



**CITY OF TSHWANE METROPOLITAN MUNICIPALITY**  
*Consolidated Annual Financial Statements*  
*for the year ended 30 June 2019*

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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

Stevens Mokgalapa (from 12 February 2019)  
Solly Msimanga (resigned 12 February 2019)

### Speaker

Rachel Mathebe

### Chief Whip

Christiaan van den Heever

### Mayoral committee

#### Members

Mare-Lise Fourie (Ms) (MMC: Finance)  
Anniruth Kissoonduth (Derrick) (MMC: Health Services)  
Dana Wannenburg (MMC: Environment and Agriculture Management)  
Karen Meyer (MMC: Community Safety and Emergency Services)  
Abel Matshidiso Tau (MMC: Utility Services)  
Richard Moheta (MMC: Human Capital Management and Shared Services)  
Isak Petrus du Plooy (MMC: Community and Social Development Services)  
Isak Jacobus Pietersen (MMC: Economic Development and Spatial Planning)  
Thomas Mandla Nkomo (MMC: Housing and Human Settlement) (up to 30 June 2019)  
Samuel Maimane (MMC: Housing and Human Settlement) (from 3 July 2019)  
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 (resigned 30 August 2019)  
Moeketsi P. Ntsimane (acting)  
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)

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## General Information

---

### 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)

### 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/disestablished

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 2019

## 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 financial year ended 30 June 2019	7
Statement of Changes in Net Assets for the year ended 30 June 2019	8
Cash Flow Statement for the year ended 30 June 2019	9
Statement of Comparison of Budget and Actual Amounts	10 - 15
Summary of significant accounting policies	16 - 42
Notes to the Consolidated Annual Financial Statements	43 - 183

The following supplementary information does not form part of the Consolidated Annual Financial Statements and is unaudited:

Appendices:

Appendix A: Schedule of External Loans	184
Appendix B: Analysis of Property, Plant and Equipment	186
Appendix C: Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)	188
Appendix D: Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote)	190
Appendix E: Budgeted Financial Performance (Revenue and Expenditure)	192
Appendix F: Budgeted Capital Expenditure by Vote, Standard Classification and Funding	194
Appendix G: Budgeted Cash Flows	196
Appendix H: Disclosure of Grants and Subsidies paid in terms of the MFMA	198

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Index

---

AGSA	Auditor-General South Africa
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
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
IGRAP	Interpretations on Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
MEC	Member of the Executive Committee
MFMA	Municipal Finance Management Act
MPRA	Municipal Property Rates Act
NDPG	Neighbourhood Development Partnership Grant
PTNG	Public Transport Network Operating Grant
RTMC	Road Traffic Management Corporation
SALA	South African Local Authorities Pension Fund
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 2019

## 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 group 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 2020 and, in the light of this review and the current financial position, he is satisfied that the group 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 183, which have been prepared on a going concern basis, were approved and signed by the accounting officer on 30 September 2019.

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 39 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.

**Moeketsi P. Ntsimane**  
Acting City Manager

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

**Pretoria**

**30 September 2019**

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

	Note(s)	Group		Municipality	
		2019	2018 Restated* R	2019	2018 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	718,880,659	641,233,711	718,880,659	641,233,711
Consumer receivables from exchange transactions	4	3,885,037,769	3,205,059,363	3,885,037,769	3,205,059,363
Consumer receivables from non-exchange transactions	4	979,459,684	912,319,296	979,459,684	912,319,296
Other receivables from exchange transactions	5	1,019,333,586	1,178,001,226	929,207,006	1,177,682,267
Other receivables from non-exchange transactions	5	995,446,373	224,442,297	995,446,373	224,442,297
Long-term receivables: short-term portion	6	111,175,936	132,771,634	111,175,936	132,771,634
VAT receivable	16	2,639,410	2,385,807	-	-
Redemption fund asset	7	888,647,222	468,779,692	888,647,222	468,779,692
Investments	8	3,627,053,125	2,356,562,644	3,619,286,445	2,356,110,483
Cash and bank	9	334,174,924	562,495,690	264,614,429	482,680,683
Current tax receivable	27	727,084	-	-	-
		<b>12,562,575,772</b>	<b>9,684,051,360</b>	<b>12,391,755,523</b>	<b>9,601,079,426</b>
<b>Non-Current Assets</b>					
Long-term receivables: long-term portion	6	43,911,766	41,039,269	43,911,766	41,039,269
Redemption fund	7	284,066,583	260,151,366	284,066,583	260,151,366
Property, plant and equipment	10	38,431,198,421	36,839,699,593	38,287,829,303	36,707,450,537
Investment property	11	990,894,956	995,834,591	990,894,956	995,834,591
Intangible assets	12	382,380,781	456,245,494	382,354,282	456,192,654
Heritage assets	13	3,370,846,811	3,484,251,611	3,370,846,811	3,484,251,611
Interest rate swap asset	14	-	47,235,142	-	47,235,142
Deferred tax	25	159,621	59,351	-	-
		<b>43,503,458,939</b>	<b>42,124,516,417</b>	<b>43,359,903,701</b>	<b>41,992,155,170</b>
<b>Total Assets</b>		<b>56,066,034,711</b>	<b>51,808,567,777</b>	<b>55,751,659,224</b>	<b>51,593,234,596</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Payables from exchange transactions	15	7,154,644,889	7,195,512,603	7,116,515,396	7,144,107,715
VAT payable	16	2,469,092,942	2,212,562,629	2,469,092,942	2,212,562,629
Consumer deposits	17	558,775,597	516,053,782	558,775,597	516,053,782
Unspent conditional grants and receipts	18	296,901,711	470,930,372	296,901,711	470,930,372
Loans and bonds	19	882,394,054	715,376,151	882,394,054	715,060,753
Lease liabilities	20	317,233,609	292,581,178	317,233,609	292,581,178
Employee benefit obligation	21	163,162,670	147,891,205	163,162,670	147,891,205
Service concession arrangements	23	242,016,667	235,749,104	242,016,667	235,749,104
Current tax payable	27	-	3,042,792	-	-
Operating lease liability	24	75,833	156,129	-	-
		<b>12,084,297,972</b>	<b>11,789,855,945</b>	<b>12,046,092,646</b>	<b>11,734,936,738</b>
<b>Non-Current Liabilities</b>					
Redemption fund liability	7	-	147,547,144	-	147,547,144
Interest rate swap liability	14	219,999,785	82,766,083	219,999,785	82,766,083
Loans and bonds	19	10,687,837,363	10,139,798,026	10,687,836,363	10,138,570,319
Lease liabilities	20	520,746,176	693,928,060	520,746,176	693,928,060
Employee benefit obligation	21	1,672,265,229	1,683,111,853	1,672,265,229	1,683,111,853
Provisions	22	1,007,468,013	943,934,569	1,007,468,013	943,934,569
Service concession arrangements	23	1,283,673,703	1,265,561,458	1,283,673,703	1,265,561,458
Deferred operating lease liability	24	-	75,677	-	-
		<b>15,391,990,269</b>	<b>14,956,722,870</b>	<b>15,391,989,269</b>	<b>14,955,419,486</b>
<b>Total Liabilities</b>		<b>27,476,288,241</b>	<b>26,746,578,815</b>	<b>27,438,081,915</b>	<b>26,690,356,224</b>
<b>Net Assets</b>		<b>28,589,746,470</b>	<b>25,061,988,962</b>	<b>28,313,577,309</b>	<b>24,902,878,372</b>
Accumulated surplus	28&29	28,589,746,470	25,061,988,962	28,313,577,309	24,902,878,372

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance for the financial year ended 30 June 2019

	Note(s)	Group		Municipality	
		2019	2018 Restated* R	2019	2018 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	30	18,614,488,318	16,921,045,891	18,614,808,633	16,921,669,192
Rental of facilities and equipment		151,656,258	147,720,304	142,756,417	139,411,378
Interest received - outstanding consumer debtors		860,901,524	731,937,502	860,736,503	731,792,260
Licences and permits		46,618,295	52,325,465	46,618,295	52,325,465
Other income	32	4,142,150,965	785,711,943	4,070,916,211	785,606,773
Investment revenue	33	392,896,387	210,975,786	391,948,285	210,274,693
Gain on foreign exchange transactions	34	361,654	537,469	361,654	537,469
Fair value adjustments		-	94,529,658	-	94,529,658
Gain on redemption fund investment		110,492,275	-	110,492,275	-
<b>Total revenue from exchange transactions</b>		<b>24,319,565,676</b>	<b>18,944,784,018</b>	<b>24,238,638,273</b>	<b>18,936,146,888</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	31	7,115,796,365	6,761,346,762	7,116,172,216	6,761,720,009
<b>Transfer revenue</b>					
Government grants, subsidies, awards and donations	36	6,514,814,403	6,485,553,266	6,514,814,403	6,453,919,729
Public contributions and donations		151,700,329	12,843,151	151,700,329	12,843,151
Fines, penalties and forfeits		319,201,807	230,909,549	319,201,807	230,909,549
<b>Total revenue from non-exchange transactions</b>		<b>14,101,512,904</b>	<b>13,490,652,728</b>	<b>14,101,888,755</b>	<b>13,459,392,438</b>
<b>Total revenue</b>		<b>38,421,078,580</b>	<b>32,435,436,746</b>	<b>38,340,527,028</b>	<b>32,395,539,326</b>
<b>Expenditure</b>					
Employee-related cost	38&40	(9,023,673,852)	(8,174,454,332)	(8,981,294,445)	(8,139,112,422)
Remuneration of councilors	38&39	(126,684,958)	(123,785,928)	(126,684,958)	(123,785,928)
Depreciation and amortisation	41	(1,892,307,411)	(1,934,924,039)	(1,890,607,843)	(1,933,196,112)
Impairment loss/reversal of impairments	42	(212,691,196)	(234,750,180)	(212,691,196)	(234,750,180)
Finance costs	43	(1,500,695,520)	(1,711,120,853)	(1,500,564,219)	(1,710,810,243)
Debt impairment	44	(4,525,500,385)	(1,714,131,003)	(4,524,469,667)	(1,712,997,942)
Other materials		(554,837,285)	(404,697,007)	(554,837,285)	(404,697,007)
Bulk purchases	45	(10,777,475,863)	(9,799,094,220)	(10,777,375,304)	(9,799,592,850)
Contracted services	46	(3,218,035,319)	(2,929,782,580)	(3,225,232,372)	(2,904,505,412)
Transfers and subsidies	47	(46,743,213)	(33,709,003)	(137,168,303)	(156,134,093)
Loss on disposal of assets and liabilities		(35,760,508)	(85,601,890)	(35,711,650)	(85,440,648)
Fair value adjustments		(197,395,260)	-	(197,395,260)	-
Loss on redemption fund		-	(86,227,387)	-	(86,227,387)
General expenses	48	(2,589,943,254)	(2,760,393,179)	(2,574,118,272)	(2,746,125,801)
<b>Total expenditure</b>		<b>(34,701,744,024)</b>	<b>(29,992,671,601)</b>	<b>(34,738,150,774)</b>	<b>(30,037,376,025)</b>
<b>Surplus before taxation</b>		<b>3,719,334,556</b>	<b>2,442,765,145</b>	<b>3,602,376,254</b>	<b>2,358,163,301</b>
Taxation	26	(100,270)	2,920,067	-	-
<b>Surplus for the year</b>		<b>3,719,434,826</b>	<b>2,439,845,078</b>	<b>3,602,376,254</b>	<b>2,358,163,301</b>

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets for the year ended 30 June 2019

	Accumulated surplus	Total net assets
<b>Group</b>		
Opening balance as previously reported	22,541,947,690	22,541,947,690
Prior year adjustments (refer to Note 28 and 63)	56,339,800	56,339,800
<b>Balance at 1 July 2017 as restated*</b>	<b>22,598,287,490</b>	<b>22,598,287,490</b>
Changes in net assets		
Surplus for the year	2,439,845,078	2,439,845,078
Gain/(loss) from transfer of functions between entities under common control	23,856,394	23,856,394
Total changes	2,463,701,472	2,463,701,472
Opening balance as previously reported	25,063,356,589	25,063,356,589
Prior year adjustments (refer to Note 28 and 63)	(1,367,624)	(1,367,624)
<b>Balance at 1 July 2018 as restated*</b>	<b>25,061,988,965</b>	<b>25,061,988,965</b>
Changes in net assets		
Surplus for the year	3,719,434,826	3,719,434,826
Gain/(loss) from transfer of functions between entities under common control	(191,677,321)	(191,677,321)
Total changes	3,527,757,505	3,527,757,505
<b>Balance at 30 June 2019</b>	<b>28,589,746,470</b>	<b>28,589,746,470</b>
Note(s)	28&63	
<b>Municipality</b>		
Opening balance as previously reported	22,464,518,877	22,464,518,877
Adjustments		
Prior year adjustments (refer to Note 28 and 63)	56,339,800	56,339,800
<b>Balance at 1 July 2017 as restated*</b>	<b>22,520,858,677</b>	<b>22,520,858,677</b>
Changes in net assets		
Surplus for the year	2,358,163,301	2,358,163,301
Gain/(loss) from transfer of functions between entities under common control	23,856,394	23,856,394
Total changes	2,382,019,695	2,382,019,695
Opening balance as previously reported	24,901,732,690	24,901,732,690
Adjustments		
Prior year adjustments (refer to Note 28 and 63)	1,145,686	1,145,686
<b>Balance at 1 July 2018 as restated*</b>	<b>24,902,878,376</b>	<b>24,902,878,376</b>
Changes in net assets		
Surplus for the year	3,602,376,254	3,602,376,254
Gain/(loss) from transfer of functions between entities under common control	(191,677,321)	(191,677,321)
Total changes	3,410,698,933	3,410,698,933
<b>Balance at 30 June 2019</b>	<b>28,313,577,309</b>	<b>28,313,577,309</b>
Note(s)	28&63	

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement for the year ended 30 June 2019

		Group		Municipality	
		2019	2018 Restated* R	2019	2018 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Cash receipts from other revenue sources		3,866,146,148	2,502,581,014	568,822,485	2,907,921,178
Cash receipts from ratepayers and service charges		21,739,122,160	22,376,471,808	25,371,026,184	21,609,349,717
Grants: Operating		4,420,594,609	4,291,679,355	4,420,594,609	4,291,679,355
Grants: Capital		2,089,119,435	2,368,845,285	2,089,119,435	2,368,845,285
Interest income		392,896,387	210,975,786	391,948,285	210,274,693
		<u>32,507,878,739</u>	<u>31,750,553,248</u>	<u>32,841,510,998</u>	<u>31,388,070,228</u>
<b>Payments</b>					
Cash paid to employees		(9,150,358,810)	(8,298,240,260)	(9,107,979,401)	(8,262,898,350)
Cash paid to suppliers		(17,021,249,219)	(15,901,463,861)	(17,318,311,088)	(15,545,438,567)
Finance costs (interest paid)		(1,500,695,520)	(1,711,120,853)	(1,500,564,219)	(1,710,810,243)
Transfers and grants		(46,743,213)	(33,709,003)	(137,168,303)	(156,134,093)
Taxes on surpluses	25&27	100,270	(2,920,067)	-	-
		<u>(27,718,946,492)</u>	<u>(25,947,454,044)</u>	<u>(28,064,023,011)</u>	<u>(25,675,281,253)</u>
<b>Net cash flows from operating activities</b>	50	<u><b>4,788,932,247</b></u>	<u><b>5,803,099,204</b></u>	<u><b>4,777,487,987</b></u>	<u><b>5,712,788,975</b></u>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	10	(3,504,689,214)	(3,252,854,907)	(3,491,845,966)	(3,184,693,841)
Retirement/disposal of property, plant and equipment	10	66,025,000	105,947,408	65,971,793	105,837,990
Proceeds from sale of assets		(35,676,235)	(85,601,890)	(35,627,377)	(85,440,648)
Proceeds from sale of investment property	11	197,466	471,229	197,466	471,229
Purchase of other intangible assets	12	(5,762,846)	(35,236,360)	(5,759,597)	(35,290,210)
Proceeds from sale of other intangible assets	12	3,001,897	-	3,001,897	-
Transfer of functions between entities under common control	76	-	11,627,223	-	11,627,223
Increase/(decrease) in long-term receivables		18,723,201	(46,605,767)	18,723,201	(46,605,767)
Movement in financial assets		(331,816,402)	552,870,710	(331,816,402)	552,870,710
Capital contribution to redemption fund		(467,570,833)	(667,611,310)	(467,570,833)	(667,611,310)
<b>Net cash flows from investing activities</b>		<u><b>(4,257,567,966)</b></u>	<u><b>(3,416,993,664)</b></u>	<u><b>(4,244,725,818)</b></u>	<u><b>(3,348,834,624)</b></u>
<b>Cash flows from financing activities</b>					
Proceeds from loans and bonds		1,500,000,000	-	1,500,000,000	-
Repayment of loans and bonds	19	(748,422,425)	(596,715,120)	(746,880,320)	(596,399,722)
Proceeds from service concession arrangements		(221,326,797)	(188,169,587)	(221,326,797)	(188,169,587)
Movement in redemption fund		(29,689,647)	-	(29,689,647)	-
Finance lease (repayments)/receipts	20	(321,572,099)	(290,069,776)	(321,572,099)	(290,069,776)
<b>Net cash flows from financing activities</b>		<u><b>178,989,032</b></u>	<u><b>(1,074,954,483)</b></u>	<u><b>180,531,137</b></u>	<u><b>(1,074,639,085)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>710,353,313</b>	<b>1,311,151,057</b>	<b>713,293,306</b>	<b>1,289,315,266</b>
Cash and cash equivalents at the beginning of the year		2,392,712,763	1,081,561,706	2,312,445,595	1,023,130,329
<b>Cash and cash equivalents at the end of the year</b>	9	<u><b>3,103,066,076</b></u>	<u><b>2,392,712,763</b></u>	<u><b>3,025,738,901</b></u>	<u><b>2,312,445,595</b></u>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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 - 2019</b>											
<b>Financial performance</b>											
Property rates	7,022,526,717	73,483,053	7,096,009,770	-		7,096,009,770	7,141,769,628		45,759,858	101 %	102 %
Service charges	19,368,412,656	(211,318,445)	19,157,094,211	-		19,157,094,211	19,015,148,669		(141,945,542)	99 %	98 %
Investment revenue	103,863,942	74,118,643	177,982,585	-		177,982,585	392,896,387		214,913,802	221 %	378 %
Transfers recognised - operational	4,440,080,940	296,512,998	4,736,593,938	-		4,736,593,938	4,501,238,850		(235,355,088)	95 %	101 %
Other own revenue	2,217,065,702	134,283,863	2,351,349,565	-		2,351,349,565	5,932,636,194		3,581,286,629	252 %	268 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>33,151,949,957</b>	<b>367,080,112</b>	<b>33,519,030,069</b>	<b>-</b>		<b>33,519,030,069</b>	<b>36,983,689,728</b>		<b>3,464,659,659</b>	<b>110 %</b>	<b>112 %</b>
Employee costs	(9,604,146,267)	46,876,663	(9,557,269,604)	-	2,543,982	(9,554,725,622)	(9,023,673,852)		531,051,770	94 %	94 %
Remuneration of councillors	(132,797,337)	(3,585,724)	(136,383,061)	-	-	(136,383,061)	(126,684,958)		9,698,103	93 %	95 %
Debt impairment	(1,514,427,397)	-	(1,514,427,397)	-		(1,514,427,397)	(4,525,500,385)	3,011,072,988	(3,011,072,988)	299 %	299 %
Depreciation and asset impairment	(1,957,156,351)	(102,258)	(1,957,258,609)	-		(1,957,258,609)	(2,104,998,607)	147,739,998	(147,739,998)	108 %	108 %
Finance charges	(1,390,948,318)	3,226,014	(1,387,722,304)	-	-	(1,387,722,304)	(1,399,200,172)	11,477,868	(11,477,868)	101 %	101 %
Materials and bulk purchases	(11,489,450,205)	89,504,402	(11,399,945,803)	-	(8,800,624)	(11,408,746,427)	(11,332,755,094)		75,991,333	99 %	99 %
Transfers and grants	(42,222,486)	(15,645,665)	(57,868,151)	-	(7,458,887)	(65,327,038)	(46,743,212)		18,583,826	72 %	111 %
Other expenditure	(6,907,571,622)	(537,326,369)	(7,444,897,991)	-	13,715,529	(7,431,182,462)	(6,718,374,445)		712,808,017	90 %	97 %
<b>Total expenditure</b>	<b>(33,038,719,983)</b>	<b>(417,052,937)</b>	<b>(33,455,772,920)</b>	<b>-</b>	<b>-</b>	<b>(33,455,772,920)</b>	<b>(35,277,930,725)</b>	<b>3,170,290,854</b>	<b>(1,822,157,805)</b>	<b>105 %</b>	<b>107 %</b>
<b>Surplus/(deficit)</b>	<b>113,229,974</b>	<b>(49,972,825)</b>	<b>63,257,149</b>	<b>-</b>		<b>63,257,149</b>	<b>1,705,759,003</b>		<b>1,642,501,854</b>	<b>2,697 %</b>	<b>2,697 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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 allocations - National/Provincial)	2,198,735,060	48,187,400	2,246,922,460	-		2,246,922,460	2,013,310,602		(233,611,858)	90 %	92 %
Contributions recognised - capital (monetary allocations - National/Provincial departmental agencies, NPIs higher education)	8,000,000	17,872,806	25,872,806	-		25,872,806	264,951		(25,607,855)	1 %	3 %
<b>Surplus/(deficit) after capital transfers and contributions</b>	<b>2,319,965,034</b>	<b>16,087,381</b>	<b>2,336,052,415</b>	<b>-</b>		<b>2,336,052,415</b>	<b>3,719,334,556</b>		<b>1,383,282,141</b>	<b>159 %</b>	<b>160 %</b>
Taxation	-	-	-	-		-	(100,270)		(100,270)	- %	- %
<b>Surplus/(deficit) for the year</b>	<b>2,319,965,034</b>	<b>16,087,381</b>	<b>2,336,052,415</b>	<b>-</b>		<b>2,336,052,415</b>	<b>3,719,434,826</b>		<b>1,383,382,411</b>	<b>159 %</b>	<b>160 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	4,023,015,060	10,872,806	4,033,887,866	-		4,033,887,866	3,288,831,832		(745,056,034)	82 %	82 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	(2,172,436,010)	(62,098,207)	(2,234,534,217)	-		(2,234,534,217)	(1,977,077,709)		257,456,508	88 %	91 %
Public contributions and donations	(150,000,000)	52,387,036	(97,612,964)	-		(97,612,964)	(78,429,702)		19,183,262	80 %	52 %
Borrowing	(1,500,000,000)	-	(1,500,000,000)	-		(1,500,000,000)	(1,094,386,808)		405,613,192	73 %	73 %
Integrated City	(38,261,050)	-	(38,261,050)	-		(38,261,050)	(37,838,374)		422,676	99 %	99 %
Development grant											
Internally generated funds	(162,318,000)	(1,161,635)	(163,479,635)	-		(163,479,635)	(101,099,239)		62,380,396	62 %	62 %
<b>Total sources of capital funds</b>	<b>(4,023,015,060)</b>	<b>(10,872,806)</b>	<b>(4,033,887,866)</b>	<b>-</b>		<b>(4,033,887,866)</b>	<b>(3,288,831,832)</b>		<b>745,056,034</b>	<b>82 %</b>	<b>82 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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	4,169,982,784	411,873,865	4,581,856,649	-		4,581,856,649	4,788,932,247		207,075,598	105 %	115 %
Net cash from (used) investing	(3,961,250,690)	(112,601,627)	(4,073,852,317)	-		(4,073,852,317)	(4,257,567,966)		(183,715,649)	105 %	107 %
Net cash from (used) financing	437,226,032	200,000,000	637,226,032	-		637,226,032	178,989,032		(458,237,000)	28 %	41 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>645,958,126</b>	<b>499,272,238</b>	<b>1,145,230,364</b>	<b>-</b>		<b>1,145,230,364</b>	<b>710,353,313</b>		<b>(434,877,051)</b>	<b>62 %</b>	<b>110 %</b>
Cash and cash equivalents at the beginning of the year	2,332,806,350	59,905,885	2,392,712,235	-		2,392,712,235	2,392,712,763		528	100 %	103 %
<b>Cash and cash equivalents at year end</b>	<b>2,978,764,476</b>	<b>559,178,123</b>	<b>3,537,942,599</b>	<b>-</b>		<b>3,537,942,599</b>	<b>3,103,066,076</b>		<b>(434,876,523)</b>	<b>88 %</b>	<b>104 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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 - 2019</b>											
<b>Financial performance</b>											
Property rates	7,022,526,717	73,483,053	7,096,009,770	-	-	7,096,009,770	7,142,145,479	-	46,135,709	101 %	102 %
Service charges	19,368,412,656	(211,318,445)	19,157,094,211	-	-	19,157,094,211	19,015,468,984	-	(141,625,227)	99 %	98 %
Investment revenue	103,454,160	73,930,832	177,384,992	-	-	177,384,992	391,948,285	-	214,563,293	221 %	379 %
Transfers recognised - operational	4,440,080,940	296,512,998	4,736,593,938	-	-	4,736,593,938	4,501,238,850	-	(235,355,088)	95 %	101 %
Other own revenue	2,201,100,675	138,259,132	2,339,359,807	-	-	2,339,359,807	5,852,336,578	-	3,512,976,771	250 %	266 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>33,135,575,148</b>	<b>370,867,570</b>	<b>33,506,442,718</b>	<b>-</b>	<b>-</b>	<b>33,506,442,718</b>	<b>36,903,138,176</b>	<b>-</b>	<b>3,396,695,458</b>	<b>110 %</b>	<b>111 %</b>
Employee costs	(9,549,513,946)	42,412,271	(9,507,101,675)	-	2,543,982	(9,504,557,693)	(8,981,294,445)	-	523,263,248	94 %	94 %
Remuneration of councillors	(132,797,337)	-	(132,797,337)	-	-	(132,797,337)	(126,684,958)	-	6,112,379	95 %	95 %
Debt impairment	(1,514,427,397)	-	(1,514,427,397)	-	-	(1,514,427,397)	(4,524,469,667)	-	(3,010,042,270)	299 %	299 %
Depreciation and asset impairment	(1,954,589,526)	-	(1,954,589,526)	-	-	(1,954,589,526)	(2,103,299,039)	-	(148,709,513)	108 %	108 %
Finance cost	(1,390,752,601)	3,102,411	(1,387,650,190)	-	-	(1,387,650,190)	(1,399,068,871)	-	(11,418,681)	101 %	101 %
Materials and bulk purchases	(11,488,561,101)	89,739,401	(11,398,821,700)	-	(8,800,625)	(11,407,622,325)	(11,332,654,535)	-	74,967,790	99 %	99 %
Transfers and grants	(132,647,449)	(15,645,791)	(148,293,240)	-	(7,458,886)	(155,752,126)	(137,168,303)	-	18,583,823	88 %	103 %
Other expenditure	(6,861,147,784)	(538,356,584)	(7,399,504,368)	-	13,715,529	(7,385,788,839)	(6,709,697,657)	-	676,091,182	91 %	98 %
<b>Total expenditure</b>	<b>(33,024,437,141)</b>	<b>(418,748,292)</b>	<b>(33,443,185,433)</b>	<b>-</b>	<b>-</b>	<b>(33,443,185,433)</b>	<b>(35,314,337,475)</b>	<b>-</b>	<b>(1,871,152,042)</b>	<b>106 %</b>	<b>107 %</b>
<b>Surplus/(deficit)</b>	<b>111,138,007</b>	<b>(47,880,722)</b>	<b>63,257,285</b>	<b>-</b>	<b>-</b>	<b>63,257,285</b>	<b>1,588,800,701</b>	<b>-</b>	<b>1,525,543,416</b>	<b>2,512 %</b>	<b>1,430 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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)	2,198,735,060	48,187,400	2,246,922,460	-	-	2,246,922,460	2,013,310,602		(233,611,858)	90 %	92 %
Transfers recognised - capital (monetary departmental agencies)	8,000,000	7,000,000	15,000,000	-	-	15,000,000	264,951		(14,735,049)	2 %	3 %
<b>Surplus/(deficit) after capital transfers and contributions</b>	<b>2,317,873,067</b>	<b>7,306,678</b>	<b>2,325,179,745</b>	<b>-</b>	<b>-</b>	<b>2,325,179,745</b>	<b>3,602,376,254</b>		<b>1,277,196,509</b>	<b>155 %</b>	<b>155 %</b>
<b>Surplus/(deficit) for the year</b>	<b>2,317,873,067</b>	<b>7,306,678</b>	<b>2,325,179,745</b>	<b>-</b>	<b>-</b>	<b>2,325,179,745</b>	<b>3,602,376,254</b>		<b>1,277,196,509</b>	<b>155 %</b>	<b>155 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	4,022,197,060	(106,055,000)	3,916,142,060	-	-	3,916,142,060	3,288,831,832		(627,310,228)	84 %	82 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	(2,172,436,010)	54,829,599	(2,117,606,411)	-	-	(2,117,606,411)	(1,977,077,709)		140,528,702	93 %	91 %
Public contributions and donations	(150,000,000)	52,387,036	(97,612,964)	-	-	(97,612,964)	(78,429,702)		19,183,262	80 %	52 %
Borrowing	(1,500,000,000)	-	(1,500,000,000)	-	-	(1,500,000,000)	(1,094,386,808)		405,613,192	73 %	73 %
Integrated City Development grant	(38,261,050)	-	(38,261,050)	-	-	(38,261,050)	(37,838,374)		422,676	99 %	99 %
Internally generated funds	(161,500,000)	(1,161,635)	(162,661,635)	-	-	(162,661,635)	(101,099,239)		61,562,396	62 %	63 %
<b>Total sources of capital funds</b>	<b>(4,022,197,060)</b>	<b>106,055,000</b>	<b>(3,916,142,060)</b>	<b>-</b>	<b>-</b>	<b>(3,916,142,060)</b>	<b>(3,288,831,832)</b>		<b>627,310,228</b>	<b>84 %</b>	<b>82 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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	4,169,982,784	411,873,865	4,581,856,649	-		4,581,856,649	4,777,487,987		195,631,338	104 %	115 %
Net cash from/(used) investing	(3,961,250,690)	(112,601,627)	(4,073,852,317)	-		(4,073,852,317)	(4,244,725,818)		(170,873,501)	104 %	107 %
Net cash from/(used) financing	437,226,032	200,000,000	637,226,032	-		637,226,032	180,531,137		(456,694,895)	28 %	41 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>645,958,126</b>	<b>499,272,238</b>	<b>1,145,230,364</b>	<b>-</b>		<b>1,145,230,364</b>	<b>713,293,306</b>		<b>(431,937,058)</b>	<b>62 %</b>	<b>110 %</b>
Cash and cash equivalents at the beginning of the year	2,332,806,350	59,905,885	2,392,712,235	-		2,392,712,235	2,312,445,595		(80,266,640)	97 %	99 %
<b>Cash and cash equivalents at year end</b>	<b>2,978,764,476</b>	<b>559,178,123</b>	<b>3,537,942,599</b>	<b>-</b>		<b>3,537,942,599</b>	<b>3,025,738,901</b>		<b>512,203,698</b>	<b>86 %</b>	<b>102 %</b>

