-

Reconciliation of deferred tax asset liability

At beginning of year	(38,111,808)	(41,654,198)	-	-
Leave provision and performance bonus	332,693	248,783	-	-
Investment property - market value different to book value	1,040,039	(2,186,023)	-	-
Property plant and equipment	31,851	17,094	-	-
Operating lease liability	(16,397)	(15,182)	-	-
Allowance for impairment	4,749,012	5,477,718	-	-
	(31,974,610)	(38,111,808)	-	-

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	2021	2020	2021	2020		
19. Provisions						
Reconciliation of provisions - Economic entity - 2021						
	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COVID provision	27,171,457	-	(5,957,150)	-	-	21,214,307
Interest on tenants services	936,060	518,201	(175,246)	-	-	1,279,015
Bonus provision	43,222,099	24,824,373	(14,421,666)	-	-	53,624,806
Leave provision	565,390,535	229,170,055	(128,783,966)	(13,721,307)	-	652,055,317
Landfill rehabilitation provision	360,061,228	-	(15,078,755)	-	38,886,612	383,869,085
Long service awards	506,846,017	35,351,485	(10,758,092)	(49,254,145)	60,688,000	542,873,265
GMRF	85,928,870	100,500,452	(85,928,870)	-	-	100,500,452
	1,589,556,266	390,364,566	(261,103,745)	(62,975,452)	99,574,612	1,755,416,247
Reconciliation of provisions - Economic entity - 2020						
	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COVID provision	29,589,263	-	(2,417,806)	-	-	27,171,457
Interest on tenants services	784,891	169,320	(18,151)	-	-	936,060
Bonus provision	69,470,999	894,483	(19,194,408)	(7,948,975)	-	43,222,099
Leave provision	536,291,779	225,228,883	(196,130,127)	-	-	565,390,535
Landfill rehabilitation provision	354,859,369	-	(33,158,439)	-	38,360,298	360,061,228
Long service awards	502,519,846	35,899,017	(9,130,348)	(71,668,498)	49,226,000	506,846,017
GMRF	-	85,928,870	-	-	-	85,928,870
	1,493,516,147	348,120,573	(260,049,279)	(79,617,473)	87,586,298	1,589,556,266
Reconciliation of provisions - Controlling entity - 2021						
	Opening Balance	Additions	Utilised during the year	Increased during the year	Change in discount factor	Total
COVID provision	27,171,457	-	(5,957,150)	-	-	21,214,307
Bonus provision	42,327,616	23,902,722	(14,421,666)	-	-	51,808,672
Leave provision	534,416,490	196,165,344	(113,232,343)	-	-	617,349,491
Landfill rehabilitation provision	360,061,228	-	(15,078,755)	-	38,886,612	383,869,085
Long service awards	506,280,000	35,029,000	(10,329,027)	(49,254,145)	60,688,000	542,413,828
GMRF	85,928,870	100,500,452	(85,928,870)	-	-	100,500,452
	1,556,185,661	355,597,518	(244,947,811)	(49,254,145)	99,574,612	1,717,155,835
Reconciliation of provisions - Controlling entity - 2020						
	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COVID provision	29,589,263	-	(2,417,806)	-	-	27,171,457
Bonus provision	61,522,024	-	(19,194,408)	-	-	42,327,616
Leave provision	511,380,626	208,184,884	(185,149,020)	-	-	534,416,490
Landfill rehabilitation provision	354,859,369	-	(33,158,439)	-	38,360,298	360,061,228
Long service awards	500,851,000	35,333,000	(8,644,424)	(70,485,576)	49,226,000	506,280,000
GMRF	-	85,928,870	-	-	-	85,928,870
	1,458,202,282	329,446,754	(248,564,097)	(70,485,576)	87,586,298	1,556,185,661
Non-current liabilities		920,619,148	858,963,852	920,619,148	858,963,852	
Current liabilities		834,797,099	730,592,414	796,536,687	697,221,809	
		1,755,416,247	1,589,556,266	1,717,155,835	1,556,185,661	

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 been achieved. The timing of the outflow is uncertain, as well as the relating amount due to interest charges.

City of Ekurhuleni Metropolitan Municipality

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	2021	2020	2021	2020

19. Provisions (continued)

GMRF provision

The provision relates to claims against the city, instituted by the Germiston Municipal Retirement Fund in terms of the pension fund's rules where the required investments yields were not achieved. The timing of the outflow is uncertain, as well as the related amount due to changes in interest charges.

COVID 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 10.80% (2020:10.81%) and the inflation assumption used for the increase in expenses/contributions is 6,7% (2020: 6.7%).

Leave and bonus provision

The liability is based on the total accrued leave days at year end, which includes section 57 employees. The bonus is performance based, and is dependent 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 10.80% (2020:10.81%). 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 R3,825,427 (2020: decrease of R24,218,793)

Amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset by R11,253,328 (2020:R8,939,646)

Long service awards provision

An actuarial valuation for 2021 was performed by Deloitte and Touche.

Discount rate used: 8.17% (2020: 7.40%)

CPI used: 5.65% (2020: 4.23%)

Salary increase rate used: 6.65% (2020: 6.70%)

20. Trade and other payables from exchange transactions

Licence fees	565,325	15,921,014	565,325	14,831,883
Maintenance guarantees: new township development infrastructure	6,924,171	6,951,769	6,924,171	6,951,769
Other payables	484,378,022	698,223,440	440,960,065	665,276,159
Receipts in advance	807,325,974	751,664,790	807,325,974	751,664,790
Retentions	1,060,299,914	956,248,379	1,060,299,914	956,248,379
Trade payables	5,643,405,468	5,514,349,207	5,663,745,547	5,507,837,925
Unclaimed salaries	9,108,035	8,333,494	9,108,035	8,333,494
VAT balance on outstanding debtors	656,955,397	632,689,477	656,955,397	632,689,477
VAT payables	62,846,500	-	62,846,500	-
	8,731,808,806	8,584,381,570	8,708,730,928	8,543,833,876

21. Deposits

Consumer deposits - electricity and water	999,713,595	935,100,451	999,713,595	935,100,451
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Guarantees in lieu of electricity and water deposits is R173,495,252 (2020:R 164,507,780).

City of Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

22. 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 spent at year end, other than that the conditions were met.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

HIV/AIDS	1,634,633	95,224	1,634,633	95,224
FMG	232	435,233	232	435,233
SETA	12,749,884	6,997,896	12,749,884	6,997,896
USDG	3,096,681	61,084,003	3,096,681	61,084,003
HSDG Accreditation	170,597,681	418,666,047	170,597,681	418,666,047
INEP	-	-	-	-
NDPG	76,450	1,176,185	76,450	1,176,185
Capital grant: Libraries	758,517	530,560	758,517	530,560
Libraries	2,364,911	3,874,872	2,364,911	3,874,872
Integrated City Development Grant	491,149	-	491,149	-
SHRA	3,784,767	-	-	-
	195,554,905	492,860,020	191,770,138	492,860,020

Movement during the period

Balance at the beginning of the year	492,860,020	980,713,820	492,860,020	959,851,115
Additions during the year	9,254,602,284	8,394,079,307	9,216,312,553	8,384,203,654
Income recognition during the year	(9,550,201,175)	(8,433,298,699)	(9,515,696,211)	(8,402,560,341)
Appropriations	(1,706,224)	(448,634,408)	(1,706,224)	(448,634,408)
	195,554,905	492,860,020	191,770,138	492,860,020

See note 27 for reconciliation of all grants.

23. Revenue

Rendering of services	3,197,253	6,062,941	-	-
Service charges	23,832,856,104	22,901,460,037	23,935,071,577	23,030,695,000
Construction contracts	248,068,366	78,675,730	248,068,366	78,675,730
Rental of facilities and equipment	149,398,116	126,220,796	107,384,050	84,099,157
Interest earned - outstanding debtors	299,002,892	354,577,088	299,002,892	354,577,088
Income from agency services	302,440,429	246,003,581	302,440,429	246,003,581
Licences and permits	41,829,990	32,915,237	41,829,990	32,915,237
Other income	251,270,259	268,418,497	185,293,774	154,054,203
Interest revenue	178,418,469	314,579,940	173,603,849	306,732,178
Dividends received	60,118	97,074	-	-
Property rates	5,935,443,116	5,668,546,859	5,935,443,116	5,668,546,859
Property rates - penalties and collection charges	64,391,660	83,401,449	64,391,660	83,401,449
Government grants & subsidies	9,302,132,810	8,354,622,969	9,267,627,846	8,323,884,611
Public contributions and donations	103,023,326	143,384,792	103,023,326	143,384,792
Fines	806,548,225	720,757,605	806,548,225	720,757,605
Gains on sale of assets	2,539,590	18,079,942	-	18,039,993
	41,520,620,723	39,317,804,537	41,469,729,100	39,245,767,483

City of Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
23. Revenue (continued)				
The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	23,832,856,104	22,901,460,037	23,935,071,577	23,030,695,000
Rendering of services	3,197,253	6,062,941	-	-
Construction contracts	248,068,366	78,675,730	248,068,366	78,675,730
Rental of facilities and equipment	149,398,116	126,220,796	107,384,050	84,099,157
Interest earned - outstanding debtors	299,002,892	354,577,088	299,002,892	354,577,088
Income from agency services	302,440,429	246,003,581	302,440,429	246,003,581
Licences and permits	41,829,990	32,915,237	41,829,990	32,915,237
Other income	251,270,259	268,418,497	185,293,774	154,054,203
Dividends received	60,118	97,074	-	-
Interest revenue	178,418,469	314,579,940	173,603,849	306,732,178
Gains on sale of assets	2,539,590	18,079,942	-	18,039,993
	25,309,081,586	24,347,090,863	25,292,694,927	24,305,792,167
The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Property rates	5,935,443,116	5,668,546,859	5,935,443,116	5,668,546,859
Property rates - penalties and collection charges	64,391,660	83,401,449	64,391,660	83,401,449
Transfer revenue				
Government grants & subsidies	9,302,132,810	8,354,622,969	9,267,627,846	8,323,884,611
Public contributions and donations	103,023,326	143,384,792	103,023,326	143,384,792
Fines	806,548,225	720,757,605	806,548,225	720,757,605
	16,211,539,137	14,970,713,674	16,177,034,173	14,939,975,316
24. Property rates				
Rates received				
Residential	2,481,726,031	2,553,550,438	2,481,726,031	2,553,550,438
Commercial	2,822,030,335	2,638,592,066	2,822,030,335	2,638,592,066
Small holdings and farms	9,888,840	14,023,410	9,888,840	14,023,410
Vacant land	443,698,219	284,168,774	443,698,219	284,168,774
Other properties	178,099,690	178,212,171	178,099,690	178,212,171
Property rates - penalties and collection charges	64,391,660	83,401,449	64,391,660	83,401,449
	5,999,834,775	5,751,948,308	5,999,834,775	5,751,948,308
Valuations (R'000)				
Residential	312,164,788	309,877,836	312,164,788	309,877,836
Commercial	126,449,484	125,168,594	126,449,484	125,168,594
Provincial and National Government	6,499,756	6,663,674	6,499,756	6,663,674
Municipal	4,233,248	4,230,048	4,233,248	4,230,048
Small holdings and farms	6,495,233	6,494,131	6,495,233	6,494,131
Sectional title	58,186,872	56,837,101	58,186,872	56,837,101
Vacant land	14,035,957	13,496,103	14,035,957	13,496,103
Other	22,974,471	22,702,151	22,974,471	22,702,151
	551,039,809	545,469,638	551,039,809	545,469,638

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

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

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	2021	2020	2021	2020
25. Service charges				
Sale of electricity	15,056,063,860	14,632,447,042	15,150,480,249	14,730,571,651
Sale of water	5,525,512,114	5,107,851,303	5,525,512,114	5,107,851,303
Solid waste	1,372,832,560	1,354,567,504	1,381,914,670	1,354,567,504
Sewerage and sanitation charges	1,801,424,442	1,738,283,216	1,800,141,416	1,769,283,570
Fresh produce market	29,084,977	24,011,827	29,084,977	24,011,827
Other service charges	47,938,151	44,299,145	47,938,151	44,409,145
	23,832,856,104	22,901,460,037	23,935,071,577	23,030,695,000
26. Rental of facilities and equipment				
Facilities and equipment				
Rental of facilities	149,356,555	126,182,501	107,342,489	84,060,862
Rental of equipment	41,561	38,295	41,561	38,295
	149,398,116	126,220,796	107,384,050	84,099,157

Included in the above rentals are operating lease rentals at straight-lined amounts of R9,104,205 (2020: R8,740,476) as well as month to month rentals of R21,252,969 (2020: R31,306,210).

