



City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2022

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

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	Mayor Ald T Campbell
Speaker	Cllr R Dhlamini
Chief Whip	Chief Whip: Ald: K Shandu
Members of Mayoral Committee	Cllr: Finance and Economic Development: F Nkosi Cllr: Health & Social Development : B Lethoko Cllr: Human Settlement: D Peterson Ald: Environmental and Waste Management Services: A du Plessis Ald: City Planning: H Hart Cllr: Corporate and Shared Services: B Pretorious Cllr: Sanitation and Energy: S Sibeko Cllr: Community Safety: V L Moseki Ald: Infrastructure Services: H Hart Ald: Transport Planning: A Ngobese
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	ABSA Bank
Auditors	Auditor-General of South Africa

City of Ekurhuleni Metropolitan Municipality

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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

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

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 and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the fairly present the state of affairs of the City as at 30 June 2022 and the results of its operations and cash flows for the year then ended.

The 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 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 . 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 2023 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 set out on pages 4 to 108, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2022 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 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021 Restated	2022	2021 Restated
Assets					
Current Assets					
Inventories	10	1,758,685,162	1,422,964,750	1,758,685,162	1,422,964,750
Other Investments	8	125,733,184	606,373,392	117,526,829	598,420,165
Current tax receivable		452,662	2,461,834	-	-
Receivables from exchange transactions	11&13	7,635,903,635	6,026,215,468	7,649,693,422	6,023,319,456
Statutory receivables	12	1,234,252,692	884,095,854	1,234,252,692	884,095,854
Cash and cash equivalents	14	1,074,499,030	1,138,921,954	773,143,249	958,370,861
		11,829,526,365	10,081,033,252	11,533,301,354	9,887,171,086
Non-Current Assets					
Investment property	3	743,396,264	732,590,375	517,666,223	521,152,667
Property, plant and equipment	4	62,398,382,991	61,949,638,328	60,163,318,606	59,748,166,790
Intangible assets	5	1,442,048,580	1,380,504,849	1,435,480,363	1,372,660,790
Heritage assets	6	82,007,433	82,007,433	82,007,433	82,007,433
Investments in controlled entities	7	-	-	100	106
Other Investments	8	721,671,676	670,817,023	721,671,676	670,817,023
Long term receivables	9	19,015,154	18,369,410	4,424,487	4,407,272
		65,406,522,098	64,833,927,418	62,924,568,888	62,399,212,081
Total Assets		77,236,048,463	74,914,960,670	74,457,870,242	72,286,383,167
Liabilities					
Current Liabilities					
Short term portion of long term liabilities	15	997,871,702	864,007,103	944,845,717	812,248,517
Current tax payable		-	467,508	-	-
Finance lease obligation		305,462	1,213,915	-	-
Trade and other payables from exchange transactions	19	10,392,847,420	8,949,642,068	10,532,817,347	8,929,266,989
Deposits	20	1,067,131,981	999,713,595	1,067,131,981	999,713,595
Retirement benefit obligation	16	135,058,000	99,238,000	132,572,000	97,072,000
Unspent conditional grants and receipts	21	140,925,476	195,554,905	136,697,380	191,770,138
Provisions	18	844,693,450	834,797,099	812,488,324	796,536,687
		13,578,833,491	11,944,634,193	13,626,552,749	11,826,607,926
Non-Current Liabilities					
Long term liabilities	15	9,428,448,075	9,274,905,425	9,139,247,419	8,932,970,997
Finance lease obligation		-	239,432	-	-
Retirement benefit obligation	16	1,982,974,581	2,108,411,581	1,939,576,581	2,066,404,581
Deferred tax asset	17	25,369,497	31,974,610	-	-
Provisions	18	1,028,067,701	920,619,148	1,028,067,701	920,619,148
		12,464,859,854	12,336,150,196	12,106,891,701	11,919,994,726
Total Liabilities		26,043,693,345	24,280,784,389	25,733,444,450	23,746,602,652
Net Assets		51,192,355,118	50,634,176,281	48,724,425,792	48,539,780,515
Accumulated surplus		51,124,161,846	50,577,308,249	48,724,425,788	48,539,780,515
		51,124,161,846	50,577,308,249	48,724,425,788	48,539,780,515
Non-controlling interest		68,193,272	56,868,033	-	-
Total Net Assets		51,192,355,118	50,634,176,282	48,724,425,788	48,539,780,515

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

	Notes	Economic entity		Controlling entity	
Figures in Rand		2022	2021 Restated	2022	2021 Restated
Revenue					
Revenue from exchange transactions					
Service charges	24	26,816,087,938	23,832,856,104	26,934,564,788	23,935,071,577
Rendering of services		-	3,197,253	-	-
Construction contracts - HSDG grant	25	132,467,390	248,068,366	113,708,125	248,068,366
Rental of facilities and equipment	26	138,731,479	149,398,116	95,559,257	107,384,050
Interest earned on outstanding debtors	22	433,854,229	299,002,892	433,854,229	299,002,892
Income from agency services	2256	294,477,725	302,440,429	294,477,725	302,440,429
Licences and permits	22	43,261,956	41,829,990	43,261,956	41,829,990
Other income	29	170,053,785	251,270,259	122,787,734	185,293,774
Interest revenue	28	121,411,910	178,418,469	108,478,855	173,603,849
Dividends received		59,925	60,118	-	-
Gains on sale of assets	22	19,143,685	2,539,590	19,143,685	-
Total revenue from exchange transactions		28,169,550,022	25,309,081,586	28,165,836,354	25,292,694,927
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	23	7,805,420,006	5,935,443,116	7,805,420,006	5,935,443,116
Property rates - penalties and collection charges	23	118,606,522	64,391,660	118,606,522	64,391,660
Transfer revenue					
Government grants & subsidies	27	8,652,417,703	9,302,132,810	8,644,391,351	9,267,627,846
Public contributions and donations		127,840,419	103,023,326	127,840,419	103,023,326
Fines	22	783,575,982	806,548,225	783,575,982	806,548,225
Total revenue from non-exchange transactions		17,487,860,632	16,211,539,137	17,479,834,280	16,177,034,173
Total revenue	22	45,657,410,654	41,520,620,723	45,645,670,634	41,469,729,100
Expenditure					
Employee related costs	30	(9,686,088,870)	(9,412,689,572)	(9,268,685,159)	(8,968,698,540)
Remuneration of councillors	31	(145,072,917)	(141,428,993)	(145,072,917)	(141,428,993)
Depreciation and amortisation	32	(2,745,841,585)	(2,653,073,301)	(2,633,418,638)	(2,543,155,848)
Impairment and derecognition loss	33	(89,539,415)	(34,230,194)	(83,679,079)	(33,455,450)
Finance costs	34	(1,367,760,916)	(1,391,569,100)	(1,337,373,417)	(1,360,639,047)
Debt impairment	35	(4,854,125,342)	(4,207,240,648)	(4,819,760,979)	(4,212,619,324)
Collection costs		(97,283,030)	(116,129,850)	(97,283,030)	(116,129,850)
Bulk purchases	36	(18,213,670,162)	(15,730,322,474)	(19,211,895,219)	(16,658,420,803)
Contracted services	38	(2,498,036,683)	(2,583,547,605)	(2,498,036,683)	(2,583,547,605)
Grants and subsidies paid	39	(1,068,675,079)	(1,237,671,854)	(1,231,508,689)	(1,320,751,575)
General expenses	40	(4,339,980,796)	(3,608,048,993)	(4,134,311,556)	(3,258,193,229)
Total expenditure		(45,106,074,795)	(41,115,952,584)	(45,461,025,366)	(41,197,040,264)
Surplus before taxation		551,335,859	404,668,139	184,645,268	272,688,836
Taxation		(6,833,658)	(4,730,623)	-	-
Surplus for the year		558,169,517	409,398,762	184,645,268	272,688,836
Attributable to:					
Owners of the controlling entity		546,853,598	406,568,146	184,645,268	272,688,836
Non-controlling interest		11,315,919	2,830,616	-	-
		558,169,517	409,398,762	184,645,268	272,688,836

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial statements for the year ended 30 June 2022

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	50,013,388,731	50,013,388,731	54,037,417	50,067,426,148
Prior period adjustments (Note 54)	157,351,372	157,351,372	-	157,351,372
Balance at 01 July 2020 as restated	50,170,740,103	50,170,740,103	54,037,417	50,224,777,520
Surplus for the year	406,568,146	406,568,146	2,830,616	409,398,762
Total changes	406,568,146	406,568,146	2,830,616	409,398,762
Restated Balance at 01 July 2021	50,577,308,248	50,577,308,248	56,868,033	50,634,176,281
Surplus for the year	546,853,598	546,853,598	11,315,919	558,169,517
Total changes	546,853,598	546,853,598	11,315,919	558,169,517
Balance at 30 June 2022	51,124,161,846	51,124,161,846	68,193,272	51,192,355,118
Note(s)				
Controlling entity				
Opening balance as previously reported	48,105,586,502	48,105,586,502	-	48,105,586,502
Prior period adjustments (Note 54)	161,505,181	161,505,181	-	161,505,181
Restated* Balance at 01 July 2020	48,267,091,679	48,267,091,679	-	48,267,091,679
Surplus 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 01 July 2021	48,539,780,520	48,539,780,520	-	48,539,780,520
Surplus for the year	184,645,268	184,645,268	-	184,645,268
Total changes	184,645,268	184,645,268	-	184,645,268
Balance at 30 June 2022	48,724,425,788	48,724,425,788	-	48,724,425,788

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2022	2021 Restated	2022	2021 Restated
Cash flows from operating activities					
Receipts					
Property rates		5,568,103,936	5,671,478,641	5,568,103,936	5,671,478,641
Income from services rendered		23,587,980,666	20,761,338,187	23,565,138,971	20,803,980,489
Grants - operational		6,576,783,525	6,823,139,138	6,714,325,866	6,784,849,408
Grants - capital		2,021,004,749	2,429,756,923	1,874,992,729	2,429,756,923
Interest income		121,411,910	178,418,469	108,478,855	173,603,849
Other receipts		894,382,406	1,196,805,745	944,122,051	1,085,557,826
		<u>38,769,667,192</u>	<u>37,060,937,103</u>	<u>38,775,162,408</u>	<u>36,949,227,136</u>
Payments					
Employee costs		(10,158,859,788)	(9,839,334,565)	(9,738,500,077)	(9,395,726,533)
Suppliers		(23,944,202,701)	(21,889,609,534)	(24,576,413,513)	(22,450,384,094)
Finance costs		(1,129,679,916)	(1,068,631,100)	(1,103,959,417)	(1,041,652,047)
Other payments		(1,124,797,001)	(1,145,612,351)	(1,291,065,239)	(1,233,483,198)
Taxes on surplus		1,770,209	(188,369)	-	-
		<u>(36,355,769,197)</u>	<u>(33,943,375,919)</u>	<u>(36,709,938,246)</u>	<u>(34,121,245,872)</u>
Net cash flows from operating activities	41	<u>2,413,897,995</u>	<u>3,117,561,184</u>	<u>2,065,224,162</u>	<u>2,827,981,264</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(3,073,530,106)	(4,401,306,865)	(2,918,025,401)	(4,340,695,860)
Purchase of investment property	3	(26,994,785)	(41,506,757)	(8,235,520)	(21,999,992)
Proceeds from sale of assets	3	19,143,685	2,539,590	19,143,685	-
Purchase of intangible assets	5	(112,338,884)	(136,739,256)	(112,229,634)	(136,739,256)
Decrease in investments		429,785,555	1,202,825,702	430,038,683	1,204,385,416
Increase in long term receivables		(645,744)	(2,947,731)	(17,215)	(1,062,072)
Decrease in investment in controlled entities		-	-	6	-
		<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>
Net cash flows from investing activities		<u>(2,764,580,279)</u>	<u>(3,377,135,317)</u>	<u>(2,589,325,396)</u>	<u>(3,296,111,764)</u>
Cash flows from financing activities					
Long-term liabilities raised		1,000,000,000	1,976,000,000	1,000,000,000	1,976,000,000
Repayment of long -term liabilities		(712,592,751)	(2,245,936,084)	(661,126,378)	(2,193,723,531)
Finance lease payments		(1,147,885)	(1,018,716)	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows from financing activities		<u>286,259,361</u>	<u>(270,954,800)</u>	<u>338,873,622</u>	<u>(217,723,531)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(64,422,923)</u>	<u>(530,528,933)</u>	<u>(185,227,612)</u>	<u>(685,854,031)</u>
Cash and cash equivalents at the beginning of the year		1,138,921,954	1,669,450,887	958,370,861	1,644,224,892
Cash and cash equivalents at the end of the year	14	<u>1,074,499,031</u>	<u>1,138,921,954</u>	<u>773,143,249</u>	<u>958,370,861</u>

* See Note 54

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial statements for the year ended 30 June 2022

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	Note
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	26,891,619,841	462,472,986	27,354,092,827	26,816,087,938	(538,004,889)	58
Construction contracts	64,562,000	170,597,681	235,159,681	132,467,390	(102,692,291)	58
Rental of facilities and equipment	134,649,974	(10,531,322)	124,118,652	138,731,479	14,612,827	58
Interest earned on outstanding debtors	278,617,284	50,500,000	329,117,284	433,854,229	104,736,945	58
Income from agency services	249,290,908	60,000,000	309,290,908	294,477,725	(14,813,183)	58
Licences and permits	45,078,425	-	45,078,425	43,261,956	(1,816,469)	58
Other income	208,979,579	90,586,625	299,566,204	170,053,785	(129,512,419)	58
Interest revenue	188,724,013	(110,000,000)	78,724,013	121,411,910	42,687,897	58
Total revenue from exchange transactions	28,061,522,024	713,625,970	28,775,147,994	28,150,346,412	(624,801,582)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6,669,028,631	1,353,891,729	8,022,920,360	7,805,420,006	(217,500,354)	58
Property rates - penalties and collection charges	66,893,250	149,500,000	216,393,250	118,606,522	(97,786,728)	58
Transfer revenue						
Government grants & subsidies	8,838,466,902	(58,026,296)	8,780,440,606	8,652,417,703	(128,022,903)	58
Public contributions and donations	-	-	-	127,840,419	127,840,419	58
Fines	727,453,958	200,205,546	927,659,504	783,575,982	(144,083,522)	58
Total revenue from non-exchange transactions	16,301,842,741	1,645,570,979	17,947,413,720	17,487,860,632	(459,553,088)	
Total revenue	44,363,364,765	2,359,196,949	46,722,561,714	45,638,207,044	(1,084,354,670)	
Expenditure						
Employee related costs	(10,444,835,434)	164,479,003	(10,280,356,431)	(9,686,088,870)	594,267,561	58
Remuneration of councillors	(155,879,152)	-	(155,879,152)	(145,072,917)	10,806,235	58
Depreciation, amortisation and impairment	(2,505,909,100)	-	(2,505,909,100)	(2,745,841,585)	(239,932,485)	58

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial statements for the year ended 30 June 2022

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	Note
Figures in Rand						
Impairment and derecognition loss	-	-	-	(89,539,415)	(89,539,415)	58
Finance costs	(1,176,609,784)	(210,763,812)	(1,387,373,596)	(1,367,760,916)	19,612,680	58
Debt Impairment	(3,386,510,775)	(1,300,842,148)	(4,687,352,923)	(4,854,125,342)	(166,772,419)	58
Collection costs	(108,608,830)	(3,886,104)	(112,494,934)	(97,283,030)	15,211,904	58
Bulk purchases	(17,668,603,728)	(200,000,000)	(17,868,603,728)	(18,213,670,162)	(345,066,434)	58
Contracted services	(2,511,728,067)	(332,459,338)	(2,844,187,405)	(2,498,036,683)	346,150,722	58
Grants and subsidies paid	(1,138,020,049)	67,009,872	(1,071,010,177)	(1,068,675,079)	2,335,098	58
General expenses	(2,660,935,870)	(916,117,387)	(3,577,053,257)	(4,339,980,796)	(762,927,539)	58
Total expenditure	(41,757,640,789)	(2,732,579,914)	(44,490,220,703)	(45,106,074,795)	(615,854,092)	
Operating surplus	2,605,723,976	(373,382,965)	2,232,341,011	532,132,249	(1,700,208,762)	
Dividends received	-	-	-	59,925	59,925	58
Gains on sale of assets	(13,000,000)	10,000,000	(3,000,000)	19,143,685	22,143,685	58
	(13,000,000)	10,000,000	(3,000,000)	19,203,610	22,203,610	
Surplus before taxation	2,592,723,976	(363,382,965)	2,229,341,011	551,335,859	(1,678,005,152)	
Taxation	-	-	-	(6,833,658)	(6,833,658)	58
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2,592,723,976	(363,382,965)	2,229,341,011	558,169,517	(1,671,171,494)	

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	Note
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	27,111,859,003	479,794,454	27,591,653,457	26,934,564,788	(657,088,669)	58
Construction contracts	235,159,681	-	235,159,681	113,708,125	(121,451,556)	
Rental of facilities and equipment	81,244,919	-	81,244,919	95,559,257	14,314,338	58
Interest earned on outstanding debtors	278,617,284	50,500,000	329,117,284	433,854,229	104,736,945	58
Income from agency services	249,290,908	60,000,000	309,290,908	294,477,725	(14,813,183)	58
Licences and permits	45,078,425	-	45,078,425	43,261,956	(1,816,469)	58
Other income	92,004,989	-	92,004,989	122,787,734	30,782,745	58
Interest revenue	183,953,309	(110,000,000)	73,953,309	108,478,855	34,525,546	58
Total revenue from exchange transactions	28,277,208,518	480,294,454	28,757,502,972	28,146,692,669	(610,810,303)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6,681,352,036	1,350,000,000	8,031,352,036	7,805,420,006	(225,932,030)	58
Property rates - penalties and collection charges	66,893,250	149,500,000	216,393,250	118,606,522	(97,786,728)	58
Transfer revenue						
Government grants & subsidies	8,659,855,316	(4,384,557)	8,655,470,759	8,644,391,351	(11,079,408)	58
Public contributions and donations	-	-	-	127,840,419	127,840,419	58
Fines	727,453,958	200,205,546	927,659,504	783,575,982	(144,083,522)	58
Total revenue from non-exchange transactions	16,135,554,560	1,695,320,989	17,830,875,549	17,479,834,280	(351,041,269)	
Total revenue	44,412,763,078	2,175,615,443	46,588,378,521	45,626,526,949	(961,851,572)	
Expenditure						
Employee related cost	(9,928,505,249)	145,086,325	(9,783,418,924)	(9,268,685,159)	514,733,765	58
Remuneration of councillors	(155,879,152)	-	(155,879,152)	(145,072,917)	10,806,235	58
Depreciation and amortisation	(2,395,632,812)	-	(2,395,632,812)	(2,633,418,638)	(237,785,826)	58

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial statements for the year ended 30 June 2022