The explanations for major variances between the budget and the actual for the period under review are done in Note 70.

The explanations for changes between the original budget and the final budget for the period under review are done in Note 70.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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. Certain accounting policies are supported by reasonable and prudent judgements and estimates.

#### 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 60. The basis presumes that funds will be available for future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

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

##### Definitions

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

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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 group 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 group does not recognise those costs as part of a transfer of functions. Instead, the group 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 group 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 group 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 group 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 group classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The group 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 group 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

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

#### **Impairment of consumer receivables, long-term receivables and other receivables**

The group assesses its consumer debtors, other receivables and long-term 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 receivables, 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 2019 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 3.

#### **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 22 - Provisions.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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 21.

#### 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 22.)

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 19.

#### 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. These animals does not form part of agricultural activity and are therefore classified as part of Property, plant and Equipment in terms of GRAP 17 and not GRAP 27. In terms of paragraph 42 of GRAP 17 a class of property, plant and equipment is a grouping of assets of a similar nature or function in an entity's operations. This class of property, plant and equipment are however not measured at cost as the rest of the assets under property, plant and equipment, but are measured at fair value.

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 (game) 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 (game). 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 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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:

Item	Useful life (years)
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 11).

The group discloses relevant information relating to assets under construction or development in the notes to the consolidated annual financial statements (see Note 11).

### 1.8 Property, plant and equipment

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 group; 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.

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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

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

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	
• <b>Roads and storm water</b>		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</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.

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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

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

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 10).

The group discloses relevant information relating to assets under construction or development in the notes to the financial statements (see Note 10).

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 group. 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 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 group and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 1.10 Intangible assets (continued)

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 years
Servitudes	Indefinite

Servitudes when registered do not expire after a period of time. There is no time condition coupled to it, therefore the indefinite useful life.

The group discloses relevant information relating to assets under construction or development (if applicable) in the notes to the financial statements (see Note 12).

The group discloses relevant information relating to the repair and maintenance of intangible assets in the notes to the financial statements (see Note 12).

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 2019

## 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 59.

### 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

The group separately discloses expenditure to repair and maintain heritage assets 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).

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.

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 1.13 Heritage assets (continued)

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 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.

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

#### 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
Redemption 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
Trade payables: 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
Redemption 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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 2019

## 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 2019

## 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 at 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 the accounting surplus nor the taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the 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 the accounting surplus nor the 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 the 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 group 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 1.18 Inventories (continued)

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

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

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

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

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.

TEDA: The entity is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with the VAT Act (Act No. 89 of 1991).

Housing Company Tshwane: The entity pays VAT on the invoice basis under category C - every month.

VAT output refers to tax charged by the Municipality and the entities on a taxable supply and is declared in the Part A of the VAT 201 return. Input tax and other deductions are deducted from the output tax liability to arrive at the net VAT payable (or refundable) for any particular tax period.

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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 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.

### 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.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

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

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.

#### 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 1.22 Employee benefits (continued)

#### 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.

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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 1.22 Employee benefits (continued)

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.

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 1.22 Employee benefits (continued)

- 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 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.

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.

#### Tshwane Economic Development Agency (TEDA)

TEDA has a pension fund defined contribution plan where employees pay a fixed amount and the employer pays for the administration fees. The entity further has a group risk plan where employees pay a fixed amount and the employer pays the administration fees which is considered to be a defined contribution plan.

### 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 59.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 1.23 Provisions and contingencies (continued)

#### 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.
- **Legal proceedings**

A provision was created in 2013/14 for the legal cost contingencies of certain cases. Refer to Note 22.

### 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 1.25 Revenue from exchange transactions (continued)

#### 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.

#### 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 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.

#### 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

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

#### 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 group 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.

### 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 63.

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.

The City follows the guidance provided in annexure D of MFMA Circular no 68 to account for Council decision to recover or write-off unauthorised expenditure.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 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.

The City follows the guidance provided in annexure D of MFMA Circular no 68 to account for Council decision to recover or write-off fruitless and wasteful expenditure.

### 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.

The City follows the guidance provided in annexure D of MFMA Circular no 68 to account for Council decision to recover or write-off irregular expenditure.

### 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. Refer to Note 70.

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 2018 to 30 June 2019.

The consolidated annual financial statements and the budget are on the same basis of accounting (ie 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 40 and Note 39).

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 57).

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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

### 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.

#### 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Summary of significant accounting policies

---

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

#### 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.

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.

### 1.38 Jointly controlled operations

In respect of its interests in jointly controlled operations, the group recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs: and
- the expenses that it incurs and its share of the revenue that it earns from the sale or provision of goods or services by the joint operations.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **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)
- 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 has adopted the amendment for the first time in the 2018/2019 consolidated annual financial statements.

The impact of the amendment is not material.

##### **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 has adopted the amendment for the first time in the 2018/2019 consolidated annual financial statements.

The impact of the amendment is not material.

##### **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.

## Notes to the Consolidated Annual Financial Statements

---

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

The group has adopted the amendment for the first time in the 2018/2019 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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 has adopted the amendment for the first time in the 2018/2019 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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 has adopted the amendment for the first time in the 2018/2019 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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 has adopted the amendment for the first time in the 2018/2019 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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:

## Notes to the Consolidated Annual Financial Statements

---

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

- 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 has adopted the amendment for the first time in the 2018/2019 consolidated annual financial statements.

The impact of the amendment is not material.

### 2.2 Standards and Interpretations early adopted

The group has chosen not to early adopt any 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 and are mandatory for the group's accounting periods beginning on or after 1 July 2019 or later periods:

#### **GRAP 104 (amended): Financial Instruments**

The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

These revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

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

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.

#### **Guideline: Guideline on Accounting for Landfill Sites**

The objective of this guideline is to provide an overview of the legislative requirements that govern landfill sites, accounting for land in a landfill, accounting for the landfill site asset, accounting for the provision for rehabilitation, closure, end-use and monitoring, other consideration, and annexures with terminology, summary of guidance from other standard setters and references to pronouncements used in the Guideline.

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

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

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.

#### **Guideline: Guideline on the Application of Materiality to Financial Statements**

The objective of this guideline is to provide the definition and characteristics of materiality, the role of materiality in the financial statements, identifying the users of financial statements and their information needs, assessing whether information is material, applying materiality in preparing the financial statements, and appendices with references to the conceptual framework for general purpose financial reporting and references to pronouncements used in the guideline.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

---

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

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

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

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 1 (amended): Presentation of Financial Statements**

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

#### **Materiality and aggregation**

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

#### **Statement of financial position and statement of financial performance**

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

#### **Notes structure**

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

#### **Disclosure of accounting policies**

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An economic entity applies judgement based on past experience and current facts and circumstances.

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

The group expects to adopt the interpretation for the first time in the 2020/2021 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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.

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

The group expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

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.

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

The group expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

## Notes to the Consolidated Annual Financial Statements

---

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

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.

Transitions from GRAP 8 to 36 will result in transactions which were previously accounted for as joint controlled entities now being classified as joint ventures. The accounting treatment, however will remain the same.

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

The group expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

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

#### **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 (i.e. joint arrangements).

Transitions from GRAP 8 to 37 will result in transactions which were previously accounted for as joint controlled entities now being classified as joint ventures. The accounting treatment, however will remain the same.

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

The group expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

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.

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

The group expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

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

#### **GRAP 110 (as amended 2016): 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

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

The group expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

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



## Notes to the Consolidated Annual Financial Statements

---

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

#### **IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue**

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity applies judgement based on past experience and current facts and circumstances.

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

The group expects to adopt the interpretation for the first time in the 2020/2021 consolidated annual financial statements.

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

#### **Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme**

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

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

The group expects to adopt the guideline for the first time in the 2019/2020 consolidated annual financial statements.

It is unlikely that the guideline will have a material impact on the economic entity's 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. 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.

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

The group expects to adopt the amendment for the first time in the 2019/2020 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 7 (as revised 2010): Investments in Associates**

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. 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 .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.

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 2019/2020 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the group'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. 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 paragraphs .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.

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 2019/2020 consolidated annual financial statements.

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

#### **Directive 7 (revised): The Application of Deemed Cost**

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 *Living and Non-living Resources* issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 *Separate Financial Statements*
  - GRAP 35 *Consolidated Financial Statements*
  - GRAP 36 *Investments in Associates and Joint Ventures*
  - GRAP 37 *Joint Arrangements*
  - GRAP 38 *Disclosure of Interests in Other Entities*

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 1 April 2019.

The group expects to adopt the directive for the first time in the 2019/2020 consolidated annual financial statements.

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

---

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

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

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text 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 the National Treasury has issued complete examples as part of its implementation guidance.

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 2019/2020 annual financial statements.

The group is unable to reliably estimate the impact of the standard 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.

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 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 2019/2020 consolidated annual financial statements.

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.

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 2019/2020 consolidated annual financial statements.

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 106 (as amended 2016): Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger. The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

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 2019/2020 consolidated annual financial statements.

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 108: Statutory Receivables**

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

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 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.

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 impact of this standard on the results of the City of Tshwane Metropolitan Municipality is not yet known at year end, an assessment is currently at hand on the impact of this new standard.

#### **IGRAP 11: Consolidation – Special purpose entities**

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 GRAP105, 106 and 107.

The group expects to adopt the interpretation for the first time in the 2019/2020 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 other 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

## Notes to the Consolidated Annual Financial Statements

---

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

- how any unrealised gain or loss should be presented in the consolidated

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 2019/2020 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.

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 not yet set by the Minister of Finance.

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

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, i.e. 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 2019/2020 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 not yet set by the Minister of Finance.

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

It is unlikely that the interpretation 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 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>3. Inventories</b>				
Raw materials, components	452,284,595	448,695,230	452,284,595	448,695,230
Water	27,940,369	9,915,015	27,940,369	9,915,015
Fuel (diesel, petrol)	102,830,010	40,206,288	102,830,010	40,206,288
Bus tickets	3,351,617	5,596,445	3,351,617	5,596,445
Plants (nursery)	127,917	98,840	127,917	98,840
Quarries	2,801,732	2,595,282	2,801,732	2,595,282
Coal (power stations)	140,345,254	145,647,115	140,345,254	145,647,115
	<u>729,681,494</u>	<u>652,754,215</u>	<u>729,681,494</u>	<u>652,754,215</u>
Inventories (write-downs)	<u>(10,800,835)</u>	<u>(11,520,504)</u>	<u>(10,800,835)</u>	<u>(11,520,504)</u>
	<b><u>718,880,659</u></b>	<b><u>641,233,711</u></b>	<b><u>718,880,659</u></b>	<b><u>641,233,711</u></b>

### Inventory pledged as security

No inventory is pledged as security.

### 2018/19 financial year:

The write down of the general inventory is only done at year end. The amount shown below is the net of surpluses and losses.

### 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.

### Write-down of inventory (included in general expenditure)

Surplus inventory (items identified during stock take)	402,226	434,912	402,226	434,912
Shortages	(3,180,369)	(563,794)	(3,180,369)	(563,794)
Theft	-	(5,383,514)	-	(5,383,514)
Revaluation of inventory	(366,414)	(3,388,968)	(366,414)	(3,388,968)
Damaged inventory	(167,693)	(82,632)	(167,693)	(82,632)
Obsolete inventory	(2,206,025)	(1,683,635)	(2,206,025)	(1,683,635)
Coal inventory (power stations) write-down	(5,282,485)	(852,808)	(5,282,485)	(852,808)
Rounding differences	(75)	(65)	(75)	(65)
	<u>(10,800,835)</u>	<u>(11,520,504)</u>	<u>(10,800,835)</u>	<u>(11,520,504)</u>

### 4. Consumer receivables

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. It is included in the total age-analysis.

### Gross balances

Rates	2,817,184,560	2,735,758,789	2,817,184,560	2,735,758,789
Electricity	2,163,567,549	1,861,448,787	2,163,567,549	1,861,448,787
Water	2,851,904,259	2,678,136,943	2,851,904,259	2,678,136,943
Other fees and levies	1,161,904,749	1,403,924,055	1,161,904,749	1,403,924,055
Sewerage	506,030,982	483,542,517	506,030,982	483,542,517
Solid waste	817,852,674	910,015,673	817,852,674	910,015,673
Interest	2,478,049,079	2,382,133,136	2,478,049,079	2,382,133,136
	<u>12,796,493,852</u>	<u>12,454,959,900</u>	<u>12,796,493,852</u>	<u>12,454,959,900</u>
Less: Arrangement debtors (refer note 6)	<u>(146,819,610)</u>	<u>(165,240,323)</u>	<u>(146,819,610)</u>	<u>(165,240,323)</u>
	<b><u>12,649,674,242</u></b>	<b><u>12,289,719,577</u></b>	<b><u>12,649,674,242</u></b>	<b><u>12,289,719,577</u></b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>4. Consumer receivables (continued)</b>				
<b>Less: Allowance for impairment</b>				
Rates	(1,837,724,876)	(1,823,439,493)	(1,837,724,876)	(1,823,439,493)
Electricity	(902,132,154)	(895,156,464)	(902,132,154)	(895,156,464)
Water	(1,618,633,757)	(1,801,266,308)	(1,618,633,757)	(1,801,266,308)
Other fees and levies	(849,483,142)	(1,016,813,941)	(849,483,142)	(1,016,813,941)
Sewerage	(285,965,212)	(314,628,591)	(285,965,212)	(314,628,591)
Solid waste	(479,504,870)	(595,738,964)	(479,504,870)	(595,738,964)
Interest	(1,811,732,778)	(1,725,297,157)	(1,811,732,778)	(1,725,297,157)
	<b>(7,785,176,789)</b>	<b>(8,172,340,918)</b>	<b>(7,785,176,789)</b>	<b>(8,172,340,918)</b>
<b>Net balance</b>				
Rates	979,459,684	912,319,296	979,459,684	912,319,296
Electricity	1,261,435,395	966,292,323	1,261,435,395	966,292,323
Water	1,233,270,502	876,870,635	1,233,270,502	876,870,635
Other fees and levies	312,421,607	387,110,114	312,421,607	387,110,114
Sewerage	220,065,770	168,913,926	220,065,770	168,913,926
Solid waste	338,347,804	314,276,709	338,347,804	314,276,709
Interest	666,316,301	656,835,979	666,316,301	656,835,979
Arrangement debtors	(146,819,610)	(165,240,323)	(146,819,610)	(165,240,323)
	<b>4,864,497,453</b>	<b>4,117,378,659</b>	<b>4,864,497,453</b>	<b>4,117,378,659</b>
<b>Included above is receivables from exchange transactions</b>				
Electricity	2,749,097,297	2,372,957,450	2,749,097,297	2,372,957,450
Water	3,623,719,672	3,414,063,850	3,623,719,672	3,414,063,850
Other fees and levies	1,161,904,749	1,403,924,055	1,161,904,749	1,403,924,055
Sewerage	642,978,956	616,415,464	642,978,956	616,415,464
Refuse	1,039,189,452	1,160,079,443	1,039,189,452	1,160,079,443
	<b>9,216,890,126</b>	<b>8,967,440,262</b>	<b>9,216,890,126</b>	<b>8,967,440,262</b>
<b>Included above is receivables from non-exchange transactions (taxes and transfers)</b>				
Rates	3,579,603,726	3,487,519,638	3,579,603,726	3,487,519,638
	<b>12,796,493,852</b>	<b>12,454,959,900</b>	<b>12,796,493,852</b>	<b>12,454,959,900</b>

An amount of R112 244 216 inclusive of VAT was written off from July 2018 to 30 June 2019 in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 whereby 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 renders approval whereby the debt of Indigent households are written off. In terms of a Council Resolution dated 27 June 2019 an amount of R2 671 651 326.22 was written off in respect of residential accounts in arrears with rateable property market value of R150 000 and below.