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	2021	2020	2021	2020
27. Government grants and subsidies				
Operating grants				
Equitable share	4,363,170,000	3,478,290,694	4,363,170,000	3,478,290,694
Fuel levy	1,781,414,000	1,711,291,000	1,781,414,000	1,711,291,000
Emergency Management Services (EMS)	74,920,000	177,033,000	74,920,000	177,033,000
Finance management grant	1,000,000	960,845	1,000,000	960,845
HIV/AIDS grant	16,474,368	14,273,536	16,474,368	14,273,536
Libraries Plan	10,009,961	7,787,717	10,009,961	7,787,717
Sector Education and Training Authority (Seta)	4,149,564	11,978,301	4,149,564	11,978,301
Primary Health Care	154,360,000	145,898,000	154,360,000	145,898,000
Human Settlements Development Grant (HSDG)	248,068,366	78,675,730	-	78,675,730
Electricity Demand Side Management	9,000,000	-	9,000,000	-
Urban Settlements Development Grant (USDG)	68,340,031	487,287,258	68,340,031	487,287,258
Public transport Network Grant	335,929,000	266,327,720	335,929,000	266,327,720
Expanded Public Works Program (EPWP)	19,104,000	22,022,000	19,104,000	22,022,000
Department of Transport	5,965,382	10,003,598	-	-
GPF and SHRA	28,539,581	20,734,760	-	-
	<u>7,120,444,253</u>	<u>6,432,564,159</u>	<u>6,837,870,924</u>	<u>6,401,825,801</u>
Capital grants				
Integrated National Electrification Programme (INEP)	-	8,302,337	-	8,302,337
Urban Settlements Development Grant (USDG)	2,065,317,293	1,424,142,745	2,065,317,293	1,424,142,745
Public Transport Network Grant (PTNG)	233,295,000	412,825,274	233,295,000	412,825,274
Recapitalisation of Community Libraries	8,772,043	8,253,375	8,772,043	8,253,375
Integrated City Development (ICDG)	52,448,851	54,295,002	52,448,851	54,295,002
Neighbourhood Development Partnership Grant (NDPG)	69,923,735	92,915,807	69,923,735	92,915,807
	<u>2,429,756,922</u>	<u>2,000,734,540</u>	<u>2,429,756,922</u>	<u>2,000,734,540</u>
	<u>9,550,201,175</u>	<u>8,433,298,699</u>	<u>9,267,627,846</u>	<u>8,402,560,341</u>
Equitable share				
Current-year receipts	4,363,170,000	3,478,290,694	4,363,170,000	3,478,290,694
Conditions met - transferred to revenue	(4,363,170,000)	(3,478,290,694)	(4,363,170,000)	(3,478,290,694)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fuel levy				
Current-year receipts	1,781,414,000	1,711,291,000	1,781,414,000	1,711,291,000
Conditions met - transferred to revenue	(1,781,414,000)	(1,711,291,000)	(1,781,414,000)	(1,711,291,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Emergency Management Services				
Current-year receipts	74,920,000	177,033,000	74,920,000	177,033,000
Conditions met - transferred to revenue	(74,920,000)	(177,033,000)	(74,920,000)	(177,033,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Finance Management Grant				
Balance unspent at beginning of the year	435,233	396,077	435,233	396,077
Current-year receipts	1,000,000	1,000,000	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(960,844)	(1,000,000)	(960,844)
Surrendered/Appropriated	(435,000)	-	(435,000)	-
	<u>233</u>	<u>435,233</u>	<u>233</u>	<u>435,233</u>

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	2021	2020	2021	2020
27. Government grants and subsidies (continued)				
HIV/AIDS				
Balance unspent at beginning of the year	95,224	760	95,224	760
Current-year receipts	18,109,000	14,368,000	18,109,000	14,368,000
Conditions met - transferred to revenue	(16,474,368)	(14,273,536)	(16,474,368)	(14,273,536)
Surrendered/Appropriated	(95,224)	-	(95,224)	-
	1,634,632	95,224	1,634,632	95,224
Libraries				
Balance unspent at beginning of the year	4,405,432	614,421	4,405,432	614,421
Current-year receipts	17,500,000	20,000,000	17,500,000	20,000,000
Conditions met - transferred to revenue	(18,782,004)	(16,041,092)	(18,782,004)	(16,041,092)
Surrendered/Appropriated	-	(167,897)	-	(167,897)
	3,123,428	4,405,432	3,123,428	4,405,432
Seta				
Balance unspent at beginning of the year	6,997,896	4,729,237	6,997,896	4,729,237
Current-year receipts	9,901,552	14,246,960	9,901,552	14,246,960
Conditions met - transferred to revenue	(4,149,564)	(11,978,301)	(4,149,564)	(11,978,301)
	12,749,884	6,997,896	12,749,884	6,997,896
Primary Health Care (PHC)				
Current-year receipts	154,360,000	145,898,000	154,360,000	145,898,000
Conditions met - transferred to revenue	(154,360,000)	(145,898,000)	(154,360,000)	(145,898,000)
	-	-	-	-
INEP				
Balance unspent at beginning of the year	-	8,302,337	-	8,302,337
Conditions met - transferred to revenue	-	(8,302,337)	-	(8,302,337)
	-	-	-	-
Integrated City Development				
Current-year receipts	52,940,000	54,295,000	52,940,000	54,295,000
Conditions met - transferred to revenue	(52,448,851)	(54,295,000)	(52,448,851)	(54,295,000)
	491,149	-	491,149	-
PTNG				
Balance unspent at beginning of the year	-	143,893,543	-	143,893,543
Current-year receipts	569,224,000	679,153,000	569,224,000	679,153,000
Conditions met - transferred to revenue	(569,224,000)	(679,153,000)	(569,224,000)	(679,153,000)
Surrendered/Appropriated	-	(143,893,543)	-	(143,893,543)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 22).				
Electricity Demand Site Management				
Balance unspent at beginning of the year	-	9,705	-	9,705
Current-year receipts	9,000,000	-	9,000,000	-
Conditions met - transferred to revenue	(9,000,000)	-	(9,000,000)	-

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
27. Government grants and subsidies (continued)				
Surrendered/Appropriated	-	(9,705)	-	(9,705)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 22).				
USDG				
Balance unspent at beginning of the year	61,086,003	290,862,219	61,084,003	290,862,219
Current-year receipts	2,075,670,000	1,972,514,000	2,075,670,000	1,972,514,000
Conditions met - transferred to revenue	(2,133,657,324)	(1,911,429,997)	(2,133,657,324)	(1,911,429,997)
Surrendered/Appropriated	-	(290,860,219)	-	(290,862,219)
	3,098,679	61,086,003	3,096,679	61,084,003
Conditions still to be met - remain liabilities (see note 22).				
EPWP				
Current-year receipts	19,104,000	22,022,000	19,104,000	22,022,000
Conditions met - transferred to revenue	(19,104,000)	(22,022,000)	(19,104,000)	(22,022,000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 22).				
NDPG				
Balance unspent at beginning of the year	1,176,185	5,304,227	1,176,185	5,304,227
Current-year receipts	70,000,000	94,092,000	70,000,000	94,092,000
Conditions met - transferred to revenue	(69,923,735)	(92,915,815)	(69,923,735)	(92,915,815)
Surrendered/Appropriated	(1,176,000)	(5,304,227)	(1,176,000)	(5,304,227)
	76,450	1,176,185	76,450	1,176,185
Conditions still to be met - remain liabilities (see note 22).				
HSDG Accreditation				
Balance unspent at beginning of the year	135,867,551	135,867,551	418,666,047	505,738,586
Conditions met - transferred to revenue	-	-	(248,068,366)	(78,675,723)
Other	-	-	-	(8,396,816)
	135,867,551	135,867,551	170,597,681	418,666,047
Conditions still to be met - remain liabilities (see note 22).				
The HSDG grant has been recognized in Revenue from exchange transactions as construction contracts				
SHRA				
Current-year receipts	23,291,534	20,862,707	-	-
Conditions met - transferred to revenue	(19,506,766)	(20,862,707)	-	-
	3,784,768	-	-	-
Conditions still to be met - remain liabilities (see note 22).				

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
28. Interest revenue				
Dividend revenue				
Unit trusts - local	60,118	97,074	-	-
Interest revenue				
Bank	40,162,847	119,330,255	35,348,227	111,482,493
External investments	138,255,622	195,249,685	138,255,622	195,249,685
	178,418,469	314,579,940	173,603,849	306,732,178
29. Other income				
Accident reports	794,871	1,284,197	510,676	827,164
Administration fees	257,700	214,514	146,836	134,710
Cleaning of stands	38,160	115,618	-	96,992
Entry fees	2,178	203,387	2,178	203,387
Essential services contributions	135,901,604	135,627,171	79,233,916	42,715,937
Gain on fair value adjustment	165,058	117,320	-	-
Printing and copying of documents	82,163	3,595,062	82,163	3,589,512
Sundry income	113,662,379	126,281,592	104,963,163	105,617,735
Supply of information	297,618	446,551	297,618	446,551
Tender documents	16,554	444,320	5,250	333,450
Training	51,974	88,765	51,974	88,765
	251,270,259	268,418,497	185,293,774	154,054,203

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
30. Employee related costs				
Basic	5,775,193,044	5,426,341,206	5,504,797,697	5,167,264,553
Bonus	486,564,283	411,274,043	468,515,212	400,235,713
Medical aid - company contributions	553,832,163	428,199,332	549,803,192	424,111,662
Unemployment Insurance Fund	32,413,279	32,042,960	31,352,392	31,731,052
Workmens Compensation	53,642,281	55,455,752	51,177,123	52,889,263
Skills Development Levy	62,260,881	60,883,859	61,768,738	60,683,825
Other payroll levies	2,039,246	1,950,630	2,014,034	1,928,690
Leave pay provision charge	213,968,608	223,692,398	196,165,344	208,184,883
Current service costs	96,820,000	86,300,576	96,820,000	86,300,576
Standby Allowances	77,313,447	74,191,171	77,198,847	74,069,056
Actuarial gains	(232,143,564)	(162,978,919)	(234,547,225)	(162,851,014)
Defined contribution plans	1,147,747,082	1,174,640,559	1,080,971,314	1,110,783,473
Travel, motor car, accommodation, subsistence and other allowances	245,230,193	244,529,936	233,165,899	232,960,070
Overtime payments	748,293,265	962,088,862	711,052,286	932,740,478
Long-service awards	11,059,886	8,612,830	10,329,027	8,644,424
Acting allowances	58,727,518	71,112,018	58,277,961	70,418,947
Housing benefits and allowances	65,262,037	67,243,036	61,165,845	63,642,708
Allowances	26,123,761	25,732,236	20,328,692	19,872,745
Less: employee costs capitalised to property, plant and equipment	(11,657,838)	(13,684,426)	(11,657,838)	(13,684,426)
	9,412,689,572	9,177,628,059	8,968,698,540	8,769,926,678

Senior Management Remuneration (Key Management) for the period ended 30 June 2021	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	3,185,300	338,277	194,528	364,631	55,200	4,137,936
Chief Financial Officer	2,650,636	1,813	180,000	-	43,200	2,875,649
Head of Department: Internal Audit	2,508,843	213,578	120,000	-	43,200	2,885,621
Head of Department :Electricity & Energy	2,299,627	179,126	276,340	188,902	213,420	3,157,415
Head of Department: Strategy & Corporate Planning	1,926,087	214,474	170,820	227,216	43,200	2,581,797
Head of Department : Health	1,828,897	296,983	120,000	84,757	43,200	2,373,837
Head of Department : Corporate Legal	2,634,132	131,413	120,000	184,432	43,200	3,113,177
Head of Department: Communication	1,690,947	125,314	100,000	144,801	36,000	2,097,062
Head of Department : Human Resource	2,523,472	77,413	96,000	168,811	43,200	2,908,896
Head of Department : : Sport, Recreation, Arts and Culture (SRAC)	1,960,067	45,813	240,000	-	43,200	2,289,080