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	Note
Figures in Rand						
Impairment and derecognition loss	-	-	-	(83,679,079)	(83,679,079)	58
Finance costs	(1,125,357,336)	(220,237,000)	(1,345,594,336)	(1,337,373,417)	8,220,919	58
Debt Impairment	(3,379,881,245)	(1,275,000,000)	(4,654,881,245)	(4,819,760,979)	(164,879,734)	58
Collection costs	(106,020,208)	(3,886,104)	(109,906,312)	(97,283,030)	12,623,282	58
Bulk purchases	(18,773,643,600)	(109,413,375)	(18,883,056,975)	(19,211,895,219)	(328,838,244)	58
Contracted Services	(2,379,123,672)	(357,037,765)	(2,736,161,437)	(2,498,036,683)	238,124,754	58
Grants and Subsidies	(1,346,120,049)	129,417,853	(1,216,702,196)	(1,231,508,689)	(14,806,493)	58
General Expenses	(2,403,975,779)	(881,128,898)	(3,285,104,677)	(4,134,311,556)	(849,206,879)	58
Total expenditure	(41,994,139,102)	(2,572,198,964)	(44,566,338,066)	(45,461,025,366)	(894,687,300)	
Operating surplus	2,418,623,976	(396,583,521)	2,022,040,455	165,501,583	(1,856,538,872)	
Loss on disposal of capital assets	(13,000,000)	10,000,000	(3,000,000)	19,143,685	22,143,685	58
Surplus before taxation	2,405,623,976	(386,583,521)	2,019,040,455	184,645,268	(1,834,395,187)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2,405,623,976	(386,583,521)	2,019,040,455	184,645,268	(1,834,395,187)	

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial statements for the year ended 30 June 2022

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2022											
Financial Performance											
Property rates	6,735,921,881	1,503,391,729	8,239,313,610	-		8,239,313,610	7,924,026,528		(315,287,082)	96 %	118 %
Service charges	26,349,867,706	462,675,701	26,812,543,407	-		26,812,543,407	26,816,087,938		3,544,531	100 %	102 %
Investment revenue	188,724,013	(110,000,000)	78,724,013	-		78,724,013	121,411,910		42,687,897	154 %	64 %
Transfers recognised - operational	6,568,544,426	356,248,774	6,924,793,200	-		6,924,793,200	6,631,412,954		(293,380,246)	96 %	101 %
Other own revenue	2,356,367,228	390,558,134	2,746,925,362	-		2,746,925,362	2,015,626,156		(731,299,206)	73 %	86 %
Total revenue (excluding capital transfers and contributions)	42,199,425,254	2,602,874,338	44,802,299,592	-		44,802,299,592	43,508,565,486		(1,293,734,106)	97 %	103 %
Employee costs	(10,444,835,434)	166,143,007	(10,278,692,427)	-	(1,664,004)	(10,280,356,431)	(9,686,088,870)	-	594,267,561	94 %	93 %
Remuneration of councillors	(155,879,152)	-	(155,879,152)	-	-	(155,879,152)	(145,072,917)	-	10,806,235	93 %	93 %
Debt impairment	(3,386,510,775)	(1,300,842,148)	(4,687,352,923)			(4,687,352,923)	(4,854,125,342)	-	(166,772,419)	104 %	143 %
Depreciation and asset impairment	(2,505,909,100)	-	(2,505,909,100)			(2,505,909,100)	(2,835,381,000)	-	(329,471,900)	113 %	113 %
Finance charges	(1,176,609,784)	(210,763,812)	(1,387,373,596)	-	-	(1,387,373,596)	(1,367,760,916)	-	19,612,680	99 %	116 %
Materials and bulk purchases	(17,668,603,728)	(290,586,625)	(17,959,190,353)	-	90,586,625	(17,868,603,728)	(18,213,670,162)	-	(345,066,434)	102 %	103 %
Transfers and grants	(1,308,565,014)	66,831,024	(1,241,733,990)	-	178,848	(1,241,555,142)	(1,068,675,079)	-	172,880,063	86 %	82 %
Other expenditure	(5,294,272,767)	(1,153,361,360)	(6,447,634,127)	-	(89,101,469)	(6,536,735,596)	(6,935,300,509)	-	(398,564,913)	106 %	131 %
Total expenditure	(41,941,185,754)	(2,722,579,914)	(44,663,765,668)	-	-	(44,663,765,668)	(45,106,074,795)	-	(442,309,127)	101 %	108 %
Surplus/(Deficit)	258,239,500	(119,705,576)	138,533,924	-		138,533,924	(1,597,509,309)		(1,736,043,233)	(1,153)%	(1,153)%

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2,334,484,476	(243,677,389)	2,090,807,087	-		2,090,807,087	2,021,004,749		(69,802,338)	97 %	87 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	127,840,419		127,840,419	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	2,592,723,976	(363,382,965)	2,229,341,011	-		2,229,341,011	551,335,859		(1,678,005,152)	25 %	21 %
Taxation	-	-	-	-		-	(6,833,658)		(6,833,658)	DIV/0 %	DIV/0 %
Attributable to minorities	-	-	-	-		-	11,315,919		11,315,919	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	2,592,723,976	(363,382,965)	2,229,341,011	-		2,229,341,011	546,853,598		(1,682,487,413)	25 %	21 %
Capital expenditure and funds sources											
Total capital expenditure	4,081,635,584	(762,959,734)	3,318,675,850	-		3,318,675,850	3,193,615,871		(125,059,979)	96 %	78 %
Cash flows											
Net cash from (used) operating	2,935,828,928	(741,805,974)	2,194,022,954	-		2,194,022,954	2,413,897,995		219,875,041	110 %	82 %
Net cash from (used) investing	(4,096,577,489)	762,959,734	(3,333,617,755)	-		(3,333,617,755)	(2,764,580,279)		569,037,476	83 %	67 %
Net cash from (used) financing	697,931,236	-	697,931,236	-		697,931,236	286,259,361		(411,671,875)	41 %	41 %
Net increase/(decrease) in cash and cash equivalents	(462,817,325)	21,153,760	(441,663,565)	-		(441,663,565)	(64,422,923)		377,240,642	15 %	14 %
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	1,138,921,954		1,138,921,954	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	(462,817,325)	21,153,760	(441,663,565)	-		(441,663,565)	1,074,499,031		1,516,162,596	(243)%	(232)%

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial statements for the year ended 30 June 2022

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 - 2022											
Financial Performance											
Property rates	6,748,245,286	1,499,500,000	8,247,745,286	-		8,247,745,286	7,924,026,528		(323,718,758)	96 %	117 %
Service charges	26,570,106,868	479,997,169	27,050,104,037	-		27,050,104,037	26,934,564,788		(115,539,249)	100 %	101 %
Investment revenue	183,953,309	(110,000,000)	73,953,309	-		73,953,309	108,478,855		34,525,546	147 %	59 %
Transfers recognised - operational	6,747,630,521	262,493,387	7,010,123,908	-		7,010,123,908	6,769,398,617		(240,725,291)	97 %	100 %
Other own revenue	2,185,987,583	310,502,831	2,496,490,414	-		2,496,490,414	1,906,368,693		(590,121,721)	76 %	87 %
Total revenue (excluding capital transfers and contributions)	42,435,923,567	2,442,493,387	44,878,416,954	-		44,878,416,954	43,642,837,481		(1,235,579,473)	97 %	103 %
Employee costs	(9,928,505,249)	146,750,329	(9,781,754,920)	-	(1,664,004)	(9,783,418,924)	(9,268,685,159)	-	514,733,765	95 %	93 %
Remuneration of councillors	(155,879,152)	-	(155,879,152)	-	-	(155,879,152)	(145,072,917)	-	10,806,235	93 %	93 %
Debt impairment	(3,379,881,245)	(1,275,000,000)	(4,654,881,245)	-		(4,654,881,245)	(4,819,760,979)	-	(164,879,734)	104 %	143 %
Depreciation and asset impairment	(2,395,632,812)	-	(2,395,632,812)	-		(2,395,632,812)	(2,717,097,717)	-	(321,464,905)	113 %	113 %
Finance charges	(1,125,357,336)	(220,237,000)	(1,345,594,336)	-	-	(1,345,594,336)	(1,337,373,417)	-	8,220,919	99 %	119 %
Materials and bulk purchases	(18,773,643,600)	(200,000,000)	(18,973,643,600)	-	90,586,625	(18,883,056,975)	(19,211,895,219)	-	(328,838,244)	102 %	102 %
Transfers and grants	(1,516,665,014)	129,239,005	(1,387,426,009)	-	178,848	(1,387,247,161)	(1,231,508,689)	-	155,738,472	89 %	81 %
Other expenditure	(4,902,119,659)	(1,142,951,298)	(6,045,070,957)	-	(89,101,469)	(6,134,172,426)	(6,729,631,269)	-	(595,458,843)	110 %	137 %
Total expenditure	(42,177,684,067)	(2,562,198,964)	(44,739,883,031)	-	-	(44,739,883,031)	(45,461,025,366)	-	(721,142,335)	102 %	108 %
Surplus/(Deficit)	258,239,500	(119,705,577)	138,533,923	-		138,533,923	(1,818,187,885)		(1,956,721,808)	(1,312)%	(704)%
Transfers recognised - capital	2,147,384,476	(266,877,944)	1,880,506,532	-		1,880,506,532	1,874,992,729		(5,513,803)	100 %	87 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	127,840,419		127,840,419	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	2,405,623,976	(386,583,521)	2,019,040,455	-		2,019,040,455	184,645,263		(1,834,395,192)	9 %	8 %
Surplus/(Deficit) for the year	2,405,623,976	(386,583,521)	2,019,040,455	-		2,019,040,455	184,645,263		(1,834,395,192)	9 %	8 %

City of Ekurhuleni Metropolitan Municipality
Consolidated Annual Financial statements for the year ended 30 June 2022

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	3,887,066,348	(808,079,052)	3,078,987,296	-		3,078,987,296	3,038,490,555		(40,496,741)	99 %	78 %
Cash flows											
Net cash from (used) operating	2,597,797,196	(741,805,974)	1,855,991,222	-		1,855,991,222	2,065,224,162		209,232,940	111 %	79 %
Net cash from (used) investing	(3,940,593,698)	762,959,734	(3,177,633,964)	-		(3,177,633,964)	(2,589,325,396)		588,308,568	81 %	66 %
Net cash from (used) financing	750,658,124	-	750,658,124	-		750,658,124	338,873,622		(411,784,502)	45 %	45 %
Net increase/(decrease) in cash and cash equivalents	(592,138,378)	21,153,760	(570,984,618)	-		(570,984,618)	(185,227,612)		385,757,006	32 %	31 %
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	958,370,861		958,370,861	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	(592,138,378)	21,153,760	(570,984,618)	-		(570,984,618)	773,143,249		(1,344,127,867)	(135)%	(131)%

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The 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 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 interpretation, guidelines and directives issued by the accounting standards board, read with Directive 5 (GRAP reporting framework).

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

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

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

The amounts presented in the consolidated annual financial statements are rounded to the nearest rand.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

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 consolidated 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 16** to the consolidated annual 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 3 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 2022

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 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 of the economic entity presented as those of a single entity.

The incorporate the 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 2022

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.

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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.

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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.

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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.

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

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Accounting Policies

1.9 Financial instruments (continued)

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 assesses 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.

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.

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Accounting Policies

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.

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.

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Accounting Policies

1.11 Tax (continued)

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.

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.

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Accounting Policies

1.13 Provisions and contingencies

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

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

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

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

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

a) COID provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 4.9% (2021: 6.7%) per annum over members' expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 10.75% (2021: 10.80%).

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 10.75% (2021: 10.80%).

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 Construction contracts and receivables

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.

City of Ekurhuleni Metropolitan Municipality

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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.

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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 2022

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.

City of Ekurhuleni Metropolitan Municipality

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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 2022

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 2022

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 2022

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 reserve. The amounts set aside for these reserves are invested in accordance with the investment policy of the City. The following internal reserves are maintained:

Capital replacement reserve (CRR)

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

Self-insurance reserve

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

Sinking funds reserve

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

City of Ekurhuleni Metropolitan Municipality

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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 its 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 2021/07/01 to 2022/06/30. 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.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

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.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

	Economic entity	Controlling entity
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2. New standards and interpretations

2.1 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:

GRAP 104 Financial Instruments	01 April 2022	Unlikely there will be a material impact
GRAP 25 Employee Benefits	01 April 2022	Unlikely there will be a material impact
Guidelines for landfill sites	01 April 2022	Unlikely there will be a material impact

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property

Economic entity	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	926,563,804	(183,167,540)	743,396,264	899,569,020	(166,978,645)	732,590,375
Controlling entity	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	661,374,204	(143,707,981)	517,666,223	653,138,685	(131,986,018)	521,152,667

Reconciliation of investment property - Economic entity - 2022

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Transfer (to)/from other changes	Depreciation	Total
Investment property	732,590,375	26,994,785	-	8,235,520	(8,235,520)	-	(16,188,896)	743,396,264

Reconciliation of investment property - Economic entity - 2021

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Transfer (to)/from other changes	Depreciation	Total
Investment property	718,168,147	41,506,757	(89,145)	60,829,025	(60,829,025)	(10,547,038)	(16,448,346)	732,590,375

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - 2022

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Transfer (to)/from other changes	Depreciation	Total
Investment property	521,152,667	8,235,520	-	8,235,520	(8,235,520)	-	(11,721,964)	517,666,223

Reconciliation of investment property - Controlling entity - 2021

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Transfer (to)/from other changes	Depreciation	Total
Investment property	521,770,273	21,999,992	(89,146)	60,829,025	(60,829,025)	(10,547,038)	(11,981,414)	521,152,667

Investment property in the process of being constructed or developed

Opening Balance	-	38,829,032	-	38,829,032
Additions	8,235,520	21,999,992	8,235,520	21,999,992
Net of capitalisations and write-off	(8,235,520)	(60,829,024)	(8,235,520)	(60,829,024)
	-	-	-	-

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.

Transfers other classes R0; (R10,547,038: 2021) relates to transfers to Property, plant and equipment

Other disclosure

Total rental income received on investment property	72,107,490	71,398,623	28,935,268	29,384,556
Disclosure of repairs and maintenance (material and other cost)	52,209,496	38,161,479	46,531,840	34,153,620

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

3. Investment property (continued)

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

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,239,307,212	-	2,239,307,212	2,214,493,176	-	2,214,493,176
Infrastructure	70,797,262,850	(21,779,380,575)	49,017,882,275	68,655,389,658	(20,057,043,976)	48,598,345,682
Community	9,822,811,315	(3,086,822,864)	6,735,988,451	9,387,661,098	(2,808,918,601)	6,578,742,497
Moveable assets	4,593,821,954	(3,379,400,902)	1,214,421,052	4,572,384,496	(3,184,728,053)	1,387,656,443
Operational and housing buildings	4,656,494,487	(1,465,710,486)	3,190,784,001	4,492,292,850	(1,321,892,320)	3,170,400,530
Total	92,109,697,818	(29,711,314,827)	62,398,382,991	89,322,221,278	(27,372,582,950)	61,949,638,328

Controlling entity

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,226,289,929	-	2,226,289,929	2,201,475,893	-	2,201,475,893
Infrastructure	68,002,992,871	(21,068,086,906)	46,934,905,965	65,976,129,308	(19,422,560,027)	46,553,569,281
Community	9,822,811,315	(3,086,822,864)	6,735,988,451	9,387,661,098	(2,808,918,601)	6,578,742,497
Moveable Assets	4,420,709,307	(3,297,735,913)	1,122,973,394	4,388,437,756	(3,096,081,687)	1,292,356,069
Operational and housing buildings	4,598,237,379	(1,455,076,512)	3,143,160,867	4,434,344,531	(1,312,321,481)	3,122,023,050
Total	89,071,040,801	(28,907,722,195)	60,163,318,606	86,388,048,586	(26,639,881,796)	59,748,166,790

Reconciliation of property, plant and equipment - Economic entity - 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Other movements	Transfer (to)/from other assets classes	Depreciation	Impairment loss	Total
Land & buildings	2,214,493,176	-	-	6,900,000	-	-	17,914,036	-	-	2,239,307,212
Infrastructure	48,598,345,682	2,611,817,879	(79,047,356)	2,518,177,348	(2,782,921,918)	127,212,973	(79,964,548)	(1,895,737,785)	-	49,017,882,275
Community	6,578,742,497	182,572,271	(647,036)	399,570,859	(188,139,823)	46,435,065	-	(278,695,253)	(3,850,129)	6,735,988,451
Moveables	1,387,656,443	161,117,473	(5,506,318)	-	-	1,105,422	-	(329,951,968)	-	1,214,421,052
Operational and housing buildings	3,170,400,530	118,022,483	(232,656)	243,645,614	(197,232,104)	-	-	(143,819,866)	-	3,190,784,001
	61,949,638,328	3,073,530,106	(85,433,366)	3,168,293,821	(3,168,293,845)	174,753,460	(62,050,512)	(2,648,204,872)	(3,850,129)	62,398,382,991

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

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Other movements	Transfer (to)/from other assets classes	Depreciation	Impairment loss	Total
Land & buildings	2,234,113,435	-	(19,622,259)	-	-	1,400,000	(1,398,000)	-	-	2,214,493,176
Infrastructure	47,207,417,170	3,453,848,505	(4,636,717)	1,728,625,222	(1,968,643,556)	94,617,545	(115,982,688)	(1,796,898,089)	(1,710)	48,598,345,682
Community	6,264,998,245	537,958,919	(548,149)	492,768,076	(390,909,929)	(3,825,431)	(15,922,372)	(305,569,567)	(207,295)	6,578,742,497
Moveables	1,630,346,596	109,499,967	(741,920)	942,000	-	367,455	-	(352,757,655)	-	1,387,656,443
Operational and housing buildings	2,841,567,305	299,999,474	(8,383,009)	368,959,351	(230,212,869)	-	11,945,038	(113,474,760)	-	3,170,400,530
	60,178,442,751	4,401,306,865	(33,932,054)	2,591,294,649	(2,589,766,354)	92,559,569	(121,358,022)	(2,568,700,071)	(209,005)	61,949,638,328

Reconciliation of property, plant and equipment - Controlling entity - 2022

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Other movements	Transfer (to)/from other assets classes	Depreciation	Impairment loss	Total
Land	2,201,475,893	-	-	6,900,000	-	-	17,914,036	-	-	2,226,289,929
Infrastructure	46,553,569,281	2,476,061,808	(75,369,323)	2,270,743,986	(2,535,488,556)	127,212,972	(79,964,550)	(1,801,859,653)	-	46,934,905,965
Community	6,578,742,497	182,572,271	(647,038)	399,570,859	(188,139,823)	46,435,067	-	(278,695,253)	(3,850,129)	6,735,988,451
Movable Assets	1,292,356,069	141,691,488	(3,592,089)	-	-	10,586,022	-	(318,068,096)	-	1,122,973,394
Operational and housing buildings	3,122,023,050	117,699,838	(220,500)	243,645,614	(197,232,104)	-	-	(142,755,031)	-	3,143,160,867
	59,748,166,790	2,918,025,405	(79,828,950)	2,920,860,459	(2,920,860,483)	184,234,061	(62,050,514)	(2,541,378,033)	(3,850,129)	60,163,318,606

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Other movements	Transfer (to)/from other assets classes	Depreciation	Impairment loss	Total
Land	2,221,096,152	-	(19,622,259)	-	-	1,400,000	(1,398,000)	-	-	2,201,475,893
Infrastructure	45,125,930,843	3,398,914,340	(4,603,883)	1,642,034,338	(1,882,052,672)	96,789,855	(115,982,688)	(1,707,459,143)	(1,709)	46,553,569,281
Community	6,264,998,245	537,958,919	(548,149)	492,768,076	(390,909,929)	(3,825,430)	(15,922,373)	(305,569,567)	(207,295)	6,578,742,497
Movable Assets	1,526,642,325	103,823,127	-	942,000	-	-	-	(339,051,383)	-	1,292,356,069
Operational and housing buildings	2,792,133,664	299,999,474	(8,383,009)	368,959,351	(230,212,869)	-	11,945,039	(112,418,600)	-	3,122,023,050
	57,930,801,229	4,340,695,860	(33,157,300)	2,504,703,765	(2,503,175,470)	94,364,425	(121,358,022)	(2,464,498,693)	(209,004)	59,748,166,790

Assets taking significant longer to complete

The City identified the followings projects deemed to be taking significantly longer to complete, the projects taking longer to complete can be categorised into the following reason, deferred due to budgets constraints (53 projects), 2021 (88). These can also be attributed to adverse economic conditions, failing liquidity position and impact of Covid 19.