### 2017/18:

An amount of R363 490 961 exclusive of VAT was written off up to 30 June 2018 (R414 379 695 inclusive of VAT) in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 whereby 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 renders approval whereby the debt of Indigent households are written off. Further, the Sandspruit Works Association debtor to the amount of R577 445 877 exclusive of VAT was written off against the take-on account up to 30 June 2018 (R658 288 301 inclusive of VAT).

### Ageing (of gross debtors):

<b>Rates</b>				
Current (0 -30 days)	580,716,227	697,190,252	580,716,227	697,190,252
31 - 60 days	94,714,625	71,009,503	94,714,625	71,009,503
61 - 90 days	58,547,081	63,703,559	58,547,081	63,703,559
91 - 120 days	55,629,770	71,659,375	55,629,770	71,659,375
121 - 150 days	57,606,733	50,806,946	57,606,733	50,806,946
151 - 180 days	53,972,465	34,770,935	53,972,465	34,770,935
181 - 365 days	322,076,493	284,114,021	322,076,493	284,114,021
365 + days	1,593,921,166	1,462,504,198	1,593,921,166	1,462,504,198
	<b>2,817,184,560</b>	<b>2,735,758,789</b>	<b>2,817,184,560</b>	<b>2,735,758,789</b>



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>4. Consumer receivables (continued)</b>				
<b>Electricity</b>				
Current (0 -30 days)	1,000,859,141	760,621,383	1,000,859,141	760,621,383
31 - 60 days	54,506,375	41,021,183	54,506,375	41,021,183
61 - 90 days	20,014,347	33,865,423	20,014,347	33,865,423
91 - 120 days	19,502,683	31,027,553	19,502,683	31,027,553
121 - 150 days	30,817,538	21,853,509	30,817,538	21,853,509
151 - 180 days	31,205,447	20,851,857	31,205,447	20,851,857
181 - 365 days	153,297,069	189,006,616	153,297,069	189,006,616
365 + days	853,364,949	763,201,263	853,364,949	763,201,263
	<b>2,163,567,549</b>	<b>1,861,448,787</b>	<b>2,163,567,549</b>	<b>1,861,448,787</b>
<b>Water</b>				
Current (0 -30 days)	704,219,047	447,559,275	704,219,047	447,559,275
31 - 60 days	111,587,957	74,748,086	111,587,957	74,748,086
61 - 90 days	48,249,337	75,805,931	48,249,337	75,805,931
91 - 120 days	33,983,970	83,140,895	33,983,970	83,140,895
121 - 150 days	70,203,776	62,699,281	70,203,776	62,699,281
151 - 180 days	51,516,823	46,992,785	51,516,823	46,992,785
181 - 365 days	329,375,762	658,746,176	329,375,762	658,746,176
365 + days	1,502,767,587	1,228,444,514	1,502,767,587	1,228,444,514
	<b>2,851,904,259</b>	<b>2,678,136,943</b>	<b>2,851,904,259</b>	<b>2,678,136,943</b>
<b>Other fees and levies</b>				
Current (0 -30 days)	94,211,350	117,117,557	94,211,350	117,117,557
31 - 60 days	23,784,083	65,598,274	23,784,083	65,598,274
61 - 90 days	6,811,321	35,269,139	6,811,321	35,269,139
91 - 120 days	10,537,850	9,658,244	10,537,850	9,658,244
121 - 150 days	60,601,430	5,228,865	60,601,430	5,228,865
151 - 180 days	25,097,893	9,161,129	25,097,893	9,161,129
181 - 365 days	82,504,552	531,791,939	82,504,552	531,791,939
365 + days	858,356,270	630,098,908	858,356,270	630,098,908
	<b>1,161,904,749</b>	<b>1,403,924,055</b>	<b>1,161,904,749</b>	<b>1,403,924,055</b>
<b>Sanitation</b>				
Current (0 -30 days)	124,629,827	101,743,473	124,629,827	101,743,473
31 - 60 days	21,294,264	15,046,240	21,294,264	15,046,240
61 - 90 days	12,673,965	14,020,131	12,673,965	14,020,131
91 - 120 days	8,390,445	15,998,528	8,390,445	15,998,528
121 - 150 days	15,470,433	14,970,013	15,470,433	14,970,013
151 - 180 days	10,126,864	9,320,802	10,126,864	9,320,802
181 - 365 days	67,286,766	77,600,820	67,286,766	77,600,820
365 + days	246,158,418	234,842,510	246,158,418	234,842,510
	<b>506,030,982</b>	<b>483,542,517</b>	<b>506,030,982</b>	<b>483,542,517</b>
<b>Solid waste</b>				
Current (0 -30 days)	149,410,324	154,486,893	149,410,324	154,486,893
31 - 60 days	29,735,378	28,544,749	29,735,378	28,544,749
61 - 90 days	22,030,805	25,226,410	22,030,805	25,226,410
91 - 120 days	18,016,736	21,779,441	18,016,736	21,779,441
121 - 150 days	20,651,897	23,168,213	20,651,897	23,168,213
151 - 180 days	14,718,732	11,956,465	14,718,732	11,956,465
181 - 365 days	97,938,139	146,357,627	97,938,139	146,357,627
365 + days	465,350,663	498,495,874	465,350,663	498,495,874
	<b>817,852,674</b>	<b>910,015,672</b>	<b>817,852,674</b>	<b>910,015,672</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>4. Consumer receivables (continued)</b>				
<b>Interest</b>				
Current (0 - 30 days)	182,732,920	206,764,922	182,732,920	206,764,922
31 - 60 days	78,760,465	51,044,173	78,760,465	51,044,173
61 - 90 days	65,024,935	53,866,250	65,024,935	53,866,250
91 - 120 days	40,312,876	53,804,632	40,312,876	53,804,632
121 - 150 days	91,710,175	57,765,874	91,710,175	57,765,874
151 - 180 days	58,160,821	42,360,151	58,160,821	42,360,151
181 - 365 days	340,245,515	491,655,273	340,245,515	491,655,273
365 + days	1,621,101,372	1,424,871,861	1,621,101,372	1,424,871,861
	<b>2,478,049,079</b>	<b>2,382,133,136</b>	<b>2,478,049,079</b>	<b>2,382,133,136</b>
<b>Ageing: Total gross debtors</b>				
Current (0 - 30 days)	2,836,778,835	2,485,483,755	2,836,778,835	2,485,483,755
31 - 60 days	414,383,145	347,012,208	414,383,145	347,012,208
61 - 90 days	233,351,791	301,756,843	233,351,791	301,756,843
91 - 120 days	186,374,331	287,068,669	186,374,331	287,068,669
121 - 150 days	347,061,983	236,492,702	347,061,983	236,492,702
151 - 180 days	244,799,045	175,414,122	244,799,045	175,414,122
181 - 365 days	1,392,724,296	2,379,272,472	1,392,724,296	2,379,272,472
365 + days	7,141,020,426	6,242,459,128	7,141,020,426	6,242,459,128
	<b>12,796,493,852</b>	<b>12,454,959,899</b>	<b>12,796,493,852</b>	<b>12,454,959,899</b>
<b>Consumer receivables - past due and impaired</b>				
121 - 150 days	-	42,050,339	-	42,050,339
151 - 180 days	-	36,956,196	-	36,956,196
181 - 365 days	653,029,492	1,859,748,383	653,029,492	1,859,748,383
365 + days	7,132,147,297	6,233,586,000	7,132,147,297	6,233,586,000
	<b>7,785,176,789</b>	<b>8,172,340,918</b>	<b>7,785,176,789</b>	<b>8,172,340,918</b>
<b>Consumer receivables - past due and not impaired</b>				
31 - 60 days	414,383,147	347,012,208	414,383,147	347,012,208
61 - 90 days	233,351,791	301,756,843	233,351,791	301,756,843
91 - 120 days	186,374,330	287,068,668	186,374,330	287,068,668
121 - 150 days	347,061,982	194,442,362	347,061,982	194,442,362
151 - 180 days	244,799,045	138,457,928	244,799,045	138,457,928
181 - 365 days	739,694,804	519,524,089	739,694,804	519,524,089
> 365 days	8,873,128	8,873,128	8,873,128	8,873,128
	<b>2,174,538,227</b>	<b>1,797,135,226</b>	<b>2,183,411,355</b>	<b>1,806,008,354</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>4. Consumer receivables (continued)</b>				
<b>Summary of consumer receivables by customer classification</b>				
<b>Consumers</b>				
Household	7,968,141,024	8,624,784,738	7,968,141,024	8,624,784,738
Industrial/commercial	3,776,491,590	3,129,102,280	3,776,491,590	3,129,102,280
National and provincial government	571,893,476	328,436,447	571,893,476	328,436,447
Other	479,967,762	372,636,434	479,967,762	372,636,434
	<b>12,796,493,852</b>	<b>12,454,959,899</b>	<b>12,796,493,852</b>	<b>12,454,959,899</b>
<b>Households</b>				
Current (0 - 30 days)	1,970,261,982	1,951,870,926	1,970,261,982	1,951,870,926
31 - 60 days	218,786,552	208,721,974	218,786,552	208,721,974
61 - 90 days	151,202,573	202,427,377	151,202,573	202,427,377
91 - 120 days	102,662,720	188,520,435	102,662,720	188,520,435
121 - 150 days	204,160,753	163,700,612	204,160,753	163,700,612
151 - 180 days	127,692,294	117,704,909	127,692,294	117,704,909
181 - 365 days	847,529,271	1,755,656,918	847,529,271	1,755,656,918
365 + days	4,345,844,879	4,036,181,587	4,345,844,879	4,036,181,587
	<b>7,968,141,024</b>	<b>8,624,784,738</b>	<b>7,968,141,024</b>	<b>8,624,784,738</b>
<b>Industrial/commercial</b>				
Current (0 - 30 days)	1,295,056,480	1,065,087,615	1,295,056,480	1,065,087,615
31 - 60 days	130,705,248	98,766,747	130,705,248	98,766,747
61 - 90 days	59,226,347	71,634,331	59,226,347	71,634,331
91 - 120 days	60,338,633	79,381,558	60,338,633	79,381,558
121 - 150 days	88,506,068	58,579,813	88,506,068	58,579,813
151 - 180 days	76,790,547	38,387,998	76,790,547	38,387,998
181 - 365 days	380,659,581	387,790,850	380,659,581	387,790,850
365 + days	1,685,208,686	1,329,473,368	1,685,208,686	1,329,473,368
	<b>3,776,491,590</b>	<b>3,129,102,280</b>	<b>3,776,491,590</b>	<b>3,129,102,280</b>
<b>National and provincial government</b>				
Current (0 - 30 days)	286,263,089	194,035,858	286,263,089	194,035,858
31 - 60 days	38,490,582	12,113,764	38,490,582	12,113,764
61 - 90 days	7,353,030	5,105,045	7,353,030	5,105,045
91 - 120 days	10,061,619	3,928,491	10,061,619	3,928,491
121 - 150 days	30,112,685	10,604,155	30,112,685	10,604,155
151 - 180 days	20,234,714	6,441,489	20,234,714	6,441,489
181 - 365 days	53,933,459	31,744,942	53,933,459	31,744,942
365 + days	125,444,298	64,462,703	125,444,298	64,462,703
	<b>571,893,476</b>	<b>328,436,447</b>	<b>571,893,476</b>	<b>328,436,447</b>
<b>Other</b>				
Current (0 - 30 days)	47,313,481	24,833,158	47,313,481	24,833,158
31 - 60 days	(4,348,180)	1,582,734	(4,348,180)	1,582,734
61 - 90 days	(3,452,227)	(387,732)	(3,452,227)	(387,732)
91 - 120 days	(789,355)	(6,128,720)	(789,355)	(6,128,720)
121 - 150 days	(1,706,101)	(14,251,200)	(1,706,101)	(14,251,200)
151 - 180 days	(456,095)	(206,114)	(456,095)	(206,114)
181 - 365 days	1,323,097	27,184,939	1,323,097	27,184,939
365 + days	442,083,142	340,009,369	442,083,142	340,009,369
	<b>479,967,762</b>	<b>372,636,434</b>	<b>479,967,762</b>	<b>372,636,434</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>4. Consumer receivables (continued)</b>				
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(8,172,340,918)	(6,996,392,373)	(8,172,340,918)	(6,133,922,416)
Contributions to allowance (monthly)	(1,287,638,518)	(957,081,071)	(1,287,638,518)	(957,081,071)
Adjustments to allowance - review of impairment	(865,211,385)	-	(865,211,385)	-
Debt written off against allowance - Council resolution 27 June 2019	2,671,652,326	-	2,671,652,326	-
Debt written off against allowance	112,244,216	363,490,961	112,244,216	363,490,961
Write back/corrections against allowance	(243,882,510)	69,582,387	(243,882,510)	69,582,387
Sandspruit: Impairment allowance take-on balance	-	8,440,518	-	(854,029,439)
Correction of calculation method of allowance in current year	-	(660,381,340)	-	(660,381,340)
	<b>(7,785,176,789)</b>	<b>(8,172,340,918)</b>	<b>(7,785,176,789)</b>	<b>(8,172,340,918)</b>
<b>5. Other receivables</b>				
AARTO fine debtor	1,044,744,405	805,529,913	1,044,744,405	805,529,913
RTMC: AARTO debtor	1,256,293	1,256,293	1,256,293	1,256,293
Creditors with debit balances reclassification	26,222,683	4,380,983	26,222,683	4,380,983
Housing debtors	79,013,218	70,306,406	79,013,218	70,306,406
Cross-border debtors	11,809,028	-	11,809,028	-
Pre-payment: Infrastructure Sanral	113,323,994	174,449,852	113,323,994	174,449,852
Lease revenue	37,330,875	36,049,907	37,330,875	36,049,907
Recoverable UIFW	3,382,110,204	-	3,382,110,204	-
Waste management	5,086,919	3,875,225	5,086,919	3,875,225
Sundry rentals	160,220,614	134,855,768	160,220,614	134,855,768
Sundry Persons	447,853,157	262,047,020	377,124,948	262,047,020
Public contributions	217,554,590	216,522,669	217,554,590	216,522,669
Miscellaneous	414,670,969	672,918,011	394,286,944	671,455,910
Year End Grant debtor	8,513,075	46,726,908	8,513,075	46,726,908
	5,949,710,024	2,428,918,955	5,858,597,790	2,427,456,854
Less: Impairment allowance: non-exchange	(3,441,177,604)	(629,070,817)	(3,441,177,604)	(629,070,817)
Less: Impairment allowance: exchange	(493,752,461)	(397,404,615)	(492,766,807)	(396,261,473)
	<b>2,014,779,959</b>	<b>1,402,443,523</b>	<b>1,924,653,379</b>	<b>1,402,124,564</b>
<b>Included above are receivables from exchange transactions</b>				
Various debtors	1,513,086,047	1,573,943,740	1,421,973,813	1,573,943,740
Less: Impairment allowance	(493,752,461)	(397,451,995)	(492,766,807)	(396,261,473)
	<b>1,019,333,586</b>	<b>1,176,491,745</b>	<b>929,207,006</b>	<b>1,177,682,267</b>
<b>Included above are receivables from non-exchange transactions</b>				
AARTO fines	1,044,744,405	805,529,913	1,044,744,405	805,529,913
RTMC: AARTO debtor	1,256,293	1,256,293	1,256,293	1,256,293
Grant debtor	8,513,075	46,726,908	8,513,075	46,726,908
Recoverable UIFW	3,382,110,204	-	3,382,110,204	-
Less: Impairment allowance	(3,441,177,604)	(629,070,817)	(3,441,177,604)	(629,070,817)
	<b>995,446,373</b>	<b>224,442,297</b>	<b>995,446,373</b>	<b>224,442,297</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>5. Other receivables (continued)</b>				
<b>AGEING</b>				
<b>Pre payment: Sanral</b>				
> 365 days	113,323,994	174,449,852	113,323,994	174,449,852
<b>Housing debtors</b>				
31 - 60 days	8,706,812	17,123,725	8,706,812	17,123,725
61 - 90 days	17,123,725	-	17,123,725	-
121 - 365 days	53,182,681	53,182,681	53,182,681	53,182,681
	<b>79,013,218</b>	<b>70,306,406</b>	<b>79,013,218</b>	<b>70,306,406</b>
<b>Creditors with debit balances reclassification</b>				
31 - 60 days	26,222,683	4,380,983	26,222,683	4,380,983
<b>Miscellaneous</b>				
31 - 60 days	196,452,370	454,699,412	176,068,345	453,237,311
121 - 365 days	218,218,599	218,218,599	218,218,599	218,218,599
	<b>414,670,969</b>	<b>672,918,011</b>	<b>394,286,944</b>	<b>671,455,910</b>
<b>Lease revenue</b>				
31 - 60 days	37,330,875	36,049,907	37,330,875	36,049,907
<b>AARTO fine debtor</b>				
Current (0 -30 days)	21,878,442	61,320,358	21,878,442	61,320,358
31 - 60 days	25,047,825	102,962,850	25,047,825	102,962,850
61 - 90 days	27,554,625	5,077,225	27,554,625	5,077,225
91 - 120 days	21,519,350	133,747,564	21,519,350	133,747,564
121 - 365 days	146,016,175	247,762,566	146,016,175	247,762,566
> 365 days	802,727,988	254,659,350	802,727,988	254,659,350
	<b>1,044,744,405</b>	<b>805,529,913</b>	<b>1,044,744,405</b>	<b>805,529,913</b>
<b>Waste management</b>				
31 - 60 days	1,211,694	752,682	1,211,694	752,682
61 - 90 days	752,682	685,738	752,682	685,738
91 - 120 days	685,738	2,436,805	685,738	2,436,805
121 - 365 days	2,436,805	-	2,436,805	-
	<b>5,086,919</b>	<b>3,875,225</b>	<b>5,086,919</b>	<b>3,875,225</b>
<b>Sundry rentals</b>				
31 - 60 days	25,364,846	19,747,260	25,364,846	19,747,260
61 - 90 days	19,747,260	22,081,849	19,747,260	22,081,849
91 - 120 days	22,081,849	93,026,659	22,081,849	93,026,659
121 - 365 days	93,026,659	-	93,026,659	-
	<b>160,220,614</b>	<b>134,855,768</b>	<b>160,220,614</b>	<b>134,855,768</b>
<b>Sundry persons</b>				
91 - 120 days	185,806,137	23,126,564	115,077,928	23,126,564
121 - 365 days	23,126,564	238,920,456	23,126,564	238,920,456
> 365 days	238,920,456	-	238,920,456	-
	<b>447,853,157</b>	<b>262,047,020</b>	<b>377,124,948</b>	<b>262,047,020</b>
<b>Public contributions</b>				
121 - 365 days	1,031,921	36,461,549	1,031,921	36,461,549
> 365 days	216,522,669	180,061,120	216,522,669	180,061,120
	<b>217,554,590</b>	<b>216,522,669</b>	<b>217,554,590</b>	<b>216,522,669</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>5. Other receivables (continued)</b>				
<b>Insurance claim: fraud</b>				
91 - 120 days	11,809,028	-	11,809,028	-
<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	26,129,590	46,726,908	8,513,075	46,726,908
<b>Recoverable UIFW (Unauthorised, irregular, fruitless and wasteful expenditure)</b>				
121 - 365 days	3,382,110,204	-	3,382,110,204	-
<b>Reconciliation of allowance for impairment</b>				
Opening balance	(1,026,475,432)	(926,221,447)	(1,025,332,290)	(925,452,948)
Additional contribution - review of impairment	(37,942,583)	-	(37,942,583)	-
Contributions to allowance (monthly contribution)	(226,013,506)	(87,884,701)	(224,945,557)	(87,510,058)
Contribution to allowance (UIFW)	(2,720,256,490)	-	(2,720,256,490)	-
Write-off against the allowance	7,033,921	3,938,009	6,045,714	3,794,316
Correction of allowance due to change in methodology	-	(28,772,189)	-	(28,772,189)
Sandspruit Works Association take-on balance	-	(8,440,517)	-	(8,440,517)
Corrections of write-offs against allowance	68,724,025	20,905,413	68,486,795	21,049,106
	<b>(3,934,930,065)</b>	<b>(1,026,475,432)</b>	<b>(3,933,944,411)</b>	<b>(1,025,332,290)</b>

### Other receivables from exchange and non-exchange transactions past due but not impaired

For the Municipality trade and other receivables which are less than two months past due are not considered to be impaired. At 30 June 2019 R1,924,653,379 (2018: R1,402,124,564) were past due but not impaired.

For the group trade and other receivables which are less than two months past due are not considered to be impaired. At 30 June 2019 R2 014 779 959 (2018: R1 402 443 523) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

<b>Past due but not impaired</b>				
Current	21,878,442	61,320,358	21,878,442	61,320,358
31 - 60 days	320,143,368	541,857,210	299,759,343	540,395,109
61 - 90 days	-	-	-	-
91 - 120 days	82,537,237	-	11,809,028	-
121 - 365 days	881,104,234	328,359,952	881,104,234	329,503,094
> 365 days	710,102,332	470,906,003	710,102,332	470,906,003
	<b>2,015,765,613</b>	<b>1,402,443,523</b>	<b>1,924,653,379</b>	<b>1,402,124,564</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>5. Other receivables (continued)</b>				
<b>Other receivables from exchange and non-exchange transactions past due and impaired</b>				
As of 30 June 2019, trade and other receivables of R5,858,597,790 (2018: R2,427,456,854) were impaired and provided for, for the municipality. For the group trade and other receivables of R5 858 997 158 (2018: R2 428 918 955) were impaired and provided for..				
The amount of the impairment was R3,934,930,065 as of 30 June 2019 (2018: R1,026,522,812). For the group the amount of the impairment was R3 934 930 065 (2018: R1 026 475 432).				
The ageing of these receivables is as follows:				
<b>Past due and impaired</b>				
31 - 60 days	8,706,812	140,586,517	8,706,812	140,586,517
61- 90 days	66,163,946	27,844,812	65,178,292	27,844,812
91 - 120 days	159,364,865	252,337,592	159,364,865	252,337,592
121 - 365 days	3,038,045,374	466,185,899	3,038,043,374	465,042,757
365 + days	662,649,068	139,520,612	662,649,068	139,520,612
	<b>3,934,930,065</b>	<b>1,026,475,432</b>	<b>3,933,942,411</b>	<b>1,025,332,290</b>

Up to June 2019 an amount of R6 045 714 has been written off with regard to sundry/other debtors against the allowance for the Municipality (group = R6 045 714).

