



**CITY OF TSHWANE METROPOLITAN MUNICIPALITY**  
***Consolidated Annual Financial Statements***  
***for the year ended 30 June 2018***

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## General Information

---

### Legal form of entity

Category A municipality in terms of Section 1 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) read with Section 155(1) of the Constitution of the Republic of South Africa, 1996

### Nature of business and principal activities

The principal activities of the City of Tshwane Metropolitan Municipality are to:

- Provide democratic and accountable government to the local communities;
- Ensure sustainable services delivery to communities;
- Promote social and economic development;
- Provide local communities equitable access to the municipal services;
- Promote and undertake development in the municipality;
- Promote a safe and healthy environment; and
- Encourage the involvement of communities in local government affairs.

### Executive Mayor

Solly Msimanga

### Speaker

Rachel Mathebe

### Chief Whip

Christiaan van den Heever

### Mayoral committee

#### Members

Mare-Lise Fourie (Ms) (MMC: Finance)

Sakkie du Plooy (MMC: Health)

Mike Mkhari (MMC: Agriculture and Environmental Management)

Anniruth Kissoonduth (Derrick) (MMC: Community Safety)

Darryl Moss (MMC: Utility Services)

Cilliers Brink (MMC: Human Capital Management and Shared Services)

Ntsiki Mokhotho (Ms) (MMC: Community and Social Development Services)

Randall Williams (MMC: Economic Development and Spatial Planning)

Mandla Nkomo (MMC: Housing and Human Settlement)

Sheila Lynn Senkubuge (Ms) (MMC: Roads and Transport)

### Grading of local authority

Category A Grade 6 urban municipality (demarcation code - TSH)

### Accounting Officer

Dr Moeketsi Mosola

Telephone: 012 358 4901

### Chief Financial Officer (CFO)

Umar Banda CA (SA)

Telephone: 012 358 8100

### Registered office

Tshwane House

320 Madiba Steet

PRETORIA

0002

### Postal address

PO Box 408

PRETORIA

0002

### Bankers

ABSA

### Auditors

Auditor-General South Africa (AGSA)

### Legislation governing the Municipality's operations

Local Government: Municipal Finance Management Act (Act 56 of 2003)

Local Government: Municipal Systems Act (Act 32 of 2000)

Local Government: Municipal Structures Act (Act 117 of 1998)

Housing Act (Act 107 of 1997)

Constitution of the Republic of South Africa, 1996

Property Rates Act (Act 6 of 2004)

Division of Revenue Act (Act 3 of 2016)

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## General Information

---

### Entities to be consolidated at year end

Consistent with the prior financial year the following municipal entities will be included in the Consolidated Annual Financial Statements:

Housing Company Tshwane NPC (Registration nr 2001/029821/08)

Tshwane Economic Development Agency Soc Ltd (TEDA) (Registration nr 2006/019396/07)

### Entities dormant

Metsweding Economic Development Agency (MEDA) - Council decision of 25 August 2011 to disestablish MEDA. All operations were taken over by the Municipality on 1 July 2011. (Final deregistration 26 August 2016.)

Sandspruit Works Association Soc Ltd (Registration nr 1999/019160/08). Was disestablished on 30 June 2017 in terms of Council Resolution of 27 October 2016. Currently in the process of being deregistered.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Index

---

The reports and statements set out below comprise the Consolidated Annual Financial Statements presented to the Council:

	<b>Page</b>
Certification by City Manager	5
Statement of Financial Position	6
Statement of Financial Performance for the year ended 30 June 2018	7
Statement of Changes in Net Assets for the year ended 30 June 2018	8
Cash Flow Statement for the year ended 30 June 2018	9
Statement of Comparison of Budget and Actual Amounts	10 - 15
Summary of significant accounting policies	16 - 44
Notes to the Consolidated Annual Financial Statements	45 - 177
The following supplementary information does not form part of the Consolidated Annual Financial Statements and is unaudited:	
Supplementary Information	178 - 177
Appendixes:	
Appendix A: Schedule of External Loans	178
Appendix B: Analysis of Property, Plant and Equipment	180
Appendix C: Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)	182
Appendix D: Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote)	184
Appendix E: Budgeted Financial Performance (Revenue and Expenditure)	186
Appendix F: Budgeted Capital Expenditure by Vote, Standard Classification and Funding	188
Appendix G: Budgeted Cash Flows	190
Appendix H: Disclosure of Grants and Subsidies paid in terms of the MFMA	191

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Index

---

### Abbreviations

AARTO	Administrative Adjudication of Road Traffic Offences
CFO	Chief Financial Officer
COGTA	Department of Co-operative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
COO	Chief Operations Officer
DBSA	Development Bank of South Africa
DME	Department Minerals and Energy
DoRA	Division of Revenue Act
DPSA	Department of Public Service and Administration
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GAAP	Generally Accepted Accounting Practice
GDoT	Gauteng Department of Transport
GLGH	Gauteng Local Government and Housing
GRAP	Generally Recognised Accounting Practice
GSO	Governance and Support Officer
HCT	Housing Company Tshwane
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Committee
MEDA	Metsweding Economic Development Agency
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPRA	Municipal Property Rates Act
NDPG	Neighbourhood Development Partnership Grant
PTNOG	Public Transport Network Operating Grant
RTMC	Road Traffic Management Corporation
SALGA	South African Local Government Association
TEDA	Tshwane Economic Development Agency
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
VAT	Value-Added Tax

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Certification by City Manager

---

The accounting officer is required by the Local Government: Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent audit opinion on the consolidated annual financial statements and are given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and as required by the Local Government: Municipal Finance Management Act, 2003.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity 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 the risk of error or loss 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the group's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the economic entity has adequate resources or has access to such resources to continue operating for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the group, they are supported by the group's internal auditors.

The consolidated annual financial statements set out on pages 6 to 177, which have been prepared on a going concern basis, were approved and signed by the accounting officer on 30 September 2018.

I certify that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in Note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

---

**Dr Moeketsi Mosola**  
City Manager

---

**Umar Banda CA(SA)**  
Chief Financial Officer

**Pretoria**

**30 September 2018**

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Position as at 30 June 2018

	Note(s)	Group		Municipality	
		2018	2017 Restated* R	2018	2017 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	21	635,565,193	692,359,396	635,565,193	688,894,585
Investments	19	2,356,562,644	1,712,536,970	2,356,110,483	1,712,108,929
Current tax receivable	77	-	859,028	-	-
Other receivables from exchange transactions	23	1,205,823,394	1,423,329,504	1,205,551,815	1,149,796,111
Other receivables from non-exchange transactions	23	206,183,986	74,472,926	206,183,986	74,472,926
Consumer receivables from exchange transactions	22	3,205,059,363	3,297,802,230	3,205,059,363	3,274,957,925
Consumer receivables from non-exchange transactions	22	912,319,296	689,804,129	912,319,296	689,804,129
VAT receivable	12	2,385,807	4,363,938	-	-
Long-term receivables: short-term portion	20	132,771,634	91,005,216	132,771,634	91,005,216
Sinking fund asset	73	468,779,692	-	468,779,692	-
Cash and bank	24	562,495,690	447,530,497	482,680,683	389,527,161
		<b>9,687,946,699</b>	<b>8,434,063,834</b>	<b>9,605,022,145</b>	<b>8,070,566,982</b>
<b>Non-Current Assets</b>					
Investment property	14	828,889,079	833,694,547	828,889,079	833,694,547
Property, plant and equipment	13	36,258,780,046	34,357,248,498	36,128,996,908	34,291,414,247
Leased assets	17	553,521,560	666,061,025	553,521,560	666,061,025
Intangible assets	15	390,137,806	416,205,518	390,084,966	416,007,742
Heritage assets	16	3,484,251,610	3,648,495,662	3,484,251,610	3,648,495,662
Investments	19	-	710,520	-	710,520
Deferred tax	75	59,351	-	-	-
Long-term receivables: long-term portion	20	41,039,269	36,199,920	41,039,269	36,199,920
Sinking fund	73	260,151,366	-	260,151,366	-
Interest rate swap asset	71	47,235,142	18,743,157	47,235,142	18,743,157
		<b>41,864,065,229</b>	<b>39,977,358,847</b>	<b>41,734,169,900</b>	<b>39,911,326,820</b>
<b>Total Assets</b>		<b>51,552,011,928</b>	<b>48,411,422,681</b>	<b>51,339,192,045</b>	<b>47,981,893,802</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Loans and bonds	4	715,376,151	728,912,199	715,060,753	728,596,801
Current tax payable	77	3,042,792	-	-	-
Lease liabilities	5	175,371,268	151,444,287	175,371,268	151,444,287
Operating lease liability	74	156,129	25,248	-	-
Payables from exchange transactions	10	7,180,555,619	7,388,212,390	7,129,150,731	7,052,516,216
VAT payable	12	2,219,564,782	1,437,135,346	2,219,564,782	1,426,786,838
Consumer deposits	9	516,053,782	411,345,192	516,053,782	407,336,926
Employee benefit obligation	43	307,179,298	305,258,081	307,179,298	305,258,081
Unspent grants and receipts	11	470,930,372	305,859,395	470,930,372	305,859,395
Service concession arrangements	60	235,749,104	247,621,793	235,749,104	247,621,793
		<b>11,823,979,297</b>	<b>10,975,813,931</b>	<b>11,769,060,090</b>	<b>10,625,420,337</b>
<b>Non-Current Liabilities</b>					
Loans and bonds	4	10,139,798,026	10,662,892,847	10,138,570,319	10,661,349,741
Lease liabilities	5	406,402,707	328,660,380	406,402,707	328,660,380
Deferred operating lease liability	74	75,677	148,443	-	-
Employee benefit obligation	43	1,523,823,760	1,663,747,853	1,523,823,760	1,663,747,853
Deferred tax	75	-	14,924	-	-
Provisions	6	943,934,569	968,935,936	943,934,569	968,935,936
Interest rate swap liability	71	183,928,141	142,995,983	183,928,141	142,995,983
Service concession arrangements	60	1,265,561,458	1,013,585,105	1,265,561,458	1,013,585,105
Sinking fund	73	147,547,144	-	147,547,144	-
		<b>14,611,071,482</b>	<b>14,780,981,471</b>	<b>14,609,768,098</b>	<b>14,779,274,998</b>
<b>Total Liabilities</b>		<b>26,435,050,779</b>	<b>25,756,795,402</b>	<b>26,378,828,188</b>	<b>25,404,695,335</b>
<b>Net Assets</b>		<b>25,116,961,149</b>	<b>22,654,627,279</b>	<b>24,960,363,857</b>	<b>22,577,198,467</b>
Accumulated surplus	42	25,116,961,149	22,654,627,279	24,960,363,857	22,577,198,467

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Performance for the year ended 30 June 2018

	Note(s)	Group		Municipality	
		2018	2017 Restated* R	2018	2017 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	26	16,921,045,891	16,186,493,118	16,921,669,192	16,423,581,684
Rental of facilities and equipment		141,396,888	134,119,008	133,087,962	128,862,904
Interest received - outstanding consumer debtors		731,177,851	618,102,368	731,032,609	553,456,804
Licences and permits		52,325,465	49,266,169	52,325,465	49,266,169
Other income	28	795,443,972	895,487,313	795,337,402	895,251,878
Investment revenue	34	210,975,786	105,993,848	210,274,693	105,227,294
Gain on foreign exchange transactions	72	537,469	281,716	537,469	281,716
<b>Total revenue from exchange transactions</b>		<b>18,852,903,322</b>	<b>17,989,743,540</b>	<b>18,844,264,792</b>	<b>18,155,928,449</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	25	6,761,346,762	5,912,583,707	6,761,720,009	5,912,860,893
<b>Transfer revenue</b>					
Government grants, subsidies, awards and donations	27	6,467,568,269	6,123,596,479	6,438,423,343	6,123,596,479
Public contributions and donations		76,885,838	233,803,259	76,885,838	233,803,259
Fines, penalties and forfeits		214,536,078	186,948,494	214,536,078	186,948,494
<b>Total revenue from non-exchange transactions</b>		<b>13,520,336,947</b>	<b>12,456,931,939</b>	<b>13,491,565,268</b>	<b>12,457,209,125</b>
<b>Total revenue</b>		<b>32,373,240,269</b>	<b>30,446,675,479</b>	<b>32,335,830,060</b>	<b>30,613,137,574</b>
<b>Expenditure</b>					
Employee-related cost	29	(8,182,972,086)	(8,040,578,994)	(8,147,630,176)	(7,901,253,881)
Remuneration of councilors	31	(126,606,977)	(118,003,200)	(126,606,977)	(118,003,200)
Depreciation and amortisation	32	(1,808,750,942)	(1,586,023,006)	(1,807,045,707)	(1,581,557,251)
Impairment loss/reversal of impairments	61	(234,750,180)	(2,726,850)	(234,750,180)	(2,726,850)
Finance costs	33	(1,696,562,764)	(1,317,500,240)	(1,696,252,154)	(1,316,628,894)
Debt impairment	35	(1,714,178,382)	(1,417,202,205)	(1,712,997,942)	(1,270,227,002)
Bulk purchases	36	(9,835,004,103)	(9,401,956,537)	(9,835,502,733)	(9,582,375,815)
Contracted services	62	(2,510,690,756)	(2,845,342,761)	(2,485,413,588)	(2,799,728,867)
Transfers and subsidies	37	-	-	(122,425,090)	(382,142,676)
Loss on disposal of assets and liabilities		(79,939,912)	(74,837,639)	(79,778,670)	(75,140,946)
Fair value adjustments		(92,859,788)	(18,855,341)	(92,859,788)	(18,855,341)
General expenses	38	(3,649,526,847)	(3,194,313,238)	(3,635,258,069)	(3,167,587,175)
<b>Total expenditure</b>		<b>(29,931,842,737)</b>	<b>(28,017,340,011)</b>	<b>(29,976,521,074)</b>	<b>(28,216,227,898)</b>
<b>Surplus before taxation</b>		<b>2,441,397,532</b>	<b>2,429,335,468</b>	<b>2,359,308,986</b>	<b>2,396,909,676</b>
Taxation	76	2,920,067	758,508	-	-
<b>Surplus for the year</b>		<b>2,438,477,465</b>	<b>2,428,576,960</b>	<b>2,359,308,986</b>	<b>2,396,909,676</b>

The National Treasury classification of expenditure is disclosed in Note 68.

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Statement of Changes in Net Assets for the year ended 30 June 2018

	Accumulated surplus	Total net assets
<b>Group</b>		
Opening balance as previously reported	19,663,032,334	19,663,032,334
Prior year adjustments (refer to Note 42 and 46)	563,017,985	563,017,985
<b>Balance at 1 July 2016 as restated*</b>	<b>20,226,050,319</b>	<b>20,226,050,319</b>
Changes in net assets		
Surplus for the year	2,428,576,960	2,428,576,960
Total changes	2,428,576,960	2,428,576,960
Opening balance as previously reported	23,265,811,833	23,265,811,833
Prior year adjustments (refer to Note 43 and 46)	(611,184,543)	(611,184,543)
<b>Balance at 1 July 2017 as restated*</b>	<b>22,654,627,290</b>	<b>22,654,627,290</b>
Changes in net assets		
Surplus for the year	2,438,477,465	2,438,477,465
Gain/(loss) from transfer of functions between entities under common control	23,856,394	23,856,394
Total changes	2,462,333,859	2,462,333,859
<b>Balance at 30 June 2018</b>	<b>25,116,961,149</b>	<b>25,116,961,149</b>
Note(s)	42	
<b>Municipality</b>		
Opening balance as previously reported	19,617,270,805	19,617,270,805
Adjustments		
Prior year adjustments (refer to Note 42 and 46)	563,017,986	563,017,986
<b>Balance at 1 July 2016 as restated*</b>	<b>20,180,288,791</b>	<b>20,180,288,791</b>
Changes in net assets		
Surplus for the year	2,396,909,676	2,396,909,676
Total changes	2,396,909,676	2,396,909,676
Opening balance as previously reported	23,194,990,739	23,194,990,739
Adjustments		
Prior year adjustments (refer to Note 42 and 46)	(617,792,262)	(617,792,262)
<b>Balance at 1 July 2017 as restated*</b>	<b>22,577,198,477</b>	<b>22,577,198,477</b>
Changes in net assets		
Surplus for the year	2,359,308,986	2,359,308,986
Gain/(loss) from transfer of functions between entities under common control	23,856,394	23,856,394
Total changes	2,383,165,380	2,383,165,380
<b>Balance at 30 June 2018</b>	<b>24,960,363,857</b>	<b>24,960,363,857</b>
Note(s)	42	

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Cash Flow Statement for the year ended 30 June 2018

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Cash receipts from other revenue sources	2,296,579,247	2,495,765,558	2,877,562,212	2,459,534,294
Cash receipts from ratepayers and service charges	22,376,471,808	20,445,223,689	21,478,538,196	20,718,003,819
Grants: Operating	4,320,824,281	3,980,677,184	4,291,679,355	3,980,677,184
Grants: Capital	2,368,845,285	2,378,837,580	2,368,845,285	2,378,837,580
Interest income	205,582,045	102,616,461	204,880,952	101,849,907
	<u>31,568,302,666</u>	<u>29,403,120,472</u>	<u>31,221,506,000</u>	<u>29,638,902,784</u>
<b>Payments</b>				
Cash paid to employees	(8,309,579,063)	(8,158,582,194)	(8,274,237,153)	(8,019,257,081)
Cash paid to suppliers	(15,855,704,225)	(15,765,426,757)	(15,509,102,980)	(15,830,062,804)
Finance costs (interest paid)	(1,696,562,764)	(1,317,500,240)	(1,696,252,154)	(1,316,628,894)
Transfers and grants	-	-	(122,425,090)	(382,142,676)
Taxes on surpluses	75&77 907,478	(492,225)	-	-
	<u>(25,860,938,574)</u>	<u>(25,242,001,416)</u>	<u>(25,602,017,377)</u>	<u>(25,548,091,455)</u>
<b>Net cash flows from operating activities</b>	<b>39 5,707,364,092</b>	<b>4,161,119,056</b>	<b>5,619,488,623</b>	<b>4,090,811,329</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	13 (3,231,734,545)	(3,415,047,734)	(3,166,058,342)	(3,383,354,823)
Retirement of leased assets	17 900,299	2,424,164	900,299	2,424,164
Proceeds from sale of assets	13&14 3,116,724	(1,489,354)	3,211,576	(1,792,661)
Purchase of investment property	14 -	(1,154,596)	-	(1,154,596)
Proceeds from sale of investment property	14 -	459,843	-	459,843
Purchase of other intangible assets	15 (35,243,435)	(22,310,352)	(35,290,210)	(22,310,352)
Transfer of functions between entities under common control	70 11,627,223	-	11,627,223	-
Increase/(decrease) in long-term receivables	(46,605,767)	(2,591,394)	(46,605,767)	(2,591,394)
Movement in financial assets	552,870,710	(1,079,656,525)	552,870,710	(1,079,656,525)
Capital contribution to sinking fund	(667,611,310)	-	(667,611,310)	-
<b>Net cash flows from investing activities</b>	<b>(3,412,680,101)</b>	<b>(4,519,365,948)</b>	<b>(3,346,955,821)</b>	<b>(4,487,976,344)</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans and bonds	-	1,000,000,000	-	1,000,000,000
Repayment of loans and bonds	4 (596,715,120)	(549,871,573)	(596,399,722)	(549,555,981)
Proceeds from service concession arrangements	(188,169,587)	-	(188,169,587)	-
Finance lease (repayments)/receipts	5 (198,648,227)	(192,045,478)	(198,648,227)	(192,045,478)
<b>Net cash flows from financing activities</b>	<b>(983,532,934)</b>	<b>258,082,949</b>	<b>(983,217,536)</b>	<b>258,398,541</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,311,151,057</b>	<b>(100,163,943)</b>	<b>1,289,315,266</b>	<b>(138,766,474)</b>
Cash and cash equivalents at the beginning of the year	1,081,561,706	1,181,725,649	1,023,130,329	1,161,896,803
<b>Cash and cash equivalents at the end of the year</b>	<b>24 2,392,712,763</b>	<b>1,081,561,706</b>	<b>2,312,445,595</b>	<b>1,023,130,329</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

	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
<b>Group - 2018</b>											
<b>Financial performance</b>											
Property rates	6,514,409,101	90,000,000	6,604,409,101	-		6,604,409,101	6,761,346,762		156,937,661	102 %	104 %
Service charges	17,566,764,851	(134,610,918)	17,432,153,933	-		17,432,153,933	16,921,045,891		(511,108,042)	97 %	96 %
Investment revenue	79,492,589	49,976,069	129,468,658	-		129,468,658	210,975,786		81,507,128	163 %	265 %
Transfers recognised - operational	4,159,531,871	347,724,242	4,507,256,113	-		4,507,256,113	4,362,302,110		(144,954,003)	97 %	105 %
Other own revenue	1,905,815,072	97,766,441	2,003,581,513	-		2,003,581,513	2,004,777,167		1,195,654	100 %	105 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>30,226,013,484</b>	<b>450,855,834</b>	<b>30,676,869,318</b>	<b>-</b>		<b>30,676,869,318</b>	<b>30,260,447,716</b>		<b>(416,421,602)</b>	<b>99 %</b>	<b>100 %</b>
Employee costs	(8,778,735,995)	110,762,474	(8,667,973,521)	-	33,000	(8,667,940,521)	(8,161,932,015)		506,008,506	94 %	93 %
Remuneration of councillors	(125,280,507)	-	(125,280,507)	-	-	(125,280,507)	(123,785,928)		1,494,579	99 %	99 %
Debt impairment	(1,175,972,918)	40,000,000	(1,135,972,918)	-		(1,135,972,918)	(1,714,178,382)	181,417,021	(578,205,464)	151 %	146 %
Depreciation and asset impairment	(1,961,301,772)	96,086,671	(1,865,215,101)	-		(1,865,215,101)	(2,043,501,122)	169,659,329	(178,286,021)	110 %	104 %
Finance charges	(1,417,356,526)	(38,366,656)	(1,455,723,182)	-	-	(1,455,723,182)	(1,686,623,352)	170,781,043	(230,900,170)	116 %	119 %
Materials and bulk purchases	(10,724,386,888)	30,972,907	(10,693,413,981)	-	(18,504,822)	(10,711,918,803)	(10,126,409,621)		585,509,182	95 %	94 %
Transfers and grants	(49,980,234)	(81,288)	(50,061,522)	-	-	(50,061,522)	(29,178,816)		20,882,706	58 %	58 %
Other expenditure	(5,761,814,505)	(918,949,030)	(6,680,763,535)	-	18,471,822	(6,662,291,713)	(6,079,494,827)		582,796,886	91 %	106 %
<b>Total expenditure</b>	<b>(29,994,829,345)</b>	<b>(679,574,922)</b>	<b>(30,674,404,267)</b>	<b>-</b>	<b>-</b>	<b>(30,674,404,267)</b>	<b>(29,965,104,063)</b>	<b>521,857,393</b>	<b>709,300,204</b>	<b>98 %</b>	<b>100 %</b>
<b>Surplus/(deficit)</b>	<b>231,184,139</b>	<b>(228,719,088)</b>	<b>2,465,051</b>	<b>-</b>		<b>2,465,051</b>	<b>295,343,653</b>		<b>292,878,602</b>	<b>11,981 %</b>	<b>11,981 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council-approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2,443,910,336	(10,285,225)	2,433,625,111	-		2,433,625,111	2,104,325,795		(329,299,316)	86 %	86 %
Transfers recognised - capital (monetary departmental agencies)	6,000,000	(1,100,000)	4,900,000	-		4,900,000	940,363		(3,959,637)	19 %	16 %
Contributions recognised - capital (in-kind: all)	32,815,800	-	32,815,800	-		32,815,800	40,787,721		7,971,921	124 %	124 %
<b>Surplus/(deficit) after capital transfers and contributions</b>	<b>2,713,910,275</b>	<b>(240,104,313)</b>	<b>2,473,805,962</b>	<b>-</b>		<b>2,473,805,962</b>	<b>2,441,397,532</b>		<b>(32,408,430)</b>	<b>99 %</b>	<b>90 %</b>
Taxation	-	-	-	-		-	2,920,067		2,920,067	- %	- %
<b>Surplus/(deficit) for the year</b>	<b>2,713,910,275</b>	<b>(240,104,313)</b>	<b>2,473,805,962</b>	<b>-</b>		<b>2,473,805,962</b>	<b>2,438,477,465</b>		<b>(35,328,497)</b>	<b>99 %</b>	<b>90 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	3,860,284,040	(137,083,996)	3,723,200,044	-		3,723,200,044	3,046,712,512		(676,487,532)	82 %	79 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	(2,346,619,390)	1,707,573	(2,344,911,817)	-		(2,344,911,817)	(2,105,265,990)		239,645,827	90 %	90 %
Public contributions and donations	(100,000,000)	9,100,175	(90,899,825)	-		(90,899,825)	(61,157,098)		29,742,727	67 %	61 %
Borrowing	(1,000,000,000)	-	(1,000,000,000)	-		(1,000,000,000)	(700,248,494)		299,751,506	70 %	70 %
Integrated City Development Grant	(32,664,650)	-	(32,664,650)	-		(32,664,650)	-		32,664,650	- %	- %
Internally generated funds	(381,000,000)	126,276,248	(254,723,752)	-		(254,723,752)	(180,040,930)		74,682,822	71 %	47 %
<b>Total sources of capital funds</b>	<b>(3,860,284,040)</b>	<b>137,083,996</b>	<b>(3,723,200,044)</b>	<b>-</b>		<b>(3,723,200,044)</b>	<b>(3,046,712,512)</b>		<b>676,487,532</b>	<b>82 %</b>	<b>79 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council-approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	4,777,383,098	(625,578,777)	4,151,804,321	-		4,151,804,321	5,707,364,092		1,555,559,771	137 %	119 %
Net cash from (used) investing	(4,459,981,493)	73,146,255	(4,386,835,238)	-		(4,386,835,238)	(3,412,680,101)		974,155,137	78 %	77 %
Net cash from (used) financing	398,206,067	315,398	398,521,465	-		398,521,465	(983,532,934)		(1,382,054,399)	(247)%	(247)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>715,607,672</b>	<b>(552,117,124)</b>	<b>163,490,548</b>	<b>-</b>		<b>163,490,548</b>	<b>1,311,151,057</b>		<b>1,147,660,509</b>	<b>802 %</b>	<b>183 %</b>
Cash and cash equivalents at the beginning of the year	1,907,680,971	261,634,831	2,169,315,802	-		2,169,315,802	1,081,561,706		(1,087,754,096)	50 %	57 %
<b>Cash and cash equivalents at year end</b>	<b>2,623,288,643</b>	<b>(290,482,293)</b>	<b>2,332,806,350</b>	<b>-</b>		<b>2,332,806,350</b>	<b>2,392,712,763</b>		<b>59,906,413</b>	<b>103 %</b>	<b>91 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

	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
<b>Municipality - 2018</b>											
<b>Financial performance</b>											
Property rates	6,515,394,224	90,000,000	6,605,394,224	-	-	6,605,394,224	6,761,720,009	-	156,325,785	102 %	104 %
Service charges	17,569,565,225	(137,411,293)	17,432,153,932	-	-	17,432,153,932	16,921,669,192	-	(510,484,740)	97 %	96 %
Investment revenue	50,634,637	49,806,295	100,440,932	-	-	100,440,932	210,274,693	-	109,833,761	209 %	415 %
Transfers recognised - operational	4,159,531,871	347,724,242	4,507,256,113	-	-	4,507,256,113	4,333,157,184	-	(174,098,929)	96 %	104 %
Other own revenue	1,917,416,071	103,593,417	2,021,009,488	-	-	2,021,009,488	1,996,216,429	-	(24,793,059)	99 %	104 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>30,212,542,028</b>	<b>453,712,661</b>	<b>30,666,254,689</b>	<b>-</b>	<b>-</b>	<b>30,666,254,689</b>	<b>30,223,037,507</b>	<b>-</b>	<b>(443,217,182)</b>	<b>99 %</b>	<b>100 %</b>
Employee costs	(8,731,534,889)	107,455,952	(8,624,078,937)	-	33,000	(8,624,045,937)	(8,126,590,105)	-	497,455,832	94 %	93 %
Remuneration of councillors	(125,280,507)	-	(125,280,507)	-	-	(125,280,507)	(123,785,928)	-	1,494,579	99 %	99 %
Debt impairment	(1,175,972,918)	40,000,000	(1,135,972,918)	-	-	(1,135,972,918)	(1,712,997,942)	577,025,024	(577,025,024)	151 %	146 %
Depreciation and asset impairment	(1,958,477,467)	96,086,668	(1,862,390,799)	-	-	(1,862,390,799)	(2,041,795,887)	179,405,088	(179,405,088)	110 %	104 %
Finance charges	(1,417,116,653)	(38,966,656)	(1,456,083,309)	-	-	(1,456,083,309)	(1,686,312,742)	230,229,433	(230,229,433)	116 %	119 %
Materials and bulk purchases	(10,336,202,305)	44,153,902	(10,292,048,403)	-	(18,504,822)	(10,310,553,225)	(10,126,908,251)	-	183,644,974	98 %	98 %
Transfers and grants	(133,361,859)	(36,274,816)	(169,636,675)	-	-	(169,636,675)	(151,603,906)	-	18,032,769	89 %	114 %
Other expenditure	(6,107,656,514)	(928,155,129)	(7,035,811,643)	-	18,471,822	(7,017,339,821)	(6,039,787,639)	-	977,552,182	86 %	99 %
<b>Total expenditure</b>	<b>(29,985,603,112)</b>	<b>(715,700,079)</b>	<b>(30,701,303,191)</b>	<b>-</b>	<b>-</b>	<b>(30,701,303,191)</b>	<b>(30,009,782,400)</b>	<b>986,659,545</b>	<b>691,520,791</b>	<b>98 %</b>	<b>100 %</b>
<b>Surplus/(deficit)</b>	<b>226,938,916</b>	<b>(261,987,418)</b>	<b>(35,048,502)</b>	<b>-</b>	<b>-</b>	<b>(35,048,502)</b>	<b>213,255,107</b>	<b>-</b>	<b>248,303,609</b>	<b>(608)%</b>	<b>94 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council-approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital (monetary national/provincial)	2,373,284,040	(607,573)	2,372,676,467	-	-	2,372,676,467	2,104,325,795		(268,350,672)	89 %	89 %
Transfers recognised - capital (monetary - departmental agencies)	6,000,000	(1,100,000)	4,900,000	-	-	4,900,000	940,363		(3,959,637)	19 %	16 %
Transfers recognised - capital (in-kind: all)	32,815,800	-	32,815,800	-	-	32,815,800	40,787,721		7,971,921	124 %	124 %
<b>Surplus/(deficit) after capital transfers and contributions</b>	<b>2,639,038,756</b>	<b>(263,694,991)</b>	<b>2,375,343,765</b>	<b>-</b>	<b>-</b>	<b>2,375,343,765</b>	<b>2,359,308,986</b>		<b>(16,034,779)</b>	<b>99 %</b>	<b>89 %</b>
<b>Surplus/(deficit) for the year</b>	<b>2,639,038,756</b>	<b>(263,694,991)</b>	<b>2,375,343,765</b>	<b>-</b>	<b>-</b>	<b>2,375,343,765</b>	<b>2,359,308,986</b>		<b>(16,034,779)</b>	<b>99 %</b>	<b>89 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	3,860,284,040	(137,083,996)	3,723,200,044	-	-	3,723,200,044	3,046,712,512		(676,487,532)	82 %	79 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	(2,346,619,390)	1,707,573	(2,344,911,817)	-	-	(2,344,911,817)	(2,105,265,990)		239,645,827	90 %	90 %
Public contributions and donations	(100,000,000)	9,100,175	(90,899,825)	-	-	(90,899,825)	(61,157,098)		29,742,727	67 %	61 %
Borrowing	(1,000,000,000)	-	(1,000,000,000)	-	-	(1,000,000,000)	(700,248,494)		299,751,506	70 %	70 %
Integrated City Development Grant	(32,664,650)	-	(32,664,650)	-	-	(32,664,650)	-		32,664,650	- %	- %
Internally generated funds	(381,000,000)	126,276,248	(254,723,752)	-	-	(254,723,752)	(180,040,930)		74,682,822	71 %	47 %
<b>Total sources of capital funds</b>	<b>(3,860,284,040)</b>	<b>137,083,996</b>	<b>(3,723,200,044)</b>	<b>-</b>	<b>-</b>	<b>(3,723,200,044)</b>	<b>(3,046,712,512)</b>		<b>676,487,532</b>	<b>82 %</b>	<b>79 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council-approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	4,770,227,097	(767,630,103)	4,002,596,994	-		4,002,596,994	5,619,488,623		1,616,891,629	140 %	118 %
Net cash from (used) investing	(4,459,981,493)	216,502,312	(4,243,479,181)	-		(4,243,479,181)	(3,346,955,821)		896,523,360	79 %	75 %
Net cash from (used) financing	398,206,067	630,797	398,836,864	-		398,836,864	(983,217,536)		(1,382,054,400)	(247)%	(247)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>708,451,671</b>	<b>(550,496,994)</b>	<b>157,954,677</b>	<b>-</b>		<b>157,954,677</b>	<b>1,289,315,266</b>		<b>1,131,360,589</b>	<b>816 %</b>	<b>182 %</b>
Cash and cash equivalents at the beginning of the year	1,907,680,971	203,203,454	2,110,884,425	-		2,110,884,425	1,023,130,329		(1,087,754,096)	48 %	54 %
<b>Cash and cash equivalents at year end</b>	<b>2,616,132,642</b>	<b>(347,293,540)</b>	<b>2,268,839,102</b>	<b>-</b>		<b>2,268,839,102</b>	<b>2,312,445,595</b>		<b>(43,606,493)</b>	<b>102 %</b>	<b>88 %</b>

The explanations for major variances between the budget and the actual for the period under review are done in Note 57.

The explanations for changes between the original budget and the final budget for the period under review are done in Note 57.



## **Summary of significant accounting policies**

---

### **1. Basis of preparation of annual financial statements**

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). The accounting framework as prescribed is determined in Directive 5 issued by the Accounting Standards Board.

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

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 consolidated annual financial statements, is disclosed below.

#### **1.1 Presentation currency**

These consolidated annual financial statements are presented in South African rand, which is the functional currency of the group and amounts have been rounded to the nearest rand.

#### **1.2 Consolidation**

##### **Basis of consolidation**

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

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

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

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

The term "economic entity" is used in GRAP 6 to define, for financial reporting purposes, a group of entities comprising the controlling entity and any controlled entities. Other terms sometimes used to refer to an economic entity include "administrative entity", "financial entity", "consolidated entity" and "group". For ease of reference and understanding the term "group" is used to refer to the "economic entity" and "Municipality" is used to refer to the "controlling entity" in these consolidated annual financial statements.

#### **1.3 Going concern assumption**

These consolidated annual financial statements have been prepared based on the expectation that the group will continue to operate as a going concern for at least the next 12 months. Refer to Note 65.

#### **1.4 Transfer of functions between entities under common control**

##### **Definitions**

An acquirer is the group that obtains control of the acquiree or transferor.

Control is the power to govern the financial and operating policies of another economic entity so as to benefit from its activities.

##### **Determining the transfer date**

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

## **Summary of significant accounting policies**

---

### **1.4 Transfer of functions between entities under common control (continued)**

#### **Assets acquired [transferred] and liabilities assumed [relinquished]**

The recognition of assets and liabilities is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

#### **Other criteria for the entity (as acquirer)**

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the economic entity expects, but which it is not obliged to incur in the future to effect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor's employees, are not accounted for as part of the liabilities at the transfer date. The economic entity does not recognise those costs as part of a transfer of functions. Instead, the economic entity recognises these costs in its consolidated annual financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

#### **Accounting by the entity as acquirer**

##### **Initial recognition and measurement**

As of the transfer date, the economic entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor is recognised in accumulated surplus or deficit.

##### **Acquisition-related costs**

The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

##### **Subsequent measurement**

The economic entity subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the economic entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The economic entity makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the economic entity classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

### **1.5 Significant judgements and sources of estimation uncertainty**

The preparation of these consolidated annual financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements, where applicable.

#### **Trade receivables/investments and/or loans and receivables**

The group assesses its trade receivables, investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements have to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

## **Summary of significant accounting policies**

---

### **1.5 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment of financial assets**

The group assesses its consumer debtors, investments and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements have to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The group has developed a detailed impairment model used for assessing whether there is objective evidence that consumer debtors, housing receivables and long-term receivables should be impaired. The impairment model is in line with the requirements of GRAP 104, as it categorises debtors into similar credit risk characteristics and assesses them for impairment.

The group employed the services of a professional actuary to calculate the present value of the future cash flows of the receivables discounted at the receivables' original effective rate. The Projected Unit Credit discounted cash flow method was used in calculating the present value of the future cash flows. Prior payment patterns were considered to calculate the probability of debt being repaid in future periods, with the necessary adjustments. In determining these assumptions, it was assumed the payments per account in the payment data provided were first allocated to the oldest debt incorporated. A discount rate assumption of 10,25% to discount future cash flows to 30 June 2018 was used.

Where objective evidence of an impairment loss on financial assets measured at amortised cost exists, the present value of the future cash flows of the financial assets discounted at the financial asset's original effective rate is determined and compared to the carrying value of the financial assets. The carrying amount of assets shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognised in the statement of financial performance.

#### **Allowance for slow-moving, damaged and obsolete stock**

An allowance is made for stock to be written down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. In cases of inventories held for distribution through a non-exchange transaction or held for consumption in the production process of goods to be distributed at no charge or for a nominal charge, the write-down is the lower of cost and current replacement cost. The write down is included in the operational surplus (general expense). Refer to Note 21.

#### **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 held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

#### **Impairment of non-cash-generating assets**

The group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality then estimates the recoverable service amount of the non-cash-generating asset. The recoverable service amount of non-cash-generating assets has been determined on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions.

The excess of the carrying amounts over the recoverable service amount is recognised as impairment loss in the statement of financial performance.

#### **Provisions**

Management's judgement is required when recognising and measuring provisions as well as contingent liabilities and contingent assets. Provisions are raised based on the information available to management, and past knowledge. A provision is recognised when the Municipality has a present legal or constructive obligation 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 the amount of the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money. Additional disclosure of these estimates of provisions is included in Note 6 - Provisions.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Summary of significant accounting policies

---

### 1.5 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of property, plant and equipment

The group's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norms. The industry norm is adjusted for entity-specific considerations. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post-retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 43.

#### Effective interest rate

The group uses the weighted average cost of capital (WACC) to discount future cash flows in the calculation of provisions (refer to Note 6.)

The group has certain borrowings which are linked to the Jibar rate which fluctuated from 6,15% to 8,733% for the year under review. Refer to Note 4.

#### Budget information

The group deems a 10% deviation on operational revenue and expenditure and a 5% or more for capital expenditure between budget and actual amounts to be material. These percentages are based on management's estimate and is considered to be appropriate. All material differences are explained in the notes to the consolidated annual financial statements.

### 1.6 Biological assets that form part of an agricultural activity

Biological assets (game) - disclosed under property, plant and equipment - are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

A gain or loss arising on initial recognition of biological assets (game) - disclosed under property, plant and equipment - is included as a surplus or deficit for the period in which it arises.

Biological assets are derecognised when the group disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

### 1.7 Investment property

Investment property is property held to earn rental revenue or for capital appreciation or both.

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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

Land held for a currently undetermined future use is recognised as investment property.

The gain or loss on the disposal or retirement of investment property is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal and is recognised in the surplus or deficit for the year.

In terms of GRAP 16: Investment property, all useful lives of investment properties are reviewed annually on an indicator basis.

## **Summary of significant accounting policies**

---

### **1.7 Investment property (continued)**

#### **Cost model**

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

<b>Item</b>	<b>Useful life (years)</b>
Property - land	Indefinite
Property - buildings	6 - 50

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

The group separately discloses expenditure to repair and maintain investment property in the notes to the consolidated annual financial statements (see Note 14).

The group discloses relevant information relating to assets under construction or development in the notes to the consolidated annual financial statements (see Note 14).

### **1.8 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 economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment are 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.

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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.

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Summary of significant accounting policies

### 1.8 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Depreciation is calculated at cost, using the straight-line method over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not significant, are reassessed annually on an indicator basis with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following estimated useful lives:

Asset category	Depreciation method	Useful life (years)
<b>Land</b>	Not depreciated	Indefinite
<b>Infrastructure</b>	Straight line	
• Roads and storm water		4 - 60
• Electricity		5 - 65
• Water		4 - 100
• Sewer		1 - 100
• Solid waste		9 - 17
• Network and telecommunication		2 - 37
• Waste water purification works		4 - 100
• Security		1 - 41
• Airport		5 - 56
<b>Community</b>	Straight line	
• Buildings		2 - 60
• Recreational facilities		4 - 51
• Library books		4 - 15
<b>Other property, plant and equipment</b>	Straight line	
• Furniture and fittings		1 - 41
• Water craft		2 - 16
• Office equipment		1 - 41
• Plant and equipment		1 - 41
• Buildings		1 - 61
• Specialised vehicles		1 - 46
• Other vehicles		1 - 106
• Computer equipment		1 - 45
• Livestock		7 - 16
• Other equipment		1 - 42
• Books		3 - 16
<b>Housing</b>	Straight line	
• Housing		15 - 91
<b>Service concession</b>	Straight line	
• Building (Tshwane House)		25
<b>Leased assets (refer to Note 17)</b>	Straight line	
• Vehicles, equipment, etc		3 - 20

The Data Dictionary contained in the Asset Management Policy contains the details of the components and their specific useful life estimates.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

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

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Summary of significant accounting policies

---

### 1.8 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the group. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

The group separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see Note 13).

The group discloses relevant information relating to assets under construction or development in the notes to the financial statements (see Note 13).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the Municipality. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

The group tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to surplus or deficit for the year.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

### 1.9 Site rehabilitation and restoration cost

The group has an obligation to rehabilitate and restore items of property, plant and equipment. Such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the group incurs such costs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model:-

- (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 surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.10 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that is attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Municipality and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

## **Summary of significant accounting policies**

---

### **1.10 Intangible assets (continued)**

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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.

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.

In terms of GRAP 31: Intangibles, all useful lives of intangible assets are reviewed annually on an indicator basis.

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

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

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

<b>Item</b>	<b>Useful life</b>
Computer software, other	3 - 30
Servitudes	Indefinite

The group discloses relevant information relating to assets under construction or development in the notes to the financial statements (see Note 15).

The group discloses relevant information relating to the repair and maintenance of intangible assets in the notes to the financial statements (see Note 15).

Intangible assets are derecognised:

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

The gain or loss (difference between the net disposal proceeds and the carrying amount) arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### **1.11 Internal reserves**

#### **Self-insurance reserve**

A self-insurance reserve was established and, subject to external insurance where deemed necessary, covers claims that might occur. Premiums are charged to the respective services, taking into account the claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the statement of changes in net assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers is regarded as an expense and must be shown as such in surplus or deficit for the year. These premiums do not affect the self-insurance reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in surplus or deficit for the year.
- Claims received to meet repairs of damages on assets are reflected as income in surplus or deficit for the year.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Summary of significant accounting policies

---

### 1.11 Internal reserves (continued)

The self-insurance reserve is based on recognised insurance industry principles. To determine the level of capacity required, an agreed methodology has been adopted. The calculation of the required capacity of the self-insurance reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the self-insurance reserve.
- The following liabilities are taken into account in determining this surplus capacity:  
Reported known outstanding claims and statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported).
- Probability and quantification of a catastrophic loss.
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exists based on the assumption that sufficient capacity will be built up to cover that asset through the Self-insurance reserve over an agreed period of time.
- Spread the shortfall over a five-year period (in terms of the Long-term Insurance Strategy).
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a five-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a five-year period.

#### Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the Municipality established a COID reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve are based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than a predetermined amount per annum are reinsured by what is called a "COID wrap-around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in surplus or deficit for the year. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the statement of changes in net assets.

The Compensation Commissioner required a ceded investment or guarantee. This amount is calculated annually by the Department of Labour. The Municipality opted to supply the Compensation Commissioner with a bank guarantee - refer to Note 54.

### 1.12 Housing development fund

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, require that the Municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development, subject to the approval of the MEC responsible for housing. Loans from national and provincial government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development Fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund must have its own separate bank account or allocated investments and must be backed by cash or related assets.
- Any contributions to or from the fund must be shown as transfers in the statement of changes in net assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year and can be transferred via the statement of changes in net assets to the Housing Development Fund.

### 1.13 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The group separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see Note 16).

The group discloses relevant information relating to assets under construction or development in the notes to the financial statements (see Note 16).

#### Initial measurement

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.

## **Summary of significant accounting policies**

---

### **1.13 Heritage assets (continued)**

#### **Subsequent measurement**

Subsequent to initial measurement, heritage assets are carried at cost less any accumulated impairment losses.

#### **Impairment**

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

#### **Transfers**

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

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### **Derecognition**

The group derecognises heritage assets on disposal, or when no future economic benefits or service potential is expected from its use or disposal.

The gain or loss (the difference between the net disposal proceeds and the carrying value) arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### **1.14 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying").
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A hedge is an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as an investment. Hedge accounting is a method of accounting where entries for the ownership of a security and the opposing hedge are treated as one. Hedge accounting attempts to reduce the volatility created by the repeated adjustment of a financial instrument's value, known as marking to market.

## **Summary of significant accounting policies**

---

### **1.14 Financial instruments (continued)**

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is -

- cash;
- a residual interest of another entity; or
- a contractual right to -
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to -

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counter party has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as -

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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

- the entity designates at fair value at initial recognition; or
- are held for trading.

## Summary of significant accounting policies

### 1.14 Financial instruments (continued)

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

Financial instruments at fair value comprise financial assets or financial liabilities that are -

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading.

A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- it is non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- it is financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

<b>Class</b>	<b>Category</b>
<b>Non-exchange:</b>	
Consumer receivables: Property rates	Financial asset measured at amortised cost
<b>Exchange:</b>	
Consumer receivables: Services	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Long-term receivables: Housing loans	Financial asset measured at amortised cost
Long-term receivables: Loans to sport clubs	Financial asset measured at amortised cost
Long-term receivables: Sale of land	Financial asset measured at amortised cost
Long-term receivables: Arrangement debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments (short-term deposits of three months and less)	Financial asset measured at amortised cost
Investments (long-term of more than three months)	Financial asset measured at amortised cost
Interest rate swap	Financial asset measured at fair value
Sinking fund assets	Financial asset measured at fair value

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

<b>Class</b>	<b>Category</b>
<b>Exchange:</b>	
Long-term loans: Term loans	Financial liability measured at amortised cost
Long-term loans: Local registered stock	Financial liability measured at amortised cost
Long-term loans: Annuity loans	Financial liability measured at amortised cost
Long-term loans: Municipal bonds	Financial liability measured at amortised cost
<b>Trade payables:</b>	
Payables from exchange transactions	Financial liability measured at amortised cost
Retention creditors	Financial liability measured at amortised cost
Deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Lease liabilities	Financial liability measured at amortised cost
Service concession arrangement	Financial liability measured at amortised cost
Interest rate swap liability	Financial liability measured at fair value
Sinking fund liabilities	Financial liability measured at fair value

#### Initial recognition

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

The group recognises financial assets using trade date accounting.

## **Summary of significant accounting policies**

---

### **1.14 Financial instruments (continued)**

#### **Initial measurement of financial assets and financial liabilities**

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

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

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

#### **Subsequent measurement of financial assets and financial liabilities**

The group measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost;
- Financial instruments at cost (if applicable).

All financial assets measured at amortised cost or cost are subject to an impairment review.

The group does not apply hedge accounting.

#### **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 group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's-length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's-length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (ie without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (eg a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### **Reclassification**

The group does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the group cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the group reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### **Gains and losses**

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

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Summary of significant accounting policies

---

### 1.14 Financial instruments (continued)

#### Impairment and uncollectability of financial assets

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

#### 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 through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

#### Derecognition

##### Financial assets

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the group has retained substantially all the risks and rewards of ownership of the transferred asset, the group continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the group recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset and the associated liability nor the revenue and the associated expenses are offset.

##### Financial liabilities

The group removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — ie 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 surplus or deficit. 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, respectively in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the group 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 group does not offset the transferred asset and the associated liability.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Summary of significant accounting policies

---

### 1.15 Tax

#### Current tax assets and liabilities

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. 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 statement of financial position date.

#### 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 which 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 and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, as net assets; or
- a business combination.

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.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- \* Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- \* Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is reported separate from other receivables or payables in the statement of financial position.

The City of Tshwane Metropolitan Municipality is exempt from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

Housing Company Tshwane is exempt from tax in terms of Section 10(1)cA(ii) of the Income Tax Act.

Tshwane Economic Development Agency (TEDA) has been registered for tax since the 2013/14 financial year.

### 1.16 Leases

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

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

#### Finance leases - lessor

The group recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

## **Summary of significant accounting policies**

---

### **1.16 Leases (continued)**

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

#### **Finance leases - lessee**

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group assumes substantially all the risks and rewards of ownership are classified as finance leases. The group will not incur a foreign currency lease liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

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 return on the remaining balance of the liability.

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

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

#### **Operating leases - lessor**

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

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

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

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

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

When assets are leased out under an operating lease, the assets are included in the statement of financial position based on the nature of the asset.

#### **Operating leases - lessee**

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

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

The operating lease liability is derecognised when the group's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the group no longer anticipates economic benefits to flow from the asset.

### **1.17 Grants, donations and receipts**

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the group has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Unconditional grants and receipts are recognised upon receipt.

### **1.18 Inventories**

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

Inventories (consumable stores, raw materials, work in progress and finished goods) are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

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



## **Summary of significant accounting policies**

---

### **1.18 Inventories (continued)**

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

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

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

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

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to the development.

#### **Water inventory**

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams that are filled by natural resources and that has not yet been treated, that is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at the reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

#### **Derecognition of inventory**

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

### **1.19 Value-added tax**

The group is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991).

The group accounts for VAT on the cash basis.

### **1.20 Grants-in-aid (expense)**

The group annually awards grants to individuals and organisations based on merit. When making these transfers, the group 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 financial statements as expenses in the period that the events giving rise to the transfer occurred.

## **Summary of significant accounting policies**

---

### **1.21 Impairment of non-cash-generating assets**

#### **Identification**

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

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

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

#### **Value in use**

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

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

#### **Depreciated replacement cost approach**

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

The replacement cost and reproduction cost of an asset are determined on an "optimised" basis. The rationale is that the group would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### **Reversal of an impairment loss**

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

## **Summary of significant accounting policies**

---

### **1.21 Impairment of non-cash-generating assets (continued)**

#### **Redesignation**

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

### **1.22 Employee benefits**

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

#### **Short-term employee benefits**

When an employee has rendered service to the group during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the group recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

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 group measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The group recognises the expected cost of bonus, incentive and performance-related payments when the group has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### **Post-employment benefits**

##### **Multi-employer plans and/or state plans and/or composite social security programmes**

The group classifies a multi-employer plan and/or state plan and/or composite social security programme as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the group accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the group accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the group accounts for the plan as if it was a defined contribution plan.

##### **Post-employment benefits: Defined contribution plans**

When an employee has rendered service to the group during a reporting period, the group recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the group recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the obligation.

##### **Post-employment benefits: Defined benefit plans**

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the group recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

## **Summary of significant accounting policies**

---

### **1.22 Employee benefits (continued)**

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, and are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The group accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the group's informal practices. Informal practices give rise to a constructive obligation where the group has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the group's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- The present value of the defined benefit obligation at the reporting date;
- Minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- Plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The group measures the resulting asset at the lower of:

- The amount determined above; and
- The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above are recognised in surplus or deficit.

The group determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The group recognises the net total of the following amounts in surplus or deficit, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement rights;
- Actuarial gains and losses;
- Past service cost;
- The effect of any curtailments or settlements; and
- The effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The group uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

## **Summary of significant accounting policies**

---

### **1.22 Employee benefits (continued)**

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefits to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted separately for each plan on an annual basis by independent actuaries. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The group recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the group re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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 surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The group offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

#### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### **Other post-retirement obligations**

The group provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The Municipality also provides a gratuity and housing subsidy on retirement to certain employees. The cost for the benefits will be an expense through surplus or deficit.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- The present value of the defined benefit obligation at the reporting date;
- Minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

## **Summary of significant accounting policies**

---

### **1.22 Employee benefits (continued)**

The group shall recognise the net total of the following amounts as expense or revenue, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement right recognised as an asset;
- Actuarial gains and losses, which shall all be recognised immediately;
- Past service cost, which shall all be recognised immediately; and
- The effect of any curtailments or settlements.

### **1.23 Provisions and contingencies**

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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 some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 54.

#### **Levies**

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (ie if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The group recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

#### **The following provisions exist within the group:**

- **Clearing of alien vegetation**  
In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.
- **Landfill sites**  
The group has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. A provision was established in 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.
- **Quarries**  
In terms of Section 52(2)(d) of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

## **Summary of significant accounting policies**

---

### **1.23 Provisions and contingencies (continued)**

- **Legal proceedings**

A provision was created in 2013/14 for the legal cost contingencies of certain cases. Refer to Note 6.

### **1.24 Commitments**

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### **1.25 Revenue from exchange transactions**

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

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

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

- (a) The amount of revenue can be measured reliably;
- (b) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- (c) The stage of completion of the transaction at the reporting date can be measured reliably;
- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

#### **Sale of goods**

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

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

#### **Rendering of services**

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

- It is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

## **Summary of significant accounting policies**

---

### **1.25 Revenue from exchange transactions (continued)**

#### **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.

#### **Income from agency services**

Income from agency services is recognised on a monthly basis, limited to the agency fees, once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement. Amounts collected on behalf of the principal are accounted for as a liability in the statement of financial position.