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Figures in Rand	Economic entity		Controlling entity			
	2021	2020	2021	2020		
30. Employee related costs (continued)						
Head of Department : City Development	2,236,189	1,813	-	-	43,200	2,281,202
Head of Department : Community Safety	1,951,583	194,680	127,812	143,299	43,200	2,460,574
Head of Department: Human Settlement	2,902,874	1,813	144,000	156,895	43,200	3,248,782
Head of Department: Economic Development	2,534,076	1,813	180,000	170,717	43,200	2,929,806
Head of Department : ICT	1,971,117	128,872	180,000	-	43,200	2,323,189
Head of Department : Transport	2,840,608	1,813	-	-	43,200	2,885,621
Head of Department : Environment affairs and waste	2,088,067	1,813	156,000	113,929	43,200	2,403,009
Head of Department: Real Estate and Facilities	2,148,067	1,813	96,000	66,286	43,200	2,355,366
Head of Department ; Roads and Transport	2,464,722	137,698	240,000	146,561	43,200	3,032,181
Head of Department : Water and Sanitation	1,978,368	115,213	180,000	226,302	43,200	2,543,083
Chief Risk Officer	2,590,020	120,401	72,000	-	43,200	2,825,621
Chief of Police	2,082,028	100,176	129,176	148,319	43,200	2,502,899
Secretary of Council	1,793,736	261,013	132,000	130,398	312,000	2,629,147
Head of Department: Support Mayors Office	2,307,569	1,815	-	125,174	43,200	2,477,758
Subtotal	<u>55,097,032</u>	<u>2,694,950</u>	<u>3,254,676</u>	<u>2,791,430</u>	<u>1,480,620</u>	<u>65,318,708</u>
	55,097,032	2,694,950	3,254,676	2,791,430	1,480,620	65,318,708
Senior Management Remuneration (Key Management) for period ended 30 June 2020	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager	3,182,420	68,025	154,528	347,188	55,200	3,807,361
Chief Operating Officer (Vacant 01/12/2019)	2,482,202	149,393	172,537	-	45,000	2,849,132
Chief Financial Officer	2,421,272	1,785	180,000	-	43,200	2,646,257
Head of Department: Internal Audit	2,283,598	213,549	120,000	-	43,200	2,660,347

City of Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity			
	2021	2020	2021	2020		
30. Employee related costs (continued)						
Head of Department :Electricity & Energy	2,053,315	179,098	276,340	291,407	213,420	3,013,580
Head of Department: Strategy & Corporate Planning	1,731,495	214,446	170,820	139,256	43,200	2,299,217
Head of Department: Health	1,639,835	296,955	120,000	131,645	43,200	2,231,635
Head of Department: Corporate & Legal	2,391,180	131,385	120,000	163,081	43,200	2,848,846
Head of Department: Communication	1,817,989	150,020	120,000	133,150	43,200	2,264,359
Head of Department: Human Resources	2,296,400	77,385	96,000	117,165	43,200	2,630,150
Head of Department: SRAC (Resinged 30/09/2019)	501,744	595	27,000	139,469	10,800	679,608
Head of Department: SRAC (Appointed 01/12/2019)	1,033,086	26,707	140,000	-	25,200	1,224,993
Head of Department : City Development	2,055,005	1,785	-	-	43,200	2,099,990
Head of Department : Community Safety	1,759,631	200,566	127,812	80,865	43,200	2,212,074
Head of Department : Human Settlement	2,656,000	1,784	144,000	83,994	43,200	2,928,978
Head of Department : Economic Development	2,305,404	1,784	180,000	158,629	43,200	2,689,017
Head of Department : ICT	1,779,165	128,844	180,000	-	43,200	2,131,209
Head of Department : Transport (Acting from 06/03/2018)	2,601,272	1,784	-	-	43,200	2,646,256
Head of Department : Environment	1,899,005	1,784	156,000	-	43,200	2,099,989
Head of Department: Real Estate and Facilities	1,959,005	1,784	96,000	129,911	43,200	2,229,900
Head of Department : Roads and Transport	2,225,386	137,670	240,000	230,308	43,200	2,876,564
Head of Department : Water Services	1,783,776	152,985	180,000	139,398	43,200	2,299,359

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Figures in Rand	Economic entity				Controlling entity	
	2021	2020	2021	2020	2021	2020
30. Employee related costs (continued)						
Chief Risk Officer	2,380,684	120,373	72,000	-	43,200	2,616,257
Chief of Police	1,898,893	100,148	129,176	135,057	43,200	2,306,474
Secretary of Council	1,587,000	260,985	132,000	114,307	312,000	2,406,292
Head of Department: Support Mayors Office	2,114,976	1,784	-	135,414	43,200	2,295,374
Subtotal	<u>52,839,738</u>	<u>2,623,403</u>	<u>3,334,213</u>	<u>2,670,244</u>	<u>1,525,620</u>	<u>62,993,218</u>
	<u>52,839,738</u>	<u>2,623,403</u>	<u>3,334,213</u>	<u>2,670,244</u>	<u>1,525,620</u>	<u>62,993,218</u>

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

31. 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.

Related parties

Refer to note 43 for related party relationships.

June 2021	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	1,242,409	-	161,851	-	40,800	1,445,060
Speaker	486,857	173,740	407,571	65,940	40,800	1,174,908
Chief Whip	985,193	-	83,119	-	40,800	1,109,112
Members of the Mayoral Committee	-	-	-	-	-	-
1	284,513	84,372	663,427	36,000	40,800	1,109,112
2	452,538	156,000	398,570	61,204	40,800	1,109,112
3	233,513	-	806,449	28,350	40,800	1,109,112
4	296,513	204,000	529,999	37,800	40,800	1,109,112
5	344,513	168,000	510,799	45,000	40,800	1,109,112
6	338,513	120,000	565,699	44,100	40,800	1,109,112
7	248,513	72,000	717,199	30,600	40,800	1,109,112
8	524,513	198,000	273,799	72,000	40,800	1,109,112
9	296,513	-	733,999	37,800	40,800	1,109,112
10	985,193	-	83,119	-	40,800	1,109,112
Chairpersons Section 79 Members	5,281,563	1,152,914	9,298,966	522,030	643,650	16,899,123
Other councillors	46,477,714	8,702,460	42,679,154	3,484,188	8,366,155	109,709,671
	58,478,571	11,031,486	57,913,720	4,465,012	9,540,205	141,428,994

June 2020	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	1,242,409	-	161,851	-	40,800	1,445,060
Speaker	439,602	173,739	411,206	65,940	40,800	1,131,287
Chief Whip	940,680	-	127,632	-	40,800	1,109,112
Members of the Mayoral Committee 1	240,000	84,372	707,940	36,000	40,800	1,109,112
2	408,025	156,000	443,083	61,204	40,800	1,109,112
3	189,000	-	850,962	28,350	40,800	1,109,112
4	252,000	204,000	574,512	37,800	40,800	1,109,112
5	300,000	168,000	555,312	45,000	40,800	1,109,112
6	294,000	120,000	610,212	44,100	40,800	1,109,112
7	204,000	72,000	761,712	30,600	40,800	1,109,112
8	480,000	198,000	318,312	72,000	40,800	1,109,112
9	252,000	-	778,512	37,800	40,800	1,109,112
10	940,680	-	127,632	-	40,800	1,109,112
Chairpersons Section 79 Members	4,682,282	1,173,304	10,077,818	535,319	656,400	17,125,123
Other councillors	46,607,239	8,002,884	42,906,774	3,418,052	8,387,962	109,322,911
Total	57,471,917	10,352,299	59,413,470	4,412,165	9,574,762	141,224,613

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
32. Depreciation and amortisation				
Property, plant and equipment	2,567,594,496	2,651,416,538	2,463,344,498	2,556,667,988
Investment property	16,448,346	14,473,636	11,981,414	10,006,704
Intangible assets	69,030,459	47,946,906	67,829,936	46,731,105
	2,653,073,301	2,713,837,080	2,543,155,848	2,613,405,797
33. Derecognition and Impairments losses				
Impairments				
Derecognition of property, plant and equipment	34,141,049	41,019,433	33,366,305	40,108,382
The Impairment relates to assets being replaced as part of the capital implementation programme and other assets under construction projects which do not meet the subsequent capitalisation criteria.				
Derecognition of Investment properties	89,145	245,337	89,145	245,338
Properties transferred to beneficiaries				
Derecognition of intangible assets	-	523,253	-	523,249
The impairment relates to old programmes derecognised due to the implementation of the ERP Programme				
Impairment of Heritage assets	-	2,916,850	-	2,916,850
impairment of heritage assets relates to monuments which were vandalised.				
	34,230,194	44,704,873	33,455,450	43,793,819
34. Finance costs				
External borrowings	1,029,331,380	945,708,777	1,002,765,434	897,570,823
Trade and other payables	61,059	86,608	-	-
Finance leases	241,826	306,175	-	-
Unwinding of interest on provisions and obligations	361,934,835	293,224,618	357,873,613	289,841,298
	1,391,569,100	1,239,326,178	1,360,639,047	1,187,412,121
35. Debt impairment				
Bad debts written off	484,859,620	257,129,312	484,859,620	257,129,312
Contribution to the debt impairment	4,207,240,648	3,729,847,278	4,212,619,324	3,702,413,924
Less: Bad debts written off against the provision	(484,859,620)	(257,129,312)	(484,859,620)	(257,129,312)
	4,207,240,648	3,729,847,278	4,212,619,324	3,702,413,924
36. Bulk purchases				
Electricity - Eskom	12,120,239,643	11,587,502,229	12,120,239,643	11,539,022,427
Water	3,612,902,752	3,549,929,283	3,612,902,752	3,542,420,443
Sewer purification	(2,819,921)	23,108,094	925,278,408	850,881,449
	15,730,322,474	15,160,539,606	16,658,420,803	15,932,324,319
37. Auditors' remuneration				
External audit fees	29,412,090	29,938,629	23,990,738	25,567,286

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
38. Contracted services				
Outsourced contracts- Security	447,386,196	455,243,144	447,386,196	455,243,144
Professional Services	491,932,335	554,945,193	491,932,335	554,945,193
Contracts	1,644,229,074	1,517,414,899	1,644,229,074	1,517,429,608
	2,583,547,605	2,527,603,236	2,583,547,605	2,527,617,945
39. Grants and subsidies paid				
Other subsidies				
Discretionary grant: sport and social support	24,166,850	27,858,411	24,166,850	27,858,411
Subsidy: Society for the Prevention of Cruelty to Animals (SPCA)	3,041,790	3,041,790	3,041,790	3,041,790
Discretionary grant: general	438,845,704	395,402,179	521,925,425	608,727,575
Excess consumption and other grants paid	727,868,037	770,657,815	727,868,037	770,657,815
Grants: education (external)	43,749,473	80,391,032	43,749,473	80,391,032
	1,237,671,854	1,277,351,227	1,320,751,575	1,490,676,623
40. General expenses				
Advertising	12,483,797	13,369,241	11,743,277	12,595,270
Animal care	2,723,932	2,611,133	2,723,932	2,611,133
Assessment rates and municipal charges	2,462,739	1,600,547	-	-
Auditors remuneration	29,412,090	29,938,629	23,990,738	25,567,286
Awareness campaigns	4,475,951	4,631,336	-	-
Bank Charges	92,532,835	106,740,242	91,522,340	105,722,291
Community development and wellbeing	1,314,838	5,610,970	1,314,838	5,610,970
Consulting and professional fees	73,360,893	105,188,787	54,858,446	63,812,821
Consumables (including materials)	46,022,911	62,408,243	45,889,958	61,193,023
Corporate Gifts	90,855	269,653	90,855	269,653
Fines and penalties	28,265	-	-	-
Disaster management	146,638	439,290	146,638	439,290
Electricity own consumption	138,174,386	127,049,071	138,174,386	127,049,071
Entertainment	654,065	1,444,928	-	-
Lease rentals	87,207	78,034	-	-
Fuel and oil	137,846,063	180,423,694	143,364,557	176,071,172
Human resource management	5,377,743	10,042,648	2,884,510	4,175,794
IT expenses	48,869,453	33,347,515	48,869,453	33,347,515
Insurance	118,933,556	95,806,411	112,473,472	89,285,968
Land management	43,909,669	63,038,968	43,909,669	63,038,968
Magazines,books and periodicals	1,281,346	1,811,848	1,281,346	1,811,848
Marketing	13,421,411	84,052,693	12,550,592	82,526,505
Postage	28,177,258	29,572,695	28,177,258	29,572,695
Printing and Stationary	28,367,811	31,230,972	27,215,988	29,759,711
Refreshments	974,632	3,591,652	974,632	3,591,652
Security (Guarding of municipal property)	35,457,146	34,294,106	-	-
Refuse	17,559,028	16,194,324	18,226,882	16,194,323
Rental	32,048,702	36,127,630	32,048,702	35,905,590
Repairs and maintenance costs and operating expenses	2,221,252,309	2,029,058,810	1,976,512,291	1,875,873,437
Rodent control	3,954,139	5,827,389	3,831,904	5,801,965
Service connections	20,063,009	21,946,390	14,783,066	18,054,000
Software expenses	52,384,347	43,489,950	51,993,285	43,109,650
Subscriptions and membership fees	31,009,025	18,885,464	30,536,781	18,541,769
Telephone and fax	21,132,086	28,093,593	17,059,830	24,301,450
Title deed search fees	-	90	-	90
Training	10,797,137	17,852,868	7,320,353	13,509,225
Travel - local	1,306,234	2,396,477	1,070,657	1,313,819
Travel - overseas	11,686,550	19,886,383	11,686,550	19,886,383
Uniforms	14,748,178	29,969,049	12,792,443	26,123,432
Venue expenses	3,996,994	8,394,104	3,996,994	8,394,104
Vehicle licences and hire cost	299,523,766	29,083,030	284,176,606	16,119,754
	3,608,048,994	3,335,798,857	3,258,193,229	3,041,181,627