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).

### 6. Long-term receivables

Consumer: Arrangement debtors (refer to note 4)	146,819,610	165,240,324	146,819,610	165,240,324
Housing loans	10,990,612	10,623,822	10,990,612	10,623,822
Loans to sport clubs	1,004,151	1,027,120	1,004,151	1,027,120
Sale of land	73,701,316	70,642,315	73,701,316	70,642,315
	232,515,689	247,533,581	232,515,689	247,533,581
Current portion of long-term receivables	(111,175,936)	(132,771,634)	(111,175,936)	(132,771,634)
	121,339,753	114,761,947	121,339,753	114,761,947
Impairment allowance	(77,427,987)	(73,722,678)	(77,427,987)	(73,722,678)
	<b>43,911,766</b>	<b>41,039,269</b>	<b>43,911,766</b>	<b>41,039,269</b>
<b>Reconciliation of impairment allowance</b>				
Balance at the beginning of the year	(73,722,678)	(70,385,293)	(73,722,678)	(70,385,293)
Contribution to allowance during the year	(1,843,321)	(3,337,385)	(1,843,321)	(3,337,385)
Additional contribution - review of impairment	(1,861,988)	-	(1,861,988)	-
	<b>(77,427,987)</b>	<b>(73,722,678)</b>	<b>(77,427,987)</b>	<b>(73,722,678)</b>

#### 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 R	2019	2018
<b>Sale of land debtors</b>				
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% up to March 2018 and 15% from 1 April 2018), 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 extended payment terms are offered and full payment is required on registration.				
<b>AGEING:</b>				
<b>Consumer: Arrangement debtors</b>				
121 - 365 days	109,680,329	131,270,192	109,680,329	131,270,192
> 365 days	37,139,281	33,970,132	37,139,281	33,970,132
	<b>146,819,610</b>	<b>165,240,324</b>	<b>146,819,610</b>	<b>165,240,324</b>
<b>Housing loans</b>				
121 - 365 days	790,060	423,270	790,060	423,270
> 365 days	10,200,552	10,200,552	10,200,552	10,200,552
	<b>10,990,612</b>	<b>10,623,822</b>	<b>10,990,612</b>	<b>10,623,822</b>
<b>Loans to sport clubs</b>				
121 - 365 days	556,180	579,149	556,180	579,149
> 365 days	447,971	447,971	447,971	447,971
	<b>1,004,151</b>	<b>1,027,120</b>	<b>1,004,151</b>	<b>1,027,120</b>
<b>Sale of land</b>				
121 - 365 days	3,059,001	499,023	3,059,001	499,023
> 365 days	70,642,315	70,143,292	70,642,315	70,143,292
	<b>73,701,316</b>	<b>70,642,315</b>	<b>73,701,316</b>	<b>70,642,315</b>
<b>Total ageing:</b>				
121 - 365 days	114,085,570	132,771,634	114,085,570	132,771,634
> 365 days	118,430,119	114,761,947	118,430,119	114,761,947
	<b>232,515,689</b>	<b>247,533,581</b>	<b>232,515,689</b>	<b>247,533,581</b>
<b>Past due and impaired</b>				
> 365 days	77,427,987	73,722,678	77,427,987	73,722,678
<b>Past due and not impaired</b>				
121 - 365 days	114,085,570	132,771,634	114,085,570	132,771,634
> 365 days	4,100,213	41,039,269	41,002,132	41,039,269
	<b>118,185,783</b>	<b>173,810,903</b>	<b>155,087,702</b>	<b>173,810,903</b>

### 7. Redemption fund

The redemption fund, previously referred to as the sinking fund is, a financial solution to assist the City of Tshwane in meeting its financial obligations to repay previously issued bonds. The City of Tshwane pays contributions into the fund so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due.

The service of the third party fund manager was in place in the City of Tshwane for two thirds of the 2018/19 financial year as the said contract was terminated. However, the strategy that was adopted and approved by the City of Tshwane still remains in force for its intended duration without any deviation.

The latter is part of the risk management framework adopted by the City of Tshwane. The assets and liabilities are disclosed below.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>7. Redemption fund (continued)</b>				
<b>Collateral:</b>				
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 to ensure that the liability can be redeemed.				
The Nedbank and FFO collateral is the collateral paid plus accrued interest.				
<b>Composition of fund assets and liabilities:</b>				
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 redemption fund portfolio is R1 172 713 805(2018 = R581 383 915).				
<b>Other financial assets measured at fair value through profit or loss</b>				
Bonds	198,337,072	247,607,267	198,337,072	247,607,267
Cash collateral - FFO Securities (Pty) Ltd	13,229,116	12,544,099	13,229,116	12,544,099
Swaps	72,500,395	-	72,500,395	-
<b>Non-current assets</b>	<b>284,066,583</b>	<b>260,151,366</b>	<b>284,066,583</b>	<b>260,151,366</b>
<b>Other financial assets measured at fair value through profit or loss</b>				
Cash ad cash equivalent	888,647,222	388,034,090	888,647,222	388,034,090
Cash collateral - Nedbank	-	80,745,602	-	80,745,602
<b>Current assets</b>	<b>888,647,222</b>	<b>468,779,692</b>	<b>888,647,222</b>	<b>468,779,692</b>
<b>Total other financial assets measured at fair value through profit or loss</b>	<b>1,172,713,805</b>	<b>728,931,058</b>	<b>1,172,713,805</b>	<b>728,931,058</b>
<b>Financial assets carried at fair value through profit or loss</b>				
Derivatives designed and effective as hedging instruments carried at fair value	1,172,713,805	728,931,058	1,172,713,805	728,931,058
<b>Other financial assets measured at fair value through profit or loss</b>				
Bond repos	-	53,933,018	-	53,933,018
Interest rate swap	-	93,614,126	-	93,614,126
<b>Non-current liabilities</b>	<b>-</b>	<b>147,547,144</b>	<b>-</b>	<b>147,547,144</b>
<b>Financial liabilities carried at fair value through profit or loss</b>				
Derivatives designed and effective as hedging instruments carried at fair value	-	147,547,144	-	147,547,144

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>8. Investments</b>				
<b>Investments at amortised cost</b>				
Short-term investments (highly liquid)	2,768,891,152	1,830,217,073	2,761,124,472	1,829,764,912
Short-term investments	858,161,973	526,345,571	858,161,973	526,345,571
	<b>3,627,053,125</b>	<b>2,356,562,644</b>	<b>3,619,286,445</b>	<b>2,356,110,483</b>
<b>Current assets</b>				
Short-term investments (at amortised cost)	858,161,973	526,345,571	858,161,973	526,345,571
Short-term investments (highly liquid) (at amortised cost - refer Note 9)	2,768,891,152	1,830,217,073	2,761,124,472	1,829,764,912
	<b>3,627,053,125</b>	<b>2,356,562,644</b>	<b>3,619,286,445</b>	<b>2,356,110,483</b>

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.

### Market value of listed investments and management's valuation of unlisted investments:

Knysna Municipality - local registered stock (interest payable semi-annually) (Matured on 31 December 2018)	-	710,520	-	710,520
Capital Alliance no 28 (insurance policy) (unceded) (highly liquid)	760,019	695,879	760,019	695,879
Capital Alliance no 29 (insurance policy) (unceded) (highly liquid)	2,382,348	2,181,297	2,382,348	2,181,297
ABSA Money Market investment no 32 (interest capitalised monthly) (unceded) (highly liquid)	36,532,769	34,007,192	36,532,769	34,007,192
ABSA Money Market investment no 33 (interest capitalised monthly) (unceded) (highly liquid)	12,802,397	11,917,344	12,802,397	11,917,344
ABSA Money Market investment no 34 (interest capitalised monthly) (unceded) (highly liquid)	9,588,757	8,925,869	9,588,757	8,925,869
ABSA Money Market investment no 35 (interest capitalised monthly) (unceded) (highly liquid)	211,107	196,512	211,107	196,512
Investec Money Market investment no 37 (interest capitalised monthly) (ceded to DBSA redemption fund loan payable at 31 December 2019)	31,979,967	29,703,149	31,979,967	29,703,149
Investec Money Market investment no 38 (interest capitalised monthly) (unceded) (highly liquid)	10,221,421	9,493,705	10,221,421	9,493,705
Investec Money Market investment no 39 (interest capitalised monthly) (unceded) (highly liquid)	1,369,303	1,271,945	1,369,303	1,271,945
Stanlib Money Market investment no 40 (interest capitalised monthly) (ceded to DBSA redemption fund loan payable at 31 December 2019)	116,747,280	107,897,812	116,747,280	107,897,812
Stanlib Money Market investment no 41 (interest capitalised monthly) (unceded) (highly liquid)	3,623,687	3,346,981	3,623,687	3,346,981
Investec Money Market investment no 108 (interest capitalised monthly) (unceded) (highly liquid)	36,316,354	34,213,338	36,316,354	34,213,338

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>8. Investments (continued)</b>				
Standard Bank Money Market investment no 260 (interest capitalised monthly) (unceded) (highly liquid)	82,812,447	78,010,849	82,812,447	78,010,849
Standard Bank call investment - short-term investment (no 408, 414, 415, 484, 495, 496) (highly liquid)	810,074,718	237,276,293	810,074,718	237,276,293
Standard Bank term investment no 502 (highly liquid)	155,777,877	-	155,777,877	-
Standard Bank call investment no484 - short-term investment (highly liquid)	-	213,604,384	-	213,604,384
Nedbank call investment no 412 and 488 - short-term investment (highly liquid)	638,136,912	637,545,744	638,136,912	637,545,744
Nedbank call investment no 485 - short-term investment (highly liquid)	-	285,746,849	-	285,746,849
Nedbank call investment no497 and 498- short term investment no 497 and 498 (highly liquid)	235,000,000	-	235,000,000	-
ABSA call investment no 338 and 486 - short-term investment (highly liquid)	603,683,120	419,991,083	603,683,120	419,991,083
ABSA call investment no 489- short-term investment (highly liquid)	-	239,111,644	-	239,111,644
Nedbank term investment no 501 - short term investment (highly liquid)	260,471,233	-	260,471,233	-
ABSA call investment no 494 - short term investment (highly liquid)	215,000,000	-	215,000,000	-
ABSA term investment no 499 - short term investment (highly liquid)	147,690,740	-	147,690,740	-
ABSA term investment no 500 - short term investment (highly liquid)	207,828,493	-	207,828,493	-
Stanlib Contingency Fund investment - short-term investment (on call) (highly liquid)	275,496	262,094	275,496	262,094
TEDA: Short-term deposit Investec Bank	7,766,680	452,161	-	-
	<b>3,627,053,125</b>	<b>2,356,562,644</b>	<b>3,619,286,445</b>	<b>2,356,110,483</b>
<b>Average rate of return</b>				
On long-term investments (Knysna stock)	- %	16.45 %	- %	16.45 %
On Other long-term investments	7.56 %	7.42 %	7.56 %	7.42 %
On short-term investments	7.28 %	6.92 %	7.28 %	6.92 %
No investments were past due. No impairment occurred during the financial year under review.				
All the investments of the Municipality are held at a variable interest rate. There was only one long-term investment and it reached its maturity date on 31 December 2018.				
<b>Financial assets pledged as collateral</b>				
<b>Secured and unsecured investments</b>				
Secured investments against long-term loans	148,727,247	137,600,960	148,727,247	137,600,960
Unsecured investments	3,478,325,878	2,218,961,684	3,470,559,198	2,218,509,523
	<b>3,627,053,125</b>	<b>2,356,562,644</b>	<b>3,619,286,445</b>	<b>2,356,110,483</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 8. Investments (continued)

#### Investments pledged (secured investments) against long-term liabilities

Fair value of any collateral sold or re-pledged	148,727,247	137,600,960	148,727,247	137,600,960
---	-------------	-------------	-------------	-------------

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.

### 9. Cash and bank

Cash and bank consist of:

Cash on hand	663,977	662,724	652,763	653,279
Bank balances	333,510,947	561,832,966	263,961,666	482,027,404
	<b>334,174,924</b>	<b>562,495,690</b>	<b>264,614,429</b>	<b>482,680,683</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 bank	334,174,924	562,495,690	264,614,429	482,680,683
Short-term investments (highly liquid) (refer to Note 8)	2,768,891,152	1,830,217,073	2,761,124,472	1,829,764,912
<b>Cash and cash equivalents (per cash flow statement)</b>	<b>3,103,066,076</b>	<b>2,392,712,763</b>	<b>3,025,738,901</b>	<b>2,312,445,595</b>

Cash and cash equivalents held by Housing Company Tshwane that are not available for use by the group	1,227,065	932,217	-	-
---	-----------	---------	---	---

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group			Municipality	
	2019	2018 Restated* R		2019	2018 Restated*

### 9. Cash and bank (continued)

The Municipality and municipal entities have the following bank accounts

Account number/description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Absa - 4060738263	143,743,746	395,698,161	42,119,748	150,733,921	405,480,146	40,964,322
FNB - 51420107207	11,623,435	18,575,358	45,170,960	11,619,517	18,580,558	40,928,039
Standard - 410801453	61,819,233	3,610,255	257,292,116	54,396,970	2,879,645	265,430,359
Tshwane Market - Absa - 4068829119	45,377,217	44,999,356	38,133,509	44,587,730	43,202,868	34,058,668
Nedbank - 1454121963	1,414,753	10,243,582	7,759,241	2,623,528	11,884,187	7,643,798
<b>Municipality</b>	<b>263,978,384</b>	<b>473,126,712</b>	<b>390,475,574</b>	<b>263,961,666</b>	<b>482,027,404</b>	<b>389,025,186</b>
Housing Company Tshwane: Absa - 4065722829	7,455,931	3,615,713	2,147,369	7,455,931	3,615,713	2,147,369
Housing Company Tshwane: Absa - 4057481879	53,069,156	43,891,948	36,430,358	53,069,156	43,891,948	36,430,358
Housing Company Tshwane: Absa - 911408066	1,227,065	932,217	808,818	1,227,065	932,217	808,818
Housing Company Tshwane: Townlands - 4091569887	2,146,938	13,911,167	(203)	2,146,938	13,911,167	(203)
Sandspruit: Standard - 32250738	-	-	15,272,865	-	-	11,208,607
Sandspruit: ODI Standard - 31906842	-	-	335,059	-	-	335,059
Sandspruit: ODI Standard - 738717959	-	-	72,494	-	-	72,494
TEDA: Absa - 4093241083	5,650,191	17,454,517	-	5,650,191	17,454,517	-
TEDA: Standard - 410791830 (Closed 28 February 2018)	-	-	6,973,374	-	-	6,973,374
TEDA: Standard - 011057491 (Closed 28 February 2018)	-	-	5,307	-	-	5,307
<b>Entities</b>	<b>69,549,281</b>	<b>79,805,562</b>	<b>62,045,441</b>	<b>69,549,281</b>	<b>79,805,562</b>	<b>57,981,183</b>
<b>Group total</b>	<b>333,527,665</b>	<b>552,932,274</b>	<b>452,521,015</b>	<b>333,510,947</b>	<b>561,832,966</b>	<b>447,006,369</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

Group	2019			2018		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Electricity infrastructure	7,249,324,466	(2,498,576,871)	4,750,747,595	7,186,939,377	(2,259,909,463)	4,927,029,914
Information and communication infrastructure	1,017,283,747	(720,838,759)	296,444,988	1,010,803,595	(618,175,340)	392,628,255
Rail infrastructure	2,777,916	-	2,777,916	2,777,916	-	2,777,916
Roads infrastructure	9,998,808,825	(3,510,278,342)	6,488,530,483	9,533,725,473	(3,165,483,046)	6,368,242,427
Sanitation infrastructure	4,059,668,745	(1,248,266,053)	2,811,402,692	3,975,103,144	(1,107,581,635)	2,867,521,509
Solid waste infrastructure	52,162,431	(12,491,274)	39,671,157	52,059,622	(11,126,046)	40,933,576
Storm waster infrastructure	2,211,997,198	(604,272,050)	1,607,725,148	2,128,553,561	(529,418,271)	1,599,135,290
Water supply infrastructure	5,140,493,608	(1,678,778,743)	3,461,714,865	5,060,980,178	(1,517,457,101)	3,543,523,077
Infrastructure: Asset under construction	9,726,113,343	(158,748,791)	9,567,364,552	7,669,258,986	(125,274,899)	7,543,984,087
Computer equipment	442,741,891	(381,494,616)	61,247,275	428,231,360	(338,927,245)	89,304,115
Community assets	4,353,377,247	(1,463,225,536)	2,890,151,711	4,380,627,986	(1,305,159,310)	3,075,468,676
Community: Asset under construction	373,069,682	-	373,069,682	270,269,282	-	270,269,282
Community service concession (refer to Note 23)	380,329,129	-	380,329,129	380,329,129	-	380,329,129
Furniture and office equipment	311,685,787	(242,616,587)	69,069,200	306,959,388	(221,737,432)	85,221,956
Libraries	300,465,539	(240,042,290)	60,423,249	298,094,074	(225,865,396)	72,228,678
Machinery and equipment	605,740,639	(416,944,250)	188,796,389	583,374,498	(365,423,934)	217,950,564
Transport assets	919,885,895	(515,026,341)	404,859,554	901,711,568	(431,756,337)	469,955,231
Other assets	2,042,621,725	(642,247,926)	1,400,373,799	1,978,221,198	(613,067,617)	1,365,153,581
Tshwane House: Service concession (refer to Note 23)	1,129,911,631	(81,605,325)	1,048,306,306	1,129,911,631	(43,941,008)	1,085,970,623
Rehabilitation assets	571,650,848	(496,306,512)	75,344,336	563,985,483	(478,964,328)	85,021,155
Leased assets	1,283,903,074	(509,774,911)	774,128,163	1,209,990,268	(264,496,022)	945,494,246
Other: Asset under construction	1,569,854,024	(46,287,448)	1,523,566,576	1,300,779,656	(46,287,448)	1,254,492,208
Biological assets (game)	11,784,538	-	11,784,538	24,815,042	-	24,815,042
Buildings: entities	2,311,372	456,978	2,768,350	3,114,394	(173,022)	2,941,372
Land: entities	2,300,000	-	2,300,000	2,300,000	-	2,300,000
Buildings: Asset under construction - entities	133,987,611	-	133,987,611	121,802,250	-	121,802,250
Other assets: entities	10,732,686	(6,419,529)	4,313,157	10,284,351	(5,078,917)	5,205,434
<b>Total</b>	<b>53,904,983,597</b>	<b>(15,473,785,176)</b>	<b>38,431,198,421</b>	<b>50,515,003,410</b>	<b>(13,675,303,817)</b>	<b>36,839,699,593</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

Municipality	2019			2018		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Electricity infrastructure	7,249,324,466	(2,498,576,871)	4,750,747,595	7,186,939,377	(2,259,909,463)	4,927,029,914
Information and communication infrastructure	1,017,283,747	(720,838,759)	296,444,988	1,010,803,595	(618,175,340)	392,628,255
Rail infrastructure	2,777,916	-	2,777,916	2,777,916	-	2,777,916
Roads infrastructure	9,998,808,825	(3,510,278,342)	6,488,530,483	9,533,725,473	(3,165,483,046)	6,368,242,427
Sanitation infrastructure	4,059,668,745	(1,248,266,053)	2,811,402,692	3,975,103,144	(1,107,581,635)	2,867,521,509
Solid waste infrastructure	52,162,431	(12,491,274)	39,671,157	52,059,622	(11,126,046)	40,933,576
Storm water infrastructure	2,211,997,198	(604,272,050)	1,607,725,148	2,128,553,561	(529,418,271)	1,599,135,290
Water supply infrastructure	5,140,493,608	(1,678,778,743)	3,461,714,865	5,060,980,178	(1,517,457,101)	3,543,523,077
Infrastructure: Asset under construction	9,726,113,343	(158,748,791)	9,567,364,552	7,669,258,986	(125,274,899)	7,543,984,087
Computer equipment	442,741,891	(381,494,616)	61,247,275	428,231,360	(338,927,245)	89,304,115
Community assets	4,353,377,247	(1,463,225,536)	2,890,151,711	4,380,627,986	(1,305,159,310)	3,075,468,676
Community: Asset under construction	373,069,682	-	373,069,682	270,269,282	-	270,269,282
Community service concession (refer to Note 23)	380,329,129	-	380,329,129	380,329,129	-	380,329,129
Furniture and office equipment	311,685,787	(242,616,587)	69,069,200	306,959,388	(221,737,432)	85,221,956
Libraries	300,465,539	(240,042,290)	60,423,249	298,094,074	(225,865,396)	72,228,678
Machinery and equipment	605,740,639	(416,944,250)	188,796,389	583,374,498	(365,423,934)	217,950,564
Transport assets	919,885,895	(515,026,341)	404,859,554	901,711,568	(431,756,337)	469,955,231
Other assets	2,042,621,725	(642,247,926)	1,400,373,799	1,978,221,198	(613,067,617)	1,365,153,581
Other: Asset under construction	1,569,854,024	(46,287,448)	1,523,566,576	1,300,779,656	(46,287,448)	1,254,492,208
Tshwane House: Service concession (refer to Note 23)	1,129,911,631	(81,605,325)	1,048,306,306	1,129,911,631	(43,941,008)	1,085,970,623
Rehabilitation assets	571,650,848	(496,306,512)	75,344,336	563,985,483	(478,964,328)	85,021,155
Leased assets	1,283,903,074	(509,774,911)	774,128,163	1,209,990,268	(264,496,022)	945,494,246
Biological assets (game)	11,784,538	-	11,784,538	24,815,042	-	24,815,042
<b>Total</b>	<b>53,755,651,928</b>	<b>(15,467,822,625)</b>	<b>38,287,829,303</b>	<b>50,377,502,415</b>	<b>(13,670,051,878)</b>	<b>36,707,450,537</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - Group - 2019