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

Item	2022	2021
Infrastructure	R 71 858 768	R 400 738 821
Community	R 31 704 291	R 89 962 412
Operational and housing buildings	R 74 189 940	R100 589 006

Disclosure of repairs and maintenance (material and other costs)

Infrastructure	1,857,296,483	2,083,477,380	1,690,766,606	1,943,603,213
Community	-	36,505	-	36,505
Operational and housing buildings	420,348,434	562,353,940	420,348,434	562,353,940
	2,277,644,917	2,645,867,825	2,111,115,040	2,505,993,658

Reconciliation of assets under construction Economic entity - 2022

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

4. Property, plant and equipment (continued)

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	6,654,751,595	669,966,793	563,946,819	7,888,665,207
Additions/capital expenditure	2,606,681,365	182,572,271	117,699,838	2,906,953,474
Other movements [transfers to/from other assets]	(131,255,657)	-	(220,500)	(131,476,157)
Transferred to completed items	(2,782,921,917)	(188,139,823)	(197,232,104)	(3,168,293,844)
	6,347,255,386	664,399,241	484,194,053	7,495,848,680

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]	(79,147,842)	(2,570,016)	(7,303,142)	(89,021,000)
Transferred to completed items	(2,408,310,844)	(533,428,487)	(249,233,819)	(3,190,973,150)
	6,654,751,595	669,966,793	563,946,819	7,888,665,207

Reconciliation of assets under construction 2022

	Included within Infrastructure	Included within Community	Operational and housing buildings	Total
Opening balance	6,269,462,964	669,966,793	548,071,114	7,487,500,871
Additions/capital expenditure	2,476,061,804	182,572,271	117,699,838	2,776,333,913
Other movements [transfers to/from other assets]	(131,255,657)	-	(220,500)	(131,476,157)
Transferred to completed items	(2,535,488,555)	(188,139,823)	(197,232,104)	(2,920,860,482)
	6,078,780,556	664,399,241	468,318,348	7,211,498,145

Reconciliation of assets under construction 2021

	Included within Infrastructure	Included within Community	Operational and housing buildings	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)	(2,570,016)	(7,303,142)	(86,885,917)
Transferred to completed items	(2,321,719,960)	(533,428,487)	(249,233,819)	(3,104,382,266)
	6,269,462,964	669,966,793	548,071,113	7,487,500,870

Other movements and transfers to other assets

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 R62,050,514 (2021: R70,297,787) was transferred out, as follows an amount of R30,908,579 was transferred to Intangible assets, R40,267,742 was transferred to land inventory and R17,914,036 was received from land inventory. The other movement in community assets relates to donated assets of, taken over from closure of BBC R9,898,944 and changes in the provision for landfill. Capital spares were bought as part of the project's capital expenditure, which were transferred to/(from) inventory (R8,788,227) (2021: R1,881,549) 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 R127,840,419 (2021: R103,023,326). 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

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	1,535,436,659	(337,186,718)	1,198,249,941	1,393,956,394	(257,250,184)	1,136,706,210
Servitudes	243,798,639	-	243,798,639	243,798,639	-	243,798,639
Total	1,779,235,298	(337,186,718)	1,442,048,580	1,637,755,033	(257,250,184)	1,380,504,849

Controlling entity

	2022			2021		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	1,521,023,879	(329,342,155)	1,191,681,724	1,377,885,665	(249,023,514)	1,128,862,151
Servitudes	243,798,639	-	243,798,639	243,798,639	-	243,798,639
Total	1,764,822,518	(329,342,155)	1,435,480,363	1,621,684,304	(249,023,514)	1,372,660,790

Reconciliation of intangible assets - Economic entity - 2022

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Transfer from other class	Amortisation	Total
Computer software (other)	1,136,706,210	112,338,884	(255,918)	81,604,420	(81,604,420)	30,908,579	(81,447,814)	1,198,249,941
Servitudes	243,798,639	-	-	-	-	-	-	243,798,639
	1,380,504,849	112,338,884	(255,918)	81,604,420	(81,604,420)	30,908,579	(81,447,814)	1,442,048,580

Notes to the Consolidated Annual Financial Statements

Figures in Rand

5. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Transfer from other class	Amortisation	Total
Computer software (other)	1,026,672,281	136,739,256	-	171,235,722	(128,910,590)	-	(69,030,459)	1,136,706,210
Servitudes	243,798,639	-	-	-	-	-	-	243,798,639
	1,270,470,920	136,739,256	-	171,235,722	(128,910,590)	-	(69,030,459)	1,380,504,849

Reconciliation of intangible assets - Controlling entity - 2022

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Transfer from other class	Amortisation	Total
Computer software	1,128,862,151	112,229,635	-	81,604,420	(81,604,420)	30,908,579	(80,318,641)	1,191,681,724
Servitudes	243,798,639	-	-	-	-	-	-	243,798,639
	1,372,660,790	112,229,635	-	81,604,420	(81,604,420)	30,908,579	(80,318,641)	1,435,480,363

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Additions	Disposals	Transfers from assets under construction	Transfers out of assets under construction	Transfer from other class	Amortisation	Total
Computer software	1,017,677,774	136,739,256	-	171,185,647	(128,910,590)	-	(67,829,936)	1,128,862,151
Servitudes	243,798,639	-	-	-	-	-	-	243,798,639
	1,261,476,413	136,739,256	-	171,185,647	(128,910,590)	-	(67,829,936)	1,372,660,790

Other information

The transfer amount of R30,908,579 (2021:R0) relates to transfers of assets received from property, plant and equipment to intangible assets.

The city did not have any intangible assets/projects taking significantly longer to complete.

Reconciliation of work in progress

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

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

5. Intangible assets (continued)

Work in progress

Opening balance	68,224,314	164,240,380	68,224,314	164,240,380
Software development incurred during the year	112,229,635	136,739,256	112,229,635	136,739,256
Transfers/capitalisation	(81,604,420)	(232,755,322)	(81,604,420)	(232,755,322)
	98,849,529	68,224,314	98,849,529	68,224,314

Notes to the Consolidated Annual Financial Statements

Figures in Rand

6. Heritage assets

Economic entity

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	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	58,963,039	(1,877,834)	57,085,205
Total	84,955,883	(2,948,450)	82,007,433	84,955,883	(2,948,450)	82,007,433

Controlling entity

	2022			2021		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	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	58,963,039	(1,877,834)	57,085,205
Total	84,955,883	(2,948,450)	82,007,433	84,955,883	(2,948,450)	82,007,433

Reconciliation of heritage assets Economic entity - 2022

	Opening balance	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	57,085,205	57,085,205
	82,007,433	82,007,433

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

6. Heritage assets (continued)

Reconciliation of heritage assets Economic entity - 2021

	Opening balance	Transfers received	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 - 2022

	Opening balance	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	57,085,205	57,085,205
	82,007,433	82,007,433

Reconciliation of heritage assets Controlling entity - 2021

	Opening balance	Transfers received	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

Other movements within heritage assets

Other movements R 0.00 (2021:R15 922 372) relate to transfer of completed assets from community assets WIP.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

7. Investment in controlled entities

Investments in controlled entities

Name	Economic Entity		Controlling Entity		Economic Entity		Controlling Entity	
	% ownership interest 2022	% ownership interest 2021	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021	Carrying amount 2022	Carrying amount 2021
Brakpan Bus Company SOC Ltd (De-registered)	- %	- %	- %	100.00 %	-	-	-	6
East Rand Water Care Company, NPC	- %	- %	97.00 %	97.00 %	-	-	-	-
Ekurhuleni Housing Company	- %	- %	100.00 %	100.00 %	-	-	100	100
					-	-	100	106
					-	-	100	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 amortised cost

Investments	835,198,505	1,265,237,188	835,198,505	1,265,237,188
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These investments have varying interest rates as well as varying maturity dates.

At fair value

Old Mutual and Sanlam	8,206,355	7,953,227	-	-
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City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
8. Intangible assets (continued)				
Non-current assets				
At cost	4,000,000	4,000,000	4,000,000	4,000,000
At amortised cost	717,671,676	666,817,023	717,671,676	666,817,023
	721,671,676	670,817,023	721,671,676	670,817,023
Current assets				
At fair value	8,206,355	7,953,227	-	-
At amortised cost	117,526,829	598,420,165	117,526,829	598,420,165
	125,733,184	606,373,392	117,526,829	598,420,165
	847,404,860	1,277,190,415	839,198,505	1,269,237,188

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	4,000,000	4,000,000	4,000,000	4,000,000
20% interest in ordinary shares				

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 2022.

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.

There were no gains or losses realised on the disposal of held to maturity financial assets for the year ended 2022, as all the financial assets will be disposed of at their redemption date.

Investments with a carrying value of R717,671,676 (2021: R666,817,022) 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 (2021: R800,000,000) as disclosed in the long-term liabilities note (note 15). The amount of R800,000,000 (2021: R800,000,000) 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	21,178,893	20,523,936	6,588,226	6,561,798
Bad debt provision	(2,163,739)	(2,154,526)	(2,163,739)	(2,154,526)
	19,015,154	18,369,410	4,424,487	4,407,272

The long-term receivables comprises of:

Rental deposits made	R19,015,154 (June 2021 - R18,369,410)
Housing schemes	R2,163,739 (June 2021 - R2,154,526)

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
10. Inventories				
Electrical consumables	555,963,780	255,154,259	555,963,780	255,154,259
Cleansing consumables	2,342,073	3,037,070	2,342,073	3,037,070
Consumable stores	8,561,017	10,450,166	8,561,017	10,450,166
Maintenance materials	38,586,898	31,993,594	38,586,898	31,993,594
Water consumables	40,879,393	35,922,563	40,879,393	35,922,563
Land held as inventory for social housing and development	1,100,393,390	1,078,039,684	1,100,393,390	1,078,039,684
Fuel (diesel, petrol)	11,958,611	8,367,414	11,958,611	8,367,414
	1,758,685,162	1,422,964,750	1,758,685,162	1,422,964,750

Inventory written down due to redundancy/obsolescence is valued at R0 (2021: R0) by way of a provision for obsolete inventories.

The transfer (to)/from movement relates to transfers within the asset categories and out of inventory, which were affected as follows, R40,267,742 was received from Property, plant and equipment, while an amount of R17,914,036 was transferred PPE. Capital spares were bought as part of the project's capital expenditure, which were transferred to/(from) inventory (R8,788,227) (2021: R1,881,549) this relates to the net movement of capital spares for the year between the inventory account and the WIP account, refer note 4

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.	1,060,125,648	1,007,741,896	1,060,125,648	1,007,741,896
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11. Receivables from exchange transactions

Consumer debtors - Electricity - Gross	4,489,687,521	3,802,926,699	4,489,687,521	3,802,926,699
Consumer debtors - Electricity - Impairment	(2,208,587,009)	(1,887,855,325)	(2,208,587,009)	(1,887,855,325)
Consumer debtors - Water - Gross	10,770,945,430	8,485,657,781	10,770,945,430	8,485,657,781
Consumer debtors - Water - Impairment	(8,170,578,979)	(6,424,913,423)	(8,170,578,979)	(6,424,913,423)
Consumer debtors - Waste water - Gross	2,809,475,172	2,253,909,615	2,809,475,172	2,253,909,615
Consumer debtors - Waste water - Impairment	(2,130,625,763)	(1,706,554,350)	(2,130,625,763)	(1,706,554,350)
Consumer debtors - Refuse -Gross	2,551,517,969	1,993,126,337	2,551,517,969	1,993,126,337
Consumer debtors - Refuse - Impairment	(2,039,989,492)	(1,617,057,270)	(2,039,989,492)	(1,617,057,270)
Consumer debtors - Other - Gross	212,753,874	170,222,700	212,753,874	170,222,700
Consumer debtors - Other - Impairment	(200,989,215)	(160,442,950)	(200,989,215)	(160,442,950)
Consumer debtors - Interest and sundries - Gross	2,770,299,174	2,262,894,549	2,770,299,174	2,262,894,549
Consumer debtors - Interest and sundries - Impairment	(2,273,179,530)	(1,891,090,403)	(2,273,179,530)	(1,891,090,403)
Pre-paid electricity 3rd party vendors	81,393,974	63,674,173	81,393,974	63,674,173
Other receivables	144,885,331	180,984,827	158,675,118	178,088,815
VAT accruals on outstanding creditors	851,486,238	556,663,324	851,486,238	556,663,324
Operating lease straight-line	1,341,444	1,341,444	1,341,444	1,341,444
Allowance other receivables	(23,932,504)	(57,272,260)	(23,932,504)	(57,272,260)
	7,635,903,635	6,026,215,468	7,649,693,422	6,023,319,456

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	2,149,466,112	1,670,332,347	2,149,466,112	1,670,332,347
Traffic fines -Impairment	(1,750,211,616)	(1,350,493,038)	(1,750,211,616)	(1,350,493,038)
Property rates debtors - Gross	4,316,257,117	3,002,924,996	4,316,257,117	3,002,924,996
Property rates debtors - Impairment	(3,481,258,921)	(2,438,668,451)	(3,481,258,921)	(2,438,668,451)
	1,234,252,692	884,095,854	1,234,252,692	884,095,854

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
12. Statutory receivables (continued)				
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. Consumer debtors disclosure				
Gross balances				
Consumer debtors - Rates	4,316,257,117	3,002,924,996	4,316,257,117	3,002,924,996
Consumer debtors - Electricity	4,489,687,521	3,802,926,699	4,489,687,521	3,802,926,699
Consumer debtors - Water	10,770,945,430	8,485,657,781	10,770,945,430	8,485,657,781
Consumer debtors - Waste water	2,809,475,172	2,253,909,615	2,809,475,172	2,253,909,615
Consumer debtors - Refuse	2,551,517,969	1,993,126,337	2,551,517,969	1,993,126,337
Consumer debtors - Other	212,753,874	170,222,700	212,753,874	170,222,700
Consumer debtors - Interest and sundries	2,770,299,174	2,262,894,549	2,770,299,174	2,262,894,549
	27,920,936,257	21,971,662,677	27,920,936,257	21,971,662,677
Less: Allowance for impairment				
Consumer debtors - Rates	(3,481,258,921)	(2,438,668,451)	(3,481,258,921)	(2,438,668,451)
Consumer debtors - Electricity	(2,208,587,009)	(1,887,855,325)	(2,208,587,009)	(1,887,855,325)
Consumer debtors - Water	(8,170,578,979)	(6,424,913,423)	(8,170,578,979)	(6,424,913,423)
Consumer debtors - Waste water	(2,130,625,763)	(1,706,554,350)	(2,130,625,763)	(1,706,554,350)
Consumer debtors - Refuse	(2,039,989,492)	(1,617,057,270)	(2,039,989,492)	(1,617,057,270)
Consumer debtors - Other	(200,989,215)	(160,442,950)	(200,989,215)	(160,442,950)
Consumer debtors - Interest and sundries	(2,273,179,530)	(1,891,090,403)	(2,273,179,530)	(1,891,090,403)
	(20,505,208,909)	(16,126,582,172)	(20,505,208,909)	(16,126,582,172)
Net balance				
Consumer debtors - Rates	834,998,196	564,256,545	834,998,196	564,256,545
Consumer debtors - Electricity	2,281,100,512	1,915,071,374	2,281,100,512	1,915,071,374
Consumer debtors - Water	2,600,366,451	2,060,744,358	2,600,366,451	2,060,744,358
Consumer debtors - Waste water	678,849,409	547,355,265	678,849,409	547,355,265
Consumer debtors - Refuse	511,528,477	376,069,067	511,528,477	376,069,067
Consumer debtors - Housing rental	11,764,659	9,779,750	11,764,659	9,779,750
Consumer debtors - Interest and sundries	497,119,644	371,804,146	497,119,644	371,804,146
	7,415,727,348	5,845,080,505	7,415,727,348	5,845,080,505
Included in above is receivables from exchange transactions				
Electricity	2,281,100,512	1,915,071,374	2,281,100,512	1,915,071,374
Water	2,600,366,451	2,060,744,358	2,600,366,451	2,060,744,358
Refuse	511,528,431	547,355,265	511,528,431	547,355,265
Waste Water	678,849,456	376,069,067	678,849,456	376,069,067
Housing rental	11,764,660	9,779,750	11,764,660	9,779,750
Interest and sundries	497,119,643	371,804,146	497,119,643	371,804,146
	6,580,729,153	5,280,823,960	6,580,729,153	5,280,823,960
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	834,998,196	564,256,579	834,998,196	564,256,579
Net balance	7,415,727,349	5,845,080,539	7,415,727,349	5,845,080,539

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
13. Consumer debtors disclosure (continued)				
Rates				
Current (0 -30 days)	502,871,267	383,514,392	502,871,267	383,514,392
31 - 60 days	228,029,033	135,851,759	228,029,033	135,851,759
61 - 90 days	183,077,719	92,297,209	183,077,719	92,297,209
91 - 120 days	3,402,279,099	2,391,261,671	3,402,279,099	2,391,261,671
	4,316,257,118	3,002,925,031	4,316,257,118	3,002,925,031
Electricity				
Current (0 -30 days)	2,954,364,915	2,537,149,115	2,954,364,915	2,537,149,115
31 - 60 days	160,549,604	128,546,144	160,549,604	128,546,144
61 - 90 days	111,553,628	65,717,440	111,553,628	65,717,440
91 - 120 days	1,263,219,374	1,071,513,998	1,263,219,374	1,071,513,998
	4,489,687,521	3,802,926,697	4,489,687,521	3,802,926,697
Water				
Current (0 -30 days)	1,029,918,157	985,575,570	1,029,918,157	985,575,570
31 - 60 days	403,155,489	244,438,307	403,155,489	244,438,307
61 - 90 days	276,529,164	223,764,989	276,529,164	223,764,989
91 - 120 days	9,061,342,619	7,031,878,915	9,061,342,619	7,031,878,915
	10,770,945,429	8,485,657,781	10,770,945,429	8,485,657,781
Waste water				
Current (0 -30 days)	299,238,635	280,400,359	299,238,635	280,400,359
31 - 60 days	104,747,294	66,162,779	104,747,294	66,162,779
61 - 90 days	71,381,777	57,699,545	71,381,777	57,699,545
91 - 120 days	2,334,107,465	1,849,646,930	2,334,107,465	1,849,646,930
	2,809,475,171	2,253,909,613	2,809,475,171	2,253,909,613
Refuse				
Current (0 -30 days)	132,097,587	106,475,261	132,097,587	106,475,261
31 - 60 days	91,838,144	56,435,845	91,838,144	56,435,845
61 - 90 days	65,775,260	49,544,732	65,775,260	49,544,732
91 - 120 days	2,261,806,978	1,780,670,499	2,261,806,978	1,780,670,499
	2,551,517,969	1,993,126,337	2,551,517,969	1,993,126,337
Housing rental				
Current (0 -30 days)	2,849,579	2,576,734	2,849,579	2,576,734
31 - 60 days	4,140,823	3,679,341	4,140,823	3,679,341
61 - 90 days	4,774,258	3,523,674	4,774,258	3,523,674
91 - 120 days	200,989,215	160,442,950	200,989,215	160,442,950
	212,753,875	170,222,699	212,753,875	170,222,699
Other (specify)				
Current (0 -30 days)	122,634,096	100,620,752	122,634,096	100,620,752
31 - 60 days	99,138,487	50,577,028	99,138,487	50,577,028
61 - 90 days	71,017,692	46,581,510	71,017,692	46,581,510
91 - 120 days	2,477,508,899	2,065,115,259	2,477,508,899	2,065,115,259
	2,770,299,174	2,262,894,549	2,770,299,174	2,262,894,549