#### **Housing rental and installments**

Income in respect of housing rental and installments are accrued monthly in advance. Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time-proportionate basis.

#### **Collection charges**

Collection charges are recognised when such amounts are incurred/earned.

#### **Interest income**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the group, and
- The amount of the revenue can be measured reliably.

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

Interest earned on investments is recognised on a time-proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time-proportionate basis.

### **1.26 Revenue from non-exchange transactions**

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

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

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the group.

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



## **Summary of significant accounting policies**

---

### **1.26 Revenue from non-exchange transactions (continued)**

#### **Taxes (property rates for municipalities)**

The group recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

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

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

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### **Transfers**

Transferred assets are measured at their fair value as at the date of acquisition.

#### **Fines**

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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 group.

Where the group collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### **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 group, and the fair value of the assets can be measured reliably.

#### **Public contributions, sponsorships and donations, including goods in kind**

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

#### **Services in kind**

The group recognises services in kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the group and the fair value of the assets can be measured reliably.

#### **Grants, donations and receipts**

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

### **1.27 Operating expenses**

The definition of expenses encompasses expenses that arise from the ordinary activities of the group.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are rendered. This may not be when the goods or services are actually paid for.

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Summary of significant accounting policies

---

### 1.28 Translation of foreign currencies

#### Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the group (ie South African rand) using the rate of exchange prevailing on the date of the transaction. Trade creditors denominated in foreign currency are reported at the statement of financial position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expense in the period in which they arise.

Where a transaction is covered by a forward exchange contract, the rate specified in the contract is used. The group will not incur a foreign currency liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

### 1.29 Comparative amounts

Where necessary, comparative amounts have been reclassified to conform to changes in presentation in the current year. Refer to Note 46.

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical 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 it is practical and the prior year comparatives are restated accordingly.

The comparative amounts (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the amended GRAP standards.

### 1.30 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the group otherwise than in accordance with Section 15 or 11(3) of the Municipal Finance Management Act (Act 56 of 2003), and includes:

- overspending of the total amount appropriated in the group's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the group other than in accordance with the Municipal Finance Management Act.

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

### 1.31 Fruitless and wasteful expenditure

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

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

### 1.32 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), or the Public Office Bearers Act, 1998 (Act 20 of 1998), or in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred, and where recovered, it is subsequently accounted for as revenue in surplus or deficit for the year.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Summary of significant accounting policies

---

### 1.33 Borrowing costs

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

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

### 1.34 Budget information

A 10% deviation on operational revenue and expenditure versus the final budget are seen as material and for capital expenditure the percentage deviation is 5%. This percentage is based on management's estimate and is considered to be appropriate. All material differences are explained in the notes to the annual financial statements.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 July 2017 to 30 June 2018.

The consolidated annual financial statements and the budget are on the same basis of accounting (.e accrual basis); therefore a comparison with the budgeted amounts for the reporting period has been included in the statement of comparison of budget and actual amounts (appropriation statement in terms of Circular 67 of National Treasury). The statement of comparison of budget and actual information has been included in the consolidated annual financial statements as the recommended disclosure when the consolidated annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.35 Related parties

Management is considered a related party, and comprises Councillors, Executive Mayor, Mayoral Committee Members, City Manager and all other Section 56 and 57 employees as defined in the MFMA (refer to Note 30 and Note 31).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the group (refer to Note 50).

The group discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the consolidated financial statements.

### 1.36 Events after the reporting date

The group will adjust the amount recognised in the consolidated financial statements to reflect adjusting events after the reporting date once the event has occurred.

The group will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.37 Service concession arrangements: Entity as grantor

#### Recognition of asset and liability

The group recognises an asset provided by the operator and an upgrade to an existing asset of the entity as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly distinguished from other assets within the same asset category, and are clearly identified as owned and/or leased assets.

Where the group recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The group does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

## **Summary of significant accounting policies**

---

### **1.37 Service concession arrangements: Entity as grantor (continued)**

#### **Measurement of asset and liability**

The group initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on investment property, property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The group initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the group to the operator, or from the operator to the group.

#### **Financial liability model**

Where the group has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the group accounts for the liability as a financial liability.

The group allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the group to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the group to the operator is determined using estimation techniques.

#### **Grant of a right to the operator model**

Where the group does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the group accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the group and the operator.

The group recognises revenue and reduces the liability according to the substance of the service concession arrangement.

#### **Dividing the arrangement**

If the group pays for the construction, development, acquisition or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

#### **Other liabilities, contingent liabilities and contingent assets**

The group accounts for other liabilities, contingent liabilities and contingent assets arising from a service concession arrangement in accordance with the policy on provisions, contingent liabilities and contingent assets, and financial instruments.

#### **Other revenues**

The group accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

#### **Recognition of the performance obligation and the right to receive a significant interest in a service concession asset**

If the group controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the group recognises its right to receive the residual interest (ie a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement is an exchange consideration. This is because the group will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Summary of significant accounting policies

---

### 1.37 Service concession arrangements: Entity as grantor (continued)

In terms of the policy on revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset) that is receivable at the end of the service concession arrangement reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the group recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangements for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year there were no new standards and interpretations that are effective for the current financial period and that are relevant to the operations of the group.

#### 2.2 Standards and interpretations early adopted

The group has chosen not to early adopt any new standards and interpretations.

#### 2.3 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published:

##### **GRAP 34: Separate Financial Statements**

The objective of this standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

##### **GRAP 35: Consolidated Financial Statements**

The objective of this standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

##### **GRAP 36: Investments in Associates and Joint Ventures**

The objective of this standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the group's consolidated annual financial statements.

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

#### **GRAP 37: Joint Arrangements**

The objective of this standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the group's consolidated annual financial statements.

#### **GRAP 38: Disclosure of Interests in Other Entities**

The objective of this standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the group's consolidated annual financial statements.

#### **GRAP 110: Living and Non-living Resources**

The objective of this standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The group is unable to reliably estimate the impact of the standard on the consolidated annual financial statements.

#### **GRAP 110 (as amended 2016): Living and Non-living Resources**

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets;
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; to clarify acceptable methods of depreciating assets; and to define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 1 April 2020.

The group expects to adopt the amendment for the first time in the 2021 consolidated annual financial statements.

## **Notes to the Consolidated Annual Financial Statements**

---

### **2. New standards and interpretations (continued)**

The group is unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

#### **GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements**

The definition of "minority interest" has been amended to "non-controlling interest", and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for consolidated annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated annual financial statements.

#### **GRAP 7 (as revised 2010): Investments in Associates**

Paragraph .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraph .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for consolidated annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the economic entity's consolidated annual financial statements.

#### **GRAP 8 (as revised 2010): Interests in Joint Ventures**

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraph .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated annual financial statements.



## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

#### GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text that have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the standard as National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 1 April 2020.

The economic entity expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The group is unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

#### GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's consolidated annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual consolidated annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

#### **GRAP 32: Service Concession Arrangements: Grantor**

The objective of this standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

#### **GRAP 108: Statutory Receivables**

The objective of this standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions as well as the effective date.

The effective date of the standard is for years beginning on or after 1 April 2019.

The group expects to adopt the standard for the first time in the 2020 financial year.

The adoption of this standard is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

#### **GRAP 109: Accounting by Principals and Agents**

The objective of this standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is for years beginning on or after 1 April 2019.

The group expects to adopt the standard for the first time in the 2020 financial year.

The impact of this standard is currently being assessed.

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

#### **IGRAP 11: Consolidation – Special Purpose Entities**

An entity may be created to accomplish a narrow and well-defined objective (eg to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ("SPE") may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called "autopilot"). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ("capital providers") may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

The group expects to adopt the interpretation for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the interpretation will have a material impact on the group's consolidated annual financial statements.

#### **IGRAP 12: Jointly Controlled Entities – Non-Monetary Contributions by Ventures**

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: "When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction". In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that "a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest." There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ("JCEs").

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or another consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated annual financial statements

This interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

The group expects to adopt the interpretation for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the interpretation will have a material impact on the group's consolidated annual financial statements.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third-party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is for years beginning on or after 1 April 2019.

The group expects to adopt the interpretation for the first time in the 2020 consolidated annual financial statements.

The adoption of this interpretation is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

#### **IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land**

This interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, ie the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately, as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 1 April 2019.

The group expects to adopt the interpretation for the first time in the 2020 consolidated annual financial statements.

The adoption of this interpretation is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

#### IGRAP 19: Liabilities to Pay Levies

This interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for financial years beginning on or after 1 April 2019.

The group expects to adopt the interpretation for the first time in the 2020 consolidated annual financial statements..

It is unlikely that the interpretation will have a material impact on the group's consolidated annual financial statements.

#### GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 1 April 2018.

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

#### **GRAP 16 (as amended 2016): Investment Property**

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets;
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 1 April 2018.

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

#### **GRAP 17 (as amended 2016): Property, Plant and Equipment**

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets;
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant and equipment is revalued; to clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17, (the term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology); and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 1 April 2018.

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

#### **GRAP 21 (as amended 2016): Impairment of Non-Cash-Generating Assets**

Amendments to the Standard of GRAP on Impairment of Non-Cash-Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the standard are:

- IPSASB amendments: To update the basis of conclusions and comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 1 April 2018.

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated annual financial statements.

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

#### **GRAP 26 (as amended 2016): Impairment of Cash-Generating Assets**

Amendments to the Standard of GRAP on Impairment of Cash-Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the standard are:

- IPSASB amendments: To update the basis of conclusions and comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 1 April 2018.

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated annual financial statements.

#### **GRAP 27 (as amended 2016): Agriculture**

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 1 April 2018.

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

The group is unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

#### **GRAP 31 (as amended 2016): Intangible Assets**

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets;
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 1 April 2018.

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

#### **GRAP 103 (as amended 2016): Heritage Assets**

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 1 April 2018.

The group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated annual financial statements.

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

#### **Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities**

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP) or, for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP were withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the directive is for years beginning on or after 1 April 2018.

The group expects to adopt the directive for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the directive will have a material impact on the group's consolidated annual financial statements.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>3. Housing development fund (refer to Note 42)</b>				
Unappropriated surplus	225,449,115	225,449,115	225,449,115	225,449,115
Less: Loans extinguished by the government on 1 April 1998	69,006,463	69,006,463	69,006,463	69,006,463
<b>Housing development fund</b>	<b>156,442,652</b>	<b>156,442,652</b>	<b>156,442,652</b>	<b>156,442,652</b>
<b>The housing development fund is represented by the following assets:</b>				
Housing selling scheme loans	10,623,822	10,156,272	10,623,822	10,156,272
Housing debtors	70,306,406	59,328,604	70,306,406	59,328,604
Bank and cash	75,512,424	86,957,776	75,512,424	86,957,776
<b>Housing development fund assets</b>	<b>156,442,652</b>	<b>156,442,652</b>	<b>156,442,652</b>	<b>156,442,652</b>
<b>4. Loans and bonds</b>				
<b>Summary of long-term borrowings:</b>				
Term loans	4,431,559,215	4,431,871,909	4,430,017,110	4,430,014,405
Local registered stock	1,000	1,000	-	-
Municipal bonds	2,177,419,005	2,177,419,005	2,177,419,005	2,177,419,005
Annuity loans	4,246,194,960	4,782,513,132	4,246,194,960	4,782,513,132
	<b>10,855,174,180</b>	<b>11,391,805,046</b>	<b>10,853,631,075</b>	<b>11,389,946,542</b>
<b>Held at amortised cost</b>				
<b>Term loans</b>				
<b>Development Bank of South Africa (1-2100)</b>	1,600,000,000	1,600,000,000	1,600,000,000	1,600,000,000
Unsecured 20-year bullet loan, Jibar rate +2,5 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2034.				
<b>Development Bank of South Africa (1-02)</b>	80,017,110	78,331,528	80,017,110	78,331,528
Secured 20-year bullet loan, Jibar floating rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 31 October 2019. A sinking fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
<b>Nedbank (1-2300)</b>	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
Unsecured 10-year bullet loan, fixed interest rate 11,44% repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 24 June 2026.				
<b>Development Bank of South Africa (1-22)</b>	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Unsecured 20-year bullet loan, Jibar rate + 2,5 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2035.				

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>4. Loans and bonds (continued)</b>				
<b>Development Bank of South Africa (1-400)</b>	50,000,000	51,682,877	50,000,000	51,682,877
Secured 20-year bullet loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 September 2018. A sinking fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
<b>National Housing Finance Corporation (Housing Company Tshwane)</b>	1,542,105	1,857,504	-	-
This loan is secured, bears interest at 14% per annum and is repayable in 69 monthly installments of R46 377.14. The loan is secured by a mortgage bond over the Eloff Building.				
<b>Municipal bonds</b>				
<b>Standard Bank (1-1900)</b>	573,927,890	573,927,890	573,927,890	573,927,890
Unsecured 15-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 2 April 2028. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
<b>Standard Bank (1-1901)</b>	848,437,142	848,437,142	848,437,142	848,437,142
Unsecured 10-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 3 April 2023. A sinking fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
<b>Standard Bank (1-1950)</b>	755,053,973	755,053,973	755,053,973	755,053,973
Unsecured 15-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 5 June 2028. A sinking fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
<b>Local registered stock</b>				
<b>TEDA municipal entity shares</b>	1,000	1,000	-	-
Share capital in municipal entity (loan bears no interest and has no fixed terms of repayment).				
<b>Annuity loans</b>				
<b>Standard Bank (1-1300)</b>	672,086,622	730,546,211	672,086,622	730,546,211
Unsecured variable-interest 15-year loan repayable semi-annually in installments of interest and capital, with interest payable on reducing balance until capital is paid off on 29 June 2026.				
<b>ABSA Bank (1-2350)</b>	941,742,442	1,002,459,589	941,742,442	1,002,459,589
Unsecured (Jibar) variable interest rate 10-year loan repayable with quarterly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2027.				

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>4. Loans and bonds (continued)</b>				
<b>Development Bank of South Africa (1-950)</b>	112,671,590	112,097,892	112,671,590	112,097,892
Unsecured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2029.				
<b>Development Bank of South Africa (1-851)</b>	46,547,264	58,688,619	46,547,264	58,688,619
Unsecured fixed-interest 13-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 March 2021.				
<b>Development Bank of South Africa (1-800)</b>	166,750,739	161,404,760	166,750,739	161,404,760
Unsecured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2028.				
<b>Development Bank of South Africa (1-700)</b>	69,154,812	69,295,670	69,154,812	69,295,670
Unsecured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2028.				
<b>Development Bank of South Africa (1-701)</b>	168,998,297	162,422,712	168,998,297	162,422,712
Unsecured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2028.				
<b>Development Bank of South Africa (1-501)</b>	155,121,258	165,189,664	155,121,258	165,189,664
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2021.				
<b>Development Bank of South Africa (1-500)</b>	30,959,975	34,108,012	30,959,975	34,108,012
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2021.				
<b>Development Bank of South Africa (1-200)</b>	92,531,482	100,905,273	92,531,482	100,905,273
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2020.				

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>4. Loans and bonds (continued)</b>				
<b>INCA (1-100)</b>	51,356,915	73,687,936	51,356,915	73,687,936
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 March 2020.				
<b>Development Bank of South Africa (1-52)</b>	19,582,468	56,998,686	19,582,468	56,998,686
Secured fixed-interest 20-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 September 2018.				
<b>Development Bank of South Africa (1-50)</b>	37,399,769	51,803,161	37,399,769	51,803,161
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2018.				
<b>iVuzi Investments (1-550)</b>	71,616,895	88,429,376	71,616,895	88,429,376
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 12 December 2021.				
<b>iVuzi Investments (1-450)</b>	27,299,859	34,646,156	27,299,859	34,646,156
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2021.				
<b>iVuzi Investments (1-300)</b>	29,278,758	38,979,672	29,278,758	38,979,672
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 December 2020.				
<b>iVuzi Investments (1-150)</b>	12,067,430	17,198,145	12,067,430	17,198,145
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2020.				
<b>iVuzi Investments (1-0)</b>	2,561,796	4,862,795	2,561,796	4,862,795
Unsecured fixed-interest 15-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2019.				
<b>Nedbank (1-1150)</b>	122,189,750	142,460,513	122,189,750	142,460,513
Unsecured variable-interest 10-year loan repayable in semi-annual installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2020.				
<b>Nedbank (1-1100)</b>	121,520,126	143,212,254	121,520,126	143,212,254
Unsecured variable-interest 10-year loan repayable in semi-annual installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2020.				

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>4. Loans and bonds (continued)</b>				
<b>Nedbank (1-852)</b>	62,771,164	78,985,472	62,771,164	78,985,472
Unsecured fixed-interest 13-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 March 2021.				
<b>ABSA Bank Ltd (1-850)</b>	94,936,004	114,943,733	94,936,004	114,943,733
Unsecured fixed-interest 13-year loan repayable semi-annually in equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 31 March 2021.				
<b>iVuzi (FirstRand Bank) (1-1850)</b>	210,526,316	263,157,895	210,526,316	263,157,895
Unsecured (Jibar) variable-interest 9-year loan repayable in semi-annual equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 30 June 2022.				
<b>Nedbank (1-1800)</b>	393,395,440	466,865,606	393,395,440	466,865,606
Unsecured (Jibar) variable-interest 16-year loan repayable in semi-annual equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 1 March 2023.				
<b>iVuzi (FirstRand Bank) (1-1851)</b>	310,344,828	344,827,586	310,344,828	344,827,586
Unsecured (Jibar) variable-interest 14-year loan repayable in semi-annual equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 1 December 2027.				
<b>Nedbank (1-1801)</b>	222,782,961	264,335,744	222,782,961	264,335,744
Unsecured (Jibar) variable-interest 12-year loan repayable in semi-annual equal installments of interest and capital, with interest payable on reducing balance until capital is paid off on 1 March 2023.				
	<b>10,855,174,180</b>	<b>11,391,805,046</b>	<b>10,853,631,075</b>	<b>11,389,946,542</b>
<b>Non-current liabilities</b>				
At amortised cost	10,139,798,026	10,662,892,847	10,138,570,319	10,661,349,741
<b>Current liabilities</b>				
At amortised cost	715,376,151	728,912,199	715,060,753	728,596,801
	<b>10,855,174,177</b>	<b>11,391,805,046</b>	<b>10,853,631,072</b>	<b>11,389,946,542</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>4. Loans and bonds (continued)</b>				
<b>Secured and unsecured long-term liabilities</b>				
Secured	6,628,561,688	185,331,750	6,627,018,583	183,474,246
Unsecured	4,226,612,489	11,206,473,296	4,226,612,489	11,206,472,296
	<b>10,855,174,177</b>	<b>11,391,805,046</b>	<b>10,853,631,072</b>	<b>11,389,946,542</b>
No defaults or breaches of the loans occurred in the year under review.				
The weighted average interest rate is 10,581% (2017: 10,371%).				
<b>5. Lease liabilities</b>				
<b>Minimum lease payments due</b>				
- within one year	185,164,625	160,805,625	185,164,625	160,805,625
- in second to fifth year inclusive	519,214,333	460,792,507	519,214,333	460,792,507
	704,378,958	621,598,132	704,378,958	621,598,132
Less: future finance charges	(122,604,983)	(141,493,465)	(122,604,983)	(141,493,465)
<b>Present value of minimum lease payments</b>	<b>581,773,975</b>	<b>480,104,667</b>	<b>581,773,975</b>	<b>480,104,667</b>
<b>Present value of minimum lease payments due</b>				
- within one year	175,371,268	151,444,287	175,371,268	151,444,287
- in second to fifth year inclusive	406,402,707	328,660,380	406,402,707	328,660,380
	<b>581,773,975</b>	<b>480,104,667</b>	<b>581,773,975</b>	<b>480,104,667</b>
Non-current liabilities	406,402,707	328,660,380	406,402,707	328,660,380
Current liabilities	175,371,268	151,444,287	175,371,268	151,444,287
	<b>581,773,975</b>	<b>480,104,667</b>	<b>581,773,975</b>	<b>480,104,667</b>
Value of leases (amortised cost, ie present value)	581,773,975	480,104,667	581,773,975	480,104,667
Net book value of leased assets (refer to Note 17)	553,521,560	666,061,025	553,521,560	666,061,025

The lease liabilities reflected above relate to the lease contract of Fleet Management for the supply of fleet vehicles and fleet-related services. The lease contract of Fleet Management is a public-private partnership agreement between the following companies:

- \* Moipone Group of Companies (Pty) Ltd for the supply of Category A and C fleet vehicles and fleet-related services;
- \* Fleet Africa, a division of Super Group Africa (Pty) Ltd for the supply of Category E fleet vehicles and fleet-related services; and
- \* Fleetmatics VMS (Pty) Ltd for the supply of Category B fleet vehicles and fleet-related services.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The average lease term is 3 to 5 years and the average effective borrowing rate is 10,25%. Interest rates are variable at the contract date.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 6. Provisions

#### Reconciliation of provisions - Group - 2018

	Opening balance	Unwinding of interest	Utilised during the year	Reversed/ adjusted during the year	Reduction in provision	Total
Clearing of alien vegetation	18,252,009	2,219,811	(3,512,483)	6,239,686	-	23,199,023
Legal proceedings	160,508,980	-	(13,910,584)	6,951,542	-	153,549,938
Rehabilitation of landfill sites	752,023,566	69,751,493	(3,368,420)	(89,440,585)	-	728,966,054
Rehabilitation of quarries	38,151,381	3,657,058	(1,704,230)	(1,884,655)	-	38,219,554
	<b>968,935,936</b>	<b>75,628,362</b>	<b>(22,495,717)</b>	<b>(78,134,012)</b>	-	<b>943,934,569</b>

#### Reconciliation of provisions - Group - 2017

	Opening balance	Unwinding of interest	Utilised during the year	Increase in provision	Reduction in provision	Total
Clearing of alien vegetation	52,773,645	1,715,048	(2,069,327)	-	(34,167,357)	18,252,009
Legal proceedings	103,429,961	-	-	57,079,019	-	160,508,980
Rehabilitation of landfill sites	614,249,263	70,663,820	(4,361,326)	71,471,809	-	752,023,566
Rehabilitation of quarries	36,089,042	3,584,891	(1,652,884)	130,332	-	38,151,381
Employee benefit cost	9,938	-	(9,938)	-	-	-
	<b>806,551,849</b>	<b>75,963,759</b>	<b>(8,093,475)</b>	<b>128,681,160</b>	<b>(34,167,357)</b>	<b>968,935,936</b>

#### Reconciliation of provisions - Municipality - 2018

	Opening balance	Unwinding of interest rate	Utilised during the year	Reversed/ adjusted during the year	Reduction in provision	Total
Clearing of alien vegetation	18,252,009	2,219,811	(3,512,483)	6,239,686	-	23,199,023
Legal proceedings	160,508,980	-	(13,910,584)	6,951,542	-	153,549,938
Rehabilitation of landfill sites	752,023,566	69,751,493	(3,368,420)	(89,440,585)	-	728,966,054
Rehabilitation of quarries	38,151,381	3,657,058	(1,704,230)	(1,884,655)	-	38,219,554
	<b>968,935,936</b>	<b>75,628,362</b>	<b>(22,495,717)</b>	<b>(78,134,012)</b>	-	<b>943,934,569</b>

#### Reconciliation of provisions - Municipality - 2017

	Opening balance	Unwinding of interest rate	Utilised during the year	Increase in provision	Reduction in provision	Total
Clearing of alien vegetation	52,773,645	1,715,048	(2,069,327)	-	(34,167,357)	18,252,009
Legal proceedings	103,429,961	-	-	57,079,019	-	160,508,980
Rehabilitation of landfill sites	614,249,263	70,663,820	(4,361,326)	71,471,809	-	752,023,566
Rehabilitation of quarries	36,089,042	3,584,891	(1,652,884)	130,332	-	38,151,381
	<b>806,541,911</b>	<b>75,963,759</b>	<b>(8,083,537)</b>	<b>128,681,160</b>	<b>(34,167,357)</b>	<b>968,935,936</b>

The carrying amount of the rehabilitation provisions increases in each period to reflect the passage of time (also referred to as unwinding of interest).

In terms of GRAP 19, provisions should be evaluated at each reporting date to reflect the best estimate of the cost of rehabilitation at that date of the provision. The timing of the outflow is uncertain, as well as the related amounts due to discounting and changes in inflation rates.

#### Environmental rehabilitation provision - landfill sites

The group has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

The decrease in the provision amounted to R17 202 325 (2017: R71 471 809 increase). The decrease in the cost of property, plant and equipment amounted to R17 202 325 (2017: R71 471 809 increase). The amount recognised in surplus or deficit due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R72 882 536 (2017: R0).

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 6. Provisions (continued)

#### Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established to address the backlogs that exist.

The increase in the provision amounted to R6 239 686 (2017: R34 167 357 decrease). The increase in the cost of property, plant and equipment amounted to R6 239 686 (2017: R25 005 458 decrease). The amount recognised in profit and loss due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R0 (2017: R9 161 899).

#### Rehabilitation of quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52(2)(d), the group is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

The decrease in the provision amounted to R1 602 566 (2017: R130 332 increase). The decrease in the cost of property, plant and equipment amounted to R1 602 566 (2017: R130 332 increase). The amount recognised in profit and loss due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R282 089 (2017: R0).

#### Legal proceedings provision

A provision for legal cost with regard to certain cases was created due to the fact that it was probable (more likely than not) that a present obligation existed at the reporting date and that the Municipality will be liable for the legal cost in these cases. The history and nature of these cases further indicate that the liability is more of a long-term nature.

The cases included in the provision are still pending and disclosing details will prejudice the position of the Municipality in a dispute with other parties on the subject matter.

Due to the nature of the legal cases, it is not foreseen that it will be finalised within the next 12 months and therefore there is no short-term portion.

### 7. Financial instruments disclosure

#### Categories of financial instruments

##### Group - 2018

#### Financial assets

	At fair value	At amortised cost	Total
Investments	-	2,356,562,644	2,356,562,644
Other receivables	-	1,136,709,634	1,136,709,634
Consumer receivables	-	1,801,135,308	1,801,135,308
Cash and bank	-	562,495,690	562,495,690
Interest rate swap asset	47,235,142	-	47,235,142
Long-term receivables	-	173,810,903	173,810,903
Sinking fund asset	728,931,058	-	728,931,058
	<b>776,166,200</b>	<b>6,030,714,179</b>	<b>6,806,880,379</b>

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>7. Financial instruments disclosure (continued)</b>				
<b>Financial liabilities</b>				
		At fair value	At amortised cost	Total
Retention creditors		-	475,666,929	475,666,929
Payables from exchange transactions		-	4,960,686,114	4,960,686,114
Consumer deposits		-	516,053,782	516,053,782
Loans and bonds: term loans, bonds		-	5,280,095,562	5,280,095,562
Loans and bonds: interest rate swaps		-	5,575,078,615	5,575,078,615
Interest rate swap liability	183,928,141	-	-	183,928,141
Service concession arrangement	-	-	1,501,310,562	1,501,310,562
Sinking fund liability	147,547,144	-	-	147,547,144
Lease liability	-	-	581,773,975	581,773,975
		<b>331,475,285</b>	<b>18,890,665,539</b>	<b>19,222,140,824</b>
<b>Group - 2017</b>				
<b>Financial assets</b>				
		At fair value	At amortised cost	Total
Investments		-	1,713,247,490	1,713,247,490
Other receivables		-	1,341,192,206	1,341,192,206
Consumer receivables		-	1,988,449,094	1,988,449,094
Cash and bank		-	447,530,497	447,530,497
Long-term receivables		-	127,205,136	127,205,136
Interest rate swap asset	18,743,157	-	-	18,743,157
		<b>18,743,157</b>	<b>5,617,624,423</b>	<b>5,636,367,580</b>
<b>Financial liabilities</b>				
		At fair value	At amortised cost	Total
Retention creditors		-	431,633,949	431,633,949
Payables from exchange transactions		-	5,231,281,193	5,231,281,193
Consumer deposits		-	411,345,192	411,345,192
Loans and bonds: term loans, bonds		-	5,816,726,431	5,816,726,431
Loans and bonds: interest rate swaps		-	5,575,078,615	5,575,078,615
Interest rate swap liability	142,995,983	-	-	142,995,983
Service concession arrangement	-	-	1,261,206,898	1,261,206,898
Lease liabilities	-	-	480,104,667	480,104,667
		<b>142,995,983</b>	<b>19,207,376,945</b>	<b>19,350,372,928</b>
<b>Municipality - 2018</b>				
<b>Financial assets</b>				
		At fair value	At amortised cost	Total
Investments		-	2,356,110,483	2,356,110,483
Other receivables		-	1,136,438,055	1,136,438,055
Consumer receivables		-	1,801,135,308	1,801,135,308
Cash and bank		-	482,680,683	482,680,683
Interest rate swap asset	47,235,142	-	-	47,235,142
Long-term receivables	-	-	173,810,903	173,810,903
Sinking fund asset	728,931,058	-	-	728,931,058
		<b>776,166,200</b>	<b>5,950,175,432</b>	<b>6,726,341,632</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 7. Financial instruments disclosure (continued)

#### Financial liabilities

	At fair value	At amortised cost	Total
Retention creditors	-	475,666,929	475,666,929
Payables from exchange transactions	-	4,911,271,323	4,911,271,323
Consumer deposits	-	516,053,782	516,053,782
Loans and bonds: term loans, bonds	-	5,278,552,458	5,278,552,458
Loans and bonds: interest rate swaps	-	5,575,078,615	5,575,078,615
Interest rate swap liability	183,928,141	-	183,928,141
Service concession arrangement	-	1,501,310,562	1,501,310,562
Sinking fund liability	147,547,144	-	147,547,144
Lease liabilities	-	581,773,975	581,773,975
	<b>331,475,285</b>	<b>18,839,707,644</b>	<b>19,171,182,929</b>

#### Municipality - 2017

#### Financial assets

	At fair value	At amortised cost	Total
Investments	-	1,712,819,449	1,712,819,449
Other receivables	-	1,067,659,513	1,067,659,513
Consumer receivables	-	1,965,604,789	1,965,604,789
Cash and bank	-	389,527,161	389,527,161
Long-term receivables	-	127,205,136	127,205,136
Interest rate swap asset	18,743,157	-	18,743,157
	<b>18,743,157</b>	<b>5,262,816,048</b>	<b>5,281,559,205</b>

#### Financial liabilities

	At fair value	At amortised cost	Total
Retention creditors	-	431,633,949	431,633,949
Payables from exchange transactions	-	4,909,299,117	4,909,299,117
Consumer deposits	-	407,336,926	407,336,926
Loans and bonds: term loans, bonds	-	5,814,867,927	5,814,867,927
Loans and bonds: interest rate swaps	-	5,575,078,615	5,575,078,615
Interest rate swap liability	142,995,983	-	142,995,983
Service concession arrangement	-	1,261,206,898	1,261,206,898
Lease liabilities	-	480,104,667	480,104,667
	<b>142,995,983</b>	<b>18,879,528,099</b>	<b>19,022,524,082</b>

### 8. Financial instruments: Risks involved

#### Risks

In the course of the Municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

There was no change in the exposure to risks and how they arise since the previous financial year. There was further no change in the objectives, policies and processes for managing the risk and the methods used to measure the risk since the previous financial year.

#### Interest rate risk

Interest rate risk arises from the fluctuations in the economic market due to the economic climate. The group manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The group's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments. Although the interest rate swap for the past 2 financial years showed an estimated net loss, it will average out over the long term as the interest rate swaps were taken up for periods ranging between 9 to 20 years.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 8. Financial instruments: Risks involved (continued)

There was no change in the exposure to risks and how they arise since the previous financial year. There was further no change in the objectives, policies and processes for managing the risks and the methods used to measure the risk:

#### Period ended June 2018 - Group

Description	Floating rate		Fixed rate		Non-interest bearing		Total
	Amount	Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
	R	R	%	Years	R	Years	
<b>Assets</b>							
Investments	2,356,562,644	-	16.45	24.75			2,356,562,644
Long-term receivables:							
Housing loans		10,623,822	13.87	30.00			10,623,822
Sport club loans		1,027,120	11.99	10.00			1,027,120
Sale of land		70,642,315	11.09	5.00			70,642,315
Arrangement debtors		456,146	10.50		164,784,178		165,240,324
Trade receivables:							
Consumer		6,268,456,354	10.50	1.00	1,881,580,377		8,150,036,731
Other					1,534,161,629		1,534,161,629
Cash and bank		562,495,690					562,495,690
Interest rate swap asset	47,235,142						47,235,142
Sinking fund asset	728,931,058						728,931,058
<b>Total financial assets</b>	<b>3,132,728,844</b>	<b>6,913,701,447</b>			<b>3,580,526,184</b>		<b>13,626,956,475</b>
<b>Liabilities</b>							
Interest bearing borrowings	637,860,408	4,642,235,154	10.37	5.70			5,280,095,562
Interest rate swaps (notional amounts)	890,312,448	4,684,766,167	9.75	11.80			5,575,078,615
Lease liabilities		581,773,975					581,773,975
Trade payables:							
Creditors					4,960,686,114	0.08	4,960,686,114
Retention					475,666,929	1.00	475,666,929
Consumer deposits					516,053,782	0.08	516,053,782
Service concession arrangements					1,501,310,562		1,501,310,562
Interest rate swap liability		183,928,141					183,928,141
Sinking fund liability	147,547,144						
<b>Total financial liabilities</b>	<b>1,675,720,000</b>	<b>10,092,703,437</b>			<b>7,453,717,387</b>		<b>19,074,593,680</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 8. Financial instruments: Risks involved (continued)

#### Year ended June 2017 - Group

Description	Floating rate		Fixed rate		Non-interest bearing		Total
	Amount	Amount	Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount	Weighted average period until maturity Years	
	R	R			R		R
<b>Assets</b>							
Investments	1,712,536,970	710,520	16.45	24.75			1,713,247,490
Long-term receivables:							
Housing loans		10,156,272	13.87	30.00			10,156,272
Loans to sport clubs		1,041,030	11.99	10.00			1,041,030
Sale of land		69,397,504	11.09	5.00			69,397,504
Arrangement debtors		860,267	10.50		116,135,356		116,995,623
Trade receivables:							
Consumer		5,929,951,905	10.50	1.00	1,537,460,390		7,467,412,295
Other					1,690,757,234		1,690,757,234
Cash and bank		447,530,497					447,530,497
Interest rate swap asset	18,743,157						18,743,157
<b>Total financial assets</b>	<b>1,731,280,127</b>	<b>6,459,647,995</b>			<b>3,344,352,980</b>		<b>11,535,281,102</b>
<b>Liabilities</b>							
Interest bearing borrowings	1,884,628,176	3,932,098,255	10.37	5.70			5,816,726,431
Interest rate swaps (notional amounts)	890,312,448	4,684,766,167	9.75	11.80			5,575,078,615
Lease liabilities		480,104,667					480,104,667
Trade payables:							
Creditors					5,231,281,193	0.08	5,231,281,193
Retention					431,633,949	1.00	431,633,949
Consumer deposits					411,345,192	0.08	411,345,192
Service concession arrangements					1,261,206,898		1,261,206,898
Interest rate swap liability	142,995,983						142,995,983
<b>Total financial liabilities</b>	<b>2,917,936,607</b>	<b>9,096,969,089</b>			<b>7,335,467,232</b>		<b>19,350,372,928</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2018	2017 Restated* R	2018	2017 Restated*

### 8. Financial instruments: Risks involved (continued)

#### Interest rate swaps

The group has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the group to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements.

The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the reporting date the group had entered into the following interest rate swaps relating to specific statement of financial position items:

	Fair value R	Estimated fair value gain/(loss) R
<b>30 June 2018</b>		
Non-current assets: interest rate swap asset	47,235,142	28,491,985
Non-current liability: interest rate swap liability	(183,928,141)	(40,972,158)
	<b>(136,692,999)</b>	<b>(12,480,173)</b>
	Fair value R	Estimated fair value gain/(loss) R
<b>30 June 2017</b>		
Non-current assets: interest rate swap asset	18,743,157	(25,193,795)
Non-current liability: interest rate swap liability	(142,995,983)	4,123,744
	<b>(124,252,826)</b>	<b>(21,070,051)</b>

#### Sinking fund

The sinking fund is a financial solution to assist the City of Tshwane to meet its financial obligations to repay previously issued bonds. The City of Tshwane pays contributions into the fund, which is managed by a third-party fund manager, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk management framework adopted by the City of Tshwane. The financial liabilities of the fund are disclosed in Note 73 .

	Fair value R	Estimated fair value gain/loss R
<b>30 June 2018</b>		
Assets: other financial assets - sinking fund	728,931,058	22,607,267
Liability: other financial assets - sinking fund	(147,547,144)	(108,834,654)
	<b>581,383,914</b>	<b>(86,227,387)</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 8. Financial instruments: Risks involved (continued)

#### Currency risk

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. The group, however, manages this risk by entering into contracts where the risk is carried by the service provider.

#### Credit risk

Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the group to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the group obtains appropriate deposits and guarantees from debtors to mitigate risk. The Municipality's cash and cash equivalents and short-term deposits are placed with high-credit quality financial institutions.

The group limits its treasury counter-party exposure arising from the money market by only dealing with well-established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The group only deals with financial institutions with a short-term credit rating of A+ and long-term credit rating of AA- and higher at an international accredited credit-rating agency. The group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the group's customer base and their dispersion across different industries and geographical areas. The group does not have any significant exposure to any individual customer or counter-party. Accordingly, the group does not consider there to be any significant concentration of credit risk which has not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

The consumer receivables as presented does not include any debt relating to property rates, as property rates do not meet the definition criteria for financial instruments. Strict credit control procedures are in place to mitigate the credit risk relating to trade receivables.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the Municipality's exposure to credit risk, the approach to measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The major concentrations of credit risk (as a percentage) that arise from the group's receivables in relation to customer classification are as follows:

	30 June 2018	30 June 2017
Consumer receivables:		
Household	51	51
Industrial/Commercial	18	20
National and provincial government	2	7
Other consumer receivables	2	2
Long-term receivables	9	2
Sundry receivables	18	18
	<b>100</b>	<b>100</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 8. Financial instruments: Risks involved (continued)

#### Liquidity risk

The group manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the Municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market: With regard to the sinking fund and in managing liquidity risk effectively, the fund managers have adopted a policy that provides for assurance that at all times the fund will have in place liquid financial assets (cash and near-cash assets) in adequate quantity for deployment in meeting financial obligations when they are due. In successfully meeting these financial obligations, assurance must be given that the overall investment portfolio that makes up the sinking fund does not suffer any losses emanating from execution or either as a result of inadequate management or poor planning.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group 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.

	30 June 2019 R	30 June 2020 R	30 June 2021 R
External funding (borrowing): capital expenditure	1,500,000,000	1,300,000,000	1,300,000,000
Grant funding: capital expenditure	2,206,735,060	2,233,164,480	2,404,501,580

#### Market risk

The group is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The group manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.

Interest rate risk management: The group's interest rate profile consists of fixed and floating rate loans and bank balances which expose the group to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

#### Financial assets/liabilities:

Trade and other receivables/payables: At a fixed rate of interest.

Management manages interest rate risk by negotiating beneficial rates on floating rate loans and where possible using fixed rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities.

#### Fair values

The group's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, consumer payables, long-term debt and derivative instruments (interest rate swaps).

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading. The following methods and assumptions are used to determine the fair value of each class of financial instrument.

#### Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

#### Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt), approximates fair value due to the relatively short-term maturity of these financial assets.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 8. Financial instruments: Risks involved (continued)

#### Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi-annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

#### Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

#### Interest-bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.

#### Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

Year ended	Fair value	Carrying amount
	R	R
<b>30 June 2018</b>		
<b>Liabilities</b>		
Interest rate swaps	183,928,141	183,928,141
<b>30 June 2017</b>		
<b>Liabilities</b>		
Interest rate swaps	142,995,983	142,995,983

#### Hedging

Hedging is not applicable in the environment of the group except with regard to interest rate risk.

#### Capital risk management

The group's objectives when managing capital are to safeguard the group'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 group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in Notes 4, and 5 and cash and cash equivalents disclosed in Note 24, and equity as disclosed in the statement of financial position.

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

There are no externally imposed capital requirements.

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

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

		Group		Municipality	
		2018	2017 Restated* R	2018	2017 Restated*
<b>8. Financial instruments: Risks involved (continued)</b>					
		The gearing ratio at 30 June 2018 and 30 June 2017 respectively were as follows:			
<b>Total borrowings</b>					
Finance lease obligation	5	581,773,975	480,104,667	581,773,975	480,104,667
Loans and bonds	4	10,855,174,177	11,391,805,046	10,853,631,072	11,389,946,542
		<b>11,436,948,152</b>	<b>11,871,909,713</b>	<b>11,435,405,047</b>	<b>11,870,051,209</b>
Less: Cash and cash equivalents	24	562,495,690	447,530,497	482,680,683	2,110,884,426
Net debt		10,874,452,462	11,424,379,216	10,952,724,364	9,759,166,783
Total equity		25,116,961,149	22,654,627,279	24,960,363,857	22,631,972,745
<b>Total capital</b>		<b>35,991,413,611</b>	<b>34,079,006,495</b>	<b>35,913,088,221</b>	<b>32,391,139,528</b>
<b>9. Consumer deposits</b>					
Electricity and water		516,053,782	411,345,192	516,053,782	407,336,926
<b>Guarantees held:</b>					
Electricity and water consumers (who do not have deposits)		153,166,265	153,166,265	153,166,265	153,166,265
Township development guarantees		274,481,886	343,714,427	274,481,886	343,714,427
		<b>427,648,151</b>	<b>496,880,692</b>	<b>427,648,151</b>	<b>496,880,692</b>
<b>10. Payables from exchange transactions</b>					
Trade payables		3,247,458,330	3,618,951,813	3,204,162,164	3,299,626,400
Payments received in advance - various services		585,807,421	561,837,729	585,807,421	561,582,969
Accrued leave pay		816,092,781	830,059,567	814,102,684	818,635,325
Deposits received		41,307,437	35,924,806	40,699,961	35,372,282
Debtors with credit balances - reclassification		960,092,408	948,717,849	960,092,408	948,717,849
Other creditors		846,559,230	747,995,943	841,048,081	745,891,802
Retention creditors		475,666,929	431,633,949	475,666,929	431,633,949
Accrual 13th cheque		207,571,083	213,090,734	207,571,083	211,055,640
		<b>7,180,555,619</b>	<b>7,388,212,390</b>	<b>7,129,150,731</b>	<b>7,052,516,216</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>11. Unspent grants and receipts</b>				
<b>Unspent grants and receipts comprise:</b>				
<b>Unspent conditional grants and receipts</b>				
Human Settlement Development Grant (HSDG)	253,589,420	179,322,667	253,589,420	179,322,667
DoRA: Urban Settlement Development Grant (USDG)	97,146,820	2,889,029	97,146,820	2,889,029
DoRA: PTIS	61,313,225	67,967,329	61,313,225	67,967,329
Delft grant	-	2,293,422	-	2,293,422
Neighbourhood Development Programme	3,107,814	-	3,107,814	-
Research and Technology	74,688	74,688	74,688	74,688
Arts and Culture Grant (Libraries)	5,557,910	2,309,705	5,557,910	2,309,705
Gautrans job creation	11,961,294	11,961,294	11,961,294	11,961,294
Broadband (Wi-Fi)	-	1,086,882	-	1,086,882
Municipal Disaster Recovery Grant	1,447,864	1,447,864	1,447,864	1,447,864
Social Infrastructure Grant	708,601	-	708,601	-
LG SETA Discretionary Grant	3,358,086	-	3,358,086	-
Integrated City Development	32,664,650	36,506,515	32,664,650	36,506,515
	<b>470,930,372</b>	<b>305,859,395</b>	<b>470,930,372</b>	<b>305,859,395</b>

### Movement during the year

Balance at the beginning of the year	305,859,396	130,291,177	305,859,396	130,291,177
Receipts during the year	6,660,524,642	6,359,514,764	6,660,524,641	6,359,514,764
Transfers between grants (returned to NT deducted from current year)	5,397,677	-	5,397,677	-
Returned to National Treasury	(62,428,000)	(60,350,068)	(62,428,000)	(60,350,068)
Income recognition during the year	(6,438,423,343)	(6,123,596,478)	(6,438,423,342)	(6,123,596,478)
	<b>470,930,372</b>	<b>305,859,395</b>	<b>470,930,372</b>	<b>305,859,395</b>

The figures above show:

- The nature and extent of all government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the Municipality has directly benefited; and
- Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. Note must be taken that the unspent portion mostly relates to amounts received in advance and which relate to allocations of the following financial year.

See Note 27 for reconciliation of grants from national/provincial government. These amounts are invested in a ring-fenced investment until utilised.

### 12. VAT

VAT refundable	2,385,807	4,363,938	-	-
VAT payable	(2,219,564,782)	(1,437,135,346)	(2,219,564,782)	(1,426,786,838)
	<b>(2,217,178,975)</b>	<b>(1,432,771,408)</b>	<b>(2,219,564,782)</b>	<b>(1,426,786,838)</b>

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment

Group	2018			2017		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	988,667,037	(601,094,412)	387,572,625	1,034,458,608	(592,357,456)	442,101,152
Land	233,841,240	-	233,841,240	274,473,349	-	274,473,349
Buildings: Asset under construction	119,313,639	-	119,313,639	46,354,946	-	46,354,946
Tshwane House: Service concession (refer to Note 60)	1,129,911,631	(43,941,008)	1,085,970,623	1,129,911,631	(6,277,287)	1,123,634,344
Denneboom: Service concession (refer to Note 60)	380,329,129	-	380,329,129	194,406,210	-	194,406,210
Biological assets (game)	24,815,042	-	24,815,042	19,007,270	-	19,007,270
Infrastructure: Capitalised	28,018,855,640	(8,953,496,481)	19,065,359,159	27,092,922,766	(7,968,330,848)	19,124,591,918
Infrastructure: Asset under construction	8,679,437,329	(123,216,101)	8,556,221,228	7,711,641,130	(123,216,100)	7,588,425,030
Community	4,078,901,210	(1,387,234,163)	2,691,667,047	3,975,892,282	(1,220,957,089)	2,754,935,193
Community: Asset under construction	255,351,440	-	255,351,440	191,739,384	-	191,739,384
Other: Capitalised	3,168,891,810	(2,059,921,831)	1,108,969,979	2,950,783,254	(1,828,740,895)	1,122,042,359
Other: Asset under construction	405,014,877	(46,287,448)	358,727,429	371,592,236	-	371,592,236
Housing	1,073,915,766	(149,401,130)	924,514,636	933,835,917	(120,735,723)	813,100,194
Housing: Asset under construction	1,066,126,830	-	1,066,126,830	290,844,913	-	290,844,913
<b>Total</b>	<b>49,623,372,620</b>	<b>(13,364,592,574)</b>	<b>36,258,780,046</b>	<b>46,217,863,896</b>	<b>(11,860,615,398)</b>	<b>34,357,248,498</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

Municipality	2018			2017		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	985,552,643	(600,921,390)	384,631,253	1,023,787,946	(588,476,029)	435,311,917
Land	231,541,240	-	231,541,240	272,173,349	-	272,173,349
Tshwane House: Service concession (refer to Note 60)	1,129,911,631	(43,941,008)	1,085,970,623	1,129,911,631	(6,277,287)	1,123,634,344
Denneboom: Service concession (refer to Note 60)	380,329,129	-	380,329,129	194,406,210	-	194,406,210
Biological assets (game)	24,815,042	-	24,815,042	19,007,270	-	19,007,270
Infrastructure: Capitalised	28,018,855,640	(8,953,496,481)	19,065,359,159	27,080,210,808	(7,955,940,005)	19,124,270,803
Infrastructure: Asset under construction	8,679,437,329	(123,216,101)	8,556,221,228	7,711,641,130	(123,216,100)	7,588,425,030
Community: Capitalised	4,078,901,210	(1,387,234,163)	2,691,667,047	3,975,892,282	(1,220,957,089)	2,754,935,193
Community: Asset under construction	255,351,440	-	255,351,440	191,739,384	-	191,739,384
Other: Capitalised	3,158,677,646	(2,054,935,794)	1,103,741,852	2,929,845,328	(1,817,871,924)	1,111,973,404
Other: Asset under construction	405,014,877	(46,287,448)	358,727,429	371,592,236	-	371,592,236
Housing: Capitalised	1,073,915,766	(149,401,130)	924,514,636	933,835,917	(120,735,723)	813,100,194
Housing: Asset under construction	1,066,126,830	-	1,066,126,830	290,844,913	-	290,844,913
<b>Total</b>	<b>49,488,430,423</b>	<b>(13,359,433,515)</b>	<b>36,128,996,908</b>	<b>46,124,888,404</b>	<b>(11,833,474,157)</b>	<b>34,291,414,247</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers/Purification	Gains/(losses) arising from changes in fair value	Additions (Non- cash) and other movements	Depreciation	Impairment loss	Total
Land	274,473,349	-	(26,798)	-	(40,605,311)	-	-	-	-	233,841,240
Buildings	442,101,152	3,192,342	(937,294)	-	(28,428,422)	-	489,074	(28,844,227)	-	387,572,625
Buildings: Asset under construction	46,354,946	72,958,693	-	-	-	-	-	-	-	119,313,639
Tshwane House: Service concession (refer to Note 60)	1,123,634,344	-	-	-	-	-	-	(37,663,721)	-	1,085,970,623
Denneboom: Service concession (refer to Note 60)	194,406,210	-	-	-	54,770	-	185,868,149	-	-	380,329,129
Biological assets (game)	19,007,270	-	-	-	-	5,807,772	-	-	-	24,815,042
Infrastructure: Capitalised	19,124,591,918	395,842,824	(68,197,002)	619,001,311	14,601,403	-	2,652,879	(1,015,097,555)	(8,036,619)	19,065,359,159
Infrastructure: Asset under construction	7,588,425,030	1,586,072,666	-	(618,276,468)	-	-	-	-	-	8,556,221,228
Community: Capitalised	2,754,935,193	18,589,971	(676,857)	55,300,652	10,959,329	-	21,589,746	(154,490,700)	(14,540,287)	2,691,667,047
Community: Asset under construction	191,739,384	117,489,121	-	(53,349,647)	-	-	-	-	(527,418)	255,351,440
Other: Capitalised	1,122,042,359	101,428,722	(12,345,564)	41,298,913	218,072,112	-	3,902,386	(364,687,338)	(741,611)	1,108,969,979
Other: Asset under construction	371,592,236	77,848,754	-	(44,426,113)	-	-	-	-	(46,287,448)	358,727,429
Housing	813,100,194	-	(873,121)	83,029,535	43,418,232	-	-	(14,160,204)	-	924,514,636
Housing: Asset under construction	290,844,913	858,311,452	-	(83,029,535)	-	-	-	-	-	1,066,126,830
	<b>34,357,248,498</b>	<b>3,231,734,545</b>	<b>(83,056,636)</b>	<b>(451,352)</b>	<b>218,072,113</b>	<b>5,807,772</b>	<b>214,502,234</b>	<b>(1,614,943,745)</b>	<b>(70,133,383)</b>	<b>36,258,780,046</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers/Purification	Gains/(losses) arising from changes in fair value	Additions (Non- cash) and other movements	Depreciation	Impairment loss	Total
Land	271,292,316	3,675,176	(654,089)	-	(6,762,554)	-	6,922,500	-	-	274,473,349
Buildings	420,054,068	23,111,214	(293,243)	26,875,173	4,403,498	-	-	(32,049,558)	-	442,101,152
Buildings: Asset under construction	748,027,265	31,692,911	-	-	(733,365,230)	-	-	-	-	46,354,946
Tshwane House: Service concession (refer to Note 60)	-	-	-	34,563,051	733,365,230	-	361,983,350	(6,277,287)	-	1,123,634,344
Denneboom: Service concession (refer to Note 60)	1,800,000	-	-	-	-	-	192,606,210	-	-	194,406,210
Biological assets (game)	16,792,560	-	-	-	-	2,214,710	-	-	-	19,007,270
Infrastructure: Capitalised	18,471,570,817	340,429,505	(61,562,194)	1,266,523,766	8,440,546	-	66,266,676	(967,077,198)	-	19,124,591,918
Infrastructure: Asset under construction	6,364,118,821	2,492,614,785	(2,503)	(1,269,911,329)	1,605,256	-	-	-	-	7,588,425,030
Community: Capitalised	2,763,811,270	35,638,876	(2,460,841)	83,100,400	(281,808)	-	38,803,712	(163,592,863)	(83,553)	2,754,935,193
Community: Asset under construction	206,548,124	94,005,673	(2,434,166)	(107,534,843)	1,154,596	-	-	-	-	191,739,384
Other: Capitalised	1,104,340,362	135,050,882	(3,216,449)	45,945,191	4,738,290	-	120,232,056	(282,417,340)	(2,630,633)	1,122,042,359
Other: Asset under construction	261,685,031	227,858,711	(236,895)	(117,714,611)	-	-	-	-	-	371,592,236
Housing	587,100,969	-	(2,322,345)	251,885,600	(10,528,891)	-	601,500	(13,636,639)	-	813,100,194
Housing: Asset under construction	511,760,512	30,970,001	-	(251,885,600)	-	-	-	-	-	290,844,913
<b>31,728,902,115</b>	<b>3,415,047,734</b>	<b>(73,182,725)</b>	<b>(38,153,202)</b>	<b>2,768,933</b>	<b>2,214,710</b>	<b>787,416,004</b>	<b>(1,465,050,885)</b>	<b>(2,714,186)</b>	<b>34,357,248,498</b>	

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Municipality - 2018

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers/Purification	Gains/(losses) arising from changes in fair value	Additions (Non-cash)	Depreciation	Impairment loss	Total
Land	272,173,349	-	(26,798)	-	(40,605,311)	-	-	-	-	231,541,240
Buildings	435,311,917	6,867,182	(937,294)	-	(28,428,421)	-	489,074	(28,671,205)	-	384,631,253
Tshwane House: Service concession (refer to Note 60)	1,123,634,344	-	-	-	-	-	-	(37,663,721)	-	1,085,970,623
Denneboom: Service concession (refer to Note 60)	194,406,210	-	-	-	54,770	-	185,868,149	-	-	380,329,129
Biological assets (game)	19,007,270	-	-	-	-	5,807,772	-	-	-	24,815,042
Infrastructure: Capitalised	19,124,270,803	396,163,939	(68,197,002)	619,001,311	14,601,403	-	2,652,879	(1,015,097,555)	(8,036,619)	19,065,359,159
Infrastructure: Asset under construction	7,588,425,030	1,586,072,666	-	(618,276,468)	-	-	-	-	-	8,556,221,228
Community: Capitalised	2,754,935,193	18,589,971	(676,858)	55,300,653	10,959,329	-	21,589,746	(154,490,700)	(14,540,287)	2,691,667,047
Community: Asset under construction	191,739,384	117,489,121	-	(53,349,647)	-	-	-	-	(527,418)	255,351,440
Other: Capitalised	1,111,973,404	104,715,257	(12,279,173)	41,298,913	218,072,113	-	3,902,386	(363,199,437)	(741,611)	1,103,741,852
Other: Asset under construction	371,592,236	77,848,754	-	(44,426,113)	-	-	-	-	(46,287,448)	358,727,429
Housing: Capitalised	813,100,194	-	(873,121)	83,029,535	43,418,232	-	-	(14,160,204)	-	924,514,636
Housing: Asset under construction	290,844,913	858,311,452	-	(83,029,535)	-	-	-	-	-	1,066,126,830
	<b>34,291,414,247</b>	<b>3,166,058,342</b>	<b>(82,990,246)</b>	<b>(451,351)</b>	<b>218,072,115</b>	<b>5,807,772</b>	<b>214,502,234</b>	<b>(1,613,282,822)</b>	<b>(70,133,383)</b>	<b>36,128,996,908</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Municipality - 2017

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers/Purification	Gains/(losses) arising from changes in fair values	Additions (Non-cash)	Depreciation	Impairment loss	Total
Land	268,992,316	3,675,176	(654,089)	-	(6,762,554)	-	6,922,500	-	-	272,173,349
Buildings	412,746,268	23,111,214	(293,243)	26,875,173	4,403,498	-	-	(31,530,993)	-	435,311,917
Buildings: Asset under construction	733,365,230	-	-	-	(733,365,230)	-	-	-	-	-
Tshwane House: Service concession (refer to Note 60)	-	-	-	34,563,051	733,365,230	-	361,983,350	(6,277,287)	-	1,123,634,344
Denneboom: Service concession (refer to Note 60)	1,800,000	-	-	-	-	-	192,606,210	-	-	194,406,210
Biological assets	16,792,560	-	-	-	-	2,214,710	-	-	-	19,007,270
Infrastructure: Capitalised	18,470,030,924	340,429,505	(61,562,194)	1,266,523,766	8,440,546	-	66,571,750	(966,163,494)	-	19,124,270,803
Infrastructure: Asset under construction	6,364,118,821	2,492,614,785	(2,503)	(1,269,911,329)	1,605,256	-	-	-	-	7,588,425,030
Community: Capitalised	2,763,811,270	35,638,876	(2,460,841)	83,100,400	(281,808)	-	38,803,712	(163,592,863)	(83,553)	2,754,935,193
Community: Asset under construction	206,548,124	94,005,673	(2,434,166)	(107,534,843)	1,154,596	-	-	-	-	191,739,384
Other: Capitalised (refer to accounting policy 1.6)	1,093,697,743	135,050,882	(3,216,449)	45,945,190	4,738,290	-	117,840,237	(279,451,856)	(2,630,633)	1,111,973,404
Other: Asset under construction	261,685,031	227,858,711	(236,895)	(117,714,611)	-	-	-	-	-	371,592,236
Housing: Capitalised	587,100,969	-	(2,322,345)	251,885,600	(10,528,891)	-	601,500	(13,636,639)	-	813,100,194
Housing: Asset under construction	511,760,512	30,970,001	-	(251,885,600)	-	-	-	-	-	290,844,913
	<b>31,692,449,768</b>	<b>3,383,354,823</b>	<b>(73,182,725)</b>	<b>(38,153,203)</b>	<b>2,768,933</b>	<b>2,214,710</b>	<b>785,329,259</b>	<b>(1,460,653,132)</b>	<b>(2,714,186)</b>	<b>34,291,414,247</b>

#### Pledged as security

No property, plant and equipment are pledged as security, except for leased assets (refer to Note 5 and 17).