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
41. Cash generated from operations				
Surplus (deficit)	409,398,761	(145,073,945)	272,688,836	(319,078,866)
Adjustments for:				
Depreciation and amortisation	2,653,073,301	2,713,852,853	2,543,155,848	2,613,405,797
(Profit)/Loss on disposal of assets	(2,539,590)	-	-	-
Impairment deficit	34,230,194	44,729,420	33,455,450	43,793,819
Increase in retirement benefit	37,722,000	74,066,000	33,388,000	71,217,000
Increase in provisions	165,859,981	96,040,118	160,970,174	97,983,379
Movement in tax receivable and payable	1,218,206	(8,099,647)	-	-
Decrease in deferred tax	(6,137,198)	(3,542,390)	-	-
Other non-cash items	(22,283,772)	(109,988,421)	(22,185,082)	(110,918,668)
Changes in working capital:				
Inventories	(128,930,697)	79,807,427	(128,932,497)	79,781,627
Receivables from exchange transactions	62,434,287	(659,333,180)	22,052,787	(612,322,513)
(Decrease)/ Increase in statutory receivables	(15,032,553)	(301,270,953)	(15,032,551)	(301,270,953)
Trade and other payables from exchange transactions	161,240,235	961,127,125	164,897,040	1,025,843,819
Unspent conditional grants and receipts	(297,305,115)	(487,853,909)	(301,089,882)	(466,991,202)
Increase in consumer deposits	64,613,144	18,109,903	64,613,144	18,109,903
	3,117,561,184	2,272,570,401	2,827,981,267	2,139,553,142

City of Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
42. Contingencies				
<u>Contingent liabilities</u>				
Category A: Claims exceeding R 10 million.				
Category B: All other claims				
CONTINGENT LIABILITIES				
The claim for damages for an alleged repudiation of contract by CoE	36,000,000	36,000,000	36,000,000	36,000,000
The claim for damages	-	29,524,200	-	29,524,200
The claim is for the construction of bus stations. CoE is defending the matter	34,604,667	-	34,604,667	-
Plaintiff challenging an award to successful bidders. CoE defending the matter.	123,872,435	123,872,435	123,872,435	123,872,435
Applicant filed an urgent application seeking an order to compel CoE to pay for services rendered. CoE is defending the matter	28,933,271	-	28,933,271	-
Application issued against CoE for construction and design of a new project. CoE defending the matter.	10,193,854	-	10,193,854	-
Applicant has instituted legal action non-compliance with SCM processes and the amendment of bid specifications. CoE is defending the matter.	28,496,360	28,360,496	28,496,360	28,360,496
Summons issued for outstanding service charges	279,891,876	279,891,876	279,891,876	279,891,876
Dispute regarding over-payment of a service provider. CoE is defending the matter.	17,096,055	23,653,137	17,096,055	23,653,137
The company is objecting to the tariff CoE charge for electricity. CoE is defending the matter.	147,640,253	89,446,952	147,640,253	89,446,952
	706,728,771	610,749,096	706,728,771	610,749,096
Category B Claims				
Other various claims against the City. CoE is defending these matters.	52,786,206	14,449,948	52,786,206	14,449,948
	52,786,206	14,449,948	52,786,206	14,449,948
CONTINGENT ASSETS				
Counter claim in respect of damages to CoE property	59,483,805	59,483,805	59,483,805	59,483,805
It was discovered that the company was overpricing the cost of maintenance on printing solutions. CoE is pursuing the matter.	22,253,145	22,253,145	22,253,145	22,253,145
CoE is claiming for non-payment of electricity consumed. CoE is pursuing the matter.	105,123,730	105,123,730	105,123,730	105,123,730
Various claims issued by the City. CoE is pursuing these matters.	1,250,732	11,075,281	1,250,732	11,075,281
	188,111,412	197,935,961	188,111,412	197,935,961

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

43. 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) 7 Ekurhuleni Development Agency (Dormant) East Rand Water Care Company NPC (ERWAT) Germiston Phase II Housing Company SOC Ltd (EHC)
Close family member of key management				For details of members of key management, see note below
Members of key management				and for remuneration refer note 29.

Related party balances

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

East Rand Water Care Company, NPC		10,385,042	8,111,632
Brakpan Bus Company SOC Ltd		-	33,133,889
Germiston Phase II Housing Company SOC Ltd		4,702,099	12,898

Amounts included in trade payable regarding related parties - municipal entities

East Rand Water Care Company, NPC	100,249,239	233,140,347
Germiston Phase II Housing Company SOC Ltd	350,174	464,226

Related party transactions

Sales to related parties - municipal entities

East Rand Water Care Company, NPC	94,416,389	89,697,938
Germiston Phase II Housing Company SOC Ltd	9,082,110	8,426,671
Brakpan Bus Company SOC Ltd	110,000	110,000

Purchases from related parties - municipal entities

East Rand Water Care Company, NPC	928,098,329	910,668,101
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Grants to related parties - municipal entities

Brakpan Bus Company SOC Ltd	17,249,721	9,000,000
Germiston Phase II Housing Company SOC Ltd	16,000,000	22,800,000
East Rand Water Care Company, NPC	49,830,000	143,657,673

Development contributions to related parties - municipal entities

East Rand Water Care Company, NPC	-	37,867,723
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Debt written off - municipal entities

Brakpan Bus Company SOC Ltd	33,339,756	-
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Guarantees issued as required by the MFMA on behalf of municipal entities

COE guaranteed the Nedbank loan to ERWAT, with a carrying value of R361,520,360 (2020: R404,367,914). 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.

No contingent liability has been raised for this guarantee as the city believes that the entity is financially sound.

44. Comparative figures

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

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

44. Comparative figures (continued)

45. Financial instruments disclosure

Exposure to currency, interest rate, liquidity and credit risk arises in normal course of the City's operations. This note presents information about the City's exposure to each of the above risks, policies and processes for measuring and managing risk, as well as the City's management of capital. Further quantitative disclosures are included throughout these financial statements.

The accounting policy for financial instruments was applied to the following statement of financial position items:

Economic entity - 2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	5,489,510,642	-	5,489,510,642
Other receivables from non-exchange transactions	-	884,095,854	-	884,095,854
Cash and cash equivalents	-	1,138,921,954	-	1,138,921,954
Residual interest	7,953,227	-	4,000,000	11,953,227
Investments	-	1,265,237,189	-	1,265,237,189
Long term receivables	-	18,369,410	-	18,369,410
	7,953,227	8,796,135,049	4,000,000	8,808,088,276

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	7,258,419,400	7,258,419,400
Long Term Liabilities	10,138,912,528	10,138,912,528
	17,397,331,928	17,397,331,928

Economic entity - 2020

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	5,252,989,329	-	5,252,989,329
Other receivables from non-exchange transactions	-	5,113,059	-	5,113,059
Statutory receivables	-	863,950,242	-	863,950,242
Cash and cash equivalents	-	1,669,450,886	-	1,669,450,886
Residual interest	6,393,513	-	4,000,000	10,393,513
Other investments	-	2,469,622,604	-	2,469,622,604
Long term Receivables	-	15,421,679	-	15,421,679
	6,393,513	10,276,547,799	4,000,000	10,286,941,312

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	7,191,690,183	7,191,690,183
Long term Liabilities	10,408,848,611	10,408,848,611
	17,600,538,794	17,600,538,794

Controlling entity - 2021

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	5,495,375,872	-	5,495,375,872

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
Financial instruments disclosure (continued)				
Statutory receivables	884,095,887	-	-	884,095,887
Cash and cash equivalents	958,370,863	-	-	958,370,863
Residual interest	-	4,000,000	4,000,000	4,000,000
Other investments	1,265,237,293	-	-	1,265,237,293
Long term receivables	4,407,202	-	-	4,407,202
	8,607,487,117		4,000,000	8,611,487,117
Financial liabilities				
Trade and other payables from exchange transactions			At amortised cost 7,172,495,013	Total 7,172,495,013
Long term liabilities			9,745,219,515	9,745,219,515
			16,917,714,528	16,917,714,528
Controlling entity - 2020				
Financial assets				
Trade and other receivables from exchange transactions	At amortised cost 5,443,279,658		At cost -	Total 5,443,279,658
Other receivables from non-exchange transactions	5,113,059		-	5,113,059
Consumer debtors	863,950,264		-	863,950,264
Cash and cash equivalents	1,644,224,892		-	1,644,224,892
Residual interest	-	4,000,000	4,000,000	4,000,000
Other investments	2,469,622,604		-	2,469,622,604
Long term receivables	3,345,200		-	3,345,200
	10,429,535,677		4,000,000	10,433,535,677
Financial liabilities				
Trade and other payables from exchange transactions			At amortised cost 7,151,146,118	Total 7,151,146,118
Long term liabilities			9,962,943,049	9,962,943,049
			17,114,089,167	17,114,089,167
Financial instruments in Statement of financial performance				
Economic entity - 2021				
Interest income (calculated using effective interest method) for financial instruments at amortised cost			At amortised cost 477,421,362	Total 477,421,362
Interest expense (calculated using effective interest method) for financial instruments at amortised cost			(1,391,569,100)	(1,391,569,100)
Impairment loss			(2,687,303,495)	(2,687,303,495)
			(3,601,451,233)	(3,601,451,233)
Economic entity - 2020				
Interest income (calculated using effective interest method) for financial instruments at amortised cost			At amortised cost 669,157,028	Total 669,157,028
Interest expense (calculated using effective interest method) for financial instruments at amortised cost			(1,239,295,022)	(1,239,295,022)
Impairment loss			(2,758,586,999)	(2,758,586,999)
			(3,328,724,993)	(3,328,724,993)
Controlling entity - 2021				

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
Financial instruments disclosure (continued)				
Interest income (calculated using effective interest method) for financial instruments at amortised cost			At amortised cost 472,606,741	Total 472,606,741
Interest expense (calculated using effective interest method) for financial instruments at amortised cost			(1,360,639,047)	(1,360,639,047)
Impairment loss			(2,576,611,298)	(2,576,611,298)
			<u>(3,464,643,604)</u>	<u>(3,464,643,604)</u>

Controlling entity - 2020

Interest income (calculated using effective interest method) for financial instruments at amortised cost			At amortised cost 661,309,266	Total 661,309,266
Interest expense (calculated using effective interest method) for financial instruments at amortised cost			(1,187,412,121)	(1,187,412,121)
Impairment loss			(2,657,176,294)	(2,657,176,294)
			<u>(3,183,279,149)</u>	<u>(3,183,279,149)</u>

46. 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 16 and cash and cash equivalent disclosed in note 15.