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
13. Consumer debtors disclosure (continued)				
Summary of debtors by customer classification				
Residential				
Current (0 -30 days)	1,823,750,759	1,631,351,594	1,823,750,759	1,631,351,594
31 - 60 days	834,598,211	485,026,893	834,598,211	485,026,893
61 - 90 days	585,343,152	413,831,871	585,343,152	413,831,871
91 - 120 days	18,270,992,362	14,202,281,205	18,270,992,362	14,202,281,205
	<u>21,514,684,484</u>	<u>16,732,491,563</u>	<u>21,514,684,484</u>	<u>16,732,491,563</u>
Less: Allowance for impairment	(16,759,810,629)	(13,173,845,461)	(16,759,810,629)	(13,173,845,461)
	<u>4,754,873,855</u>	<u>3,558,646,102</u>	<u>4,754,873,855</u>	<u>3,558,646,102</u>
Industrial/ commercial				
Current (0 -30 days)	2,987,433,803	2,583,920,333	2,987,433,803	2,583,920,333
31 - 60 days	238,412,593	184,193,082	238,412,593	184,193,082
61 - 90 days	186,779,070	115,629,047	186,779,070	115,629,047
91 - 120 days	2,498,952,682	1,950,112,883	2,498,952,682	1,950,112,883
	<u>5,911,578,148</u>	<u>4,833,855,345</u>	<u>5,911,578,148</u>	<u>4,833,855,345</u>
Less: Allowance for impairment	(3,427,519,250)	(2,714,740,576)	(3,427,519,250)	(2,714,740,576)
	<u>2,484,058,898</u>	<u>2,119,114,769</u>	<u>2,484,058,898</u>	<u>2,119,114,769</u>
National and provincial government				
Current (0 -30 days)	124,412,051	91,220,057	124,412,051	91,220,057
31 - 60 days	14,225,523	13,677,397	14,225,523	13,677,397
61 - 90 days	7,082,026	6,996,985	7,082,026	6,996,985
91 - 120 days	35,129,521	33,650,747	35,129,521	33,650,747
	<u>180,849,121</u>	<u>145,545,186</u>	<u>180,849,121</u>	<u>145,545,186</u>
Less: Allowance for impairment	(86,703,425)	(53,510,334)	(86,703,425)	(53,510,334)
	<u>94,145,696</u>	<u>92,034,852</u>	<u>94,145,696</u>	<u>92,034,852</u>
Total				
Current (0 -30 days)	5,043,976,000	4,396,311,380	5,043,976,000	4,396,311,380
31 - 60 days	1,091,597,111	685,691,205	1,091,597,111	685,691,205
61 - 90 days	784,109,497	539,129,902	784,109,497	539,129,902
91 - 120 days	21,001,253,649	16,350,530,223	21,001,253,649	16,350,530,223
	<u>27,920,936,257</u>	<u>21,971,662,710</u>	<u>27,920,936,257</u>	<u>21,971,662,710</u>
Less: Allowance for impairment	(20,505,208,908)	(16,126,582,209)	(20,505,208,908)	(16,126,582,209)
	<u>7,415,727,349</u>	<u>5,845,080,501</u>	<u>7,415,727,349</u>	<u>5,845,080,501</u>
Less: Allowance for impairment				
Current (0 -30 days)	(2,935,922,397)	(2,288,940,225)	(2,935,922,397)	(2,288,940,225)
31 - 60 days	(623,472,545)	(434,949,081)	(623,472,545)	(434,949,081)
61 - 90 days	(524,536,583)	(413,532,844)	(524,536,583)	(413,532,844)
91 - 120 days	(16,421,277,384)	(12,989,160,059)	(16,421,277,384)	(12,989,160,059)
	<u>(20,505,208,909)</u>	<u>(16,126,582,209)</u>	<u>(20,505,208,909)</u>	<u>(16,126,582,209)</u>
Reconciliation of allowance for impairment				
Balance at beginning of the year	(16,126,582,209)	(12,495,253,915)	(16,126,582,209)	(12,495,253,915)
Contributions to allowance	(4,848,693,063)	(4,116,187,914)	(4,848,693,063)	(4,116,187,914)
Debt impairment written off against allowance	470,066,363	484,859,620	470,066,363	484,859,620
	<u>(20,505,208,909)</u>	<u>(16,126,582,209)</u>	<u>(20,505,208,909)</u>	<u>(16,126,582,209)</u>

City of Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

13. Consumer debtors disclosure (continued)

The total debtors for June 2022 includes a total of R2,454,223,529 (2021: R2,253,171,148) 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 is required in excess of the present allowance for doubtful debts.

Consumer debtors past due but not impaired

30 Days	2,108,053,603	2,107,371,156	2,108,053,603	2,107,371,156
60 Days	468,124,567	250,742,124	468,124,567	250,742,124
90 Days	259,572,914	125,597,057	259,572,914	125,597,057
90+ Days	4,579,976,265	3,361,370,164	4,579,976,265	3,361,370,164
	7,415,727,349	5,845,080,501	7,415,727,349	5,845,080,501

The ageing of consumer debts impaired

30 Days	2,935,922,397	2,288,940,225	2,935,922,397	2,288,940,225
60 Days	623,472,545	434,949,081	623,472,545	434,949,081
90 Days	524,536,583	413,532,844	524,536,583	413,532,844
90+ Days	16,421,277,384	12,989,160,059	16,421,277,384	12,989,160,059
	20,505,208,909	16,126,582,209	20,505,208,909	16,126,582,209

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	541,119	584,102	540,601	568,714
Bank balances	1,068,725,315	1,130,713,600	772,602,648	957,802,147
Short-term deposits	5,232,596	7,624,252	-	-
	1,074,499,030	1,138,921,954	773,143,249	958,370,861

The City has provided bank guarantees to the amount of R9 440 797 (2021: R33,096,424) 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.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
14. 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				
COE Alberton Income	847,994	-	847,994	-
ABSA - Income Benoni	10,345,873	202,877	10,345,873	202,877
ABSA - Direct banking Benoni	(357,584)	21,643,168	(357,584)	21,643,168
MASK Account Benoni	(82,000)	(199,622)	(82,000)	(199,622)
ABSA - Income Boksburg	-	37,442	-	37,442
COE Boksburg income	1,892,345	-	1,892,345	-
ABSA - Direct banking KL Boksburg	(259,585)	35,664,271	(259,585)	35,664,271
ABSA - Income Brakpan	(93,677)	5,255,898	(93,677)	5,255,898
COE Brakpan Income	5,303,749	-	5,303,749	-
ABSA - Direct banking Germiston	(56,843)	24,587,095	(56,843)	24,587,095
COE Germiston Income Account	652,464	-	652,464	-
COE Kempton Park Income Account	2,422,914	-	2,422,914	-
ABSA - Direct banking Kempton Park	(3,041,230)	21,580,201	(3,041,230)	21,580,201
COE Edenvale Income Account	1,016,541	-	1,016,541	-
ABSA - Direct banking Edenvale	(78,197)	9,656,383	(78,197)	9,656,383
FNB Mask Account Edenvale	4,911,949	13,131,454	4,911,949	13,131,454
COE Nigel Income Account	302,477	-	302,477	-
COE Nigel Direct Banking	(55,709)	-	(55,709)	-
ABSA - Income Springs	-	(4,210)	-	(4,210)
COE Springs Income Account	7,966,772	-	7,966,772	-
ABSA - Direct banking Springs	(758,717)	28,076,045	(758,717)	28,076,045
COE Springs Market Account	438,174	-	438,174	-
STANDARD BANK - Mask Account Springs	1,626,391	4,645,608	1,626,391	4,645,608
COE EFF Account	11,759,460	-	11,759,460	-
ABSA - Primary bank account	20,613,944	153,393,328	20,613,944	153,393,328
COE Primary Call Account	20,065,325	-	20,065,325	-
COE Salary account	5,517,752	-	5,517,752	-
ABSA - Treasury account	293,931,014	49,864,713	293,931,014	49,864,713
ABSA - Expenditure imprest account	1,668,186	95,936	1,668,186	95,936
COE USDG Account	21,398,190	-	21,398,190	-
COE Housing Account	33,900,758	-	33,900,758	-
COE Depreciation Reserve Account	580,789	-	580,789	-
COE Investment Account	76,357,150	-	76,357,150	-
Lease Bank Account	-	281,166	-	281,166
Petty Cash and Floats	540,601	568,714	540,601	568,714
NEDBANK Mask Account	3,950,744	3,104	3,950,744	3,104
E-Siyakhokha Mask Account	2,127,189	831,083	2,127,189	831,083
Nedbank - Salary Account	-	7,215,709	-	7,215,709
COE Nedbank Call Account	55,696,525	-	55,696,525	-
Nedbank - Expenditure Account	429,050	(287,154,674)	429,050	(287,154,674)
Nedbank - Treasury Account	34,719,670	283,344,000	34,719,670	283,344,000
Nedbank - USDG Account	-	97,392,378	-	97,392,378
Nedbank - Housing Account	-	257,350,131	-	257,350,131
Nedbank - Depreciation Reserve Account	-	576,296	-	576,296
Nedbank - External Finance Fund Account	-	79,399,834	-	79,399,834
Nedbank - Primary Bank Account	22,161,086	36,888,786	22,161,086	36,888,786
Nedbank - IRPTN Funding account	429,036	1,000,163	429,036	1,000,163
Nedbank - IRPTN Bank Collect	43,970,219	22,338,949	43,970,219	22,338,949
Nedbank - Traffic Fines Collection	25,537	508,526	25,537	508,526
Nedbank - License Account	292,078	3,711,896	292,078	3,711,896
Nedbank - Income Alberton	-	3,033,712	-	3,033,712
Nedbank - Direct banking Alberton	925,201	1,167,463	925,201	1,167,463
Nedbank - Income Benoni	(435)	4,215,766	(435)	4,215,766
Nedbank - Direct banking Benoni	2,311,467	6,066,237	2,311,467	6,066,237
Nedbank - Siyakhokha	66,994,801	2,860,047	66,994,801	2,860,047
Nedbank - Income Boksburg	-	4,517,513	-	4,517,513
Nedbank - Direct banking Boksburg	2,442,532	4,370,948	2,442,532	4,370,948
Nedbank - Prepaid Sales Account	-	11,173,283	-	11,173,283
Nedbank - Solid Waste Account	-	322,857	-	322,857

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
14. Cash and cash equivalents (continued)				
Nedbank - Income Brakpan	-	2,408,223	-	2,408,223
Nedbank - Direct banking Brakpan	5,452,246	933,742	5,452,246	933,742
Nedbank - Income Edenvale	-	1,307,246	-	1,307,246
Nedbank - Direct banking Edenvale	851,919	1,208,638	851,919	1,208,638
Nedbank - Income Germiston	(1,585)	2,830,192	(1,585)	2,830,192
Nedbank - Direct banking Germiston	2,661,012	3,782,625	2,661,012	3,782,625
Nedbank - Income Kempton Park	36,740	3,850,833	36,740	3,850,833
Nedbank - Direct banking Kempton Park	1,242,992	1,844,541	1,242,992	1,844,541
Nedbank - Income Nigel	-	629,698	-	629,698
Nedbank - Direct banking Nigel	4,303,809	15,282,612	4,303,809	15,282,612
Nedbank - Income Springs	-	10,960,097	-	10,960,097
Nedbank - Direct banking Springs	2,773,548	2,725,612	2,773,548	2,725,612
Nedbank - Springs Market Account	-	780,770	-	780,770
Nedbank - Library Account	70,598	211,560	70,598	211,560
ERWAT	280,234,987	150,913,937	-	-
BBC	-	1,179,402	-	-
EHC	21,120,794	28,457,752	-	-
	1,074,499,030	1,138,921,954	773,143,249	958,370,863

The City had the following bank accounts

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity			Controlling entity		
	2022	2021		2022	2021	
14. Cash and cash equivalents (continued)						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
COE - Income Alberton- 111-841-0641	847,994	-	-	847,994	-	-
ABSA BANK - Income Benoni - 4055327394	10,345,873	202,876	349,264	10,345,873	202,877	349,264
ABSA BANK - Direct Banking Benoni - 4055328015	(357,584)	22,164,047	14,462,290	(357,584)	21,643,168	14,462,290
ABSA BANK - Mask Account Benoni - 4065622380	(82,000)	-	-	(82,000)	(199,622)	-
ABSA BANK - Income Boksburg - 230000069	-	-	-	-	37,442	-
ABSA BANK - Direct Banking KL Boksburg - 230000220	(259,585)	36,356,065	10,829,818	(259,585)	35,664,271	10,829,750
COE Boksburg income - 230000255	1,892,345	-	-	1,892,345	-	-
ABSA BANK - Income Brakpan - 240000024	(93,677)	5,392,580	2,549,481	(93,677)	5,255,898	2,549,481
COE Brakpan Income	5,303,749	-	-	5,303,749	-	-
ABSA BANK - Direct banking Germiston - 250000804	(56,843)	25,540,168	20,325,729	(56,843)	24,587,095	20,325,729
COE Germiston Income Account	652,464	-	-	652,464	-	-
ABSA BANK - Direct banking Kempton Park - 260181599	(3,041,230)	26,313,919	14,999,535	(3,041,230)	21,580,200	11,314,384
COE Income Kempton Park - 260000004	2,422,914	-	-	2,422,914	-	-
COE Income Edenvale - 4055442546	1,016,541	-	-	1,016,541	-	-
ABSA BANK - Direct banking Edenvale- 4055442596	(78,197)	10,252,304	4,092,261	(78,197)	9,656,383	4,092,261
COE Income Nigel - 270000010	302,477	-	-	302,477	-	-
COE Nigel Direct Banking	(55,709)	-	-	(55,709)	-	-
ABSA BANK - Income Springs - 280000051	-	-	-	-	(4,210)	-
ABSA BANK - Direct Springs - 280000051	(758,717)	29,071,198	19,479,176	(758,717)	28,076,045	19,477,534
COE Springs Income	7,966,772	-	-	7,966,772	-	-
COE Springs Market Account	438,174	-	-	438,174	-	-
ABSA BANK - Fresh Produce Market - 1135470160	-	-	-	-	-	1,134,982
COE EFF account (ex CLF) - 4053834321	11,759,460	-	-	11,759,460	-	-
COE Investment Account	76,357,150	-	-	76,357,150	-	-
ABSA BANK - Primary bank Acc - 4053835084	20,613,944	153,393,328	(1)	20,613,944	153,393,328	(1)
COE Primary Call	20,065,325	-	-	20,065,325	-	-
COE Salary Account	5,517,752	-	-	5,517,752	-	-
ABSA BANK - Salary account - 4055571973	-	-	-	-	-	(10,527)
ABSA BANK - Treasury account - 4055571931	293,931,014	49,864,713	35,598,069	293,931,014	49,864,713	35,598,069
ABSA BANK - Expenditure imprest acc - 4055571915	7,522,445	95,936	58,580	1,668,186	95,936	58,580
COE USDG Account	21,398,190	-	-	21,398,190	-	-
COE Housing account	33,900,758	-	-	33,900,758	-	-
COE Depreciation Reserve Account	580,789	-	-	580,789	-	-
CoE Traffic fines 4072777706	-	-	-	-	-	400
FNB Mask account 62379403745	5,010,179	23,177,816	59,168,390	4,911,949	13,131,454	59,168,390
Petty Cash and Floats	-	-	-	540,601	568,714	568,714
Standard bank mask account	1,662,683	4,672,261	42,270,981	1,626,391	4,645,607	42,270,981
E-Siyakhokha Mask Account	2,127,189	3,104	1,249,440	2,127,189	3,104	(437)
Nedbank Income Alberton	-	-	-	-	3,033,712	2,674,729
Nedbank Direct banking Alberton	925,201	-	-	925,201	1,167,463	1,438,715
Nedbank Direct banking Benoni	3,317,810	-	-	2,311,467	6,066,237	1,491,626
Nedbank Income Benoni	-	-	-	(435)	4,215,766	5,205,396
Nedbank Income Boksburg	-	-	-	-	4,517,513	5,255,173

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

		Economic entity		Controlling entity		
Figures in Rand		2022	2021	2022	2021	
14. Cash and cash equivalents (continued)						
Nedbank Direct banking Boksburg	3,192,853	-	-	2,442,532	4,370,948	5,965,139
Nedbank Direct banking Brakpan	5,550,780	-	-	5,452,246	933,742	692,084
Nedbank Income Brakpan	-	-	-	-	2,408,223	1,416,179
Nedbank Direct banking Edenvale	1,012,629	-	-	851,919	1,208,638	13,979,719
Nedbank Income Edenvale	-	-	-	-	1,307,246	1,037,726
Nedbank Direct banking Germiston	2,661,512	-	-	2,661,012	3,782,625	4,478,693
Nedbank Income Germiston	(1,585)	-	-	(1,585)	2,830,192	2,149,647
Nedbank Dir banking Kempton Park	1,723,640	-	-	1,242,992	1,844,541	2,535,037
Nedbank Income Kempton Park	(30)	-	-	36,740	3,850,833	4,391,770
Nedbank direct banking Nigel	4,608,986	-	-	4,303,809	15,282,612	1,715,219
Nedbank Income Nigel	-	-	-	-	629,698	704,495
Nedbank Direct banking Springs	-	-	-	2,773,548	2,725,611	4,756,675
Nedbank Income Springs	3,093,627	-	-	-	10,960,097	13,893,837
COE Nedbank Call Account	-	-	-	55,696,525	-	-
Nedbank IRPTN Bank 2 Funding	429,036	1,000,174	860,237	429,036	1,000,163	860,237
1119114845						
Nedbank IRPTN Transport - collection 1120949068	43,970,219	22,338,949	13,844,839	43,970,219	22,338,949	13,844,839
Nedbank Salary account	-	7,215,709	14,445,354	-	7,215,709	13,491,579
1119114837						
Nedbank Expenditure account	429,050	(19,937,795)	(16,711,609)	429,050	(287,154,674)	(105,638,637)
1119114829						
Nedbank Treasury account	34,719,670	283,344,000	165,917,082	34,719,670	283,344,000	165,917,082
1119114810						
Nedbank USDG account	-	97,392,378	113,392,378	-	97,392,378	113,392,378
1119114802						
Nedbank Housing account	-	257,350,134	24,761,151	-	257,350,134	24,761,151
1119114799						
Nedbank Depreciation Reserve account 1119114780	-	576,296	576,296	-	576,296	576,296
Nedbank External Funding Fund	-	79,399,834	16,399,834	-	79,399,834	16,399,834
1119114772						
Nedbank Primary Bank account	22,161,086	36,888,786	1,081,978,938	22,161,086	36,888,786	1,080,760,505
1119114764						
Nedbank Springs Market account	-	780,770	417,980	-	780,770	417,980
1119114853						
Nedbank Traffic Fines account	25,537	-	-	25,537	508,526	310,386
Nedbank License account	292,078	-	-	292,078	3,711,896	7,522,026
Nedbank E-Siyakhokha	65,957,313	-	-	66,994,801	2,860,047	8,405,929
Nedbank Pre account 1104446634	3,950,744	831,083	(4,552,112)	3,950,744	831,083	(4,047,631)
Nedbank Mre paid account	-	-	-	-	11,173,283	10,813,692
COE Solid Waste account	-	-	-	-	322,857	122,793
CoE Lease Account Nedbank	-	-	-	-	281,166	311,039
Nedbank Library Account	70,598	-	-	70,598	211,561	31,711
ERWAT ABSA Current account	214,828,335	147,799,607	1,849,741	214,828,335	148,030,298	1,849,741
ERWAT ABSA Salary account	65,406,652	2,883,639	199,725	65,406,652	2,883,639	199,725
(Phase II) ABSA Current account - 4052348660	334,639	886,085	1,917,218	334,639	886,085	1,917,218
(Phase II) ABSA Call account - 4078340070	2,360,015	2,309,131	2,285,679	2,360,015	2,309,131	2,285,679
(Phase II) ABSA Call account - 4099270252	5,849,581	10,741,671	-	5,849,581	10,741,671	-
(Phase II) ABSA Current account - 4055919492	-	-	1,026,192	-	-	1,026,192
(Phase II) ABSA Current account - 4099506067	401,259	5,311,430	-	401,259	5,311,430	-
(Phase II) ABSA Current account - 4050383636	2,757,326	25,983	4,347,712	2,757,326	25,983	4,347,712
(Phase II) ABSA Call account - 4078340151	1,590,410	1,559,200	1,543,364	1,590,410	1,559,200	1,543,364
Call 32 day 676886622010	5,232,596	7,624,252	10,182,158	5,232,596	7,624,252	10,182,158
(Phase II) ABSA Current account - 4101506844	2,594,348	-	-	2,594,348	-	-
(Phase II) ABSA Current account - 4102528394	104	-	-	104	-	-
BBC ABSA Current account	-	793,502	799,891	-	1,142,974	812,378