	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
Electricity infrastructure	4,927,029,914	77,094,077	(8,525,354)	4,552,166	(611,693)	-	-	(247,903,942)	(887,573)	4,750,747,595
Information and communication infrastructure	392,628,255	6,724,351	(37,932)	-	(25,724)	-	-	(102,843,962)	-	296,444,988
Rail infrastructure	2,777,916	-	-	-	-	-	-	-	-	2,777,916
Roads infrastructure	6,368,242,427	132,379,390	-	332,703,956	-	-	-	(344,795,290)	-	6,488,530,483
Sanitation infrastructure	2,867,521,509	14,488,659	-	70,078,478	(288)	-	-	(127,632,564)	(13,053,102)	2,811,402,692
Solid waste infrastructure	40,933,576	-	(5,243)	225,401	-	-	-	(1,482,577)	-	39,671,157
Storm water infrastructure	1,599,135,290	9,586,715	-	73,765,322	-	-	91,600	(74,853,779)	-	1,607,725,148
Water supply infrastructure	3,543,523,077	127,826,314	(52,820,357)	19,879,582	(7,770)	-	-	(175,991,236)	(694,745)	3,461,714,865
Infrastructure: AUC	7,543,984,087	2,565,519,564	(1,154,566)	(508,122,336)	611,695	-	-	(1,236)	(33,472,656)	9,567,364,552
Computer equipment	89,304,115	15,451,445	(274,528)	-	207,325	-	-	(43,441,082)	-	61,247,275
Community assets	3,075,468,676	17,925,997	(51,232)	2,645,759	(47,736,862)	-	-	(154,855,762)	(3,244,865)	2,890,151,711
Community: AUC	270,269,282	127,679,579	-	(23,945,521)	1	-	-	(933,659)	-	373,069,682
Community service concession (refer to Note 23)	380,329,129	-	-	-	-	-	-	-	-	380,329,129
Furniture and office equipment	85,221,956	4,632,419	(10,139)	-	150,923	-	-	(20,925,959)	-	69,069,200
Libraries	72,228,678	6,923,880	(705,973)	-	-	-	-	(18,023,336)	-	60,423,249
Machinery and equipment	217,950,564	28,032,545	(160,646)	104,042	(1,673,992)	-	-	(55,456,124)	-	188,796,389
Transport assets	469,955,231	-	(302,545)	33,710,399	1,363,211	-	-	(99,866,742)	-	404,859,554
Other assets	1,365,153,581	38,054,397	(1,923,278)	28,409,692	(13,684)	-	-	(29,110,313)	(196,596)	1,400,373,799
Other: AUC	1,254,492,208	311,861,270	-	(42,786,901)	(1)	-	-	-	-	1,523,566,576
Tshwane House: Service concession (refer to Note 23)	1,085,970,623	-	-	-	-	-	-	(37,664,317)	-	1,048,306,306
Rehabilitation assets	85,021,155	7,665,364	-	-	-	-	-	(17,342,183)	-	75,344,336
Leased assets	945,494,246	-	-	-	-	-	75,999,490	(247,365,573)	-	774,128,163
Biological assets (game)	24,815,042	-	-	-	-	(13,030,504)	-	-	-	11,784,538
Land: entities	2,300,000	-	-	-	-	-	-	-	-	2,300,000
Buildings: entities	2,941,372	-	-	-	-	-	-	(173,022)	-	2,768,350
Buildings: AUC - entities	121,802,250	12,185,361	-	-	-	-	-	-	-	133,987,611
Other assets: entities	5,205,434	657,887	(53,207)	-	-	-	-	(1,496,957)	-	4,313,157
<b>Total</b>	<b>36,839,699,593</b>	<b>3,504,689,214</b>	<b>(66,025,000)</b>	<b>(8,779,961)</b>	<b>(47,736,859)</b>	<b>(13,030,504)</b>	<b>76,091,090</b>	<b>(1,802,159,615)</b>	<b>(51,549,537)</b>	<b>38,431,198,421</b>



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers/Purifi cation	Gains/(losses) arising from changes in fair value	Additions: non- cash	Depreciation	Impairment loss	Total
Electricity infrastructure	4,687,619,383	112,555,511	(9,735,994)	381,373,834	(2,128,830)	-	-	(242,132,758)	(521,232)	4,927,029,914
Information and communication infrastructure	413,111,258	54,833,336	(220,682)	38,699,382	(865,556)	-	380,119	(113,302,619)	(6,983)	392,628,255
Rail infrastructure	2,777,916	-	-	-	-	-	-	-	-	2,777,916
Roads infrastructure	6,419,902,622	20,310,888	-	274,751,597	10,091,141	-	-	(356,080,716)	(733,105)	6,368,242,427
Sanitation infrastructure	2,933,077,863	176,162	-	57,996,375	1,480,658	-	2,109,725	(123,770,755)	(3,548,519)	2,867,521,509
Solid waste infrastructure	35,513,203	2,569,962	-	3,040,172	1,094,319	-	-	(1,284,080)	-	40,933,576
Storm water infrastructure	1,585,501,117	6,944,435	-	75,686,926	4,334,975	-	-	(73,332,163)	-	1,599,135,290
Water supply infrastructure	3,380,245,438	242,705,738	(58,555,176)	134,182,318	744,799	-	9,861	(155,798,556)	(11,345)	3,543,523,077
Infrastructure: AUC	6,882,675,101	1,586,072,666	-	(924,764,906)	(10)	-	-	1,236	-	7,543,984,087
Computer equipment	96,661,812	17,944,170	(529,665)	5,022,159	-	-	3,298,136	(33,066,227)	(26,270)	89,304,115
Community assets	3,125,870,921	18,529,863	(29,246)	51,484,843	20,814,955	-	22,406,986	(154,515,410)	(9,094,236)	3,075,468,676
Community: AUC	209,208,432	117,489,121	-	(54,198,223)	-	-	-	933,659	(3,163,707)	270,269,282
Community service concession (refer to Note 23)	194,406,210	-	-	-	54,770	-	185,868,149	-	-	380,329,129
Furniture and office equipment	108,882,274	6,249,986	(4,323,052)	13,550	(154,192)	-	1,173,862	(26,313,475)	(306,997)	85,221,956
Libraries	91,243,287	2,875,627	(676,857)	3,361,249	-	-	-	(24,574,628)	-	72,228,678
Machinery and equipment	248,098,858	34,863,142	(5,704,406)	90,787	(526,840)	-	188,614	(58,929,678)	(129,913)	217,950,564
Transport assets	300,077,259	4,691,633	(6,484,816)	-	218,072,111	-	4	(46,129,512)	(271,448)	469,955,231
Other assets	1,318,075,447	24,399,527	(19,578,096)	83,029,535	(3,220,047)	-	6,956,583	(38,477,187)	(6,032,181)	1,365,153,581
Other: AUC	496,964,733	936,157,475	-	(132,342,552)	-	-	-	-	(46,287,448)	1,254,492,208
Tshwane House: Service concession (refer to Note 23)	1,123,634,344	-	-	-	-	-	-	(37,663,721)	-	1,085,970,623
Rehabilitation assets	258,593,673	(12,565,204)	-	-	-	-	-	(161,007,314)	-	85,021,155
Leased assets	890,194,579	-	-	(218,072,112)	-	-	475,372,228	(202,000,449)	-	945,494,246
Biological assets (game)	19,007,270	-	-	-	-	5,807,772	-	-	-	24,815,042
Land: entities	2,300,000	-	-	-	-	-	-	-	-	2,300,000
Buildings: entities	6,789,234	-	-	-	-	-	(3,674,840)	(173,022)	-	2,941,372
Buildings:AUC - entities	46,354,945	75,447,305	-	-	-	-	-	-	-	121,802,250
Other assets: entities	10,068,955	603,564	(109,418)	-	-	-	(3,847,073)	(1,510,594)	-	5,205,434
<b>34,886,856,134</b>	<b>3,252,854,907</b>	<b>(105,947,408)</b>	<b>(220,645,066)</b>	<b>249,792,253</b>	<b>5,807,772</b>	<b>690,242,354</b>	<b>(1,849,127,969)</b>	<b>(70,133,384)</b>	<b>36,839,699,593</b>	

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - Municipality - 2019

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Gains/(losses) arising from changes in fair value	Additions (Non- cash)	Depreciation	Impairment loss	Total
Electricity infrastructure	4,927,029,914	77,094,077	(8,525,354)	4,552,166	(611,693)	-	-	(247,903,942)	(887,573)	4,750,747,595
Information and communication infrastructure	392,628,255	6,724,351	(37,932)	-	(25,724)	-	-	(102,843,962)	-	296,444,988
Rail infrastructure	2,777,916	-	-	-	-	-	-	-	-	2,777,916
Roads infrastructure	6,368,242,427	132,379,390	-	332,703,956	-	-	-	(344,795,290)	-	6,488,530,483
Sanitation infrastructure	2,867,521,509	14,488,659	-	70,078,478	(288)	-	-	(127,632,564)	(13,053,102)	2,811,402,692
Solid waste infrastructure	40,933,576	-	(5,243)	225,401	-	-	-	(1,482,577)	-	39,671,157
Storm water infrastructure	1,599,135,290	9,586,715	-	73,765,322	-	-	91,600	(74,853,779)	-	1,607,725,148
Water supply infrastructure	3,543,523,077	127,826,314	(52,820,357)	19,879,582	(7,770)	-	-	(175,991,236)	(694,745)	3,461,714,865
Infrastructure: AUC	7,543,984,087	2,565,519,564	(1,154,566)	(508,122,336)	611,695	-	-	(1,236)	(33,472,656)	9,567,364,552
Computer equipment	89,304,115	15,451,445	(274,528)	-	207,325	-	-	(43,441,082)	-	61,247,275
Community assets	3,075,468,676	17,925,997	(51,232)	2,645,759	(47,736,862)	-	-	(154,855,762)	(3,244,865)	2,890,151,711
Community: AUC	270,269,282	127,679,579	-	(23,945,521)	1	-	-	(933,659)	-	373,069,682
Community service concession (refer to Note 23)	380,329,129	-	-	-	-	-	-	-	-	380,329,129
Furniture and office equipment	85,221,956	4,632,419	(10,139)	-	150,923	-	-	(20,925,959)	-	69,069,200
Libraries	72,228,678	6,923,880	(705,973)	-	-	-	-	(18,023,336)	-	60,423,249
Machinery and equipment	217,950,564	28,032,545	(160,646)	104,042	(1,673,992)	-	-	(55,456,124)	-	188,796,389
Transport assets	469,955,231	-	(302,545)	33,710,399	1,363,211	-	-	(99,866,742)	-	404,859,554
Other assets	1,365,153,581	38,054,397	(1,923,278)	28,409,692	(13,684)	-	-	(29,110,313)	(196,596)	1,400,373,799
Other: AUC	1,254,492,208	311,861,270	-	(42,786,901)	(1)	-	-	-	-	1,523,566,576
Tshwane House: Service concession (refer to Note 23)	1,085,970,623	-	-	-	-	-	-	(37,664,317)	-	1,048,306,306
Rehabilitation assets	85,021,155	7,665,364	-	-	-	-	-	(17,342,183)	-	75,344,336
Leased assets	945,494,246	-	-	-	-	-	75,999,490	(247,365,573)	-	774,128,163
Biological assets (game)	24,815,042	-	-	-	-	(13,030,504)	-	-	-	11,784,538
	<b>36,707,450,537</b>	<b>3,491,845,966</b>	<b>(65,971,793)</b>	<b>(8,779,961)</b>	<b>(47,736,859)</b>	<b>(13,030,504)</b>	<b>76,091,090</b>	<b>(1,800,489,636)</b>	<b>(51,549,537)</b>	<b>38,287,829,303</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 10. 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 values	Additions (Non-cash)	Depreciation	Impairment loss	Total
Electricity infrastructure	4,687,619,382	112,555,511	(9,735,994)	381,373,834	(2,128,830)	-	-	(242,132,758)	(521,231)	4,927,029,914
Information and communication infrastructure	413,111,258	55,213,455	(220,682)	38,699,382	(865,556)	-	-	(113,302,619)	(6,983)	392,628,255
Rail infrastructure	2,777,916	-	-	-	-	-	-	-	-	2,777,916
Roads infrastructure	6,419,902,622	20,310,889	-	274,751,597	10,091,141	-	-	(356,080,716)	(733,106)	6,368,242,427
Sanitation infrastructure	2,933,077,863	2,285,887	-	57,996,375	1,480,658	-	-	(123,770,755)	(3,548,519)	2,867,521,509
Solid waste infrastructure	35,513,203	2,569,962	-	3,040,172	1,094,319	-	-	(1,284,080)	-	40,933,576
Storm water infrastructure	1,585,501,117	6,944,435	-	75,686,926	4,334,975	-	-	(73,332,163)	-	1,599,135,290
Water supply infrastructure	3,380,245,438	242,715,599	(58,555,176)	134,182,318	744,799	-	-	(155,798,556)	(11,345)	3,543,523,077
Infrastructure: AUC	6,882,675,101	1,586,072,666	-	(924,764,906)	(10)	-	-	1,236	-	7,543,984,087
Computer equipment	96,661,812	21,242,306	(529,665)	5,022,159	-	-	-	(33,066,227)	(26,270)	89,304,115
Community assets	3,125,870,921	18,529,863	(29,246)	51,484,843	20,814,955	-	22,406,986	(154,515,410)	(9,094,236)	3,075,468,676
Community: AUC	209,208,432	117,489,121	-	(54,198,223)	-	-	-	933,659	(3,163,707)	270,269,282
Community service concession (refer to Note 23)	194,406,210	-	-	-	54,770	-	185,868,149	-	-	380,329,129
Furniture and office equipment	108,882,274	7,423,848	(4,323,052)	13,550	(154,192)	-	-	(26,313,475)	(306,997)	85,221,956
Libraries	91,243,287	2,875,627	(676,857)	3,361,249	-	-	-	(24,574,628)	-	72,228,678
Machinery and equipment	248,098,858	35,051,756	(5,704,406)	90,787	(526,840)	-	-	(58,929,678)	(129,913)	217,950,564
Transport assets	300,077,259	4,691,637	(6,484,816)	-	218,072,111	-	-	(46,129,512)	(271,448)	469,955,231
Other assets	1,318,075,447	25,129,008	(19,578,096)	83,029,535	(3,220,047)	-	6,227,102	(38,477,187)	(6,032,181)	1,365,153,581
Other: AUC	496,964,733	936,157,475	-	(132,342,552)	-	-	-	-	(46,287,448)	1,254,492,208
Tshwane House: Service concession (refer to Note 23)	1,123,634,344	-	-	-	-	-	-	(37,663,721)	-	1,085,970,623
Rehabilitation assets	258,593,673	(12,565,204)	-	-	-	-	-	(161,007,314)	-	85,021,155
Leased assets	890,194,579	-	-	(218,072,112)	-	-	475,372,228	(202,000,449)	-	945,494,246
Biological assets (game)	19,007,270	-	-	-	-	5,807,772	-	-	-	24,815,042
	<b>34,821,342,999</b>	<b>3,184,693,841</b>	<b>(105,837,990)</b>	<b>(220,645,066)</b>	<b>249,792,253</b>	<b>5,807,772</b>	<b>689,874,465</b>	<b>(1,847,444,353)</b>	<b>(70,133,384)</b>	<b>36,707,450,537</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

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

#### Pledged as security

No property, plant and equipment are pledged as security, except for leased assets (refer to Note 20).

Included in the amounts disclosed for AUC Community assets and Other assets are amounts relating to movable assets. The amount included under Community assets is equal to R962 886 and under Other assets it is R95 261 003.

#### Other information

##### Depreciation on property, plant and equipment (refer to Note 32)

Property, plant and equipment	1,537,451,856	1,486,120,206	1,535,781,880	1,484,436,590
Rehabilitation assets	17,342,183	161,007,314	17,342,183	161,007,314
Leased assets	247,365,573	202,000,449	247,365,573	202,000,449
	<b>1,802,159,612</b>	<b>1,849,127,969</b>	<b>1,800,489,636</b>	<b>1,847,444,353</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	133,987,611	121,802,250	-	-
Infrastructure	9,567,364,552	7,543,984,087	9,567,364,552	7,543,984,087
Other property, plant and equipment	1,523,566,576	1,254,492,208	1,523,566,576	1,254,492,208
Community	373,069,682	270,269,282	373,069,682	270,269,282
	<b>11,597,988,421</b>	<b>9,190,547,827</b>	<b>11,464,000,810</b>	<b>9,068,745,577</b>

Included in the amount of AUC: Other property, plant and equipment is an amount of R33 710 399 relating to vehicles the City acquired. These vehicles were only registered and licensed in the 2018/19 financial year, and therefore not capitalised on 30 June 2018.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>10. Property, plant and equipment (continued)</b>				
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>				
Awaiting completion certificate/occupation certificate	37,484,798	98,750,320	37,484,798	98,750,320
Budget constraints	987,381,150	594,135,866	987,381,150	594,135,866
Project still at commissioning stage	-	48,241,979	-	48,241,979
Awaiting appointment of contractor	97,795,534	126,658,621	97,795,534	126,658,621
Project still in planning phase	-	23,176,185	-	23,176,185
Project still under construction	-	2,357,952,832	-	2,357,952,832
Awaiting water use licence application (WULA) approval	1,370,786	15,246,746	1,370,786	15,246,746
Tender stage	-	680,000	-	680,000
Awaiting Eskom connection	5,829,628	24,624,314	5,829,628	24,624,314
Awaiting building approvals	9,989,950	-	9,989,950	-
Poor performance by contractor	137,858,020	-	137,858,020	-
Contractor issues	71,612,013	-	71,612,013	-
Community protest/unrest	111,809,065	-	111,809,065	-
Snag list still in progress	114,810,374	-	114,810,374	-
Busy with expropriation	7,796,146	-	7,796,146	-
Awaiting bulk service installation	817,331,610	-	817,331,610	-
Awaiting completion substation to connect	48,534,670	-	48,534,670	-
Awaiting final testing process	24,822,000	-	24,822,000	-
Awaiting occupational certificate	46,438,010	-	46,438,010	-
Awaiting reservoir construction	90,398,254	-	90,398,254	-
Consultant contract lapsed	168,804,713	-	168,804,713	-
Contract issues	450,000	-	450,000	-
Contractor previous abandoned project site	176,365,007	-	176,365,007	-
Delayed due to former legislation	28,382,906	-	28,382,906	-
Hard rock chemical blasting was required	28,021,210	-	28,021,210	-
Encroachment to be resolved	54,351,212	-	54,351,212	-
Waiting for electrification to be completed	361,787	-	361,787	-
HCT: Timberlands - budget constraints	3,757,999	2,509,143	-	-
HCT: Townlands - poor performance	27,214,836	73,581,460	-	-
HCT: Chantelle - project under construction	43,631,861	43,858,841	-	-
	<b>3,142,603,539</b>	<b>3,409,416,307</b>	<b>3,067,998,843</b>	<b>3,289,466,863</b>
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>				
Project halted due to legal dispute	-	125,837,022	-	125,837,022
Project abandoned	3,645,584	17,220,137	3,645,584	17,220,137
Project dependent on expiry of current system	-	3,260,278	-	3,260,278
Community protest/unrest	42,442,493	-	42,442,493	-
Funding constraints	380,964,753	-	380,964,753	-
Poor performance by contractor	656,250	-	656,250	-
No water connection to the site	571,216	-	571,216	-
	<b>428,280,296</b>	<b>146,317,437</b>	<b>428,280,296</b>	<b>146,317,437</b>

2017/18: An impairment loss of R123 216 100 has been recognised in prior years on the above assets.

2018/19: During 2018/19 assets under construction were vandalised (R137 858 020) as well as the system not meeting the client's requirements (R8 338 973) which will be impaired.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>10. 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	525,093,715	484,175,859	525,093,715	484,175,859
General expenses	518,947,369	503,755,566	518,947,369	503,755,566
Other materials	163,303,157	8,257,539	163,303,157	8,257,539
HCT: General expenses	57,559	16,244	-	-
TEDA: General expenses	-	4,548	-	-
	<b>1,207,401,800</b>	<b>996,209,756</b>	<b>1,207,344,241</b>	<b>996,188,964</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 2018/19 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to Note 67). 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 2018. The following were the reasons for the review of useful life adjustments:

### 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 2018 was increased with an additional 37 months.

### All other assets:

**The following condition grading scale was used in 2018/19 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 2018/19 financial year was extended to 13 months, preventing the asset to depreciate to R0 during the year. Ideally during the 2019/20 financial year these assets must be disposed of in terms the SCM Policy.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

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

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 2018, 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.

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 2018 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 1 296 974 assets were affected. The change in annual depreciation is a decrease of R74 134 310.08 (refer to Note 67).

#### 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 2018/19 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 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group			Municipality		
	2019	2018 Restated* R		2019	2018 Restated*	

### 11. Investment property

Group	2019			2018		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	1,190,838,002	(199,943,046)	990,894,956	1,191,035,468	(195,200,877)	995,834,591

  

Municipality	2019			2018		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	1,190,838,002	(199,943,046)	990,894,956	1,191,035,468	(195,200,877)	995,834,591

#### Reconciliation of investment property - Group - 2019

	Opening balance	Disposals	Transfers: purification	Additions: non-cash	Depreciation	Total
Investment property: Capitalised	995,834,591	(197,466)	-	-	(4,742,169)	990,894,956

#### Reconciliation of investment property - Group - 2018

	Opening balance	Disposals	Transfers: purification	Additions: non-cash	Depreciation	Total
Investment property: Capitalised	1,029,791,690	(471,229)	(31,943,876)	3,435,100	(4,977,094)	995,834,591

#### Reconciliation of investment property - Municipality - 2019

	Opening balance	Disposals	Transfers: purification	Additions: non-cash	Depreciation	Total
Investment property: Capitalised	995,834,591	(197,466)	-	-	(4,742,169)	990,894,956

#### Reconciliation of investment property - Municipality - 2018

	Opening balance	Disposals	Transfers: purification	Additions: non-cash	Depreciation	Total
Investment property: Capitalised	1,029,791,690	(471,229)	(31,943,876)	3,435,100	(4,977,094)	995,834,591

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 11. Investment property (continued)

#### Pledged as security

No investment property is pledged as security.

#### Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed in the reporting period..

#### Carrying value of investment property that is taking a significantly longer period of time to complete than expected

No projects under investment property took a significantly longer period of time than expected or were halted.