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

There are no externally imposed capital requirements.

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

The gearing ratio 2021 and 2020 respectively are as follow:

Other financial liabilities	(10,138,912,528)	(10,408,848,611)	(9,745,219,515)	(9,962,943,049)
Less: Cash and cash equivalent	<u>1,138,921,954</u>	<u>1,669,450,886</u>	<u>958,370,863</u>	<u>1,644,224,892</u>
Net Debt	(8,999,990,574)	(8,739,397,725)	(8,786,848,652)	(8,318,718,157)
Total equity	<u>50,476,824,909</u>	<u>50,067,429,775</u>	<u>48,378,275,330</u>	<u>48,105,586,494</u>
Total capital	<u>41,476,834,335</u>	<u>41,328,032,050</u>	<u>39,591,426,678</u>	<u>39,786,868,337</u>

Financial risk management

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

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

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

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

46. Risk management (continued)

Liquidity risk

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

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

The table below 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	-	5 845 080 536		
Long term receivables	variable %	520 835	840 600	17 007 975

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	864 007 103	52 955 108	2 042 045 792	7 179 904 525

Sensitivity analysis

Financial assets

Long-term, receivables

As at 30 June 2021, should the average interest rate at that date increase by 1%, with all other variables remaining the same, the impact on the statement of financial position would have been R183,694 with the opposite effect if the interest rate had been 1% lower.

Investments

As at 30 June 2021, should the average interest rate at that date increase by 1%, with all other variables remaining the same, the impact on the statement of financial position would have been R12,771,904 with the opposite effect if the interest rate had been 1% lower.

Financial liabilities

Changes in the interest rate as at 30 June 2021 would have had no impact on the statement of financial performance, as all borrowings are at a fixed interest rate.

Currency risk

The City is not exposed to foreign-currency risk.

City of Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

46. Risk management (continued)

Credit risk

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

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

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

Financial instrument	Economic entity - 2021	Economic entity - 2020	Controlling entity - 2021	Controlling entity - 2020
Other Investments	1,265,237,188	2,469,622,604	1,265,237,293	2,469,622,604
Receivables from exchange	5,489,510,642	5,252,989,329	5,495,375,872	5,443,279,658
Receivables from non exchange	-	5,113,059	-	5,113,059
Statutory receivable	884,095,854	863,950,242	884,095,887	863,950,264
Cash and cash equivalents	1,138,921,954	1,669,450,887	958,370,863	1,644,224,892
Listed and Unlisted shares	11,953,227	10,393,513	4,000,000	4,000,000
	8,789,718,865	10,271,519,634	8,607,079,915	10,430,190,477

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.

47. Going concern

This 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 2022 and the budget for the next financial year budget is fully funded. Management is satisfied that the City has, or has access to, adequate resources to continue in operational existence for the foreseeable future. The City will continue monitor the budget process and assess risk associated to the continued impact of the Covid-19 pandemic and to ensure that its operating activities will be within its financial measures.

48. Events after the reporting date

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

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	2021	2020	2021	2020

49. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Items of unauthorised, irregular and fruitless and wasteful expenditure are referred to MPAC for further investigations and determination of appropriate steps to be taken. During the current year the Council approved R519,399,526 (2020: R12,157,965) for irregular expenditure and R5,117,980 (2020: R5,296,954) 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	2,429,928,412	2,231,236,865	1,852,724,113	1,743,014,900
Add: Expenditure identified for the year	5,536,481	118,162,829	518,048	116,198,430
Add: Expenditure identified in the current year, relating to prior year	284,419,229	92,686,683	225,511,093	5,668,748
Less: Amounts ratified/approved as irrecoverable by council and written off	(542,066,928)	(8,818,872)	(537,790,153)	(8,818,872)
Less: Amounts ratified/approved by council and recovered	(724,951)	(3,339,093)	(724,951)	(3,339,093)
	2,177,092,243	2,429,928,412	1,540,238,150	1,852,724,113

Fruitless and Wasteful expenditure

Opening balance	155,455,545	158,690,737	150,970,755	154,292,481
Add: Expenditure identified for the year	-	103,495	-	-
Add: Expenditure identified in the current year, relating to prior years	779,632	1,958,267	641,430	1,958,267
Less: Amounts ratified/approved by council and recovered	(5,117,980)	(5,296,954)	(5,117,980)	(5,279,993)
	151,117,197	155,455,545	146,494,205	150,970,755

June 2021

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Real Estate	Contravention of SCM Policy	Irregular	518,048
EHC	Contravention of SCM Policy	Irregular	4,757,394
BBC	Contravention of SCM Policy	Irregular	261,039
			5,536,481

June 2021

Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Human Settlements and Finance	Contravention of SCM Policy	Irregular	798,048
Real Estate	Contravention of SCM Policy	Irregular	217,257,243
Real Estate	Contravention of SCM Policy	Fruitless	641,430
Various	Contravention of SCM Policy	Irregular	7,368,694
Human Resources	Contravention of SCM Policy	Irregular	72,891
Health and Social Development	Contravention of SCM Policy	Irregular	14,217
ERWAT	Contravention of SCM Policy	Irregular	58,908,136
EHC	Contravention of SCM Policy	Fruitless	10,182
ERWAT	Contravention of SCM Policy	Fruitless	126,960

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	2021	2020	2021	2020

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

BBC	Value for money not obtained	Fruitless	1,060
			285,198,861

June 2020

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
Real Estate	Contravention of SCM Policy	Irregular	116,198,430
EHC	Interest on late payments	Fruitless	55,452
ERWAT	Contravention of SCM Policy	Irregular	45,939
BBC	Contract expired	Irregular	264,265
BBC	Procurement process not followed	Irregular	1,165,173
BBC	Contravention of SCM Policy	Fruitless	2,104
EHC	Contravention of SCM Policy	Irregular	534,961
			118,266,324

June 2020

Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Environmental Resource & Waste management	Contravention of SCM Policy	Irregular	3,399,137
Real Estate	Amendment of IPW without appropriate approval	Irregular	724,951
Energy	Conflict of interest- False Declarations	Irregular	1,544,660
EMPD	Value for money not obtained	Fruitless	1,958,267
ERWAT	Incorrect application of SCM regulation 36	Irregular	368,085
ERWAT	Contract awarded to contractor with incorrect CIBD grading	Irregular	32,492,762
ERWAT	Contacts varied/extended above threshold	Irregular	30,764,079
ERWAT	Contravention of SCM Policy	Irregular	15,335,976
ERWAT	Expenditure incurred after expiry of contract	Irregular	236,124
ERWAT	Incorrect application of SCM regulation 36	Irregular	3,924,350
EHC	Contravention of SCM policy 21(b) and 28(1)	Irregular	3,741,814
ERWAT	SCM Regulation 36(1) v	Irregular	154,745
			94,644,950

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

50. Additional disclosure in terms of Municipal Finance Management Act

June 2021 Tenders awarded to family members	No	Contract number	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
	1	A-F 01-2020	Anix Trading 587 CC	Husband	H T Mthembu	Snr Clerck	-
	2	A-ERM 09-2020	MPPM Consulting Engineering CC	Spouse	S Mathodi	ICT Manager	-
	3	A-EWM 09-2020	LMM Training and Development CC	Husband	K Mangwane	Snr Clerck	-
	4	A-WMS 03-2018	LMM Training and Development CC	Husband	K Mangwane	Snr Clerck	7,240,450
	5	A-EE 08-2019	Ambitioustc Engineering (Pty)Ltd	Spouse	L L Gxasheka	DH Human Resources	-
Subtotal							7,240,450
							7,240,450

Zero amounts are contracts awarded that are rate based

June 2020 Tenders awarded to family members	No	Contract number	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
	1	PT 05/2019	Seletje Construction &Management CC	Spouse	P M Lekgwati	Senior clerk	10,950,665
	2	A-WMS 06-2019	Mohau BRM Projects (Pty) Ltd,	Spouse	Ngubane: Millicent Disebo	EMPD Superintendent	11,995,915
	3	PS-WMS 25-2019	BVI Consulting Engineers (PTY) LTD	Spouse	Viljoen: Philippus Karel	Environmental Development Project Manager	6,992,382
	4	A-ERM 08-2019	Humelela Maintenance Services CC	Spouse	Maluleke: Vongani Walter	Environmental Resources Metro Parks Horticulturist	5,497,735
	5	PS-IA 29-2019	PWC	Son	W Valentin	Excecutive Manager	-
	6	A-WMS 13/2019	LMM Training and developments	Spouse	K Mangwane	Senior Clerck	-
Subtotal							35,436,697
							35,436,697

June 2021 Quotations awarded to family members of staff	No	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
	1	Sikiti Landscape Management (Pty) Ltd	Spouse	N Z Sikiti	Senior clerk	29,626
	2	Siyaphambili	Cousin	J Hlatswayo	Library assistant	445,814
	3	MA-ZZ Marketing	Mother	F Z Ngcakane	Audit officer	20,585
	4	Enyati Projects CC	Spouse	K R Smith	Snr Admin officer	14,030
	5	Mzozu Electrical Ent. CC	Spouse	J Velengaziwa	General worker	324,771
	6	Kamoza bussiness enterprise pty ltd	Spouse	B B Ramalope	Finance officer	47,530
	7	Lulis brothers	Spouse	V Maluleke	Head parks and cemeteries	11,450

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

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

Subtotal	-	-	-	-	893,806
					893,806

June 2020 awarded to family members of staff	Quotations	No	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
		1	SEBABATSO CATERERS	Wife	Dhladhla: Michael Moegeni	Town and Regional Planner	1,012,120
		2	ZIMEMO TRADING AND PROJECTS CC	Husband	Nkoe: Nthabiseng	Chief Clerk	535,000
		3	AMAZIMA TRADING CC	Spouse	Mzima: Seipati Meisie	Administrative Officer	28,570
		4	CHUK'ZA (PTY) LTD	Brother	Kgole: Phuti Maria	Administrative Officer	104,486
		5	ENYATI PROJECTS CC	Husband	Smith: Myrtle Deorber	General Assistant	650,169
		6	ETN TRADING ENTERPRISE CC	Husband	"Luthuli: Zanele Rona(Ndlovu: Zanele Rona)"	Inspector	26,162
		7	KAOFELA TRADING CC	Wife	Steyn: Roelof Petrus Gerhardus	Constable	29,250
		8	MANKENA MASELAELO BUSINESS ENTERPRISE (PTY) LTD	Husband	Sibisi: Susan	Clerk	150,770
		9	MDIBANE TRADING ENTERPRISES CC	Wife	Nolutshungu: Chase Mokhethi	Administrative Officer	90,030
		10	MJIKIJELA TRADING ENTERPRISE CC	Husband	Mthimkulu: Shirley	Security Officer	141,535
		11	NMVL TRADING AND PROJECTS CC	Spouse	Mashele: Ntsako Morewell	Finance Officer	88,401
		12	NNUKU BUILDING CONSTRUCTION CC	Sister	Mhlahlo: Dieketseng Pertunia	General Assistant	27,035
		13	NSELE YAMANGWE PROJECTS CC	Daughter	Zwane: Lenhle	Administrative Assistant	96,300
		14	SAMUTEBO TRADING (PTY) LTD	Husband	Sekhu: Mahlatse Virginia	Buyer	338,645
		15	SEDIKANO TRADING AND CONSTRUCTION CC	Aunt	Msibi: Mzwakhe Freddy	Administrative Assistant	36,610
		16	SELHLO CONSTRUCTION AND PROJECTS CC	Wife	Mokoka: Sello Clarence	General Worker	100,965
		17	SIEDENT TRADING CC	Husband	Jonischkeit: Madelein	General Assistant	14,168
		18	SIKITI LANDSCAPE MANAGEMENT (PTY) LTD	Spouse	Masondo: Patrick Bhekani	Facility Officer	226,189
		19	SIZOLWABO TRADING AND PROJECTS (PTY) LTD	Wife	Kgatuke: Mochabo Johnson	Senior Engineer	269,520
		20	SMIVO TRADING ENTERPRISE (PTY) LTD	Wife	Smith: Cedil	Accountant	51,500
		21	WJS MAINTENANCE (PTY) LTD	Wife	Schoonbee: Andries Jacobus	Experiential Training	110,820