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Economic entity				Controlling entity	
Figures in Rand	2022	2021	2022	2021	2022	2021
14. Cash and cash equivalents (continued)						
BBC ABSA Money market account	-	30,284	30,412	-	(9,441)	30,284
BBC Nedbank Current account	-	1,117,810	1,117,810	-	31,553	997,924
Petty Cash and Floats	518	14,300	-	518	14,315	33,619
Total	1,026,299,176	1,334,777,527	1,662,063,283	1,074,499,032	1,138,921,954	1,669,450,886

15. Long-term liabilities

Designated at fair value

Bank loan - Nedbank	319,504,879	361,583,860	-	-
Interest rate - JIBAR plus 2.32%. The loan is secured and repayable in bi-annual instalments.				
Bank loan - DBSA	4,924,105,520	4,028,641,175	4,924,105,520	4,028,641,175
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.				
Bank loan - Nedbank	901,063,595	938,007,164	901,063,595	938,007,164
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	291,882,375	369,068,863	291,882,375	369,068,863
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)	22,721,758	32,109,153	-	-
Interest rate is 5% (2019, 8%) per annum. The loan is repayable in bi-annual instalments and unsecured. Redeemable 28 June 2024.				
Municipal bonds	3,967,041,650	4,409,502,313	3,967,041,650	4,409,502,313
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.				
	10,426,319,777	10,138,912,528	10,084,093,140	9,745,219,515

Non-current liabilities

At amortised cost	9,428,448,075	9,274,905,425	9,139,247,419	8,932,970,997
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Current liabilities

At amortised cost	997,871,702	864,007,103	944,845,717	812,248,517
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Encumbered investments

An investment with a carrying value of R717,671,676 (2021: R666,817,022) is encumbered in respect of the liability a carrying value of R800,000,000 (2021: R800,000,000) 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 2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

16. 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 principals 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 2021 certified that the fund is in a sound financial state. The City of Ekurhuleni has 69 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 1165 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 2021 and it was certified that the fund is in a sound financial state. The City of Ekurhuleni has 56 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 18) 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 2022 are 12,030 (2021: 12,351) in-service employees and 1,961 (2021:1,908) pensioners. The actuarial valuation was performed by Deloitte and Touche by applying the Projected Unit Funding method.

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

16. 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	(2,118,032,581)	(2,207,649,581)	(2,072,148,581)	(2,163,476,581)
Non-current liabilities	(1,982,974,581)	(2,108,411,581)	(1,939,576,581)	(2,066,404,581)
Current liabilities	(135,058,000)	(99,238,000)	(132,572,000)	(97,072,000)
	(2,118,032,581)	(2,207,649,581)	(2,072,148,581)	(2,163,476,581)

Movements for the year

Opening balance	(2,207,649,581)	(2,169,927,581)	(2,163,476,581)	(2,130,088,581)
Benefits paid	105,846,000	104,565,581	103,510,000	101,408,920
Net expense recognised	(16,229,000)	(142,287,581)	(12,182,000)	(134,796,920)
	(2,118,032,581)	(2,207,649,581)	(2,072,148,581)	(2,163,476,581)

Net expense recognised

Current service cost	(73,048,000)	(64,720,000)	(71,859,000)	(63,584,000)
Interest cost	(238,081,000)	(262,250,000)	(233,414,000)	(258,299,000)
Actuarial gains	294,900,000	184,682,419	293,091,000	187,086,080
	(16,229,000)	(142,287,581)	(12,182,000)	(134,796,920)

Key assumptions used

Assumptions used on last valuation on Thursday, 30 June 2022.

Discount rates used	12.49 %	11.29 %	12.49 %	11.29 %
Health care cost inflation rate	8.43 %	7.27 %	8.43 %	7.27 %

Other assumptions:

Key Demographic Assumptions

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

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

16. 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)	44,600,000	43,550,000	36,932,000	37,822,000
Medical inflation (liability)	2,161,096,000	2,075,148,000	2,109,081,000	2,034,327,000
Valuation interest rate (service cost and interest cost)	207,353,000	247,530,000	201,199,000	240,394,000
Valuation interest rate (liability)	1,911,911,000	2,364,468,000	1,870,950,000	2,312,543,000

	2022	2021	2020	2019	2018
Defined benefit obligation	(2,072,148,581)	(2,163,476,581)	(2,130,088,581)	(2,058,871,581)	(1,954,081,581)
Deficit	(2,072,148,581)	(2,163,476,581)	(2,130,088,581)	(2,058,871,581)	(1,954,081,581)
Experience adjustments on plan	(291,345,000)	(322,960,929)	(17,870,000)	(18,863,000)	(128,639,000)

17. Deferred tax asset

Deferred tax asset	-	-	-	-
Assessed losses	(25,369,497)	(31,974,610)	-	-
Total deferred tax asset	(25,369,497)	(31,974,610)	-	-

Reconciliation of deferred tax asset

At beginning of year	(31,974,610)	(38,111,808)	-	-
Leave provision and performance bonus	222,103	332,693	-	-
Investment property - market value different to book value	311,901	1,040,039	-	-
Property, plant and equipment	8,518	31,851	-	-
Operating lease liability	27,846	(16,397)	-	-
Allowance for impairment	6,034,745	4,749,012	-	-
	(25,369,497)	(31,974,610)	-	-

City of Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

18. Provisions

Reconciliation of provisions - Economic entity - 2022

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COID provision	21,214,307	-	(1,111,575)	-	-	20,102,732
Other provisions	1,279,015	128,662	(418,400)	-	-	989,277
Bonus provision	53,624,806	21,344,009	(19,510,415)	-	-	55,458,400
Leave provision	652,055,317	298,055,378	(268,641,670)	(14,297,404)	-	667,171,621
Landfill rehabilitation provision	383,869,085	43,618,693	-	-	41,265,927	468,753,705
Long service awards	542,873,265	39,756,104	(10,978,180)	(53,421,918)	41,555,693	559,784,964
GMRF	100,500,452	-	-	-	-	100,500,452
	1,755,416,247	402,902,846	(300,660,240)	(67,719,322)	82,821,620	1,872,761,151

Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COID provision	27,171,457	-	(5,957,150)	-	-	21,214,307
Other provisions	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 - Controlling entity - 2022

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COID provision	21,214,307	-	(1,111,575)	-	-	20,102,732
Bonus provision	51,808,672	20,413,511	(19,510,415)	-	-	52,711,768
Leave provision	617,349,491	271,294,418	(249,470,537)	-	-	639,173,372
Landfill rehabilitation provision	383,869,085	43,618,693	-	-	41,265,927	468,753,705
Long service awards	542,413,828	38,917,054	(10,150,661)	(53,421,918)	41,555,693	559,313,996
GMRF	100,500,452	-	-	-	-	100,500,452
	1,717,155,835	374,243,676	(280,243,188)	(53,421,918)	82,821,620	1,840,556,025

Reconciliation of provisions - Controlling entity - 2021

	Opening Balance	Additions	Utilised during the year	Decreased during the year	Change in discount factor	Total
COID 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

Non-current liabilities	1,028,067,701	920,619,148	1,028,067,701	920,619,148
Current liabilities	844,693,450	834,797,099	812,488,324	796,536,687
	1,872,761,151	1,755,416,247	1,840,556,025	1,717,155,835

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	2022	2021	2022	2021

18. 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.

COLD 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 10.75% (2021:10.80%) and the salary increase rate assumption used for the increase in expenses/contributions is 4.9% (2021: 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 10.75% (2021:10.80%). The timing of outflow is uncertain, as well as relating amounts due to discounting and charges in inflation rates.

The net result of the re-estimation had the following effect on the current year amounts:

Increase/(decrease) in the cost of property, plant and equipment R46,435,065 (2021: decrease of R3,825,427)

Amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset by R2,816,372 (2021:R11,253,328)

Long service awards provision

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

Discount rate used 10.41% (2021: 8.17%)

CPI used: 7.76% (2021: 5.65%)

Salary increase rate used: 8.76% (2021: 6.65%)

19. Trade and other payables from exchange transactions

Licence fees	-	565,325	-	565,325
Maintenance guarantees: new township development infrastructure	5,030,732	6,924,171	5,030,732	6,924,171
Other payables	481,827,063	648,979,005	710,163,492	617,416,894
Receipts in advance	910,536,568	807,325,974	910,536,568	807,325,974
Retentions	1,053,729,404	1,060,299,914	1,053,729,404	1,060,299,914
Trade payables	7,158,486,082	5,690,916,986	7,075,870,819	5,707,824,779
Unclaimed salaries	9,449,485	9,108,035	9,449,485	9,108,035
VAT balance on outstanding debtors	764,489,276	656,955,397	764,489,276	656,955,397
VAT payables	3,547,571	62,846,500	3,547,571	62,846,500
	10,392,847,420	8,949,642,068	10,532,817,347	8,929,266,989

20. Deposits

Consumer deposits - electricity and water	1,067,131,981	999,713,595	1,067,131,981	999,713,595
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Guarantees in lieu of electricity and water deposits is R158,172,972 (2021: R173,495,252).

City of Ekurhuleni Metropolitan Municipality

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	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

21. 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, and amounts unspent relate to conditions still to be met for these grants.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

HIV/AIDS	-	1,634,633	-	1,634,633
FMG	127,100	232	127,100	232
SETA	-	12,749,884	-	12,749,884
USDG	-	3,096,681	-	3,096,681
HSDG Accreditation	121,451,556	170,597,681	121,451,556	170,597,681
NDPG	7,960,486	76,450	7,960,486	76,450
PTNG	113,256	-	113,256	-
Capital grant: Libraries	-	758,517	-	758,517
Libraries	-	2,364,911	-	2,364,911
Informal settlements Upgrading Partnership Grant	7,044,989	-	7,044,989	-
Integrated City Development Grant	-	491,149	-	491,149
SHRA	4,228,089	3,784,767	-	-
	140,925,476	195,554,905	136,697,387	191,770,138

Movement during the period

Balance at the beginning of the year	195,554,905	492,860,020	191,770,138	492,860,020
Additions during the period	8,671,176,968	9,254,602,284	8,703,865,182	9,216,312,553
Income recognition during the period	(8,724,967,933)	(9,550,201,175)	(8,758,099,469)	(9,515,696,211)
Surrendered/Appropriated	(838,464)	(1,706,224)	(838,464)	(1,706,224)
	140,925,476	195,554,905	136,697,387	191,770,138

See note 27 for reconciliation of all grants.

22. Revenue

Rendering of services	-	3,197,253	-	-
Service charges	26,816,087,938	23,832,856,104	26,934,564,788	23,935,071,577
Construction contracts	132,467,390	248,068,366	113,708,125	248,068,366
Rental of facilities and equipment	138,731,479	149,398,116	95,559,257	107,384,050
Interest earned - outstanding debtors	433,854,229	299,002,892	433,854,229	299,002,892
Income from agency services	294,477,725	302,440,429	294,477,725	302,440,429
Licences and permits	43,261,956	41,829,990	43,261,956	41,829,990
Discount received	59,925	60,118	-	-
Other income	170,053,785	251,270,259	122,787,734	185,293,774
Interest revenue	121,411,910	178,418,469	108,478,855	173,603,849
Property rates	7,805,420,006	5,935,443,116	7,805,420,006	5,935,443,116
Property rates - penalties and collection charges	118,606,522	64,391,660	118,606,522	64,391,660
Government grants & subsidies	8,652,417,703	9,302,132,810	8,644,391,351	9,267,627,846
Public contributions and donations	127,840,419	103,023,326	127,840,419	103,023,326
Fines	783,575,982	806,548,225	783,575,982	806,548,225
Gains on sale of assets	19,143,685	2,539,590	19,143,685	-
	45,657,410,654	41,520,620,723	45,645,670,634	41,469,729,100

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	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

22. Revenue (continued)

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

Service charges	26,816,087,938	23,832,856,104	26,934,564,788	23,935,071,577
Rendering of services	-	3,197,253	-	-
Construction contracts	132,467,390	248,068,366	113,708,125	248,068,366
Rental of facilities and equipment	138,731,479	149,398,116	95,559,257	107,384,050
Interest earned - outstanding debtors	433,854,229	299,002,892	433,854,229	299,002,892
Income from agency services	294,477,725	302,440,429	294,477,725	302,440,429
Licences and permits	43,261,956	41,829,990	43,261,956	41,829,990
Discount received	59,925	60,118	-	-
Other income	170,053,785	251,270,259	122,787,734	185,293,774
Interest revenue	121,411,910	178,418,469	108,478,855	173,603,849
Gains on sale of assets	19,143,685	2,539,590	19,143,685	-
	28,169,550,022	25,309,081,586	28,165,836,354	25,292,694,927

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

Taxation revenue				
Property rates	7,805,420,006	5,935,443,116	7,805,420,006	5,935,443,116
Property rates - penalties and collection charges	118,606,522	64,391,660	118,606,522	64,391,660
Transfer revenue				
Government grants & subsidies	8,652,417,703	9,302,132,810	8,644,391,351	9,267,627,846
Public contributions and donations	127,840,419	103,023,326	127,840,419	103,023,326
Fines	783,575,982	806,548,225	783,575,982	806,548,225
	17,487,860,632	16,211,539,137	17,479,834,280	16,177,034,173

23. Property rates

Rates received

Residential	3,597,820,962	2,481,726,031	3,597,820,962	2,481,726,031
Commercial	3,354,354,496	2,822,030,335	3,354,354,496	2,822,030,335
Small holdings and farms	29,750,815	9,888,840	29,750,815	9,888,840
Vacant land	657,241,925	443,698,219	657,241,925	443,698,219
Other properties	166,458,511	178,099,690	166,458,511	178,099,690
Property rates - penalties and collection charges	118,606,522	64,391,660	118,606,522	64,391,660
	7,924,233,231	5,999,834,775	7,924,233,231	5,999,834,775

Valuations (R'000)

Residential	445,441,441	312,164,788	445,441,441	312,164,788
Commercial	150,967,471	126,449,484	150,967,471	126,449,484
Provincial and National Government	10,357,247	6,499,756	10,357,247	6,499,756
Municipal	6,938,538	4,233,248	6,938,538	4,233,248
Small holdings and farms	19,456,817	6,495,233	19,456,817	6,495,233
Sectional title	72,826,262	58,186,872	72,826,262	58,186,872
Vacant land	23,789,812	14,035,957	23,789,812	14,035,957
Other	5,971,868	22,974,471	5,971,868	22,974,471
	735,749,456	551,039,809	735,749,456	551,039,809

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2021. 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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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
24. Service charges				
Sale of electricity	17,019,851,856	15,056,063,860	17,164,909,510	15,150,480,249
Sale of water	5,943,119,385	5,525,512,114	5,954,376,969	5,525,512,114
Solid waste	1,612,960,673	1,372,832,560	1,612,960,673	1,381,914,670
Sewerage and sanitation charges	2,154,341,335	1,801,424,442	2,116,502,947	1,800,141,416
Fresh produce market	30,224,243	29,084,977	30,224,243	29,084,977
Other service charges	55,590,446	47,938,151	55,590,446	47,938,151
	26,816,087,938	23,832,856,104	26,934,564,788	23,935,071,577

25. Construction Contract - HSDG

Construction of RDP houses and social houses	132,467,390	248,068,366	113,708,125	248,068,366
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The Gauteng department of human settlement in partnership with the City, implemented the construction of houses by appointing consultants and contractors to undertake the construction on behalf of the City. All funds received for Human Settlement Development Grant are subjected to conditions as stipulated on the grant framework. No commission is earned by the City on implementation of this programme.

The City of Ekurhuleni in partnership/or behalf with the Gauteng department of human settlement appointed EHC as project developer whereby the entity undertakes the construction of social housing projects by appointing sub-contractors to undertake construction on its behalf. No commission is earned by the entity on implementation of the program.

26. Rental of facilities and equipment

Facilities and equipment				
Rental of facilities	138,688,022	149,356,555	95,515,800	107,342,489
Rental of equipment	43,457	41,561	43,457	41,561
	138,731,479	149,398,116	95,559,257	107,384,050

Included in the above rentals are operating lease rentals at straight-lined amounts of R9,559,415 (2021: 9,104,205-) as well as month to month rentals of R22,315,617 (2021: 21,252,969).