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>13. Property, plant and equipment (continued)</b>				
<b>Other information</b>				
<b>Depreciation on property, plant and equipment (refer to Note 32)</b>				
Property, plant and equipment	1,459,542,064	1,380,805,543	1,457,881,140	1,376,407,790
Rehabilitation assets	155,401,682	84,245,342	155,401,682	84,245,342
	<b>1,614,943,746</b>	<b>1,465,050,885</b>	<b>1,613,282,822</b>	<b>1,460,653,132</b>

### Property, plant and equipment in the process of being constructed or developed

#### Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings: Housing Company Tshwane	119,313,639	46,354,946	-	-
Infrastructure	8,787,709,371	7,611,413,998	8,556,221,228	7,588,425,029
Community	288,100,329	222,806,259	255,351,440	191,739,384
Other property, plant and equipment	408,870,626	371,657,544	358,727,429	371,657,544
Housing	983,030,055	290,844,913	1,066,126,830	290,844,913
	<b>10,587,024,020</b>	<b>8,543,077,660</b>	<b>10,236,426,927</b>	<b>8,442,666,870</b>

Included in the amount of AUC: Other property, plant and equipment is an amount of R33 710 399.46 relating to vehicles the City acquired. These vehicles were only registered and licenced in the 2018/19 financial year, and therefore not capitalised on 30 June 2018.

#### Carrying value of property, plant and equipment that are taking a significantly longer period of time to complete than expected

Awaiting completion certificate/occupation certificate	98,750,320	408,527,136	98,750,320	408,527,136
Budget constraints and poor performance	594,135,866	-	594,135,866	-
Project still at commissioning stage	48,241,979	46,104,114	48,241,979	46,104,114
Contractor to be appointed	126,658,621	163,187	126,658,621	163,187
Project still in planning stage	23,176,185	17,921,464	23,176,185	17,921,464
Project dependent on relocation of residents	-	1,572,250	-	1,572,250
Project dependent on registration of servitudes	-	2,488,206	-	2,488,206
Project still under construction	2,357,952,832	300,225,239	2,357,952,832	300,225,239
Project dependent on obtaining water licences	15,246,746	5,091,399	15,246,746	5,091,399
Tender stage	680,000	-	680,000	-
Eskom connection	24,624,314	-	24,624,314	-
	<b>3,289,466,863</b>	<b>782,092,995</b>	<b>3,289,466,863</b>	<b>782,092,995</b>

#### Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Project halted due to legal dispute	125,837,022	210,429,909	125,837,022	210,429,909
Project halted due to discontinued smart meter project	17,220,137	38,830,656	17,220,137	38,830,656
Project halted due to insurance claims	-	69,840,839	-	69,840,839
Project halted due to funding constraints and reprioritisation of projects	-	267,292,255	-	267,292,255
Project dependent on expiry of current system	3,260,278	-	3,260,278	-
	<b>146,317,437</b>	<b>586,393,659</b>	<b>146,317,437</b>	<b>586,393,659</b>

2017/18: An impairment loss of R123 216 100 has been recognised in prior years on the above assets.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>13. Property, plant and equipment (continued)</b>				
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>				
<b>Expenditure incurred to repair and maintain property, plant and equipment included in statement of financial performance</b>				
Contracted services	484,175,859	562,878,921	484,175,859	562,878,921
General expenses	503,776,358	432,889,432	503,755,566	429,664,853
Other materials	8,257,539	5,385,479	8,257,539	5,385,479
	<b>996,209,756</b>	<b>1,001,153,832</b>	<b>996,188,964</b>	<b>997,929,253</b>

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 group and the relevant municipal entities.

### Useful lives:

#### In terms of GRAP 17 paragraph 56 -

An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life accordingly. The change/(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. The list of indicators as contained in paragraph 57 of GRAP 17 was used as guidance.

#### Treatment of all useful lives to be adjusted:

All remaining useful lives that were adjusted for the 2017/18 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to Note 55). All changes in estimates occur prospectively and no prior year adjustments were made. All review of useful life adjustments occurred with effect from 1 July 2017. The following were the reasons for the review of useful life adjustments:

#### Water and sanitation assets:

- The assessed condition based on physical inspections

#### Consumer meters:

For all consumer meters having a remaining useful life (RUL) of less than equal to 24 months, the RUL as at 1 July 2017 was increased with an additional 60 months.

#### All other assets:

**The following condition grading scale was used in 2017/18 to test the remaining useful lives (RUL) of the assets in comparison to the condition of the asset:**

- Grade 1: Very good - sound structure, well maintained, only normal maintenance required: Average 91% indicative RUL
- Grade 2: Good - serves needs but minor deterioration (<5%), minor maintenance required: Average 71% indicative RUL
- Grade 3: Fair - marginal, clearly evident deterioration (10 - 20%), significant maintenance required: Average 51% indicative RUL
- Grade 4: Poor - significant deterioration of structure and/or appearance, significant impairment of functionality (20 - 40%), significant renewal/upgrade required: Average 31% indicative RUL
- Grade 5: Very poor - unsound, failed, needs reconstruction/replacement (50% needs replacement): Average 11% indicative RUL

Consideration was given to the assessment of the asset. Where the conditions of assets are indicated as either very good, good or fair, the RUL was not adjusted. Where no indication was made by custodian departments it was assumed that the assets are still in use and in a fair condition, hence the expectations do not differ from those of the prior year and therefore no adjustment was made.

In instances where the condition of an asset was indicated as very poor or scrap, the RUL of the asset was determined using the average percentage as per the grading above. However, where the average percentage was applied and the RUL amounted to less than 13 months for assets with a condition of very poor, the RUL for the 2017/18 financial year was extended to 13 months, preventing the asset to depreciate to R0 during the year. Ideally during the 2018/19 financial year these assets must be disposed of in terms the SCM Policy.

In instances where the condition of an asset was indicated as poor, the RUL of the asset was determined using the average percentage as per the grading above. However, where the average percentage was applied and the RUL amounted to less than 18 months, the RUL was adjusted to 18 months, and where the RUL when applying the average percentage amounted to less than the RUL as at 1 July 2017, the RUL was decreased to the calculated RUL. However, where the average percentage was applied and the RUL resulted in a longer RUL, the RUL was left unchanged.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

		Group		Municipality	
		2018	2017 Restated* R	2018	2017 Restated*

### 13. Property, plant and equipment (continued)

In instances where departments indicated the RUL in years and months, the RUL was amended based on the information provided, if realistic.

For all assets having a RUL of zero or less than 24 months, consideration was given to the change in expectation as at 1 July 2017 and a decision was taken by management to amend the RUL as follows:

- For movable assets, the RUL was adjusted to 25 months in order to allow for departments to consider the future use of the assets vs the replacement of these assets.
- For immovable assets, the RUL was adjusted with a further 37 months, seeing that these assets are used in the ordinary delivery of services to the community. The same as for movable assets, the responsible departments will also have to consider the future use of the assets vs the replacement/upgrading thereof.

A total of 968 498 assets were affected. The change in annual depreciation is a decrease of R61 289 092 (refer to Note 55).

#### TEDA:

During 2017/18, TEDA reviewed the useful lives of its assets, namely IT equipment and computer software. The change in annual depreciation is a decrease of R143 841.

#### Impairment:

The City of Tshwane has implemented the Standards of GRAP 21 and GRAP 26 on impairment of assets based on a position paper adopted on these standards. Based on the position paper all assets tested during this financial year were treated according to GRAP 21: Impairment of Non-Cash-Generating assets.

Although the City of Tshwane holds material amounts of infrastructure assets such as water and electricity networks where a cost plus return is billed for services rendered, the majority of these assets are non-cash generating, as the primary objective of such services is not to generate a commercial return that reflects the risk involved in holding the asset, but rather to provide a basic service in terms of the Municipality's constitutional mandate. According to GRAP 21.11 there is a number of circumstances in which entities may hold some assets with the primary objective of generating a commercial return. None of the assets that were impaired in the 2017/18 financial year are held for the purpose of generating a commercial return.

In 2017/18 the Asset Compliance and Control Division forwarded a questionnaire to all departments regarding the assets under their control. According to the questionnaire, departments had to indicate whether any assets under their control need to be impaired. Based on the results of these questionnaires and available information, impairment tests were performed and assets were impaired where necessary.

Impairment indicators:

- Assets were impaired according to specific indicators, including vandalism, physical damage, discontinued assets and assets that became idle.

#### Transfers/purifications:

Transfers are the transfers of assets between cost centres, whereas transfer purifications are the transfers of assets to correct components in terms of the data dictionary or sub-classifications.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 14. Investment property

Group	2018			2017		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	1,022,318,959	(193,429,880)	828,889,079	1,022,313,859	(188,619,312)	833,694,547

  

Municipality	2018			2017		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	1,022,318,959	(193,429,880)	828,889,079	1,022,313,859	(188,619,312)	833,694,547

### Reconciliation of investment property - Group - 2018

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Additions: Non-cash	Depreciation	Total
Investment property: Capitalised	833,694,547	-	-	-	5,100	(4,810,568)	828,889,079

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 14. Investment property (continued)

#### Reconciliation of investment property - Group - 2017

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers: Purification	Additions: Non- cash	Depreciation	Total
Investment property: Capitalised	834,440,503	-	(625,403)	397,900	-	3,100,001	(3,618,454)	833,694,547
Investment property: Asset under construction	397,900	1,154,596	-	(397,900)	(1,154,596)	-	-	-
	<b>834,838,403</b>	<b>1,154,596</b>	<b>(625,403)</b>	<b>-</b>	<b>(1,154,596)</b>	<b>3,100,001</b>	<b>(3,618,454)</b>	<b>833,694,547</b>

#### Reconciliation of investment property - Municipality - 2018

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Additions: Non- cash	Depreciation	Total
Investment property: Capitalised	833,694,547	-	-	-	5,100	(4,810,568)	828,889,079

#### Reconciliation of investment property - Municipality - 2017

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers: Purification	Additions: non- cash	Depreciation	Total
Investment property: Capitalised	834,440,503	-	(625,403)	397,900	-	3,100,001	(3,618,454)	833,694,547
Investment property: Asset under construction	397,900	1,154,596	-	(397,900)	(1,154,596)	-	-	-
	<b>834,838,403</b>	<b>1,154,596</b>	<b>(625,403)</b>	<b>-</b>	<b>(1,154,596)</b>	<b>3,100,001</b>	<b>(3,618,454)</b>	<b>833,694,547</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>14. Investment property (continued)</b>				
<b>Pledged as security</b>				
No investment property is pledged as security.				
<b>Investment property in the process of being constructed or developed</b>				
<b>Cumulative expenditure recognised in the carrying value of investment property</b>				
Investment property - Cost	-	1,154,596	-	1,154,596
No projects under investment property took a significantly longer period of time than expected or were halted.				
<b>Carrying value of investment property that is taking a significantly longer period of time to complete than expected</b>				
Investment property	83,570	273,177	83,570	273,177

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 15. Intangible assets

Group	2018			2017		
	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	448,693,653	(260,614,351)	188,079,302	416,901,703	(200,661,070)	216,240,633
Servitudes	202,058,504	-	202,058,504	199,964,885	-	199,964,885
<b>Total</b>	<b>650,752,157</b>	<b>(260,614,351)</b>	<b>390,137,806</b>	<b>616,866,588</b>	<b>(200,661,070)</b>	<b>416,205,518</b>

  

Municipality	2018			2017		
	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	448,518,069	(260,491,607)	188,026,462	416,489,548	(200,446,691)	216,042,857
Servitudes	202,058,504	-	202,058,504	199,964,885	-	199,964,885
<b>Total</b>	<b>650,576,573</b>	<b>(260,491,607)</b>	<b>390,084,966</b>	<b>616,454,433</b>	<b>(200,446,691)</b>	<b>416,007,742</b>

### Reconciliation of intangible assets - Group - 2018

	Opening balance	Acquisitions	Transfers: Capitalisation	Transfers: Purification	Additions: Non-cash	Amortisation	Total
Computer software, other	216,240,633	33,516,311	86,857	-	240,004	(62,004,503)	188,079,302
Servitudes	199,964,885	1,727,124	364,495	-	2,000	-	202,058,504
	<b>416,205,518</b>	<b>35,243,435</b>	<b>451,352</b>	<b>-</b>	<b>242,004</b>	<b>(62,004,503)</b>	<b>390,137,806</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 15. Intangible assets (continued)

#### Reconciliation of intangible assets - Group - 2017

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Additions: Non- cash	Amortisation	Impairment loss	Total
Computer software, other	222,893,874	21,498,414	-	36,538,727	-	(4,034,927)	(60,642,791)	(12,664)	216,240,633
Servitudes	199,152,947	811,938	-	1,614,477	(1,614,477)	-	-	-	199,964,885
	<b>422,046,821</b>	<b>22,310,352</b>	<b>-</b>	<b>38,153,204</b>	<b>(1,614,477)</b>	<b>(4,034,927)</b>	<b>(60,642,791)</b>	<b>(12,664)</b>	<b>416,205,518</b>

#### Reconciliation of intangible assets - Municipality - 2018

	Opening balance	Acquisitions	Transfers: Capitalisation	Transfers: Purification	Additions: Non- cash	Amortisation	Impairment loss	Total
Computer software	216,042,857	33,563,086	86,857	-	293,854	(61,960,192)	-	188,026,462
Servitudes	199,964,885	1,727,124	364,495	-	2,000	-	-	202,058,504
	<b>416,007,742</b>	<b>35,290,210</b>	<b>451,352</b>	<b>-</b>	<b>295,854</b>	<b>(61,960,192)</b>	<b>-</b>	<b>390,084,966</b>

#### Reconciliation of intangible assets - Municipality - 2017

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Additions: Non- cash	Amortisation	Impairment loss	Total
Computer software	220,554,756	21,498,414	-	36,538,727	-	(4,034,927)	(58,501,449)	(12,664)	216,042,857
Servitudes	199,152,947	811,938	-	1,614,477	(1,614,477)	-	-	-	199,964,885
	<b>419,707,703</b>	<b>22,310,352</b>	<b>-</b>	<b>38,153,204</b>	<b>(1,614,477)</b>	<b>(4,034,927)</b>	<b>(58,501,449)</b>	<b>(12,664)</b>	<b>416,007,742</b>



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 15. Intangible assets (continued)

#### Pledged as security

No intangible assets are pledged as security.

#### Expenditure incurred to repair and maintain intangible assets

Computer software, other	71,432,644	77,431,130	71,432,644	77,431,130
--------------------------	------------	------------	------------	------------

#### Intangible assets in the process of being constructed or developed

Currently there are no intangible assets in the process of being constructed or developed.

Currently there are no projects under intangible assets that are taking a significantly longer period of time to complete than expected.

### 16. Heritage assets

Group	2018			2017		
	Cost/Valuation	Accumulated impairment losses	Carrying value	Cost/Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	459,337,480	-	459,337,480	455,909,833	-	455,909,833
Collections of rare books, manuscripts and records	826,050	-	826,050	826,050	-	826,050
Historical monuments	2,400,000	-	2,400,000	2,400,000	-	2,400,000
Historical buildings	3,157,787,330	(144,898,100)	3,012,889,230	3,157,787,330	-	3,157,787,330
Stamp collections, military insignia, medals, coins	8,798,850	-	8,798,850	11,853,750	-	11,853,750
Assets under construction	19,718,699	(19,718,699)	-	19,718,699	-	19,718,699
<b>Total</b>	<b>3,648,868,409</b>	<b>(164,616,799)</b>	<b>3,484,251,610</b>	<b>3,648,495,662</b>	<b>-</b>	<b>3,648,495,662</b>

Municipality	2018			2017		
	Cost/Valuation	Accumulated impairment losses	Carrying value	Cost/Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	459,337,480	-	459,337,480	455,909,833	-	455,909,833
Collections of rare books, manuscripts and records	826,050	-	826,050	826,050	-	826,050
Historical monuments	2,400,000	-	2,400,000	2,400,000	-	2,400,000
Historical buildings	3,157,787,330	(144,898,100)	3,012,889,230	3,157,787,330	-	3,157,787,330
Stamp collections, military insignia, medals, coins	8,798,850	-	8,798,850	11,853,750	-	11,853,750
Assets under construction	19,718,699	(19,718,699)	-	19,718,699	-	19,718,699
<b>Total</b>	<b>3,648,868,409</b>	<b>(164,616,799)</b>	<b>3,484,251,610</b>	<b>3,648,495,662</b>	<b>-</b>	<b>3,648,495,662</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 16. Heritage assets (continued)

#### Reconciliation of heritage assets - Group - 2018

	Opening balance	Transfers: purification	Additions: Non- cash	Impairment losses recognised	Total
Art Collections, antiques and exhibits	455,909,833	3,054,900	372,747	-	459,337,480
Collections of rare books, manuscripts and records	826,050	-	-	-	826,050
Historical monuments	2,400,000	-	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	(144,898,100)	3,012,889,230
Stamp collections, military insignia, medals, coins	11,853,750	(3,054,900)	-	-	8,798,850
Assets under construction	19,718,699	-	-	(19,718,699)	-
	<b>3,648,495,662</b>	<b>-</b>	<b>372,747</b>	<b>(164,616,799)</b>	<b>3,484,251,610</b>

#### Reconciliation of heritage assets - Group - 2017

	Opening balance	Disposals	Additions: Non- cash	Impairment losses recognised	Total
Art Collections, antiques and exhibits	448,572,118	(1,967,850)	9,305,565	-	455,909,833
Collections of rare books, manuscripts and records	826,050	-	-	-	826,050
Historical monuments	2,400,000	-	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	-	3,157,787,330
Stamp collections, military insignia, medals, coins	577,500	1,967,850	9,308,400	-	11,853,750
Assets under construction	19,718,699	-	-	-	19,718,699
	<b>3,629,881,697</b>	<b>-</b>	<b>18,613,965</b>	<b>-</b>	<b>3,648,495,662</b>

#### Reconciliation of heritage assets - Municipality 2018

	Opening balance	Transfers: purification	Additions: Non- cash	Impairment losses recognised	Impairment losses reversed	Total
Art Collections, antiques and exhibits	455,909,833	3,054,900	372,747	-	-	459,337,480
Collections of rare books, manuscripts and records	826,050	-	-	-	-	826,050
Historical monuments	2,400,000	-	-	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	(144,898,100)	-	3,012,889,230
Stamp collections, military insignia, medals, coins	11,853,750	(3,054,900)	-	-	-	8,798,850
Assets under construction	19,718,699	-	-	(19,718,699)	-	-
	<b>3,648,495,662</b>	<b>-</b>	<b>372,747</b>	<b>(164,616,799)</b>	<b>-</b>	<b>3,484,251,610</b>

#### Reconciliation of heritage assets Municipality - 2017

	Opening balance	Disposals	Additions: Non- cash	Impairment losses recognised	Total
Art Collections, antiques and exhibits	448,572,118	(1,967,850)	9,305,565	-	455,909,833
Collections of rare books, manuscripts and records	826,050	-	-	-	826,050
Historical monuments	2,400,000	-	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	-	3,157,787,330
Stamp collections, military insignia, medals, coins	577,500	1,967,850	9,308,400	-	11,853,750
Assets under construction	19,718,699	-	-	-	19,718,699
	<b>3,629,881,697</b>	<b>-</b>	<b>18,613,965</b>	<b>-</b>	<b>3,648,495,662</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 16. Heritage assets (continued)

#### Pledged as security

No heritage assets are pledged as security. There are also no existence and restrictions on the title and disposal of heritage assets.

#### Heritage assets in the process of being constructed or developed

#### Cumulative expenditure recognised in the carrying value of heritage assets

Patents, trademarks and other rights	-	19,718,699	-	19,718,699
--------------------------------------	---	------------	---	------------

#### Expenditure incurred to repair and maintain heritage assets

Currently no expenditure has been incurred to repair and maintain heritage assets.

### 17. Leased assets

Group	2018			2017		
	Cost/Valuation	Accumulated depreciation	Carrying value	Cost/Valuation	Accumulated depreciation	Carrying value
Vehicles	718,949,058	(165,427,498)	553,521,560	751,261,990	(85,200,965)	666,061,025

  

Municipality	2018			2017		
	Cost/Valuation	Accumulated depreciation	Carrying value	Cost/Valuation	Accumulated depreciation	Carrying value
Vehicles	718,949,058	(165,427,498)	553,521,560	751,261,990	(85,200,965)	666,061,025

#### Reconciliation of leased assets - Group - 2018

	Opening balance	Acquisitions/(Rec-emption)	Additions (Non-cash)	Expired term	Depreciation	Total
Vehicles	666,061,025	(900,299)	233,425,068	(218,072,110)	(126,992,124)	553,521,560

#### Reconciliation of leased assets - Group - 2017

	Opening balance	Retirements	Additions (Non-cash)	Depreciation	Total
Vehicles	240,088,367	(2,424,164)	487,181,038	(58,784,216)	666,061,025

#### Reconciliation of leased assets - Municipality - 2018

	Opening balance	Acquisitions/(Rec-emption)	Additions (Non-cash)	Expired term	Depreciation	Total
Vehicles	666,061,025	(900,299)	233,425,068	(218,072,110)	(126,992,124)	553,521,560

#### Reconciliation of leased assets - Municipality - 2017

	Opening balance	Retirements	Additions (Non-cash)	Depreciation	Total
Vehicles	240,088,367	(2,424,164)	487,181,038	(58,784,216)	666,061,025

#### Pledged as security:

The assets above are pledged as security for the lease liabilities (refer to Note 5).

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 18. Disposal of a significant asset(s) or a group of assets and liabilities or a component of the entity

Management has taken a decision to dispose of a significant asset or a group of assets and liabilities or a component of the entity.

#### Description of the asset(s), group of assets and liabilities or component

Mostly office furniture and equipment, computer equipment, machinery and equipment and minor infrastructure items have been marked for disposal and were in the auction yard at year end.

#### Carrying values

Assets in the auction yard (auction still to be held)	327,508	49,337	327,508	49,337
Sale of properties completed	290,617	125,560	290,617	125,560
Disposal of assets	-	1,944,697	-	1,944,697

#### Facts and circumstances of the disposal

The assets in the auction yard are mostly furniture and equipment, computer equipment, machinery and equipment and minor infrastructure items that have been marked for disposal, as they are in most cases damaged or outdated and no longer fit for usage by the group.

#### Further approvals required

Approval by the City Manager is required to hold an auction.

The expected sale or transfer date is still to be determined.

#### Disposals completed during the year

During the 2017/18 financial year the mayoral house was sold for R5 100 000.

#### Circumstances that may have resulted in a decision to dispose of an asset being reversed during the reporting period

None.

### 19. Investments

#### Designated at fair value

Short-term investments (highly liquid)	1,830,217,073	634,031,209	1,829,764,912	633,603,168
Short-term investments	526,345,571	1,078,505,761	526,345,571	1,078,505,761
	<b>2,356,562,644</b>	<b>1,712,536,970</b>	<b>2,356,110,483</b>	<b>1,712,108,929</b>

#### At amortised cost

Municipal stock	-	710,520	-	710,520
	<b>2,356,562,644</b>	<b>1,713,247,490</b>	<b>2,356,110,483</b>	<b>1,712,819,449</b>

#### Non-current assets

Long-term investments (at amortised cost)	-	710,520	-	710,520
---	---	---------	---	---------

#### Current assets

Short-term investments (at amortised cost)	526,345,571	1,078,505,761	526,345,571	1,078,505,761
Short-term investments (highly liquid) (at amortised cost - refer Note 24)	1,830,217,073	634,031,209	1,829,764,912	633,603,168
	<b>2,356,562,644</b>	<b>1,712,536,970</b>	<b>2,356,110,483</b>	<b>1,712,108,929</b>

No financial assets were disposed of during the year under review.

The investments listed below are all permitted in terms of Regulation 308 (Local Government: Municipal Finance Management Act, 2003: Municipal Investment Regulations).

The market value (indicated below) was obtained from balance certificates from the various financial institutions.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>19. Investments (continued)</b>				
<b>Market value of listed investments and management's valuation of unlisted investments:</b>				
Knysna Municipality - local registered stock (interest payable semi-annually)	710,520	710,520	710,520	710,520
Capital Alliance no 28 (insurance policy) (unceded) (highly liquid)	695,879	695,879	695,879	695,879
Capital Alliance no 29 (insurance policy) (unceded) (highly liquid)	2,181,297	2,181,297	2,181,297	2,181,297
ABSA Money Market investment no 32 (interest capitalised monthly) (unceded) (highly liquid)	34,007,192	31,667,477	34,007,192	31,667,477
ABSA Money Market investment no 33 (interest capitalised monthly) (unceded) (highly liquid)	11,917,344	11,097,423	11,917,344	11,097,423
ABSA Money Market investment no 34 (interest capitalised monthly) (unceded) (highly liquid)	8,925,869	8,311,764	8,925,869	8,311,764
ABSA Money Market investment no 35 (interest capitalised monthly) (unceded) (highly liquid)	196,512	182,992	196,512	182,992
Investec Money Market investment no 37 (interest capitalised monthly) (ceded to DBSA long-term loan payable at 30 September 2018 and 3 October 2019)	29,703,149	27,793,917	29,703,149	27,793,917
Investec Money Market investment no 38 (interest capitalised monthly) (unceded) (highly liquid)	9,493,705	8,883,477	9,493,705	8,883,477
Investec Money Market investment no 39 (interest capitalised monthly) (unceded) (highly liquid)	1,271,945	1,190,067	1,271,945	1,190,067
Standard Bank Money Market investment no 40 (interest capitalised monthly) (ceded to DBSA long-term loan payable at 30 September 2018 and 31 October 2019)	107,897,812	100,711,845	107,897,812	100,711,845
Standard Bank Money Market investment no 41 (interest capitalised monthly) (unceded) (highly liquid)	3,346,981	3,125,968	3,346,981	3,125,968
Investec Money Market investment no 108 (interest capitalised monthly) (unceded) (highly liquid)	34,213,338	31,884,566	34,213,338	31,884,566
Standard Bank Money Market investment no 260 (interest capitalised monthly) (unceded) (highly liquid)	78,010,849	73,043,244	78,010,849	73,043,244
Standard Bank call investment - short-term investment (highly liquid)	237,276,293	459,048,777	237,276,293	459,048,777
Sinking fund investment - call investment at Standard Bank at an interest rate of 5,1% #	-	950,000,000	-	950,000,000
Standard Bank call investment - short-term investment (highly liquid)	213,604,384	-	213,604,384	-
Nedbank call investment no 412 - short term investment (highly liquid)	637,545,744	1,026,760	637,545,744	1,026,760
Nedbank call investment - short-term investment (highly liquid)	285,746,849	-	285,746,849	-
ABSA call investment no 416 - short-term investment (highly liquid)	419,991,083	1,016,413	419,991,083	1,016,413
ABSA call investment no 416 - short-term investment (highly liquid)	239,111,644	-	239,111,644	-
Stanlib Contingency Fund investment - short-term investment (highly liquid)	262,094	247,063	262,094	247,063
TEDA: Short-term deposit Investec Bank	452,161	428,041	-	-
	<b>2,356,562,644</b>	<b>1,713,247,490</b>	<b>2,356,110,483</b>	<b>1,712,819,449</b>
<b>Average rate of return</b>				
On long-term investments	16.45 %	16.45 %	16.45 %	16.45 %
On short-term investments	6.92 %	6.91 %	6.92 %	6.91 %

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 19. Investments (continued)

No investments were past due. No impairment occurred during the financial year under review.

2016/17:

# Provision was made for the payment of the advanced metering and vending infrastructure in terms of the interim services agreement. On 12 October 2017 the High Court ruled that all monies that have been accumulated in the dedicated account must be released to the City. This amount was then invested in various other investments.

#### Financial assets pledged as collateral

##### Secured and unsecured investments

Secured investments against long-term loans (refer to Note 4)	137,600,960	128,505,761	137,600,960	128,505,761
Unsecured investments	2,218,961,684	1,585,169,770	2,218,509,523	1,584,313,688
	<b>2,356,562,644</b>	<b>1,713,675,531</b>	<b>2,356,110,483</b>	<b>1,712,819,449</b>

##### Investments pledged (secured investments) against long-term liabilities

Fair value of any collateral sold or re-pledged	137,600,960	128,505,761	137,600,960	128,505,761
---	-------------	-------------	-------------	-------------

The City of Tshwane assigns, transfers and makes over unto and in favour of the cessionary all the cedent's rights, title and interest in and to the ceded subject matter.

The investments are ceded together with all dividends, interest, distributions, accruals, rights, income and other benefits of a capital or revenue nature, arising there from or accruing to the holder thereof.

Terms and conditions associated with the use of the collateral: In the event of the cedent failing to effect payment, on due date, of any amount due in terms of either one of the loan agreements, or committing any other breach of the terms and conditions thereof, and the cedent failing to make that payment or remedy the breach with the notice period provided in the loan agreements, then in such event, the cessionary shall be entitled, in addition to its common law rights as cessionary, to the following rights and powers:

- To realise the ceded subject matter, or any portion thereof, in such a manner in order to procure the discharge of the indebtedness then outstanding; and
- To apply the proceeds of realisation in reduction of the indebtedness due to the cessionary and to account within 14 days to the cedent for any excess.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>20. Long-term receivables</b>				
Consumer: Arrangement debtors (refer to Note 22)	165,240,324	116,995,623	165,240,324	116,995,623
Housing loans	10,623,822	10,156,272	10,623,822	10,156,272
Loans to sport clubs	1,027,120	1,041,030	1,027,120	1,041,030
Sale of land	70,642,315	69,397,504	70,642,315	69,397,504
	<u>247,533,581</u>	<u>197,590,429</u>	<u>247,533,581</u>	<u>197,590,429</u>
Current portion of long-term receivables	(132,771,634)	(91,005,216)	(132,771,634)	(91,005,216)
	<u>114,761,947</u>	<u>106,585,213</u>	<u>114,761,947</u>	<u>106,585,213</u>
Impairment allowance	(73,722,678)	(70,385,293)	(73,722,678)	(70,385,293)
	<u><b>41,039,269</b></u>	<u><b>36,199,920</b></u>	<u><b>41,039,269</b></u>	<u><b>36,199,920</b></u>
<b>Reconciliation of impairment allowance</b>				
Balance at the beginning of the year	(70,385,293)	(70,095,133)	(70,385,293)	(70,095,133)
Contribution to provision during the year	(3,337,385)	(1,440,924)	(3,337,385)	(1,440,924)
Write-back of impairment (over-provision)	-	1,150,764	-	1,150,764
	<u><b>(73,722,678)</b></u>	<u><b>(70,385,293)</b></u>	<u><b>(73,722,678)</b></u>	<u><b>(70,385,293)</b></u>

### Consumer: Arrangement debtors

A policy exists which grants consumer debtors an opportunity to make arrangements to pay off their arrear debt over a period of 12, 24 or 36 months with a deposit payable.

### Housing loans

Housing loans were granted to qualifying individuals in terms of the Provincial Administration's Housing Programme. These loans attracted interest of 13,5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable. No new loans were issued in the current financial year.

### Loans to sport clubs

Sport clubs that qualified signed a 99-year leasehold agreement with the Municipality at a nominal amount and were provided with financial assistance from the Municipality to build or improve a facility for which the funds are repayable over a period and the club has no claim to the improvements after the expiration of the leasehold agreement.

### Sale of land debtors

Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicate the amount of the deposit (10%) and VAT (14%), are issued. The contract stipulates from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 9%. Interest is calculated monthly on the outstanding balance of the property.

As from 1 March 2014 all land sales are conducted on payment of the full amount to the Municipality by the purchaser. No terms for extended payment are offered and full payment is required on registration.

### AGEING

#### Consumer: Arrangement debtors

121 - 365 days	131,270,192	89,483,738	131,270,192	89,483,738
> 365 days	33,970,132	27,511,885	33,970,132	27,511,885
	<u><b>165,240,324</b></u>	<u><b>116,995,623</b></u>	<u><b>165,240,324</b></u>	<u><b>116,995,623</b></u>

#### Housing loans

121 - 365 days	423,270	430,572	423,270	430,572
> 365 days	10,200,552	9,725,700	10,200,552	9,725,700
	<u><b>10,623,822</b></u>	<u><b>10,156,272</b></u>	<u><b>10,623,822</b></u>	<u><b>10,156,272</b></u>

#### Loans to sport clubs

121 - 365 days	579,149	579,149	579,149	579,149
> 365 days	447,971	461,881	447,971	461,881
	<u><b>1,027,120</b></u>	<u><b>1,041,030</b></u>	<u><b>1,027,120</b></u>	<u><b>1,041,030</b></u>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>Sale of land</b>				
121 - 365 days	499,023	511,757	499,023	511,757
> 365 days	70,143,292	68,885,747	70,143,292	68,885,747
	<b>70,642,315</b>	<b>69,397,504</b>	<b>70,642,315</b>	<b>69,397,504</b>

### 21. Inventories

Raw materials, components	476,754,350	530,995,717	476,754,350	528,277,096
Water	6,742,107	10,116,774	6,742,107	9,370,584
Fuel (diesel, petrol)	626,664	1,223,394	626,664	1,223,394
Bus tickets	3,100,835	3,241,377	3,100,835	3,241,377
Plants (nursery)	98,840	135,257	98,840	135,257
Quarries	2,595,282	1,852,570	2,595,282	1,852,570
Coal (power stations)	145,647,115	144,794,307	145,647,115	144,794,307
	<b>635,565,193</b>	<b>692,359,396</b>	<b>635,565,193</b>	<b>688,894,585</b>

#### Inventory pledged as security

No inventory is pledged as security.

#### 2017/18 financial year:

According to the Utilities Department and the measurement of the coal at the power stations, the coal deteriorated and therefore the amount below has been written down.

The write down of the general inventory is only done at year end. The amount shown below is the net of surpluses and losses.

#### 2016/17 financial year:

During July 2016 the inventory of the TLMA restaurant to the value of R1 896 was written down, as the items were damaged. The amount shown below is the net of surpluses and losses.

#### Write-down of inventory (included in general expenditure)

Surplus inventory (items identified during stock take)	434,912	195,989	434,912	195,989
Shortages	(563,794)	(88,987)	(563,794)	(88,987)
Theft	(5,383,514)	(2,727,121)	(5,383,514)	(2,727,121)
Revaluation of inventory	(3,388,968)	(435,674)	(3,388,968)	(435,674)
Damaged inventory	(82,632)	(336,316)	(82,632)	(336,316)
Obsolete inventory	(1,683,635)	(779,950)	(1,683,635)	(779,950)
Coal inventory (power stations) write-down	(852,808)	-	(852,808)	-
Rounding differences	(65)	366	(65)	366
	<b>(11,520,504)</b>	<b>(4,171,693)</b>	<b>(11,520,504)</b>	<b>(4,171,693)</b>

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>22. Consumer receivables</b>				
The City of Tshwane has a consolidated account-billing system. The split of debtors per service category is done on a pro rata basis based on the levies. The interest and other fees and levies indicated below cannot be split between exchange and non-exchange transactions. They are included in the total age analysis.				
<b>Service receivables</b>				
Rates	2,735,758,789	2,207,233,301	2,735,758,789	2,207,233,301
Electricity	1,861,448,787	1,404,431,397	1,861,448,787	1,404,431,397
Water	2,678,136,943	3,530,917,565	2,678,136,943	2,645,603,303
Other fees and levies	1,403,924,055	1,309,353,136	1,403,924,055	1,309,353,136
Sewerage	483,542,517	369,313,940	483,542,517	369,313,940
Refuse	910,015,673	608,012,800	910,015,673	608,012,800
Interest	2,382,133,136	1,671,732,216	2,382,133,136	1,671,732,216
Arrangement debtors	(165,240,323)	(116,995,623)	(165,240,323)	(116,995,623)
	<b>12,289,719,577</b>	<b>10,983,998,732</b>	<b>12,289,719,577</b>	<b>10,098,684,470</b>
<b>Less: Allowance for impairment</b>				
Rates	(1,823,439,493)	(1,517,429,172)	(1,823,439,493)	(1,517,429,172)
Electricity	(895,156,464)	(722,942,033)	(895,156,464)	(722,942,033)
Water	(1,801,266,308)	(2,455,632,918)	(1,801,266,308)	(1,593,162,961)
Sewerage	(314,628,591)	(226,865,478)	(314,628,591)	(226,865,478)
Refuse	(595,738,964)	(404,155,454)	(595,738,964)	(404,155,454)
General: Other	(2,742,111,098)	(1,669,367,318)	(2,742,111,098)	(1,669,367,318)
	<b>(8,172,340,918)</b>	<b>(6,996,392,373)</b>	<b>(8,172,340,918)</b>	<b>(6,133,922,416)</b>
<b>Net balance</b>				
Rates	912,319,296	689,804,129	912,319,296	689,804,129
Electricity	966,292,323	681,489,364	966,292,323	681,489,364
Water	876,870,635	1,075,284,647	876,870,635	1,052,440,342
Other fees and levies	1,403,924,055	1,309,353,136	1,403,924,055	1,309,353,136
Sewerage	168,913,926	142,448,462	168,913,926	142,448,462
Refuse	314,276,709	203,857,346	314,276,709	203,857,346
Interest	2,382,133,136	1,671,732,216	2,382,133,136	1,671,732,216
Arrangement debtors	(165,240,323)	(116,995,623)	(165,240,323)	(116,995,623)
Less: Allowance for impairment	(2,742,111,098)	(1,669,367,318)	(2,742,111,098)	(1,669,367,318)
	<b>4,117,378,659</b>	<b>3,987,606,359</b>	<b>4,117,378,659</b>	<b>3,964,762,054</b>
<b>Receivables from exchange transactions</b>				
Electricity	1,861,448,787	1,404,431,397	1,861,448,787	1,404,431,397
Water	2,678,136,943	3,530,917,565	2,678,136,943	2,645,603,303
Other fees and levies	1,403,924,055	1,309,353,136	1,403,924,055	1,309,353,136
Sewerage	483,542,517	369,313,940	483,542,517	369,313,940
Refuse	910,015,672	608,012,800	910,015,672	608,012,800
Interest	2,382,133,136	1,671,732,216	2,382,133,136	1,671,732,216
	<b>9,719,201,110</b>	<b>8,893,761,054</b>	<b>9,719,201,110</b>	<b>8,008,446,792</b>
<b>Receivables from non-exchange transactions (taxes and transfers)</b>				
Rates	2,735,758,789	2,207,233,301	2,735,758,789	2,207,233,301
<b>Gross balance</b>	<b>12,454,959,899</b>	<b>11,100,994,355</b>	<b>12,454,959,899</b>	<b>10,215,680,093</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>22. Consumer receivables (continued)</b>				
<b>2017/18:</b>				
For the Municipality an amount of R363 490 961 exclusive of VAT was written off for the period 1 July 2017 to 30 June 2018 (R414 379 695 including VAT) in terms of Council Resolutions dated 29 August 2002 and 25 March 2010. The Chief Financial Officer has delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council Resolution dated 31 March 2005 gives approval whereby the debt of indigent households is written off. For the group an amount of R363 490 961 exclusive of VAT, was written off for the financial year ending 30 June 2018.				
<b>2016/17:</b>				
For the Municipality an amount of R343 324 012 exclusive of VAT was written off for the period 1 July 2016 to 30 June 2017 (R391 389 374, including VAT) in terms of Council Resolutions dated 29 August 2002 and 25 March 2010. The Chief Financial Officer has delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council Resolution dated 31 March 2005 gives approval whereby the debt of indigent households is written off. For the group an amount of R343 324 012 exclusive of VAT was written off for the financial year ending 30 June 2017.				
<b>Ageing (of gross debtors):</b>				
<b>Rates</b>				
Current (0 - 30 days)	697,190,252	177,865,849	697,190,252	177,865,849
31 - 60 days	71,009,503	102,638,859	71,009,503	102,638,859
61 - 90 days	63,703,559	78,675,480	63,703,559	78,675,480
91 - 120 days	71,659,375	58,743,491	71,659,375	58,743,491
121 - 150 days	50,806,946	52,088,498	50,806,946	52,088,498
151 - 180 days	34,770,935	58,101,688	34,770,935	58,101,688
181 - 365 days	284,114,021	297,007,639	284,114,021	297,007,639
365 + days	1,462,504,198	1,382,111,797	1,462,504,198	1,382,111,797
	<b>2,735,758,789</b>	<b>2,207,233,301</b>	<b>2,735,758,789</b>	<b>2,207,233,301</b>
<b>Electricity</b>				
Current (0 - 30 days)	760,621,383	408,210,821	760,621,383	408,210,821
31 - 60 days	41,021,183	35,092,244	41,021,183	35,092,244
61 - 90 days	33,865,423	45,555,585	33,865,423	45,555,585
91 - 120 days	31,027,553	25,930,011	31,027,553	25,930,011
121 - 150 days	21,853,509	17,626,466	21,853,509	17,626,466
151 - 180 days	20,851,857	23,926,510	20,851,857	23,926,510
181 - 365 days	189,006,616	143,390,725	189,006,616	143,390,725
365 + days	763,201,263	704,699,035	763,201,263	704,699,035
	<b>1,861,448,787</b>	<b>1,404,431,397</b>	<b>1,861,448,787</b>	<b>1,404,431,397</b>
<b>Water</b>				
Current (0 - 30 days)	447,559,275	631,064,889	447,559,275	618,798,703
31 - 60 days	74,748,086	122,949,576	74,748,086	103,845,666
61 - 90 days	75,805,931	129,708,880	75,805,931	112,308,826
91 - 120 days	83,140,895	86,760,336	83,140,895	69,633,620
121 - 150 days	62,699,281	60,142,003	62,699,281	44,467,301
151 - 180 days	46,992,785	80,138,767	46,992,785	64,584,885
181 - 365 days	658,746,176	1,100,546,400	658,746,176	320,798,107
365 + days	1,228,444,514	1,319,606,714	1,228,444,514	1,311,166,195
	<b>2,678,136,943</b>	<b>3,530,917,565</b>	<b>2,678,136,943</b>	<b>2,645,603,303</b>
<b>Other fees and levies</b>				
Current (0 - 30 days)	117,117,557	295,314,211	117,117,557	295,314,211
31 - 60 days	65,598,274	38,090,346	65,598,274	38,090,346
61 - 90 days	35,269,139	48,832,402	35,269,139	48,832,402
91 - 120 days	9,658,244	33,904,841	9,658,244	33,904,841
121 - 150 days	5,228,865	17,543,971	5,228,865	17,543,971
151 - 180 days	9,161,129	32,751,911	9,161,129	32,751,911
181 - 365 days	531,791,939	146,906,199	531,791,939	146,906,199
365 + days	630,098,908	696,009,255	630,098,908	696,009,255
	<b>1,403,924,055</b>	<b>1,309,353,136</b>	<b>1,403,924,055</b>	<b>1,309,353,136</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>22. Consumer receivables (continued)</b>				
<b>Sanitation</b>				
Current (0 - 30 days)	101,743,473	74,223,605	101,743,473	74,223,605
31 - 60 days	15,046,240	9,337,903	15,046,240	9,337,903
61 - 90 days	14,020,131	13,694,713	14,020,131	13,694,713
91 - 120 days	15,998,528	10,688,731	15,998,528	10,688,731
121 - 150 days	14,970,013	6,239,772	14,970,013	6,239,772
151 - 180 days	9,320,802	9,315,807	9,320,802	9,315,807
181 - 365 days	77,600,820	43,401,434	77,600,820	43,401,434
65 + days	234,842,510	202,411,975	234,842,510	202,411,975
	<b>483,542,517</b>	<b>369,313,940</b>	<b>483,542,517</b>	<b>369,313,940</b>
<b>Solid waste</b>				
Current (0 - 30 days)	154,486,893	43,494,393	154,486,893	43,494,393
31 - 60 days	28,544,749	16,775,600	28,544,749	16,775,600
61 - 90 days	25,226,410	22,220,155	25,226,410	22,220,155
91 - 120 days	21,779,441	17,144,324	21,779,441	17,144,324
121 - 150 days	23,168,213	14,911,359	23,168,213	14,911,359
151 - 180 days	11,956,465	17,979,323	11,956,465	17,979,323
181 - 365 days	146,357,627	86,754,661	146,357,627	86,754,661
365 + days	498,495,874	388,732,985	498,495,874	388,732,985
	<b>910,015,672</b>	<b>608,012,800</b>	<b>910,015,672</b>	<b>608,012,800</b>
<b>Interest</b>				
Current (0 - 30 days)	206,764,922	154,950,011	206,764,922	154,950,011
31 - 60 days	51,044,173	41,361,348	51,044,173	41,361,348
61 - 90 days	53,866,250	51,850,518	53,866,250	51,850,518
91 - 120 days	53,804,632	48,653,412	53,804,632	48,653,412
121 - 150 days	57,765,874	39,705,222	57,765,874	39,705,222
151 - 180 days	42,360,151	46,576,377	42,360,151	46,576,377
181 - 365 days	491,655,273	222,091,005	491,655,273	222,091,005
365 + days	1,424,871,861	1,066,544,323	1,424,871,861	1,066,544,323
	<b>2,382,133,136</b>	<b>1,671,732,216</b>	<b>2,382,133,136</b>	<b>1,671,732,216</b>
<b>Ageing: Total gross debtors</b>				
Current (0 - 30 days)	2,485,483,755	1,785,123,779	2,485,483,755	1,772,857,593
31 - 60 days	347,012,208	366,245,875	347,012,208	347,141,965
61 - 90 days	301,756,843	390,537,734	301,756,843	373,137,680
91 - 120 days	287,068,669	281,825,147	287,068,669	264,698,431
121 - 150 days	236,492,702	208,257,290	236,492,702	192,582,588
151 - 180 days	175,414,122	268,790,383	175,414,122	253,236,501
181 - 365 days	2,379,272,472	2,040,098,063	2,379,272,472	1,260,349,770
365 + days	6,242,459,128	5,760,116,084	6,242,459,128	5,751,675,565
	<b>12,454,959,899</b>	<b>11,100,994,355</b>	<b>12,454,959,899</b>	<b>10,215,680,093</b>
<b>Consumer debtors - past due and impaired</b>				
60 days and beyond	8,172,340,918	6,996,392,373	8,172,340,918	6,133,922,416
<b>Consumer debtors - past due and not impaired</b>				
31 - 60 days	1,797,135,226	2,319,478,203	1,797,135,226	2,308,900,084