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

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

22	YOLO EVENTS MANAGEMENT (PTY) LTD	Spouse	Masondo: Patrick Bhekani	Office Coordinator	192,874
23	ZIMEMO TRADING AND PROJECTS CC	Husband	Nkoe: Nthabiseng	Chief Clerk	51,790
-					-
					4,372,909

Contributions to organised local government

Current year subscription / fee	15,516,612	14,876,905	15,516,612	14,876,905
Amount paid - current year	(15,516,612)	(14,876,905)	(15,516,612)	(14,876,905)
	-	-	-	-

Audit fees

Opening balance	8,170,034	8,737,320	8,169,944	8,737,230
Current year subscription / fee	29,487,593	29,371,343	24,066,241	25,000,000
Amount paid - current year	(22,952,237)	(29,938,629)	(17,530,885)	(25,567,286)
	14,705,390	8,170,034	14,705,300	8,169,944

PAYE and UIF

Opening balance	5,293,917	5,293,917	-	-
Current year subscription/fee	1,563,157,595	1,561,499,101	1,488,678,949	1,493,591,888
Amount paid - current year	(1,562,726,051)	(1,561,546,076)	(1,488,678,949)	(1,493,591,888)
	5,725,461	5,246,942	-	-

Pension and Medical Aid Deductions

Opening balance	39,346	32,810	-	-
Current year subscription / fee	2,537,195,390	2,343,211,000	2,445,781,744	2,257,423,786
Amount paid - current year	(2,537,176,187)	(2,343,204,464)	(2,445,781,744)	(2,257,423,786)
	58,549	39,346	-	-

VAT

VAT paid during the year	119,133,992	35,745,744	118,515,477	35,656,902
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City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2021:

30 June 2021	Highest outstanding amount	Ageing in days
Makopo TS	6,879	120

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

30 June 2021	Outstanding less than 90 days R	Highest outstanding amount	Ageing (in days)
Ngobese AK	-	39,343	750
Mahlangu NL	-	18,606	1,350
Mabaso MM	-	16,868	120
Sebiloane DD	-	16,082	150
Mafuyeka FN	-	12,086	420
Shezi KE	-	11,959	840
Ngoasheng PL	-	11,848	120
Makopo TS	-	6,879	120
Mahonko KR	-	4,759	120
Nkosi BN	-	4,038	180
Salmane NP	-	2,120	120
Lotriet JC	-	1,586	120
Maduana SG	-	1,044	120
Mokhoana L	-	876	420
Nene SN	-	842	120
	<u>-</u>	<u>148,936</u>	<u>5,070</u>

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2020:

30 June 2020		Highest outstanding amount	Aging (in days)
Ngobese AK	-	42,322	750
Shezi KE	-	14,274	990
Nkosi BN	-	4,594	210
Nxangani NE	-	4,545	180
Mahonko KR	-	4,025	150
Mokhoana L	-	1,310	330
	<u>-</u>	<u>71,070</u>	<u>2,610</u>

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

51. Utilisation of long-term liabilities reconciliation

Outstanding long-term liabilities beginning of the year	10,565,798,218	9,156,531,190	10,119,892,655	8,655,191,687
Redemption of loans	(2,201,002,978)	(428,034,244)	(2,149,281,374)	(374,039,037)
New loans	1,976,000,000	1,650,000,000	1,976,000,000	1,650,000,000
Interest accrued	143,806,898	187,301,272	144,297,844	188,740,005
	<u>10,484,602,138</u>	<u>10,565,798,218</u>	<u>10,090,909,125</u>	<u>10,119,892,655</u>
Used to finance property, plant and equipment:				
Opening balance	(5,198,672,666)	(5,198,672,666)	(9,322,179,919)	(7,243,924,137)
Redemption of loans	2,149,281,374	374,039,037	2,149,281,374	374,039,037
Capital financed from external loans for the year	(1,695,082,606)	(2,263,554,814)	(1,695,082,606)	(2,263,554,814)
Interest accrued	144,297,844	(188,740,005)	144,297,844	(188,740,005)
Unspend long term liabilities	<u>5,884,426,084</u>	<u>3,288,869,770</u>	<u>1,367,225,818</u>	<u>797,712,736</u>
Cash was invested for the repayment of long-term liabilities for the year	666,817,022	2,197,566,525	666,817,022	2,197,566,525

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

52. Deviation from supply chain management regulations

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

SCM regulation (par. 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.

Deviations include rates based contracts which cannot be attached to a contract value as the demand is unknown at the point of award.

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

Emergency	403,540	1,976,050	-	-
Sole supplier	684,107	177,028	-	-
Minor breach	2,065,258	-	-	-
Other - Impractical	46,422,576	25,872,241	32,071,442	4,080,000
	<u>49,575,481</u>	<u>28,025,319</u>	<u>32,071,442</u>	<u>4,080,000</u>

During the year the accounting officer ratified minor breaches in line with SCM regulation 36(2) R0,00 (2020:R0) Extensions of contracts include inter-alia the following amounts:

Other services	-	36,819,927	-	36,819,927
Consultants	-	171,544,532	-	171,544,532
Maintenance and other related services	660,785	12,967,522	660,785	12,967,522
	<u>660,785</u>	<u>221,331,981</u>	<u>660,785</u>	<u>221,331,981</u>

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

53. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	2,795,770,519	4,026,530,086	2,666,525,037	3,862,261,469
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Not yet contracted for and authorised by accounting officer

• Other financial assets	1,670,610,665	938,202,241	1,670,610,665	938,202,241
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Total capital commitments

Already contracted for but not provided for	2,795,770,519	4,026,530,086	2,666,525,037	3,862,261,469
Not yet contracted for and authorised by accounting officer	1,670,610,665	938,202,241	1,670,610,665	938,202,241
	4,466,381,184	4,964,732,327	4,337,135,702	4,800,463,710

Total commitments

Total commitments

Authorised capital expenditure	4,466,381,184	4,964,732,327	4,337,135,702	4,800,463,710
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This committed expenditure relates to the acquisition of property, plant and equipment for the 2020/2021 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	1,213,915	1,900,039	-	-
- in second to fifth year inclusive	239,432	1,728,493	-	-
	1,453,347	3,628,532	-	-

Operating lease payments represent rentals payable by the City for certain of its office buildings. Leases are negotiated for periods ranging from one year to five years, for office buildings. The rentals escalate on average by the CPI index (2020: 7.00%) for office buildings.

The actual lease contract amounts range between R26,176 and R674,136 (2020: R6,000 and R642,118) per month on the office buildings.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	9,323,936	8,690,441	9,323,936	8,690,441
- in second to fifth year inclusive	21,620,369	24,142,530	21,620,369	24,142,530
- later than five years	25,306,311	18,436,775	25,306,311	18,436,775
	56,250,616	51,269,746	56,250,616	51,269,746

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 R0.08 (2020: R0.08) (social benefit) up to R252,000 (2020: R318,608).

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

54. Prior period errors

2021

Investment Property, Property Plant and Equipment; Intangibles (including Assets under construction) increased due to the corrections of completed projects previously partially capitalised as a result of additional project management costs and other consumer price adjustments costs incurred after the completion of the construction phase or where there were disputes on contract variations. These corrections do not have an impact on assets gross values but result in additional accumulated depreciation for prior period. Furthermore additional information were provided for the donated assets to enable their addition in the fixed asset register and the contra entry is in accumulated surplus.

Inventory, increased due to additional transfer/ capitalisation of other assets under construction.

Accounts payables increased due to additional accruals of invoices received in the current year.

The reclassification of the short retirement benefits and provisions according to GRAP 101.

The HSDG grant has been reclassified from non exchange revenue to construction income as required by the Housing guide.

Corrections on prior year on the statements of financial performance relate reclassification of transaction done at entity level.

The net impact of these corrections lead to decrease in the accumulated surplus as previously reported.

The correction of the error(s) results in adjustments as follows :

Statement of Financial Position - Economic entity	Balance as previously reported	Balance restated	Adjustment
Inventory	1,282,574,238	1,294,032,253	11,458,015
Other Receivables	6,128,801,577	6,130,164,608	1,363,031
Current tax receivable	3,221,134	3,212,532	(8,602)
Investment property	727,222,016	727,180,325	(41,692)
Property, plant and equipment	59,396,758,967	59,800,698,404	403,939,437
Intangible assets	1,229,176,264	1,233,357,551	4,181,287
Retirement benefit obligations - Short term	-	(103,253,000)	(103,253,000)
Retirement benefit obligations - Long term	(2,169,927,581)	(2,066,674,581)	103,253,000
Accounts Payables	(8,577,540,786)	(8,584,381,570)	(6,840,784)
Provisions - Short term	(609,548,695)	(731,215,781)	(121,043,719)
Provisions - Long term	(980,007,571)	(858,963,852)	121,043,719
Non-Controlling interest	(54,041,043)	(54,037,417)	3,626
Accumulated Surplus	(49,599,334,411)	(50,013,388,732)	(414,050,695)
Employee cost	(9,177,663,139)	(9,177,628,059)	(35,080)
Depreciation and Amortisation	(2,713,882,126)	(2,713,852,853)	(29,273)
Impairment of Assets	(44,729,420)	(44,704,873)	(24,547)
Finance cost	(1,239,295,022)	(1,239,326,178)	31,156
General expenses	(3,335,747,992)	(3,335,798,857)	50,865
Taxation	(124,217)	(132,819)	8,602
Attributable to owners of entity	(150,569,169)	(150,570,892)	1,723
Controlling Entity			
Investment property	530,824,142	530,782,450	(41,692)
Property, plant and equipment	57,147,985,682	57,553,056	405,071,195
Intangible assets	1,220,131,682	1,224,363,044	4,231,362
Inventory	1,282,574,238	1,294,032,253	11,458,015
Retirement benefit obligations - Short term	-	(101,152,000)	(101,152,000)
Retirement benefit obligations - Long term	(2,130,088,581)	(2,028,936,581)	101,152,000
Accounts Payables	(8,537,037,612)	(8,543,833,879)	(6,976,267)
Provisions - Short term	(576,744,106)	(697,221,809)	(120,477,702)
Provisions - Long term	(979,441,554)	(858,963,852)	120,477,702
Accumulated Surplus	(47,691,663,880)	(48,105,856,493)	(413,922,614)
Statement of Financial Performance			
Construction contracts _ HSDG grant	-	78,675,730	78,675,730
Government grants and subsidies	8,402,560,341	8,323,884,611	(78,675,730)
	-	-	-

Notes to the Consolidated Annual Financial Statements

55. Change in estimate

Property, plant and equipment

The useful life review for 2021 had the following impact R -

Depreciation expense before remaining useful life review R461 909 344.
Depreciation expense after remaining useful life review R252 270 254
Future increase in depreciation due to the review R108 058 389

56. Accounting by principals and agents

The City is a party to a principal-agent arrangement. The City act as an agent for the department, whereby it administer the registration of vehicles and collection of funds thereof, on behalf of the Gauteng department of transport within the City's jurisdictions.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R302,417,952 (2020: R246,003,581).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

All categories

Amount collected on behalf of the principal	1,141,602,787	903,503,204	1,141,602,787	903,503,204
Amounts transferred to the principal	(1,141,602,787)	(903,503,204)	(1,141,602,787)	(903,503,204)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

All categories

Cash paid on behalf of the principal	1,141,602,787	903,503,204	1,141,602,787	903,503,204
Amounts transferred to the principal	(1,141,602,787)	(903,503,204)	(1,141,602,787)	(903,503,204)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

57. Construction contracts

Amount of contract revenue recognised in revenue	(248,068,366)	(78,675,730)	(248,068,366)	(78,675,730)
Aggregate amount of costs recognised in surplus	248,068,366	78,675,730	248,068,366	78,675,730
Amount received in advance recognised under grants payables	170,597,681	418,666,047	170,597,681	418,666,047
	<u>170,597,681</u>	<u>418,666,047</u>	<u>170,597,681</u>	<u>418,666,047</u>

The Gauteng department of housing appointed City as project developer whereby the city undertakes the construction of the houses itself or appoints a sub-contractor to undertake the construction on its behalf. All funds received in this regards are subjected to DORA conditions. No commission is earned by the city on implementation of this programme.

58. Service In-kind donations and assistance

The church of scientology sanitised the City's buildings where COVID 19 cases were identified.