#### Expenditure incurred to repair and maintain investment property

General expenses	1,175,903	83,570	1,175,903	83,570
------------------	-----------	--------	-----------	--------

### 12. Intangible assets

Group	2019			2018		
	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	503,851,790	(323,631,618)	180,220,172	554,444,256	(300,385,712)	254,058,544
Servitudes	202,134,110	-	202,134,110	202,134,110	-	202,134,110
Computer software: entities	178,833	(152,334)	26,499	175,584	(122,744)	52,840
<b>Total</b>	<b>706,164,733</b>	<b>(323,783,952)</b>	<b>382,380,781</b>	<b>756,753,950</b>	<b>(300,508,456)</b>	<b>456,245,494</b>

  

Municipality	2019			2018		
	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	503,851,790	(323,631,618)	180,220,172	554,444,256	(300,385,712)	254,058,544
Servitudes	202,134,110	-	202,134,110	202,134,110	-	202,134,110
<b>Total</b>	<b>705,985,900</b>	<b>(323,631,618)</b>	<b>382,354,282</b>	<b>756,578,366</b>	<b>(300,385,712)</b>	<b>456,192,654</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 12. Intangible assets (continued)

#### Reconciliation of intangible assets - Group - 2019

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Additions: Non- cash	Amortisation	Total
Computer software, other	254,058,544	5,759,597	(3,001,897)	8,779,966	-	(85,376,038)	180,220,172
Computer software: entities	52,840	3,249	-	-	-	(29,590)	26,499
Servitudes	202,134,110	-	-	-	-	-	202,134,110
	<b>456,245,494</b>	<b>5,762,846</b>	<b>(3,001,897)</b>	<b>8,779,966</b>	<b>-</b>	<b>(85,405,628)</b>	<b>382,380,781</b>

#### Reconciliation of intangible assets - Group - 2018

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Additions: Non- cash	Amortisation	Total
Computer software, other	298,765,079	35,576,154	(2,013,068)	2,211,190	293,854	(80,774,665)	254,058,544
Computer software: entities	197,776	-	(53,850)	-	(46,775)	(44,311)	52,840
Servitudes	200,040,491	1,727,124	-	364,495	2,000	-	202,134,110
	<b>499,003,346</b>	<b>37,303,278</b>	<b>(2,066,918)</b>	<b>2,575,685</b>	<b>249,079</b>	<b>(80,818,976)</b>	<b>456,245,494</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 12. Intangible assets (continued)

#### Reconciliation of intangible assets - Municipality - 2019

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Additions: Non- cash	Amortisation	Impairment loss	Total
Computer software	254,058,544	5,759,597	(3,001,897)	8,779,966	-	-	(85,376,038)	-	180,220,172
Servitudes	202,134,110	-	-	-	-	-	-	-	202,134,110
	<b>456,192,654</b>	<b>5,759,597</b>	<b>(3,001,897)</b>	<b>8,779,966</b>	<b>-</b>	<b>-</b>	<b>(85,376,038)</b>	<b>-</b>	<b>382,354,282</b>

#### Reconciliation of intangible assets - Municipality - 2018

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Additions: Non- cash	Amortisation	Impairment loss	Total
Computer software	298,765,079	35,576,154	(2,013,068)	2,211,190	-	293,854	(80,774,665)	-	254,058,544
Servitudes	200,040,491	1,727,124	-	-	364,495	2,000	-	-	202,134,110
	<b>498,805,570</b>	<b>37,303,278</b>	<b>(2,013,068)</b>	<b>2,211,190</b>	<b>364,495</b>	<b>295,854</b>	<b>(80,774,665)</b>	<b>-</b>	<b>456,192,654</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 12. Intangible assets (continued)

#### Pledged as security

No intangible assets are pledged as security.

#### Expenditure incurred to repair and maintain intangible assets

Contracted services	58,370,796	71,432,644	58,370,796	71,432,644
General expenses	2,120,966	-	2,120,966	-
	<b>60,491,762</b>	<b>71,432,644</b>	<b>60,491,762</b>	<b>71,432,644</b>

#### Intangible assets in the process of being constructed or developed

Currently there are no intangible assets in the process of being constructed or developed.

#### Carrying value of Intangible assets that are taking a significantly longer period of time to complete than expected.

Currently there are no projects under intangible assets that are taking a significantly longer period of time to complete than expected.

### 13. Heritage assets

Group	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other heritage assets	1,348,718	-	1,348,718	1,348,718	-	1,348,718
Historical buildings	3,205,524,190	(306,039,760)	2,899,484,430	3,157,787,330	(144,898,100)	3,012,889,230
Works of art	470,013,663	-	470,013,663	470,013,663	-	470,013,663
Heritage: Assets under construction	19,718,699	(19,718,699)	-	19,718,699	(19,718,699)	-
<b>Total</b>	<b>3,696,605,270</b>	<b>(325,758,459)</b>	<b>3,370,846,811</b>	<b>3,648,868,410</b>	<b>(164,616,799)</b>	<b>3,484,251,611</b>

  

Municipality	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other heritage assets	1,348,718	-	1,348,718	1,348,718	-	1,348,718
Historical buildings	3,205,524,190	(306,039,760)	2,899,484,430	3,157,787,330	(144,898,100)	3,012,889,230
Works of art	470,013,663	-	470,013,663	470,013,663	-	470,013,663
Heritage: Assets under construction	19,718,699	(19,718,699)	-	19,718,699	(19,718,699)	-
<b>Total</b>	<b>3,696,605,270</b>	<b>(325,758,459)</b>	<b>3,370,846,811</b>	<b>3,648,868,410</b>	<b>(164,616,799)</b>	<b>3,484,251,611</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 13. Heritage assets (continued)

#### Reconciliation of heritage assets Group - 2019

	Opening balance	Transfers: Purification	Impairment loss	Total
Other heritage assets	1,348,718	-	-	1,348,718
Historical buildings	3,012,889,230	47,736,860	(161,141,660)	2,899,484,430
Works of art	470,013,663	-	-	470,013,663
	<b>3,484,251,611</b>	<b>47,736,860</b>	<b>(161,141,660)</b>	<b>3,370,846,811</b>

#### Reconciliation of heritage assets Group - 2018

	Opening balance	Additions: non- cash	Impairment loss	Total
Other heritage assets	1,330,250	18,468	-	1,348,718
Historical buildings	3,157,787,330	-	(144,898,100)	3,012,889,230
Works of art	469,659,383	354,280	-	470,013,663
Heritage: Assets under construction	19,718,699	-	(19,718,699)	-
	<b>3,648,495,662</b>	<b>372,748</b>	<b>(164,616,799)</b>	<b>3,484,251,611</b>

#### Reconciliation of heritage assets Municipality - 2019

	Opening balance	Transfers: Purification	Additions: non- cash	Impairment loss	Total
Other heritage assets	1,348,718	-	-	-	1,348,718
Historical buildings	3,012,889,230	47,736,860	-	(161,141,660)	2,899,484,430
Works of art	470,013,663	-	-	-	470,013,663
	<b>3,484,251,611</b>	<b>47,736,860</b>	<b>-</b>	<b>(161,141,660)</b>	<b>3,370,846,811</b>

#### Reconciliation of heritage assets Municipality - 2018

	Opening balance	Transfers: Purification	Additions: non- cash	Impairment loss	Total
Other heritage assets	1,330,250	-	18,468	-	1,348,718
Historical buildings	3,157,787,330	-	-	(144,898,100)	3,012,889,230
Works of art	469,659,383	-	354,280	-	470,013,663
Heritage: Assets under construction	19,718,699	-	-	(19,718,699)	-
	<b>3,648,495,662</b>	<b>-</b>	<b>372,748</b>	<b>(164,616,799)</b>	<b>3,484,251,611</b>

#### Pledged as security

No heritage assets are pledged as security. Further, there are no existence and amounts of restrictions on the title and disposal of heritage assets.

#### Heritage assets in the process of being constructed or developed

In the current year there are no heritage assets in the process of being constructed or developed.

#### Carrying value of heritage assets that is taking a significantly longer period of time to complete than expected

Currently there is no heritage assets that is taking a significantly longer period of time to complete or which are halted.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>13. Heritage assets (continued)</b>				
<b>Expenditure incurred to repair and maintain heritage assets</b>				
<b>Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance</b>				
Contracted services	4,478,483	-	4,478,483	-

### 14. Interest-rate swaps

The Group holds derivative financial instruments to hedge its interest rate risk exposures. The Group 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 Group to pay interest at variable rates/fixed rates on the same amounts. The interest rate swap allows the Group 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.

#### The Municipality entered into interest rate swaps with the following role players:

City of Johannesburg: (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

City of Johannesburg: (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

City of Johannesburg: (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

City of Johannesburg: (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 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 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 797 055 481 as at 30 June 2019.

Interest paid on the interest-rate swaps to the amount of R43 276 471 was recognised in surplus or deficit during 2017/18 as part of finance costs - refer to Note 43 .

Interest paid on the interest-rate swaps to the amount of R47 747 346 was recognised in surplus or deficit during 2018/19 as part of finance costs - refer to Note 43 .

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	-	47,235,142
Interest rate swap liability	(219,999,785)	(82,766,083)	(219,999,785)	(82,766,083)
	<u>(219,999,785)</u>	<u>(35,530,941)</u>	<u>(219,999,785)</u>	<u>(35,530,941)</u>

### 15. Payables from exchange transactions

Trade payables	3,256,163,292	3,248,308,117	3,229,708,858	3,207,500,563
Payments received in advance - various services	17,453,161	587,372,556	17,453,161	587,372,556
Accrued leave pay	856,133,059	816,092,781	853,930,606	814,102,684
Other accrued expenses	157,789	-	-	-
Deposits received	46,048,084	41,307,437	45,046,121	40,699,961
Debtors with credit balances - reclassification	955,202,996	960,092,408	955,202,996	960,092,408
Other creditors	962,352,222	856,612,680	960,673,770	851,101,531
Retention creditors	564,591,426	478,155,541	557,957,024	475,666,929
Accrual 13th cheque	207,950,165	207,571,083	207,950,165	207,571,083
Smart meter take-on account	288,592,695	-	288,592,695	-
	<u>7,154,644,889</u>	<u>7,195,512,603</u>	<u>7,116,515,396</u>	<u>7,144,107,715</u>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>15. Payables from exchange transactions (continued)</b>				
Smart meter take-on account: The dissolution of the smart pre-paid meter contract was done per court outcome of 23 October 2018. The contract ended on 30 June 2019 and all smart pre-paid meters were replaced by the City. The amount listed above is the net effect of the balances left in the payment wallets of clients. These amounts will be converted to the client's SAP post paid billing accounts.				
<b>16. VAT payable</b>				
VAT refundable	2,639,410	2,385,807	-	-
VAT payable	(2,469,092,942)	(2,212,562,629)	(2,469,092,942)	(2,212,562,629)
	<b>(2,466,453,532)</b>	<b>(2,210,176,822)</b>	<b>(2,469,092,942)</b>	<b>(2,212,562,629)</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.				
<b>17. Consumer deposits</b>				
Electricity and water	558,775,597	516,053,782	558,775,597	516,053,782
The amounts of guarantees held as indicated below are not included/recognised in the statement of financial position as it will only be accounted for once the guarantee is activated. Currently it is only a disclosure item.				
<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	352,547,644	274,481,886	352,547,644	274,481,886
	<b>505,713,909</b>	<b>427,648,151</b>	<b>505,713,909</b>	<b>427,648,151</b>
<b>18. Unspent conditional grants and receipts</b>				
<b>Unspent grants and receipts comprise:</b>				
<b>Unspent conditional grants and receipts</b>				
Human Settlement Development Grant (HSDG)	210,369,335	253,589,420	210,369,335	253,589,420
DoRA: HIV/AIDS	696,579	-	696,579	-
Urban Settlement Development Grant (USDG)	50,891,019	97,146,820	50,891,019	97,146,820
Public Transport Network Grant (PTNG)	-	61,313,225	-	61,313,225
Neighbourhood Development Partnership Grant (NDPG)	-	3,107,814	-	3,107,814
Research and Technology	-	74,688	-	74,688
Recapitalisation of Community Libraries Grant	2,837,315	5,557,910	2,837,315	5,557,910
Tirelo Boshia grant	384,498	-	384,498	-
Gautrans	11,961,294	11,961,294	11,961,294	11,961,294
Municipal Disaster Recovery Grant	-	1,447,864	-	1,447,864
Social Infrastructure Grant	3,344,403	708,601	3,344,403	708,601
LG SETA Discretionary Grant	4,223,085	3,358,086	4,223,085	3,358,086
TRT subsidy	1,271,943	-	1,271,943	-
Electricity Demand Side (EEDSM)	9,743,454	-	9,743,454	-
Integrated City Development Grant (ICDG)	1,178,786	32,664,650	1,178,786	32,664,650
	<b>296,901,711</b>	<b>470,930,372</b>	<b>296,901,711</b>	<b>470,930,372</b>

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>18. Unspent conditional grants and receipts (continued)</b>				
<b>Movement during the year</b>				
Balance at the beginning of the year	470,930,372	305,859,396	470,930,372	305,859,396
Receipts during the year	6,509,644,044	6,660,524,642	6,509,644,044	6,660,524,641
Transfers between grants (returned to NT deducted from current year)	-	5,397,677	-	5,397,677
Returned to National Treasury	(151,272,000)	(62,428,000)	(151,272,000)	(62,428,000)
Repaid to grantors	(2,089,916)	-	(2,089,916)	-
Prior year restatement	(15,496,386)	-	(15,496,386)	-
Income recognition during the year	(6,514,814,403)	(6,438,423,343)	(6,514,814,403)	(6,438,423,342)
	<b>296,901,711</b>	<b>470,930,372</b>	<b>296,901,711</b>	<b>470,930,372</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 36 for reconciliation of grants from national/provincial government. These amounts are invested in a ring-fenced investment until utilised.

### 19. Loans and bonds

#### Summary of long-term borrowings:

Term loans	4,882,483,147	4,431,559,215	4,882,483,147	4,430,017,110
Local registered stock	1,000	1,000	-	-
Municipal bonds	2,177,958,095	2,177,419,005	2,177,958,095	2,177,419,005
Annuity loans	4,509,789,175	4,246,194,960	4,509,789,175	4,246,194,960
	<b>11,570,231,417</b>	<b>10,855,174,180</b>	<b>11,570,230,417</b>	<b>10,853,631,075</b>

#### Held at amortised cost

##### Term loans

<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.

##### Development Bank of South Africa (1-02)

	80,021,202	80,017,110	80,021,202	80,017,110
--	------------	------------	------------	------------

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 December 2019. A redemption fund investment has been made for the purpose of providing for the capital repayment at the redemption date.

##### Nedbank (1-2300)

	1,201,169,753	1,200,000,000	1,201,169,753	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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>19. Consumer receivables (continued)</b>				
<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.				
<b>Development Bank of South Africa (1-400)</b>	-	50,000,000	-	50,000,000
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 redemption fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
<b>National Housing Finance Corporation Limited</b>	-	1,542,105	-	-
This loan is secured, bears interest at 14% per annum and is repayable in 67 monthly installments of R44 190.24. The loan is secured by a mortgage bond over the land and building. The loan was settled in October 2018 to save on interest.				
<b>Nedbank (1-2501)</b>	501,292,192	-	501,292,192	-
Unsecured 10-year loan. (Jibar) variable interest rate. Repayable with quarterly instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029..				
<b>Municipal bonds</b>				
<b>Standard Bank (1-1900)</b>	565,593,063	573,927,890	565,593,063	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 redemption 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 redemption fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				
<b>Standard Bank (1-1950)</b>	763,927,890	755,053,973	763,927,890	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 redemption fund investment has been made for the purpose of providing for the capital repayment at the redemption date.				

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>19. Consumer receivables (continued)</b>				
<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>	609,107,038	672,086,622	609,107,038	672,086,622
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>	867,346,748	941,742,442	867,346,748	941,742,442
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.				
<b>Development Bank of South Africa (1-951)</b>	1,002,190,329	-	1,002,190,329	-
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. Part of the restructuring of loans during 2012/13.				
<b>Development Bank of South Africa (1-950)</b>	105,919,232	112,671,590	105,919,232	112,671,590
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>	32,858,428	46,547,264	32,858,428	46,547,264
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>	158,511,030	166,750,739	158,511,030	166,750,739
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>	64,320,973	69,154,812	64,320,973	69,154,812
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.				

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>19. Consumer receivables (continued)</b>				
<b>Development Bank of South Africa (1-701)</b>	160,648,151	168,998,297	160,648,151	168,998,297
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>	115,985,823	155,121,258	115,985,823	155,121,258
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>	22,653,642	30,959,975	22,653,642	30,959,975
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>	64,462,437	92,531,482	64,462,437	92,531,482
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>INCA (1-100)</b>	26,869,983	51,356,915	26,869,983	51,356,915
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	-	19,582,468
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	-	37,399,769
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>	53,302,899	71,616,895	53,302,899	71,616,895
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.				

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>19. Consumer receivables (continued)</b>				
<b>iVuzi Investments (1-450)</b>	18,736,530	27,299,859	18,736,530	27,299,859
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>	18,553,608	29,278,758	18,553,608	29,278,758
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>	6,693,690	12,067,430	6,693,690	12,067,430
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	-	2,561,796
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>	52,193,085	122,189,750	52,193,085	122,189,750
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>	52,594,206	121,520,126	52,594,206	121,520,126
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 (1-852)</b>	44,374,515	62,771,164	44,374,515	62,771,164
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>	64,560,826	94,936,004	64,560,826	94,936,004
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>	157,894,737	210,526,316	157,894,737	210,526,316
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.				

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>19. Consumer receivables (continued)</b>				
<b>Nedbank (1-1800)</b>	340,755,441	393,395,440	340,755,441	393,395,440
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>	275,862,068	310,344,828	275,862,068	310,344,828
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>	193,393,756	222,782,961	193,393,756	222,782,961
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>11,570,231,417</b>	<b>10,855,174,180</b>	<b>11,570,230,417</b>	<b>10,853,631,075</b>
<b>Non-current liabilities</b>				
At amortised cost	10,687,837,363	10,139,798,026	10,687,836,363	10,138,570,319
<b>Current liabilities</b>				
At amortised cost	882,394,054	715,376,151	882,394,054	715,060,753
	<b>11,570,231,417</b>	<b>10,855,174,177</b>	<b>11,570,230,417</b>	<b>10,853,631,072</b>
<b>Secured and unsecured long-term liabilities</b>				
Secured	7,060,442,242	6,628,561,688	7,060,441,242	6,627,018,583
Unsecured	4,509,789,175	4,226,612,489	4,509,789,175	4,226,612,489
	<b>11,570,231,417</b>	<b>10,855,174,177</b>	<b>11,570,230,417</b>	<b>10,853,631,072</b>

No defaults or breaches of the loans occurred in the year under review.

The weighted average interest rate is 9.90% (2018: 10,581%).

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>20. Lease liabilities</b>				
<b>Minimum lease payments due</b>				
- within one year	336,311,250	308,829,572	336,311,250	308,829,572
- in second to fifth year inclusive	681,416,175	886,704,526	681,416,175	886,704,526
	<u>1,017,727,425</u>	<u>1,195,534,098</u>	<u>1,017,727,425</u>	<u>1,195,534,098</u>
less: future finance charges	(179,747,641)	(209,024,859)	(179,747,641)	(209,024,859)
<b>Present value of minimum lease payments</b>	<b><u>837,979,784</u></b>	<b><u>986,509,239</u></b>	<b><u>837,979,784</u></b>	<b><u>986,509,239</u></b>
<b>Present value of minimum lease payments due</b>				
- within one year	317,233,609	292,581,178	317,233,609	292,581,178
- in second to fifth year inclusive	520,746,175	693,928,061	520,746,175	693,928,061
	<u>837,979,784</u>	<u>986,509,239</u>	<u>837,979,784</u>	<u>986,509,239</u>
Non-current liabilities	520,746,176	693,928,060	520,746,176	693,928,060
Current liabilities	317,233,609	292,581,178	317,233,609	292,581,178
	<u>837,979,785</u>	<u>986,509,238</u>	<u>837,979,785</u>	<u>986,509,238</u>
Value of leases (amortised cost, ie present value)	837,979,784	986,509,239	837,979,784	986,509,239
Net book value of leased assets (refer to Note 10)	774,128,162	945,494,246	774,128,162	945,494,246

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 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>21. 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 38.				
<b>Tshwane Municipal Provident Fund/Tshwane Municipal Gratuity Fund</b>				
5 994 (30,59 % ) of the Municipality's employees are members of this fund.	436,796,711	403,321,578	436,796,711	403,321,578
<b>Pension Fund for Municipal Councillors</b>				
The councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 75 (0,38%) of the Municipality's employees are members of this fund.	7,165,449	6,892,193	7,165,449	6,892,193
<b>National Fund for Municipal Workers</b>				
8 111 (41,40 % ) of the Municipality's employees are members of this fund.	582,781,732	528,660,559	582,781,732	528,660,559
<b>SALA Provident Fund/Gratuity Fund</b>				
44 (0,22 % ) of the Municipality's employees are members of this fund.	1,352,691	1,342,975	1,352,691	1,342,975
<b>SAMWU National Pension Fund</b>				
12 (0,06 % ) of the Municipality's employees are members of this fund.	1,149,238	1,043,928	1,149,238	1,043,928
<b>SAMWU National Provident Fund</b>				
1 023 (5,22 % ) of the Municipality's employees are members of this fund.	70,744,657	68,245,777	70,744,657	68,245,777
<b>Germiston Municipal Retirement Fund</b>				
4 (0,02 % ) of the Municipality's employees are members of this fund.	673,952	604,722	673,952	604,722
<b>Meshawu National Local Authorities Retirement Fund</b>				
24 (0,12 % ) of the Municipality's employees are members of this fund.	1,429,794	1,426,958	1,429,794	1,426,958
<b>Sandspruit Alexander Forbes and Spouse cover</b>				
361 (1,84%) of the Municipality's employees are a member of this fund. These employees were taken over with the disestablishment of the municipal entity Housing Company Tshwane HCT started with a defined contribution to various funds during 2018/19.	16,081,157	15,441,275	16,081,157	15,441,275
	-	-	-	-
	157,789	-	-	-
	<b>1,118,333,170</b>	<b>1,026,979,965</b>	<b>1,118,175,381</b>	<b>1,026,979,965</b>