Note must be taken that the amounts indicated as past due and impaired and past due and not impaired will not balance back to the total age analysis, as the Municipality only impairs from 60 days onward.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>22. Consumer receivables (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Household	8,624,784,738	7,110,828,140	8,624,784,738	6,259,076,431
Industrial/commercial	3,129,102,280	2,553,638,251	3,129,102,280	2,544,257,244
National and provincial government	328,436,447	1,001,584,574	328,436,447	977,403,028
Other	372,636,434	434,943,390	372,636,434	434,943,390
	<b>12,454,959,899</b>	<b>11,100,994,355</b>	<b>12,454,959,899</b>	<b>10,215,680,093</b>
<b>Households</b>				
Current (0 - 30 days)	1,951,870,926	1,451,744,120	1,951,870,926	1,440,462,826
31 - 60 days	208,721,974	208,271,358	208,721,974	192,428,244
61 - 90 days	202,427,377	201,713,687	202,427,377	185,258,365
91 - 120 days	188,520,435	167,215,818	188,520,435	151,213,622
121 - 150 days	163,700,612	122,905,081	163,700,612	108,136,125
151 - 180 days	117,704,909	151,296,872	117,704,909	136,643,787
181 - 365 days	1,755,656,918	1,474,107,691	1,755,656,918	711,359,949
365 + days	4,036,181,587	3,333,573,513	4,036,181,587	3,333,573,513
	<b>8,624,784,738</b>	<b>7,110,828,140</b>	<b>8,624,784,738</b>	<b>6,259,076,431</b>
<b>Industrial/commercial</b>				
Current (0 - 30 days)	1,065,087,615	737,026,041	1,065,087,615	736,411,577
31 - 60 days	98,766,747	91,588,419	98,766,747	90,097,936
61 - 90 days	71,634,331	93,200,882	71,634,331	92,662,200
91 - 120 days	79,381,558	59,463,651	79,381,558	58,962,447
121 - 150 days	58,579,813	42,601,910	58,579,813	42,089,351
151 - 180 days	38,387,998	59,523,464	38,387,998	59,210,233
181 - 365 days	387,790,850	261,516,300	387,790,850	256,105,916
365 + days	1,329,473,368	1,208,717,584	1,329,473,368	1,208,717,584
	<b>3,129,102,280</b>	<b>2,553,638,251</b>	<b>3,129,102,280</b>	<b>2,544,257,244</b>
<b>National and provincial government</b>				
Current (0 - 30 days)	194,035,858	247,138,881	194,035,858	246,768,453
31 - 60 days	12,113,764	35,332,732	12,113,764	33,562,419
61 - 90 days	5,105,045	61,047,222	5,105,045	60,641,172
91 - 120 days	3,928,491	29,403,227	3,928,491	28,779,911
121 - 150 days	10,604,155	23,370,466	10,604,155	22,977,279
151 - 180 days	6,441,489	31,940,064	6,441,489	31,352,498
181 - 365 days	31,744,942	166,295,548	31,744,942	154,705,381
365 + days	64,462,703	407,056,434	64,462,703	398,615,915
	<b>328,436,447</b>	<b>1,001,584,574</b>	<b>328,436,447</b>	<b>977,403,028</b>
<b>Other</b>				
Current (0 - 30 days)	24,833,158	25,179,222	24,833,158	25,179,222
31 - 60 days	1,582,734	4,354,064	1,582,734	4,354,064
61 - 90 days	(387,732)	8,405,336	(387,732)	8,405,336
91 - 120 days	(6,128,720)	5,059,560	(6,128,720)	5,059,560
121 - 150 days	(14,251,200)	4,384,536	(14,251,200)	4,384,536
151 - 180 days	(206,114)	5,357,458	(206,114)	5,357,458
181 - 365 days	27,184,939	36,940,049	27,184,939	36,940,049
365 + days	340,009,369	345,263,165	340,009,369	345,263,165
	<b>372,636,434</b>	<b>434,943,390</b>	<b>372,636,434</b>	<b>434,943,390</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>22. Consumer receivables (continued)</b>				
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(6,996,392,373)	(5,715,325,904)	(6,133,922,416)	(4,991,570,078)
Restatement of opening balance	-	(2,008,785,616)	-	(2,008,785,616)
Contributions to allowance	(957,081,071)	(488,820,082)	(957,081,071)	(350,105,951)
Adjustments to provision (year end)	-	(104,967,412)	-	(104,967,412)
Contribution to allowance: corrections	-	34,876,896	-	34,876,896
VAT on additional contribution to allowance	-	(423,075,975)	-	(423,075,975)
Debt impairment written off against allowance	363,490,961	343,324,012	363,490,961	343,324,012
Write back/corrections against allowance	69,582,387	-	69,582,387	-
Sandspruit: Impairment allowance take-on balance	8,440,518	-	(854,029,439)	-
Correction of calculation method of provision in current year	(660,381,340)	1,366,381,708	(660,381,340)	1,366,381,708
	<b>(8,172,340,918)</b>	<b>(6,996,392,373)</b>	<b>(8,172,340,918)</b>	<b>(6,133,922,416)</b>
<b>23. Other receivables</b>				
AARTO fine debtor	802,767,988	645,506,780	802,767,988	645,506,780
RTMC: AARTO debtor	1,256,293	1,256,293	1,256,293	1,256,293
Creditors with debit balances reclassification	4,380,983	38,440,242	4,380,983	38,440,242
Housing debtors	70,306,406	59,328,604	70,306,406	59,328,604
Pre payment: Sanral	174,449,852	174,449,852	174,449,852	174,449,852
Lease revenue	36,049,907	34,531,227	36,049,907	34,531,227
Waste management	3,875,225	3,122,543	3,875,225	3,122,543
Sundry rentals	134,855,768	115,108,508	134,855,768	115,108,508
Sundry persons	262,047,020	292,050,687	262,047,020	292,050,687
Public contributions	249,347,722	340,077,657	249,347,722	340,077,657
Sandspruit Works Association	-	-	-	34,298,530
Miscellaneous	667,962,506	715,784,512	666,500,405	407,157,594
Year-end grant debtor	31,230,522	4,393,468	31,230,522	4,393,468
	2,438,530,192	2,424,050,373	2,437,068,091	2,149,721,985
Less: Impairment allowance (AARTO)	(629,070,817)	(576,683,615)	(629,070,817)	(576,683,615)
Less: Impairment allowance (other receivables)	(397,451,995)	(349,564,328)	(396,261,473)	(348,769,333)
	<b>1,412,007,380</b>	<b>1,497,802,430</b>	<b>1,411,735,801</b>	<b>1,224,269,037</b>
<b>Included above are receivables from exchange transactions</b>				
Various debtors	1,603,275,389	1,772,893,832	1,601,813,288	1,498,565,444
Less: Impairment allowance	(397,451,995)	(349,564,328)	(396,261,473)	(348,769,333)
	<b>1,205,823,394</b>	<b>1,423,329,504</b>	<b>1,205,551,815</b>	<b>1,149,796,111</b>
<b>Included above are receivables from non-exchange transactions</b>				
AARTO fines	802,767,988	645,506,780	802,767,988	645,506,780
RTMC: AARTO debtor	1,256,293	1,256,293	1,256,293	1,256,293
Grant debtor	31,230,522	4,393,468	31,230,522	4,393,468
Less: Impairment allowance	(629,070,817)	(576,683,615)	(629,070,817)	(576,683,615)
	<b>206,183,986</b>	<b>74,472,926</b>	<b>206,183,986</b>	<b>74,472,926</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>23. Other receivables (continued)</b>				
<b>AGEING</b>				
<b>Pre payment: Sanral</b>				
> 365 days	174,449,852	174,449,852	174,449,852	174,449,852
<b>Housing debtors</b>				
31 - 60 days	17,123,725	6,145,923	17,123,725	6,145,923
121 - 365 days	53,182,681	53,182,681	53,182,681	53,182,681
	<b>70,306,406</b>	<b>59,328,604</b>	<b>70,306,406</b>	<b>59,328,604</b>
<b>Creditors with debit balances reclassification</b>				
31 - 60 days	4,380,983	38,440,242	4,380,983	38,440,242
<b>Miscellaneous</b>				
31 - 60 days	449,743,907	196,774,344	448,281,806	188,938,995
61 - 90 days	-	300,791,569	-	-
121 - 365 days	218,218,599	218,218,599	218,218,599	218,218,599
	<b>667,962,506</b>	<b>715,784,512</b>	<b>666,500,405</b>	<b>407,157,594</b>
<b>Lease revenue</b>				
31 - 60 days	36,049,907	34,531,227	36,049,907	34,531,227
<b>AARTO fine debtor</b>				
Current (0 -30 days)	58,558,433	-	58,558,433	-
31 - 60 days	102,962,850	9,337,300	102,962,850	9,337,300
61 - 90 days	5,077,225	133,747,564	5,077,225	133,747,564
91 - 120 days	133,747,564	-	133,747,564	-
121 - 365 days	247,762,566	247,762,566	247,762,566	247,762,566
> 365 days	254,659,350	254,659,350	254,659,350	254,659,350
	<b>802,767,988</b>	<b>645,506,780</b>	<b>802,767,988</b>	<b>645,506,780</b>
<b>Waste management</b>				
31 - 60 days	752,682	685,738	752,682	685,738
61 - 90 days	685,738	2,436,805	685,738	2,436,805
91 - 120 days	2,436,805	-	2,436,805	-
	<b>3,875,225</b>	<b>3,122,543</b>	<b>3,875,225</b>	<b>3,122,543</b>
<b>Sundry rentals</b>				
31 - 60 days	19,747,260	22,081,849	19,747,260	22,081,849
61 - 90 days	22,081,849	93,026,659	22,081,849	93,026,659
91 - 120 days	93,026,659	-	93,026,659	-
	<b>134,855,768</b>	<b>115,108,508</b>	<b>134,855,768</b>	<b>115,108,508</b>
<b>Sundry persons</b>				
61 - 90 days	-	53,130,231	-	53,130,231
91 - 120 days	23,126,564	238,920,456	23,126,564	238,920,456
121 - 365 days	238,920,456	-	238,920,456	-
	<b>262,047,020</b>	<b>292,050,687</b>	<b>262,047,020</b>	<b>292,050,687</b>
<b>Public contributions</b>				
121 - 365 days	90,729,935	28,904,018	90,729,935	28,904,018
> 365 days	158,617,787	311,173,639	158,617,787	311,173,639
	<b>249,347,722</b>	<b>340,077,657</b>	<b>249,347,722</b>	<b>340,077,657</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>23. Other receivables (continued)</b>				
<b>Sandspruit Works Association</b>				
> 365 days	-	-	-	34,298,530
<b>RTMC: AARTO debtor</b>				
> 365 days	1,256,293	1,256,293	1,256,293	1,256,293
<b>Year-end grant debtors</b>				
31 - 60 days	31,230,522	4,393,468	31,230,522	4,393,468
<b>Reconciliation of allowance for impairment</b>				
Opening balance	(926,247,943)	(790,677,657)	(925,452,948)	(790,109,349)
Restatement of opening balance	-	(143,906,966)	-	(143,906,966)
Contributions to provision	(87,905,585)	(287,047,747)	(87,510,058)	(286,269,472)
Write-off against the provision	3,938,009	4,834,581	3,794,316	4,328,492
Correction of allowance due to change in methodology	(28,772,189)	290,431,596	(28,772,189)	290,431,596
Sandspruit Works Association take-on balance	(8,440,517)	-	(8,440,517)	-
Corrections of write-offs against allowance	21,049,106	72,751	21,049,106	72,751
Amounts recovered (Housing Company)	-	45,499	-	-
	<b>(1,026,379,119)</b>	<b>(926,247,943)</b>	<b>(1,025,332,290)</b>	<b>(925,452,948)</b>

### Other receivables from exchange and non-exchange transactions past due but not impaired

Trade and other receivables which are less than two months past due are not considered to be impaired. At 30 June 2018 R1,412,007,380 (2017: R1,497,802,430) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due	1,412,007,380	1,497,802,430	1,411,735,801	1,224,269,037
-------------------	---------------	---------------	---------------	---------------

### Other receivables from exchange and non-exchange transactions past due and impaired

As of 30 June 2018, trade and other receivables of R2,438,530,192 (2017: R2,424,050,373) were impaired and provided for.

The amount of the impairment was R1,026,522,812 as of 30 June 2018 (2017: R926,247,943).

The ageing of these receivables is as follows:

Over 2 months	1,026,522,812	926,247,943	1,025,332,290	925,452,948
---------------	---------------	-------------	---------------	-------------

Up to June 2017 an amount of R4 328 492 has been written off with regard to sundry/ther debtors against the allowance for the Municipality (group = R4 834 581).

Up to 30 June 2018 an amount of R3 794 316 has been written off with regard to sundry/other debtors against the allowance for the Municipality (group = R3 794 316).

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 24. Cash and bank

Cash and cash equivalents consist of:

#### Cash and bank

Cash on hand	662,724	524,128	653,279	501,975
Cash book (bank account) balances	561,832,966	447,006,369	482,027,404	389,025,186
Bank overdraft	-	-	-	-
	<b>562,495,690</b>	<b>447,530,497</b>	<b>482,680,683</b>	<b>389,527,161</b>

#### Cash and cash equivalents for cash flow purposes:

Cash and cash equivalents for the purpose of the cash flow statement consist of:

#### Cash and cash equivalents

Cash and bank	562,495,690	447,530,497	482,680,683	389,527,161
Short-term investments (highly liquid) (refer to Note 19)	1,830,217,073	634,031,209	1,829,764,912	633,603,168
	<b>2,392,712,763</b>	<b>1,081,561,706</b>	<b>2,312,445,595</b>	<b>1,023,130,329</b>

Cash and cash equivalents held by Housing Company Tshwane that are not available for use by the group	932,217	808,818	-	-
---	---------	---------	---	---

#### The Municipality and municipal entities have the following bank accounts

Account number/description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Absa - 4060738263	395,698,161	42,119,748	40,441,784	405,480,146	40,964,322	(32,618,750)
FNB - 51420107207	18,575,358	45,170,960	29,858,205	18,580,558	40,928,039	(213,512)
Standard - 410801453	3,610,255	257,292,116	131,981,676	2,879,645	265,430,359	74,198,061
Insurance Contingency - Absa - 4062593950	-	-	2,784	-	-	2,784
Tshwane Market - Absa - 4068829119	44,999,356	38,133,509	41,169,203	43,202,868	34,058,668	37,383,039
Nedbank - 1454121963	10,243,582	7,759,241	5,543,238	11,884,187	7,643,798	(4,544,143)
<b>Municipality</b>	<b>473,126,712</b>	<b>390,475,574</b>	<b>248,996,890</b>	<b>482,027,404</b>	<b>389,025,186</b>	<b>74,207,479</b>
Housing Company Tshwane: Absa - 4065722829	3,615,713	2,147,369	12,700,366	3,615,713	2,147,369	12,700,366
Housing Company Tshwane: Absa - 4057481879	43,891,948	36,430,358	773,361	43,891,948	36,430,358	773,361
Housing Company Tshwane: Absa - 911408066	932,217	808,818	690,500	932,217	808,818	690,500
Housing Company Tshwane: Townlands - 4091569887	13,911,167	(203)	-	13,911,167	(203)	-
Sandspruit: Standard - 32250738	-	15,272,865	1,973,429	-	11,208,607	1,938,218
Sandspruit: ODI Standard - 31906842	-	335,059	294,635	-	335,059	258,788
Sandspruit: ODI Standard - 738717959	-	72,494	34,261	-	72,494	34,261
TEDA: Absa - 4093241083	17,454,517	-	-	17,454,517	-	-
TEDA: Standard - 410791830 (Closed 28 February 2018)	-	6,973,374	2,909,873	-	6,973,374	2,909,873
TEDA: Standard - 011057491 (Closed 28 February 2018)	-	5,307	6,059	-	5,307	6,059
<b>Entities</b>	<b>79,805,562</b>	<b>62,045,441</b>	<b>19,382,484</b>	<b>79,805,562</b>	<b>57,981,183</b>	<b>19,311,426</b>
<b>Group total</b>	<b>552,932,274</b>	<b>452,521,015</b>	<b>268,379,374</b>	<b>561,832,966</b>	<b>447,006,369</b>	<b>93,518,905</b>

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>25. Property rates</b>				
<b>Rates received</b>				
Property rates	<u>6,761,346,762</u>	<u>5,912,583,707</u>	<u>6,761,720,009</u>	<u>5,912,860,893</u>
<b>Valuations</b>				
Residential	339,560,530,339	289,278,507,839	339,560,530,339	289,278,507,839
Other	153,549,383,056	128,794,446,921	153,549,383,056	128,794,446,921
	<u>493,109,913,395</u>	<u>418,072,954,760</u>	<u>493,109,913,395</u>	<u>418,072,954,760</u>

The land value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value.

No difference is made between land value and the value of improvements and only the market value appears on the valuation roll. With the implementation of the MPRA, different categories of properties are levied at different tariffs with different rebates applicable.

Property owners who are 60 years and older and/or physically or mentally disabled, who can substantiate receipt of a social pension, and owners certified by the Medical Officer of Health as physically or mentally disabled, can qualify for a rebate, subject to certain conditions.

### 26. Service charges

Sale of electricity	10,955,885,210	10,846,939,279	10,956,508,511	10,847,754,154
Sale of water	3,214,364,151	2,971,786,033	3,214,364,151	3,208,059,724
Solid waste	1,433,788,540	1,251,916,033	1,433,788,540	1,251,916,033
Sewerage and sanitation charges	910,304,013	779,985,056	910,304,013	779,985,056
Other service charges	406,703,977	335,866,717	406,703,977	335,866,717
<b>Net service charges per statement of financial performance</b>	<u>16,921,045,891</u>	<u>16,186,493,118</u>	<u>16,921,669,192</u>	<u>16,423,581,684</u>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>27. Government grants, subsidies, awards and donations</b>				
<b>Operating grants</b>				
Equitable share	2,132,788,000	1,864,839,007	2,132,788,000	1,864,839,007
Emergency Management Services subsidy	95,993,000	62,850,000	95,993,000	62,850,000
Fuel levy	1,444,413,000	1,440,100,000	1,444,413,000	1,440,100,000
Finance Management Grant (FMG)	2,650,000	2,875,000	2,650,000	2,875,000
Public Transport Network Operating Grant (PTNOG)	359,169,547	200,266,208	359,169,547	200,266,208
LG SETA discretionary grant	1,099,229	-	1,099,229	-
Broadband (Wi-Fi)	1,086,882	-	1,086,882	-
Research and development grant	1,467,250	3,899,747	1,467,250	3,899,747
Health subsidy	46,541,000	44,325,000	46,541,000	44,325,000
HIV/AIDS subsidy	12,720,000	12,649,000	12,720,000	12,649,000
Community libraries	6,471,780	6,103,292	6,471,780	6,103,292
Expanded Public Works Programme (EPWP)	20,451,000	50,247,000	20,451,000	50,247,000
Gautrans	-	109,814	-	109,814
TRT subsidy	44,204,453	-	44,204,453	-
USDG operational	48,492,450	46,180,020	48,492,450	46,180,020
Integrated City Development	5,764,350	6,145,485	5,764,350	6,145,485
Human Settlement Development: Top structures	109,845,243	72,555,231	109,845,243	72,555,231
HCT: Social Housing Regulatory Authority (SHRA)	20,857,018	-	-	-
HCT: Gauteng Department of Human Settlement (GDHS)	8,287,908	-	-	-
	<b>4,362,302,110</b>	<b>3,813,144,804</b>	<b>4,333,157,184</b>	<b>3,813,144,804</b>
<b>Capital grants</b>				
INEP	30,000,000	40,000,000	30,000,000	40,000,000
PTIS roads and storm water	524,691,102	684,776,952	524,691,102	684,776,952
Neighbourhood Development (NDPG)	16,892,186	48,500,000	16,892,186	48,500,000
Libraries	1,042,015	5,709,772	1,042,015	5,709,772
USDG capital	1,470,775,730	1,490,264,951	1,470,775,730	1,490,264,951
Social Infrastructure Grant	58,631,341	41,000,000	58,631,341	41,000,000
DPSA: Smart connect	-	200,000	-	200,000
LG SETA discretionary grant	940,363	-	940,363	-
Delft grant	2,293,422	-	2,293,422	-
	<b>2,105,266,159</b>	<b>2,310,451,675</b>	<b>2,105,266,159</b>	<b>2,310,451,675</b>
	<b>6,467,568,269</b>	<b>6,123,596,479</b>	<b>6,438,423,343</b>	<b>6,123,596,479</b>
<b>Conditional and unconditional</b>				
Included above are the following categories of grants and subsidies recognised as revenue:				
Conditional grants received	2,890,367,269	3,304,939,007	2,861,222,343	3,304,939,007
Unconditional grants received (equitable share and fuel levy)	3,577,201,000	2,818,657,472	3,577,201,000	2,818,657,472
	<b>6,467,568,269</b>	<b>6,123,596,479</b>	<b>6,438,423,343</b>	<b>6,123,596,479</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 27. Government grants, subsidies, awards and donations (continued)

#### Equitable Share (DoRA)

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R510,69 (2017 = R561,81), which is funded from the grant.

Current year receipts	2,132,788,000	1,864,839,007	2,132,788,000	1,864,839,007
Conditions met - transferred to revenue	<u>(2,132,788,000)</u>	<u>(1,864,839,007)</u>	<u>(2,132,788,000)</u>	<u>(1,864,839,007)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Fuel Levy (DoRA)

Current year receipts	1,444,413,000	1,440,100,000	1,444,413,000	1,440,100,000
Conditions met - transferred to revenue	<u>(1,444,413,000)</u>	<u>(1,440,100,000)</u>	<u>(1,444,413,000)</u>	<u>(1,440,100,000)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The purpose of the fuel levy grant is to provide for basic services and infrastructure development in under-served communities, specifically to transport infrastructure, given the link between fuel sales and road usage.

#### Primary Healthcare Subsidy (Provincial)

Current-year receipts	46,541,000	44,325,000	46,541,000	44,325,000
Conditions met - transferred to revenue	<u>(46,541,000)</u>	<u>(44,325,000)</u>	<u>(46,541,000)</u>	<u>(44,325,000)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Municipality renders health services on behalf of the provincial government. The purpose of this subsidy is to render comprehensive primary health services according to service-level agreements. This subsidy has been used exclusively to fund clinic services. The conditions of the subsidy have been met.

#### Emergency Management Services Subsidy (Provincial)

Current-year receipts	95,993,000	62,850,000	95,993,000	62,850,000
Conditions met - transferred to revenue	<u>(95,993,000)</u>	<u>(62,850,000)</u>	<u>(95,993,000)</u>	<u>(62,850,000)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Municipality renders ambulance services on behalf of the provincial government and is reimbursed. The purpose of this subsidy is to ensure rapid and effective emergency care. This grant has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the subsidy have been met.

#### Research and Development Grant (DoRA)

Current-year receipts	1,467,250	3,899,747	1,467,250	3,899,747
Conditions met - transferred to revenue	<u>(1,467,250)</u>	<u>(3,899,747)</u>	<u>(1,467,250)</u>	<u>(3,899,747)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Only R1 467 250 of the budgeted grant of R5 750 911 for 2017/18 was received. Expenditure to the value of R1 467 250 was incurred in 2017/18.

The grant is from the Department of Public Service and Administration (DPSA) and is intended to support programmes in the research, development and piloting of new ways of delivering front-line services.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>27. Government grants, subsidies, awards and donations (continued)</b>				
<b>Electricity for All (INEP) (DoRA)</b>				
Balance unspent at beginning of year	-	199,351	-	199,351
Current-year receipts	30,000,000	40,000,000	30,000,000	40,000,000
Conditions met - transferred to revenue	(30,000,000)	(40,000,000)	(30,000,000)	(40,000,000)
Returned to National Treasury	-	(199,351)	-	(199,351)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The purpose of the grant is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure, and the rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply.

### Finance Management Grant (FMG) (DoRA)

Balance unspent at beginning of year	-	93,292	-	93,292
Current-year receipts	2,650,000	2,875,000	2,650,000	2,875,000
Conditions met - transferred to revenue	(2,650,000)	(2,875,000)	(2,650,000)	(2,875,000)
Returned to the National Treasury	-	(93,292)	-	(93,292)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The request for rolling forward the balance of R93 292 was not approved by the National Treasury and was set off against the next transfer of the equitable share.

The purpose of this grant is to promote support reforms in financial management by building capacity in municipalities to implement the Local Government: Municipal Finance Management Act (MFMA).

### Human Settlement Development Grant (HSDG) (Provincial)

Balance unspent at beginning of year	179,322,667	68,644,888	179,322,667	68,644,888
Current-year receipts	184,111,996	203,033,010	184,111,996	203,033,010
Conditions met - transferred to revenue	(109,845,243)	(72,555,231)	(109,845,243)	(72,555,231)
Returned to National Treasury	-	(19,800,000)	-	(19,800,000)
	<u>253,589,420</u>	<u>179,322,667</u>	<u>253,589,420</u>	<u>179,322,667</u>

Conditions still to be met - remain liabilities (see Note 11)

A request was submitted to the National Treasury for rolling forward the balance of 2017/18.

The government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approves housing subsidies and projects and provides support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads, and in many cases, electricity.

### Urban Settlement Development Grant (USDG) (DoRA)

Balance unspent at beginning of year	2,889,029	-	2,889,029	-
Current year receipts	1,616,415,000	1,539,334,000	1,616,415,000	1,539,334,000
Conditions met - transferred to revenue	(1,519,268,180)	(1,536,444,971)	(1,519,268,180)	(1,536,444,971)
Returned to National Treasury	(2,889,029)	-	(2,889,029)	-
	<u>97,146,820</u>	<u>2,889,029</u>	<u>97,146,820</u>	<u>2,889,029</u>

Conditions still to be met - remain liabilities (see Note 11)

A request for the roll-over of the balance of R97 146 820 at the end of 2017/18 will be submitted to the National Treasury.

The request for roll-over of the balance of R2 889 029 at the end of 2016/17 was not approved by the National Treasury and was deducted from the transfer of the equitable share of 2017/18.

The grant is intended to supplement the capital revenue of metropolitan municipalities in order to support the National Human Settlements Development Programme, focusing on poor households.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>27. Government grants, subsidies, awards and donations (continued)</b>				
<b>Public Transport Grant (PTIS) (DoRA)</b>				
Balance unspent at beginning of year	67,967,329	2,999,489	67,967,329	2,999,489
Current-year receipts	900,238,999	950,011,000	900,238,999	950,011,000
Conditions met - transferred to revenue	(883,860,647)	(885,043,160)	(883,860,647)	(885,043,160)
Returned to the National Treasury	(23,032,456)	-	(23,032,456)	-
	<b>61,313,225</b>	<b>67,967,329</b>	<b>61,313,225</b>	<b>67,967,329</b>

Conditions still to be met - remain liabilities (see Note 11).

A request for the roll-over of the balance at the end of 2017/18 was submitted to the National Treasury.

The request for the roll-over of part of the 2016/17 balance to the value of R23 032 456 was not approved by the National Treasury and was deducted from the transfer of the equitable share in 2017/18.

The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.

### HIV and AIDS (Provincial Health Department)

Current-year receipts	12,720,000	12,649,000	12,720,000	12,649,000
Conditions met - transferred to revenue	(12,720,000)	(12,649,000)	(12,720,000)	(12,649,000)
	-	-	-	-

The purpose of this grant is to sustain and extend coverage of the ward-based door-to-door education programme with referrals to local services, to build communities and support and utilise local services appropriately, and to support ward structures to address AIDS in the local community.

### Gautrans (operational and capital)

Balance unspent at beginning of year	11,961,294	12,071,107	11,961,294	12,071,107
Conditions met - transferred to revenue	-	(109,813)	-	(109,813)
	<b>11,961,294</b>	<b>11,961,294</b>	<b>11,961,294</b>	<b>11,961,294</b>

Conditions still to be met - remain liabilities (see Note 11).

The purpose of this grant is to reconstruct and update the Garstfontein Road (K50) to a dual carriageway between Loristo and Anton van Wouw Street.

### Neighbourhood Development Programme (DoRA)

Current-year receipts	20,000,000	48,500,000	20,000,000	48,500,000
Conditions met - transferred to revenue	(16,892,186)	(48,500,000)	(16,892,186)	(48,500,000)
	<b>3,107,814</b>	<b>-</b>	<b>3,107,814</b>	<b>-</b>

Conditions still to be met - remain liabilities (see Note 11).

A request for the roll over of the balance of 2017/18 was submitted to the National Treasury.

The purpose of this grant is to support neighbourhood development projects that provide community infrastructure and to create a platform for other public and private sector developments to improve the quality of life of residents in targeted under-served neighbourhoods (townships generally).

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>27. Government grants, subsidies, awards and donations (continued)</b>				
<b>Research and Technology Grant</b>				
Balance unspent at beginning of year	74,688	74,688	74,688	74,688
Conditions still to be met - remain liabilities (see Note 11).				
The purpose of this grant is to transfer funds to the Municipality for the purposes of maintenance and operationalising mechanisation assets, namely tractors and implements (including trailers). The project life is 12 months.				
<b>Community library services (Provincial Department of Sport, Arts, Culture and Recreation)</b>				
Balance unspent at beginning of year	2,309,705	3,867,830	2,309,705	3,867,830
Current-year receipts	10,762,000	13,000,000	10,762,000	13,000,000
Conditions met - transferred to revenue	(7,513,795)	(11,813,064)	(7,513,795)	(11,813,064)
Returned to National Treasury	-	(2,745,061)	-	(2,745,061)
	<b>5,557,910</b>	<b>2,309,705</b>	<b>5,557,910</b>	<b>2,309,705</b>
Conditions still to be met - remain liabilities (see Note 11).				
A request for roll over of the balance of 2017/18 was submitted to the National Treasury.				
The purpose of this grant is to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a re-capitalised programme at provincial and local government level, and to provide the best possible sport and recreation facilities and services to all people in Tshwane to enhance their quality of life.				
<b>Municipal Human Settlement Capacity Grant</b>				
Balance unspent at beginning of year	-	1,035,104	-	1,035,104
Returned to National Treasury	-	(1,035,104)	-	(1,035,104)
	-	-	-	-
The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level, in line with the accreditation framework.				
<b>Expanded Public Works Programme (EPWP) (DoRA)</b>				
Current-year receipts	20,451,000	50,247,000	20,451,000	50,247,000
Conditions met - transferred to revenue	(20,451,000)	(50,247,000)	(20,451,000)	(50,247,000)
	-	-	-	-
The purpose of this grant is to encourage local authorities and provincial departments to increase job-creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods, and the expansion of job creation in line with the Expanded Public Works Programme guidelines.				
<b>Broadband (Wi-Fi)</b>				
Balance unspent at beginning of year	1,086,882	1,086,882	1,086,882	1,086,882
Conditions met - transferred to revenue	(1,086,882)	-	(1,086,882)	-
	-	<b>1,086,882</b>	-	<b>1,086,882</b>

Funding was received from the Department of Telecommunication and Postal Services for the implementation of free Wi-Fi in Tshwane.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 27. Government grants, subsidies, awards and donations (continued)

#### Delft housing grant

Balance unspent at beginning of year	2,293,422	2,293,422	2,293,422	2,293,422
Conditions met - transferred to revenue	(2,293,422)	-	(2,293,422)	-
	<u>-</u>	<u>2,293,422</u>	<u>-</u>	<u>2,293,422</u>

On 5 November 2005 the mayors of the sister cities of Tshwane and Delft (Netherlands) agreed that the City of Delft will give financial support for the building of the multi-purpose community centre as part of the integrated community-building project in Mamelodi Extension 5.

The City of Delft decided to co-fund a multi-purpose community centre because of its importance for the neighbouring communities.

#### Municipal disaster recovery grant

Balance unspent at beginning of year	<u>1,447,864</u>	<u>1,447,864</u>	<u>1,447,864</u>	<u>1,447,864</u>
--------------------------------------	------------------	------------------	------------------	------------------

Conditions still to be met - remain liabilities (see Note 11).

During November 2013, severe damage to infrastructure was caused by hail in Gauteng. Because of this a state of disaster was declared in Tshwane in December 2013. The infrastructure and services damage reports and preliminary costing of damages were submitted by the Department of Human Settlements and the City of Tshwane Metropolitan Municipality through the Gauteng Provincial Disaster Management Centre in May 2014.

#### Social Infrastructure Grant

Current-year receipts	59,339,941	36,606,532	59,339,941	36,606,532
Conditions met - transferred to revenue	(58,631,340)	(41,000,000)	(58,631,340)	(41,000,000)
Debtor at year end for last tranche	-	4,393,468	-	4,393,468
	<u>708,601</u>	<u>-</u>	<u>708,601</u>	<u>-</u>

Conditions still to be met - remain liabilities (see Note 11).

The request for roll over of the 2017/18 balance was submitted to the National Treasury.

The last tranche of 2016/17 was not yet paid over upon year-end closure and a debtor was created for the amount of R4 393 468 as the Municipality had already incurred the expenditure. The receipt of the amount will be offset against the debtor in the 2017/18 financial year.

20 Priority Township Project Hammanskraal - the purpose of this grant is to plan and design the Hammanskraal Early Childhood Development Centre and to plan and design the Hammanskraal Aged-care Centre.

#### LG SETA discretionary grant

Current-year receipts	5,397,678	-	5,397,678	-
Conditions met - transferred to revenue	(2,039,592)	-	(2,039,592)	-
	<u>3,358,086</u>	<u>-</u>	<u>3,358,086</u>	<u>-</u>

Conditions still to be met - remain liabilities (see Note 11).

A request for the roll over of the 2017/18 balance was submitted to the National Treasury.

This money is an award for skills development. The purpose is to strengthen the Municipality's capacity in relation to skills development for the purpose of training the skills development facilitator or employees within the human resources/skills development department, or to enhance the capacity of the Training Committee.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 27. Government grants, subsidies, awards and donations (continued)

#### DPSA Smart Connect Grant

Current-year receipts	628,250	200,000	628,250	200,000
Conditions met - transferred to revenue	(628,250)	(200,000)	(628,250)	(200,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The grant was received for the Smart Connect project. This project envisages a system where citizens and local government communicate effectively to maximise service delivery. It aims to increase the efficiency of service delivery by facilitating improved communication between stakeholders, such as the public and the service departments. By providing an integrated communication framework between departments, service requests that involve more than one department can be coordinated efficiently.

#### TRT Subsidy

Current-year receipts	44,204,453	-	44,204,453	-
Conditions met - transferred to revenue	(44,204,453)	-	(44,204,453)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The full budgeted subsidy of R72 000 000 was not received during 2017/18 as only R44 204 453 was received. Expenditure to the value of R59 700 839 was however incurred during 2017/18.

The funds are a monthly subsidy from Gauteng Department of Roads and Transport for the bus services rendered by Tshwane Rapid Transit in Mamelodi.

#### Electricity demand side

Current-year receipts	-	7,000,000	-	7,000,000
Returned to the National Treasury	-	(7,000,000)	-	(7,000,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see Note 11).

The request for the roll over of the balance of 2015/16 was not approved by the National Treasury and was set off against the transfer of the equitable share in 2016/17.

The purpose of this grant is to provide subsidies to municipalities to implement electricity demand side management (EDSM) in the municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

#### Housing Company Tshwane: Gauteng Department of Human Settlement

Current-year receipts	8,287,908	-	-	-
Conditions met - transferred to revenue	(8,287,908)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see Note 11).

The grant was received from the Gauteng Department of Human Settlement (GDHS) for the development of the Townlands project.

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 27. Government grants, subsidies, awards and donations (continued)

#### Housing Company Tshwane: Social Housing Regulatory Authority

Current-year receipts	20,857,018	-	-	-
Conditions met - transferred to revenue	(20,857,018)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The grant was received from the Social Housing Regulatory Authority (SHRA) for the development of the Townlands project.

#### Integrated City Development (DoRA)

Balance unspent at beginning of year	36,506,515	29,477,260	36,506,515	29,477,260
Current year receipts	38,429,000	42,652,000	38,429,000	42,652,000
Conditions met - transferred to revenue	(5,764,350)	(6,145,485)	(5,764,350)	(6,145,485)
Returned to National Treasury	(36,506,515)	(29,477,260)	(36,506,515)	(29,477,260)
	<u><b>32,664,650</b></u>	<u><b>36,506,515</b></u>	<u><b>32,664,650</b></u>	<u><b>36,506,515</b></u>

Conditions still to be met - remain liabilities (see Note 11).

A request for the roll over of the 2017/18 balance was submitted to the National Treasury.

The request for the roll-over of the 2016/17 balance was not approved by the National Treasury and was set off against the next transfer of the equitable share. The repayment to the National Treasury consist of R36 254 200 (capex) and R252 315 (opex).

The purpose of this grant from the National Treasury is to provide a financial incentive for metropolitan municipalities to integrate and focus their use of all available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form and the development of more inclusive, livable, productive and sustainable urban built environments in metropolitan municipalities.

#### Changes in the level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming three financial years.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>28. Other income</b>				
Market fees	167,964,547	161,497,701	167,964,547	161,497,701
Land sales	-	130,227	-	130,227
VAT audit refund	54,509,620	4,424,719	54,509,620	4,424,719
Fire services	7,146,527	5,750,536	7,146,527	5,750,536
Sale of unusable stock	273,640	4,730,287	273,640	4,730,287
Drain-cleaning fees	439,254	192,843	439,254	192,843
Admission fees	18,813,953	17,894,461	18,813,953	17,894,461
Interest on property sales	209,467	272,148	209,467	272,148
Donated: Assets	63,284	3,737,563	63,284	3,737,563
Building fees	46,056,473	59,814,248	46,056,473	59,814,248
Income from grave services	6,034,683	6,178,466	6,034,683	6,178,466
Motor vehicle licences (refund - province)	108,445,199	96,225,091	108,445,199	96,225,091
Training fees recovered	12,588,830	14,114,930	12,588,830	14,114,930
Newly identified assets	22,831,155	252,453,665	22,831,155	252,453,665
Insurance claims	48,636,623	52,184,351	48,636,623	52,184,351
A Re Yeng revenue	16,541,715	5,952,293	16,541,715	5,952,293
Sundry fees	9,490,406	6,504,131	9,422,716	6,267,277
Airside income	5,071,588	6,771,465	5,071,588	6,771,465
Ambulance fees	2,185,919	1,943,470	2,185,919	1,943,470
Reminder fees	58,559,306	57,228,716	58,559,306	57,228,716
Discount on prompt payments	534,204	1,100,766	534,204	1,100,766
Approval fees: Advertisements	42,366,469	35,866,057	42,366,469	35,866,057
LG SETA discretionary allocation	-	6,729,821	-	6,729,821
Cemetery fees	4,630,432	6,178,059	4,630,432	6,178,059
Application fees	7,029,812	6,652,545	7,029,812	6,652,545
Income from bulk containers	880,432	1,066,686	880,432	1,066,686
Sales: Aeroplane fuel	5,452,075	7,438,641	5,452,075	7,438,641
Transport fees	23,695,003	19,452,378	23,695,003	19,452,378
Miscellaneous	124,993,356	53,001,049	124,954,476	53,002,468
	<b>795,443,972</b>	<b>895,487,313</b>	<b>795,337,402</b>	<b>895,251,878</b>
<b>29. Employee-related costs</b>				
Salaries and wages	5,397,489,982	5,060,660,186	5,365,192,827	4,950,954,887
Bonus	-	84,615	-	-
Medical aid contributions	555,983,681	539,653,840	553,819,553	521,287,206
UIF	36,000,687	37,478,792	36,000,687	37,478,792
Leave pay provision charge	167,198,787	341,857,532	167,137,756	338,376,615
Pension fund contributions	1,024,820,527	955,069,469	1,024,820,527	950,677,507
Post employee benefits	(138,002,876)	(1,113,673)	(138,002,876)	(1,113,673)
Travel, motor car, subsistence and other allowances	311,146,367	305,328,415	311,146,367	305,328,415
Overtime payments	356,694,811	385,690,490	356,694,811	385,690,490
Long-service awards	4,526,948	4,983,808	4,526,948	4,983,808
Incentive bonuses	197,735	265,963	197,735	265,963
Other allowances	371,146,378	323,412,485	370,326,782	320,956,457
Housing benefits and allowances	45,691,954	40,071,030	45,691,954	39,231,372
Compensation commissioner (COID)	50,077,105	47,136,042	50,077,105	47,136,042
	<b>8,182,972,086</b>	<b>8,040,578,994</b>	<b>8,147,630,176</b>	<b>7,901,253,881</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>29. Employee-related costs (continued)</b>				
<b>Remuneration of City Manager (M Mosola)</b>				
Annual remuneration (Jason Ngobeni)	-	443,032	-	443,032
Cell phone allowance (Jason Ngobeni)	-	3,304	-	3,304
Annual remuneration (M Mosola)	2,614,406	822,917	2,614,406	822,917
Cell phone allowance (M Mosola)	24,000	-	24,000	-
	<b>2,638,406</b>	<b>1,269,253</b>	<b>2,638,406</b>	<b>1,269,253</b>

Mr Ngobeni was only employed until 19 August 2016. Lindiwe Kwele was acting as City Manager until 31 January 2017 and Mayur Maganlal for February 2017.

The new City Manager (Dr Moeketsi Mosola) was appointed from 1 March 2017.

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

### Remuneration of Chief Financial Officer - municipal entities

Annual remuneration	2,423,628	2,135,660	-	-
Cell phone allowance	36,763	22,000	-	-
Other allowance	127,755	211,975	-	-
	<b>2,588,146</b>	<b>2,369,635</b>	-	-

### Remuneration of Chief Executive Officer - municipal entities

Annual remuneration	1,958,641	2,526,135	-	-
Performance bonuses	-	84,615	-	-
Other allowances	-	198,721	-	-
Pension and medical aid contributions	92,220	83,580	-	-
Cell phone allowance	36,000	36,000	-	-
Leave provision	-	67,894	-	-
	<b>2,086,861</b>	<b>2,996,945</b>	-	-

### Remuneration of other managers - municipal entities

Annual remuneration	6,730,802	13,792,197	-	-
Vehicle allowance	248,000	2,037,846	-	-
Performance bonuses	-	368,703	-	-
Cell phone allowance	134,026	154,000	-	-
Pension and medical aid contributions	448,913	1,863,036	-	-
Leave provision	116,788	-	-	-
Other allowances	263,770	2,672,382	-	-
	<b>7,942,299</b>	<b>20,888,164</b>	-	-

### Housing Company Tshwane

Officials from the City of Tshwane were seconded to Housing Company Tshwane to act as CEO for the full financial year after the termination of the employment contract of the CEO.

### TEDA

- \* Executive Manager: Corporate Services resigned on 9 March.
- \* Executive Manager: Marketing and Communications resigned on 31 July 2017.
- \* Executive Manager: Strategy and Performance Monitoring resigned on 30 November 2017.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>29. Employee-related costs (continued)</b>				
<b>Directors - municipal entities</b>				
Non-executive directors: Board fees	1,630,581	3,672,304	-	-
<b>Remuneration: Executive Mayor (Solly Msimanga)</b>				
Annual remuneration (Kgosientso D Ramokgopa)	-	101,283	-	101,283
Travel allowance (Kgosientso D Ramokgopa)	-	33,761	-	33,761
Annual remuneration (Solly T Msimanga)	1,233,044	1,040,952	1,233,044	1,040,952
Travel allowance (Solly T Msimanga)	-	18,006	-	18,006
Cell phone allowance (Solly T Msimanga)	40,800	-	40,800	-
Other allowances (Solly T Msimanga)	65,273	-	65,273	-
	<b>1,339,117</b>	<b>1,194,002</b>	<b>1,339,117</b>	<b>1,194,002</b>

Kgosientso Ramokgopa was executive mayor until 19 August 2016 when the municipal elections took place and Solly Msimanga was appointed as executive mayor.

### Remuneration: Speaker (Rachel Kedibone Mathebe)

Annual remuneration (Audrey WMK Mosupye)	-	75,120	-	75,120
Travel allowance (Audrey WMK Mosupye)	-	27,296	-	27,296
Annual remuneration (Rachel K Mathebe)	1,019,197	719,764	1,019,197	719,764
Travel allowance (Rachel K Mathebe)	-	133,604	-	133,604
Cell phone allowance (Rachel K Mathebe)	40,800	-	40,800	-
Other allowances (Rachel K Mathebe)	31,714	-	31,714	-
	<b>1,091,711</b>	<b>955,784</b>	<b>1,091,711</b>	<b>955,784</b>

Audrey W M K Mosupye was speaker until 19 August 2016 when the municipal elections took place and Rachel Kedibone Mathebe was appointed as speaker.

### Remuneration: Chief Whip (Christiaan M van den Heever)

Annual remuneration (Mabona, Swartland J)	-	55,784	-	55,784
Travel allowance (Mabona, Swartland J)	-	22,153	-	22,153
Cell phone allowance (Mabona, Swartland J)	-	1,966	-	1,966
Other allowances (Mabona, Swartland J)	-	12,205	-	12,205
Annual remuneration (Van den Heever, Christiaan M)	990,079	858,921	990,079	858,921
Travel allowance (Van den Heever, Christiaan M)	-	14,782	-	14,782
Cell phone allowance (Van den Heever, Christiaan M)	24,168	20,868	24,168	20,868
Other allowances (Van den Heever, Christiaan M)	-	8,812	-	8,812
	<b>1,014,247</b>	<b>995,491</b>	<b>1,014,247</b>	<b>995,491</b>

Swartland J Mabona was chief whip until 19 August 2016 when the municipal elections took place and Christiaan M van den Heever was appointed as chief whip.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>29. Employee-related costs (continued)</b>				
<b>Remuneration: Members of the Mayoral Committee</b>				
Annual remuneration	9,485,776	8,373,406	9,485,776	8,373,406
Travel allowance	235,170	493,713	235,170	493,713
Cell phone allowance	240,231	-	240,231	-
Other allowance	175,462	-	175,462	-
	<b>10,136,639</b>	<b>8,867,119</b>	<b>10,136,639</b>	<b>8,867,119</b>

Refer to General Information for the list of the individual members of the mayoral committee.

The municipal elections took place on 19 August 2016 and then the members of the mayoral committee were replaced.

### Members of the Mayoral Committee (individual)

Subesh Pillay	-	89,387	-	89,387
Thembekile Elizabeth Mmoko	-	89,624	-	89,624
Petunia Faith Mashaba	-	102,248	-	102,248
Rasello Terence Mashego	-	103,959	-	103,959
Maidi Dorothy Mabiletsa	-	97,660	-	97,660
Theresa-Eulanda Mabusela	-	88,081	-	88,081
Nozipho Paulina Tyobeke-Makeke	-	92,204	-	92,204
Joshua John Ngonyama	-	102,248	-	102,248
Jacob Mlandu Masango	-	103,959	-	103,959
Maupe George Matjila	-	93,789	-	93,789
Anniruth Kissoonduth	1,014,130	708,326	1,014,130	708,326
Cilliers Brink	1,016,827	814,574	1,016,827	814,574
Darryl Moss	1,014,247	747,372	1,014,247	747,372
Nontsikelelo Lucia Mokhotho	1,014,247	814,574	1,014,247	814,574
Michael Mkhari	1,014,503	815,776	1,014,503	815,776
Isak Petrus du Plooy	1,014,247	814,574	1,014,247	814,574
Mare-Lise Fourie	1,014,247	814,574	1,014,247	814,574
Randall Mervyn Williams	1,011,399	814,574	1,011,399	814,574
Sheila Lynn Senkubuge	1,011,399	767,834	1,011,399	767,834
Thomas Mandla Nkomo	1,011,393	791,782	1,011,393	791,782
	<b>10,136,639</b>	<b>8,867,119</b>	<b>10,136,639</b>	<b>8,867,119</b>

### 30. Remuneration of top management

The organisational structure was reviewed and a new macro structure was approved in terms of a Council Resolution dated 24 November 2016. The new macro structure was implemented on 1 February 2017.

In terms of a council resolution dated 23 February 2017 the proposed Section 56 positions were determined to be as follows:

- \* Governance and Support Officer
- \* Chief Financial Officer
- \* Chief of Police
- \* Chief: Emergency Management Services
- \* Chief Operations Officer
- \* Chief Audit Executive
- \* Group Head: Office of the Executive Mayor
- \* Group Head: Group Communications and Marketing
- \* Group Head: City Strategies and Organisational Performance.

The other positions will from 1 February 2017 report directly either to the Governance and Support Officer (GSO) or the Chief Operations Officer (COO).

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality		Total	
	2018	2017 Restated* R	2018	2017 Restated*		
<b>30. Remuneration of top management (continued)</b>						
<b>Reporting directly to City Manager</b>						
<b>July 2017 to June 2018</b>						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel and subsistence and acting allowance	Total
Banda, Umar	Chief Financial Officer	2,091,524	-	21,600	18,430	2,131,554
Tredoux, Lorette	Governance and Support Officer	1,734,637	-	17,914	-	1,752,551
Murphy, James P	Chief Operations Officer	1,851,326	-	19,800	83,484	1,954,610
Ntsimane, Phillip M	Chief Audit Executive	1,600,808	-	18,000	-	1,618,808
Malan, Jienie C (acting)	Chief of Police	699,129	98,019	6,000	277,477	1,080,625
Govender, Previn D	Chief of Emergency Services	1,467,406	-	19,800	-	1,487,206
Matthews, Hilgard	Group Head: Communication and Marketing	1,467,406	-	19,800	32,196	1,519,402
Hlatshwayo, Nosipho P	Group Head: City Strategy and Organisational Performance	1,600,807	-	21,600	572	1,622,979
Aucamp, Marietha (resigned 31 May 2018)	Chief of Staff	821,749	-	-	354,752	1,176,501
Nkomo, Johannah (appointed 12/2/2018)	Chief of Police	709,691	-	8,370	30,588	748,649
		<b>14,044,483</b>	<b>98,019</b>	<b>152,884</b>	<b>797,499</b>	<b>15,092,885</b>

### 2016/17: February 2017 to June 2017

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel and subsistence and acting allowance	Total
Banda, Umar (acting)	Chief Financial Officer	604,167	-	7,500	29,223	640,890
Manganlal, Mayur (acting)	Governance and Support Services	760,558	42,500	9,000	93,194	905,252
Pillay, Navaneethan (acting)	Office of the Chief Operations Officer	1,637,217	116,754	18,000	70,941	1,842,912
Ngobeni, Khazamula (resigned 30 April 2017)	Chief of Police	480,406	-	5,400	11,520	497,326
De Beer, Joan K	Chief of Emergency Services	815,679	30,000	9,000	-	854,679
Mhlongo, Jafta E (acting)	Chief Audit Executive	1,226,769	84,000	18,000	91,066	1,419,835
Aucamp, Marietha	Chief of Staff	508,193	-	-	-	508,193
Ndlovu, Nomasonto (acting)	Group Head: Communication and Marketing	809,994	50,000	9,000	-	868,994
Dharumrajh, Anisha (acting)	Group Head: City Strategy and Organisational Performance	1,633,133	-	18,000	34,559	1,685,692
		<b>8,476,116</b>	<b>323,254</b>	<b>93,900</b>	<b>330,503</b>	<b>9,223,773</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 30. Remuneration of top management (continued)

#### 2016/17: July 2016 to January 2017

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel and subsistence and acting allowance	Total
Banda, Umar (acting)	Group Chief Financial Officer	845,833	-	10,500	91,568	947,901
Kwele, Lindiwe (resigned 31 January 2017)	Deputy City Manager	1,597,566	175,000	12,600	19,352	1,804,518
Mangcu, Lisa N (resigned 30 November 2016)	Deputy City Manager	966,417	25,000	9,000	-	1,000,417
Boshielo, Mokholela, K F (resigned 30 November 2016)	Deputy City Manager	966,417	75,000	9,000	-	1,050,417
Lukhwareni, Ndvihoniswani (resigned 30 November 2016)	Deputy City Manager	911,713	45,000	9,000	-	965,713
Seabela, Bruno S	SED: Group Legislative Services	1,254,292	105,000	12,600	-	1,371,892
Otumile, Dudlana (resigned 28 February 2017)	SED: Group ICT	2,426,030	105,000	12,600	-	2,543,630
Manganye, Mahlomola (resigned 30 September 2016)	SED: Community Safety and Business	418,316	45,000	5,400	-	468,716
Ramulifho, Khathushelo C	SED: Corporate and Shared Services	1,042,757	50,400	12,600	-	1,105,757
De Beer, Joan K	Chief of Emergency Services	1,141,950	42,000	12,600	-	1,196,550
Ngobeni, Khazamula S	Chief of Police	1,120,948	-	12,600	11,520	1,145,068
Thenga, Obed (resigned 15 September 2016)	Chief Audit Executive	346,094	12,500	4,500	-	363,094
		<b>13,038,333</b>	<b>679,900</b>	<b>123,000</b>	<b>122,440</b>	<b>13,963,673</b>

The remuneration indicated below which relate to top management reporting directly to the deputy City Managers (up to January 2017) and GSO or COO (from February 2017) is only reflected for the 2016/17 financial year. According to Human Capital Management the group heads do not form part of the definition of senior managers accountable directly to the City Manager according to the Act and therefore it is no longer required to disclose these managers that report to the GSO or COO.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality		Total	
	2018	2017 Restated* R	2018	2017 Restated*		
<b>30. Remuneration of top management (continued)</b>						
<b>Reporting to the GSO or COO</b>						
<b>July 2017 to June 2018</b>						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel and subsistence and acting allowance	Total
Babane, Tiyiselani J	Group Head: Office of the Speaker	896,453	-	21,600	385,910	1,303,963
Moya, Hazel N	Group Head: Office of the Chief Whip	896,453	60,000	21,600	330,549	1,308,602
Shingange, Gerald M	Group Head: Human Capital Management	1,333,900	129,802	18,000	490,048	1,971,750
Khumalo, Musawakhe H O	Group Head: Shared Services	672,339	65,346	9,000	223,657	970,342
Kock, Margaretha J	Group Head: Group Legal and Secretarial Services	448,226	10,891	9,000	176,854	644,971
Makgata, Makgorometje A	Group Head: Economic Development and Spatial Planning	1,365,716	125,019	18,900	492,607	2,002,242
Morgan, Verusha	Group Head: Group Property	1,008,509	-	13,500	438,459	1,460,468
Ntsikeni, Zukiswa	Group Head: Customer Relations Management	1,213,134	117,907	16,239	429,417	1,776,697
Nkoko, Koena J	Group Head: Health	1,008,509	98,019	13,500	342,035	1,462,063
Notoane, Stephens R	Group Head: Utility Services	1,331,605	125,802	18,300	491,497	1,967,204
Letlonkane, Pheko I	Group Head: Roads and Transport	1,447,814	120,000	21,600	519,420	2,108,834
Kolisa, Mthobeli S	Group Head: Environmental and Agriculture Management	1,336,746	134,802	18,300	451,636	1,941,484
Mekhoe, Sebatatso S	Group Head: Community and Social Development Services	1,320,271	126,802	18,000	448,844	1,913,917
Memela, Nontobeko	Group Head: Housing and Human Settlement	1,337,591	130,802	18,000	465,533	1,951,926
Phanyane, Namadzavho C	Group Head: Regional Operations and Coordination	747,043	87,128	12,000	238,400	1,084,571
		<b>16,364,309</b>	<b>1,332,320</b>	<b>247,539</b>	<b>5,924,866</b>	<b>23,869,034</b>