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

59. Unaccounted Electricity And Water

Electricity	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Units	Value	Units	Value
Units purchased	10,458,825,375	12,046,726,901	10,283,917,639	13,322,662,271
Units sold	(8,762,975,770)	(10,093,406,492)	(8,831,344,894)	(11,440,872,894)
	1,695,849,605	1,953,320,409	1,452,572,745	1,881,789,377
Unaccounted electricity (Value)				
Technical loss	454,958,904	524,032,620	447,499,394	579,728,806
Non-technical loss	1,240,890,701	1,429,287,789	1,005,073,351	1,302,057,571
	1,695,849,605	1,953,320,409	1,452,572,745	1,881,786,377
Unaccounted electricity (%)				
Technical loss	4.35 %	4.35 %	4.35 %	4.35 %
Non-technical loss	11.86 %	11.86 %	9.77 %	9.77 %
Total loss %	16.21 %	16.21 %	14.12 %	14.12 %
Water	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Units	Value	Units	Value
Opening balance	829,554	8,419,976	1,086,111	10,223,389
Purchases	355,078,693	3,578,910,999	348,544,955	3,581,211,279
Less: closing balance	(857,537)	(8,712,576)	(829,554)	(8,419,976)
Units sold	(238,978,996)	(2,399,329,785)	(243,270,648)	(2,499,261,997)
	116,071,714	1,179,288,614	105,530,864	1,083,752,695
Unaccounted water (Value)				
Technical loss	17,410,757	176,893,291	15,792,246	162,186,366
Non-technical loss	98,660,957	1,002,395,323	89,482,061	921,566,328
	116,071,714	1,179,288,614	105,274,307	1,083,752,694
Unaccounted water (%)				
Technical loss	15.00 %	15.00 %	15.00 %	15.00 %
Non-technical loss	17.69 %	17.69 %	15.26 %	15.26 %
	32.69 %	32.69 %	30.26 %	30.26 %

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

60. Budget differences

2021

A. ADJUSTMENT BUDGET PROCESS

The City of Ekurhuleni had one normal, main adjustment budgets and four special adjustment budgets during the 2019/20 financial year.

These adjustment budgets were approved as follows:

- 1) First special adjustment budget – Item A-F (66-2021) on 30 September 2020;
- 2) Second special adjustment budget – Item A-F (79-2020) on 21st October 2020;
- 3) Main, normal adjustment budget – Item A-F (15-2021) on 28 January 2021;
- 4) Third special adjustment budget – Item A-F (46-2021) on 29 April 2021; and
- 5) Fourth special adjustment budget – Item A-F (63-2021) on 29 July 2021.

FIRST SPECIAL ADJUSTMENT BUDGET (30 SEPTEMBER 2020): ITEM A-F (66-2020)

This special adjustment budget is tabled due to the following reasons:

- The amended Division of Revenue Bill as tabled by the Minister of Finance under the special circumstances emanating from COVID-19;
- The amended Provincial allocations as tabled by the MEC for Finance on the 31st July 2020;
- 2019/20 Approved roll over of the Human Settlement Development Grant (HSDG) – as per the letter from the Provincial Treasury; and
- In an e-mail dated 24th August 2020, National Treasury advises “the 2020/21 adjustments budget must be adopted by Council by no later than 30 September 2020”.

Operating Revenue

The additional allocations from national, provincial gazettes and roll overs resulted in increase in operating revenue of R889.4 million.

Operating Expenditure

The changes in the various categories on operating expenditure is attributable to the following factors:

- A provision is made for increase in employee related costs amounting to R633.3 million. This is obtained by reducing various line items of expenditure in other materials, contracted services and other expenditure. Strict cost containment measures will continue to be implemented to ensure that expenditure in those categories does not exceed budget;
- Increase of R304.3 million in provision for debt impairment due to decline in collection rate. This item was under provided for in the approved budget;
- Increase on depreciation and asset impairment of R154.9 million in order to provide for future capital replacements. This was also under provided for in the approved budget;
- An increase in finance charges amounting of R73.3 million as the external loans to fund the capital projects will be taken in the second quarter of 2020/21 financial year;
- Reductions in other materials amounted to R223.0 million, other expenditure amounted to R68.0 million and transfers and subsidies reductions amounted to R28.2 million;
- Contracted services have a net increase of R42.8 million. This is after taking into account the increase in roll-overs from Provincial Treasury amounting to R356.3 million and reducing other expenditure line items in this category; and
- Request to conduct refuse removal service point audit amounting to R10 million, funded by savings identified within the department. This is basically a re-allocation and the effect is zero.

Capital Budget

The impact of the national and provincial gazettes was to reduce the capital budget as follows:

- Reduction of R191.8 million of the USDG;
- Reduction of R113.7 million of the PTNG; and
- Additional allocation of R500 000 of the Recapitalisation of the Libraries Plan (SRAC Provincial Grant).

SECOND SPECIAL ADJUSTMENT BUDGET (21 OCTOBER 2020): A-F (79-2020)

The special adjustment budget was triggered by the approval of the roll-over applications which were previously rejected.

Operating Revenue

The increase in operating revenue is in the transfers and subsidies, amounting to R63 540 628 of the HSDG, which is a rollover that was previously rejected, as well as the SRAC provincial grants roll over of R2 424 461 which was approved on the 07th October 2020.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

60. Budget differences (continued)

Operating Expenditure

The approved roll-overs were used to fund the category "other materials", which increased by R635 000. This comprises of R135 000 for skills development and R500 000 for library development resources.

The category "contracted services" was increased by R65.3 million. It comprises of R63.54 million of the housing top structures and R1.78 million for maintenance of library facilities

Capital Budget

The amount of R320 014 was approved as roll-over for furniture in the libraries.

MAIN, NORMAL ADJUSTMENT BUDGET (28 JANUARY 2021): A-F (15-2021)

This main adjustment budget was influenced by the outcome of mid-year performance assessment as required by section 72 of the MFMA.

Operating Revenue

The net decline in operating revenue amounted to R633 182 250.00 and was due to the following factors:

- Appeals on supplementary valuations make the revenue projections un-achievable;
- The registered indigents have exceeded their allocated water subsidies, so additional subsidy has to be provided;
- Rental from housing stock is expected to exceed the budget by R2.1 million;
- Suspension of interest on arrear municipal accounts and the reduction of investments, which have matured, mean that the interest income has to be reduced;
- Income from fines and penalties is reduced as part of the relief measures;
- The net reduction in transfers and subsidies is due largely to the grant lost on Ambulance Services due to provincialisation of the function; and
- Other revenue is reduced due to unachievable targets such as revenue from buses (municipal and BBC) and SRAC facilities which are not in use due to the lockdown restrictions.

Operating Expenditure

The changes in the various line items on operating expenditure is attributable to the following factors:

- Freezing of some posts that are not critical and savings on personnel costs in the entities;
- Debt impairment is increased to align to last year's audited results as well as realistic collection levels;
- Depreciation charge is aligned to the updated asset register;
- Finance charges are aligned to the debt amortization; and
- Other materials, contracted services and other expenditure line items were reduced in line with the cost affordability levels of the City and the entities.

THIRD SPECIAL ADJUSTMENT BUDGET (29 APRIL 2021): ITEM A-F (46-2021)

This third special adjustment budget was due, mainly to the issuance by National Treasury of Government Gazette 44349 dated 29 March 2021.

Operating Revenue

License fees and permits increase by R60.0 million, while transfers and subsidies decrease by R132.67 million made up of R17.5 million increase in the grant from the City to BBC and a surrender of R150.17 million of USDG by ERWAT.

Operating Expenditure

The key highlights of the adjustments in operating expenditure were as follows:

- Employee related costs increase by R17.5 million, being for the employee costs for BBC until the end of the financial year;
- Based on actual performance and projections for the next four months, bulk purchases are adjusted downwards by R700.0 million. This reduction is redirected to other materials, contracted services and other expenditure to ensure that these categories are sufficiently funded; and
- The net reduction in transfers and subsidies is primarily the result of the USDG grant underspending by ERWAT, which reduces the related grant funded expenditure.

These adjustments are made to ensure that the budget is credible, and that there is efficient and effective allocation of limited resources in a justifiable manner for all departments and all expenditure items.

Capital Budget

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

60. Budget differences (continued)

Government Gazette 44349 provided additional R300.0 million of Urban Settlements Development Grant (USDG) and a reduction of R5.0 million of the Neighbourhood Development Partnership Grant (NDPG). ERWAT surrendered an amount of R150.1 million and Environment Resource and Waste Management surrendered R2.3 million back to the City due to potential underspending by the end of the financial year.

FOURTH SPECIAL ADJUSTMENT BUDGET (29 JULY 2021): ITEM A-F (63-2021)

In the main, the adjustment / revision is necessitated by the fact that EHC has received the following additional grants / revenue during the financial year from the SHRA:

Operating revenue and expenditure

The additional revenue of R9 213 860,25 was used to increase provision for debt impairment.

Capital Budget

The additional allocation was used as follows:

- Clayville Project Ext 45 - R 18 993 429,75.

B. THE FOLLOWING REASONS ARE FOR VIREMENTS PROCESSED POST THE FINAL ADJUSTMENT BUDGET

Expenditure

- Materials and bulk purchases

Savings were identified from sewer purification costs following an agreement between the City and the ERWAT to curtail costs.

- Transfers and grants

Transfers and subsidies were increased as additional funds were required to provide essential sanitation services in the informal settlements to promote health and hygiene within the City.

C. EXPLANATION OF VARIANCES: FINAL BUDGET AND ACTUAL AMOUNTS

Variances of 10% and above a regarded as significant and explained

Revenue

The total consolidated actual revenue for the year, including capital transfers and public contributions and donations, is 5.72% less than the budgeted revenue. The actual revenue amounts to R41.51 billion whilst the budgeted revenue amounts to R44.03 billion, with the underperformance variance of R2.42 billion.

The contributing factors to the below under performance variance are as follows:

- Services charges

The underperformance emanates from the following sources of revenue:

Service charges – electricity revenue

The main contributing factors to the underperformance on electricity are as follows:

The reduction in electricity sales to industrial customers, as some of the large users were not operating at full capacity during some alert levels of COVID-19.

Load shedding and power outages results in lower than planned consumption.

Service charges – water and sanitation revenue

The main contributing factor to the underperformance is the reduction in water sales to industrial customers, as some of the large users are not at full capacity and trading hours are lesser than normal. Sanitation is directly linked to water consumption.

Rental of facilities

Actual expenditure is more than budget due to correction of erroneous accounting for opening balances when Real Estate migrated from Pastel Accounting to Solar.

Interest on investments and debtors

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

60. Budget differences (continued)

Lower than budget due to reduced investments as a result of lower collections under COVID-19 and payment concessions given to household consumers.

Other income

This is sundry income such as cemetery and burial fees which performed above budget as such events cannot be accurately projected. COVID-19 has tremendous impact on burials.

Expenditure

The total consolidated actual operating expenditure for the year is R216.1 million less than the budgeted expenditure. The actual expenditure amounts to R41.21 billion whilst the budgeted expenditure was R41.42 billion.

The following major expenditure items are analyzed:

Impairment and derecognition

This item of expenditure can be reliably estimated only at the end of the financial year

Debt impairment

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

Collection costs

Lower than budget due to impact of COVID-19 on household consumers in particular, who represent a large portion of defaulters.

Contracted services

Lower than budget due to impact of lockdown restrictions on some contractors affected by lockdown restrictions in some sectors of the economy, such as construction.

61. Covid 19 Impact

The City has spend on Covid 19 relief measures as follows:

Provision of wall mounted sanitizers/wash soap,deep cleaning and disinfection of facilities R 45,559,962

Procurement of personal protective clothing R 0,00

The budget process for 2022 was reduced due to decrease in consumption of services. The City has put measures in place to address the economic depression of its residence and relief measures to them.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

62. Segment information

General information

Identification of segments

The City is organised and reports to management on the basis of Community and Public Safety, Economic and Environmental Services, Municipal Governance and Administration, Trading Services and other sundry services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes in line with National Treasury Budget guidelines.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

62. Segment information (continued)

Aggregated segments

The City does not have any geographical segments as it operates within its area of jurisdiction in the Gauteng Province. Segments were aggregated on the basis of services delivered to its residents.