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Figures in Rand	2022	2021	2022	2021
27. Government grants and subsidies				
Operating grants				
Equitable share	4,026,213,000	4,363,170,000	4,026,213,000	4,363,170,000
Fuel levy	1,823,719,000	1,781,414,000	1,823,719,000	1,781,414,000
Emergency Management Services (EMS)	-	74,920,000	-	74,920,000
Finance management grant	872,900	1,000,000	872,900	1,000,000
HIV/AIDS grant	19,812,631	16,474,368	19,812,631	16,474,368
Libraries Plan	17,523,606	10,009,961	17,523,606	10,009,961
Sector Education and Training Authority (Seta)	28,062,066	4,149,564	28,062,066	4,149,564
Primary Health Care	164,702,000	154,360,000	164,702,000	154,360,000
Programme & Project Preparation Support Grant (PPPSG)	57,595,000	-	57,595,000	-
Electricity Demand Side Management	10,000,000	9,000,000	10,000,000	9,000,000
Urban Settlements Development Grant (USDG)	-	68,340,031	146,012,020	68,340,031
Public transport Network Grant	386,407,455	335,929,000	386,407,824	335,929,000
Expanded Public Works Program (EPWP)	20,669,001	19,104,000	20,669,001	19,104,000
Neighbourhood Development Grant	53,181,517	-	53,181,517	-
Department of Transport	-	5,965,382	-	-
Informal Settlements Upgrading programme (ISUPG)	14,628,053	-	14,628,053	-
GPF and SHRA	8,026,725	28,539,581	-	-
	<u>6,631,412,954</u>	<u>6,872,375,887</u>	<u>6,769,398,618</u>	<u>6,837,870,924</u>
Capital grants				
Urban Settlements Development Grant (USDG)	1,044,443,684	2,065,317,293	898,431,664	2,065,317,293
Public Transport Network Grant (PTNG)	242,047,920	233,295,000	242,047,920	233,295,000
Recapitalisation of Community Libraries	20,010,591	8,772,043	20,010,591	8,772,043
Integrated City Development (ICDG)	491,148	52,448,851	491,148	52,448,851
Neighbourhood Development Partnership Grant (NDPG)	62,785,447	69,923,735	62,785,447	69,923,735
Informal Settlements Upgrading Partnership (ISUPG)	651,225,959	-	651,225,959	-
	<u>2,021,004,749</u>	<u>2,429,756,922</u>	<u>1,874,992,729</u>	<u>2,429,756,922</u>
	<u>8,652,417,703</u>	<u>9,302,132,809</u>	<u>8,644,391,347</u>	<u>9,267,627,846</u>
Equitable share				
Current-year receipts	4,026,213,000	4,363,170,000	4,026,213,000	4,363,170,000
Conditions met - transferred to revenue	(4,026,213,000)	(4,363,170,000)	(4,026,213,000)	(4,363,170,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fuel levy				
Current-year receipts	1,781,414,000	1,781,414,000	1,823,719,000	1,781,414,000
Conditions met - transferred to revenue	(1,781,414,000)	(1,781,414,000)	(1,823,719,000)	(1,781,414,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Emergency Management Services				
Current-year receipts	-	74,920,000	-	74,920,000
Conditions met - transferred to revenue	-	(74,920,000)	-	(74,920,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Finance Management Grant				
Balance unspent at beginning of year	233	435,233	233	435,233
Current-year receipts	1,000,000	1,000,000	1,000,000	1,000,000
Conditions met - transferred to revenue	(872,900)	(1,000,000)	(872,900)	(1,000,000)
Surrendered/Appropriated	(233)	(435,000)	(233)	(435,000)

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Figures in Rand	2022	2021	2022	2021
27. Government grants and subsidies (continued)				
	-	-	-	-
	127,100	233	127,100	233
HIV/AIDS				
Balance unspent at beginning of year	1,634,632	95,224	1,634,632	95,224
Current-year receipts	18,178,000	18,109,000	18,178,000	18,109,000
Conditions met - transferred to revenue	(19,812,632)	(16,474,368)	(19,812,632)	(16,474,368)
Surrendered/Appropriated	-	(95,224)	-	(95,224)
	-	1,634,632	-	1,634,632
Libraries				
Balance unspent at beginning of year	3,123,428	4,405,432	3,123,428	4,405,432
Current-year receipts	35,249,000	17,500,000	35,249,000	17,500,000
Conditions met - transferred to revenue	(37,534,197)	(18,782,004)	(37,534,197)	(18,782,004)
Surrendered/Appropriated	(838,231)	-	(838,231)	-
	-	3,123,428	-	3,123,428
Seta				
Balance unspent at beginning of year	12,749,884	6,997,896	12,749,884	6,997,896
Current-year receipts	15,312,182	9,901,552	15,312,182	9,901,552
Conditions met - transferred to revenue	(28,062,066)	(4,149,564)	(28,062,066)	(4,149,564)
	-	12,749,884	-	12,749,884
Primary Health Care (PHC)				
Current-year receipts	164,702,000	154,360,000	164,702,000	154,360,000
Conditions met - transferred to revenue	(164,702,000)	(154,360,000)	(164,702,000)	(154,360,000)
	-	-	-	-
Integrated City Development				
Balance unspent at beginning of year	491,148	(1)	491,148	(1)
Current-year receipts	-	52,940,000	-	52,940,000
Conditions met - transferred to revenue	(484,741)	(52,448,851)	(484,741)	(52,448,851)
Appropriated	(6,407)	-	(6,407)	-
	-	491,148	-	491,148
PTNG				
Current-year receipts	628,569,000	569,224,000	628,569,000	569,224,000
Conditions met - transferred to revenue	(628,455,744)	(569,224,000)	(628,455,744)	(569,224,000)
	113,256	-	113,256	-
Electricity Demand Site Management				
Balance unspent at beginning of year	-	-	-	-
Current-year receipts	10,000,000	9,000,000	10,000,000	9,000,000
Conditions met - transferred to revenue	(9,997,442)	(9,000,000)	(9,997,442)	(9,000,000)
Appropriated	(2,558)	-	(2,558)	-
	-	-	-	-
Human Settlement Development Grant				

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
27. Government grants and subsidies (continued)				
Balance unspent at beginning of year	170,597,681	418,666,047	170,597,681	418,666,047
Current-year receipts	64,562,000	-	64,562,000	-
Conditions met - transferred to construction contracts	(113,708,125)	(248,068,366)	(113,708,125)	(248,068,366)
	121,451,556	170,597,681	121,451,556	170,597,681
USDG				
Balance unspent at beginning of year	3,096,679	61,084,003	3,096,679	61,084,003
Current-year receipts	1,041,347,000	2,075,670,000	1,041,347,000	2,075,670,000
Conditions met - transferred to revenue	(1,044,443,664)	(2,133,657,324)	(1,044,443,664)	(2,133,657,324)
Appropriated	(15)	-	(15)	-
	-	3,096,679	-	3,096,679
EPWP				
Current-year receipts	20,669,000	19,104,000	20,669,000	19,104,000
Conditions met - transferred to revenue	(20,669,000)	(19,104,000)	(20,669,000)	(19,104,000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 21).				
NDPG				
Balance unspent at beginning of year	76,450	1,176,185	76,450	1,176,185
Current-year receipts	123,851,000	70,000,000	123,851,000	70,000,000
Conditions met - transferred to revenue	(115,966,963)	(69,923,735)	(115,966,963)	(69,923,735)
Surrendered/Appropriated	-	(1,176,000)	-	(1,176,000)
	7,960,487	76,450	7,960,487	76,450
Conditions still to be met - remain liabilities (see note 21).				
Programme & Project Preparation Support Grant (PPPSG)				
Current-year receipts	57,595,000	-	57,595,000	-
Conditions met - transferred to revenue	(57,590,110)	-	(57,590,110)	-
Appropriated	(4,890)	-	(4,890)	-
	-	-	-	-
Conditions still to be met - remain liabilities (see note 21).				
Informal Settlement Upgrading Partnership (ISUPG)				
Current-year receipts	672,899,000	-	672,899,000	-
Conditions met - transferred to revenue	(665,854,011)	-	(665,854,011)	-
	7,044,989	-	7,044,989	-
Conditions still to be met - remain liabilities (see note 21).				
SHRA				
Balance unspent at beginning of year	3,784,768	-	-	-
Current-year receipts	19,202,593	23,291,534	-	-
Conditions met - transferred to revenue	-	(19,506,766)	-	-
Conditions met - transferred to construction revenue	(18,759,265)	-	-	-

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
27. Government grants and subsidies (continued)				
	4,228,096	3,784,768	-	-
Conditions still to be met - remain liabilities (see note 21).				
28. Interest revenue				
Interest revenue				
Bank	34,636,637	40,162,847	21,703,582	35,348,227
External investments	86,775,273	138,255,622	86,775,273	138,255,622
	121,411,910	178,418,469	108,478,855	173,603,849
29. Other income				
Accident reports	1,433,478	794,871	601,684	510,676
Administration fees	475,874	257,700	145,444	146,836
Cleaning of stands	114,794	38,160	-	-
Entry fees	194,068	2,178	194,068	2,178
Essential services contributions	107,581,082	135,901,604	69,860,497	79,233,916
Gain on fair value adjustment	-	165,058	-	-
Printing and copying of documents	371,471	82,163	371,471	82,163
Sundry income	59,067,575	113,662,379	50,829,127	104,963,163
Supply of information	600,444	297,618	600,444	297,618
Tender documents	30,000	16,554	-	5,250
Training	184,999	51,974	184,999	51,974
	170,053,785	251,270,259	122,787,734	185,293,774

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
30. Employee related costs				
Basic	6,008,196,063	5,775,193,044	5,750,472,750	5,504,797,697
Bonus	480,275,211	486,564,283	462,935,484	468,515,212
Medical aid - company contributions	453,554,038	553,832,163	451,789,990	549,803,192
Unemployment Insurance Fund	35,541,236	32,413,279	35,480,390	31,352,392
Workmens Compensation	58,300,159	53,642,281	55,890,892	51,177,123
Skills Development Levy	77,363,728	62,260,881	77,154,690	61,768,738
Other payroll levies	2,029,745	2,039,246	2,029,745	2,014,034
Leave pay provision charge	284,200,714	213,968,608	271,136,616	196,165,344
Current service costs	112,405,995	96,820,000	110,776,053	96,820,000
Standby Allowances	79,604,637	77,313,447	79,494,037	77,198,847
Actuarial gains	(348,321,918)	(232,143,564)	(346,512,918)	(234,547,225)
Defined contribution plans	1,180,110,315	1,147,747,082	1,111,245,809	1,080,971,314
Travel, motor car, accommodation, subsistence and other allowances	245,164,893	245,230,193	233,861,325	233,165,899
Overtime payments	845,124,321	748,293,265	809,939,213	711,052,286
Long-service awards	10,981,126	11,059,886	10,150,661	10,329,027
Acting allowances	83,931,788	58,727,518	83,931,788	58,277,961
Housing benefits and allowances	63,328,237	65,262,037	59,619,056	61,165,845
Allowances	25,159,928	26,123,761	20,150,924	20,328,692
Less: employee costs capitalised to property, plant and equipment	(10,861,346)	(11,657,838)	(10,861,346)	(11,657,838)
	9,686,088,870	9,412,689,572	9,268,685,159	8,968,698,540

Senior Management Remuneration (Key Management) for the period ended 30 June 2022	Basic Salary per annum	Pension, Medical & UIF per annum	Car Allowance	Performance Bonus	Other	Total
City Manager (Reappointed 01 June 2022)	2,953,553	318,114	250,528	424,463	55,200	4,001,858
Chief Financial Officer	2,540,940	2,249	180,000	291,924	43,200	3,058,313
Head of Department: Internal Audit	2,389,175	214,014	120,000	328,755	43,200	3,095,144
Head of Department :Electricity & Energy (Contract ended 31 December 2021)	1,088,236	89,781	138,170	310,928	106,710	1,733,825
Head of Department :Electricity & Energy (New 01 March 2022)	612,691	39,299	216,000	195,895	14,400	1,078,285
Head of Department: Strategy & Corporate Planning (Contract ended 31 December 2021)	914,395	107,455	85,410	151,001	21,600	1,279,861
Head of Department : Health	1,814,104	297,419	120,000	230,310	43,200	2,505,033

Consolidated Annual Financial Statements for the year ended 30 June 2022

Figures in Rand			Economic entity		Controlling entity	
			2022	2021	2022	2021
30. Employee related costs (continued)						
Head of Department : Corporate & Legal	2,512,656	131,849	120,000	315,052	43,200	3,122,757
Head of Department : Human Resource	2,409,936	77,849	96,000	171,001	43,200	2,797,986
Head of Department : Sport, Recreation, Arts and Culture	1,865,536	46,249	240,000	138,831	43,200	2,333,816
Head of Department : City Development	2,149,536	2,249	-	232,786	43,200	2,427,771
Head of Department : Community Safety	1,855,607	196,889	127,812	240,409	43,200	2,463,917
Head of Department: Human Settlement	2,784,804	2,249	144,000	194,847	43,200	3,169,100
Head of Department: Economic Development	2,273,138	2,228	135,000	166,966	32,400	2,609,732
Head of Department : ICT (Contract ended 31 May 2022)	1,718,879	86,945	165,000	137,321	39,600	2,147,745
Head of Department : ICT (New 01 June 2022)	216,773	187	-	-	-	216,960
Head of Department : Transport & Fleet	2,720,940	2,249	-	293,491	43,200	3,059,880
Head of Department : Environment and waste	1,993,536	2,249	156,000	125,670	43,200	2,320,655
Head of Department: Real Estate and Facilities	2,053,536	2,249	96,000	147,957	43,200	2,342,942
Head of Department : Water and Sanitation (Contract ended 31 December 2021)	940,536	76,725	90,000	141,125	21,600	1,269,986
Head of Department : Water and Sanitation (New 1 March 2022)	514,200	11,373	75,000	200,279	-	800,852
Head of Department : Roads and Transportation	2,345,054	104,163	240,000	291,924	43,200	3,024,341
Chief Risk Officer	2,530,352	120,837	72,000	302,503	43,200	3,068,892
Chief of Police	2,079,292	92,583	107,647	239,262	39,600	2,558,384
Secretary of Council	1,690,368	261,449	132,000	147,227	312,000	2,543,044

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

		Economic entity			Controlling entity	
Figures in Rand		2022	2021		2022	2021
30. Employee related costs (continued)						
Head of Department: Support Mayors Office (Contract ended 31 December 2021)	2,113,949	2,062	-	243,084	37,600	2,396,695
Subtotal	49,081,722	2,290,964	3,106,567	5,663,011	1,285,510	61,427,774
	49,081,722	2,290,964	3,106,567	5,663,011	1,285,510	61,427,774
Senior Management Remuneration (Key Management) for 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 Resources	2,523,472	77,413	96,000	168,811	43,200	2,908,896
Head of Department : Sport, Recreation, Arts and Culture	1,960,067	45,813	240,000	-	43,200	2,289,080
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

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity				Controlling entity	
	2022	2021	2022	2021	2022	2021
30. Employee related costs (continued)						
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	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 Services	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	55,097,032	2,694,950	3,254,676	2,791,430	1,480,620	65,318,708
	55,097,032	2,694,950	3,254,676	2,791,430	1,480,620	65,318,708

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

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.

30 June 2022	Salaries	Travel allowance	Housing allowance	Pension & Medical	Cell phone allowance	Total
Executive Mayor	512,095	24,621	870,928	12,000	45,485	1,465,129
Speaker	389,324	61,193	658,148	40,041	40,800	1,189,506
Chief Whip	615,611	27,156	395,421	39,598	45,485	1,123,271
Members of the Mayoral Committee	-	-	-	-	-	-
1	176,595	29,474	740,110	25,913	38,253	1,010,345
2	688,088	54,996	203,497	20,401	34,653	1,001,635
3	566,375	-	349,098	9,450	38,253	963,176
4	242,107	71,264	611,615	35,711	34,653	995,350
5	474,296	94,688	478,861	69,783	46,053	1,163,681
6	524,860	42,420	263,857	14,700	33,220	879,057
7	605,420	25,152	325,376	10,200	34,653	1,000,801
8	701,836	69,168	165,693	24,000	36,453	997,150
9	633,583	-	320,032	12,600	34,653	1,000,868
10	738,560	-	86,801	-	34,653	860,014
Chairpersons Section 79 Members	6,689,249	941,179	7,144,046	732,704	588,071	16,095,249
Other councillors	70,038,963	5,797,811	28,343,286	2,809,936	8,345,190	115,335,186
	83,596,962	7,239,122	40,956,769	3,857,037	9,430,528	145,080,418

30 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
Total	58,478,571	11,031,486	57,913,720	4,465,012	9,540,205	141,428,994

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
32. Depreciation and amortisation				
Property, plant and equipment	2,648,204,872	2,567,594,496	2,541,378,033	2,463,344,498
Investment property	16,188,896	16,448,346	11,721,964	11,981,414
Intangible assets	81,447,815	69,030,459	80,318,641	67,829,936
	2,745,841,583	2,653,073,301	2,633,418,638	2,543,155,848
33. De recognition and Impairments losses				
Impairments				
De recognition of property, plant and equipment	89,283,497	34,141,049	83,679,079	33,366,305
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.				
De recognition of Investment properties	-	89,145	-	89,145
Derecognition of intangible assets	255,918	-	-	-
The impairment relates to old programmes derecognised due to the implementation of the ERP Programme				
	89,539,415	34,230,194	83,679,079	33,455,450
34. Finance costs				
External borrowings	1,046,042,793	1,029,331,380	1,021,137,797	1,002,765,434
Trade and other payables	574,215	61,059	-	-
Finance leases	112,627	241,826	-	-
Unwinding of interest on provisions and obligations	321,031,281	361,934,835	316,235,620	357,873,613
	1,367,760,916	1,391,569,100	1,337,373,417	1,360,639,047
35. Debt impairment				
Bad debts written off	470,066,363	484,859,620	470,066,363	484,859,620
Contribution to the debt impairment	4,854,125,342	4,207,240,648	4,819,760,979	4,212,619,324
Less: Bad debts written off against the provision	(470,066,363)	(484,859,620)	(470,066,363)	(484,859,620)
	4,854,125,342	4,207,240,648	4,819,760,979	4,212,619,324
36. Bulk purchases				
Electricity - Eskom	14,318,425,774	12,120,239,643	14,318,425,774	12,120,239,643
Water	3,815,729,543	3,612,902,752	3,815,729,543	3,612,902,752
Sewer purification	79,514,845	(2,819,921)	1,077,739,902	925,278,408
	18,213,670,162	15,730,322,474	19,211,895,219	16,658,420,803
37. Auditors' remuneration				
External audit fees	28,933,212	29,412,090	25,506,283	23,990,738
38. Contracted services				
Outsourced contracts- Security	519,511,750	447,386,196	519,511,750	447,386,196
Professional Services	551,543,799	491,932,335	551,543,799	491,932,335
Contracts	1,426,981,134	1,644,229,074	1,426,981,134	1,644,229,074
	2,498,036,683	2,583,547,605	2,498,036,683	2,583,547,605

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
39. Grants and subsidies paid				
Other subsidies				
Discretionary grant: sport and social support	37,581,710	24,166,850	37,581,710	24,166,850
Subsidy: Society for the Prevention of Cruelty to Animals (SPCA)	5,041,790	3,041,790	5,041,790	3,041,790
Discretionary grant: general	375,743,908	438,845,704	538,577,518	521,925,425
Excess consumption and other grants paid	626,485,152	727,868,037	626,485,152	727,868,037
Grants: education (external)	23,822,519	43,749,473	23,822,519	43,749,473
	1,068,675,079	1,237,671,854	1,231,508,689	1,320,751,575
40. General expenses				
Advertising	9,257,527	12,483,797	8,432,798	11,743,277
Animal care	2,187,341	2,723,932	2,187,341	2,723,932
Assessment rates and municipal charges	3,866,993	2,462,739	-	-
Auditors remuneration	28,933,212	29,412,090	25,506,283	23,990,738
Awareness campaigns	4,337,260	4,475,951	-	-
Bank Charges	118,003,014	92,532,835	117,634,758	91,522,340
Community development and wellbeing	1,173,623	1,314,838	1,173,623	1,314,838
Consulting and professional fees	96,052,052	73,360,893	88,341,332	54,858,446
Consumables (including materials)	68,000,118	46,022,911	68,000,118	45,889,958
Corporate Gifts	38,027	90,855	38,027	90,855
Fines and penalties	-	28,265	-	-
Disaster management	114,030	146,638	114,030	146,638
Electricity own consumption	137,340,467	138,174,386	137,340,467	138,174,386
Entertainment	854,440	654,065	-	-
Lease rentals	83,199	87,207	-	-
Fuel and oil	205,572,235	137,846,063	205,572,235	143,364,557
Human resource management	4,684,495	5,377,743	1,672,105	2,884,510
IT expenses	44,987,660	48,869,453	44,976,866	48,869,453
Insurance	123,380,426	118,933,556	113,049,619	112,473,472
Land management	23,829,219	43,909,669	23,829,219	43,909,669
Magazines, books and periodicals	607,779	1,281,346	607,779	1,281,346
Marketing	2,983,301	13,421,411	2,464,322	12,550,592
Postage	22,868,559	28,177,258	22,868,559	28,177,258
Printing and Stationary	21,849,573	28,367,811	20,458,819	27,215,988
Refreshments	1,450,113	974,632	1,450,113	974,632
Security (Guarding of municipal property)	34,640,013	35,457,146	-	-
Refuse	18,538,687	17,559,028	17,278,175	18,226,882
Rental	28,835,375	32,048,702	28,835,375	32,048,702
Repairs and maintenance costs and operating expenses	2,843,240,346	2,221,252,309	2,745,024,449	1,976,512,291
Rodent control	319,815	3,954,139	153,109	3,831,904
Service connections	8,519,380	20,063,009	4,258,862	14,783,066
Software expenses	58,077,821	52,384,347	57,590,110	51,993,285
Subscriptions and membership fees	39,144,468	31,009,024	38,885,136	30,536,781
Telephone and fax	20,995,079	21,132,086	17,203,583	17,059,830
Training	9,797,565	10,797,137	6,802,080	7,320,353
Travel - local	1,075,270	1,306,234	702,208	1,070,657
Travel - overseas	-	11,686,550	-	11,686,550
Uniforms	28,428,559	14,748,178	25,815,086	12,792,443
Venue expenses	2,825,407	3,996,994	2,825,407	3,996,994
Vehicle licences and hire cost	323,088,348	299,523,766	303,219,563	284,176,606
	4,339,980,796	3,608,048,993	4,134,311,556	3,258,193,229