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

		Group		Municipality		
		2018	2017 Restated* R	2018	2017 Restated*	
<b>30. Remuneration of top management (continued)</b>						
<b>February 2017 to June 2017 (reporting to GSO or COO)</b>						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel and subsistence and acting allowance	Total
Babane, Tiyiselani	Group Head: Office of the Speaker	508,193	-	-	-	508,193
Moya, Hazel	Group Head: Office of the Chief Whip	508,193	25,000	9,000	-	542,193
Shingange, Gerald (acting)	MGroup Head: Group Human Capital Management	1,653,516	120,000	18,000	144,960	1,936,476
Seabelo, Bruno S (resigned 21 May 2017)	Group Head: Shared Services	716,738	60,000	7,200	-	783,938
Mantsena, Tintswalo (resigned 30 June 2017)	PGroup Head: Legal and Secretariat Services	1,431,000	-	18,000	62,486	1,511,486
Makgata, Makgorometje (acting)	AGroup Head: Economic Development and Spatial Planning	809,994	45,000	9,000	1,430	865,424
Mmutlana, Pule M (acting)	Group Head: Group Property	1,229,841	-	18,000	107,818	1,355,659
Pillay, Dayalan (acting)	Group Head: Customer Relations Management	1,629,169	120,000	18,000	47,061	1,814,230
Kekana, Seoketsa E (acting)	Group Head: Health	767,450	20,000	9,000	-	796,450
Notoane, Stephens (acting)	RGroup Head: Utility Services	673,356	30,000	9,000	-	712,356
Letlonkane, Pheko I (acting)	Group Head: Roads and Transport	849,914	50,000	9,000	-	908,914
Kolisa, Mthobeli S (acting)	Group Head: Environmental and Agriculture Management	708,249	75,000	9,000	-	792,249
Tshwale, Ngwako D (acting)	Group Head: Community and Social Development Services	646,263	-	9,000	-	655,263
Memela, Nontobeko (acting)	Group Head: Housing and Human Settlement	1,713,775	132,000	18,000	-	1,863,775
Manganye, Matshwenyego (acting)	FGroup Head: Regional Operations and Coordination	744,480	130,693	7,200	70,018	952,391
		<b>14,590,131</b>	<b>807,693</b>	<b>167,400</b>	<b>433,773</b>	<b>15,998,997</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality		Total	
	2018	2017 Restated* R	2018	2017 Restated*		
<b>30. Remuneration of top management (continued)</b>						
<b>July 2016 to January 2017</b>						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total
Letlonkane, Pheko I	SED: Transport	1,189,880	70,000	12,600	-	1,272,480
Mhlekwana, Thembeke S	SED: Economic Development	1,133,992	-	12,600	-	1,146,592
Makgata, Makgorometje A	SED: City Planning	1,133,992	63,000	12,600	1,430	1,211,022
Ndlovu, Nomasontho C	SED: Communication Marketing and Events	1,133,992	70,000	12,600	-	1,216,592
Mothoagae, Amolemo G	SED: Housing and Human Settlements	1,075,218	140,000	12,600	-	1,227,818
Kekana, Seoketsa E	SED: Health and Social Development	1,074,429	28,000	12,600	-	1,115,029
Matsena, Mapiti D (resigned 9 August 2016)	SEH: Office of the Speaker	174,785	25,494	2,348	-	202,627
Maganlal, Mayur	SED: City Strategies and Performance Management	1,064,781	59,500	12,600	-	1,136,881
Babane, Tiyiselani J	SEH: Office of the Speaker	304,916	-	-	-	304,916
Mkhwebane, Kgaugelo (resigned 30 September 2016)	WSEH: Office of the Chief Whip	443,415	22,500	5,400	-	471,315
Moya, Hazel	SEH: Office of the Chief Whip	304,916	15,000	5,400	-	325,316
Nteo, Lemoa D (resigned 31 January 2017)	Chief Sustainability Specialist	991,654	49,000	12,600	-	1,053,254
Kolisa, Mthobeli S	SED: Environmental Management	991,548	105,000	12,600	-	1,109,148
Tshwale, Ngwako D	SED: Sport and Recreational Services	904,769	-	12,600	-	917,369
Aucamp, Magrietha	Chief of Staff	508,193	-	-	19,656	527,849
Notoane, Stephens R	SED: Water and Sanitation	942,698	42,000	12,600	-	997,298
Ncunyana, Zukiswa (resigned 30 April 2017)	SED: Strategy Research and Innovation	1,133,992	42,000	12,600	-	1,188,592
		<b>14,507,170</b>	<b>731,494</b>	<b>164,348</b>	<b>21,086</b>	<b>15,424,098</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>31. Remuneration of councillors</b>				
Councillors' allowance	123,785,928	115,513,604	123,785,928	115,513,604
Other (caucus management)	2,821,049	2,489,596	2,821,049	2,489,596
	<b>126,606,977</b>	<b>118,003,200</b>	<b>126,606,977</b>	<b>118,003,200</b>
<b>In-kind benefits</b>				
The Executive Mayor, deputy Executive Mayor, Speaker and Mayoral Committee members are full-time employees. Each is provided with an office and secretarial support at the cost of the Municipality.				
According to the organisational structure of the Municipality, the Executive Mayor Protection Sub-section, has seven staff members, of which five are VIP protection officers.				
The Executive Mayor has use of a municipal vehicle for official duties.				
The allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for loss of office, if any, as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.				
<b>Remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee</b>				
For the disclosure of the remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee, refer to Note 29.				
<b>32. Depreciation and amortisation</b>				
Depreciation: Investment property (Note 14)	4,810,569	3,618,454	4,810,569	3,618,454
Amortisation: Intangible assets (Note 15)	62,004,503	58,569,451	61,960,192	58,501,449
Depreciation: Property, plant and equipment (Note 13)	1,459,542,064	1,380,805,543	1,457,881,140	1,376,407,790
Depreciation: Leased assets (Note 17)	126,992,124	58,784,216	126,992,124	58,784,216
Depreciation: Rehabilitation assets (Note 13)	155,401,682	84,245,342	155,401,682	84,245,342
	<b>1,808,750,942</b>	<b>1,586,023,006</b>	<b>1,807,045,707</b>	<b>1,581,557,251</b>
<b>33. Finance costs (interest paid)</b>				
Long-term liabilities (external loans)	1,155,437,735	1,124,070,551	1,155,196,608	1,123,785,524
Interest rate swaps	43,276,471	29,714,722	43,276,471	29,714,722
Finance leases	66,892,466	40,916,380	66,892,466	40,916,380
Bank overdraft	104,228	644,645	34,745	58,326
Other finance costs (bank charges, transit banking, etc)	10,539,416	15,638,758	10,539,416	15,638,758
Tshwane House finance cost	344,684,087	30,551,426	344,684,087	30,551,426
Amortisation: Provisions	75,628,361	75,963,758	75,628,361	75,963,758
	<b>1,696,562,764</b>	<b>1,317,500,240</b>	<b>1,696,252,154</b>	<b>1,316,628,894</b>
<b>34. Investment revenue</b>				
<b>Interest revenue (interest received)</b>				
Bank	26,664,502	58,965,222	25,980,955	58,590,616
Short-term investments	163,118,665	46,512,822	163,101,119	46,120,874
Long-term investments	21,150,395	116,881	21,150,395	116,881
Contingency insurance	15,404	90,864	15,404	90,864
Interest received - Conveyancing	26,820	191,573	26,820	191,573
Interest earned: short-term investments	-	116,486	-	116,486
	<b>210,975,786</b>	<b>105,993,848</b>	<b>210,274,693</b>	<b>105,227,294</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>35. Debt impairment</b>				
Contributions to impairment allowance (refer to Notes 20, 22, 23)	1,714,178,382	1,417,202,205	1,712,997,942	1,270,227,002
Please note the amounts reflected above are the net balance in the expenditure accounts.				
For the 2017/18 financial year the total amount written off was R414 379 965 for consumer receivables and R3 794 316 for other receivables which was written off against the allowance with regard to the Municipality. For the group an amount of R414 379 965 was written off against the allowance for consumer receivables and R3 794 316 for other receivables.				
For the 2016/17 financial year the total amount written off was R343 324 012 for consumer receivables and R4 328 491 for other receivables which was written off against the allowance with regard to the Municipality. For the group an amount of R343 324 012 was written off against the allowance for consumer receivables and R4 834 581 for other receivables.				
For amounts written off refer to Notes 20, 22 and 23.				
<b>36. Bulk purchases</b>				
Electricity	7,504,093,451	7,596,457,975	7,504,592,081	7,597,154,111
Water	2,330,910,652	1,805,498,562	2,330,910,652	1,985,221,704
	<b>9,835,004,103</b>	<b>9,401,956,537</b>	<b>9,835,502,733</b>	<b>9,582,375,815</b>
<b>37. Transfers and subsidies</b>				
<b>Grants paid to municipal entities</b>				
Transfers to Sandspruit, TEDA and Housing Company Tshwane	-	-	122,425,090	382,142,676

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>38. General expenses (refer to the statement of financial performance)</b>				
SMME initiatives	3,515,935	13,489,926	3,515,935	13,489,926
Auditors' remuneration	27,707,615	24,642,644	26,388,878	21,879,318
Consumables	11,892,523	9,393,771	11,892,523	9,393,771
Commission paid	14,197,474	23,412,175	14,197,474	23,412,175
Wi-Fi	53,385,887	24,738,861	53,385,887	24,738,861
Compensation commissioner	7,091,933	8,889,003	7,091,933	8,889,003
Contribution: Legal proceedings provision	(6,959,041)	57,079,018	(6,959,041)	57,079,018
Protective clothing and uniforms	45,739,810	34,229,407	45,703,570	34,160,350
Chemicals	40,285,506	32,024,173	40,285,506	32,024,173
Gratuities	9,086,834	10,941,189	9,086,834	10,941,189
Ward committee: Administration	3,531,571	124,500	3,531,571	124,500
Green Desk	3,230,665	13,157,647	3,230,665	13,157,647
Rental of plant and equipment	309,921,677	303,026,292	309,921,677	303,026,292
HIV and AIDS grant	4,486,314	5,456,283	4,486,314	5,456,283
Insurance	97,800,847	109,224,477	97,646,861	109,103,862
LED initiatives	15,347,197	20,580,733	15,347,197	20,580,733
Imbizo	6,359,280	5,926,806	6,359,280	5,926,806
Implementation: OITPS	126,514,515	76,933,196	126,514,515	76,933,196
Postage	39,554,213	32,039,231	39,554,213	32,039,231
Drug and substance abuse	30,507,313	30,881,845	30,507,313	30,881,845
Membership fees	13,395,000	18,865,448	13,395,000	18,865,448
Communications	8,640,232	6,779,148	8,640,232	6,779,148
Leasing of property	295,028,312	285,894,749	295,028,312	287,054,217
Advertising and marketing	8,249,938	11,592,576	8,249,938	11,573,072
Telecommunication	56,823,470	63,471,191	56,823,470	62,041,087
Inventory write-down	9,814,888	4,171,693	9,814,888	4,171,693
Tshwane Open (golf day)	31,905,000	35,048,825	31,905,000	35,048,825
Lease expenses	108,522,856	135,139,674	107,842,714	127,976,394
Executive Mayor: Donations	4,060,580	13,125,581	4,060,580	13,125,581
A Re Yeng operations	102,261,417	83,907,638	102,261,417	83,907,638
Management information system	35,082,250	38,996,942	35,082,250	38,996,942
Subsistence and travelling	7,120,856	5,251,538	6,424,024	4,920,094
EPWP initiatives	79,586,303	88,058,436	79,586,303	88,058,436
Tshepo 10 000 Council	-	954,164	-	954,164
Locomotion allowance	18,528,642	25,309,243	18,528,642	25,309,243
Court orders	138,162,705	-	138,162,705	-
Rental vehicles	181,995,237	23,204,590	181,995,237	23,204,590
Petrol and diesel fuel	137,010,622	125,668,311	137,010,622	125,668,311
Licences	85,099,972	89,108,132	85,099,972	89,108,132
Stationery	24,619,923	24,463,487	23,952,958	23,601,888
PTIS grant expenditure	359,169,547	200,266,208	359,169,547	200,266,208
Internet fees	19,846,340	20,458,683	19,846,340	20,458,683
Training board fees	69,710,097	66,042,124	69,710,097	66,042,124
Events management	10,790,269	12,161,671	10,790,269	12,161,671
Other expenses	400,988,355	278,210,513	390,272,479	263,083,911
Commission paid on prepaid electrical sales	599,915,968	701,971,496	599,915,968	701,971,496
	<b>3,649,526,847</b>	<b>3,194,313,238</b>	<b>3,635,258,069</b>	<b>3,167,587,175</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>39. Cash generated from operations</b>				
Surplus	2,438,477,465	2,428,576,960	2,359,308,986	2,396,909,676
<b>Adjustments for:</b>				
Depreciation and amortisation	1,808,750,942	1,586,023,006	1,807,045,707	1,581,557,251
(Loss)/gain on sale of assets and liabilities	79,939,912	74,837,639	79,778,670	75,140,946
Fair value adjustments	92,859,788	18,855,341	92,859,788	18,855,341
Finance costs - Finance leases	66,892,466	40,916,379	66,892,466	40,916,379
Finance cost: Service concession (Tshwane House)	239,983,159	30,551,426	239,983,159	30,551,426
Newly identified assets	(22,831,155)	(252,453,665)	(22,831,155)	(252,453,665)
Inventory write-down	9,814,888	4,171,693	9,814,888	4,171,693
Impairment deficit	234,750,180	2,726,850	234,750,180	2,726,850
Debt impairment	1,714,178,382	1,417,202,205	1,712,997,942	1,270,227,002
Movements in operating lease assets and accruals	58,115	(38,348)	-	-
Movements in retirement benefit assets and liabilities	(138,002,876)	(1,113,673)	(138,002,876)	(1,113,673)
Movements in provisions	(25,001,367)	162,384,087	(25,001,367)	162,394,025
Movement in tax receivable and payable	3,901,820	317,815	-	-
Retirement of intangible assets: non-cash	2,066,924	4,034,927	2,013,070	4,034,927
Annual charge for deferred tax	(74,275)	(51,532)	-	-
Amortisation on loans (non-cash)	60,084,251	(2,549,054)	60,084,251	(2,549,054)
Service cost - service concession	2,421,943	3,809,621	2,421,943	3,809,621
Gain on transfer of function	3,739,485	-	3,739,485	-
<b>Changes in working capital:</b>				
Inventories	46,979,315	(119,613,199)	43,514,505	(119,276,446)
Other receivables	85,795,050	(331,104,057)	(187,466,764)	(160,220,300)
Consumer receivables	(1,843,950,682)	(1,933,368,828)	(1,865,614,547)	(1,772,497,756)
Taxation	-	810,915	-	-
Payables from exchange transactions	(207,656,772)	(226,154,883)	76,634,515	(434,697,224)
VAT	784,407,567	1,045,349,659	792,777,944	1,035,368,713
Unspent grants and receipts	165,070,977	175,568,218	165,070,977	175,568,218
Consumer deposits	104,708,590	31,429,554	108,716,856	31,387,379
	<b>5,707,364,092</b>	<b>4,161,119,056</b>	<b>5,619,488,623</b>	<b>4,090,811,329</b>

### 40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription/fee	3,926,885	3,617,313	3,926,885	3,617,313
Amount paid - current year	(3,926,885)	(3,617,313)	(3,926,885)	(3,617,313)
	-	-	-	-

#### Audit fees

Current year audit fee	27,707,615	24,642,644	26,388,878	21,879,318
Amount paid - current year	(27,707,615)	(24,642,644)	(26,388,878)	(21,879,318)
	-	-	-	-

The balance of the previous financial year was paid in the following financial year.

#### PAYE and UIF

Opening balance	102,873,720	98,501,832	102,744,379	97,311,193
Current year payroll deductions	1,324,577,547	1,222,695,597	1,315,034,397	1,196,956,479
Amount paid - current year	(1,206,902,374)	(1,119,951,218)	(1,197,358,579)	(1,094,212,100)
Amount paid - previous years	(102,744,379)	(98,372,491)	(102,744,379)	(97,311,193)
	<b>117,804,514</b>	<b>102,873,720</b>	<b>117,675,818</b>	<b>102,744,379</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

#### 40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)

##### Pension and medical aid deductions

Current year payroll deductions and Council contributions	2,196,126,236	2,129,515,113	2,193,983,717	2,098,788,280
Amount paid - current year	(2,196,126,236)	(2,129,515,113)	(2,193,983,717)	(2,098,788,280)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

##### Councillors' arrear consumer accounts

The following councillors had accounts outstanding as at 30 June 2018:

# These councillors made arrangements to pay off their debt.

30 June 2018	Less than 90 days	More than 90 days	Total
Chauke, SR	4,409	42,518	46,927
Ditabo, DD	1,645	2,463	4,108
Lehobye, MJ	3,288	21,920	25,208
Mahwayi, MJ & MM	13,291	88,451	101,742
Makgaleng, KG #	430	242	672
Makgatho & Bofu, AL & JT	2,953	1,596	4,549
Maluleka, AM	3,581	10,254	13,835
Masemola, N	5,664	11,301	16,965
Masemola, AT	4,324	26,176	30,500
Mashola, MS	11,619	9,959	21,578
Mathafa, OM	1,045	271	1,316
Matjila, MG	7,275	4,757	12,032
Mazwi, KC	7,259	15,578	22,837
Maboa, PP & TC	5,428	14,266	19,694
Mojela, DL	580	308	888
Monchusi, DJ & RGM	3,892	7,216	11,108
Montlha, SP	1,777	3,977	5,754
Mosupyoe, RR	8,728	16,941	25,669
Mupumane, E	1,451	11,457	12,908
Rammushi, JP	809	899	1,708
Silaule, GV (Heir)	4,643	17,150	21,793
Strijdom, CE	9,135	23,659	32,794
Tshabane, SB	2,974	2,357	5,331
	<u>106,200</u>	<u>333,716</u>	<u>439,916</u>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)

30 June 2017	Less than 90 days	More than 90 days	Total
Visser, GP	563	229	792
Mashola, MS	17,117	452	17,569
Rammushi, JP	289	191	480
Disoloane, KB	11,877	3,482	15,359
Ditabo, DD	2,000	4,171	6,171
Magaseng, KGM	283	86	369
Boshomane, MJ	4,293	493	4,786
Tau, AM	929	564	1,493
Mazwi, KC #	-	35,014	35,014
Strijdom, CE #	6,223	15,203	21,426
Marishane, MS #	(359)	13,830	13,471
Chauke, SR	558	53,782	54,340
Manaka, PN	141	13,668	13,809
Kgatle, TF (Sandspruit)	1,394	3,143	4,537
Dhlamini, SF (Sandspruit)	134	8,101	8,235
Lehobye, D (Sandspruit)	1,648	13,882	15,530
Thema F (Sandspruit)	517	67	584
Rammushi, JP (Sandspruit)	524	1,864	2,388
Mutumane ED (Sandspruit)	1,098	8,656	9,754
Sindane, JM (Sandspruit)	2,347	25,300	27,647
Motaung (Sandspruit)	5,911	70,553	76,464
	<b>57,487</b>	<b>272,731</b>	<b>330,218</b>

# These councillors made arrangements to pay off their debt

### 41. Commitments

#### Authorised capital expenditure

##### Approved and contracted for

• Infrastructure	2,277,215,366	651,523,236	2,277,215,366	651,523,236
• Community	89,000,585	86,707,893	89,000,585	86,707,893
• Other	1,556,026	8,061,894	1,556,026	8,061,894
• Intangible assets	61,457,900	1,798,503,058	61,457,900	1,798,503,058
• Various	1,554,847,746	9,857,671	1,554,847,743	9,857,671
• Tangible	11,640,352	126,311,540	11,640,352	126,311,540
• Housing Company Tshwane	108,368,607	431,206,779	-	-
	<b>4,104,086,582</b>	<b>3,112,172,071</b>	<b>3,995,717,972</b>	<b>2,680,965,292</b>

##### Approved but not yet contracted for

• Infrastructure	233,195,071	165,065,241	233,195,071	165,065,241
• Community	12,540,000	-	12,540,000	-
• Intangible	26,703,339	7,385,000	26,703,339	7,385,000
• Other	-	1,645,042	-	1,645,042
• Various	-	10,178,766	-	10,178,766
• Tangible	30,000,000	-	30,000,000	-
	<b>302,438,410</b>	<b>184,274,049</b>	<b>302,438,410</b>	<b>184,274,049</b>
	<b>4,406,524,992</b>	<b>3,296,446,120</b>	<b>4,298,156,382</b>	<b>2,865,239,341</b>

#### Total capital commitments

Approved and contracted for	4,104,086,582	3,112,172,071	3,995,717,972	2,680,965,292
Approved but not yet contracted for	302,438,410	184,274,049	302,438,410	184,274,049
	<b>4,406,524,992</b>	<b>3,296,446,120</b>	<b>4,298,156,382</b>	<b>2,865,239,341</b>

#### Total commitments

Authorised capital expenditure	4,406,524,992	3,296,446,120	4,298,156,382	2,865,239,341
--------------------------------	---------------	---------------	---------------	---------------

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 41. Commitments (continued)

#### Restatement of 2016/17

The prior year figure for the total commitments (operational and capital expenditure) was R29 439 221 990 before the 2017/18 prior period restatement. R6 690 304 682 related to total capital commitments and R22 748 917 308 related to total operational commitments. A review was performed of the accounting policy being utilised for the disclosure of commitments and it was further tested against the GRAP standard. It was identified that it is not a requirement within the GRAP standard for the City to disclose operational commitments, hence there existed an error in the manner the accounting policy was applied. The error has been adjusted retrospectively, hence operational commitments will no longer be disclosed by the City. The operational commitments of the municipal entities were also removed (a total of R10 081 672).

The restated prior year balance for capital commitments has now been disclosed as R2 865 239 341 which is a decline of R3 825 065 341. The reduction in the capital commitments was due to operational commitments which were erroneously disclosed as capital commitments, duplications in the register and further the removal of ad hoc contracts within the register as they do not meet the definition of capital commitment.

### 42. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - Group - 2018

	Insurance reserve	COID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	245,733	74,114,583	156,442,652	22,423,824,312	22,654,627,280
Net surplus for the year	-	-	-	2,438,477,465	2,438,477,465
Gain on transfer of functions	-	-	-	23,856,394	23,856,394
Transfer to/(from) reserves	16,360	8,570,268	-	(8,586,628)	-
	<b>262,093</b>	<b>82,684,851</b>	<b>156,442,652</b>	<b>24,877,571,543</b>	<b>25,116,961,139</b>

#### Ring-fenced internal funds and reserves within accumulated surplus - Group - 2017

	Insurance reserve	COID reserve	Housing development fund	Accumulated surplus	Total
Opening balance (as previously reported)	28,199,547	72,366,413	156,442,652	19,406,023,720	19,663,032,332
Surplus for the year (as previously reported)	-	-	-	3,039,761,503	3,039,761,503
Restatement of 2016/17 financial year - Municipality	-	-	-	(617,792,262)	(617,792,262)
Restatement of 2015/16 financial year - Municipality	-	-	-	452,257,623	452,257,623
Restatement of 2014/15 financial year - Municipality	-	-	-	110,760,362	110,760,362
Restatement: Sandspruit 2016/17	-	-	-	(682,130)	(682,130)
Restatement: Housing Company 2016/17	-	-	-	7,286,710	7,286,710
Restatement: TEDA 2016/17	-	-	-	3,139	3,139
Transfer to/(from) reserves	(27,953,814)	1,748,170	-	26,205,644	-
Rounding	-	-	-	3	3
	<b>245,733</b>	<b>74,114,583</b>	<b>156,442,652</b>	<b>22,423,824,312</b>	<b>22,654,627,280</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 42. Accumulated surplus (continued)

#### Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2018

	Insurance reserve	COID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	245,733	74,114,583	156,442,652	22,346,395,499	22,577,198,467
Net surplus for the year	-	-	-	2,359,308,986	2,359,308,986
Transfers to/(from) reserves	16,360	8,570,268	-	(8,586,628)	-
Gain on transfer of functions	-	-	-	23,856,394	23,856,394
	<b>262,093</b>	<b>82,684,851</b>	<b>156,442,652</b>	<b>24,720,974,251</b>	<b>24,960,363,847</b>

#### Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2017

	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance (as previously reported)	28,199,547	72,366,413	156,442,652	19,360,262,191	19,617,270,803
Net surplus for the year (as previously reported)	-	-	-	3,014,701,940	3,014,701,940
Transfers to/(from) reserves	(27,953,814)	1,748,170	-	26,205,644	-
Restatement of 2016/17 financial year	-	-	-	(617,792,262)	(617,792,262)
Restatement of 2015/16 financial year	-	-	-	452,257,623	452,257,623
Restatement of 2014/15 financial year and earlier	-	-	-	110,760,362	110,760,362
Rounding	-	-	-	1	1
	<b>245,733</b>	<b>74,114,583</b>	<b>156,442,652</b>	<b>22,346,395,499</b>	<b>22,577,198,467</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>43. Employee benefit obligations</b>				
<b>Pension funds</b>				
The municipality and its employees contribute to various pension, provident and retirement funds and its councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds.				
Current contributions are charged against the relevant expense account of the municipality at a percentage of the basic salary paid to employees, or allowances in the case of councillors. Pension contributions in respect of employees who were not members of a pension fund (eg gratuity) are recognised as an expense when incurred.				
Most employees of the Municipality are members of one of the following funds and those who are not are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as an expense in the financial statements.				
<b>Defined contribution plan (as classified by the relevant fund)</b>				
The Municipality contributes to the following defined contribution plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee-related Costs, Note 29.				
<b>Tshwane Municipal Provident Fund/Tshwane Municipal Gratuity Fund</b>				
5 877 (30,76 % ) of the Municipality's employees are members of this fund.	403,321,578	375,950,283	403,321,578	375,950,283
<b>Pension Fund for Municipal Councillors</b>				
The councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 75 (0,40%) of the Municipality's employees are members of this fund.	6,892,193	5,397,461	6,892,193	5,397,461
<b>National Fund for Municipal Workers</b>				
7 443 (38,96 % ) of the Municipality's employees are members of this fund. The fund had a 100,21% funding level at 30 June 2016.	528,660,559	487,602,400	528,660,559	487,602,400
<b>SALA Provident Fund/Gratuity Fund</b>				
54 (0,28 % ) of the Municipality's employees are members of this fund.	1,342,975	1,380,148	1,342,975	1,380,148
<b>SAMWU National Pension Fund</b>				
13 (0,07 % ) of the Municipality's employees are members of this fund.	1,043,928	932,952	1,043,928	932,952
<b>SAMWU National Provident Fund</b>				
1 099 (5,75 % ) of the Municipality's employees are members of this fund.	68,245,777	65,204,489	68,245,777	65,204,489
<b>Germiston Municipal Retirement Fund</b>				
A shortfall on investment yield in 2016/17 amounted to R13 233 117 of which the City of Tshwane is liable for R88 158. 4 (0,02 % ) of the Municipality's employees are members of this fund.	604,722	538,636	604,722	538,636
<b>Meshawu National Local Authorities Retirement Fund</b>				
30 (0,16 % ) of the Municipality's employees are members of this fund.	1,426,958	1,372,757	1,426,958	1,372,757
<b>Sandspruit Alexander Forbes</b>				
261 (1,37%) of the Municipality's employees are a member of this fund. These employees were taken over with the disestablishment of the municipal entity.	15,441,275	-	15,441,275	-
	<b>1,026,979,965</b>	<b>938,379,126</b>	<b>1,026,979,965</b>	<b>938,379,126</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>43. Employee benefit obligations (continued)</b>				
<b>Defined benefit plan (as classified by the relevant funds):</b>				
<b>Tshwane Municipal Pension Fund</b>				
The Tshwane Pension Fund is a defined benefit plan. The cost of providing these benefits is determined on the projected unit credit method prescribed by GRAP 25 and actuarial valuations are performed at each reporting date. The retirement benefit obligation presented in the statement of financial position presents the sum of the present value of the obligation less the fair value of plan assets.				
205 (1,07%) of the Municipality's employees are members of this fund. The fund was in a sound financial position as at 31 December 2016 with a funding level of 100%.				
The actuarial valuations of 2016/17 was restated due to the fact that certain assets were not included in the calculations, which are now corrected.				
<b>Included in general expenses</b>				
Current service cost	27,601,976	28,484,701	27,601,976	28,484,701
Interest cost	239,012,529	230,430,665	239,012,529	230,430,665
Expected return on assets	(228,003,296)	(225,398,398)	(228,003,296)	(225,398,398)
Actuarial (gain)/loss	(237,694,402)	45,509,272	(237,694,402)	45,509,272
<b>Defined benefit expense</b>	<b>(199,083,193)</b>	<b>79,026,240</b>	<b>(199,083,193)</b>	<b>79,026,240</b>
<b>Post-employment benefit liability (funded status)</b>				
Present value of the obligation	(2,315,093,235)	(2,578,166,365)	(2,315,093,235)	(2,578,166,365)
Fair value of plan assets	2,410,412,771	2,459,412,616	2,410,412,771	2,459,412,616
<b>Liability recognised in statement of financial position</b>	<b>95,319,536</b>	<b>(118,753,749)</b>	<b>95,319,536</b>	<b>(118,753,749)</b>
<b>Reconciliation of defined benefit obligation</b>				
Present value of obligation at beginning of year	2,578,166,365	2,532,205,108	2,578,166,365	2,532,205,108
Interest cost	239,012,529	230,430,665	239,012,529	230,430,665
Current service cost	27,601,976	28,484,701	27,601,976	28,484,701
Member contributions	5,987,977	6,221,123	5,987,977	6,221,123
Risk premiums	(1,945,575)	(1,839,296)	(1,945,575)	(1,839,296)
Benefits paid	(159,288,093)	(142,427,662)	(159,288,093)	(142,427,662)
Actuarial (gain)/loss on obligation	(374,441,944)	(74,908,274)	(374,441,944)	(74,908,274)
<b>Present value of obligation at end of year</b>	<b>2,315,093,235</b>	<b>2,578,166,365</b>	<b>2,315,093,235</b>	<b>2,578,166,365</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>43. Employee benefit obligations (continued)</b>				
<b>Reconciliation of plan assets (none of the Municipality's own financial instruments or property are included in the fair value of plan assets)</b>				
Fair value of plan assets at beginning of year	2,489,412,616	2,476,905,477	2,459,412,616	2,476,905,477
Expected return on plan assets	228,003,296	255,398,398	228,003,296	225,398,398
Contributions	20,978,069	21,793,245	20,978,069	21,793,245
Risk premiums	(1,945,575)	(1,839,296)	(1,945,575)	(1,839,296)
Benefits paid	(159,288,093)	(142,427,662)	(159,288,093)	(142,427,662)
Actuarial (gain)/loss on assets	(136,747,542)	(120,417,546)	(136,747,542)	(120,417,546)
<b>Fair value of plan assets at end of year</b>	<b>2,440,412,771</b>	<b>2,489,412,616</b>	<b>2,410,412,771</b>	<b>2,459,412,616</b>
<b>Composition of plan assets</b>				
Cash	18.17 %	18.17 %	18.17 %	18.17 %
Equity	40.68 %	40.68 %	40.68 %	40.68 %
Bonds	8.45 %	8.45 %	8.45 %	8.45 %
Property	4.65 %	4.65 %	4.65 %	4.65 %
Other	2.33 %	2.33 %	2.33 %	2.33 %
International	25.72 %	25.72 %	25.72 %	25.72 %
<b>Total</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>
<b>Actual return on plan assets</b>	<b>228,003,296</b>	<b>225,398,398</b>	<b>228,003,296</b>	<b>225,398,398</b>
<b>Estimated contributions to be paid in the next financial period</b>	<b>20,978,069</b>	<b>21,793,245</b>	<b>20,978,069</b>	<b>21,793,245</b>
<b>Municipal Gratuity Fund</b>				
1 453 (7,70%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund. The fund was financially sound on 30 June 2017.				
<b>Included in general expenses</b>				
Current service cost	4,705,127	5,122,585	4,705,127	5,122,585
Interest cost	5,142,074	5,204,799	5,142,074	5,204,799
Net actuarial (gain)/loss	(11,995,717)	(5,851,641)	(11,995,717)	(5,851,641)
<b>Defined benefit expense</b>	<b>(2,148,516)</b>	<b>4,475,743</b>	<b>(2,148,516)</b>	<b>4,475,743</b>
<b>Post-employment benefit liability (wholly unfunded)</b>				
Present value of the obligation	(55,504,092)	(60,512,849)	(55,504,092)	(60,512,849)
Net (expense)/income recognised in statement of financial performance	9,221,509	5,008,757	9,221,509	5,008,757
<b>Liability recognised in statement of financial position</b>	<b>(46,282,583)</b>	<b>(55,504,092)</b>	<b>(46,282,583)</b>	<b>(55,504,092)</b>
<b>Reconciliation of defined benefit obligation</b>				
Present value of obligation at beginning of year	55,504,092	60,512,849	55,504,092	60,512,849
Interest cost	5,142,074	5,204,799	5,142,074	5,204,799
Current service cost	4,705,127	5,122,585	4,705,127	5,122,585
Benefits paid	(7,072,993)	(9,484,500)	(7,072,993)	(9,484,500)
Actuarial (gain)/loss on obligation	(11,995,717)	(5,851,641)	(11,995,717)	(5,851,641)
<b>Present value of obligation at end of year</b>	<b>46,282,583</b>	<b>55,504,092</b>	<b>46,282,583</b>	<b>55,504,092</b>
<b>Estimated benefit payments to be paid iro gratuities in the next financial period</b>	<b>17,981,073</b>	<b>7,072,993</b>	<b>17,981,073</b>	<b>7,072,993</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>43. Employee benefit obligations (continued)</b>				
<b>Multi-employer funds</b>				
The Municipality contributes to the following defined benefit plans which are governed by the Pension Fund Act of 1956. Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of GRAP 25. The total contributions are included in employee-related Costs; See Note 29. The contributions made are as follows:				
<b>SALA Pension Fund</b>				
The actuarial valuation performed on 1 July 2015 showed a 100% funding level. 459 (2,40%) of the Municipality's employees are members of this fund.	31,982,001	32,160,782	31,982,001	32,160,782
<b>The Government Employees Pension Fund</b>				
Actuarial valuations are performed every three years. The actuarial valuation performed on 31 March 2008 reported the fund to be in a sound financial position with a funding level of 100%. 4 (0,02%) of the Municipality's employees are members of this fund.	404,332	500,342	404,332	500,342
<b>Joint Municipal Pension Fund</b>				
Actuarial valuations are performed every three years. The actuarial valuation performed on 30 September 2010 indicated a funding level of 104,9% and the fund was in a sound financial position at the valuation date. 33 (0,17 %) of the Municipality's employees are members of this fund.	4,109,193	3,876,707	4,109,193	3,876,707
<b>Municipal Employees Pension Fund</b>				
The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial position with a funding level of 100%. 2 096 (10,97%) of the Municipality's employees are members of this fund.	138,839,394	131,029,428	138,839,394	131,029,428
	<b>175,334,920</b>	<b>167,567,259</b>	<b>175,334,920</b>	<b>167,567,259</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>43. Employee benefit obligations (continued)</b>				
<b>Medical aid funds</b>				
The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds associated with the Municipality, when a member who joined the organisation under the current conditions of service retires, he or she is entitled to remain a member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee.				
The cost of providing these benefits is determined on the basis of the Projected Unit Credit Method prescribed by GRAP 25. Future benefit values are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. No plan assets exist and any actuarial gains and losses are recognised immediately.				
<b>Included in general expenses</b>				
Current service cost	8,135,817	10,208,543	8,135,817	10,208,543
Interest cost	100,898,588	106,086,082	100,898,588	106,086,082
Expected employer benefit payments	(44,389,729)	(54,308,220)	(44,389,729)	(54,308,220)
Unrecognised actuarial (gain)/loss	-	(135,123,325)	-	(135,123,325)
<b>Defined benefit expense</b>	<b>64,644,676</b>	<b>(73,136,920)</b>	<b>64,644,676</b>	<b>(73,136,920)</b>
<b>Post-employment benefit liability (wholly unfunded)</b>				
Present value of the unfunded obligation	(1,100,514,298)	(1,235,637,623)	(1,100,514,298)	(1,235,637,623)
Recognised actuarial gains	(2,831,063)	135,123,325	(2,831,063)	135,123,325
<b>Liability recognised in statement of financial position</b>	<b>(1,103,345,361)</b>	<b>(1,100,514,298)</b>	<b>(1,103,345,361)</b>	<b>(1,100,514,298)</b>
<b>Reconciliation of defined benefit obligation</b>				
Present value of unfunded obligation at beginning of year	1,100,514,298	1,173,651,218	1,100,514,298	1,173,651,218
Interest cost	100,898,588	106,086,082	100,898,588	106,086,082
Current service cost	8,135,817	10,208,543	8,135,817	10,208,543
Employer contributions	(61,813,613)	(54,308,220)	(61,813,613)	(54,308,220)
Actuarial (gains)/losses	(44,389,729)	(135,123,325)	(44,389,729)	(135,123,325)
<b>Present value of obligation at end of year</b>	<b>1,103,345,361</b>	<b>1,100,514,298</b>	<b>1,103,345,361</b>	<b>1,100,514,298</b>
Estimated employer benefit payments to be paid in the next financial period	63,280,957	61,813,613	63,280,957	61,813,613
<b>Sensitivity results</b>				
The effect of an increase or decrease of one percentage point in the assumed health cost inflation is the following:				
<b>Subsidy increase rate</b>				
Accrued liability 30 June	1,103,345,361	1,100,514,298	1,103,345,361	1,100,514,298
Decrease of 1%	1,056,039,000	990,234,898	1,056,039,000	990,234,898
% change	(4.3)%	(10.0)%	(4.3)%	(10.0)%
Increase of 1%	1,131,086,000	1,220,416,198	1,131,086,000	1,220,416,198
% change	2.5 %	11.0 %	2.5 %	11.0 %

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>43. Employee benefit obligations (continued)</b>				
<b>Long-service awards</b>				
<b>Included in general expenses</b>				
Current service cost	62,440,145	63,740,054	62,440,145	63,740,054
Interest cost	56,980,028	45,644,619	56,980,028	45,644,619
Expected employer benefit payments	(77,083,382)	(77,279,110)	(77,083,382)	(77,279,110)
Recognised net actuarial (gain)/loss	(55,195,472)	(18,527,676)	(55,195,472)	(18,527,676)
<b>Defined benefit expense</b>	<b>(12,858,681)</b>	<b>13,577,887</b>	<b>(12,858,681)</b>	<b>13,577,887</b>
<b>Post-employment benefit liability (wholly unfunded)</b>				
Present value of the unfunded obligation	(694,233,795)	(680,655,908)	(694,233,795)	(680,655,908)
Net (expense)/income recognised in statement of financial performance	12,858,681	(13,577,887)	12,858,681	(13,577,887)
<b>Liability recognised in statement of financial position</b>	<b>(681,375,114)</b>	<b>(694,233,795)</b>	<b>(681,375,114)</b>	<b>(694,233,795)</b>
<b>Reconciliation of defined benefit obligation</b>				
Present value of unfunded obligation at beginning of year	694,233,795	680,655,908	694,233,795	680,655,908
Interest cost	56,980,028	45,644,619	56,980,028	45,644,619
Current service cost	62,440,145	63,740,054	62,440,145	63,740,054
Employer contributions	(77,083,382)	(77,279,110)	(77,083,382)	(77,279,110)
Actuarial gains/losses	(55,195,472)	(18,527,676)	(55,195,472)	(18,527,676)
<b>Present value of obligation at end of year</b>	<b>681,375,114</b>	<b>694,233,795</b>	<b>681,375,114</b>	<b>694,233,795</b>
Estimated employer benefit payments to be paid in the next financial period	66,629,175	77,083,382	66,629,175	77,083,382
<b>Sensitivity results</b>				
The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates is as follows:				
<b>Salary increase rate</b>				
Accrued liability 30 June	681,375,114	694,233,795	681,375,114	694,233,795
Decrease of 1%	631,161,000	637,742,000	631,161,000	637,742,000
% change	7.4 %	(8.0)%	7.4 %	(8.0)%
Increase of 1%	738,077,000	758,796,000	7,380,770,100	758,796,000
% change	8.3 %	9.0 %	8.3 %	9.0 %
<b>Post-employment benefit liability: Statement of financial position</b>				
Tshwane Pension Fund	-	(118,753,749)	-	(118,753,749)
Municipal Gratuity Fund	(46,282,583)	(55,504,092)	(46,282,583)	(55,504,092)
Medical aid funds	(1,103,345,361)	(1,100,514,298)	(1,103,345,361)	(1,100,514,298)
Long-service awards	(681,375,114)	(694,233,795)	(681,375,114)	(694,233,795)
	<b>(1,831,003,058)</b>	<b>(1,969,005,934)</b>	<b>(1,831,003,058)</b>	<b>(1,969,005,934)</b>
<b>Post-employment benefit liability: Current portion</b>				
Tshwane Pension Fund	159,288,093	159,288,093	159,288,093	159,288,093
Municipal Gratuity Fund	17,981,073	7,072,993	17,981,073	7,072,993
Medical aid funds	63,280,957	61,813,613	63,280,957	61,813,613
Long-service awards	66,629,175	77,083,382	66,629,175	77,083,382
	<b>307,179,298</b>	<b>305,258,081</b>	<b>307,179,298</b>	<b>305,258,081</b>

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>43. Employee benefit obligations (continued)</b>				
<b>Actuarial (gain)/losses recognised in other comprehensive income</b>				
Tshwane Pension Fund	(237,694,402)	45,509,272	(237,694,402)	45,509,272
Municipal Gratuity Fund	(11,995,717)	(5,851,641)	(11,995,717)	(5,851,641)
Medical aid funds	(44,389,729)	(135,123,325)	(44,389,729)	(135,123,325)
Long-service awards	(55,195,472)	(18,527,676)	(55,195,472)	(18,527,676)
	<b>(349,275,320)</b>	<b>(113,993,370)</b>	<b>(349,275,320)</b>	<b>(113,993,370)</b>

### Actuarial assumptions

A summary of the assumptions used in the valuation, together with a short description of each, is given below:

#### Economic assumptions (pension fund and gratuities)

Discount rate	9.10 %	9.27 %	9.21 %	9.27 %
Inflation rate	5.60 %	6.07 %	5.60 %	6.07 %
Salary increase rate	6.60 %	7.07 %	6.60 %	7.07 %
Expected rate of return on assets	9.21 %	9.27 %	9.21 %	9.27 %
Pension increase allowance	4.11 %	3.76 %	4.11 %	3.76 %
Healthcare cost inflation	7.27 %	7.74 %	7.27 %	7.74 %

#### Discount rate (pension fund and gratuities)

The rate to discount post-employment benefit obligations should be determined by reference to market expectations at the valuation date for the period over which the liability obligations are to be settled. If the market is not liquid, then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 9,21% per annum has been used.

#### Inflation rate (pension fund and gratuities)

While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 5,60% per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. The expected inflation assumption was obtained from the differential between index-linked bonds (2,94%) and nominal bonds (9,21%), with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,50%). Therefore determined as follows:  $(9,21\% - 0,5\% - 2,94\%) / 1,0294$ .

#### Salary increase

Salary increases have historically exceeded CPI inflation by between 1,0% and 1,5% per annum. We have assumed that salaries will exceed the assumed inflation rate by 1% (pension funds and gratuities).

#### Expected return on assets

The accounting standard was recently amended and now requires the assumed rate of return on assets to equal the discount rate, namely 9,21%.

#### Pension rate increase

The fund's pension increase policy aims to grant increases of between 75% and 100% of annual CPI inflation. If an average of 87,5% is assumed, increases of 4,90% per annum will be awarded on average over the long-term. This implies a post-retirement interest rate of 4,11% (from  $1,0921/1,049 - 1,0$ ).

#### Healthcare cost inflation

A health care cost inflation rate of 7,27% has been assumed. This is 1,50% in excess of expected CPI inflation over the expected term of the liability, namely 5,77%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1,99% which derives from  $((1+9,41\%)/(1+7,27\%))-1$ .

The expected inflation assumption of 5,77% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2,97%) and those of fixed interest bonds (9,41%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,50%). This was therefore determined as follows:  $((1+9,41\% - 0,0\%)/(1+2,97\%))-1$ .

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality		
	2018	2017 Restated* R	2018	2017 Restated*	
<b>43. Employee benefit obligations (continued)</b>					
<b>History of liabilities, assets and experience adjustments</b>					
Amounts for the current and previous four years are as follows:					
	2018 R	2017 R	2016 R	2015 R	2014 R
<b>History of liabilities and assets</b>					
Accrued liability	1,831,003,058	1,969,005,934	1,970,119,607	2,136,304,715	1,955,900,647
Plan assets	-	-	-	-	-
Surplus/(deficit)	(1,831,003,058)	(1,969,005,934)	(1,970,119,607)	(2,136,304,715)	(1,955,900,647)
<b>Experience adjustments on plan: (Gains) and losses</b>					
Liabilities	(43,823,391)	20,316,258	(62,213,676)	(50,675,976)	14,429,384

### 44. Events after the reporting date

#### 2017/18

#### Non-adjusting event

#### Unauthorised expenditure (Note 47)

A report served before Council on 27 September 2018 and it was approved that the unauthorised expenditure for the 2017/18 financial year consisting of non-cash items in the amount of R704 224 563 be condoned by Council. It was further approved that the departments Group Human Capital Management and Shared Services submit reports with detailed explanations on overspending to the Mayoral Committee and to the Group Audit and Risk Department for further investigation of the R24 695 751 unauthorised expenditure. It was further approved that the unauthorised expenditure be referred to the Municipal Public Accounts Committee (MPAC) for further investigation and recommendation to Council.

#### Non-current assets:

#### Mamelodi Rondavels

On 6 July 2018, the Mamelodi Rondavels, a heritage asset in the old eastern part of Mamelodi, was vandalised and set on fire. The facility consisted of the following:

- \* 12 rondavels;
- \* One main building which consists of -
  - a boardroom with a capacity to accommodate 20 people;
  - a tourism information office; and
  - a heritage resource center
- \* One guard house
- \* One cafeteria
- \* One ablution block

Of the above, only the main building and two rondavels survived the arson, but they were stripped of their windows and doors. The matter was reported to the police and a case of arson was opened with case number 207/8/2018. An insurance claim was lodged with reference number D 160 /TI/ 01928/0818 and the extent and value of the damage is under investigation. An estimate of the financial effect cannot be made due to the absence of the assessment report, investigation report, insurance claim and a replacement quote (as at the reporting date). No amendment was made to the figures disclosed in the financial statements relating to Mamelodi Rondavels.

#### Intangible assets - retirement approved after year end

As at 30 June 2018 there were assets that could not be located and met all requirements to be written off: however the approval process from Council was pending as at 31 August 2018 when the annual financial statements were submitted for auditing. No adjustments were made to the annual financial statements submitted on 31 August 2018 as the assets had already been retired from the fixed asset register to ensure fair presentation while awaiting Council approval which was only finalised on 25 October 2018. The approval took place during the subsequent events period, which is the period between year-end and before the financial statements are authorised for issue.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2018	2017 Restated* R	2018	2017 Restated*

#### 44. Events after the reporting date (continued)

##### Credit rating

In December 2018, following an annual rating action by Moody's Investors Service, the City's long-term issuer credit rating (an independent evaluation of the City's credit risk) was upgraded by two notches from A1.za to Aa2.za on the national scale rating South Africa, with a **stable outlook** and at the same time, the short-term issuer rating of P-1.za was affirmed. This double-notch rating upgrade is a reflection of the improvement in the City's operating performance and liquidity position over the past two years. The new administration's strategy of implementing cost-cutting measures to improve operating performances has yielded positive outcomes. The totality of the initiatives taken by the City in improving the City's financial condition especially under the auspices of the Financial Sustainability Plan, have resulted in net direct and indirect debt declining by 7% from 41% of turnover in 2017 to 34% in 2018.

The credit rating upgrade by two notches to Aa2.za is unprecedented in the sense that it has never happened in the past ten years, since the City began to be officially rated by independent credit rating agencies.

The credit rating opinions issued in December 2018 on a national scale ratings for South Africa, are therefore as follows:

Rating type: Issuer  
Long-term: Aa2.za  
Short-term: P-1.za  
Category: Investment grade  
Rating outlook: Stable  
Rating action: Upgrade

A stable outlook indicates a low likelihood of a rating change in the medium term. A long-term rating of Aa2.za demonstrates a very strong creditworthiness relative to other domestic issuers of debt and on the other hand a short-term rating of P-1.za signifies the strongest ability to repay short-term unsecured debt obligations relative to other domestic issuers.

In 2016, Moody's changed its rating methodology by implementing what is referred to as recalibration, where the national scale ratings (NSRS) which are country-specific, are matched to the global scale rating (GSR) of the entity being rated. In the case of City of Tshwane, the GSR is Ba1 long-term issuer rating on domestic currency. In performing the rating assessment, the City was subjected to global standards of obtaining a credit rating opinion, and through the positive developments noted in its financial condition, its baseline credit assessment (BCA) was upgraded from ba2 to ba1. This means that the City's stand-alone intrinsic financial strength, with no support from other spheres of government, is of moderate credit risk. The NSR opinion plays the role of comparing the rated entity with its peers on a national level.

The City raises both its short- and long-term borrowings in the domestic capital markets and hence, the national scale ratings are more applicable for its uses, as opposed to the global scale ratings. The Aa2.za rating represents a very strong long-term credit profile and with the support of the most superior short-term credit profile, the City's ability to raise long- and short-term funding in the debt capital markets at the lowest of pricing is significantly enhanced.

##### TEDA

The directors are not aware of any matter or circumstances that arose since the end of the financial year that requires adjustment to or disclosure in the financial statements.

##### Housing Company Tshwane

The accounting officer of the municipal entity is not aware of any matter or circumstance arising after the reporting date.

\* The turnaround strategy is been developed to re-visit the mandate of the entity and ensure its financial sustainability.

\* The position of the CEO will be filled in August 2018 to improve the performance of the entity.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 45. Related parties

Relationships	% equity interest
Name of entity	
Housing Company Tshwane	100 % owned by City of Tshwane
Sandspruit Works Association (disestablished 30 June 2017)	100% owned by City of Tshwane
Tshwane Economic Development Agency	100% owned by City of Tshwane
Members of key management	Refer to Note 29 for remuneration of City Manager Refer to Note 30 for remuneration of top management Refer to Note 29 and 31 for remuneration of councillors

#### SANDSPRUIT WORKS ASSOCIATION:

Sandspruit Works Association was disestablished on 30 June 2017 and all functions were taken over on 1 July 2017. Refer to Note 70 for the transfer of functions/take on transactions for assets acquired by the City of Tshwane and the liabilities assumed by or relinquished to the City as at the date of transfer.

#### TEDA

TEDA benefited from the use of the following services provided by the City of Tshwane (related party) at no cost to TEDA:

- \* Use of risk management and internal audit resources
- \* Audit and Performance Committee from the City of Tshwane
- \* Use of network, telecommunication, desktop and server support
- \* mSCOA implementation by the City of Tshwane
- \* SAP migration implementation by the City of Tshwane
- \* Occupational health and safety (OHS) services and records management
- \* Insurance management and Joint Operational Committee (JOC) services
- \* QPR - Performance Management Solution

#### Housing Company Tshwane

Housing Company Tshwane benefited from the use of the following services provided by the City of Tshwane (related party) at no cost to Housing Company Tshwane:

- \* Use of risk management and internal audit resources
- \* Audit and Performance Committee from the City of Tshwane
- \* Use of network, telecommunication, desktop and server support
- \* mSCOA implementation by the City of Tshwane
- \* Occupational health and safety (OHS) services and records management
- \* Insurance management and Joint Operational Committee (JOC) services
- \* Telephone service provided by the City of Tshwane
- \* QPR - Performance Management Solution
- \* The previous head of Human Settlement and Director of Supply Chain Management have been seconded to Housing Company Tshwane as the acting CEO from July 2017 to March 2018 and April 2018 to June 2018 respectively.
- \* The director of Human Settlement has been seconded to Housing Company Tshwane as the acting COO and Property Development Manager from September 2017 to June 2018.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>45. Related parties (continued)</b>				
<b>Related party balances</b>				
<b>Amounts included in trade payables/trade receivables and loans regarding related parties</b>				
Sandspruit Works Association			-	34,298,530
<b>Amounts included in trade payables regarding related parties</b>				
Housing Company Tshwane: Rental received on behalf of City of Tshwane			(197,018)	(196,506)
Housing Company Tshwane: Service charges owed by City of Tshwane			-	16,881
Housing Company Tshwane: Deposit owed by City of Tshwane			23,400	22,640
Housing Company Tshwane: Unspent conditional grant			25,377,639	10,839,797
Sandspruit Works Association: Operating loss account			-	3,123,755
Sandspruit Works Association: Water treatment works			-	35,055,369
Sandspruit Works Association: Water accounts			-	10,492,381
TEDA: City of Tshwane - other income (access cards)			2,900	2,900
TEDA: City of Tshwane (medical surveillance - OHS)			(4,200)	-
<b>Related party transactions</b>				
<b>Sales to related parties</b>				
Housing Company Tshwane: Rates			(373,247)	(277,186)
Housing Company Tshwane: Water and electricity			(623,301)	(85,559)
Sandspruit Works Association (water purchases from City of Tshwane)			-	226,329,388
Sandspruit Works Association (electricity purchases from City of Tshwane)			-	729,316
<b>Purchases from related parties</b>				
Sandspruit Works Association (water sales to City of Tshwane)			-	179,723,142
<b>Expenses paid on behalf of related parties</b>				
Housing Company Tshwane: Telephone expenses			-	83,221
Sandspruit: Salaries - acting chief executive officer (seconded from City of Tshwane)			-	1,074,535
Sandspruit: Salaries - acting chief financial officer (seconded from City of Tshwane)			-	688,860
TEDA: City of Tshwane for interns			-	60,000
TEDA			(1,400)	-
<b>Grants to related parties</b>				
Housing Company Tshwane: current year			84,486,675	31,482,685
Housing Company Tshwane: recognised revenue from prior years			-	24,408,228
Sandspruit Works Association: City of Tshwane Subsidy: Waste water			-	43,062,700
Sandspruit Works Association: City of Tshwane subsidy - water			-	253,447,291
TEDA grant			54,150,000	54,150,000
TEDA rental income			-	1,159,468

### Grants paid to municipal entities

The parent municipality transfers funds to municipal entities for their operations. On receipt of the funds, the entities treat the transfer as a refundable grant, hence they recognise revenue as they spend.

### Housing Company Tshwane

The City of Tshwane paid over R68 275 060 in the year under review and Housing Company recognised R84 486 675 in its individual financial statements. The unspent grants opening balance for Housing Company Tshwane amounted to R16 211 585.

### TEDA

The City of Tshwane paid over R54 150 000 in the year under review and TEDA recognised R58 435 319 in its individual financial statements. The unspent grants opening balance for TEDA amounted to R4 285 320.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2018	2017 Restated* R	2018	2017 Restated*

### 46. Prior period restatements

#### Change in accounting policy

No change in accounting policy occurred during the year under review.

#### Reclassification

The undermentioned reclassifications were done to prepare for alignment with mSCOA as well as to align the financial statements with categories of the budget. The reclassification on the cash flow statement was done in terms of a frequently asked question (FAQ) issued by the Accounting Standards Board on the correct composition of cash and cash equivalents.