Segment assets and liabilities

Assets and liabilities are allocated to the finance and administration segment in line with the accounting and reporting processes as the current reporting channels makes it difficult to allocate to other segments

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

62. Segment information (continued)

Economic Entity Segmental statement of financial performance 2020/21													
Revenue													
	Exchange	Non-Exchange	Inter segment revenue	Interest revenue	Total revenue (A)	Interest expense	Depreciation & Amortisation	Debt impairment	Income tax expenses	All Other expenses	Actual expenditure (B)	Actual net result from operations (A-B)	
Community and public safety	-542,466,001.4	1,513,386,409	0	857,978.72	971,778,386.6	120,404.55	195,626,320.6	512,660,218.9	-5,198,131.03	5,705,450,529	6,408,659,342	-5,436,880,956	
Community and social services	33,924,965.7	84,930,273.33	0	0	118,855,239	0	19,936,686	0	0	642,087,253.3	662,023,939.3	-543,168,700.3	
Health	-310,508,116.8	170,742,790.9	0	0	-139,765,325.9	0	26,652,765	0	0	1,570,675,362	1,597,328,127	-1,737,093,453	
Housing	-265,840,009.4	613,625,028.5	0	857,978.72	348,642,997.8	120,404.55	52,628,393.64	66,700,727.73	-5,198,131.03	542,470,289.2	656,721,684.1	-308,078,686.2	
Public safety	-11,105,064.97	645,683,659.2	0	0	634,578,594.2	0	0	445,959,491.2	0	2,120,047,261	2,566,006,752	-1,931,428,158	
Sport and recreation	11,062,224.11	-1,595,342.7	0	0	9,466,881.41	0	96,408,476	0	0	830,170,364.1	926,578,840.1	-917,111,958.7	
Economic and environmental services	75,497,979.02	962,830,180.7	0	59,147.41	1,038,387,307	257,510,162.8	811,937,336	0	467,508	1,815,984,695	2,885,899,702	-1,847,512,395	
Environmental protection	0	0	0	0	0	0	54,650,571	0	0	4,948,843.85	104,135,414.9	-104,135,414.9	
Planning and development	34,851,921.14	19,104,000	0	0	53,955,921.14	44,422,508.61	5,549,031.97	0	0	410,337,687.7	460,309,228.2	-406,353,307.1	
Road transport	40,646,057.88	943,726,180.7	0	59,147.41	984,431,386	213,087,654.2	751,737,733	0	467,508	1,356,162,164	2,321,455,059	-1,337,023,673	
												0	
												0	
Municipal governance and administration	120,343,955	8,785,128,337	2,071,522,171	197,041,385.9	11,174,035,849	767,824,809.3	860,361,935.6	1,534,379,279	0	3,353,154,507	6,515,720,532	4,658,315,318	
Executive and council	0	0	0	0	0	0	1,153,095	0	0	177,212,320.4	178,365,415	-178,365,415.4	
Finance and administration	120,343,955	8,785,128,337	2,071,522,171	197,041,385.9	11,174,035,849	767,824,809.3	859,029,995.6	1,534,379,279	0	3,107,512,434	6,268,746,428	4,905,289,421	
Internal audit	0	0	0	0	0	0	178,845	0	0	68,429,843.13	68,608,688.13	-68,608,688.13	
Other	332,036,689.7	0	0	60,798.93	332,097,488.7	0	0	0	0	280,495,225.3	280,495,225.3	51,602,263.36	
Licensing and Regulation	302,535,938.9	0	0	0	302,535,938.9	0	0	0	0	255,095,161.4	255,095,161.4	47,440,777.49	
Markets	29,500,750.86	0	0	60,798.93	29,561,549.79	0	0	0	0	19,632,688.84	19,632,688.84	9,928,860.95	
Tourism	0	0	0	0	0	0	0	0	0	5,767,375.08	5,767,375.08	-5,767,375.08	
Trading services	24,426,352,493	3,140,433,598	1,232,832,254	279,516,315	29,079,134,659	362,132,705.2	785,408,350	2,226,950,405	0	22,812,855,324	26,187,346,785	2,891,787,875	
Energy sources	14,903,062,852	303,159,935.2	449,034,244.1	37,638,347.79	15,598,478,991	108,098,113.1	440,824,862	757,196,376.5	0	14,171,441,935	15,477,561,286	120,917,705	
Water management	5,557,700,557	2,209,788,568	477,627,717.5	197,376,214.1	8,442,493,056	149,010,943	204,396,728	1,367,029,166	0	6,626,271,455	8,346,708,292	95,784,764	
Waste water management	2,794,106,586	50,114,195.39	0	4,011,758.17	2,848,232,540	26,828,631.66	101,580,700	2,470,178.79	0	868,194,898	999,074,408	1,849,158,132	
Waste management	1,265,898,885	577,370,900	306,170,292.5	40,489,994.51	2,189,930,072	78,195,017.49	38,606,060	100,254,684	0	1,146,947,036	1,364,002,798	825,927,274.4	
												0	
Total	24,411,765,115	14,401,778,525	3,304,354,425	477,535,625.6	42,595,433,691	1,387,588,082	2,653,333,942	4,273,989,903	-4,730,623.03	33,967,940,281	42,278,121,585	317,312,105	

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

62. Segment information (continued)

Controlling Entity Segmental statement of financial performance 2020/21												
Revenue												
	Exchange	Non-Exchange	Inter segment revenue	Interest revenue	Total revenue (A)	Interest expense	Depreciation & Amortization	Debt impairment	All Other expenses	Actual Expenditure (B)	Actual net result from operations (A-B)	
Community and public safety	-584,767,601.06	1,468,846,827.70	-	-	884,079,227.00	-	189,071,697.00	487,006,264.00	5,649,816,318.22	6,325,894,279.22	-5,441,815,052.58	
Community and social services	33,924,965.70	84,930,273.33	-	-	118,855,239.03	-	19,936,686.00	-	642,087,253.28	662,023,939.28	-543,168,700.25	
Health	-310,508,116.79	170,742,790.91	-	-	-139,765,325.88	-	26,652,765.00	-	1,570,675,361.68	1,597,328,126.68	-1,737,093,452.56	
Housing	-308,141,609.11	569,085,447.00	-	-	260,943,837.90	-	46,073,770.00	41,046,772.84	486,836,078.00	573,956,620.84	-313,012,782.94	
Public safety	-11,105,064.97	645,683,659.15	-	-	634,578,594.18	-	-	445,959,491.16	2,120,047,261.14	2,566,006,752.30	-1,931,428,158.12	
Sport and recreation	11,062,224.11	-1,595,342.70	-	-	9,466,881.41	-	96,408,476.00	-	830,170,364.12	926,578,840.12	-917,111,958.71	
Economic and environmental services	72,284,783.71	906,262,475.04	-	-	978,547,258.75	257,510,162.79	810,103,568.97	-	1,783,202,812.61	2,850,816,544.37	-1,872,269,285.62	
Environmental protection	-	-	-	-	-	-	54,650,571.00	-	49,484,843.85	104,135,414.85	-104,135,414.85	
Planning and development	34,851,921.14	19,104,000.00	-	-	53,955,921.14	44,422,508.61	5,549,031.97	-	410,337,687.66	460,309,228.24	-406,353,307.10	
Road and transport	37,432,862.57	887,158,475.04	-	-	924,591,337.61	213,087,654.18	749,903,966.00	-	1,323,380,281.10	2,286,371,901.28	-1,361,780,563.67	
Municipal governance and administration	100,732,222.00	8,785,128,337.17	2,071,522,170.77	197,041,385.93	11,154,424,116.15	767,824,809.34	860,361,735.60	1,534,379,278.93	3,351,297,812.34	6,513,863,836.21	4,640,560,279.94	
Executive and council	-	-	-	-	-	-	1,153,095.	-	177,212,320.37	178,365,415.37	-420,841,269.46	
Finance and administration	100,732,222.00	8,785,128,337.17	2,071,522,170.77	197,041,385.93	11,154,132,993.38	767,824,809.34	859,029,995.60	1,534,379,278.93	3,105,655,648.84	6,266,889,732.71	4,887,032,024.67	
Internal audit	-	-	-	-	-	-	178,845.00	-	68,429,843.13	68,608,688.13	-68,608,688.13	
Other	332,036,689.73	-	-	60,798.93	332,097,488.66	-	-	-	280,495,225.30	280,495,225.30	51,602,263.36	
Licensing and Regulation	302,535,938.87	-	-	-	302,535,938.87	-	-	-	255,095,161.38	255,095,161.38	47,440,777.49	
Markets	29,500,750.86	-	-	60,798.93	9,561,549.79	-	-	-	19,632,688.84	19,632,688.84	9,928,860.95	
Tourism	-	-	-	-	-	-	-	-	5,767,375.08	5,767,375.08	-5,767,375.08	
Trading services	23,521,950,662.92	3,090,319,402.85	1,232,832,253.99	275,504,556.43	28,120,606,876.19	335,304,073.58	683,827,650.00	2,224,480,226.70	22,074,470,950.52	25,318,082,900.80	2,802,523,975.39	
Energy sources	14,903,062,852.43	303,159,935.17	449,034,244.06	37,638,347.79	15,692,895,379.45	108,098,113.06	440,824,862.00	757,196,376.45	14,171,441,934.61	15,477,561,286.12	215,334,093.33	

City of Ekurhuleni Metropolitan Municipality

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62. Segment information (continued)

Water management	5,554,661,865.53	2,209,788,567.68	477,627,717.45	197,376,214.13	8,439,454,364.79	149,010,943.03	204,396,728.00	1,367,029,166.25	6,709,351,176.43	8,429,788,013.71	9,666,351.08
Waste water management	1,800,141,415.98	-	-	-	1,800,141,415.98	-	-	-	46,730,803.29	46,730,803.29	1,753,410,612.69
Waste management	1,264,084,528.98	577,370,900.00	306,170,292.48	40,489,994.51	2,188,115,715.97	78,195,017.49	38,606,060.00	100,254,684.00	1,146,947,036.19	1,364,002,797.68	824,112,918.29
Total	23,442,236,758.00	14,250,557,043.00	3,304,354,424.76	472,606,741.29	41,469,754,966.39	1,360,639,045.71	2,543,364,851.57	4,245,865,769.63	33,139,283,118.99	41,289,152,785.90	180 602 180.49
Surplus/(Deficit) for the year											

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

62. Segment information (continued)

Economic Entity						
Segmental statement of financial Position 2020/21						
	Total assets			Total liabilities		
	Current assets	Non current assets	Total	Current liabilities	Non current liabilities	Total
Community and social services		7,420,535,375	7,420,535,375	7,420,535,375	-	7,420,535,375
Environmental protection		20,875,957,717	20,875,957,717	20,875,957,717	-	20,875,957,717
Municipal governance and administration		9,751,284,465.58	9,751,284,465.58	9,751,284,465.58	-	9,751,284,465.58
Trading service Energy		15,225,028,365	15,225,028,365	15,225,028,365	-	15,225,028,365
Trading Service Waste management		3,453,046,778	3,453,046,778	3,453,046,778	-	3,453,046,778
Trading service Water and sanitation		7,016,001,7891.80	7,016,001,7891.80	7,016,001,7891.80	-	7,016,001,7891.80
Total		63,741,854,492	63,741,854,492	63,741,854,492		63,741,854,492

City of Ekurhuleni Metropolitan Municipality

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62. Segment information (continued)

Controlling Entity							
Segmental statement of financial Position 2020/21							
	Total assets			Total liabilities			
	Current assets	Non current assets	Total	Current liabilities	Non current liabilities	Total	
Community and social services		7,420,535,375	7,420,535,375		-	7,420,535,375	
Environmental protection		20,875,957,717	20,875,957,717	-	-	20,875,957,717	
Municipal governance and administration	9,923,634,183	10,050,899,416	19,974,533,599	-11,711,971,511	-11,919,994,727	-3,657,432,639	
Trading service Energy		15,225,028,365	15,225,028,365	-	-	15,225,028,365	
Trading Service Waste management		3,453,046,778	3,453,046,778		-	3,453,046,778	
Trading service Water and sanitation		4,969,053,080	4,969,053,080		-	4,969,053,080	
Total	9,923,634,183	61,994,520,730	71,918,154,913	-11,711,971,511	-11,919,994,727	48,286,188,675	