City of Ekurhuleni Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
41. Cash generated from operations				
Surplus	558,169,517	409,398,762	184,645,268	272,688,836
Adjustments for:				
Depreciation and amortisation	2,745,841,585	2,653,073,301	2,633,418,638	2,543,155,848
Profit on disposal of assets	(19,143,685)	(2,539,590)	(19,143,685)	-
Dividends received	-	-	-	-
Impairment deficit	89,539,415	34,230,194	83,679,079	33,455,450
Increase in retirement benefit	(89,617,000)	37,722,000	(91,328,000)	33,388,000
Increase in provisions	117,344,904	165,859,981	123,400,190	160,970,175
Movement in tax receivable and payable	1,541,664	1,218,206	-	-
Decrease in deferred tax	(6,605,113)	(6,137,198)	-	-
Other non-cash items	(143,602,188)	(22,283,772)	(153,092,095)	(22,185,091)
Changes in working capital:				
Inventories	(335,720,412)	(128,930,697)	(335,720,412)	(128,932,497)
Receivables from exchange transactions	(1,609,688,167)	62,434,287	(1,626,373,969)	8,239,792
Receivables from non-exchange transactions	(350,156,838)	(15,032,553)	(350,156,838)	(15,032,551)
Trade and other payables from exchange transactions	1,443,205,356	161,240,235	1,603,550,358	178,710,039
Unspent conditional grants and receipts	(54,629,429)	(297,305,116)	(55,072,758)	(301,089,882)
Increase in consumer deposits	67,418,386	64,613,144	67,418,386	64,613,145
	2,413,897,995	3,117,561,184	2,065,224,162	2,827,981,264

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

42. Contingencies

Contingent liabilities

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 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	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.	28,360,496	28,496,360	28,360,496	28,496,360
Non-compliance with SCMP Regulations. CoE defending the matter	17,289,155	-	17,289,155	-
Claim for services rendered not paid. CoE is defending the matter	16,891,187	-	16,891,187	-
Claim for damages. CoE is defending the matter	18,012,500	-	18,012,500	-
Summons issued for outstanding service charges	280,156,266	279,891,876	280,156,266	279,891,876
Cancellation of quotation. CoE is defending the matter	85,479,535	-	85,479,535	-
Damages instituted by a service provider for breach of Contract. CoE is defending the matter.	15,054,451	-	15,054,451	-
Dispute regarding over-payment of a service provider. CoE is defending the matter.	23,653,137	17,096,055	23,653,137	17,096,055
The company is objecting to the tariff CoE charge for electricity. CoE is defending the matter.	89,446,952	147,640,253	89,446,952	147,640,253
	744,409,968	706,728,771	744,409,968	706,728,771

Category B Claims

Other various claims against the City. CoE is defending these matters.	88,158,803	52,786,206	88,158,803	52,786,206
	88,158,803	52,786,206	88,158,803	52,786,206

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.	105,120,731	105,123,731	105,120,731	105,123,731
Breach of contract outstanding rental. CoE pursuing the matter	12,103,547	-	12,103,547	-
Failure to pay rental. CoE pursuing the matter.	20,062,170	-	20,062,170	-
Various claims issued by the City. CoE is pursuing these matters.	4,444,405	1,250,732	4,444,405	1,250,732
	223,467,803	188,111,413	223,467,803	188,111,413

City of Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

43. Related parties

Relationships
Accounting officer
Controlling entity
Controlled entities

Dr I Mashazi refer to Accounting Officer's report
City of Ekurhuleni
Brakpan Bus Company SOC Ltd (BBC) (De-registered)
Ekurhuleni Development Agency (Dormant)
East Rand Water Care Company NPC (ERWAT)
Germiston Phase II Housing Company SOC Ltd (EHC)
For details of members of key management, see note below
and for remuneration refer note 29.

Close family member of key management
Members of key management

Related party balances

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

East Rand Water Care Company, NPC	6,090,685	10,385,042
Germiston Phase II Housing Company SOC Ltd	18,035,014	4,702,099

Amounts included in trade payable regarding related parties - municipal entities

East Rand Water Care Company, NPC	248,958,635	100,249,239
Germiston Phase II Housing Company SOC Ltd	350,174	350,174

Related party transactions

Sales to related parties - municipal entities

East Rand Water Care Company, NPC	145,057,654	94,416,389
Germiston Phase II Housing Company SOC Ltd	11,257,584	9,082,110
Brakpan Bus Company SOC Ltd	-	110,000

Purchases from related parties - municipal entities

East Rand Water Care Company, NPC	1,105,039,873	928,098,329
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Grants to related parties - municipal entities

Brakpan Bus Company SOC Ltd	-	17,249,721
Germiston Phase II Housing Company SOC Ltd	16,036,000	16,000,000
East Rand Water Care Company, NPC	177,616,661	49,830,000

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 R319,504,879 (2021: R361,520,360). 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.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

44. Comparative figures

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

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 - 2022

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	6,725,614,483	-	6,725,614,483
Other receivables from non-exchange transactions	-	1,234,252,692	-	1,234,252,692
Cash and cash equivalents	-	1,074,499,030	-	1,074,499,030
Residual interest	8,206,355	-	4,000,000	12,206,355
Investments	-	835,198,505	-	835,198,505
Long term receivables	-	19,015,154	-	19,015,154
	8,206,355	9,888,579,864	4,000,000	9,900,786,219

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	8,704,824,520	8,704,824,520
Long Term Liabilities	10,426,319,777	10,426,319,777
	19,131,144,297	19,131,144,297

Economic entity - 2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	5,461,808,787	-	5,461,808,787
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	8,768,433,194	4,000,000	8,780,386,421

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	7,413,406,162	7,413,406,162
Long Term Liabilities	10,138,912,528	10,138,912,528
	17,552,318,690	17,552,318,690

Controlling entity - 2022

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	6,739,404,572	-	6,739,404,572
Statutory receivables	1,234,252,692	-	1,234,252,692

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	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021
Financial instruments disclosure (continued)				
Cash and cash equivalents	773,143,249	-	-	773,143,249
Residual interest	-	4,000,000	4,000,000	4,000,000
Other investments	835,198,606	-	-	835,198,606
Long term receivables	4,424,487	-	-	4,424,487
	9,586,423,606		4,000,000	9,590,423,606
Financial liabilities				
			At amortised cost	Total
Trade and other payables from exchange transactions			8,844,794,447	8,844,794,447
Long Term Liabilities			10,084,093,140	10,084,093,140
			18,928,887,587	18,928,887,587
Controlling entity - 2021				
Financial assets				
	At amortised cost	At cost	Total	
Trade and other receivables from exchange transactions	5,458,912,775	-	5,458,912,775	
Statutory receivables	884,095,854	-	884,095,854	
Cash and cash equivalents	958,370,861	-	958,370,861	
Residual interest	-	4,000,000	4,000,000	
Other investments	1,265,237,294	-	1,265,237,294	
Long term receivables	4,407,202	-	4,407,202	
	8,571,023,986	4,000,000	8,575,023,986	
Financial liabilities				
			At amortised cost	Total
Trade and other payables from exchange transactions			7,393,031,083	7,393,031,083
Long term liabilities			9,745,219,515	9,745,219,515
			17,138,250,598	17,138,250,598
Financial instruments in Statement of financial performance				
Economic entity - 2022				
			At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost			555,266,139	555,266,139
Interest expense (calculated using effective interest method) for financial instruments at amortised cost			(1,367,760,916)	(1,367,760,916)
Impairment loss			(2,835,381,000)	(2,835,381,000)
			(3,647,875,777)	(3,647,875,777)
Economic entity - 2021				
			At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost			477,421,362	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			(2,686,528,751)	(2,686,528,751)
			(3,600,676,489)	(3,600,676,489)
Controlling entity - 2022				
			At amortised cost	Total

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
Financial instruments disclosure (continued)				
Interest income (calculated using effective interest method) for financial instruments at amortised cost			542,333,084	542,333,084
Interest expense (calculated using effective interest method) for financial instruments at amortised cost			(1,337,373,417)	(1,337,373,417)
Impairment loss			(2,717,097,717)	(2,717,097,717)
			(3,512,138,050)	(3,512,138,050)

Controlling entity - 2021

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	472,606,741	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)
	(3,464,643,604)	(3,464,643,604)

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 15 and cash and cash equivalent disclosed in note 14.

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

There are no externally imposed capital requirements.

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

The gearing ratio 2022 and 2021 respectively are as follow:

Other financial liabilities	(10,426,319,777)	(10,138,912,528)	(10,084,093,140)	(9,745,219,515)
Less: Cash and cash equivalent	<u>1,074,499,030</u>	<u>1,138,921,954</u>	<u>773,143,249</u>	<u>958,370,863</u>
Net Debt	(9,351,820,747)	(8,999,990,574)	(9,310,949,891)	(8,786,848,652)
Total equity	51,192,355,118	50,634,176,281	48,724,411,921	48,539,780,520
Net capital balance/reserve	<u>41,840,534,371</u>	<u>41,634,185,707</u>	<u>39,413,462,030</u>	<u>39,752,931,868</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.

City of Ekurhuleni Metropolitan Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

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	-	7 415 727 351		
Long term receivables	variable %	528 784	840 600	17 645 770

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	997 871 702	54 382 035	1 767 818 193	7 606 247 848

Sensitivity analysis

Financial assets

Long-term, receivables

As at 30 June 2022, 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 R19,015 with the opposite effect if the interest rate had been 1% lower.

Investments

As at 30 June 2022, 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 R8,474,049 with the opposite effect if the interest rate had been 1% lower.

Financial liabilities

Changes in the interest rate as at 30 June 2022 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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	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

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 - 2022	Economic entity - 2021	Controlling entity - 2022	Controlling entity - 2021
Other Investments	835,198,505	1,265,237,189	835,198,606	1,265,237,294
Receivables from exchange	6,725,614,483	5,461,808,787	6,739,404,572	5,458,912,775
Statutory receivable	1,234,252,692	884,095,854	1,234,252,692	884,095,854
Cash and cash equivalents	1,074,499,030	1,138,921,954	773,143,249	958,370,861
Listed and Unlisted shares	12,206,355	11,953,227	4,000,000	4,000,000
	9,881,771,065	8,762,017,011	9,585,999,119	8,570,616,784

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 2023 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 was a damage to the City's infrastructure due to protest in Tembisa after the reporting date. The extent of the damage caused by this protest is still being investigated.

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	2022	2021	2022	2021

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 R666,788,395 (2021: R557,593,586) for irregular and for fruitless and wasteful expenditure R14,824,868 (2021: R0), for write-offs. Furthermore Council approved R5,978,113 (2021: R724,951) for irregular and R1,691,430 (2021: R5,117,980) of fruitless and wasteful expenditure to be recovered. 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	2,163,959,145	2,429,928,412	1,524,711,492	1,852,724,113
Add: Expenditure identified for the year	63,263,203	5,536,481	-	518,048
Add: Expenditure identified in the current year, relating to prior years	309,765,156	286,812,789	288,461,210	225,511,093
Less: Amounts ratified/approved as irrecoverable by council and written off	-	(557,593,586)	-	(553,316,811)
Less: Amounts ratified/approved as irrecoverable by council and written off, relating to prior years	(666,788,395)	-	(666,788,395)	-
Less: Amounts ratified/approved by council and to be recovered	(5,978,113)	(724,951)	(1,400,269)	(724,951)
	1,864,220,996	2,163,959,145	1,144,984,038	1,524,711,492

Fruitless and Wasteful expenditure

Opening balance	151,019,549	155,327,880	146,366,540	150,843,090
Add: Expenditure identified in the current year, relating to prior years	6,285,778	809,649	5,711,178	641,430
Less: Amounts ratified/approved as irrecoverable by council and written off, relating to prior years	(14,824,868)	-	(14,824,868)	-
Less: Amounts ratified/approved by council and to be recovered	(1,691,430)	(5,117,980)	(1,691,430)	(5,117,980)
	140,789,029	151,019,549	135,561,420	146,366,540

30 June 2022

Unauthorised, Fruitless, Wasteful and Irregular Expenditure

Department	Description	Classification	Amount
ERWAT	Contravention of SCM Policy	Irregular	59,664,631
EHC	Contravention of SCM Policy	Irregular	3,598,372
			63,263,003

30 June 2022

Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Real Estate	Contravention of SCM Policy	Irregular	267,482,542
Fleet management	Replacement cost on stolen items	Fruitless	95,675
Human Resources	Alleged contravention of Bursary policy	Irregular	149,513
Waste Management	Contravention of SCM Policy	Irregular	15,131,435

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

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

Health and Social Development	Value for service not rendered	Fruitless	1,308,496
Finance	Third party hacking	Fruitless	4,307,007
Water and Sanitation	Incorrect application of SCM regulation 36	Irregular	5,697,720
ERWAT	Contravention of SCM Policy	Irregular	21,303,946
ERWAT	Contravention of SCM Policy	Fruitless	8,911
ERWAT	Contravention of SCM Policy	Fruitless	565,689
			316,050,934

30 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

30 June 2021 Identified in the current year relating to prior years:

Department	Description	Classification	Amount
Human Settlements	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	61,301,696
EHC	Contravention of SCM Policy	Fruitless	40,199
ERWAT	Contravention of SCM Policy	Fruitless	126,960
BBC	Value for money not obtained	Fruitless	1,060
			287,622,438

Notes to the Consolidated Annual Financial Statements

50. Additional disclosure in terms of Municipal Finance Management Act

30 June 2022 Tenders awarded to family members	No	Contract number	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
	1	A-EE 08-2019	Ambitioustc Engineering (Pty) Ltd	Spouse	L Gxasheka	Divisional Head	-
	2	A-F 01-2020	Anix Trading 587 CC	Husband	MJ Msimango	Authoriser	-
	3	A-EWM 09-2020	MM Training and Development CC	Husband	K Mangwane	Creditors Clerk	-
	4	A-ERM 07-2019	MPPM Consulting Engineering CC	Spouse & brother	S Mathodi	Divisional Head	-
	5	A-EWM 09-2021	Makhentsa T/A LMM Training and Development CC	Husband	K Mangwane	Creditors Clerk	-
	6	AS 01-2021	Gcoba Investments	Spouse	NS Khulu	Adminstrator	-
	7	A-EE 08-2021	Kgoshi Eletrical	Spouse	LI Matlala	Senior Specialist	-
							<u>-</u>

Zero amounts are contracts awarded that are rate based

30 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	Senior clerk	-
	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 Clerk	-
	4	A-WMS 03-2018	LMM Training and Development CC	Husband	K Mangwane	Snr Clerk	7,240,450
	5	A-EE 08-2019	Ambitioustc Engineering (Pty)Ltd	Spouse	L L Gxasheka	DH Human Resources	-
	6	A-WMS 13/2019	LMM Training and developments	Spouse	K Mangwane	Senior Clerk	-
Subtotal	-	-	-	-	-	-	<u>7,240,450</u>
							<u>7,240,450</u>

30 June 2022 family members of staff	Quotations awarded to	No	Supplier name	Relation	Employee name	Employee designation	Amount R0,00
		1	Lanzisource Investments (Pty) Ltd	Spouse	A M Similane	Educator	10,115
		2	Wabobedi Trading and Projects	Spouse & Brother-in-law	L Matlala	Senior Specialist	200,000
		3	Tebosamu Samutebo Trading (Pty) Ltd	Spouse	S Mahlatse	Clerk	32,145
		4	ETN Trading Enterprise	Spouse	Z R Ndlovu	Buyer	83,312
		5	Mjikijela Trading Enterprise	Spouse	S R Mthimkulu	General worker	29,500
		6	Moratwe-Monehela trading CC	Spouse	M J Moghasi	Professional Nurse	34,010
		7	Kathorus Rebuilds and Auto Spares	Spouse	M M Mabaso	MMC	1,306,351

Notes to the Consolidated Annual Financial Statements

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

	8 Fobatongiwe Trading And Projects PTY LTD	Spouse	B A Kubheka-Hlanjwa	Constable	59,141
	9 Siadent Trading CC	Spouse	M Jonischeit	Admin Officer	10,580
	10 Mphela Mngadi and Associates Inc	Spouse	M S Mphela	Clerk : Indigent	259,893
	11 Qomo and Sons Holdings and Projects	Spouse	V Qomo	Shift Commander	1,679,583
	12 Ano Vimba Business Enterprise PTY LTD	Spouse	L N Vimba	General Assistant	119,090
	13 ETN Trading Enterprise CC	Spouse	Z R Ndlovo	Clerk	883,312
	14 Mankena Maselaelo Business Enterprise	Spouse	S P Sibisi	Admin Officer	58,000
Subtotal	-	-	-	-	4,765,032
					4,765,032

30 June 2021 awarded to family members of staff

Quotations	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 Hlatwayo	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
-	-	-	-	-	-
					893,806

Contributions to organised local government

Current year subscription / fee	16,628,500	15,516,612	16,628,500	15,516,612
Amount paid - current year	(16,628,500)	(15,516,612)	(16,628,500)	(15,516,612)
	-	-	-	-

Audit fees

Opening balance	14,705,300	8,170,034	14,705,300	8,169,944
Current year subscription / fee	29,407,819	29,487,593	24,066,241	24,066,241
Amount paid - current year	(30,847,861)	(22,952,237)	(25,506,283)	(17,530,885)
	13,265,258	14,705,390	13,265,258	14,705,300

PAYE and UIF

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

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

Opening balance	5,725,461	5,293,917	-	-
Current year subscription / fee	1,693,468,386	1,563,157,595	1,616,094,406	1,488,678,949
Amount paid - current year	(1,693,556,517)	(1,562,726,051)	(1,616,094,406)	(1,488,678,949)
	5,637,330	5,725,461	-	-

Pension and Medical Aid Deductions

Opening balance	58,549	39,346	-	-
Current year subscription / fee	2,593,648,768	2,537,195,390	2,498,914,993	2,445,781,744
Amount paid - current year	(2,593,670,903)	(2,537,176,187)	(2,498,914,993)	(2,445,781,744)
	37,414	58,549	-	-

VAT

VAT paid during the year	148,523,004	119,133,992	139,776,918	118,515,477
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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2022:

30 June 2022	Highest outstanding amount	Ageing in days
Khumalo HJ	51,816	990
Kiyane NC	89,842	1,350
Mahlangu NL	25,817	1,680
Mbeki VW	57,801	1,770
Mnisi SL	6,076	120
Motsopi TA	13,354	210
Motloung TP	31,500	1,350
Ngobese SS	7,312	300
Nhleko SE	95,963	1,830
Rasilingwane ZK	2,078	540
Sidu M	595	1,830
Thobejane PAM	235,324	1,830
Zitha LC	42,455	1,590
	659,933	15,390

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

30 June 2022	Highest outstanding amount	Ageing (in days)
Daemane PA	7,567	240
Hoods AR	2,300	120
Kalipa TN	327,872	1,830
Khumalo HJ	68,723	1,830
Kiyane NC	113,503	1,830
Klass GSN	56,431	1,680
Mabye MS	12,188	630
Mahlangu NL	79,955	1,830
Mashiane TSG	8,782	210
Mbeki VW	67,088	1,920
Mnisi SL	6,076	120
Motloung TP	35,196	1,350
Mohau MC	1,952	1,230
Mokoena TA	115	720
Motsopi TA	16,792	360
Mudau MM	87	1,770
Ngobese SS	12,630	240
Ngobese AK	6,366	120

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

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

Nhleko SE	95,963	1,830
Nkunjana P	7,245	120
Rasilingwane ZK	3,436	450
Sidu M	595	1,830
Thobejane PAM	242,285	1,830
Zitha LC	42,455	1,590
	1,215,602	25,680

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

30 June 2021			Highest outstanding amount	Aging (in days)
Makopo TS	-	-	6,879	120
30 June 2021			Highest outstanding amount	Aging (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
	-	-	148,936	5,070

51. Utilisation of long-term liabilities reconciliation

Long-term borrowings approved in the budget for the current year	1,000,000,000	1,976,000,000	1,000,000,000	1,976,000,000
Funds utilised to finance the capital expenditure programme for the current year	1,000,000,000	1,976,000,000	1,000,000,000	1,976,000,000
Amounts transferred to reserves to be utilised in next financial years	(939,516,015)	(1,698,908,034)	(939,516,015)	(1,698,908,034)
	(60,483,985)	(277,091,966)	(60,483,985)	(277,091,966)
Unspent long term liabilities	-	-	-	-
Cash was invested for the repayment of long-term liabilities for the year	717,671,676	666,817,022	717,671,676	666,817,022

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

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

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 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.