#### Statement of financial performance

For the Municipality, a reclassification was done from collection cost (R98 993 624), contracted services (R28 133 747) to general expenses (R127 127 371) to align with the classification of the budget. For the group, a reclassification was done from collection cost (R99 100 624), contracted services (R29 337 821) to general expenses (R128 438 445).

A reclassification was done from other income (R29 375 083) to service charges to align with the classification of the budget.

#### Statement of financial position

A reclassification was done between employee benefit obligation current liability and non-current liability to the value of R305 258 081.

For the Municipality, a reclassification was done between receivables from exchange and non-exchange transactions - consumer receivables to the value of R689 804 129 and other receivables to the value of R74 472 926. This was done to reflect receivables from exchange and non-exchange transactions on the statement of financial position.

#### Cash flow statement

A reclassification was done between cash and cash equivalents and short-term investments of R1 078 920 990 to only include highly liquid investments in cash and cash equivalents.

#### Correction of errors

The correction of errors has been done in terms of GRAP 3, paragraph 44, and subject to paragraph 45, whereby material prior period errors have been corrected retrospectively in the first set of financial statements authorised for issue after the discovery of the errors, by restating the comparative amounts for the prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

The financial statements presented in 2017/18 were restated in detail as per GRAP 3; however to split the impact of the restatement on the 2015/16 financial year is impractical (GRAP 3 paragraph 51 (b)), as it will result in a duplication as the nature of the error has already been addressed in full in the 2015/16 period.

The following material restatements are discussed below:

#### Revenue

Fines (AARTO) were increased with an amount of R5 077 225 due to late capturing of fines relating to the 2016/17 financial year.

Other income was increased with an amount of R48 359 725 (group = R348 539 725 due to errors picked up on the useful live review calculations).

Public contributions were decreased with an amount of R8 012 204 as a result of the errors picked up in the allocation of amounts received in the bank account.

Rental of facilities and equipment was decreased with an amount of R21 527 for the group as the municipal entities restated revenue due to errors picked up during the 2017/18 financial year.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 46. Prior period restatements (continued)

#### Expense:

Remuneration was increased with a net amount of R5 426 859 due to correction of errors in the previous financial years on employee benefit obligation (pension fund) as calculated by the actuaries and an adjustment on the accumulated leave accrual.

Depreciation and amortisation were increased with an amount of R42 512 329 (group = R42 519 230) as a result of the purification of the fixed asset register as well as formula errors picked up in the finance lease calculations.

Finance cost was decreased with an amount of R18 536 717 due to the correction of errors in the calculation of leases.

General expense was decreased with an amount of R49 508 673 (group = R49 995 695) due to the purification of the fixed asset register.

Contracted services was increased with an amount of R48 437 856 (group = R41 303 031) due to invoices not accrued to the 2016/17 financial year with regard to waste and rudimentary services.

Contribution to debt impairment was increased with an amount of R527 443 241. This restatement was necessary as an error was identified in the calculation method.

Loss on disposal of property, plant and equipment was increased with an amount of R8 604 769 due to purification of the fixed asset register.

#### Statement of financial position:

Cash and cash equivalents were decreased with an amount of R9 248 336 due to corrections of repayment in respect of bulk contributions.

Other receivables were increased with an amount of R5 077 225 as a result of late capturing of fines relating to the 2016/17 financial year and R151 646 385 (group = R151 632 373) due to the change in the method of the calculation of debt impairment.

Consumer receivables were increased with an amount of R642 403 908 due to a correction in the provision for impairment.

Investment property increased with an amount of R60 594 060 due to retirement of properties that were transferred to a third party, newly identified assets that were brought into the asset register, and in general an attempt to correct entries in the asset register ie where land was accounted for as improvements and vice versa.

Property, plant and equipment increased with an amount of R230 698 356 (group = R237 978 168) mainly due to operational cost paid out of a capital project which were expensed, capitalisation of assets acquired to the correct accounting period, retirement of assets accounted for in the correct period, newly identified assets that were brought into the asset register, and in general an attempt to correct entries in the asset register, ie removal of consumable items from the register.

Intangible assets were increased with an amount of R27 465 869 mainly due to two reasons, namely newly identified assets that were brought into the asset register and capitalisation of assets acquired to the correct accounting period.

Leased assets were increased with an amount of R41 096 690 due to formula errors picked up in the calculation of the asset values and depreciation.

Heritage assets were increased with an amount of R1 200 due to newly identified heritage assets that were brought into the asset register.

Long-term receivables were decreased with an amount of R10 538 424 due to correction of levies and the adjustment on debt impairment due to change in methodology.

Trade payables were increased with an amount of R120 692 343 (group = R120 678 330) due to the correction of the accrual of expenditure due to the late receipt of invoices.

Lease liability was increased with a net amount of R37 216 201 due to errors picked up in the calculations.

VAT payable was decreased with an amount of R166 173 237 due to the VAT audit and the VAT on debt impairment..

Employee benefit obligation was decreased with an amount of R285 233 383 due to errors picked up in the actuarial valuations for the 2016/17, 2015/16 and 2014/15 financial years.

Service concession arrangement liability was increased with an amount of R218 661 127 due to errors picked up in the amortisation calculations of Tshwane House in 2016/17 as well as the accounting for Denneboom Station.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 46. Prior period restatements (continued)

For the Municipality, the accumulated surplus was decreased with a net amount of R54 774 278 consisting of a decrease in the surplus of 2016/17 of R617 792 262, an increase in the surplus of 2015/16 of R452 257 623 and an increase in the surplus of 2014/15 and prior of R110 760 362.

For the group, the accumulated surplus was decreased with a net amount of R48 166 558 consisting of a decrease in the surplus of 2016/17 of R611 184 5438, an increase in the surplus of 2015/16 of R452 257 623 and an increase in the surplus 2014/15 of R110 760 362 as Housing Company Tshwane restated 2016/17 with an amount of R7 286 710: TEDA with an amount of R3 139 and Sandspruit restated 2016/17 with an amount of R682 130.

#### Restatement on disclosure notes

##### Note 42 - Commitments

The total commitments of 2016/17 were restated from R26 811 797 065 to R4 052 421 931 (R22 759 365 134 decrease) due to a total recalculation and re-evaluation of the commitments during 2017/18. This total restatement occurred on approved and contracted for capital expenditure (R2 550 121 108 decrease) and on approved but not yet contracted for capital expenditure (R119 797 824 increase). Approved and contracted for operational commitments were restated (R14 840 614 612 decrease) and approved but not yet contracted for (R5 488 427 239 decrease)

##### Note 44 - Employee benefit obligations

The post employee benefit disclosure of the Tshwane Pension Fund was restated with an amount of R285 233 383 due to the fact that no all plan assets were included in the prior year valuations.

##### Note 59 - Distribution losses: Electricity

The value of the distribution losses was restated from R1 578 013 852 to R1 563 710 200 due to a change in the tariff used to determine the rand value of the distribution loss. The previous tariff used was 77,52 c/kWh but it should have been 76,82 c/kWh.

Presented below are the prior period restatements contained in the surplus for the year, the statement of financial position and the cash flow statement.

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>46. Prior period restatements (continued)</b>				
<b>Group</b>	<b>As previously reported</b>	<b>Reclassi- fication</b>	<b>Correction of errors</b>	<b>Restated</b>
<b>2017</b>				
<b>Statement of financial performance</b>				
<b>Revenue</b>				
Property rates	5,912,583,707	-	-	5,912,583,707
Service charges	16,157,118,036	29,375,082	-	16,186,493,118
Rental of facilities and equipment	134,140,535	-	(21,527)	134,119,008
Interest received: Outstanding consumer debtors	618,102,368	-	-	618,102,368
Public contributions and donations	241,815,463	-	(8,012,204)	233,803,259
Fines	181,871,269	-	5,077,225	186,948,494
Licences and permits	49,266,169	-	-	49,266,169
Government grants, subsidies, awards and donations	6,123,596,479	-	-	6,123,596,479
Other income	876,301,144	(29,375,082)	48,561,251	895,487,313
Interest received - external investments	105,993,848	-	-	105,993,848
Gain on foreign exchange transactions	281,716	-	-	281,716
<b>Total revenue</b>	<b>30,401,070,734</b>	<b>-</b>	<b>45,604,745</b>	<b>30,446,675,479</b>
<b>Expenditure</b>				
Employee-related cost	8,035,152,135	-	5,426,859	8,040,578,994
Remuneration of councillors	118,003,200	-	-	118,003,200
Depreciation and amortisation	1,543,503,776	-	42,519,230	1,586,023,006
Impairment loss	2,726,850	-	-	2,726,850
Finance cost	1,336,036,957	-	(18,536,717)	1,317,500,240
Debt impairment	889,758,964	-	527,443,241	1,417,202,205
Collection costs	99,100,624	(99,100,624)	-	-
Bulk purchases	9,401,923,357	-	33,180	9,401,956,537
Contracted services	2,833,377,551	(29,337,821)	41,303,031	2,845,342,761
General expenses	3,015,879,098	128,438,445	49,995,695	3,194,313,238
Fair value adjustments	18,855,341	-	-	18,855,341
Taxation	758,508	-	-	758,508
Loss on disposal of assets and liabilities	66,232,870	-	8,604,769	74,837,639
<b>Total expenditure</b>	<b>27,361,309,231</b>	<b>-</b>	<b>656,789,288</b>	<b>28,018,098,519</b>
<b>Surplus for the year</b>	<b>3,039,761,503</b>	<b>-</b>	<b>(611,184,543)</b>	<b>2,428,576,960</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>46. Prior period restatements (continued)</b>				
<b>Group</b>	<b>As previously reported</b>	<b>Reclassi- fication</b>	<b>Correction of errors</b>	<b>Restated</b>
<b>2017</b>				
<b>Statement of financial position</b>				
<b>Current assets</b>				
Inventory	692,359,398	-	-	692,359,398
Current portion of long-term receivables	91,005,216	-	-	91,005,216
Current tax receivable	858,149	-	879	859,028
Consumer receivables: Exchange	4,630,010,267	(689,804,129)	(642,403,908)	3,297,802,230
Consumer receivables: Non-exchange	-	689,804,129	-	689,804,129
VAT receivable	4,363,938	-	-	4,363,938
Other receivables: Exchange	1,346,170,057	(74,472,926)	151,632,373	1,423,329,504
Other receivables: Non-exchange	-	74,472,926	-	74,472,926
Call investment deposits	1,712,536,970	-	-	1,712,536,970
Cash and cash equivalents	456,778,833	-	(9,248,336)	447,530,497
<b>Non-current assets</b>				
Investment property	773,100,457	-	60,594,090	833,694,547
Property, plant and equipment	34,119,270,330	-	237,978,168	34,357,248,498
Leased assets	624,964,335	-	41,096,690	666,061,025
Intangible assets	388,739,649	-	27,465,869	416,205,518
Heritage assets	3,648,494,462	-	1,200	3,648,495,662
Investments	710,520	-	-	710,520
Long-term receivables	25,661,496	-	10,538,424	36,199,920
Interest rate swap asset	18,743,157	-	-	18,743,157
<b>Current liabilities</b>				
Loans and bonds	728,912,199	-	-	728,912,199
Lease liabilities	154,158,569	-	(2,714,282)	151,444,287
Deferred operating lease liability	25,248	-	-	25,248
Payables from exchange transactions	7,267,534,060	-	120,678,330	7,388,212,390
VAT payable	1,603,308,583	-	(166,173,237)	1,437,135,346
Consumer deposits	411,345,192	-	-	411,345,192
Employee benefit obligation	-	305,258,081	-	305,258,081
Unspent grants and receipts	305,859,396	-	-	305,859,396
Service concession arrangements	57,645,018	189,976,775	-	247,621,793
<b>Non-current liabilities</b>				
Loans and bonds	10,662,892,847	-	-	10,662,892,847
Lease liabilities	288,729,897	-	39,930,483	328,660,380
Deferred operating lease liability	(523,647)	-	672,090	148,443
Employee benefit obligation	2,254,239,317	(305,258,081)	(285,233,383)	1,663,747,853
Deferred tax	14,045	-	879	14,924
Provisions	968,935,936	-	-	968,935,936
Interest rate swap liability	142,995,983	-	-	142,995,983
Service concession arrangements	984,900,753	(189,976,775)	218,661,127	1,013,585,105
<b>Equity</b>				
Accumulated surplus	22,702,793,836	-	(48,166,557)	22,654,627,279

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>46. Prior period restatements (continued)</b>				
<b>Group</b>	<b>As previously reported</b>	<b>Reclassi- fication</b>	<b>Correction of errors</b>	<b>Restated</b>
<b>2017</b>				
<b>Cash flow statement</b>				
<b>Cash generated from operations</b>				
Cash receipts from other revenue sources	2,664,511,745	-	(96,967,241)	2,567,544,504
Cash receipts from rate payers and service charges	20,298,652,984	-	146,570,705	20,445,223,689
Grants: Operating	3,980,677,184	-	-	3,980,677,184
Grants: Capital	2,378,837,580	-	-	2,378,837,580
Interest income	105,993,848	-	-	105,993,848
Cash paid to employees	(8,153,155,335)	-	(5,426,859)	(8,158,582,194)
Cash paid to suppliers	(15,563,212,323)	-	(281,139,407)	(15,844,351,730)
Finance costs (interest paid)	(1,336,036,957)	-	18,536,717	(1,317,500,240)
Taxes on surpluses	(758,508)	-	-	(758,508)
<b>Net cash generated from operations</b>	<b>4,375,510,218</b>	<b>-</b>	<b>(218,426,085)</b>	<b>4,157,084,133</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(3,603,487,529)	-	188,439,795	(3,415,047,734)
Retirement of leased assets	1,880,303	-	543,861	2,424,164
Proceeds from sale of property, plant and equipment	3,603,765	-	(5,093,119)	(1,489,354)
Purchase of investment property	(4,254,597)	-	3,100,001	(1,154,596)
Purchase of other intangible assets/restatements	(22,310,352)	-	-	(22,310,352)
Proceeds from sale of investment property	-	-	459,843	459,843
Purchase of heritage assets	(18,613,965)	-	18,613,965	-
Proceeds from sale of intangible assets	-	-	4,034,927	4,034,927
Provision for/(repayment in) long-term receivables	(2,591,394)	-	-	(2,591,394)
Movement in financial assets	-	(1,078,920,990)	(735,535)	(1,079,656,525)
<b>Net cash from investing activities</b>	<b>(3,645,773,769)</b>	<b>(1,078,920,990)</b>	<b>209,363,738</b>	<b>(4,515,331,021)</b>
<b>Cash flow from financing activities</b>				
Proceeds from long-term liabilities	1,000,000,000	-	-	1,000,000,000
Repayment of long-term liabilities	(552,420,627)	-	2,549,054	(549,871,573)
Finance lease repayments	(192,740,189)	-	694,711	(192,045,478)
<b>Net cash from financing activities</b>	<b>254,839,184</b>	<b>-</b>	<b>3,243,765</b>	<b>258,082,949</b>
<b>Net cash flow</b>				
Net increase/(decrease) in cash and cash equivalents	984,575,633	(1,078,920,990)	(5,818,586)	(100,163,943)
Cash and cash equivalents at the beginning of the year	1,184,740,170	-	(3,014,517)	1,181,725,653
<b>Cash flow at the end of the year</b>	<b>2,169,315,803</b>	<b>(1,078,920,990)</b>	<b>(8,833,103)</b>	<b>1,081,561,710</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>46. Prior period restatements (continued)</b>				
<b>Municipality</b>	<b>As previously reported</b>	<b>Reclassi- fication</b>	<b>Correction of errors</b>	<b>Restated</b>
<b>2017</b>				
<b>Statement of financial performance</b>				
<b>Revenue</b>				
Property rates	5,912,860,893	-	-	5,912,860,893
Service charges	16,394,206,602	29,375,082	-	16,423,581,684
Rental of facilities and equipment	128,862,904	-	-	128,862,904
Interest received: Outstanding consumer debtors	553,456,804	-	-	553,456,804
Public contributions and donations	241,815,463	-	(8,012,204)	233,803,259
Fines	181,871,269	-	5,077,225	186,948,494
Licences and permits	49,266,169	-	-	49,266,169
Government grants and subsidies	6,123,596,479	-	-	6,123,596,479
Other income	876,087,235	(29,375,082)	48,539,725	895,251,878
Interest received - external investments	105,227,294	-	-	105,227,294
Gain on foreign exchange transactions	281,716	-	-	281,716
<b>Total revenue</b>	<b>30,567,532,828</b>	<b>-</b>	<b>45,604,746</b>	<b>30,613,137,574</b>
<b>Municipality</b>	<b>As previously reported</b>	<b>Reclassi- fication</b>	<b>Correction of errors</b>	<b>Restated</b>
<b>2017</b>				
<b>Expenditure</b>				
Employee-related costs	7,895,827,022	-	5,426,859	7,901,253,881
Remuneration of councillors	118,003,200	-	-	118,003,200
Depreciation and amortisation	1,539,044,922	-	42,512,329	1,581,557,251
Impairment loss/reversal of impairments	2,726,850	-	-	2,726,850
Finance cost	1,335,165,611	-	(18,536,717)	1,316,628,894
Debt impairment	742,783,761	-	527,443,241	1,270,227,002
Collection costs	98,993,624	(98,993,624)	-	-
Bulk purchases	9,582,375,815	-	-	9,582,375,815
Contracted services	2,779,424,758	(28,133,747)	48,437,856	2,799,728,867
Grants and subsidies paid	382,142,676	-	-	382,142,676
General expenses	2,990,951,131	127,127,371	49,508,673	3,167,587,175
Fair value adjustments	18,855,341	-	-	18,855,341
Loss on disposal of assets and liabilities	66,536,177	-	8,604,769	75,140,946
<b>Total expenditure</b>	<b>27,552,830,888</b>	<b>-</b>	<b>663,397,010</b>	<b>28,216,227,898</b>
<b>Surplus for the year</b>	<b>3,014,701,940</b>	<b>-</b>	<b>(617,792,264)</b>	<b>2,396,909,676</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>46. Prior period restatements (continued)</b>				
<b>Municipality</b>	<b>As previously reported</b>	<b>Reclassi- fication</b>	<b>Correction of errors</b>	<b>Restated</b>
<b>2017</b>				
<b>Statement of financial position</b>				
<b>Current assets</b>				
Inventory	688,894,587	-	-	688,894,587
Current portion of long-term receivables	91,005,216	-	-	91,005,216
Other receivables: Exchange	1,072,622,652	(74,472,926)	151,646,385	1,149,796,111
Other receivables: Non-exchange	-	74,472,926	-	74,472,926
Consumer receivables: Exchange	4,607,165,962	(689,804,129)	(642,403,908)	3,274,957,925
Consumer receivables: Non-exchange	-	689,804,129	-	689,804,129
Call investment deposits	1,712,108,929	-	-	1,712,108,929
Cash and cash equivalents	398,775,497	-	(9,248,336)	389,527,161
<b>Non-current assets</b>				
Investment property	773,100,457	-	60,591,090	833,691,547
Property, plant and equipment	34,060,715,891	-	230,698,356	34,291,414,247
Leased assets	624,964,335	-	41,096,690	666,061,025
Intangible assets	388,541,873	-	27,465,869	416,007,742
Heritage assets	3,648,494,462	-	1,200	3,648,495,662
Investments	710,520	-	-	710,520
Long-term receivables	25,661,496	-	10,538,424	36,199,920
Interest rate swap asset	18,743,157	-	-	18,743,157
<b>Current liabilities</b>				
Payables from exchange transactions	6,931,823,875	-	120,692,343	7,052,516,218
Loans and bonds	728,596,801	-	-	728,596,801
Lease liabilities	154,158,569	-	(2,714,282)	151,444,287
VAT payable	1,592,960,075	-	(166,173,237)	1,426,786,838
Unspent grants and receipts	305,859,396	-	-	305,859,396
Consumer deposits	407,336,926	-	-	407,336,926
Employee benefit obligation	-	305,258,081	-	305,258,081
Service concession arrangements	57,645,018	-	-	57,645,018
<b>Non-current liabilities</b>				
Loans and bonds	10,661,349,741	-	-	10,661,349,741
Lease liabilities	288,729,897	-	39,930,483	328,660,380
Employee benefit obligation	2,254,239,317	(305,258,081)	(285,233,383)	1,663,747,853
Provisions	968,935,936	-	-	968,935,936
Service concession arrangements	984,900,753	(189,976,775)	218,661,127	1,013,585,105
Interest rate swap liability	142,995,983	-	-	142,995,983
<b>Equity</b>				
Accumulated surplus	22,631,972,745	-	(54,774,278)	22,577,198,467

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>46. Prior period restatements (continued)</b>				
<b>Municipality</b>	<b>As previously reported</b>	<b>Reclassi- fication</b>	<b>Correction of errors</b>	<b>Restated</b>
<b>2017</b>				
<b>Cash flow statement</b>				
<b>Cash generated from operations</b>				
Cash receipts from ratepayers and service charges	20,688,628,736	-	29,375,083	20,718,003,819
Cash receipts from other revenue sources	2,763,630,583	-	(232,332,948)	2,531,297,635
Grants: Operational	3,980,677,184	-	-	3,980,677,184
Grants: Capital	2,378,837,580	-	-	2,378,837,580
Cash paid to suppliers	(15,932,948,185)	-	23,709,509	(15,909,238,676)
Cash paid to employees	(8,013,830,223)	-	(5,426,858)	(8,019,257,081)
Transfers and grants paid	(382,142,676)	-	-	(382,142,676)
Finance costs (interest paid)	(1,335,165,611)	-	18,536,717	(1,316,628,894)
Interest income	105,227,294	-	-	105,227,294
<b>Net cash generated from operations</b>	<b>4,252,914,682</b>	<b>-</b>	<b>(166,138,497)</b>	<b>4,086,776,185</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(3,576,400,786)	-	193,045,963	(3,383,354,823)
Purchase/redemption of leased assets	1,880,303	-	543,861	2,424,164
Proceeds from sale of assets (including gain/(loss))	2,706,658	-	(4,499,319)	(1,792,661)
Purchase of investment property and retirements	(4,254,597)	-	3,100,001	(1,154,596)
Purchase of other intangible assets/retirements	(22,310,352)	-	-	(22,310,352)
Proceeds from sale of intangible assets	-	-	4,034,927	4,034,927
Purchase of heritage assets	(18,613,965)	-	18,613,965	-
Proceeds from sale of investment property	-	-	459,843	459,843
Provision for/(repayment in) long-term receivables	(2,591,394)	-	-	(2,591,394)
Movement in long-term investments	-	(1,078,920,990)	(735,535)	(1,079,656,525)
<b>Net cash from investing activities</b>	<b>(3,619,584,133)</b>	<b>(1,078,920,990)</b>	<b>214,563,706</b>	<b>(4,483,941,417)</b>
<b>Cash flow from financing activities</b>				
Proceeds from loans and bonds	1,000,000,000	-	-	1,000,000,000
Repayment of loans and bonds	(552,105,035)	-	2,549,054	(549,555,981)
Finance lease repayments	(192,740,189)	-	694,711	(192,045,478)
<b>Net cash from financing activities</b>	<b>255,154,776</b>	<b>-</b>	<b>3,243,765</b>	<b>258,398,541</b>
<b>Net cash flow</b>				
Net increase/(decrease) in cash and cash equivalents	948,873,199	(1,078,920,990)	(8,718,685)	(138,766,476)
Cash and cash equivalents at the beginning of the year	1,162,011,227	-	(114,424)	1,161,896,803
<b>Cash and cash equivalents at the end of the year</b>	<b>2,110,884,426</b>	<b>(1,078,920,990)</b>	<b>(8,833,109)</b>	<b>1,023,130,327</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>47. Unauthorised expenditure</b>				
Opening balance	620,032,290	1,657,852,448	620,032,290	1,657,852,448
Unauthorised expenditure in current year (refer to Appendix D for detail)	1,138,260,974	620,032,290	1,138,260,974	620,032,290
Less: Approved/Condoned by the Council in respect of the previous financial year	-	(1,657,852,448)	-	(1,657,852,448)
	<b>1,758,293,264</b>	<b>620,032,290</b>	<b>1,758,293,264</b>	<b>620,032,290</b>

### 2017/18:

Refer to Appendix D relating to municipal votes and Appendix E relating to revenue and expenditure line items for more detail.

The over-expenditure by departments can mainly be attributed to employee-related costs, depreciation, finance charges, bulk purchases, contracted services, transfers and grants, and loss on disposal of property, plant and equipment.

Note: The unauthorised expenditure disclosed above is determined by the over-expenditure per municipal vote. While the unauthorised expenditure disclosed in the Statement of Comparison between Budget and Actual Amount is determined by the over-expenditure on the type of expenditure line items.

The unauthorised expenditure with regard to 2016/17 is still under investigation by the Group Audit Department.

### Unauthorised expenditure: Budget overspending per strategic unit

Shared Services	52,925,499	23,884,129	52,925,499	23,884,129
Group Financial Services Cluster	598,695,427	-	598,695,427	-
Group Human Capital Management	11,857,912	-	11,857,912	-
Metro Police Services	-	105,211,623	-	105,211,623
Group Legal and Secretarial Services	-	66,947,200	-	66,947,200
Customer Relations Management	-	2,306,490	-	2,306,490
Group Audit and Risk	-	56,559,663	-	56,559,663
Utility Service: Electricity	-	147,648,678	-	147,648,678
City Manager	177,369,622	-	177,369,622	-
Office of the Chief Whip	1,909,072	-	1,909,072	-
Group Property Management	27,576,188	58,815,396	27,576,188	58,815,396
Environment and Agriculture Management	265,828,064	781,880	265,828,064	781,880
Regional Operations and Coordination	-	156,847,034	-	156,847,034
Community and Social Development	-	1,030,197	-	1,030,197
	<b>1,136,161,784</b>	<b>620,032,290</b>	<b>1,136,161,784</b>	<b>620,032,290</b>

### 48. Fruitless and wasteful expenditure

Opening balance	46,818,828	6,204,343	42,978,468	1,475,934
Upgrading of City Hall	62,981,422	-	62,981,422	-
Water purification plant (Themba): standing time, interest and reapplication of licence	1,187,544	41,502,534	1,187,544	41,502,534
Interest on late payment of vendor	600,000	-	600,000	-
Housing Company Tshwane	624,367	8	-	-
TEDA: Interest and penalties from SARS	67,518	-	-	-
Less: TEDA - write-off	(67,518)	(424,272)	-	-
Sandspruit: Interest charges and court fees	-	554	-	-
Housing Company Tshwane - recoveries	-	(14,339)	-	-
Housing Company Tshwane - condoned by board	-	(450,000)	-	-
	<b>112,212,161</b>	<b>46,818,828</b>	<b>107,747,434</b>	<b>42,978,468</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>48. Fruitless and wasteful expenditure (continued)</b>				
<b>Details of fruitless and wasteful expenditure – current year</b>				
		<b>Disciplinary steps taken/criminal proceedings</b>		
CoT: Interest on late payment of vendor		Under investigation - outcome pending		600,000
Upgrading of City Hall		Under investigation - outcome pending		62,981,422
Water purification plant (Themba): standing time, interest and reapplication of licence		Under investigation - outcome pending		1,187,544
Housing Company Tshwane: Interest and penalties charged by SARS on VAT assessment		Report to the Board - Investigation to be instituted		201,951
Housing Company Tshwane: interest on bank charges		Investigation conducted - amount was recovered from official		4
Housing Company Tshwane: Additional interest and penalties by SARS		Report to the Board - Investigation to be instituted		1,306
Housing Company Tshwane: Late payment of VAT in February 2018		Report to the Board - Investigation to be instituted		421,105
				<b><u>65,393,332</u></b>

No fruitless and wasteful expenditure were condoned between 1 July 2017 and 30 June 2018 for the Municipality.

### 49. Irregular expenditure

Opening balance	3,394,376,748	2,595,160,222	3,370,124,297	2,531,700,661
Section 32 of the MFMA (arising from non-compliance identified during 2016/17)	161,752,309	178,813,021	161,752,309	178,813,021
Non-compliance with SCM Regulation 36 (Deviations)	261,488,063	410,000	261,488,063	410,000
Procurement splitting	-	276,200	-	276,200
Usage of prohibited supplier	94,544	-	94,544	-
Non-compliance with MFMA, SCM regulations and PPP regulations	198,372,995	129,906,526	198,372,995	129,906,526
Non-compliance with MFMA and SCM regulations	701,329,558	901,765,438	701,329,558	901,765,438
Non-compliance with SCM Regulation 32	317,834,291	-	317,834,291	-
Sandspruit: Non-compliance with SCM regulations	-	181,260	-	-
Housing Company Tshwane: Non-compliance with SCM regulations	759,159	3,618,763	-	-
Housing Company Tshwane: Non-compliance with SCM Regulation 32	710,392	-	-	-
Less: Housing Company Tshwane: recovered	-	(12,130)	-	-
Irregular expenditure transferred from Sandspruit Works Association	42,995,012	(42,995,012)	42,995,012	-
Less: Council approved for write-off	-	(372,747,540)	-	(372,747,540)
	<b><u>5,079,713,071</u></b>	<b><u>3,394,376,748</u></b>	<b><u>5,053,991,069</u></b>	<b><u>3,370,124,306</u></b>

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>49. Irregular expenditure (continued)</b>				
<b>Details of irregular expenditure – current year</b>				
		<b>Disciplinary steps taken/criminal proceedings</b>		
Section 32 of the MFMA (arising from non-compliance identified during 2016/17)		Under investigation - outcome pending	161,752,309	
Non-compliance with SCM Regulation 36		Under investigation - outcome pending	261,488,063	
Non-compliance with MFMA, SCM regulations and PPP regulations		Under investigation - outcome pending	198,372,995	
Irregular expenditure - non-compliance with MFMA and SCM regulations		Under investigation - outcome pending	701,329,558	
Non-compliance with SCM regulation 32		Under investigation - outcome pending	317,834,291	
Prohibited supplier		Under investigation - outcome pending	94,544	
Irregular taken over from Sandspruit Works Association		Under investigation - outcome pending	42,995,012	
Housing Company Tshwane: Clauses 25,29 and 1 modifications of contract/variation of SCM policy		Board resolved expenditure was a result of oversight from management and instituted an investigation	759,159	
Housing Company Tshwane: Non-compliance with SCM regulations		Will be reported at the next board meeting	710,392	
			<b>1,685,336,323</b>	

### Details of irregular expenditure written off as irrecoverable

-

No irregular expenditure was condoned during 2017/18.

### 50. Regulation 45 disclosure

As per Section 45 of the MFMA SCM regulations (awards to close family members of persons in the service of the state), the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state in the previous 12 months, indicating -

- the name of that person;
- the capacity in which that person is in the service of the state/municipality; and
- the amount of the award.

The information regarding awards made for the financial year is indicated below.

#### Municipality

Employee	Family member and capacity	Value of awards June 2018	Value of awards 30 June 2017
A Springbok (Snr Safety Officer)	V Springbok (Spouse)	514,725	99,390
W J Snyman (Storekeeper)	Z Snyman (Spouse)	-	61,339
Mamouba Rahab (CIC Temp)	Mamouba Rahab Mogano (Spouse)	12,961,044	9,429,035
K A Maremane (Artisan)	M D Mamogobo (Spouse)	-	652,701
T T Phalane (Constable)	M E Phalane (Spouse)	-	188,820
L P Kekana (Temporary worker - EPWP)	N M Kekana (Spouse)	8,892	-
M B Masina (Administrative officer)	B B Masina (Spouse)	331,900	189,320
Mhlupheki Samuel (Supervisor)	M S Mahlangu (Spouse)	33,833,106	29,932,276
Benjamin Zacharia Tsela (Librarian)	J B Tsela (Spouse)	18,607,360	36,178,336
P V Mtshweni (Accountant)	Ikageng Rekopile Komane (Spouse)	-	2,262,943
P D Mabasa (Community Health nurse)	Prudence Malatji (Spouse)	-	5,611,695
Tsakani Vusumusi Tibane	Gwendoline Mpho (Spouse)	19,651	-
Dorah Thoko Mnisi	Gladwin Amos (Spouse)	103,385	-
Josia Masenya	Lebogang Jeanette (Spouse)	23,589	-
Thabang Keabetswe Magodiello	Kholofelo Mmabatho Tredge (Spouse)	21,250	-
		<b>66,424,902</b>	<b>84,605,855</b>

#### Municipal entities:

No awards were made in terms of Regulation 45 during the 2017/18 financial year.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 51. In-kind donations and assistance

No properties were donated during the 2016/17 and 2017/18 financial years.

#### 2017/18:

The Municipality received/supplied the following in-kind donations and assistance during the 2017/18 financial year:

#### Emergency Services:

- \* Fire-fighting training foam from Engen SA (approximate value = R10 000)
- \* Refreshments in the form of food, drinks and fruit from Elardus Park Community during the Garstkloof Landfill site incident (8 - 15 November 2017 (approximate value = R30 000).
- \* Emergency Services: Blankets, mattresses, food parcels in various townships, wards and regions.
- \* Landscaping and paint at station 3 (approximate value = R16 000)
- \* Waiving of fire accounts to the value of R1 236 802
- \* Powerbanks for Girl Child at Work Programme received from Centre of Public Service Innovation (CPSI) (R2 893)
- \* Items distributed to community members requiring emergency relief assistance (60 blankets: 2 mattresses: 2 sanitary packs and 1 food parcel).

#### Roads and Transport:

- \* Roads and Transport department donated an old bus that was to be auctioned to the Laerskool Broederstroom (estimated value = R60 110):

#### Regional Operations - Region 5 (Transport Services):

- \* 3 employees each received a fruit cake (valued at R100 each) and half a lamb (valued at R650) as Christmas gifts and thank you gesture.

#### Health Department:

- \* Sponsored Advanced Health Management Programme (AHMP) course valued at R342 000 to 9 candidates from Foundation for Professional Development.
- \* Sponsored Advanced Certificate in Health Management (ACHM) course valued at R719 900 to 23 candidates from Foundation for Professional Development.
- \* Stipend interns payments valued at R67 200 for 4 interns from Furniture World Private College.
- \* Payment of Central Chronic Medicine Dispensing and Distribution (CCMDD), from Gauteng Department of Health, valued at R18 471 014.
- \* Payment of medicines to clinics, valued at R120 000 000 from Gauteng Department of Health.
- \* Payment of surgical supplies, valued at R1 239 768 from Gauteng Department of Health.
- \* Payment of Post-Basic Pharmacist Assistants, valued at R7 200 000 from National/Gauteng Department of Health.

#### Human Settlements:

Donations received for the Housing Indaba which was held on 18 May 2018:

- \* 22 Jackets to the value of R15 650 from Amibex
- \* 28 Jackets to the value of R20 000 from Dittlou Consulting Engineers
- \* Refreshments for the gala dinner to the value of R50 000 from M I H
- \* Housing Indaba DVD to the value of R43 930 from Amibex.

#### 2016/17:

The Municipality received the following in-kind donations and assistance during the 2016/17 financial year:

#### Region 6: Libraries and Culture:

Sabinet donated R5 000 to Rev J M Buthane for their "Tea for Senior Citizens" in December 2016. The donations were in the form of goods procured from Kit Kat.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 51. In-kind donations and assistance (continued)

#### Emergency Services:

- \* 1 Bottle Glenlivet whisky valued at R310 from Govest Fire
- \* A braaier valued at R1 500 from The Voortrekkers
- \* 300 x Squeeze bottles valued at R6 000 from the Office of the Executive Mayor
- \* 300 x Nedbank T-shirts valued at R24 000 from the Office of the Executive Mayor
- \* 35 x IDDR school bags valued at R6 431.25 from Provincial Disaster Management
- \* Catering services and hire of equipment valued at R16 230 by Fleet Africa for the launching of Heuweloord Fire Station
- \* Catering services and hire of equipment valued at R16 230 by Marce for the launching of Heuweloord Fire Station
- \* Catering services and hire of equipment valued at R12 000 by Primat Construction for the launching of Heuweloord Fire Station
- \* 80 photo frames valued at R4 000 by Global Communications for acknowledgement of long service (30 and 40 years)
- \* Gift pack of Johnnie Walker Black Label Whisky from Mercedes Benz (R500)
- \* Lanyards and laptop sleeves from Centre for Public Service and Innovation (CPSI) as donation for the girls during take a girl child to work programme (R 1 100).

#### Tshwane Airport Services:

- \* Professional Flight Centre- water and flower arrangements (R10 500); food for 200 guests (R40 000) and marquee tent for event (R10 000)
- \* Blue Chip- Petrol for Little Annie (R5 000)
- \* Fly Jetstream- Caps for Children (R5 000)
- \* Ahrlec- Refreshments and petrol for Little Annie (R16 000)
- \* Giovanni's restaurant- caps for children and sweets (R5 000)
- \* Constantia metering- gifts for children and sweets (R5 000).
- \* Signorama- artwork and signs (R5 000)
- \* AME Aviation- hot dogs and hamburgers (R5 000)

#### The Municipality distributed the following in-kind donations and assistance during the 2016/17 financial year:

- # Emergency Services: Blankets, mattresses, food parcels in various townships, wards and regions
- # Emergency Services: Waiving of fire accounts to the value of R647 007
- # Emergency Services: Assistance rendered free of charge to various events to the value of R2 065 222

### 52. Operating leases

The group leases premises (buildings and parking) from various property owners for terms ranging from three to five years with fixed annual escalation ranging from 8% to 10%. The group has the option to extend the agreement for periods ranging between one month and three years.

#### Non-cancelable operating leases- office equipment: Municipality

The City is leasing office equipment for a period of 3 years from various service providers as per the National Treasury Transversal contract- RT3-2015.

#### Housing Company Tshwane:

Operating lease payments represent rentals payable by the entity for its head office. The lease was negotiated for the period of 3 years commencing on 1 October 2014 to 30 September 2017, with an annual escalation of 10%. The second lease for parking bays was negotiated for the period of 28 months commencing on 1 June 2015 to 30 September 2017, with an annual escalation of 10%. The third lease for parking bays was negotiated for a period of 23 months commencing on 1 November 2015 to 30 September 2017, with an annual escalation of 10%. The fourth lease for parking bays was negotiated for the period of 20 months commencing on 1 February 2016 to 30 September 2017, with an annual escalation of 10%. At the end of September 2017, the lease contract was extended on a month to month basis until the bidding process is concluded. These leases have no binding renewal terms. Housing Company Tshwane does not have the option to purchase the building. No contingent rent is payable.

Operating lease payments represent rentals payable by the entity for its copier machine. The lease was negotiated for a term of 3 years commencing from 1 July 2017 to 30 June 2020 and at the end of the lease term the machine reverts back to the owner, Velaphanda Trading and Projects. The lease has no escalation clause per annum for the period of 3 years.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>52. Operating leases (continued)</b>				
<b>TEDA:</b>				
Operating lease liability is the rental of offices used by TEDA situated at : 5th Floor, The Anker Building, 1279 Mike Crawford Road, Centurion for the period of three years starting 1 November 2016. No contingent rent is payable.				
Operating lease asset emanates from sub-letting agreement with the City of Tshwane which allows City of Tshwane permission to utilise the 1st floor of the rented offices used by TEDA, situated at: 349 Witch-Hazel Avenue, Eco Origin Building, Block F, Highveld Extension 70, Centurion, for the period of 27 months starting from 1 May 2014. There are no contingent rentals receivable. The contract ended on 31 October 2016.				
<b>Profit before tax</b>				
Operating lease payment	4,005,783	-	4,005,783	-
<b>Reconciliation - Machinery</b>				
Payable within a year	9,652,406	-	9,652,406	-
Payable within 2 to 5 years	15,306,246	-	15,306,246	-
	<b>24,958,652</b>	<b>-</b>	<b>24,958,652</b>	<b>-</b>
<b>Non-cancelable property leases</b>				
Payable within a year	4,082,372	4,374,186	-	-
Payable within 2 to 5 years	1,434,169	5,625,928	-	-
	<b>5,516,541</b>	<b>10,000,114</b>	<b>-</b>	<b>-</b>
<b>53. Rental income straightlining</b>				
<b>Gross investment in the lease due</b>				
- within one year	11,050,749	13,047,451	11,050,749	13,047,451
- in second to fifth year inclusive	30,095,300	34,329,935	30,095,300	34,329,935
- later than five years	177,520,026	183,959,960	177,520,026	183,959,960
	<b>218,666,075</b>	<b>231,337,346</b>	<b>218,666,075</b>	<b>231,337,346</b>
<b>54. Contingencies</b>				
<b>Indemnification</b>				
Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	82,684,851	74,114,583	82,684,851	74,114,583
The capitalised value as at 31 December 2017 which is calculated by the Department of Labour amounted to R82 684 851. The actual amount is guaranteed with a bank guarantee during 2017/18.				
<b>Guarantees issued</b>				
Guarantees issued in favour of Eskom	213,500	213,500	213,500	213,500
<b>Insurance claims</b>				
Pending claims iro asset-, motor own damage: contractors and electricity claims	85,497,147	102,872,223	85,497,147	102,872,223
Pending claims iro public liabilities	791,576,638	755,684,670	791,576,638	755,684,670
	<b>877,073,785</b>	<b>858,556,893</b>	<b>877,073,785</b>	<b>858,556,893</b>
Above-mentioned insurance claims originated before 30 June. The payment of claims against the City is provided for in the Self Insurance Reserve, which as at 30 June 2018 has a balance of R262 093.				

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 54. Contingencies (continued)

#### Litigation matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable.

Amounts have not been provided in certain cases as the court has not yet determined a value - these cases are listed separately below. The claims where amounts are available are disclosed in the table below.

#### a. General litigation

##### Housing and Sustainable Human Settlement Development Department:

###### Case 1:

Claim for compensation by a land owner in Soshanguve. The land owner alleges that the City of Tshwane allowed a squatter camp to develop on privately owned land. Owner now wants compensation arguing constructive expropriation.

###### Case 2:

Summons has been issued and an appearance to defend has been entered. The crux of the action is to compel the City of Tshwane to allocate land to persons listed in the summons as former residents of Lady Selbourne as mentioned in the summons. A closer look at the summons revealed that looking at the dates of birth of those people; they could never have been former residents of that area. Awaiting court date. Amount claimed cannot be estimated.

##### Group Financial Services

###### Case 3:

Review application to set aside the smart meter project. Afrisake brought the application. Court has ruled on the invalidity of the contract. The issue of just and equitable remedy still needs to be determined by the Court. The PEU infrastructure need to be decided on.

##### Group Human Capital Management:

###### Case 4:

Labour dispute: City of Tshwane had an agreement with UNISA in terms of which the City of Tshwane provided buses to UNISA for transporting UNISA employees. The buses were driven by UNISA employees. UNISA in turn paid the City of Tshwane a fee. When the contract between UNISA and the City of Tshwane was terminated, the driver lodged a dispute for termination of employment. They are seeking remuneration either from UNISA or the City of Tshwane, depending on who is found to have been the employer. Value of the claim cannot be estimated at this stage.

###### Case 5:

Unfair labour practices: Various cases in arbitration or Labour Court stage. Amounts not quantified.

###### Case 6:

The applicant brought an application against the City of Tshwane and the City Manager for an order declaring that the City of Tshwane should contribute towards the monthly premium aid scheme after their retirement in terms of the applicable pension rules. Applicant wants an order declaring that the Municipality has a contractual obligation to contribute towards premiums payable by retired employees towards the medical aids. The matter is being defended and the Municipality is preparing for trial. Amount claimed cannot be estimated.

###### Case 7:

Application to review an award granting employee a fixed travelling allowance. Amount claimed cannot be estimated.

###### Case 8:

Unfair dismissal application for review of an award for reinstatement and back pay. Amount claimed cannot be estimated.

###### Case 9:

Review of an award granting employee compensation, amounting to three months' salary. Amount claimed cannot be estimated.

###### Case 10:

Claim for promotion. Amount cannot be determined at this stage.

###### Case 11:

Unfair dismissal review application of an arbitration award for reinstatement and compensation. Amount cannot be determined at this stage.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 54. Contingencies (continued)

Case 12:

Dispute regarding the compulsory deduction of leave days during festive season. The City of Tshwane opted to defend this matter. Amount cannot be determined at this stage.

Case 13:

Unfair dismissal application for review of an award for reinstatement and back pay. Amount cannot be determined at this stage.

#### Group Utility Services:

Case 14:

Personal injury allegedly caused by Council's negligence by leaving cables hanging and the substation's door open and as a result a young boy was electrocuted and his body sustained 90 degree burns. Claim value cannot be estimated at this stage.

Case 15:

Claim for variation escalation. Amount cannot be determined at this stage.

#### Group Roads and Transport:

Case 16:

Variation exceeding 15% on contract CB49/2012. Amount cannot be determined at this stage.

#### Tshwane House Contingencies:

##### Default terminations:

The default termination comprises the default terminations as per the service concession arrangement between the City of Tshwane and Tshela Tsweu Consortium (TTC). The termination scenarios are as follows:

##### Scenario 1: Termination pursuant to the City of Tshwane default prior to expiry of the concession period

Termination pursuant to the City default over the life of the project given equal probabilities is R747 million.

##### Scenario 2: Termination for Private Party default

If at any time during the concession period the City of Tshwane terminates the public-private partnership pursuant to a default by Tshela Tsweu Consortium (TTC), the City of Tshwane will be obliged to pay TTC a compensation amount. The expected contingent liability for Private Party default, given the equal probabilities is R540 million.

##### Scenario 3: Termination for Force Majeure

If the PPP agreement is terminated by the City of Tshwane or TTC as a result of a Force Majeure event, the City of Tshwane is obliged to compensate TTC a Force Majeure termination amount. The expected contingent liability for Force Majeure default over the life of the project, given equal probabilities is R663 million.

##### Scenario 4: Termination for Corrupt Acts and Fraud

If the City of Tshwane terminates the public-private partnership agreement pursuant to corrupt gifts and payments, the City of Tshwane shall be liable to pay TTC a termination amount. The expected contingent liability under Corrupt Acts default scenario over the life of the project, given equal probabilities is R613 million.

There is uncertainty as to the timing of any of the termination scenarios, therefore simulation was used to arrive at the expected contingent liability.

#### Municipal entities

##### Housing Company Tshwane:

Case 1:

Housing Company Tshwane has terminated the employment contract of the previous COO due to misconduct, and the matter has been referred to arbitration by the claimant. At this point in time the outcome of the case cannot be quantified as to whether the entity will be liable for settlement or not.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 54. Contingencies (continued)

#### Contingent assets

##### Housing Company Tshwane:

During the previous three financial years (2016 to 2018) the entity has paid output VAT amounting to R13 250 951 to SARS on the capital grant received from both Social Housing Regulatory Authority (SHERPA) and City of Tshwane. During the VAT audit it was discovered that the entity incorrectly submitted VAT invoices to both SHRA and the City of Tshwane which is in contravention of Section 11(2) of the VAT Act. Furthermore, in the previous three financial years (2015 to 2017), the entity also claimed input VAT on the apportionment rate method amounting to R5 146 729.62 without SARS' approval on the apportionment method which might pose a risk of SARS claiming back this amount from the entity.

The entity has written a letter to SARS indicating what has transpired and at this point it is not guaranteed whether SARS will refund what has been paid or not, but if the matter has to be resolved amicably between the two parties without any challenges, SARS will have to pay the entity R8 134 221.38.

##### Litigation (as at 30 June 2018)

	Short description of cases	
Group Economic Development and Spatial Planning	Expropriation: Compensation not paid	2,044,660
Housing and Sustainable Human Settlement Development	Winterveld expropriation: Claiming additional compensation	790,000
Housing and Sustainable Human Settlement Development	Expropriation: Claiming additional compensation	790,000
Housing and Sustainable Human Settlement Development	Claim for payment of occupational rent/constitutional damages as well as declaratory order	14,100,000
Housing and Sustainable Human Settlement Development	Claim for compensation by land owner in Soshanguve due to squatter camp on privately owned property.	16,925,581
Housing and Sustainable Human Settlement Development	Claim for interest on amount payable for compensation of expropriation of servitude on portion 241 Wonderboom 302 JR	371,900
Housing and Sustainable Human Settlement Development	Claim for compensation due to City or its officials encouraging/supporting unlawful invasion and occupation of a farm. Claim or compensation in terms of the Expropriation Act	3,500,000
Housing and Sustainable Human Settlement Development	Claim for compensation due to City or its officials encouraging/supporting unlawful invasion and occupation of a farm. Claim or compensation in terms of the Expropriation Act	3,500,000
Housing and Sustainable Human Settlement Development	Himalya Heights: Claim for levies in respect of a sectional unit owned by the City of Tshwane	11,578
Housing and Sustainable Human Settlement Development	Himalya Heights: Claim for levies in respect of a sectional unit owned by the City of Tshwane	10,172
Group Financial Services	Claiming interest due to incorrect clearance memorandum issued	80,000
Group Financial Services	Claim for refund of moneys paid to obtain clearance certificates	117,246
Group Financial Services	Damages and refund claim: Incorrect clearance certificate. Plaintiff to apply for trial date.	71,296
Group Financial Services	Breach of contract: Work to have been done before 2010 Soccer World Cup. Department alleges that work was never done.	33,594
Group Financial Services	Payment for services: Summons was issued in this matter. Dispute regarding claim. Negotiations to resolve the matter took place and matter is still pending.	2,622,000
Group Financial Services	Demand for legal fees for debt collection: Services of firm of attorneys. Apparently, the Municipality verbally (orally engaged the services of) instructed attorneys in September 2005 to do debt collection on behalf of the Municipality and that the municipality owes the legal firm. The matter is defended.	1,657,251
Group Financial Services	Claim for refund: Overcharged for water. Municipality has filed a plea.	5,111,360
Group Financial Services	Claim for damages: Tenant did not pay for services. Matter is defended. Trial date awaited.	1,097,937

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>54. Contingencies (continued)</b>				
Group Financial Services				20,274
Group Financial Services				45,307
Group Financial Services				288,789
Group Financial Services				265,661
Group Financial Services				22,679
Group Financial Services				11,079
Group Financial Services				465,332
Group Financial Services				20,380
Group Financial Services				452,960
Group Financial Services				66,720
Group Financial Services				1,631,706
Group Human Capital Management				3,221,995
Group Human Capital Management				100,000
Group Human Capital Management				92,595
Group Human Capital Management				850,884
Group Human Capital Management				159,705
Group Human Capital Management				796,680
Group Human Capital Management				97,734
Group Human Capital Management				42,000
Group Human Capital Management				2,500,000
Group Human Capital Management				5,464,800
Group Human Capital Management				8,000,000
Group Human Capital Management				649,017
Group Human Capital Management				327,211
Group Human Capital Management				338,848
Group Human Capital Management				1,000,000
Group Human Capital Management				67,099

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>54. Contingencies (continued)</b>				
Group Human Capital Management				1,000,000
Group Human Capital Management				100,000
Group Human Capital Management				850,884
Group Shared Services				93,938,490
Group Shared Services				305,830
Group Shared Services				6,000,000
Group Shared Services				7,378,320
Group Shared Services				1,245,098,482
Group Utility Services				2,858,037
Group Utility Services				6,683,428
Group Utility Services				98,724
Group Utility Services				1,401,516
Group Utility Services				159,219
Group Utility Services				952,952
Group Utility Services				623,491
Group Utility Services				2,705,431
Group Utility Services				2,081,409
Group Utility Services				4,607,784
Group Utility Services				4,314,672
Group Utility Services				951,078
Group Audit and Risk				11,286,644
Group Roads and Transport				29,238

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>54. Contingencies (continued)</b>				
Group Roads and Transport				120,000
Group Roads and Transport				100,000
Group Roads and Transport				25,762,057
Group Roads and Transport				30,390,000
Group Roads and Transport				137,082
Group Roads and Transport				690,446
Group Roads and Transport				4,943,153
				432,221
Group Environment and Agriculture Management				1,120,885
Group Environment and Agriculture Management				1,210,877
Group Environment and Agriculture Management				2,299,500
Group Environment and Agriculture Management				200,813
Group Environment and Agriculture Management				158,232
Group Environment and Agriculture Management				162,589
Community Safety - Metro Police				16,720,095
Health and Social Development				64,994
Office of the Executive Mayor				4,900,000
Office of the Speaker				2,360,610
Group Property Management				51,000,000
Group Property Management				16,446,218
Group Property Management				10,000,000
Group Property Management				172,794
Community and Social Development				23,157,240
Group Communications and Marketing				1,263,800
				750,000
				90,000

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>54. Contingencies (continued)</b>				
Housing Company Tshwane		Contractor for construction and development of social housing units in Marabastad failed to deliver the required units. Contract was terminated. Contractor disputes the termination. Housing Company is in the process of sourcing legal opinion.		41,654,855
				<b>1,709,568,120</b>
<b>55. Change in estimate</b>				
<b>Property, plant and equipment</b>				
	The useful life of all asset classes was reviewed and adjusted during 2016/17 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 13 under property, plant and equipment for a discussion on the basis on which the review of useful life was done.			
	The effect of changing the remaining useful life of assets for the Municipality during 2017/18 has decreased the depreciation charge for the current and future periods. The total number of assets affected was 968 498.			
	TEDA:			
	During 2017/18 TEDA reviewed the useful life of its assets using the indicator-approach. Motor vehicles were reviewed, and the useful life was increased to 7 years.			
	<b>Effect of change in estimates</b>			
Municipality: All asset classes	(61,289,092)	(62,064,252)	(61,289,092)	(62,064,252)
TEDA: Property, plant and equipment	(143,841)	24,032	-	-
	<b>(61,432,933)</b>	<b>(62,040,220)</b>	<b>(61,289,092)</b>	<b>(62,064,252)</b>
<b>56. Deviation from Supply Chain Management Regulations</b>				
	Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.			
	Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the consolidated annual financial statements.			
	In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:			
	<ul style="list-style-type: none"> <li>• In an emergency</li> <li>• If such goods or services are produced or available from a single provider only</li> <li>• For the acquisition of special works of art or historical objects where specifications are difficult to complete</li> <li>• Acquisition of animals for zoos and/or nature and game reserves</li> <li>• In any other exceptional case where it is impractical or impossible to follow the official procurement processes</li> </ul>			
	<b>Deviation from tender and quotation process:</b>			
	* Sole suppliers			
	* Emergency			
	* Impracticality			
	In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by the Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by the Council in terms of the delegations as stipulated in the Supply Chain Management Policy. They amount to approximately the following:			
	<b>Deviation from tender process (amounts above R200 000)</b>			
Emergency	2,430,971	21,298,280	2,430,971	21,298,280
Sole providers	69,655,013	186,745,722	69,655,013	186,745,722
Other exceptional cases	17,611,981	899,612,643	17,611,981	899,612,643
Housing Company Tshwane	22,076,926	87,111,102	-	-
TEDA - Contracts extended on month to month basis	814,980	2,587,694	-	-
	<b>112,589,871</b>	<b>1,197,355,441</b>	<b>89,697,965</b>	<b>1,107,656,645</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>56. Deviation from Supply Chain Management Regulations (continued)</b>				
<b>Deviation from quotation process</b>				
Sole providers	92,986	-	92,986	-
Housing Company Tshwane - emergency	279,661	158,282	-	-
TEDA: reappointment of service provider	-	142,100	-	-
	<u>372,647</u>	<u>300,382</u>	<u>92,986</u>	<u>-</u>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 57. Budget differences

#### Material differences between budget and actual amounts (municipality only)

It is general practice to deem a 10% deviation on operational revenue and expenditure versus the final budget as material. For capital expenditure, the percentage deviation is 5%.