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>21. 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.				
168 (0.86%) of the Municipality's employees are members of this fund.				
<b>Included in general expenses</b>				
Current service cost	23,687,464	27,601,976	23,687,464	27,601,976
Interest cost	213,130,844	239,012,529	213,130,844	239,012,529
Expected return on assets	(221,906,099)	(228,003,296)	(221,906,099)	(228,003,296)
Actuarial (gain)/loss	44,644,196	(237,694,402)	44,644,196	(237,694,402)
<b>Defined benefit expense</b>	<b>59,556,405</b>	<b>(199,083,193)</b>	<b>59,556,405</b>	<b>(199,083,193)</b>
<b>Post-employment benefit liability (funded status)</b>				
Present value of the obligation	(2,282,214,075)	(2,315,093,235)	(2,282,214,075)	(2,315,093,235)
Fair value of plan assets	2,332,295,121	2,410,412,771	2,332,295,121	2,410,412,771
<b>Liability recognised in statement of financial position</b>	<b>50,081,046</b>	<b>95,319,536</b>	<b>50,081,046</b>	<b>95,319,536</b>
<b>Reconciliation of defined benefit obligation</b>				
Present value of obligation at beginning of year	2,315,093,235	2,578,166,365	2,315,093,235	2,578,166,365
Interest cost	213,130,844	239,012,529	213,130,844	239,012,529
Current service cost	23,687,464	27,601,976	23,687,464	27,601,976
Member contributions	5,723,184	5,987,977	5,723,184	5,987,977
Risk premiums	(1,704,221)	(1,945,575)	(1,704,221)	(1,945,575)
Benefits paid	(155,360,986)	(159,288,093)	(155,360,986)	(159,288,093)
Actuarial (gain)/loss on obligation	(118,355,445)	(374,441,944)	(118,355,445)	(374,441,944)
<b>Present value of obligation at end of year</b>	<b>2,282,214,075</b>	<b>2,315,093,235</b>	<b>2,282,214,075</b>	<b>2,315,093,235</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>21. Employee benefit obligations (continued)</b>				
<b>Reconciliation of plan assets</b>				
Fair value of plan assets at beginning of year	2,410,412,771	2,459,412,616	2,410,412,771	2,459,412,616
Expected return on plan assets	221,906,099	228,003,296	221,906,099	228,003,296
Contributions: members	5,723,184	5,987,977	5,723,184	5,987,977
Contributions: employer	14,317,915	14,990,092	14,317,915	14,990,092
Risk premiums	(1,704,221)	(1,945,575)	(1,704,221)	(1,945,575)
Benefits paid	(155,360,986)	(159,288,093)	(155,360,986)	(159,288,093)
Actuarial (gain)/loss on assets	(162,999,641)	(136,747,542)	(162,999,641)	(136,747,542)
<b>Fair value of plan assets at end of year</b>	<b>2,332,295,121</b>	<b>2,410,412,771</b>	<b>2,332,295,121</b>	<b>2,410,412,771</b>
# None of the Municipality's own financial instruments or property are included in the fair value of plan assets.				
<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>221,906,099</b>	<b>228,003,296</b>	<b>221,906,099</b>	<b>228,003,296</b>
<b>Estimated contributions to be paid in the next financial period</b>	<b>19,561,941</b>	<b>20,564,196</b>	<b>19,561,941</b>	<b>20,564,196</b>
<b>Municipal Gratuity Fund</b>				
1 369 (6.99%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund.				
<b>Included in general expenses</b>				
Current service cost	3,087,427	4,705,127	3,087,427	4,705,127
Interest cost	3,547,043	5,142,074	3,547,043	5,142,074
Net actuarial (gain)/loss	(13,007,830)	(11,995,717)	(13,007,830)	(11,995,717)
<b>Defined benefit expense</b>	<b>(6,373,360)</b>	<b>(2,148,516)</b>	<b>(6,373,360)</b>	<b>(2,148,516)</b>
<b>Post-employment benefit liability (wholly unfunded)</b>				
Present value of the obligation	(46,282,583)	(55,504,092)	(46,282,583)	(55,504,092)
Net (expense)/income recognised in statement of financial performance	24,354,433	9,221,509	24,354,433	9,221,509
<b>Liability recognised in statement of financial position</b>	<b>(21,928,150)</b>	<b>(46,282,583)</b>	<b>(21,928,150)</b>	<b>(46,282,583)</b>
<b>Reconciliation of defined benefit obligation</b>				
Present value of obligation at beginning of year	46,282,583	55,504,092	46,282,583	55,504,092
Interest cost	3,547,043	5,142,074	3,547,043	5,142,074
Current service cost	3,087,427	4,705,127	3,087,427	4,705,127
Benefits paid	(17,981,073)	(7,072,993)	(17,981,073)	(7,072,993)
Actuarial (gain)/loss on obligation	(13,007,830)	(11,995,717)	(13,007,830)	(11,995,717)
<b>Present value of obligation at end of year</b>	<b>21,928,150</b>	<b>46,282,583</b>	<b>21,928,150</b>	<b>46,282,583</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>21. Employee benefit obligations (continued)</b>				
<b>Estimated benefit payments to be paid iro gratuities in the next financial period</b>	<b>21,493,855</b>	<b>17,981,073</b>	<b>21,493,855</b>	<b>17,981,073</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 38. The contributions made are as follows:				
<b>SALA Pension Fund</b>				
The actuarial is carried out annually since 1 July 1998. 386 (1.97%) of the Municipality's employees are members of this fund.	31,756,495	31,982,001	31,756,495	31,982,001
<b>The Government Employees Pension Fund</b>				
Actuarial valuations are performed every three years. 2 (0,01%) of the Municipality's employees are members of this fund.	174,573	404,332	174,573	404,332
<b>Joint Municipal Pension Fund</b>				
Actuarial valuations are performed every three years. 28 (0,14 %) of the Municipality's employees are members of this fund.	4,008,907	4,109,193	4,008,907	4,109,193
<b>Municipal Employees Pension Fund</b>				
1 991 (10,16%) of the Municipality's employees are members of this fund.	147,462,473	138,839,394	147,462,473	138,839,394
<b>National fund for municipal councillors/Consolidated retirement fund for councillors</b>				
2 (0.02%) of the Municipality's councillors are members of these funds	145,487	-	145,487	-
	<b>183,547,935</b>	<b>175,334,920</b>	<b>183,547,935</b>	<b>175,334,920</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	7,430,614	8,135,817	7,430,614	8,135,817
Interest cost	100,914,358	100,898,588	100,914,358	100,898,588
Expected employer benefit payments	(63,280,957)	(44,389,729)	(63,280,957)	(44,389,729)
<b>Defined benefit expense</b>	<b>45,064,015</b>	<b>64,644,676</b>	<b>45,064,015</b>	<b>64,644,676</b>
<b>Post-employment benefit liability (funded status)</b>				
Present value of the unfunded obligation	(1,103,345,361)	(1,100,514,298)	(1,103,345,361)	(1,100,514,298)
Recognised actuarial gains	(60,470,545)	(2,831,063)	(60,470,545)	(2,831,063)
<b>Liability recognised in statement of financial position</b>	<b>(1,163,815,906)</b>	<b>(1,103,345,361)</b>	<b>(1,163,815,906)</b>	<b>(1,103,345,361)</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>21. Employee benefit obligations (continued)</b>				
<b>Reconciliation of defined benefit obligation</b>				
Present value of unfunded obligation at beginning of year	1,103,345,361	1,100,514,298	1,103,345,361	1,100,514,298
Interest cost	100,914,358	100,898,588	100,914,358	100,898,588
Current service cost	7,430,614	8,135,817	7,430,614	8,135,817
Employer contributions	(63,280,957)	(61,813,613)	(63,280,957)	(61,813,613)
Actuarial (gains)/losses	15,406,530	(44,389,729)	15,406,530	(44,389,729)
<b>Present value of obligation at end of year</b>	<b>1,163,815,906</b>	<b>1,103,345,361</b>	<b>1,163,815,906</b>	<b>1,103,345,361</b>
Estimated employer benefit payments to be paid in the next financial period	70,216,014	63,280,957	70,216,014	63,280,957
<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	1,163,815,906	1,103,345,361	1,163,815,906	1,103,345,361
Decrease of 1%	1,108,652,000	1,056,039,000	1,108,652,000	1,056,039,000
% change	(5.0)%	(4.3)%	(5.0)%	(4.3)%
Increase of 1%	1,197,226,000	1,131,086,000	1,197,226,000	1,131,086,000
% change	3.0 %	2.5 %	3.0 %	2.5 %
<b>Long-service awards</b>				
<b>Included in general expenses</b>				
Current service cost	66,142,852	62,440,145	66,142,852	62,440,145
Interest cost	56,571,588	56,980,028	56,571,588	56,980,028
Expected employer benefit payments	(66,629,175)	(77,083,382)	(66,629,175)	(77,083,382)
Recognised net actuarial (gain)/loss	(87,776,536)	(55,195,472)	(87,776,536)	(55,195,472)
<b>Defined benefit expense</b>	<b>(31,691,271)</b>	<b>(12,858,681)</b>	<b>(31,691,271)</b>	<b>(12,858,681)</b>
<b>Post-employment benefit liability (funded status)</b>				
Present value of the unfunded obligation	(681,375,114)	(694,233,795)	(681,375,114)	(694,233,795)
Net (expense)/income recognised in statement of financial performance	31,691,271	12,858,681	31,691,271	12,858,681
<b>Liability recognised in statement of financial position</b>	<b>(649,683,843)</b>	<b>(681,375,114)</b>	<b>(649,683,843)</b>	<b>(681,375,114)</b>
<b>Reconciliation of defined benefit obligation</b>				
Present value of unfunded obligation at beginning of year	681,375,114	694,233,795	681,375,114	694,233,795
Interest cost	56,571,588	56,980,028	56,571,588	56,980,028
Current service cost	66,142,852	62,440,145	66,142,852	62,440,145
Employer contributions	(66,629,175)	(77,083,382)	(66,629,175)	(77,083,382)
Actuarial gains/losses	(87,776,536)	(55,195,472)	(87,776,536)	(55,195,472)
<b>Present value of obligation at end of year</b>	<b>649,683,843</b>	<b>681,375,114</b>	<b>649,683,843</b>	<b>681,375,114</b>
Estimated employer benefit payments to be paid in the next financial period	71,452,801	66,629,175	71,452,801	66,629,175

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>21. Employee benefit obligations (continued)</b>				
<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	649,683,843	681,375,114	649,683,843	681,375,114
Decrease of 1%	605,205,000	631,161,000	605,205,000	631,161,000
% change	(7.0)%	7.4 %	(7.0)%	7.4 %
Increase of 1%	699,508,000	738,077,000	699,508,000	738,077,000
% change	8.0 %	8.3 %	8.0 %	8.3 %
<b>Post-employment benefit liability: Statement of financial position</b>				
Tshwane Pension Fund	-	-	-	-
Municipal Gratuity Fund	21,928,150	46,282,583	21,928,150	46,282,583
Medical aid funds	1,163,815,906	1,103,345,361	1,163,815,906	1,103,345,361
Long- service awards	649,683,843	681,375,114	649,683,843	681,375,114
	<b>1,835,427,899</b>	<b>1,831,003,058</b>	<b>1,835,427,899</b>	<b>1,831,003,058</b>
<b>Post-employment benefit liability: Current portion</b>				
Tshwane Pension Fund	-	-	-	-
Municipal Gratuity Fund	21,493,855	17,981,073	21,493,855	17,981,073
Medical aid funds	70,216,014	63,280,957	70,216,014	63,280,957
Long-service awards	71,452,801	66,629,175	71,452,801	66,629,175
	<b>163,162,670</b>	<b>147,891,205</b>	<b>163,162,670</b>	<b>147,891,205</b>
<b>Post-employment benefit liability: Non-current portion</b>				
Tshwane Pension fund	-	-	-	-
Municipal gratuity fund	434,295	28,301,510	434,295	28,301,510
Medical aid funds	1,093,599,892	1,040,064,404	1,093,599,892	1,040,064,404
Long service awards	578,231,042	614,745,939	578,231,042	614,745,939
	<b>1,672,265,229</b>	<b>1,683,111,853</b>	<b>1,672,265,229</b>	<b>1,683,111,853</b>
<b>Actuarial (gain)/losses recognised in other comprehensive income</b>				
Tshwane Pension Fund	44,644,196	(237,694,402)	44,644,196	(237,694,402)
Municipal Gratuity Fund	(13,007,830)	(11,995,717)	(13,007,830)	(11,995,717)
Medical aid funds	15,406,530	(44,389,729)	15,406,530	(44,389,729)
Long-service awards	(87,776,536)	(55,195,472)	(87,776,536)	(55,195,472)
	<b>(40,733,640)</b>	<b>(349,275,320)</b>	<b>(40,733,640)</b>	<b>(349,275,320)</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	8.64 %	9.21 %	8.64 %	9.21 %
Inflation rate	4.78 %	5.60 %	4.78 %	5.60 %
Salary increase rate	5.78 %	6.60 %	5.78 %	6.60 %
Expected rate of return on assets	8.64 %	9.21 %	8.64 %	9.21 %
Pension increase allowance	4.28 %	4.11 %	4.28 %	4.11 %
Healthcare cost inflation	6.60 %	7.27 %	6.60 %	7.27 %

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 21. Employee benefit obligations (continued)

#### Discount rate (pension fund and gratuities)

The rate to discount post-employment benefit obligations should be derived from high quality corporate bond yields where the market in such bonds is highly liquid. 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 8.64% per annum has been used. This rate does not reflect any adjustment for taxation or expenses as per the statement.

#### 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 4.78% 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 (3.21%) and nominal bonds (8.64%), with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,50%). Therefore determined as follows:  $(8.64\% - 0,5\% - 3.21\%)/1,0321$ .

#### 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

GRAP 25 requires the assumed rate of return on assets to equal the discount rate, namely 8.64%.

#### Post-retirement discount rate

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 4,19% per annum will be awarded on average over the long-term. This implies a post-retirement interest rate of 4.28% (from  $1,0864/1,028 - 1,0$ ).

#### Health Care cost inflation

A health care cost inflation rate of 6.60% has been assumed. This is 1,50% in excess of expected CPI inflation over the expected term of the liability, namely 5,10%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.33% which derives from  $((1+9,08\%)/(1+6.60\%))-1$ .

The expected inflation assumption of 5,10% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.31%) 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:  $((1+9.08\%-0,50\%)/(1+3.31\%))-1$ .

#### History of liabilities, assets and experience adjustments

Amounts for the current and previous financial years are as follows:

	2019 R	2018 R	2017 R	2016 R
<b>History of liabilities and assets</b>				
Accrued liability	1,835,427,899	1,831,003,058	1,969,005,934	1,970,119,607
Plan assets	-	-	-	-
Surplus/(deficit)	(1,835,427,899)	(1,831,003,058)	(1,969,005,934)	(1,970,119,607)
<b>Experience adjustments on plan: (Gains) and losses</b>				
Liabilities	6,654,617	(42,018,063)	20,316,258	(62,213,676)

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 22. Provisions

#### Reconciliation of provisions - Group - 2019

	Opening balance	Unwinding of interest	Utilised during the year	Reversed/ adjusted during the year	Total
Landfill sites	728,966,054	73,232,585	(5,962,119)	16,719,153	812,955,673
Quarries	38,219,554	3,961,489	(3,003,695)	4,799,180	43,976,528
Clearing of alien vegetation	23,199,023	6,207,443	(3,813,812)	2,533,673	28,126,327
Legal proceedings	153,549,938	-	(24,905,102)	(6,235,351)	122,409,485
	<b>943,934,569</b>	<b>83,401,517</b>	<b>(37,684,728)</b>	<b>17,816,655</b>	<b>1,007,468,013</b>

#### Reconciliation of provisions - Group - 2018

	Opening balance	Unwinding of interest	Utilised during the year	Reversed/ adjusted during the year	Total
Landfill sites	752,023,566	69,751,493	(3,368,420)	(89,440,585)	728,966,054
Quarries	38,151,381	3,657,058	(1,704,230)	(1,884,655)	38,219,554
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
	<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 - 2019

	Opening balance	Unwinding of interest rate	Utilised during the year	Reversed/ adjusted during the year	Total
Landfill sites	728,966,054	73,232,585	(5,962,119)	16,719,153	812,955,673
Quarries	38,219,554	3,961,489	(3,003,695)	4,799,180	43,976,528
Clearing of alien vegetation	23,199,023	6,207,443	(3,813,812)	2,533,673	28,126,327
Legal proceedings	153,549,938	-	(24,905,102)	(6,235,351)	122,409,485
	<b>943,934,569</b>	<b>83,401,517</b>	<b>(37,684,728)</b>	<b>17,816,655</b>	<b>1,007,468,013</b>

#### Reconciliation of provisions - Municipality - 2018

	Opening balance	Unwinding of interest rate	Utilised during the year	Increase in provision	Total
Landfill sites	752,023,566	69,751,493	(3,368,420)	(89,440,585)	728,966,054
Quarries	38,151,381	3,657,058	(1,704,230)	(1,884,655)	38,219,554
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
	<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>

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 discounting rate is 9.90% (2018 = 10.581%). The timing of the outflow is uncertain, as well as the relating 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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 22. Provisions (continued)

The net movement in the provision amounted to R83 989 620 increase (2018 = R23 057 512 decrease). The decrease in the cost of property, plant and equipment amounted to R10 437 183 (2018: R169 506 478 increase). The amount recognised in surplus or deficit due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R18 987 274 (2018: R72 882 536). The amount utilised amounted to R5 962 119 (2018 = R3 368 420),

#### 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 net movement in the provision amounted to R4 698 609 increase (2018 = R4 947 014 increase). The increase in the cost of property, plant and equipment amounted to R2 283 337 (2018: R3 553 658 increase). The amount recognised in surplus or deficit due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R3 813 811 (2018: R3 512 483).

#### 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 net movement in the provision amounted to R4 927 305 increase (2018 = R68 172 increase). The increase in the cost of property, plant and equipment amounted to R3 043 702 (2018: R2 014 067). The amount recognised in surplus or deficit due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R1 073 137 (2018 = R282 089). The amount utilised during the year amounted to R3 003 695 (2018 = R1 704 230).

#### 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 net movement in the provision amounted to R59 141 453 decrease (2018 = R6 959 042 decrease). The amount utilised during the year amounted to R24 905 102 (2018 = R13 910 584).

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.

### 23. 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.

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>23. Service concession arrangements (continued)</b>				
<b>Tshwane House:</b>				
The City of Tshwane has entered into a service concession agreement with Tsela Tshweu (the Consortium), a private Consortium 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 third year of the operational stage. Occupation took place in June 2017.				
For the 2018/19 financial year the value of the asset and liability amounted to R1 048 306 306 and R1 147 216 010 respectively.				
For the 2017/18 financial year 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 cost	242,016,667	231,833,333	242,016,667	231,833,333
No later than one year - operational cost	-	3,915,771	-	3,915,771
Later than one year but not later than 5 years	1,388,062,080	1,330,066,878	1,388,062,080	1,330,066,878
Later than 5 years	7,772,460,741	8,183,967,677	7,772,460,741	8,183,967,677
Less: Future finance charges on finance lease	(6,981,527,090)	(7,403,010,228)	(6,981,527,090)	(7,403,010,228)
Less: Future service cost on finance lease	(1,273,796,388)	(1,223,937,229)	(1,273,796,388)	(1,223,937,229)
<b>Present value of finance lease liability</b>	<b>1,147,216,010</b>	<b>1,122,836,202</b>	<b>1,147,216,010</b>	<b>1,122,836,202</b>
<b>Present value of service concession liability</b>				
No later than one year - service cost	(49,416,517)	(49,040,375)	(49,416,517)	(49,040,375)
No later than one year - operational cost	-	3,915,771	-	3,915,771
Later than 5 years	(248,101,009)	(257,172,692)	(248,101,009)	(257,172,692)
	1,444,733,536	1,425,133,499	1,444,733,536	1,425,133,499
	<b>1,147,216,010</b>	<b>1,122,836,203</b>	<b>1,147,216,010</b>	<b>1,122,836,203</b>
Fair value of liability (amortised cost ie present value)	1,147,216,010	1,122,836,203	1,147,216,010	1,122,836,203
Collateral held on the above service concession (Net book value of assets) (Refer to Note 10 - Tshwane House)	1,048,306,306	1,085,970,623	1,048,306,306	1,085,970,623

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 23. 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 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	378,474,359	378,474,359	378,474,359
--	-------------	-------------	-------------	-------------

##### Denneboom service concession asset

Land	1,854,770	1,854,770	1,854,770	1,854,770
Denneboom Station asset under construction	378,474,359	378,474,359	378,474,359	378,474,359
	<b>380,329,129</b>	<b>380,329,129</b>	<b>380,329,129</b>	<b>380,329,129</b>

##### Total service concession liability

Current liability	242,016,667	235,749,104	242,016,667	235,749,104
Long-term liability	1,283,673,703	1,265,561,458	1,283,673,703	1,265,561,458
	<b>1,525,690,370</b>	<b>1,501,310,562</b>	<b>1,525,690,370</b>	<b>1,501,310,562</b>

##### Total service concession liability

Tshwane House	1,147,216,011	1,122,836,202	1,147,216,011	1,122,836,202
Denneboom Station Public Transport Interchange	378,474,359	378,474,359	378,474,359	378,474,359
	<b>1,525,690,370</b>	<b>1,501,310,561</b>	<b>1,525,690,370</b>	<b>1,501,310,562</b>

##### Total service concession asset (included in Note 10)

Tshwane House	1,048,306,306	1,085,970,623	1,048,306,306	1,085,970,623
Denneboom Station Public Transport Interchange	380,329,129	380,329,129	380,329,129	380,329,129
	<b>1,428,635,435</b>	<b>1,466,299,752</b>	<b>1,428,635,435</b>	<b>1,466,299,752</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>24. Deferred operating lease liability</b>				
Payable within 2 to 5 years	-	(75,677)	-	-
Payable within one year	(75,833)	(156,129)	-	-
	<u>(75,833)</u>	<u>(231,806)</u>	<u>-</u>	<u>-</u>

There were no operating lease liabilities for the Municipality at the end of 30 June 2019.

### 25. Deferred tax

#### Deferred tax liability

Property, plant and equipment	(435,348)	(481,293)	-	-
Assessed loss for the period	463,110	-	-	-
Provision doubtful debts	45,802	45,802	-	-
Provision for leave	466,096	437,048	-	-
Unspent grant	-	289,470	-	-
Section 24C allowance	-	(289,470)	-	-
Straight lining of operating lease	21,190	63,161	-	-
Pre-payment	(401,229)	(5,367)	-	-
<b>Total deferred tax asset</b>	<u>159,621</u>	<u>59,351</u>	<u>-</u>	<u>-</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	-	-	-	-
Deferred tax asset	159,621	59,351	-	-
<b>Total net deferred tax asset</b>	<u>159,621</u>	<u>59,351</u>	<u>-</u>	<u>-</u>

#### Reconciliation of deferred tax asset/(liability)

At beginning of year	59,351	(14,924)	-	-
Increase/(decrease) in tax loss available for set-off against future taxable income - gross	463,110	-	-	-
Movement in provision for doubtful debt	-	42,000	-	-
Movement on property, equipment and intangible fixed assets	45,946	(23,373)	-	-
Movement in provision for leave pay	29,049	36,735	-	-
Movement on unspent grant	-	(910,420)	-	-
Section 24C allowance	-	910,420	-	-
Operating lease straight lining	(41,972)	21,597	-	-
Pre-payment	(395,863)	(2,684)	-	-
	<u>159,621</u>	<u>59,351</u>	<u>-</u>	<u>-</u>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>26. Taxation</b>				
<b>Major components of the tax (income) expense</b>				
<b>Current</b>				
Normal tax - current year	(463,111)	2,994,342	-	-
<b>Deferred</b>				
Deferred tax - current year	362,841	(74,275)	-	-
	<b>(100,270)</b>	<b>2,920,067</b>	-	-
<b>Taxation liability movement</b>				
Opening balance	3,042,792	(859,028)	-	-
Current year	-	2,994,342	-	-
Provisional tax (paid)/interest charged	(932,383)	(523,690)	-	-
Normal income tax paid - prior year	(2,864,042)	(266,284)	-	-
Normal income tax refund from SARS	26,549	1,697,452	-	-
<b>Closing balance</b>	<b>(727,084)</b>	<b>3,042,792</b>	-	-
<b>Reconciliation of the tax expense</b>				
Tax in note @ 28%	(100,270)	(2,920,067)	-	-
Profit/(loss) before tax	(361,884)	10,361,294	-	-
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	0.29 %	0.18 %	-	-
	<b>28.29 %</b>	<b>28.18 %</b>	-	-

TEDA has made a provisional tax payment of R932 383 (2018: R523 690).