SCM regulation 36(2)

Emergency	-	403,540	-	-
Sole supplier	2,462,153	684,107	-	-
Minor breach	-	2,065,258	-	-
Other - Impractical	11,718,142	46,422,576	9,165,999	32,071,442
	14,180,295	49,575,481	9,165,999	32,071,442

During the year the accounting officer
ratified minor breaches in line with SCM
regulation 36(2) R0,00 (2021: R0)

Extentions of contracts include inter-alia
the following amounts:

Other services	108,104,732	-	108,104,732	-
Maintenance and other related services	-	660,785	-	660,785
	108,104,732	660,785	108,104,732	660,785

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

53. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	2,859,663,747	2,795,770,519	2,693,115,011	2,666,525,037
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Not yet contracted for and authorised by accounting officer

• Other financial assets	1,118,601,239	1,670,610,665	1,118,601,239	1,670,610,665
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Total capital commitments

Already contracted for but not provided for	2,859,663,747	2,795,770,519	2,693,115,011	2,666,525,037
Not yet contracted for and authorised by accounting officer	1,118,601,239	1,670,610,665	1,118,601,239	1,670,610,665
	3,978,264,986	4,466,381,184	3,811,716,250	4,337,135,702

Total commitments

Total commitments

Authorised capital expenditure	3,978,264,986	4,466,381,184	3,811,716,250	4,337,135,702
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This committed expenditure relates to the acquisition of property, plant and equipment for the 2022/2023 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 supplier's 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	305,642	1,213,915	-	-
- in second to fifth year inclusive	-	239,432	-	-
	305,642	1,453,347	-	-

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 for office buildings.

The actual lease contract amounts range between R26,176 and R674,136 (2021: R26,176 and R674,136) per month on the office buildings. All operating lease contracts are on month to month basis, as a result of Council resolution to move all spaces to internal buildings.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	9,790,133	9,323,936	9,790,133	9,323,936
- in second to fifth year inclusive	22,701,387	21,620,369	22,701,387	21,620,369
- later than five years	26,571,627	25,306,311	26,571,627	25,306,311
	59,063,147	56,250,616	59,063,147	56,250,616

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 (2021: R0.08) (social benefit) up to R252,000 (2021: R252,000).

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

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
Other Receivables from exchange transactions	6,053,917,323	6,026,215,468	(27,701,855)
Investment property	741,602,553	732,590,375	(9,012,178)
Property, plant and equipment	61,574,853,030	61,949,638,328	374,785,298
Intangible assets	1,343,391,480	1,380,504,849	37,113,369
Accounts payable	(8,731,808,806)	(8,949,642,068)	(217,833,262)
Accumulated surplus	(50,419,956,876)	(50,577,308,248)	(157,351,372)
UIFW	-	-	-
Awards to bidders with non-tax compliant by Coe	-	-	15,526,658
Falsification of bursary claim by Coe	-	-	127,665
Incorrect disclosure by ERWAT	-	-	2,393,560
Incorrect disclosure by EHC	-	-	30,017
Statement of Financial Position - Controlling entity	-	-	-
Other Receivables from exchange transactions	6,045,969,558	6,023,319,456	(22,650,102)
Investment property	530,164,845	521,152,667	(9,012,178)
Property, plant and equipment	59,371,576,633	59,748,166,790	376,590,157
Intangible assets	1,335,547,421	1,372,660,790	37,113,369
Accounts payable	(8,708,730,919)	(8,929,266,989)	(220,536,070)
Accumulated surplus	(48,378,275,330)	(48,539,780,515)	(161,505,185)
UIFW			
Awards to bidders with non-tax compliant by Coe	-	-	15,526,658
Falsification of bursary claim by Coe	-	-	127,665
	-	-	-
	-	-	-

55. Change in estimate

Property, plant and equipment

The useful life review for 2022 had the following impact -
 Depreciation expense before remaining useful life review R87,125,305.
 Depreciation expense after remaining useful life review R54,109,110.
 Future decrease in depreciation due to the review R33,016,195

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

56. Accounting by principals and agents

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

Ekurhuleni Water Care Company (ERWAT) was appointed as an implementing agent for the phase 1 upgrade and urgent refurbishment at the Rooiwaal waste water treatment works and related project, in terms of section 110(2) of Local Government: Municipal Finance Management Act; for a three year period by the City of Tshwane (CoT) which commenced during the first quarter of the current financial year.

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 R 296,630,358 (2021: R 307,854,754) for economic entity and R295,228,156 (2021: R302,417,952) for controlling entity.

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	1,099,241,132	1,141,602,787	1,099,241,132	1,141,602,787
Amounts transferred to the principal	(957,267,436)	(1,077,356,330)	(957,267,436)	(1,077,356,330)
	141,973,696	64,246,457	141,973,696	64,246,457

All categories

Cash paid on behalf of the principal	1,099,241,132	1,141,602,787	1,099,241,132	1,141,602,787
Amounts transferred to the principal	(957,267,436)	(1,077,356,330)	(957,267,436)	(1,077,356,330)
Amount still owed to Principal	(141,973,696)	(64,246,457)	(141,973,696)	(64,246,457)
	-	-	-	-

57. In-kind donations and assistance

The Church of Scientology offered decontamination services of the City's facilities.

58. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

For details please refer to the Appropriation Statement included in the Annual Financial Statements above and the Annual report.

Notes to the Consolidated Annual Financial Statements

58. Budget differences (continued)

As per the Municipal Budget and Reporting Regulations contained in Government Gazette number 32141 dated 17 April 2009, the City prepares a consolidated budget of itself and its entities. The budget differences explained below are at a group level.

A. ADJUSTMENT BUDGET PROCESS

The City of Ekurhuleni and its entities had one normal, main adjustment budget and one special adjustment budget during the 2021/22 financial year.

These adjustment budgets were approved as follows:

- 1) Main, normal adjustment budget – Item A-F (15-2022) on 24 February 2022; and
- 2) First special adjustment budget – Item A-F (28-2022) on 26 May 2022;

NORMAL ADJUSTMENT BUDGET (24 JFEBRUARY 2022): A-F (15-2022)

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

- The lower than planned collection rate, 83.7% instead of 90%, due to the effects of the lock down and the state of the economy;
- The mid-year budget performance assessment; and
- The downgrade of the investment rating by Moody's in November 2021.

Operating Revenue

The net increase in operating revenue amounted to R1,8 billion. The increase in revenue, particularly in assessment rates, service charges, fines and licenses and permits, are adjustments in billings. This means that the increases have not translated into real cash in the bank.

Operating Expenditure

The operating expenditure increases from R42.67 billion to R44.76 billion, an increase of R1,9 billion. The operating expenditure shows that increases in operating revenue were applied to debt impairment as the collection levels were below the planned target.

Capital budget

The proposed adjustment is a combination of:

- Reduction in own revenue and external loans funded projects;
- Allocation of 2020/21 unspent grants approved for roll-over to 2021/22; and
- Re-alignment of the sources of funding and refinancing.

The proposed adjustments to the City's capital budget results in a net decrease of R567.36 million. The adjustments to the entities capital budget is an increase of R56.56 million. The capital budget of the City and its entities results in a net decrease of R510.80 million. The capital budget, therefore, decreases from R4.08 billion to R3.57 billion.

SPECIAL ADJUSTMENT BUDGET (26 MAY 2022): ITEM A-F (28-2022)

These special adjustments are due to issuance by National Treasury of Government Gazette 46095 dated 25 March 2022, wherein some grants were reduced, and the actual performance to date.

Operating Revenue

The adjustments in the various line items are based on year-to-date performance, while adjustments in transfers and subsidies are the net effect of conditional grant changes. The operating revenue increased upward from R44.7 billion to R45.4 billion, an increase of R674.3 million.

Operating Expenditure

The special adjustments to operating revenue were applied to the expenditure amounts by the same amount R674.3 million to have a balanced and credible budget. The operating expenditure is adjusted from R44.5 billion to R45.2 billion

Capital Budget

The National Treasury gazette as stated amount resulted in a decrease in the Informal Settlements Upgrading Partnership Grant and the Urban Settlements Development Grant, which predominantly fund the capital budget.

The effect of the special adjustments is to decrease capital budget from R3.5 billion to R3.3 billion, a net decrease of R252.1 million. These adjustments will ensure that over 95% of the capital budget, and close to 100% of conditional grants, are spent by the end of the financial

Notes to the Consolidated Annual Financial Statements

58. Budget differences (continued)

year.

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

Revenue

Additional transfers and subsidies were received.

Expenditure

The additional funds were applied on grant funded expenditure, predominantly contracted services.

C. EXPLANATION OF VARIANCES: CONSOLIDATED FINAL BUDGET AND ACTUAL AMOUNTS

Variances of 8% and above are regarded as significant and explained.

Revenue

The actual revenue amounts to R45.63 billion whilst the budgeted revenue amounts to R46.72 billion, with the underperformance variance of R1.0 billion or 2.3%

Significant variances are on the following line items:

- Construction contracts

The revenue from construction contracts was below budget due to the delays in the construction process affected by the impact of the lock-down restrictions and contractors disputes which affected the development process and additional funds transferred to the city in the last month of the financial year which could not be spent.

- Rental of facilities

Actual revenue is more than budget as more revenue was collected due to easing of lockdown restrictions during the most part of the year.

- Interest income (on investments and debtors)

Interest earned was more than budget as the collection level has increased after easing of lockdown restrictions.

- Other income

The other income at a consolidated level is significantly below budget due to the SHRA grant to EHC that was not received as planned.

- Public contributions

This amount can be reliably estimated only at the end of the financial year.

- Fines

The actual amount is less than budget and this amount as a result of improvement in the enforcement of traffic violations and police visibility.

Expenditure

Significant variances are due to the following:

- Depreciation and amortisation

The slight increase was due to the increase in donated assets handed over to the city as a result of the correction of prior period errors on these assets. This resulted in an increase on the off-set depreciation recognized in the budget process against actual in the statement of changes due to compliance to GRAP standards.

- Impairment and derecognition loss

No provision in budget for this item as the nature of expenditure could not be reliably estimated until their occurrence and the allocation of budget contravenes legislations processes.

- Collection costs

Notes to the Consolidated Annual Financial Statements

58. Budget differences (continued)

Lower than budget as a significant portion of consumer debt is from households who are affected by the state of the economy. The Full credit control measures could not be implemented during the financial year as a result of the impact of the unrest and restriction as a result of the lockdown.

- Contracted services

Lower than budget due to impact of lockdown on some contractors affected by lockdown restrictions in some sectors of the economy, particularly construction which has a long lead time between site establishment and actual construction. Also the reduction in reliance on these services.

- General expenditure

The increase on the expenditure relates to significant spending on the repairs and maintenance of infrastructure largely damaged during the unrest in July 2021, and the effect of the increase in fuel prices within the financial year.

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City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

59. 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.

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Economic entity 2022

	Community and Public safety	Economic and environmental services	Municipal governance and administration	Other	Trading services	Non-Segment Revenue and Expenditure	Total
Revenue							
Revenue from exchange transactions	(734,183,653)	68,002,895	1,868,105,840	326,113,915	25,837,287,190	-	27,365,326,187
Revenue from non-exchange transactions	738,184,529	943,116,025	8,644,073,399	-	1,998,201,620	-	12,323,575,573
Inter-segment transfers	1,235,186	-	3,081,295,884	-	1,604,917,577	-	4,687,448,647
Interest revenue	-	-	132,800,184	37,353	421,423,705	-	554,261,242
Other Revenue	-	-	-	-	-	726,799,005	726,799,005
Total segment revenue	5,236,062	1,011,118,920	13,726,275,307	326,151,268	29,861,830,092	726,799,005	45,657,410,654
Entity's revenue	45,657,410,654						
Expenditure							
Interest expense	693,965	260,475,706	747,467,378	-	366,123,533	-	1,374,760,582
Depreciation and amortisation	315,338,062	816,654,084	952,294,798	-	745,233,721	-	2,829,520,665
Debt impairment	713,572,291	-	3,202,608,329	-	937,944,722	-	4,854,125,342
Income tax expenses	(6,833,658)	-	-	-	-	-	(6,833,658)
Other expenses	5,942,213,410	1,725,930,735	3,981,704,793	305,403,681	23,365,855,490	-	35,321,108,109
Other Expenditure	-	-	-	-	-	726,560,097	726,560,097
Total segment expenditure	6,964,984,070	2,803,060,525	8,884,075,298	305,403,681	25,415,157,466	726,560,097	45,099,241,137
Total segmental surplus/(deficit)	558,169,517						
Total assets							
Non - current assets	7,742,676,801	21,680,447,370	11,240,014,057	-	24,743,383,870	-	65,406,522,098
Current assets	-	-	11,829,526,365	-	-	-	11,829,526,365
Total assets	7,742,676,801	21,680,447,370	23,069,540,422	-	24,743,383,870	-	77,236,048,463
Total assets as per Statement of financial Position	77,236,048,463						

Notes to the Consolidated Annual Financial Statements

Figures in Rand

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59. Segment information (continued)

Total liabilities

Non - current liabilities	-	- 12,464,859,854	-	-	- 12,464,859,854
Current liabilities	-	- 13,578,833,491	-	-	- 13,578,833,491
Total segment liabilities	-	- 26,043,693,345	-	-	- 26,043,693,345
Total liabilities as per Statement of financial Position					26,043,693,345

Economic entity 2021

	Community and Public safety	Economic and environmental services	Municipal governance and administration	Other	Trading services	Total
Revenue						
Revenue from exchange transactions	(542,466,001)	75,497,979	120,343,955	332,036,690	24,426,352,493	24,411,765,116
Revenue from non-exchange transactions	1,513,386,409	962,830,181	8,785,128,337	-	3,140,433,598	14,401,778,525
Inter-segment transfers	-	-	2,071,522,171	-	158,019,285	2,229,541,456
Interest revenue	857,979	59,147	197,041,386	60,799	279,516,315	477,535,626
Total segment revenue	971,778,387	1,038,387,307	11,174,035,849	332,097,489	28,004,321,691	41,520,620,723
Entity's revenue						41,520,620,723
Expenditure						
Interest expense	120,405	257,510,163	767,824,809	-	362,132,705	1,387,588,082
Depreciation and amortisation	195,626,321	811,937,336	860,361,936	-	785,408,350	2,653,333,943
Debt impairment	512,660,219	-	1,534,379,279	-	2,226,950,405	4,273,989,903
Income tax expenses	(5,198,131)	467,508	-	-	-	(4,730,623)
Other expenses	5,705,450,529	1,815,984,695	3,353,154,507	280,495,225	21,645,955,699	32,801,040,655
Total segment expenditure	6,408,659,343	2,885,899,702	6,515,720,531	280,495,225	25,020,447,159	41,111,221,960
Total segmental surplus/(deficit)						409,398,763
Total assets						
Non - current assets	7,420,535,375	20,875,957,717	10,050,899,416	-	26,486,534,910	64,833,927,418
Current assets	-	-	10,081,033,252	-	-	10,081,033,252
Total assets	7,420,535,375	20,875,957,717	20,131,932,668	-	26,486,534,910	74,914,960,670

Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Total assets as per Statement of financial Position

74,914,960,670

Total liabilities

Non - current liabilities

- (12,336,150,196) - (12,336,150,196)

Current liabilities

- (11,944,634,193) - (11,944,634,193)

Total liabilities

- (24,280,784,389) - (24,280,784,389)

Total liabilities as per Statement of financial Position

(24,280,784,389)

Controlling entity 2022

Controlling entity - 2021

60. Unaccounted Electricity and Water

Electricity

Units purchased

30 June 2022 Units	30 June 2022 Value	30 June 2021 Units	30 June 2021 Value
10,374,487,504	14,318,425,774	10,458,825,375	12,046,726,901
(8,635,195,112)	(11,917,928,495)	(8,762,975,770)	(10,093,406,492)
1,739,292,392	2,400,497,279	1,695,849,605	1,953,320,409

Units sold

Unaccounted electricity (Value)

Technical loss

451,290,206 622,851,521 454,958,904 524,032,620

Non-technical loss

1,288,002,186 1,777,645,758 1,240,890,701 1,429,287,789

1,739,292,392 **2,400,497,279** **1,695,849,605** **1,953,320,409**

Unaccounted electricity (%)

Technical loss

4.35 % 4.35 % 4.35 % 4.35 %

Non-technical loss

12.42 % 12.42 % 11.86 % 11.86 %

Total loss %

16.77 % **16.77 %** **16.21 %** **16.21 %**

Water

Purchases

30 June 2022 Units	30 June 2022 Value	30 June 2021 Units	30 June 2021 Value
360,244,788	3,815,729,543	355,050,710	3,578,618,399
(245,096,587)	(2,596,310,094)	(238,978,996)	(2,399,329,785)

Units sold and authorised consumption

City of Ekurhuleni Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

60. Unaccounted Electricity and Water (continued)

Unaccounted water (Value)

Technical loss	17,255,725	182,738,128	17,410,757	176,893,291
Non-technical loss	97,892,476	1,036,681,321	98,660,957	1,002,395,323
	115,148,201	1,219,419,449	116,071,714	1,179,288,614

Unaccounted water (%)

Technical loss	4.79 %	4.79 %	4.90 %	4.90 %
Non-technical loss	27.17 %	27.17 %	27.79 %	27.79 %
	31.96 %	31.96 %	32.69 %	32.69 %