#### 2017/18 financial year

The following revenue and expenditure line items showed a material variance for the year ending 30 June 2018 against the adjustments budget:

#### Other own revenue category:

- Government grants and subsidies (2,8% under) - spending of transfers and grants did not realise as indicated on the payment schedules.
- Service charges (2,9% under) - this line item is based on the usage of services by consumers and did not realise as anticipated during the budgeting process.
- Rental of facilities and equipment (17,2% under) - this line item is based on demand from users of the facilities and equipment.
- Interest on external investments (109,4% over) - increase in interest earned due to increase in investments held.
- Interest on outstanding debtors (33,9% over) - overrecovery is due to an increase in levying of interest on long overdue accounts.
- Fines (22,4% under) - this is due to the IGRAP1 accounting requirements on AARTO fines, non-payment of fines and backlog in capturing of fines on the e-Natis system.
- Public contributions (67,0% under) - due to less contributions received than originally anticipated and is dependent on township development and rezoning applications.
- Licenses and permits (3,6% under) - underrecovery is due to the number of licenses renewed and permit applications not realising as anticipated.

#### Expenditure category:

- Employee-related cost (5,6% under) - due to savings in respect of vacancies.
- Debt impairment (50,8% over) - over expenditure is due to adequacy testing at year end and change in calculation method at year end.
- Transfers and grants (10,6% under) - this is due to payments to municipal entities not yet made at year end.
- Depreciation (9,6% over) - this is due to the purification of the asset register and review of useful lives at year end as well as correction of calculation errors on finance leases.
- Other expenditure (4,2% under) - due to the fact that not all of the expenses budgeted realised as anticipated.
- Contracted services (29,5% under) - due to contract services not realising as planned.
- Other materials (10,8% under) - due to expenditure which did not realise as anticipated.
- Finance cost (15,8% over) - due to payment of interest being higher than anticipated during the budget due to taking up short-term loans during the year.

#### Capital expenditure:

- The capital expenditure shows a 82,0% spending level against the total budget for the period ending 30 June 2018 as various capital projects did not start or the expenditure on the work was slow.

#### Changes from the approved budget to the final budget (municipality only)

The mid-year budget review report approved by the Council on 22 February 2018 indicated the necessity for an adjustments budget for the 2017/18 financial year for, inter alia, the following:

- The actual operating revenue realised, excluding capital transfers and contributions to the City of Tshwane reflected an under recovery of R939 million for the period ended 31 December 2017, mainly on service charges, water revenue and transfers and subsidies.
- In terms of the mid-term results, the operating expenditure is under spent by R2 billion, most of the expenditure is committed and spending will improve in the third quarter.
- The mid-term performance results indicate that an adjustment budget is necessary mainly to --
  - \* address possible overspending in certain line items;
  - \* address the impending shortfall on the service charges revenue;
  - \* adjust expenditure in line with anticipated revenue to be realised;
  - \* authorise the utilisation of projected savings in one vote towards spending under another vote;
  - \* appropriate roll-over grants that were approved during the financial year;
  - \* appropriate additional grant funding that have been received; and
  - \* reprioritise budget allocations, correct errors and transfer budget allocations so that funding reflects against the correct functions aligned to the new micro organisational structure.

The Council approved the 2017/18 Original Revenue Budget to the amount of R30.226 billion which was increased by R0,451 billion to R30,676 billion (increase of 0,14%). Furthermore, the total expenditure of R29.995 billion was increased by an amount of R679,575 million to R30,674 billion (increase of 2,3%). As a result the budgeted surplus (before capital transfers) of R226,939 million was decreased to R35,048 million deficit, indicating that contractual obligations compromised the downscaling of expenditure.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>58. Distribution losses: Water</b>				
<b>Non-revenue water (NRW) - kilolitre</b>				
Technical	70,962,559	53,207,780	70,962,559	53,207,780
Non-technical	17,740,640	13,301,945	17,740,640	13,301,945
Sandspruit: Technical	-	1,557,032	-	-
Sandspruit: Non-technical	-	5,410,174	-	-
	<b>88,703,199</b>	<b>73,476,931</b>	<b>88,703,199</b>	<b>66,509,725</b>
<b>Non-revenue water (NRW) - Rand value</b>				
Technical	591,470,823	402,436,719	591,470,823	402,436,719
Non-technical	147,867,706	100,609,180	147,867,706	100,609,180
Sandspruit: Technical	-	13,063,498	-	-
Sandspruit: Non-technical	-	45,391,360	-	-
	<b>739,338,529</b>	<b>561,500,757</b>	<b>739,338,529</b>	<b>503,045,899</b>

Water is supplied to Tshwane from Rand Water and the City's own water sources. Monthly meter readings of the supply are used to monitor the total gross supply. Monthly meter readings of water exported to the neighbouring municipalities are used to calculate the net water input into the city.

Water-loss is monitored, managed and controlled by the implementation of the Water Conservation and Water Demand Management strategies. The primary outcome of these strategies is to reduce -

- \* technical losses (where not all water supplied reached the consumer); and
- \* financial losses (where not all water reaching the consumer is paid for).

These losses are caused by -

- real losses (physical loss of water from the system); and
- apparent losses (losses due to meter inaccuracies, meter estimations, non-metering of water and unauthorised consumption - this is water consumed but not properly measured, accounted and paid for).

From the above, water loss in the city is determined by calculating the amount of non-revenue water (NRW), which is the difference between the volume of water supplied into the system and the authorised consumption.

Activities undertaken by the Water and Sanitation Division involve the continuous investigation of various factors leading to water loss and the implementation of various initiatives to assist with the reduction of non-revenue water. These investigations with subsequent mini projects are often cross-region initiatives where work performed in one region directly affects other regions. The initiatives include the following:

- \* Network analysis of existing systems
- \* Monitoring and logging of pressures and flows
- \* Engineering investigations in problematic areas
- \* Pressure management - installation and setting of PRVs and/or PRV controllers
- \* Domestic and commercial meter audits and meter replacements
- \* Active leak detection by locating water leaks using various methods and equipment
- \* Continuous meter audits

For the 2017/18 financial year the NRW in the city was calculated at 88 703 199 kl (27,89% of the total input into the system). This indicates a deterioration of NRW in the city when compared to June 2017 when the NRW was 66 509 725 kl (23,66% of the total input into the system). The losses in R-value amount to R739 338 528 (2017 = R503 045 898). The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R8.334970 for 2017/18 and R7,563494 for 2016/17.

For the 2016/17 financial year the NRW in the city was calculated at 66 509 725 kl (23,66% of the total input into the system). This indicates an improvement of NRW in the city when compared to June 2016 where the NRW was 74 574 943 kl (23,53% of the total input into the system). The losses in R-value amounts to R503 045 898. The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R7,563494 for 2016/17.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>59. Distribution losses: Electricity</b>				
<b>Distribution loss: kWh</b>				
Technical	683,712,084	692,388,294	683,712,084	692,388,294
Non-technical	1,301,006,422	1,343,233,290	1,301,006,422	1,343,233,290
	<b>1,984,718,506</b>	<b>2,035,621,584</b>	<b>1,984,718,506</b>	<b>2,035,621,584</b>
<b>Distribution loss: Rand value</b>				
Technical	525,214,233	531,874,218	525,214,233	531,874,218
Non-technical	999,407,654	1,031,835,982	999,407,654	1,031,835,982
	<b>1,524,621,887</b>	<b>1,563,710,200</b>	<b>1,524,621,887</b>	<b>1,563,710,200</b>

### 2017/18:

The electricity distribution loss for the 2017/18 financial year is calculated at 1 984 718 505 kWh (20.32 % of the total electricity bulk purchases). The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

### 2016/17:

The electricity distribution loss for the 2016/17 financial year is calculated at 2 035 621 584 kWh (20.58% of the total electricity bulk purchases). The annual electricity distribution losses are made up of technical and non-technical losses, which are the difference between electricity purchased and electricity sold.

### Non-technical losses

Non-technical losses are, amongst others, the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections that form part of illegal consumption, faulty meters, etc. The acceptable industry standard for the technical losses is between 5% and 6%, and 9% for non-technical losses.

For the 2017/18 financial year the value of non-technical losses amounts to R999 407 654 or 1 301 006 422 kWh based on the cost per unit purchased, namely 76,82 c/kWh.

For the 2016/17 financial year the value of non-technical losses amounts to R1 031 835 982 million or 1 343 233 290 kWh based on the cost per unit purchased, namely 76,82 c/kWh.

The City of Tshwane's Services Infrastructure Department is currently busy with the following initiatives to reduce the non-technical losses:

- Installation of non-intrusive meter boxes
- Auditing of metering installation
- Installation of smart meters
- Regular illegal cable removal operations

### Technical losses

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer, and the wires (copper or aluminium) being used to distribute electricity which resist the throughput of current. As a result there is a certain portion of electricity that is lost due to distribution. The NERSA acceptable figure for a network like that of the City of Tshwane is estimated to be 7%.

For the 2017/18 financial year the value of technical loss amounts to R525 214 233 or 683 712 084 kWh based on the cost per unit purchased, namely 76,82 c/kWh.

For the 2016/17 financial year the value of technical loss amounts to R531 874 218 or 692 388 294 kWh based on the cost per unit purchased, namely 76,82 c/kWh.

The City of Tshwane's Services Infrastructure Department is further also busy addressing the technical losses by-

- refurbishing and replacing old equipment in the network; and
- strengthening overhead lines.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 60. Service concession arrangements

#### Tshwane Broadband Network:

The City of Tshwane has entered into a build operate and transfer agreement with Newshelf 1327 (Pty) Ltd (in the process of being renamed as Thobela Telecoms (RF)(Pty) Ltd, to finance, construct and operate a municipal broadband network. This agreement will be subject to review once every three (3) years. The service provider is appointed to build the network and to provide the operate services, additional services and maintenance services to the City of Tshwane.

The private party will obtain project finance for the build phase of the network and once the minimum threshold is achieved, the Municipality shall make payment to the private party on the basis set out in the agreement. From the effective date until the acceptance date of the last section of the Network Built ("First phase") the municipality commits to pay a monthly amount to the service provider as calculated in the formula set out in clause 37.2 (the "Build Payment Formula"). This payment will only start once the minimum threshold is achieved. The City has requested the High Court to review the above transaction. The matter was heard in court in May 2018 and the parties are awaiting the judgement of the High Court.

#### Tshwane House:

The City of Tshwane has entered into a service concession agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years was for the construction of the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement, ownership of the building will pass to the City of Tshwane. The agreement is in the second year of the operational stage. Occupation took place in June 2017.

For the 2016/17 financial statements the building was 100% complete and occupation took place in June 2017. The value of the asset and liability as at 30 June 2017 amounted to R1 123 634 344 and R1 068 600 687 respectively.

For the 2017/18 financial year to date the value of the asset and liability amounted to R1 085 970 623 and R1 122 836 203 respectively.

The service concession liability in respect of Tshwane House is indicated below:

<b>Minimum future payments</b>				
No later than one year- service concession	231,833,333	243,812,532	231,833,333	243,812,532
No later than one year- operational cost	3,915,771	3,809,261	3,915,771	3,809,261
Later than one year but not later than 5 years	1,330,066,878	1,163,578,584	1,330,066,878	1,163,578,584
Later than 5 years	8,183,967,677	8,261,371,449	8,183,967,677	8,261,371,449
Less: Future finance charges on finance lease	(7,403,010,228)	(7,327,086,513)	(7,403,010,228)	(7,327,086,513)
Less: Future service cost on finance lease	(1,223,937,229)	(1,276,884,626)	(1,223,937,229)	(1,276,884,626)
<b>Present value of finance lease liability</b>	<b>1,122,836,202</b>	<b>1,068,600,687</b>	<b>1,122,836,202</b>	<b>1,068,600,687</b>
<b>Present value of service concession liability</b>				
No later than one year - service concession	(49,040,375)	(10,493,669)	(49,040,375)	(10,493,669)
No later than one year - operational cost	3,915,771	3,809,261	3,915,771	3,809,261
Later than one year but not later than 5 years	(257,172,692)	(269,284,696)	(257,172,692)	(269,284,696)
Later than 5 years	1,425,133,499	1,344,569,791	1,425,133,499	1,344,569,791
	<b>1,122,836,203</b>	<b>1,068,600,687</b>	<b>1,122,836,203</b>	<b>1,068,600,687</b>
Fair value of liability (amortised cost ie present value)	1,122,836,203	1,068,600,687	1,122,836,203	1,068,600,687
Collateral held on the above service concession (Net book value of assets) (Refer to Note 13 - Tshwane House)	1,085,970,623	1,123,634,344	1,085,970,623	1,123,634,344

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 60. Service concession arrangements (continued)

#### Denneboom Station Public Transport Interchange:

The City of Tshwane Metropolitan Municipality entered into a service concession and lease agreement with the Concessionaire (Interdent Management Services (Pty) Ltd.) on 7 September 2012 in terms of which the Concessionaire obtained the right to lease Erven 35385, Mamelodi, Extension 13; Erf 40331 Mamelodi Extension 24 and Portion 2 of Erf 19687, Mamelodi (the Properties) and to develop the properties at its cost as an interchange for public transport and for commercial purposes for its own cost and account. The City will throughout the currency of the agreement, retain the full and undisturbed right to regulate, manage and administer the taxi operations through, over or on the interchange and the allocation or lease of bus or taxi rank space and holding areas on the properties.

Interdent Management Services is granted the right to earn revenue from third-party users of the service concession asset as they are entitled to rent for their own account lettable space in the Interchange to users. Interdent also receives a non-cash compensation from the City by getting a rebate from property rates. The City does not incur a cost directly for acquiring the service concession asset as the development will be funded by a private developer.

Upon the termination of the service concession for whatever reason, whether as a consequence of the effluxion of time or otherwise, all buildings and other permanent structures on the interchange shall remain the property of the City. The service concession agreement will lapse after 29 years and 11 months.

Construction commenced in September 2016 and the fair value as at 30 June 2018 being the cost of construction of the building was calculated and stated to be R378 474 359.29. This is also the value of the asset and liability as at 30 June 2018.

The restated value for the 2016/17 financial year for the asset and liability is R192 606 210.53.

The lease term is also 29 years and 11 months as from the effective date and the rental payable by Interdent Management Services (Pty) to the City of Tshwane is R1 per month. As the rental receivable by the City from Interdent is not material, disclosure thereof has been omitted purposely.

#### The service concession liability in respect of Denneboom Station Public Transport Interchange is indicated below:

##### Denneboom service concession liability

Denneboom Station Public Transport Interchange	378,474,359	192,606,211	378,474,359	192,606,211
--	-------------	-------------	-------------	-------------

##### Denneboom service concession asset

Land	1,854,770	1,800,000	1,854,770	1,800,000
Denneboom Station asset under construction	378,474,359	192,606,211	378,474,359	192,606,211
	<b>380,329,129</b>	<b>194,406,211</b>	<b>380,329,129</b>	<b>194,406,211</b>

##### Total service concession liability

Current liability	55,470,190	57,645,018	55,470,190	57,645,018
Long-term liability	1,445,840,372	1,203,561,880	1,445,840,372	1,203,561,880
	<b>1,501,310,562</b>	<b>1,261,206,898</b>	<b>1,501,310,562</b>	<b>1,261,206,898</b>

##### Total service concession liability

Tshwane House	1,122,836,202	1,068,600,687	1,122,836,203	10,686,001,687
Denneboom Station Public Transport Interchange	378,474,359	192,606,211	378,474,359	192,606,211
	<b>1,501,310,561</b>	<b>1,261,206,898</b>	<b>1,501,310,562</b>	<b>10,878,607,898</b>

##### Total service concession asset (included in Note 13)

Tshwane House	1,085,970,623	1,123,634,344	1,085,970,623	1,123,634,344
Denneboom Station Public Transport Interchange	380,329,129	194,406,211	380,329,129	194,406,211
	<b>1,466,299,752</b>	<b>1,318,040,555</b>	<b>1,466,299,752</b>	<b>1,318,040,555</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>61. Impairment of assets</b>				
<b>Impairments</b>				
Property, plant and equipment (refer to Note 13)	70,133,383	2,714,186	70,133,383	2,714,186
Intangible assets (refer to Note 15)	-	12,664	-	12,664
Heritage assets (refer to Note 16)	164,616,797	-	164,616,797	-
	<b>234,750,180</b>	<b>2,726,850</b>	<b>234,750,180</b>	<b>2,726,850</b>
<b>2017/18:</b>				
Assets were impaired according to specific indicators such as its physical condition. The main class of assets affected by impairment losses is movable assets. For the 2017/18 year included in the impairment figure is also impairment on assets under construction (AUC).				
<b>62. Contracted services (refer to Note 68)</b>				
Consultant fees	25,607,492	65,660,553	24,045,163	56,611,858
Professional services	101,301,667	215,887,251	101,301,667	215,887,251
IT services	66,469,436	73,584,577	66,469,436	73,584,577
Labour services	292,498,270	373,651,214	292,498,270	362,268,772
Housing services	182,018,768	145,838,067	182,018,768	145,838,067
CCTV	31,282,970	39,993,073	31,282,970	39,993,073
Electricity services and network	307,130,553	336,410,630	307,130,553	336,410,630
Household refuse removal	418,804,304	473,609,489	418,804,304	473,609,489
Transport and roads	107,691,066	82,350,622	107,691,066	82,350,622
Cleaning services	15,404,788	21,629,448	15,404,788	21,629,448
Rudimentary services	131,599,914	129,460,842	131,599,914	129,460,842
Sewerage services and networks	13,706,941	8,624,879	13,706,941	8,624,879
Restrictions: credit control	10,590,832	20,606,256	10,590,832	20,606,256
Water network services	118,560,850	137,570,502	118,560,850	137,570,502
Traffic control	18,323,416	27,431,573	18,323,416	27,431,573
Buildings	69,303,782	68,695,959	69,303,782	68,695,959
Other	600,395,706	624,337,826	576,680,868	599,155,069
	<b>2,510,690,755</b>	<b>2,845,342,761</b>	<b>2,485,413,588</b>	<b>2,799,728,867</b>
<b>63. Repair and maintenance</b>				
Contracted services	555,608,503	640,310,051	555,608,503	640,310,051
General expense	503,839,136	429,938,030	503,839,136	429,938,030
Other materials	8,257,539	5,385,479	8,257,539	5,385,479
Sandspruit: General expense	-	3,204,122	-	-
Housing Company: General expense	16,244	5,067	-	-
TEDA: General expense	4,548	15,390	-	-
	<b>1,067,725,970</b>	<b>1,078,858,139</b>	<b>1,067,705,178</b>	<b>1,075,633,560</b>
<b>Repair and maintenance per asset class</b>				
Property, plant and equipment	996,209,756	1,001,153,832	996,188,964	997,929,253
Investment property	83,570	273,177	83,570	273,177
Intangible assets	71,432,644	77,431,130	71,432,644	77,431,130
	<b>1,067,725,970</b>	<b>1,078,858,139</b>	<b>1,067,705,178</b>	<b>1,075,633,560</b>
<b>64. Fair value adjustments</b>				
Game and livestock	5,807,772	2,214,710	5,807,772	2,214,710
Interest rate swaps	(12,440,173)	(21,070,051)	(12,440,173)	(21,070,051)
Financial assets at fair value				
• Sinking fund	(86,227,387)	-	(86,227,387)	-
	<b>(92,859,788)</b>	<b>(18,855,341)</b>	<b>(92,859,788)</b>	<b>(18,855,341)</b>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 65. Going concern

We draw attention to the fact that at 30 June 2018, the Group had an accumulated surplus of R24 877 571 543 group's total assets exceed its liabilities by R25,116,961,139. The difference consists of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R239 389 596.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are that the accounting officer continue to monitor and manage the expenditure levels and cash flow projections. Strict credit control measures and the management of the payment levels of debtors are also factors that must be closely monitored and managed. The liquidity and solvability ratios are also strictly monitored and managed.

#### Liquidity and solvability ratios

Current ratio (current assets vs current liabilities)	0.82 : 1	0.76 : 1	0.82 : 1	0.76 : 1
Acid test ratio (current assets less inventory vs current liabilities)	0.76 : 1	0.69 : 1	0.76 : 1	0.69 : 1
Solvability ratio (total assets vs total liabilities)	1.95 : 1	1.89 : 1	1.95 : 1	1.89 : 1
Gearing ratio (total long-term debt to total revenue less grants) (%)	39.28	42.09	39.28	42.09
Debtors collection rate (%)	88.78	90.98	88.78 %	90.98 %
Cash/cost coverage ratio (months)	1.27	1.00	1.27	1.00
Liquidity ratio (cash and cash equivalents vs current liabilities)	0.24	0.20	0.24	0.20
Net debtor days	66days	67 days	66 days	67 days

The current ratio and cost coverage ratios indicates that the City is still under severe pressure from a liquidity point of view. These ratios to be considered normal, represent a shortfall of approximately R8 billion in current assets of which R4 billion should be in the form of unencumbered cash and cash equivalents. The non-achievement of the 95% debtor collection rate also impacts on the available cash flow. Based on these conditions there is a material uncertainty, and therefore, the municipality may be unable to realise its assets and discharge its liabilities in the normal course of business. Based on these, the City committed to drafting a financial sustainability plan during the compilation of the 2017/18 MTREF budget process. The financial sustainability plan was approved by Council with the Annual Report for incorporation into the 2017/18 adjustment budget process and the 2018/19 MTREF.

#### Municipal entities:

##### TEDA:

There is no intention by the shareholder to liquidate the entity, cease operations or transfer the functions and activities of the entity. The entity's business plan and budget for 2018/19 was approved by the shareholder which guarantees TEDA's existence in the foreseeable future.

##### Housing Company Tshwane:

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is the support from the parent municipality and the City of Tshwane has no intention to liquidate the entity. The entity is generating additional revenue by renting out the advertising space at Eloff Building.

### 66. Actual operating expenditure versus budgeted operating expenditure

For additional information on the comparison of actual operating expenditure versus budgeted expenditure, please refer to Appendix C, D and E.

### 67. Actual capital expenditure versus budgeted capital expenditure

For additional information on the comparison of actual capital expenditure versus budgeted expenditure, please refer to Appendix F.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>68. Expenditure by National Treasury classification</b>				
<b>Expenditure type</b>				
Employee-related cost	8,161,932,015	8,022,603,382	8,136,795,743	7,883,278,269
Remuneration of Councillors	123,785,928	115,513,604	123,785,928	115,513,604
Debt impairment	1,714,178,382	1,417,202,205	1,712,997,942	1,270,227,002
Depreciation and amortisation	2,043,501,122	1,588,749,856	2,041,795,887	1,584,284,100
Finance charges	1,696,562,764	1,317,500,240	1,686,312,742	1,300,990,135
Bulk purchases	9,799,186,870	9,560,457,810	9,802,765,758	9,560,457,810
Other materials	324,142,492	270,078,103	324,142,492	270,078,103
Contracted services (refer to Note 62)	2,510,690,756	2,845,342,761	2,485,413,588	2,799,728,867
Transfers and grants	29,178,816	40,402,365	151,603,906	422,545,041
Other expenditure	3,343,275,728	2,743,744,173	3,304,830,345	2,909,317,729
Loss on disposal of property, plant and equipment	185,407,864	95,745,512	206,076,743	95,745,512
	<b>29,931,842,737</b>	<b>28,017,340,011</b>	<b>29,976,521,074</b>	<b>28,212,166,172</b>

### 69. Public private partnerships (PPP)

#### Tshwane House

The City of Tshwane has entered into a PPP agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years was for the construction of the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement ownership of the building will pass to the City of Tshwane. The agreement is in the second year of the operational stage. Occupation took place in June 2017.

#### Fleet vehicles and fleet related services

The City of Tshwane has entered into a PPP agreement with:

- \* Moipone Group of Companies (Pty) Ltd for the supply of category A and C fleet vehicles and fleet-related services;
- \* Fleet Africa, a division of Super Group Africa (Pty) Ltd, for the supply of category E fleet vehicles and fleet-related services; and
- \* Fleetmatics VMS (Pty) Ltd for the supply of category B fleet vehicles and fleet-related services.

The agreement is for a period of 5 years from the commencement date whereafter it will automatically terminate. The City may extend the agreement on written notice which shall be given at least 90 days prior to expiry of the termination date.

During the life of the agreement the City will make unitary payments to the private party in accordance with the provisions of the payment mechanism. The unitary payments will be the amount payable with respect to the leased vehicles, monthly in arrears.

### 70. Transfer of functions between entities under common control

#### Transfer of functions between entities under common control occurring during the current reporting period

Entities involved in the transfer of functions were:

Sandspruit Works Association, a fully owned municipal entity of the City of Tshwane.

The following functions were transferred:

In terms of a council resolution dated 27 October 2016 it was decided that the municipal entity Sandspruit Works Association will be disestablished and all its operations unwinded. Subsequent to this council resolution, a process plan and time frames were developed to ensure that the disestablishment of Sandspruit Works Association includes all the information relevant to -

- \* the takeover and actual disestablishment, promptly done and conforming to the requirements for audit purposes;
- \* transfer of functions from Sandspruit Works Association to the City; and
- \* terminating Sandspruit Works Association as a corporate entity.

The resolution taken on 27 October 2016 was taken without an indication of the financial and other obligations associated with Sandspruit Works Association. It was thus important that these obligations be comprehensively and correctly determined and captured in the disestablishment process in order to ensure that the City is fully aware of the extent of the obligations it will incur as a result of the disestablishment of this municipal entity. Furthermore, Sandspruit Works Association was taken over as an on-going concern; implying that its operations will continue under the corporate structures of the City.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 70. Transfer of functions between entities under common control (continued)

Therefore in a subsequent council resolution dated 25 April 2017, it was resolved that Sandspruit Works Association will continue to operate until 30 June 2017 whereafter all functions will be taken over by City of Tshwane on 1 July 2017. In this resolution the major due dates for activities in terms of the disestablishment plan can be summarised as follows:

- \* The information gathering phase must be finalised by the end of February 2017.
- \* The approval of the Transfer Agreement must be done by April 2017.
- \* The transfer of personnel and assets will take place on 30 June 2017.
- \* From 1 July 2017 to 31 August 2017 the Annual Financial Statements and Annual Performance Report of Sandspruit Works Association (for the period ending 30 June 2017) will be drafted for audit purposes.
- \* The audit phase will commence from 1 September 2017 up to its completion during November 2017.
- \* The Annual Report of Sandspruit Works Association will be compiled after the finalisation of the audit process.
- \* The administrative termination of Sandspruit's existence will be concluded once the steps mentioned above have been finalised.
- \* The consultation phase entails informing all communities involved, clients, and employees of Sandspruit Works Association and service providers of the disestablishment.

The transfer of function took place during the 2017/18 financial year as the balances were taken over on 1 July 2017. The final audit adjustments however, had to be affected on the balances that were taken over on 1 July 2017 in the 3rd quarter.

#### Value of the assets acquired and liabilities assumed

##### Assets acquired

Property, plant and equipment	7,889,724	-	7,889,724	-
Inventory	3,636,374	-	3,636,374	-
Receivables from exchange transactions	885,401,363	-	885,401,363	-
Receivables from non-exchange transactions	648,011,564	-	648,011,564	-
Deposits rental	157,189	-	157,189	-
Cash and cash equivalents	11,627,223	-	11,627,223	-
	<b>1,556,723,437</b>	-	<b>1,556,723,437</b>	-

##### Liabilities assumed

Inventory (provision for obsolete stock)	171,563	-	171,563	-
Tshwane operation loss account (creditor)	34,298,530	-	34,298,530	-
Tshwane water purchases (creditor)	609,832,440	-	609,832,440	-
Sundry creditors and accruals	1,031,343	-	1,031,343	-
Consumer deposits	4,008,266	-	4,008,266	-
Provision for debt impairment	862,469,957	-	862,469,957	-
VAT	9,369,958	-	9,369,958	-
Provision - bonus	2,035,094	-	2,035,094	-
Provision - leave pay	9,638,620	-	9,638,620	-
Operating lease liability	11,272	-	11,272	-
	<b>1,532,867,043</b>	-	<b>1,532,867,043</b>	-

#### Difference between the carrying amounts of the assets acquired, the liabilities assumed and adjustments required to the basis of accounting

	<b>23,856,394</b>	-	<b>23,856,394</b>	-
--	-------------------	---	-------------------	---

#### Difference between net assets and the consideration paid

	<b>23,856,394</b>	-	<b>23,856,394</b>	-
--	-------------------	---	-------------------	---

#### Net cash inflow (outflow) on transfer of function

Cash acquired	11,627,223	-	11,627,223	-
---------------	------------	---	------------	---

#### Contingent liabilities and contingent assets attributable to a transfer of functions

Currently it is not known what contingent assets and liabilities were attributable to the disestablishment of Sandspruit Works Association. This information must still be obtained from Legal Services.

#### Revenue and expenditure attributable to a transfer of functions

From 1 July 2017 all revenue and expenditure forms part of the normal operations of the Municipality and was budgeted as such.

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 70. Transfer of functions between entities under common control (continued)

#### Transactions recognised separately from the transfer of functions

None.

#### Other information

None.

#### Initial accounting is incomplete

The balances as per the trial balance as at 30 June 2017 was taken over by the municipality on 1 July 2017. During the audit processes of the municipal entity, certain errors were picked up which were amended on the financial statements of Sandspruit as at 30 June 2017. These audit adjustments were done by the end of March 2018. At year-end 30 June 2018 a number of differences still remained in the take-on account, which was transferred to gain/loss on transfer of functions. These differences will have to be written off in the 2018/19 financial year.

### 71. Interest-rate swaps

The Municipality holds derivative financial instruments to hedge its interest rate risk exposures. The Municipality entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige the Municipality to pay interest at variable rates/fixed rates on the same amounts. The interest rate swap allows the Municipality to raise long-term borrowings at variable rates/fixed rates and effectively swap them into fixed rates/floating rates in terms of the structured finance contractual requirements. The interest-rate swaps are initially measured at fair value on the contract/trade date; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, the interest rate swaps are measured at fair value at each reporting date.

#### During 2014/15 the Municipality entered into interest rate swaps with the following role players:

Regiments: (Trade number - SWD BSA 14)

Trade date: 1 September 2014 and Settlement date: 1 March 2023

Nominal amount: R641 000 000

Fixed rate: 9,75% and variable rate: Jibar + 2,55 basis points

Payable: Semi-annual

Regiments: (Trade number - SWS BK 2RS)

Trade date: 30 June 2014 and Settlement date: 30 June 2034

Nominal amount: R1 600 000 000

Fixed rate: 11,0% and variable rate: Jibar + 2,50 basis points

Payable: Semi-annual

Regiments: (Trade number - 12503628)

Trade date: 18 August 2015 (effective date 29 June 2015) and Settlement date: 29 June 2035

Nominal amount: R1 500 000 000

Fixed rate: 11,48% and variable rate: Jibar + 2,4 basis points

Payable: Semi-annual

Regiments: (Trade number - 12503643)

Trade date: 20 July 2017 and Settlement date: 23 June 2027

Nominal amount: R1 000 000 000

Fixed rate: 10,55% and variable rate: Jibar + 2,65 basis points

Payable: Semi-annual

Nedbank: (Trade number - 18569588)

Trade date: 1 April 2014 and Settlement date: 30 June 2026

Nominal amount: R943 766 167

Fixed rate: 9,31% and variable rate: Jibar + 2,22 basis points

Payable: Semi-annual

Nedbank: (Trade number - 24157050)

Trade date: 1 April 2014 and Settlement date: 30 June 2026

Nominal amount: R890 312 448

Fixed rate: 9,31% and variable rate: Jibar + 2,22 basis points

Payable: Semi-annual

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### Fair values of financial assets measured or disclosed at fair value

#### Class 1: Interest-rate swaps

The method to determine the fair value of the interest rate swaps is the discounted cash flow method. Various parameters are used to value the swaps, eg start date, end date, payment dates in between, fixed rate, floating rate spread, payment frequency, yield curve, etc. Cash flows are discounted using the zero curve.

#### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair-value hierarchy that reflects the significance of the inputs used to make the measurement. The fair-value hierarchy has the following levels:

Level 1: Represents those assets that are measured using unadjusted quoted prices in active markets for identical assets.

Level 2: Applies inputs other than quoted prices that are observable for the assets, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: Applies inputs that are not based on observable market data.

The City of Tshwane classifies its interest-rate swaps as level 2, and no transfers were made between the different levels of hierarchy in the year under review. None of the financial assets that are fully performing have been renegotiated in the last year.

#### Nominal value of financial assets at fair value

The nominal value of the existing interest rate swaps is R5 575 078 615 as at 30 June 2018.

The nominal value of the existing interest rate swaps is R5 575 078 615 as at 30 June 2017.

Interest paid on the interest-rate swaps to the amount of R47 527 834 was recognised in surplus or deficit during 2017/18 as part of finance costs - refer to Note 33 .

Interest paid on the interest-rate swaps to the amount of R29 714 722 was recognised in surplus or deficit during 2016/17 as part of finance costs - refer to Note 33 .

The fair value of interest rate swaps for the period under review is as follows:

#### Interest rate swap - amounts (in total)

Interest rate swap asset	47,235,142	18,743,157	47,235,142	18,743,157
Interest rate swap liability	(183,928,141)	(142,995,983)	(183,928,141)	(142,995,983)
	<u>(136,692,999)</u>	<u>(124,252,826)</u>	<u>(136,692,999)</u>	<u>(124,252,826)</u>

### 72. Gains or losses on foreign exchange transactions

Loss on foreign exchange transactions	(36,906)	(25,247)	(36,906)	(25,247)
Gain on foreign exchange transactions	574,375	306,963	574,375	306,963
	<u>537,469</u>	<u>281,716</u>	<u>537,469</u>	<u>281,716</u>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*

### 73. Sinking fund

The Debt redemption fund is a financial solution to assist the City of Tshwane to meet its financial obligations to repay previously issued bonds. City of Tshwane pays contributions into the fund, which is managed by a 3rd party fund manager: Regiments Fund Management, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk Management framework adopted by City of Tshwane. The assets and liabilities are disclosed below:

#### Collateral:

The total investments pledged as collateral for City of Tshwane Bonds. The investments pledged as collateral cannot be sold until the related liability is settled in full. The terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

The Nedbank and FFO collateral is the collateral paid plus accrued interest.

#### Composition of fund assets and liabilities:

The maturity date of bonds and bonds repo's is: 21 December 2026.

The tenor of swaps is 10 years and 15 years, the maturity dates are 12 January 2033, 19 January 2028 and 15 June 2028 respectively.

The fair value of the sinking fund portfolio is R581 383 915.

#### Other financial assets through profit or loss

Bonds	247,607,267	-	247,607,267	-
Cash collateral - FFO Securities (Pty) Ltd	12,544,099	-	12,544,099	-
<b>Non-current assets</b>	<b>260,151,366</b>	<b>-</b>	<b>260,151,366</b>	<b>-</b>

#### Other financial assets through profit or loss

Current account	388,034,090	-	388,034,090	-
Cash collateral - Nedbank	80,745,602	-	80,745,602	-
<b>Current assets</b>	<b>468,779,692</b>	<b>-</b>	<b>468,779,692</b>	<b>-</b>

#### Total other financial assets through profit or loss

	728,931,058	-	728,931,058	-
--	-------------	---	-------------	---

#### Financial assets carried at fair value through profit or loss

Derivatives designed and effective as hedging instruments carried at fair value	728,931,058	-	728,931,058	-
---	-------------	---	-------------	---

#### Other financial liabilities through profit or loss

Bond repos	53,933,018	-	53,933,018	-
Interest rate swap	93,614,126	-	93,614,126	-
<b>Non-current liabilities</b>	<b>147,547,144</b>	<b>-</b>	<b>147,547,144</b>	<b>-</b>

#### Financial liabilities carried at fair value through profit or loss

Derivatives designed and effective as hedging instruments carried at fair value	147,547,144	-	147,547,144	-
---	-------------	---	-------------	---

\* See Note 46



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>74. Deferred operating lease liability</b>				
<b>Minimum lease payments due</b>				
Payable within 2 to 5 years	(75,677)	(148,443)	-	-
Payable within one year	(156,129)	(25,248)	-	-
	<u>(231,806)</u>	<u>(173,691)</u>	<u>-</u>	<u>-</u>

There were no operating lease liabilities for the Municipality at the end of 30 June 2018.

### 75. Deferred tax

#### Deferred tax liability

Property, plant and equipment	(481,293)	(457,921)	-	-
Provision doubtful debts	45,802	3,802	-	-
Provision for leave	437,048	400,313	-	-
Unspent grant	289,470	1,199,889	-	-
Section 24C allowance	(289,470)	(1,199,889)	-	-
Straight lining of operating lease	63,161	41,564	-	-
Pre-payment	(5,367)	(2,682)	-	-
<b>Total deferred tax asset</b>	<u><b>59,351</b></u>	<u><b>(14,924)</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	-	(14,924)	-	-
Deferred tax asset	59,351	-	-	-
<b>Total net deferred tax asset (liability)</b>	<u><b>59,351</b></u>	<u><b>(14,924)</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

#### Reconciliation of deferred tax asset/(liability)

At beginning of year	(14,924)	(66,455)	-	-
Increase/(decrease) in tax loss available for set-off against future taxable income - gross	-	(37,256)	-	-
Movement on property, equipment and intangible fixed assets	(23,373)	63,642	-	-
Movement in provision for doubtful det	42,000	(1,267)	-	-
Movement in provision for leave pay	36,735	32,272	-	-
Movement on unspent grant	(910,420)	71,162	-	-
Section 24C allowance	910,420	(71,162)	-	-
Operating lease straight lining	21,597	(4,858)	-	-
Pre-payment	(2,684)	(1,002)	-	-
	<u><b>59,351</b></u>	<u><b>(14,924)</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

\* See Note 46

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017 Restated* R	2018	2017 Restated*
<b>76. Taxation</b>				
<b>Major components of the tax expense</b>				
<b>Current</b>				
Normal tax - current year	2,920,067	758,508	-	-
<b>Deferred</b>				
Deferred tax - current year	(74,275)	(51,532)	-	-
	<b>2,845,792</b>	<b>706,976</b>	-	-
<b>Taxation liability movement</b>				
Opening balance	(859,028)	(1,176,843)	-	-
Current year	2,994,342	810,040	-	-
Provisional tax (paid)/interest charged	(523,690)	(492,225)	-	-
Normal income tax paid - prior year	(266,284)	-	-	-
Normal income tax refund from SARS	1,697,452	-	-	-
<b>Closing balance</b>	<b>3,042,792</b>	<b>(859,028)</b>	-	-
<b>Reconciliation of the tax expense</b>				
Tax in note @ 28%	(2,920,067)	(758,508)	-	-
Profit before tax	10,361,294	2,708,959	-	-
Tax as % of income before tax	28.00	28.00 %	-	-
<b>Reconciliation between applicable tax rate and average effective tax rate</b>				
Applicable tax rate	28.00 %	28.00 %	-	-
Total non-temporary differences	0.18 %	- %	-	-
	<b>28.18 %</b>	<b>28.00 %</b>	-	-
TEDA has made a provisional tax payment of R523 690 (2017: R492 225).				
<b>77. Tax refunded (paid)</b>				
Balance at beginning of the year	859,028	1,176,843	-	-
Current tax for the year recognised in surplus or deficit	(2,920,067)	(758,508)	-	-
Balance at end of the year	3,042,792	(859,028)	-	-
	<b>981,753</b>	<b>(440,693)</b>	-	-

\* See Note 46

**Appendix A**  
**Supplementary unaudited information**

**Schedule of external loans as at 30 June 2018**

Interest rate (%)	Redeemable	Balance at 30 June 2017	Received during the period	Redeemed written-off during the period	Amortised value	Balance at 30 June 2018	Carrying value of property, plant and equipment
		Rand	Rand	Rand	Rand	Rand	Rand
<b>TERM LOANS</b>							
DBSA: Bullet portion	13.50	2018.04.30	51,682,877	-	(1,682,877)	50,000,000	61,782,430
DBSA: Floating rate	Variable	2019.10.31	78,331,528	-	1,685,582	80,017,110	98,873,030
Housing Company: National Housing Finance Corporation	14.00	2011.10.31	1,857,504	-	315,592	1,541,912	1,857,504
TEDA			1,000	-	-	1,000	-
DBSA: Bullet repayment loan	Jibar +2.5 margin	2034.06.30	1,600,000,000	-	-	1,600,000,000	1,977,037,771
DBSA: Bullet repayment loan	Jibar + 2.5 margin	2035.06.30	1,500,000,000	-	-	1,500,000,000	1,853,472,910
Nedbank: Bullet repayment loan	11.44%	2026.06.24	1,200,000,000	-	-	1,200,000,000	1,482,778,328
			<b>4,431,872,909</b>	<b>-</b>	<b>315,592</b>	<b>2,705</b>	<b>4,431,560,022</b>
							<b>5,475,801,973</b>
<b>ANNUITY LOANS:</b>							
DBSA	13.5	2018.04.30	56,998,686	-	35,560,251	(1,855,968)	19,582,467
DBSA (Restructuring)	10.97	2018.12.31	51,803,161	-	16,343,893	1,940,501	37,399,769
INCA	11.03	2019.06.30	4,862,796	-	2,126,027	(174,972)	2,561,797
INCA	9.52	2020.03.31	73,687,936	-	21,794,953	(536,068)	51,356,915
INCA	11.01	2020.06.30	17,198,145	-	5,010,363	(120,353)	12,067,429
DBSA	9.36	2020.12.31	100,905,274	-	12,484,518	4,110,726	92,531,482
INCA	10.92	2020.12.31	38,979,672	-	9,747,058	46,144	29,278,758
INCA	10.81	2021.06.30	34,646,156	-	7,595,477	249,180	27,299,859
DBSA	5.0	2021.12.31	34,108,012	-	3,898,373	750,337	30,959,976
DBSA	9.84	2021.12.31	165,189,663	-	17,295,080	7,226,674	155,121,257
Ivuzi	8.74	2021.12.31	88,429,376	-	16,812,481	-	71,616,895
DBSA	6.25	2028.06.30	69,295,670	-	2,221,215	2,080,357	69,154,812
DBSA	12.81	2028.06.30	162,422,712	-	3,498,112	10,073,696	168,998,296
DBSA	11.32	2028.06.30	161,404,759	-	3,520,782	8,866,761	166,750,738
ABSA Roodeplaat Temba	12.5	2021.03.31	114,943,734	-	22,952,556	2,944,827	94,936,005
DBSA Roodeplaat Temba	11.99	2021.03.31	58,688,618	-	11,784,626	(346,728)	46,547,264
Nedbank Roodeplaat Temba	12.51	2021.03.31	78,985,472	-	15,780,666	(433,642)	62,771,164
DBSA TIP	6.75	2029.06.30	112,097,891	-	3,078,030	3,651,728	112,671,589
Nedbank	9.27	2020.05.18	143,212,255	-	43,142,432	21,450,294	121,520,117
Nedbank	9.32	2020.06.16	142,460,513	-	42,973,535	22,702,781	122,189,759
Standard Bank	7.72	2026.06.30	730,546,211	-	58,434,852	(24,737)	672,086,622
ABSA Roodeplaat Temba		30.06.2027	1,002,459,589	Jibar	62,981,546	2,264,399	941,742,442
Nedbank		2029.06.29	466,865,605	Jibar	57,802,174	(15,667,992)	393,395,439
Nedbank		2025.12.01	264,335,745	Jibar	32,436,383	(9,116,400)	222,782,962
iVuzi (Firststrand bank)		2022.06.30	263,157,895	Jibar	52,631,579	-	210,526,316
iVuzi (Firststrand bank)		2027.12.01	344,827,585	Jibar	34,482,759	-	310,344,826
			<b>4,782,513,131</b>	<b>-</b>	<b>596,399,721</b>	<b>60,081,545</b>	<b>4,246,194,955</b>
							<b>5,246,804,883</b>

Appendix A  
Supplementary unaudited information

Schedule of external loans as at 30 June 2018

Interest rate (%)	Redeemable	Balance at 30 June 2017	Received during the period	Redeemed written-off during the period	Amortised value	Balance at 30 June 2018	Carrying value of property, plant and equipment
		Rand	Rand	Rand	Rand	Rand	Rand
<b>MUNICIPAL BONDS</b>							
CoT1: Standard Bank	10.20	2023.04.02	573,927,890	-	-	573,927,890	709,173,198
CoT2: Standard Bank	9.11	2023.04.02	848,437,142	-	-	848,437,142	1,048,370,173
CoT3: Standard Bank	9.46	2028.06.05	755,053,973	-	-	755,053,973	932,981,389
			<b>2,177,419,005</b>	-	-	<b>2,177,419,005</b>	<b>2,690,524,760</b>
			<b>11,391,805,045</b>	-	<b>596,715,313</b>	<b>60,084,250</b>	<b>10,855,173,982</b>
<b>FINANCE LEASES</b>							
Super Group	Variable *		29,813,184	100,859,828	20,803,872	9,135,047	119,004,187
Talis Fleetmatics	Variable *		218,083,870	5,068,966	62,375,918	20,941,313	181,718,231
Moipone	Variable *		203,330,832	127,496,273	85,789,039	36,013,490	281,051,556
MAN	Variable *		28,876,782	-	29,679,398	802,616	-
			<b>480,104,668</b>	<b>233,425,067</b>	<b>198,648,227</b>	<b>66,892,466</b>	<b>581,773,974</b>
							<b>553,521,561</b>

City of Tshwane Metropolitan Municipality  
Appendix B (supplementary unaudited information)

Analysis of property, plant and equipment as at 30 June 2018 (Municipality only)

Cost Accumulated depreciation

	Opening balance	Acquisitions	Disposals	Transfers	Additions and adjustments	Closing balance	Opening balance	Additions	Impairment	Disposals	Transfers	Closing balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Infrastructure</b>													
Assets under construction	7,711,641,130	1,586,072,666	-	(618,276,467)	-	<b>8,679,437,329</b>	(123,216,100)	-	-	-	-	<b>(123,216,100)</b>	8,556,221,229
Electricity	6,732,073,330	126,577,158	(18,384,681)	242,159,024	649,736	<b>7,083,074,567</b>	(2,061,012,534)	(243,631,152)	(521,231)	8,700,642	135,055	<b>(2,296,329,220)</b>	4,786,745,347
General	443,445,239	2,000	-	-	(292,552)	<b>443,154,687</b>	(227,908,472)	(58,848,844)	(16)	-	265,384	<b>(286,491,948)</b>	156,662,739
Roads	11,722,244,040	27,252,323	-	347,410,057	14,063,277	<b>12,110,969,697</b>	(3,369,988,687)	(443,267,371)	(3,955,508)	-	(126,329)	<b>(3,817,337,895)</b>	8,293,631,802
Water and sanitation	8,182,448,200	244,987,337	(75,115,909)	29,432,230	(93,170)	<b>8,381,658,688</b>	(2,297,030,313)	(269,350,187)	(3,559,864)	16,602,947	-	<b>(2,553,337,417)</b>	5,828,321,271
	<b>34,791,851,939</b>	<b>1,984,891,484</b>	<b>(93,500,590)</b>	<b>724,844</b>	<b>14,327,291</b>	<b>36,698,294,968</b>	<b>(8,079,156,106)</b>	<b>1,015,097,554</b>	<b>(8,036,619)</b>	<b>25,303,589</b>	<b>274,110</b>	<b>(9,076,712,580)</b>	<b>27,621,582,388</b>
<b>Community assets</b>													
General	3,975,892,282	40,179,717	(3,626,430)	55,300,652	11,154,989	<b>4,078,901,210</b>	(1,220,957,089)	(154,490,700)	(14,540,287)	2,949,573	(195,660)	<b>(1,387,234,163)</b>	2,691,667,047
Assets under construction	191,739,384	117,489,121	-	(53,349,646)	-	<b>255,878,859</b>	-	-	(527,418)	-	-	<b>(527,418)</b>	255,351,441
Denneboom service concession	1,800,000	-	-	-	54,770	<b>1,854,770</b>	-	-	-	-	-	-	1,854,770
Denneboom service concession	192,606,211	185,868,149	-	-	-	<b>378,474,360</b>	-	-	-	-	-	-	378,474,360
	<b>4,362,037,877</b>	<b>343,536,987</b>	<b>(3,626,430)</b>	<b>1,951,006</b>	<b>11,209,759</b>	<b>4,715,109,199</b>	<b>(1,220,957,089)</b>	<b>(154,490,700)</b>	<b>(15,067,705)</b>	<b>2,949,573</b>	<b>(195,660)</b>	<b>(1,387,761,581)</b>	<b>3,327,347,618</b>
<b>Housing</b>													
Housing assets	933,835,917	-	(1,166,793)	83,029,535	58,217,108	<b>1,073,915,767</b>	(120,735,723)	(14,160,204)	-	293,672	(14,798,875)	<b>(149,401,130)</b>	924,514,637
Assets under construction	290,844,913	858,311,452	-	(83,029,535)	-	<b>1,066,126,830</b>	-	-	-	-	-	-	1,066,126,830
	<b>1,224,680,830</b>	<b>858,311,452</b>	<b>(1,166,793)</b>	<b>-</b>	<b>58,217,108</b>	<b>2,140,042,597</b>	<b>(120,735,723)</b>	<b>(14,160,204)</b>	<b>-</b>	<b>293,672</b>	<b>(14,798,875)</b>	<b>(149,401,130)</b>	<b>1,990,641,467</b>
<b>Biological assets</b>													
Game (livestock)	19,007,270	5,807,772	-	-	-	<b>24,815,042</b>	-	-	-	-	-	-	24,815,042
	<b>19,007,270</b>	<b>5,807,772</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,815,042</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,815,042</b>
<b>Land</b>													
Land	272,173,350	-	(26,798)	-	(40,605,312)	<b>231,541,240</b>	-	-	-	-	-	-	231,541,240
	<b>272,173,350</b>	<b>-</b>	<b>(26,798)</b>	<b>-</b>	<b>(40,605,312)</b>	<b>231,541,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231,541,240</b>
<b>Buildings</b>													
Buildings	1,023,787,946	7,356,255	(2,442,713)	-	(43,148,846)	<b>985,552,642</b>	(588,476,029)	(28,671,205)	-	1,505,419	14,720,425	<b>(600,921,390)</b>	384,631,252
Tshwane House	1,129,911,631	-	-	-	-	<b>1,129,911,631</b>	(6,277,287)	(37,663,721)	-	-	-	<b>(43,941,008)</b>	1,085,970,623
	<b>2,153,699,577</b>	<b>7,356,255</b>	<b>(2,442,713)</b>	<b>-</b>	<b>(43,148,846)</b>	<b>2,115,464,273</b>	<b>(594,753,316)</b>	<b>(66,334,926)</b>	<b>-</b>	<b>1,505,419</b>	<b>14,720,425</b>	<b>(644,862,398)</b>	<b>1,470,601,875</b>

City of Tshwane Metropolitan Municipality  
Appendix B (supplementary unaudited information)

Analysis of property, plant and equipment as at 30 June 2018 (Municipality only)

Cost Accumulated depreciation

	Cost					Accumulated depreciation							Carrying value
	Opening balance	Acquisitions	Disposals	Transfers	Additions and adjustments	Closing balance	Opening balance	Additions	Impairment	Disposals	Transfers	Closing balance	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Other</b>													
General	2,929,845,328	108,617,643	(185,712,650)	41,298,913	264,628,413	<b>3,158,677,647</b>	(1,817,871,923)	(363,199,436)	(741,611)	173,433,477	(46,556,301)	<b>(2,054,935,794)</b>	1,103,741,853
Assets under construction	371,592,236	77,848,754	-	(44,426,113)	-	<b>405,014,877</b>	-	-	(46,287,448)	-	-	<b>(46,287,448)</b>	358,727,429
	<b>3,301,437,564</b>	<b>186,466,397</b>	<b>(185,712,650)</b>	<b>(3,127,200)</b>	<b>264,628,413</b>	<b>3,563,692,524</b>	<b>(1,817,871,923)</b>	<b>(363,199,436)</b>	<b>(47,029,059)</b>	<b>173,433,477</b>	<b>(46,556,301)</b>	<b>(2,101,223,242)</b>	<b>1,462,469,282</b>
<b>Total property plant and equipment</b>													
	<b>46,124,888,407</b>	<b>3,386,370,347</b>	<b>(286,475,974)</b>	<b>(451,350)</b>	<b>264,628,413</b>	<b>49,488,959,843</b>	<b>(11,833,474,157)</b>	<b>1,613,282,820)</b>	<b>(70,133,383)</b>	<b>203,485,730</b>	<b>(46,556,301)</b>	<b>(13,359,960,931)</b>	<b>36,128,998,912</b>
<b>Heritage assets</b>													
General	3,648,495,662	372,748	-	-	-	<b>3,648,868,410</b>	-	-	(164,616,799)	-	-	<b>(164,616,799)</b>	3,484,251,611
	<b>3,648,495,662</b>	<b>372,748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,648,868,410</b>	<b>-</b>	<b>-</b>	<b>(164,616,799)</b>	<b>-</b>	<b>-</b>	<b>(164,616,799)</b>	<b>3,484,251,611</b>
<b>Investment properties</b>													
Investment assets	1,022,313,859	5,100	-	-	-	<b>1,022,318,959</b>	(188,619,312)	(4,810,569)	-	-	-	<b>(193,429,881)</b>	828,889,078
	<b>1,022,313,859</b>	<b>5,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,022,318,959</b>	<b>(188,619,312)</b>	<b>(4,810,569)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(193,429,881)</b>	<b>828,889,078</b>
<b>Intangible assets</b>													
Computer software	416,489,548	35,870,008	(3,928,345)	86,857	-	<b>448,518,068</b>	(200,446,691)	(61,960,192)	-	1,915,276	-	<b>(260,491,607)</b>	188,026,461
Servitudes	199,964,886	1,729,124	-	364,495	-	<b>202,058,505</b>	-	-	-	-	-	<b>-</b>	202,058,505
	<b>616,454,434</b>	<b>37,599,132</b>	<b>(3,928,345)</b>	<b>451,352</b>	<b>-</b>	<b>650,576,573</b>	<b>(200,446,691)</b>	<b>(61,960,192)</b>	<b>-</b>	<b>1,915,276</b>	<b>-</b>	<b>(260,491,607)</b>	<b>390,084,966</b>
<b>Tota</b>													
Land	272,173,350	-	(26,798)	-	(40,605,312)	<b>231,541,240</b>	-	-	-	-	-	<b>-</b>	231,541,240
Infrastructure	34,791,851,939	1,984,891,484	(93,500,590)	724,844	14,327,291	<b>36,698,294,968</b>	(8,079,156,106)	1,015,097,554	(8,036,619)	25,303,589	274,110	<b>(9,076,712,580)</b>	27,621,582,388
Community assets	4,362,037,877	343,536,987	(3,626,430)	1,951,006	11,209,759	<b>4,715,109,199</b>	(1,220,957,089)	(154,490,700)	(15,067,705)	2,949,573	(195,660)	<b>(1,387,761,581)</b>	3,327,347,618
Housing	1,224,680,830	858,311,452	(1,166,793)	-	58,217,108	<b>2,140,042,597</b>	(120,735,723)	(14,160,204)	-	293,672	(14,798,875)	<b>(149,401,130)</b>	1,990,641,467
Other	3,301,437,564	186,466,397	(185,712,650)	(3,127,200)	264,628,413	<b>3,563,692,524</b>	(1,817,871,923)	(363,199,436)	(47,029,059)	173,433,477	(46,556,301)	<b>(2,101,223,242)</b>	1,462,469,282
Heritage assets	3,648,495,662	372,748	-	-	-	<b>3,648,868,410</b>	-	-	(164,616,799)	-	-	<b>(164,616,799)</b>	3,484,251,611
Intangible assets	616,454,434	37,599,132	(3,928,345)	451,352	-	<b>650,576,573</b>	(200,446,691)	(61,960,192)	-	1,915,276	-	<b>(260,491,607)</b>	390,084,966
Investment properties	1,022,313,859	5,100	-	-	-	<b>1,022,318,959</b>	(188,619,312)	(4,810,569)	-	-	-	<b>(193,429,881)</b>	828,889,078
Buildings	2,153,699,577	7,356,255	(2,442,713)	-	(43,148,846)	<b>2,115,464,273</b>	(594,753,316)	(66,334,926)	-	1,505,419	14,720,425	<b>(644,862,398)</b>	1,470,601,875
Biological assets	19,007,270	5,807,772	-	-	-	<b>24,815,042</b>	-	-	-	-	-	<b>-</b>	24,815,042
	<b>51,412,152,362</b>	<b>3,424,347,327</b>	<b>(290,404,319)</b>	<b>2</b>	<b>264,628,413</b>	<b>54,810,723,785</b>	<b>(12,222,540,160)</b>	<b>1,680,053,581)</b>	<b>(234,750,182)</b>	<b>205,401,006</b>	<b>(46,556,301)</b>	<b>(13,978,499,218)</b>	<b>40,832,224,567</b>

**Appendix C (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the period ended 30 June 2018**

	2017/18				2016/17 Restated						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) and Shifting of funds (i.t.o MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>											
<b>Governance and administration</b>	<b>10,643,409,397</b>	<b>152,701,272</b>	<b>10,796,110,669</b>		<b>10,796,110,669</b>	<b>11,282,533,434</b>		<b>486,422,765</b>	<b>105 %</b>	<b>106 %</b>	<b>9,884,194,815</b>
Executive and council	75,119,801	(1,992,273)	73,127,528		73,127,528	22,952,278		(50,175,250)	31 %	31 %	71,891,891
Finance and Administration	10,568,198,806	154,693,545	10,722,892,351		10,722,892,351	11,259,427,755		536,535,404	105 %	107 %	9,811,980,065
Internal Audit	90,790	-	90,790		90,790	153,401		62,611	169 %	169 %	322,859
<b>Community and public safety</b>	<b>1,241,429,837</b>	<b>318,698,782</b>	<b>1,560,128,619</b>		<b>1,560,128,619</b>	<b>1,545,440,752</b>		<b>(14,687,867)</b>	<b>99 %</b>	<b>124 %</b>	<b>1,106,639,671</b>
Community and social services	6,479,789	(8,036,785)	(1,556,996)		(1,556,996)	41,032,992		42,589,988	(2,635)%	633 %	78,676,926
Sport and recreation	(50,054,433)	(36,729,411)	(86,783,844)		(86,783,844)	35,424,007		122,207,851	(41)%	(71)%	(48,512,392)
Public safety	322,642,375	(37,710,578)	284,931,797		284,931,797	225,056,232		(59,875,565)	79 %	70 %	199,441,771
Housing	798,735,428	343,818,477	1,142,553,905		1,142,553,905	1,027,357,761		(115,196,144)	90 %	129 %	710,734,030
Health	163,626,678	57,357,079	220,983,757		220,983,757	216,569,760		(4,413,997)	98 %	132 %	166,299,336
<b>Economic and environmental services</b>	<b>1,564,562,873</b>	<b>(33,374,560)</b>	<b>1,531,188,313</b>		<b>1,531,188,313</b>	<b>1,358,575,835</b>		<b>(172,612,478)</b>	<b>89 %</b>	<b>87 %</b>	<b>1,601,918,889</b>
Planning and development	177,424,937	(9,703,074)	167,721,863		167,721,863	44,315,664		(123,406,199)	26 %	25 %	199,829,616
Road transport	1,294,788,675	69,377,811	1,364,166,486		1,364,166,486	1,310,226,157		(53,940,329)	96 %	101 %	1,390,407,990
Environmental protection	92,349,261	(93,049,297)	(700,036)		(700,036)	4,034,014		4,734,050	(576)%	4 %	11,681,283
<b>Trading services</b>	<b>18,963,055,890</b>	<b>6,623,048</b>	<b>18,969,678,938</b>		<b>18,969,678,938</b>	<b>18,450,122,266</b>		<b>(519,556,672)</b>	<b>97 %</b>	<b>97 %</b>	<b>17,815,861,645</b>
Energy sources	11,963,430,222	27,088,878	11,990,519,100		11,990,519,100	11,599,839,305		(390,679,795)	97 %	97 %	11,649,587,463
Water management	4,223,104,435	(68,816,494)	4,154,287,941		4,154,287,941	4,173,747,197		19,459,256	100 %	99 %	3,635,858,383
Waste water management	1,306,459,086	9,262,148	1,315,721,234		1,315,721,234	1,064,119,032		(251,602,202)	81 %	81 %	1,207,101,893
Waste management	1,470,062,147	39,088,516	1,509,150,663		1,509,150,663	1,612,416,732		103,266,069	107 %	110 %	1,323,313,906
<b>Other</b>	<b>212,183,871</b>	<b>7,356,547</b>	<b>219,540,418</b>		<b>219,540,418</b>	<b>220,266,378</b>		<b>725,960</b>	<b>100 %</b>	<b>104 %</b>	<b>210,333,501</b>
Other	212,183,871	7,356,547	219,540,418		219,540,418	220,266,378		725,960	100 %	104 %	210,333,501
<b>Total Revenue - Standard</b>	<b>32,624,641,868</b>	<b>452,005,089</b>	<b>33,076,646,957</b>		<b>33,076,646,957</b>	<b>32,856,938,665</b>		<b>(219,708,292)</b>	<b>99 %</b>	<b>101 %</b>	<b>30,618,948,521</b>

**Appendix C (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the period ended 30 June 2018**

	2017/18				2016/17			Restated			
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) and Shifting of funds (i.t.o MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
<b>Expenditure - Standard</b>											
<b>Governance and administration</b>	<b>7,288,308,102</b>	<b>130,865,701</b>	<b>7,419,173,803</b>	-	<b>7,419,173,803</b>	<b>8,033,472,754</b>	<b>726,367,720</b>	<b>614,298,951</b>	<b>108 %</b>	<b>110 %</b>	<b>5,223,847,532</b>
Executive and council	1,230,768,884	14,988,642	1,245,757,526	14,890,439	1,260,647,965	1,194,347,843	-	(66,300,122)	95 %	97 %	1,022,469,970
Finance and Administration	5,926,246,698	113,954,682	6,040,201,380	(9,614,427)	6,030,586,953	6,756,954,673	726,367,720	726,367,720	112 %	114 %	3,989,348,333
Internal audit	131,292,520	1,922,377	133,214,897	(286,000)	132,928,897	82,170,238	-	(50,758,659)	62 %	63 %	212,029,229
<b>Community and public safety</b>	<b>3,932,817,854</b>	<b>653,359,652</b>	<b>4,586,177,506</b>	<b>(4,514,893)</b>	<b>4,581,662,613</b>	<b>4,555,745,106</b>	<b>347,929,603</b>	<b>(25,917,507)</b>	<b>99 %</b>	<b>116 %</b>	<b>4,248,064,852</b>
Community and social services	269,256,143	1,772,344	271,028,487	(3,942,937)	267,085,550	486,336,268	219,250,718	219,250,718	182 %	181 %	289,813,048
Sport and recreation	374,266,670	(20,836,108)	353,430,562	(1,568,252)	351,862,310	480,541,195	128,678,885	128,678,885	137 %	128 %	409,797,431
Public safety	2,219,046,591	247,520,909	2,466,567,500	3,248,399	2,469,815,899	2,321,326,262	-	(148,489,637)	94 %	105 %	2,360,305,337
Housing	462,760,568	415,900,370	878,660,938	(972,294)	877,688,644	673,726,627	-	(203,962,017)	77 %	146 %	593,767,702
Health	607,487,882	9,002,137	616,490,019	(1,279,809)	615,210,210	593,814,754	-	(21,395,456)	97 %	98 %	594,381,334
<b>Economic and environmental services</b>	<b>3,204,297,125</b>	<b>71,606,612</b>	<b>3,275,903,737</b>	<b>(11,101,948)</b>	<b>3,264,801,789</b>	<b>3,048,711,007</b>	-	<b>(216,090,782)</b>	<b>93 %</b>	<b>95 %</b>	<b>2,774,158,796</b>
Planning and development	1,028,522,750	8,059,887	1,036,582,637	(4,083,201)	1,032,499,436	915,678,250	-	(116,821,186)	89 %	89 %	815,728,469
Road transport	1,911,711,423	164,392,791	2,076,104,214	(8,893,138)	2,067,211,076	1,986,542,985	-	(80,668,091)	96 %	104 %	1,832,413,091
Environmental protection	264,062,952	(100,846,066)	163,216,886	1,874,391	165,091,277	146,489,772	-	(18,601,505)	89 %	55 %	126,017,236
<b>Trading services</b>	<b>15,388,317,207</b>	<b>(148,222,171)</b>	<b>15,240,095,036</b>	<b>9,784,753</b>	<b>15,249,879,789</b>	<b>14,676,248,200</b>	<b>284,322,065</b>	<b>(573,631,589)</b>	<b>96 %</b>	<b>95 %</b>	<b>15,776,094,862</b>
Energy sources	10,073,638,313	4,896,490	10,078,534,803	88,402,471	10,166,937,274	10,072,016,077	-	(94,921,197)	99 %	100 %	10,351,779,610
Water management	3,128,834,455	63,754,444	3,192,588,899	(83,889,721)	3,108,699,178	2,368,082,430	-	(740,616,748)	76 %	76 %	3,465,362,592
Waste water management	1,107,045,896	(223,643,864)	883,402,032	(3,055,284)	880,346,748	857,931,039	-	(22,415,709)	97 %	77 %	575,511,124
Waste management	1,078,798,543	6,770,759	1,085,569,302	8,327,287	1,093,896,589	1,378,218,654	284,322,065	284,322,065	126 %	128 %	1,383,441,536
<b>Other</b>	<b>171,862,823</b>	<b>8,090,286</b>	<b>179,953,109</b>	<b>842,076</b>	<b>180,795,185</b>	<b>183,452,612</b>	<b>2,657,427</b>	<b>2,657,427</b>	<b>101 %</b>	<b>107 %</b>	<b>199,872,803</b>
Other	171,862,823	8,090,286	179,953,109	842,076	180,795,185	183,452,612	2,657,427	2,657,427	101 %	107 %	199,872,803
<b>Total Expenditure - Standard</b>	<b>29,985,603,111</b>	<b>715,700,080</b>	<b>30,701,303,191</b>	<b>-</b>	<b>30,701,303,191</b>	<b>30,497,629,679</b>	<b>1,361,276,815</b>	<b>(203,673,512)</b>	<b>99 %</b>	<b>102 %</b>	<b>28,222,038,845</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,639,038,757</b>	<b>(263,694,991)</b>	<b>2,375,343,766</b>		<b>2,375,343,766</b>	<b>2,359,308,986</b>		<b>(16,034,780)</b>	<b>99 %</b>	<b>89 %</b>	<b>2,396,909,676</b>



**Appendix D (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the period ended 30 June 2018**

	2017/18						2016/17 Restated				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) and Shifting of funds (i.t.o. MFMA s 31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue by Vote</b>											
City Manager	20,000,000	92,032	20,092,032		20,092,032	16,967,582		(3,124,450)	84 %	85 %	49,824,162
Economic Development and Spatial Planning	442,023,499	(16,209,362)	425,814,137		425,814,137	255,847,140		(169,966,997)	60 %	58 %	369,737,362
Emergency Management Services	81,401,729	30,476,133	111,877,862		111,877,862	110,810,397		(1,067,465)	99 %	136 %	83,369,051
Environment and Agriculture Management	175,513,884	(100,242,347)	75,271,537		75,271,537	130,429,348		55,157,811	173 %	74 %	1,344,789,810
Group Communication and Marketing	1,203,246	-	1,203,246		1,203,246	-		(1,203,246)	- %	- %	1,205,487
Group Financial Services	10,475,951,629	148,263,573	10,624,215,202		10,624,215,202	11,081,761,473		457,546,271	104 %	106 %	9,716,858,013
Group Human Capital Management	25,999,827	18,780	26,018,607		26,018,607	15,917,393		(10,101,214)	61 %	61 %	26,882,581
Health Department	59,441,910	939,731	60,381,641		60,381,641	59,822,671		(558,970)	99 %	101 %	63,565,635
Housing and Human Settlement	902,224,905	311,085,044	1,213,309,949		1,213,309,949	1,002,047,684		(211,262,265)	83 %	111 %	756,004,042
Metro Police	334,516,266	(38,051,410)	296,464,856		296,464,856	233,484,695		(62,980,161)	79 %	70 %	200,030,215
Regional Operations & Coordination	1,485,301,481	41,543,066	1,526,844,547		1,526,844,547	1,582,711,687		55,867,140	104 %	107 %	176,394,314
Roads and Transport	1,336,520,428	84,468,838	1,420,989,266		1,420,989,266	1,314,500,401		(106,488,865)	93 %	98 %	1,424,840,895
Shared Services	1,063,414	1,086,882	2,150,296		2,150,296	5,912,825		3,762,529	275 %	556 %	12,851,853
Utility Service: Water and Sanitation	5,645,827,505	(72,847,454)	5,572,980,051		5,572,980,051	5,236,456,600		(336,523,451)	94 %	(6)%	4,886,330,431
Utility Service: Electricity	11,996,434,382	20,413,926	12,016,848,308		12,016,848,308	11,589,841,584		(427,006,724)	96 %	97 %	11,648,545,387
Group Audit and Risk	42,164,833	-	42,164,833		42,164,833	47,784,949		5,620,116	113 %	113 %	51,892,964
Office of the Executive Mayor	4,706,940	-	4,706,940		4,706,940	-		(4,706,940)	- %	- %	2,348,456
Group Legal and Secretarial Service	410,963	-	410,963		410,963	-		(410,963)	- %	- %	897,358
Group Property	93,279,409	-	93,279,409		93,279,409	68,252,072		(25,027,337)	73 %	73 %	72,055,249
Office of the Chief Whip	-	-	-		-	-		-	DIV/0 %	DIV/0 %	349,422
Office of the Speaker	-	-	-		-	-		-	DIV/0 %	DIV/0 %	1,918,726
Community and Social Development Services	67,046,559	36,163,126	103,209,685		103,209,685	102,327,406		(882,279)	99 %	153 %	111,282,422
Customer Relations Management	-	19,110	19,110		19,110	21,133		2,023	111 %	DIV/0 %	1,658,124
City Strategy and Operational Performance	5,750,911	-	5,750,911		5,750,911	2,041,624		(3,709,287)	- %	- %	4,555,344
<b>Total Revenue by Vote</b>	<b>33,196,783,720</b>	<b>447,219,668</b>	<b>33,644,003,388</b>		<b>33,644,003,388</b>	<b>32,856,938,664</b>		<b>(787,064,724)</b>	<b>98 %</b>	<b>99 %</b>	<b>31,008,187,303</b>

**Appendix D (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the period ended 30 June 2018**

	2017/18							2016/17 Restated			
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) and Shifting of funds (i.t.o. MFMA s 31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
<b>Expenditure by Vote to be appropriated</b>											
City Manager	98,937,086	19,232,482	118,169,568	-	118,169,568	295,457,487	177,287,919	177,287,919	250 %	299 %	111,232,097
Economic Development & Spatial Planning	612,316,882	(44,543,671)	567,773,211	-	567,773,211	502,026,829	-	(65,746,382)	88 %	82 %	545,415,800
Emergency Management Services	670,032,057	(3,115,438)	666,916,619	-	666,916,619	647,299,057	-	(19,617,562)	97 %	97 %	632,496,821
Environment and Agriculture Management	717,784,141	(16,745,652)	701,038,489	-	701,038,489	966,500,270	265,461,781	265,461,781	138 %	135 %	697,324,964
Group Communications & Marketing	106,541,892	13,438,058	119,979,950	-	119,979,950	114,133,856	-	(5,846,094)	95 %	107 %	122,108,851
Group Financial Services Cluster	3,294,679,590	(145,573,579)	3,149,106,011	-	3,149,106,011	3,747,241,063	598,135,052	598,135,052	119 %	114 %	1,521,432,261
Group Human Capital Management	242,314,500	54,653,694	296,968,194	-	296,968,194	308,504,215	11,536,021	11,536,021	104 %	127 %	292,105,018
Health Department	399,308,620	(6,480,218)	392,828,402	-	392,828,402	382,060,577	-	(10,767,825)	97 %	96 %	356,301,743
Housing and Human Settlement	332,473,936	410,808,539	743,282,475	-	743,282,475	453,768,154	-	(289,514,321)	61 %	136 %	523,062,596
Metro Police	2,095,042,799	264,381,904	2,359,424,703	-	2,359,424,703	2,251,544,723	-	(107,879,980)	95 %	107 %	2,211,326,770
Regional Operations and Coordination	3,698,400,827	(56,389,066)	3,642,011,761	-	3,642,011,761	3,551,050,691	-	(90,961,070)	98 %	96 %	3,406,690,435
Roads and Transport	1,449,225,278	164,232,917	1,613,458,195	-	1,613,458,195	1,561,836,481	-	(51,621,714)	97 %	108 %	1,503,143,804
Shared Services	1,406,063,790	(30,131,163)	1,375,932,627	-	1,375,932,627	1,432,612,259	56,679,632	56,679,632	104 %	102 %	1,324,367,226
Utility Service: Water and Sanitation	4,035,756,402	(175,477,112)	3,860,279,290	(76,000,000)	3,784,279,290	2,925,361,477	-	(858,917,813)	77 %	72 %	3,775,140,173
Utility Service: Electricity	9,303,060,535	(7,437,373)	9,295,623,162	76,000,000	9,371,623,162	9,198,421,044	-	(173,202,118)	98 %	99 %	9,521,876,254
Group Audit and Risk	320,121,172	8,592,980	328,714,152	-	328,714,152	225,211,400	-	(103,502,752)	69 %	70 %	363,442,794
Office of the Executive Mayor	190,190,203	(2,524,419)	187,665,784	-	187,665,784	153,499,332	-	(34,166,452)	82 %	81 %	162,659,847
Group Legal and Secretarial Service	120,643,272	25,538,899	146,182,171	-	146,182,171	144,016,089	-	(2,166,082)	99 %	119 %	128,840,241
Group Property	559,398,200	189,727,416	749,125,616	-	749,125,616	776,416,001	27,290,385	27,290,385	104 %	139 %	463,129,597
Office of the Chief Whip	28,911,527	1,077,868	29,989,395	-	29,989,395	31,859,579	1,870,184	1,870,184	106 %	110 %	30,161,710
Office of the Speaker	169,112,413	101,782,942	270,895,355	-	270,895,355	247,253,236	-	(23,642,119)	91 %	146 %	253,679,153
Community and Social Development Services	398,346,786	(817,592)	397,529,194	-	397,529,194	348,866,561	-	(48,662,633)	88 %	88 %	430,287,507
Customer Relations Management	202,163,475	(1,895,834)	200,267,641	-	200,267,641	193,943,917	-	(6,323,724)	97 %	96 %	187,686,837
City Strategy and Organisational Performance	55,481,230	16,429	55,497,659	-	55,497,659	38,745,380	-	(16,752,279)	70 %	70 %	47,365,128
<b>Total Expenditure by Vote</b>	<b>30,506,306,613</b>	<b>762,353,011</b>	<b>31,268,659,624</b>	<b>-</b>	<b>31,268,659,624</b>	<b>30,497,629,678</b>	<b>1,138,260,974</b>	<b>(771,029,946)</b>	<b>98 %</b>	<b>100 %</b>	<b>28,611,277,627</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,690,477,107</b>	<b>(315,133,343)</b>	<b>2,375,343,764</b>		<b>2,375,343,764</b>	<b>2,359,308,986</b>		<b>(16,034,778)</b>	<b>99 %</b>	<b>88 %</b>	<b>2,396,909,676</b>

**Appendix E (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the period ended 30 June 2018**

	2017/18							2016/17 Restated						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) and Shifting of funds (i.t.o. MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue By Source</b>														
Property rates	6,515,394,224	90,000,000	6,605,394,224		6,605,394,224	6,761,720,009		156,325,785	102 %	104 %				5,912,860,893
Service charges - electricity revenue	11,014,614,023	43,383,421	11,057,997,444		11,057,997,444	10,982,174,316		(75,823,128)	99 %	100 %				10,894,788,430
Service charges - water revenue	3,997,988,511	(220,794,713)	3,777,193,798		3,777,193,798	3,222,246,038		(554,947,760)	85 %	81 %				3,189,550,429
Service charges - sanitation revenue	982,878,680	(20,000,000)	962,878,680		962,878,680	952,049,810		(10,828,870)	99 %	97 %				827,601,956
Service charges - refuse revenue	1,410,505,866	-	1,410,505,866		1,410,505,866	1,482,085,535		71,579,669	105 %	105 %				1,291,533,037
Service charges - other	163,578,145	60,000,000	223,578,145		223,578,145	283,113,493		59,535,348	127 %	173 %				220,107,833
Rental of facilities and equipment	177,273,106	(5,912,940)	171,360,166		171,360,166	141,958,376		(29,401,790)	83 %	80 %				135,677,076
Interest earned: External investments	50,634,637	49,806,295	100,440,932		100,440,932	210,274,693		109,833,761	209 %	415 %				105,110,808
Interest earned: Outstanding debtors	466,585,260	79,924,400	546,509,660		546,509,660	731,792,260		185,282,600	134 %	157 %				554,120,687
Fines	332,755,617	(38,802,188)	293,953,429		293,953,429	228,147,624		(65,805,805)	78 %	69 %				189,607,891
Licences and permits	54,482,852	-	54,482,852		54,482,852	52,325,465		(2,157,387)	96 %	96 %				49,266,169
Transfers recognised - operational	4,159,531,871	347,724,242	4,507,256,113		4,507,256,113	4,333,157,183		(174,098,930)	96 %	104 %				3,813,144,804
Other revenue	880,340,356	67,582,811	947,923,167		947,923,167	808,193,909		(139,729,258)	85 %	92 %				1,081,238,765
Gains on disposal of PPE	5,880,214	900,000	6,780,214		6,780,214	33,798,796		27,018,582	- %	- %				6,222,892
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>30,212,443,362</b>	<b>453,811,328</b>	<b>30,666,254,690</b>		<b>30,666,254,690</b>	<b>30,223,037,507</b>		<b>(443,217,183)</b>	<b>99 %</b>	<b>100 %</b>				<b>28,270,831,670</b>

**Appendix E (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the period ended 30 June 2018**

	2017/18							2016/17 Restated						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) and Shifting of funds (i.t.o. MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure By Type</b>														
Employee-related costs	8,731,534,889	(107,455,952)	8,624,078,937	(33,000)	8,624,045,937	8,126,590,105	-	(497,455,832)	94 %	93 %	-	-	-	7,883,278,269
Remuneration of councillors	125,280,507	-	125,280,507	-	125,280,507	123,785,928	-	(1,494,579)	99 %	99 %	-	-	-	115,513,604
Debt impairment	1,175,972,918	(40,000,000)	1,135,972,918	-	1,135,972,918	1,712,997,942	577,025,024	577,025,024	151 %	146 %	-	-	-	1,270,227,002
Depreciation and asset impairment	1,958,477,467	(96,086,668)	1,862,390,799	-	1,862,390,799	2,041,795,887	179,405,088	179,405,088	110 %	104 %	-	-	-	1,584,284,100
Finance charges	1,417,116,653	38,966,656	1,456,083,309	-	1,456,083,309	1,686,312,742	230,229,433	230,229,433	116 %	119 %	-	-	-	1,300,990,135
Bulk purchases	9,991,117,564	(34,004,489)	9,957,113,075	(10,000,000)	9,947,113,075	9,802,765,758	-	(144,347,317)	99 %	98 %	-	-	-	9,560,457,810
Other materials	345,084,741	(10,149,413)	334,935,328	28,504,822	363,440,150	324,142,492	-	(39,297,658)	89 %	94 %	-	-	-	270,078,103
Contracted services	2,966,165,804	542,204,453	3,508,370,257	16,310,178	3,524,680,435	2,485,413,588	-	(1,039,266,847)	71 %	84 %	-	-	-	2,799,728,867
Transfers and grants	133,361,859	36,274,816	169,636,675	-	169,636,675	151,603,906	-	(18,032,769)	89 %	114 %	-	-	-	422,545,041
Other expenditure	3,141,489,648	385,950,676	3,527,440,324	(34,782,000)	3,492,658,324	3,348,474,268	-	(144,184,056)	96 %	107 %	-	-	-	2,915,128,678
Loss on disposal of PPE	1,062	-	1,062	-	1,062	205,899,784	205,898,722	205,898,722	19,387,927 %	100 %	-	-	-	99,807,235
<b>Total Expenditure</b>	<b>29,985,603,112</b>	<b>715,700,079</b>	<b>30,701,303,191</b>	<b>-</b>	<b>30,701,303,191</b>	<b>30,009,782,400</b>	<b>1,192,558,267</b>	<b>(691,520,791)</b>	<b>98 %</b>	<b>100 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,222,038,844</b>
<b>Surplus/(Deficit)</b>	<b>226,840,250</b>	<b>(261,888,751)</b>	<b>(35,048,501)</b>		<b>(35,048,501)</b>	<b>213,255,107</b>	<b>(1,192,558,267)</b>	<b>248,303,608</b>	<b>(608)%</b>	<b>94 %</b>				<b>48,792,826</b>
Transfers recognised - capital (monetary - National/Provincial)	2,373,284,040	(607,573)	2,372,676,467		2,372,676,467	2,104,325,795		(268,350,672)	89 %	89 %				2,310,451,676
Transfers recognised - capital (monetary - Departmental agencies)	32,815,800	-	32,815,800		32,815,800	40,787,721		7,971,921	- %	- %				37,665,174
Transfers recognised - capital (monetary - in-kind: all )	6,000,000	(1,100,000)	4,900,000		4,900,000	940,363		(3,959,637)	- %	- %				-
<b>Surplus/(Deficit) after capital transfers and contributions</b>	<b>2,638,940,090</b>	<b>(263,596,324)</b>	<b>2,375,343,766</b>		<b>2,375,343,766</b>	<b>2,359,308,986</b>		<b>(16,034,780)</b>	<b>99 %</b>	<b>89 %</b>				<b>2,396,909,676</b>
<b>Surplus/(Deficit) after taxation</b>	<b>2,638,940,090</b>	<b>(263,596,324)</b>	<b>2,375,343,766</b>		<b>2,375,343,766</b>	<b>2,359,308,986</b>		<b>(16,034,780)</b>	<b>99 %</b>	<b>89 %</b>				<b>2,396,909,676</b>
<b>Surplus/(Deficit) attributable to municipality</b>	<b>2,638,940,090</b>	<b>(263,596,324)</b>	<b>2,375,343,766</b>		<b>2,375,343,766</b>	<b>2,359,308,986</b>		<b>(16,034,780)</b>	<b>99 %</b>	<b>89 %</b>				<b>2,396,909,676</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,638,940,090</b>	<b>(263,596,324)</b>	<b>2,375,343,766</b>		<b>2,375,343,766</b>	<b>2,359,308,986</b>		<b>(16,034,780)</b>	<b>99 %</b>	<b>89 %</b>				<b>2,396,909,676</b>

**Appendix F (Municipality only)**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the period ended 30 June 2018**

	2017/18									2016/17 Restated					
	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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital expenditure - Vote</b>															
<b>Multi-year expenditure</b>															
City Manager	466,000,000	(307,800,000)	158,200,000	-	-	158,200,000	138,653,698	-	(19,546,302)	88 %	30 %	-	-	-	48,002,376
Group Audit and Risk	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	5,856,317
Economic Development & Spatial Planning	108,900,000	(2,104,350)	106,795,650	-	-	106,795,650	77,567,853	-	(29,227,797)	73 %	71 %	-	-	-	47,537,898
Group Human Capital Management	-	-	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	4,298,406
Group Property	5,000,000	(5,000,000)	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	-
Shared Services	22,000,000	34,940,000	56,940,000	-	-	56,940,000	45,864,454	-	(11,075,546)	81 %	208 %	-	-	-	160,031,342
Group Financial Services	35,000,000	-	35,000,000	-	-	35,000,000	34,980,206	-	(19,794)	100 %	100 %	-	-	-	22,200,226
Emergency Management Services	2,000,000	10,410,000	12,410,000	-	-	12,410,000	10,198,715	-	(2,211,285)	82 %	510 %	-	-	-	10,895,317
Metro Police	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	29,997,108
Community and Social Development Services	263,964,650	18,753,866	282,718,516	-	-	282,718,516	161,471,633	-	(121,246,883)	57 %	61 %	-	-	-	92,131,373
Environment and Agriculture Management	816,389,840	(73,406,946)	742,982,894	-	-	742,982,894	606,897,879	-	(136,085,015)	82 %	74 %	-	-	-	37,796,604
Health Department	356,055,664	21,608,457	377,664,121	-	-	377,664,121	374,773,520	-	(2,890,601)	99 %	105 %	-	-	-	14,031,486
Housing and Human Settlement	58,000,000	19,800,000	77,800,000	-	-	77,800,000	42,111,606	-	(35,688,394)	54 %	73 %	-	-	-	598,492,122
Roads and Transport	728,945,545	131,888,641	860,834,186	-	-	860,834,186	675,930,876	-	(184,903,310)	79 %	93 %	-	-	-	1,102,620,681
Utility Service - Water and Sanitation	597,352,870	(48,786,748)	548,566,122	-	-	548,566,122	458,016,796	-	(90,549,326)	83 %	77 %	-	-	-	421,561,237
Utility Service - Electricity	368,175,471	32,454,796	400,630,267	-	-	400,630,267	368,203,384	-	(32,426,883)	92 %	100 %	-	-	-	488,468,982
Regional Operations and Coordination	8,500,000	19,431,630	27,931,630	-	-	27,931,630	27,864,109	-	(67,521)	100 %	- %	-	-	-	9,574,297
<b>Capital multi-year expenditure sub-total</b>	<b>3,836,284,040</b>	<b>(147,810,654)</b>	<b>3,688,473,386</b>	<b>-</b>	<b>-</b>	<b>3,688,473,386</b>	<b>3,022,534,729</b>	<b>-</b>	<b>(665,938,657)</b>	<b>82 %</b>	<b>79 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,093,495,772</b>
<b>Single-year expenditure</b>															
City Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	65,406,313
Emergency Management Services	-	10,000,000	10,000,000	-	-	10,000,000	8,661,204	-	(1,338,796)	87 %	DIV/0 %	-	-	-	-
Housing and Human Settlement	2,400,000	(100,000)	2,300,000	-	-	2,300,000	2,031,545	-	(268,455)	88 %	85 %	-	-	-	-
Economic Development and Spatial Planning	450,000	-	450,000	-	-	450,000	410,900	-	(39,100)	91 %	100 %	-	-	-	-
Group Financial Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	21,313,239
Environment and Agriculture Management	450,000	-	450,000	-	-	450,000	393,253	-	(56,747)	- %	- %	-	-	-	-
Regional Operations and Coordination	5,000,000	-	5,000,000	-	-	5,000,000	1,942,026	-	(3,057,974)	39 %	39 %	-	-	-	-
Community and Social Development	8,000,000	-	8,000,000	-	-	8,000,000	6,553,681	-	(1,446,319)	82 %	100 %	-	-	-	9,936,346
Roads and Transport	1,900,000	-	1,900,000	-	-	1,900,000	1,682,410	-	(217,590)	89 %	89 %	-	-	-	963,848
Utility Service - Electricity	800,000	826,658	1,626,658	-	-	1,626,658	1,540,965	-	(85,693)	95 %	193 %	-	-	-	3,518,754
Utility Service - Water and Sanitation	5,000,000	-	5,000,000	-	-	5,000,000	961,798	-	(4,038,202)	19 %	19 %	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	<b>24,000,000</b>	<b>10,726,658</b>	<b>34,726,658</b>	<b>-</b>	<b>-</b>	<b>34,726,658</b>	<b>24,177,782</b>	<b>-</b>	<b>(10,548,876)</b>	<b>70 %</b>	<b>101 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,138,500</b>
<b>Total Capital Expenditure - Vote</b>	<b>3,860,284,040</b>	<b>(137,083,996)</b>	<b>3,723,200,044</b>	<b>-</b>	<b>-</b>	<b>3,723,200,044</b>	<b>3,046,712,511</b>	<b>-</b>	<b>(676,487,533)</b>	<b>82 %</b>	<b>79 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,194,634,272</b>

**Appendix F (Municipality only)**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the period ended 30 June 2018**

	2017/18								2016/17 Restated						
	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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>401,000,000</b>	<b>(251,257,476)</b>	<b>149,742,524</b>	-	-	<b>149,742,524</b>	<b>125,258,678</b>	-	<b>(24,483,846)</b>	<b>84 %</b>	<b>31 %</b>	-	-	-	<b>327,108,219</b>
Executive and Council	336,000,000	(281,197,476)	54,802,524	-	-	54,802,524	41,416,077	-	(13,386,447)	76 %	12 %	-	-	-	121,813,420
Finance and administration	65,000,000	29,940,000	94,940,000	-	-	94,940,000	83,842,601	-	(11,097,399)	88 %	129 %	-	-	-	205,294,799
<b>Community and public safety</b>	<b>1,512,260,154</b>	<b>7,065,377</b>	<b>1,519,325,531</b>	-	-	<b>1,519,325,531</b>	<b>1,215,035,063</b>	-	<b>(304,290,468)</b>	<b>80 %</b>	<b>80 %</b>	-	-	-	<b>768,474,228</b>
Community and social services	141,650,000	3,400,000	145,050,000	-	-	145,050,000	104,170,271	-	(40,879,729)	72 %	74 %	-	-	-	63,688,081
Sport and recreation	901,654,490	(71,053,080)	830,601,410	-	-	830,601,410	624,565,473	-	(206,035,937)	75 %	69 %	-	-	-	41,795,816
Public safety	2,000,000	10,410,000	12,410,000	-	-	12,410,000	10,198,715	-	(2,211,285)	82 %	510 %	-	-	-	40,892,425
Housing	65,400,000	19,700,000	85,100,000	-	-	85,100,000	46,085,178	-	(39,014,822)	54 %	70 %	-	-	-	608,066,420
Health	401,555,664	44,608,457	446,164,121	-	-	446,164,121	430,015,426	-	(16,148,695)	96 %	107 %	-	-	-	14,031,486
<b>Economic and environmental services</b>	<b>561,504,248</b>	<b>98,222,100</b>	<b>659,726,348</b>	-	-	<b>659,726,348</b>	<b>511,633,738</b>	-	<b>(148,092,610)</b>	<b>78 %</b>	<b>91 %</b>	-	-	-	<b>1,133,048,968</b>
Planning and development	93,350,000	4,795,650	98,145,650	-	-	98,145,650	73,252,232	-	(24,893,418)	75 %	78 %	-	-	-	47,537,898
Road transport	468,154,248	93,426,450	561,580,698	-	-	561,580,698	438,381,506	-	(123,199,192)	78 %	94 %	-	-	-	1,082,795,991
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	2,715,079
<b>Trading services</b>	<b>1,241,519,638</b>	<b>(3,313,997)</b>	<b>1,238,205,641</b>	-	-	<b>1,238,205,641</b>	<b>1,062,108,433</b>	-	<b>(176,097,208)</b>	<b>86 %</b>	<b>86 %</b>	-	-	-	<b>934,371,319</b>
Energy sources	368,975,471	33,281,454	402,256,925	-	-	402,256,925	369,744,348	-	(32,512,577)	92 %	100 %	-	-	-	491,987,736
Water management	388,502,870	5,193,252	393,696,122	-	-	393,696,122	337,491,736	-	(56,204,386)	86 %	87 %	-	-	-	83,795,139
Waste water management	484,041,297	(41,788,703)	442,252,594	-	-	442,252,594	354,872,349	-	(87,380,245)	80 %	73 %	-	-	-	337,766,098
<b>Other</b>	<b>144,000,000</b>	<b>12,200,000</b>	<b>156,200,000</b>	-	-	<b>156,200,000</b>	<b>132,676,600</b>	-	<b>(23,523,400)</b>	<b>85 %</b>	<b>92 %</b>	-	-	-	<b>31,631,538</b>
Other	144,000,000	12,200,000	156,200,000	-	-	156,200,000	132,676,600	-	(23,523,400)	85 %	92 %	-	-	-	31,631,538
<b>Total Capital Expenditure - Standard</b>	<b>3,860,284,040</b>	<b>(137,083,996)</b>	<b>3,723,200,044</b>	-	-	<b>3,723,200,044</b>	<b>3,046,712,512</b>	-	<b>(676,487,532)</b>	<b>82 %</b>	<b>79 %</b>	-	-	-	<b>3,194,634,272</b>
<b>Funded by:</b>															
National Government	2,297,112,390	(30,406,946)	2,266,705,444	-	-	2,266,705,444	2,042,358,850	-	(224,346,594)	90 %	89 %	-	-	-	2,269,118,618
Provincial Government	43,507,000	27,505,951	71,012,951	-	-	71,012,951	59,673,358	-	(11,339,593)	84 %	137 %	-	-	-	46,709,633
Other transfers and grants	6,000,000	1,193,422	7,193,422	-	-	7,193,422	3,233,783	-	(3,959,639)	45 %	54 %	-	-	-	4,498,406
<b>Transfers recognised - capital</b>	<b>2,346,619,390</b>	<b>(1,707,573)</b>	<b>2,344,911,817</b>	-	-	<b>2,344,911,817</b>	<b>2,105,265,991</b>	-	<b>(239,645,826)</b>	<b>90 %</b>	<b>90 %</b>	-	-	-	<b>2,320,326,657</b>
Public contributions & donations	100,000,000	(9,100,175)	90,899,825	-	-	90,899,825	61,157,097	-	(29,742,728)	67 %	61 %	-	-	-	93,627,124
Borrowing	1,000,000,000	-	1,000,000,000	-	-	1,000,000,000	700,248,494	-	(299,751,506)	70 %	70 %	-	-	-	751,761,634
Integrated City Development Grant	32,664,650	-	32,664,650	-	-	32,664,650	-	-	(32,664,650)	- %	- %	-	-	-	-
Internally generated funds	381,000,000	(126,276,248)	254,723,752	-	-	254,723,752	180,040,930	-	(74,682,822)	71 %	47 %	-	-	-	28,918,857
<b>Total Capital Funding</b>	<b>3,860,284,040</b>	<b>(137,083,996)</b>	<b>3,723,200,044</b>	-	-	<b>3,723,200,044</b>	<b>3,046,712,512</b>	-	<b>(676,487,532)</b>	<b>82 %</b>	<b>79 %</b>	-	-	-	<b>3,194,634,272</b>

**Appendix G (Consolidated)  
Budgeted Cash Flows  
for the period ended 30 June 2018**

	<b>2017/18</b>					<b>2016/17 Restated</b>			
	<b>Original Budget</b>	<b>Budget Adjustments (i.t.o. s28 and s31 of the MFMA)</b>	<b>Final adjustments budget</b>	<b>Final Budget</b>	<b>Actual Outcome</b>	<b>Variance</b>	<b>Actual Outcome as % of Final Budget Rand</b>	<b>Actual Outcome as % of Original Budget Rand</b>	<b>Restated Audited Outcome</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>			<b>Rand</b>
<b>Cash flow from operating activities</b>									
Other sources	1,433,243,998	147,271,099	1,580,515,097	1,580,515,097	2,296,579,247	716,064,150	145 %	160 %	2,495,765,558
Ratepayers/consumers	22,884,875,161	(25,188,712)	22,859,686,449	22,859,686,449	22,376,471,808	(483,214,641)	98 %	98 %	20,445,223,689
Government - operating	4,159,531,871	347,724,242	4,507,256,113	4,507,256,113	4,320,824,281	(186,431,832)	96 %	104 %	3,980,677,184
Government - capital	2,449,910,336	(11,385,225)	2,438,525,111	2,438,525,111	2,368,845,285	(69,679,826)	97 %	97 %	2,378,837,580
Interest received	233,345,430	(103,876,772)	129,468,658	129,468,658	205,582,045	76,113,387	159 %	88 %	102,616,461
Suppliers	(16,184,652,050)	(1,049,164,416)	(17,233,816,466)	(17,233,816,466)	(15,855,704,225)	1,378,112,241	92 %	98 %	(15,765,426,757)
Employees	(8,731,534,889)	107,488,952	(8,624,045,937)	(8,624,045,937)	(8,309,579,063)	314,466,874	96 %	95 %	(8,158,582,194)
Interest paid	(1,417,356,526)	(38,366,656)	(1,455,723,182)	(1,455,723,182)	(1,696,562,764)	(240,839,582)	117 %	120 %	(1,317,500,240)
Transfers and grants	(49,980,234)	(81,288)	(50,061,522)	(50,061,522)	-	50,061,522	- %	- %	-
Taxation on surpluses	-	-	-	-	907,478	907,478	DIV/0 %	DIV/0 %	(492,225)
<b>Net cash flow from/used operating activities</b>	<b>4,777,383,097</b>	<b>(625,578,776)</b>	<b>4,151,804,321</b>	<b>4,151,804,321</b>	<b>5,707,364,092</b>	<b>1,555,559,771</b>	<b>137 %</b>	<b>119 %</b>	<b>4,161,119,056</b>
<b>Cash flow from investing activities</b>									
Proceeds on disposal of PPE	5,880,214	-	5,880,214	5,880,214	3,116,724	(2,763,490)	- %	- %	(1,489,354)
Capital contribution to sinking fund	-	-	-	-	(667,611,310)	(667,611,310)	- %	- %	459,843
Decrease/(increase) other non-current receivables	(101,711,820)	100,076,976	(1,634,844)	(1,634,844)	(46,605,767)	(44,970,923)	2,851 %	46 %	(2,591,394)
Decrease/(increase) in non-current investments	(500,246,483)	(242,098,082)	(742,344,565)	(742,344,565)	552,870,710	1,295,215,275	(74)%	(111)%	(1,079,656,525)
Capital assets (Purchases)/repayment of leased assets	(3,863,903,404)	215,167,361	(3,648,736,043)	(3,648,736,043)	(3,266,977,980)	381,758,063	90 %	85 %	(3,438,512,682)
Transfer of functions	-	-	-	-	900,299	900,299	DIV/0 %	DIV/0 %	2,424,164
<b>Net cash flow from/used investing activities</b>	<b>(4,459,981,493)</b>	<b>73,146,255</b>	<b>(4,386,835,238)</b>	<b>(4,386,835,238)</b>	<b>(3,412,680,101)</b>	<b>974,155,137</b>	<b>78 %</b>	<b>77 %</b>	<b>(4,519,365,948)</b>
<b>Cash flow from financing activities</b>									
Borrowing long-term/refinancing	1,000,000,000	-	1,000,000,000	1,000,000,000	-	(1,000,000,000)	- %	- %	1,000,000,000
Increase/(decrease) in Service concession arrangements	-	-	-	-	(188,169,587)	(188,169,587)	- %	- %	-
Repayment of borrowing(long-term)	(601,793,933)	315,398	(601,478,535)	(601,478,535)	(596,715,120)	4,763,415	99 %	99 %	(549,871,573)
Repayment of finance leases	-	-	-	-	(198,648,227)	(198,648,227)	- %	- %	(192,045,478)
<b>Net cash flow from/used financing activities</b>	<b>398,206,067</b>	<b>315,398</b>	<b>398,521,465</b>	<b>398,521,465</b>	<b>(983,532,934)</b>	<b>(1,382,054,399)</b>	<b>(247)%</b>	<b>(247)%</b>	<b>258,082,949</b>
<b>Net increase/(decrease) in cash held</b>	<b>715,607,671</b>	<b>(552,117,123)</b>	<b>163,490,548</b>	<b>163,490,548</b>	<b>1,311,151,057</b>	<b>1,147,660,509</b>	<b>802 %</b>	<b>183 %</b>	<b>(100,163,943)</b>
Cash/cash equivalents at the year begin:	1,907,680,971	261,634,832	2,169,315,803	2,169,315,803	1,081,561,706	1,087,754,098	50 %	57 %	1,181,725,649
<b>Cash/cash equivalents at the year end:</b>	<b>2,623,288,642</b>	<b>(290,482,291)</b>	<b>2,332,806,351</b>	<b>2,332,806,351</b>	<b>2,392,712,763</b>	<b>2,235,414,607</b>	<b>103 %</b>	<b>91 %</b>	<b>1,081,561,706</b>

**Appendix H**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary**  
**unaudited information)**

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total					
<b>Capital Grants:</b>														
DPSA Smart Connect	Department Public Service and Administration	-	-	(628,250)	628,250	-	-	-	628,250	-	-	None	None	Yes
Integrated National Electrification Programme (INEP)	Department of Mineral and Energy	-	-	-	4,323,000	7,177,000	18,500,000	-	30,000,000	30,000,000	-	None	None	Yes
Gauteng Project Linked Housing	Gauteng:Local Government and Housing (GLGH)	16,409,130	-	(16,409,130)	-	-	-	-	-	-	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	2,889,029	-	(2,889,029)	759,714,550	-	808,208,000	-	1,567,922,550	1,470,775,730	97,146,820	None	None	Yes
Gautrans Job Creation PTIS: Transport	Gauteng: Transport (GDoT)	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Delft Grant	Municipality of Delft (Netherlands)	67,481,390	-	135,046,516)	339,596,000	-	309,186,894	-	648,782,894	524,691,102	56,526,666	None	None	Yes
Housing Accreditation	Gauteng:Local Government and Housing (GLGH)	2,293,422	-	-	-	-	-	-	-	2,293,422	-	None	None	Yes
LG SETA Discretionary Grant	Department of Local Government	67,394	-	(67,394)	-	-	-	-	-	-	-	None	None	Yes
Integrated City Development	National Treasury	-	-	-	-	-	2,926,400	-	2,926,400	940,363	1,986,037	None	None	Yes
Social Infrastructure Grant	National Treasury	36,254,200	-	(36,254,200)	32,664,650	-	-	-	32,664,650	-	32,664,650	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture and Recreation	-	-	-	27,001,916	-	-	32,338,025	59,339,941	58,631,341	708,600	None	None	Yes
Finance Management Grant (FMG)	National Treasury	1,396,597	-	(4,303,672)	9,507,000	-	-	-	9,507,000	1,042,014	5,557,911	None	None	Yes
Neighbourhood Development (NDPG)	National Treasury	-	-	-	-	-	-	-	-	-	-	None	None	Yes
		-	-	-	20,000,000	-	-	-	20,000,000	16,892,186	3,107,814	None	None	Yes
		126,791,162	-	195,598,191)	1,193,435,366	7,177,000	1,138,821,294	32,338,025	2,371,771,685	2,105,266,158	197,698,498			



**Appendix H  
Disclosures of Grants and Subsidies in terms of  
Section 123 MFMA, 56 of 2003 (Supplementary  
unaudited information)**

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total					
<b>Operational grants/subsidies:</b>														
Health: HIV/AIDS	Gauteng: Department of Health and Social Development	-	-	-	7,632,000	-	5,088,000	-	12,720,000	12,720,000	-	None	None	Yes
Primary Healthcare	Gauteng: Department of Health and Social Development	-	-	-	18,616,400	13,962,300	13,962,300	-	46,541,000	46,541,000	-	None	None	Yes
Emergency Medical Services (EMS)	Gauteng: Department of Health and Social Development	-	-	-	46,195,100	-	49,797,900	-	95,993,000	95,993,000	-	None	None	Yes
Human Settlement Development: Top structure	Gauteng: Local Government and Housing (GLGH)	161,610,910	-	17,711,757	40,140,265	109,070,931	34,900,800	-	184,111,996	109,845,243	253,589,420	None	None	Yes
Finance Management Grant (FMG)	National Treasury	-	-	-	2,650,000	-	-	-	2,650,000	2,650,000	-	None	None	Yes
LG SETA Discretionary	Department of Local Government	-	-	-	-	-	1,371,278	1,100,000	2,471,278	1,099,229	1,372,049	None	None	Yes
Equitable share	National Treasury	-	-	-	888,662,000	-	1,244,126,000	-	2,132,788,000	2,132,788,000	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	-	48,492,450	-	-	-	48,492,450	48,492,450	-	None	None	Yes
Municipal Disaster Recovery	Department Local Government	1,447,864	-	-	-	-	-	-	-	-	1,447,864	None	None	Yes
Housing Accreditation	Gauteng: Local Government and Housing (GLGH)	1,235,233	-	(1,235,233)	-	-	-	-	-	-	-	None	None	Yes
Research and Technology Development	Department Local Government	74,688	-	-	-	-	-	-	-	-	74,688	None	None	Yes
Community Library Services	Gauteng: Sport, Arts, Culture and Recreation	913,108	-	4,303,672	995,000	-	-	260,000	1,255,000	6,471,780	-	None	None	Yes
TRT subsidy	Roads and Transport	-	-	-	4,881,514	-	8,092,418	31,230,521	44,204,453	44,204,453	-	None	None	Yes
Broadband (Wi-Fi)	Department of Telecommunication and Postal Services	1,086,882	-	-	-	-	-	-	-	1,086,882	-	None	None	Yes
Housing Company Tshwane: SHRA	Social Housing Regulatory Authority	-	-	-	-	-	-	20,857,018	20,857,018	20,857,018	-	None	None	Yes
Research and Development	Department of Public Service and Administration (DPSA)	-	-	628,250	-	-	-	839,000	839,000	1,467,250	-	None	None	Yes
PTNOG: Transport Gautrans	Gauteng: Transport (GDoT)	485,940	-	(485,940)	110,524,000	-	140,932,106	-	251,456,106	246,669,547	4,786,559	None	None	Yes
Equitable Share: Fuel levy	Gauteng: Transport	11,961,293	-	-	-	-	-	-	-	-	11,961,293	None	None	Yes
Integrated City Development	Department Local Government	-	-	-	481,471,000	481,471,000	481,471,000	-	1,444,413,000	1,444,413,000	-	None	None	Yes
EPWP	National Treasury	252,315	-	(252,315)	5,764,350	-	-	-	5,764,350	5,764,350	-	None	None	Yes
Housing Company Tshwane: GHDS	Department of Public Works	-	-	-	14,315,000	-	6,136,000	-	20,451,000	20,451,000	-	None	None	Yes
	Gauteng Department of Human Settlement	-	-	-	-	-	-	8,287,908	8,287,908	8,287,908	-			
		179,068,233	-	20,670,191	1,670,339,079	604,504,231	1,985,877,802	62,574,447	4,323,295,559	4,249,802,110	273,231,873			

Revenue per Statement of Financial Performance (see Note 27)

6,123,596,480

6,355,068,268

Unspent conditional grants per Statement of Financial Position (see Note 11)

(305,859,395)

470,930,371