### 27. Tax (paid)/refunded

Balance at beginning of the year	981,753	859,028	-	-
Current tax for the year recognised in surplus or deficit	100,270	(2,920,067)	-	-
Balance at end of the year	(727,084)	3,042,792	-	-
	<b>354,939</b>	<b>981,753</b>	-	-

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality		
	2019	2018 Restated* R	2019	2018 Restated*	
<b>28. Accumulated surplus</b>					
<b>Ring-fenced internal funds and reserves within accumulated surplus - Group - 2019</b>					
	Insurance reserve	COID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	262,093	82,684,851	156,442,652	24,822,599,366	25,061,988,962
Net surplus for the year	-	-	-	3,719,434,826	3,719,434,826
Loss on transfer of functions	-	-	-	(191,677,321)	(191,677,321)
Rounding	-	-	-	3	3
Transfer to/(from) reserves	13,403	63,158,683	-	(63,172,086)	-
	<b>275,496</b>	<b>145,843,534</b>	<b>156,442,652</b>	<b>28,287,184,788</b>	<b>28,589,746,470</b>
<b>Ring-fenced internal funds and reserves within accumulated surplus - Group - 2018</b>					
	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 (as previously reported)	-	-	-	2,438,477,465	2,438,477,465
Restatement of 2017/18 financial year: HCT	-	-	-	2,513,310	2,513,310
Restatement of 2017/18 financial year	-	-	-	(1,145,685)	(1,145,685)
Restatement of 2016/17 financial year	-	-	-	(65,064,743)	(65,064,743)
Restatement of 2015/16 financial year	-	-	-	8,724,942	8,724,942
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>24,822,599,367</b>	<b>25,061,988,963</b>
<b>Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2019</b>					
	Insurance reserve	COID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	262,093	82,684,851	156,442,652	24,663,488,776	24,902,878,372
Net surplus for the year	-	-	-	3,602,376,253	3,602,376,253
Transfers to/(from) reserves	13,403	63,158,683	-	(63,172,086)	-
Loss on transfer of functions	-	-	-	(191,677,321)	(191,677,321)
Rounding errors	-	-	-	5	5
	<b>275,496</b>	<b>145,843,534</b>	<b>156,442,652</b>	<b>28,011,015,627</b>	<b>28,313,577,309</b>
<b>Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2018</b>					
	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance	245,733	74,114,583	156,442,652	22,346,395,511	22,577,198,479
Net surplus for the year (as previously reported)	-	-	-	2,359,308,986	2,359,308,986
Restatement of 2017/18 financial year	-	-	-	(1,145,686)	(1,145,686)
Restatement of 2016/17 financial year	-	-	-	(65,064,743)	(65,064,743)
Restatement of 2015/16 financial year	-	-	-	8,724,942	8,724,942
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>24,663,488,776</b>	<b>24,902,878,372</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>29. Housing development fund (refer to Note 28)</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	10,990,612	10,623,822	10,990,612	10,623,822
Housing debtors	79,013,218	70,306,406	79,013,218	70,306,406
Bank and cash	66,438,822	75,512,424	66,438,822	75,512,424
<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>30. Service charges</b>				
Sale of electricity	11,611,804,733	10,955,885,210	11,612,125,048	10,956,508,511
Sale of water	4,000,494,656	3,214,364,151	4,000,494,656	3,214,364,151
Solid waste	1,580,519,672	1,433,788,540	1,580,519,672	1,433,788,540
Sewerage and sanitation charges	1,097,988,213	910,304,013	1,097,988,213	910,304,013
Other service charges	323,681,044	406,703,977	323,681,044	406,703,977
<b>Net service charges per statement of financial performance</b>	<b>18,614,488,318</b>	<b>16,921,045,891</b>	<b>18,614,808,633</b>	<b>16,921,669,192</b>
<b>31. Property rates</b>				
<b>Rates received</b>				
Property rates	7,115,796,365	6,761,346,762	7,116,172,216	6,761,720,009
<b>Valuations</b>				
Residential	345,090,400,165	339,560,530,339	345,090,400,165	339,560,530,339
Other	155,570,877,159	153,549,383,056	155,570,877,159	153,549,383,056
	<b>500,661,277,324</b>	<b>493,109,913,395</b>	<b>500,661,277,324</b>	<b>493,109,913,395</b>

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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>32. Other income</b>				
Market fees	163,778,232	159,094,132	163,778,232	159,094,132
Land sales	34,787,088	-	34,787,088	-
VAT audit refund	570,638	54,509,620	570,638	54,509,620
Fire services	8,525,370	7,146,527	8,525,370	7,146,527
Recoverable UIFW	3,382,110,204	-	3,382,110,204	-
Bus rentals	5,378,882	7,007,380	5,378,882	7,007,380
Admission fees	19,578,411	18,813,953	19,578,411	18,813,953
Road Accident Fund ambulance fees	3,469,770	1,464,547	3,469,770	1,464,547
Parking: vehicles	4,712,661	4,228,540	4,712,661	4,228,540
Registration certificates	2,211,075	2,227,574	2,211,075	2,227,574
Building fees	50,376,869	46,056,473	50,376,869	46,056,473
Income from grave services	11,586,020	11,379,957	11,586,020	11,379,957
Motor vehicle licences (refund from province)	123,429,638	108,445,199	123,429,638	108,445,199
Training fees recovered	13,552,624	12,588,830	13,552,624	12,588,830
Newly identified assets	91,600	26,941,288	91,600	26,941,288
Insurance claims	47,964,328	48,636,623	47,964,328	48,636,623
A Re Yeng revenue	19,904,714	15,926,137	19,904,714	15,926,137
Sundry fees	83,520,001	9,502,034	12,723,146	9,435,744
Airside income	4,835,284	7,014,287	4,835,284	7,014,287
Ambulance fees	2,668,030	2,185,919	2,668,030	2,185,919
Reminder fees	41,841,439	58,559,306	41,841,439	58,559,306
Clearance certificates	4,192,612	3,751,951	4,192,612	3,751,951
Approval fees: Advertisements	36,426,733	42,366,469	36,426,733	42,366,469
Transfers from rehabilitation provisions	(7,280,786)	81,105,483	(7,280,786)	81,105,483
Jobbing	5,978,417	5,567,280	5,978,417	5,567,280
Application fees	7,564,474	7,029,812	7,564,474	7,029,812
Sales: maps	1,766,954	1,779,717	1,766,954	1,779,717
Sales: Aeroplane fuel	3,595,755	7,668,323	3,595,755	7,668,323
Transport fees	38,372,273	22,371,964	38,372,273	22,371,964
Miscellaneous	26,641,655	12,342,618	26,203,756	12,303,738
	<b>4,142,150,965</b>	<b>785,711,943</b>	<b>4,070,916,211</b>	<b>785,606,773</b>

During the 2018/19 financial year investigations were done into unauthorised, irregular and fruitless and wasteful expenditure and in Council resolutions dated 25 April and 25 July 2019 it was approved that an amount of R3 328 110 204 are to be recovered in terms of section 32 of the MFMA (refer to note 49, 50 and 51). A debtor was therefore create for the amount of R3 328 110 204 (refer to note 5).

### 33. Investment revenue

#### Interest revenue (interest received)

Bank	14,451,651	26,664,502	13,544,464	25,980,955
Short-term investments	208,209,234	163,118,665	208,168,319	163,101,119
Long-term investments	23,602,865	21,150,395	23,602,865	21,150,395
Contingency insurance	13,402	15,404	13,402	15,404
Interest received - Conveyancing	-	26,820	-	26,820
Interest: Redemption fund	146,619,235	-	146,619,235	-
	<b>392,896,387</b>	<b>210,975,786</b>	<b>391,948,285</b>	<b>210,274,693</b>

### 34. Gains or losses on foreign exchange transactions

Loss on foreign exchange transactions	(73)	(36,906)	(73)	(36,906)
Gain on foreign exchange transactions	361,727	574,375	361,727	574,375
	<b>361,654</b>	<b>537,469</b>	<b>361,654</b>	<b>537,469</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>35. Fair value adjustments</b>				
Game and livestock	(13,030,504)	5,807,772	(13,030,504)	5,807,772
Interest rate swaps	(184,364,756)	88,721,886	(184,364,756)	88,721,886
	<b>(197,395,260)</b>	<b>94,529,658</b>	<b>(197,395,260)</b>	<b>94,529,658</b>
<b>36. Government grants, subsidies, awards and donations</b>				
<b>Operating grants</b>				
Equitable share	2,398,120,000	2,132,788,000	2,398,120,000	2,132,788,000
Emergency Management Services subsidy	40,854,000	95,993,000	40,854,000	95,993,000
Fuel levy	1,449,121,000	1,444,413,000	1,449,121,000	1,444,413,000
Finance Management Grant (FMG)	2,650,000	2,650,000	2,650,000	2,650,000
Public Transport Network Operating Grant (PTNOG)	351,267,769	359,169,547	351,267,769	359,169,547
LG SETA discretionary grant	-	1,099,229	-	1,099,229
Broadband (Wi-Fi)	-	1,086,882	-	1,086,882
Integrated Development Contribution	8,444,703	-	8,444,703	-
Research and development grant	3,835,474	1,467,250	3,835,474	1,467,250
Health subsidy	49,837,000	46,541,000	49,837,000	46,541,000
HIV/AIDS subsidy	13,292,657	12,720,000	13,292,657	12,720,000
Community libraries	8,105,678	6,471,780	8,105,678	6,471,780
Expanded Public Works Programme (EPWP)	32,013,000	20,451,000	32,013,000	20,451,000
TRT subsidy	23,256,888	59,700,839	23,256,888	59,700,839
USDG operational	48,168,210	48,492,450	48,168,210	48,492,450
Integrated City Development	5,995,840	5,764,350	5,995,840	5,764,350
Human Settlement Development: Top structures	66,020,086	109,845,243	66,020,086	109,845,243
HCT: Social Housing Regulatory Authority (SHRA)	-	20,857,018	-	-
HCT: Gauteng Department of Human Settlement (GDHS)	-	8,287,908	-	-
	<b>4,500,982,305</b>	<b>4,377,798,496</b>	<b>4,500,982,305</b>	<b>4,348,653,570</b>
<b>Capital grants</b>				
INEP	40,000,000	30,000,000	40,000,000	30,000,000
PTIS roads and storm water	458,185,679	524,691,102	458,185,679	524,691,102
Neighbourhood Development (NDPG)	3,605,000	16,892,186	3,605,000	16,892,186
Libraries	9,307,553	1,042,015	9,307,553	1,042,015
USDG capital	1,442,193,832	1,470,775,730	1,442,193,832	1,470,775,730
Electricity demand side	256,546	-	256,546	-
Department of Water Affairs (DWA)	37,838,374	-	37,838,374	-
Social Infrastructure Grant	22,180,163	58,631,341	22,180,163	58,631,341
LG SETA discretionary grant	264,951	940,363	264,951	940,363
Delft grant	-	2,293,422	-	2,293,422
	<b>2,013,832,098</b>	<b>2,105,266,159</b>	<b>2,013,832,098</b>	<b>2,105,266,159</b>
	<b>6,514,814,403</b>	<b>6,483,064,655</b>	<b>6,514,814,403</b>	<b>6,453,919,729</b>
<b>Conditional and unconditional</b>				
Included above are the following categories of grants and subsidies recognised as revenue:				
Conditional grants received	2,667,573,403	2,905,863,655	2,667,573,403	2,876,718,729
Unconditional grants received	3,847,241,000	3,577,201,000	3,847,241,000	3,577,201,000
	<b>6,514,814,403</b>	<b>6,483,064,655</b>	<b>6,514,814,403</b>	<b>6,453,919,729</b>

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 36. 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 (2018 = R510,69), which is funded from the grant.

Current-year receipts	2,398,120,000	2,132,788,000	2,398,120,000	2,132,788,000
Conditions met - transferred to revenue	(2,398,120,000)	(2,132,788,000)	(2,398,120,000)	(2,132,788,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Fuel Levy (DoRA)

Current year receipts	1,449,121,000	1,444,413,000	1,449,121,000	1,444,413,000
Conditions met - transferred to revenue	(1,449,121,000)	(1,444,413,000)	(1,449,121,000)	(1,444,413,000)
	<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	49,837,000	46,541,000	49,837,000	46,541,000
Conditions met - transferred to revenue	(49,837,000)	(46,541,000)	(49,837,000)	(46,541,000)
	<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	40,854,000	95,993,000	40,854,000	95,993,000
Conditions met - transferred to revenue	(40,854,000)	(95,993,000)	(40,854,000)	(95,993,000)
	<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.

#### Electricity for All (INEP)

Current-year receipts	40,000,000	30,000,000	40,000,000	30,000,000
Conditions met - transferred to revenue	(40,000,000)	(30,000,000)	(40,000,000)	(30,000,000)
	<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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 36. Government grants, subsidies, awards and donations (continued)

#### Finance Management Grant (FMG)

Current-year receipts	2,650,000	2,650,000	2,650,000	2,650,000
Conditions met - transferred to revenue	(2,650,000)	(2,650,000)	(2,650,000)	(2,650,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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)

Balance unspent at beginning of year	253,589,420	179,322,667	253,589,420	179,322,667
Current-year receipts	22,800,000	184,111,996	22,800,000	184,111,996
Conditions met - transferred to revenue	(66,020,085)	(109,845,243)	(66,020,085)	(109,845,243)
	<u>210,369,335</u>	<u>253,589,420</u>	<u>210,369,335</u>	<u>253,589,420</u>

Conditions still to be met - remain liabilities (see Note 18)

A request will be submitted to Provincial Treasury for the roll forward of the balance of 2018/19.

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.

#### HIV and AIDS (Provincial Health Department)

Current-year receipts	13,989,235	12,720,000	13,989,235	12,720,000
Conditions met - transferred to revenue	(13,292,656)	(12,720,000)	(13,292,656)	(12,720,000)
	<u>696,579</u>	<u>-</u>	<u>696,579</u>	<u>-</u>

A request will be submitted by the department for the roll forward of the unspent portion of the subsidy at year end as the payments have already been committed in the next financial year.

The purpose of this grant is to sustain and extend coverage of the ward based door to door education program 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.

#### Urban Settlement Development Grant (USDG) (DoRA)

Balance unspent at beginning of year	97,146,820	2,889,029	97,146,820	2,889,029
Current year receipts	1,499,552,000	1,616,415,000	1,499,552,000	1,616,415,000
Conditions met - transferred to revenue	(1,490,362,042)	(1,519,268,180)	(1,490,362,042)	(1,519,268,180)
Returned to National Treasury	(55,445,759)	(2,889,029)	(55,445,759)	(2,889,029)
	<u>50,891,019</u>	<u>97,146,820</u>	<u>50,891,019</u>	<u>97,146,820</u>

Conditions still to be met - remain liabilities (see Note 18)

A request for the roll-over of the balance of R50 891 019 at the end of 2018/19 will be submitted to National Treasury.

The request for roll-over of the balance of R97 146 820 at the end of 2017/18 was submitted to National Treasury, however an amount of R55 445 759 was not approved by National Treasury and was deducted from the transfer of the equitable share of 2018/19.

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 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>36. Government grants, subsidies, awards and donations (continued)</b>				
<b>Public Transport Network Grant (PTNG)</b>				
Balance unspent at beginning of year	61,313,225	67,967,329	61,313,225	67,967,329
Current-year receipts	808,194,000	900,238,999	808,194,000	900,238,999
Conditions met - transferred to revenue	(809,453,447)	(883,860,647)	(809,453,447)	(883,860,647)
Returned to the National Treasury	(60,053,778)	(23,032,456)	(60,053,778)	(23,032,456)
	<u>-</u>	<u>61,313,225</u>	<u>-</u>	<u>61,313,225</u>

Conditions still to be met - remain liabilities (see Note 18).

The request for the roll-over of the balance at the end of 2017/18 was submitted to National Treasury and an amount of R60 053 778 was not approved by National Treasury.

The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.

### Gautrans (operational and capital)

Balance unspent at beginning of year	<u>11,961,294</u>	<u>11,961,294</u>	<u>11,961,294</u>	<u>11,961,294</u>
--------------------------------------	-------------------	-------------------	-------------------	-------------------

Conditions still to be met - remain liabilities (see Note 18).

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 (NDPG)

Balance unspent at beginning of year	3,107,814	-	3,107,814	-
Current-year receipts	3,605,000	20,000,000	3,605,000	20,000,000
Conditions met - transferred to revenue	(3,605,000)	(16,892,186)	(3,605,000)	(16,892,186)
Returned to the National Treasury	(3,107,814)	-	(3,107,814)	-
	<u>-</u>	<u>3,107,814</u>	<u>-</u>	<u>3,107,814</u>

Conditions still to be met - remain liabilities (see Note 18).

The request for the roll over of the balance of 2017/18 was not approved by National Treasury and the amount of R3 107 814 was repaid during 2018/19.

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 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 36. Government grants, subsidies, awards and donations (continued)

#### Research and Technology Grant

Balance unspent at beginning of year	74,688	74,688	74,688	74,688
Returned to grantor	(74,688)	-	(74,688)	-
	<u>-</u>	<u>74,688</u>	<u>-</u>	<u>74,688</u>

Conditions still to be met - remain liabilities (see Note 18).

A request for the roll over of the balance of 2017/18 was not approved and the balance was repaid to the grantor during 2018/19.

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.

#### Community library services

Balance unspent at beginning of year	5,557,910	2,309,705	5,557,910	2,309,705
Current-year receipts	15,260,000	10,762,000	15,260,000	10,762,000
Conditions met - transferred to revenue	(17,413,231)	(7,513,795)	(17,413,231)	(7,513,795)
Returned to National Treasury	(567,364)	-	(567,364)	-
	<u>2,837,315</u>	<u>5,557,910</u>	<u>2,837,315</u>	<u>5,557,910</u>

Conditions still to be met - remain liabilities (see Note 18).

A request for roll over of the balance of 2018/19 will be submitted to Provincial 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.

#### Research and Development Grant (Tirelo Bosha)

Current-year receipts	4,219,972	839,000	4,219,972	839,000
Conditions met - transferred to revenue	(3,835,474)	(1,467,250)	(3,835,474)	(1,467,250)
Transfer from DPSA smart connect grant	-	628,250	-	628,250
	<u>384,498</u>	<u>-</u>	<u>384,498</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 public services.

#### Expanded Public Works Programme (EPWP)

Current-year receipts	32,013,000	20,451,000	32,013,000	20,451,000
Conditions met - transferred to revenue	(32,013,000)	(20,451,000)	(32,013,000)	(20,451,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 36. Government grants, subsidies, awards and donations (continued)

#### Broadband (Wi-Fi)

Balance unspent at beginning of year	-	1,086,882	-	1,086,882
Conditions met - transferred to revenue	-	(1,086,882)	-	(1,086,882)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Funding was received from the Department of Telecommunication and Postal Services for the implementation of free Wi-Fi in Tshwane.

#### Delft housing grant

Balance unspent at beginning of year	-	2,293,422	-	2,293,422
Conditions met - transferred to revenue	-	(2,293,422)	-	(2,293,422)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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	1,447,864	1,447,864	1,447,864	1,447,864
Returned to grantor	(1,447,864)	-	(1,447,864)	-
	<u>-</u>	<u>1,447,864</u>	<u>-</u>	<u>1,447,864</u>

Conditions still to be met - remain liabilities (see Note 18).

The request for roll over of the 2017/18 balance was not approved by National Treasury and it was repaid during 2018/19.

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

Balance unspent at beginning of year	708,601	-	708,601	-
Current-year receipts	24,815,965	59,339,941	24,815,965	59,339,941
Conditions met - transferred to revenue	(22,180,163)	(58,631,340)	(22,180,163)	(58,631,340)
	<u>3,344,403</u>	<u>708,601</u>	<u>3,344,403</u>	<u>708,601</u>

Conditions still to be met - remain liabilities (see Note 18).

A request for roll over of the 2018/19 balance will be submitted to the Provincial Treasury.

The purpose of this grant is to plan, design and construct in Hammanskraal, Winterveldt and Mabopane social development centers.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>36. Government grants, subsidies, awards and donations (continued)</b>				
<b>LG SETA discretionary grant</b>				
Balance unspent at beginning of year	3,358,086	-	3,358,086	-
Current-year receipts	1,129,950	5,397,678	1,129,950	5,397,678
Conditions met - transferred to revenue	(264,951)	(2,039,592)	(264,951)	(2,039,592)
	<b>4,223,085</b>	<b>3,358,086</b>	<b>4,223,085</b>	<b>3,358,086</b>

Conditions still to be met - remain liabilities (see Note 18).

The balance is ring-fenced and will be rolled over to the 2019/20 financial year.

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.

### DBSA : Water conservation grant

Current-year receipts	8,444,703	-	8,444,703	-
Conditions met - transferred to revenue	(8,444,703)	-	(8,444,703)	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The purpose of the grant is to conduct a feasibility an pilot study for the Water Conservation and Demand Management Project.

### TRT Bus Operating subsidy

Current-year receipts	40,025,218	59,701,040	40,025,218	59,701,040
Conditions met - transferred to revenue	(23,256,688)	(59,701,040)	(23,256,688)	(59,701,040)
Prior year correction - receipt	(15,496,587)	-	(15,496,587)	-
	<b>1,271,943</b>	<b>-</b>	<b>1,271,943</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 18).

An amount of R15 496 587 was received in 2018/19 for the 2017/18 financial year. The balance will be rolled over to the 2019/20 financial year.

the full budgeted subsidy of R72 000 000 was not receive during 2017/18 as only R44 204 453 was received. Expenditure to the value of R59 700 839 was however incurred during 2017/18.

These funds are a monthly subsidy from Gauteng Department of Roads and Transport as a subsidy for the bus services rendered by Tshwane Rapid Transit in Mamelodi.

### Electricity demand side (EEDSM)

Current-year receipts	10,000,000	-	10,000,000	-
Conditions met - transferred to revenue	(256,546)	-	(256,546)	-
	<b>9,743,454</b>	<b>-</b>	<b>9,743,454</b>	<b>-</b>

Conditions still to be met - remain liabilities (see Note 18).

A request for the roll over of the balance of 2018/19 will be submitted to National Treasury.

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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 36. Government grants, subsidies, awards and donations (continued)

#### 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 18).

The grant was received from the Gauteng Department of Human Settlement (GDHS) for the development of the Townlands project.

#### 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

Balance unspent at beginning of year	32,664,650	36,506,515	32,664,650	36,506,515
Current year receipts	45,013,000	38,429,000	45,013,000	38,429,000
Conditions met - transferred to revenue	(43,834,214)	(5,764,350)	(43,834,214)	(5,764,350)
Returned to National Treasury	(32,664,650)	(36,506,515)	(32,664,650)	(36,506,515)
	<u>1,178,786</u>	<u>32,664,650</u>	<u>1,178,786</u>	<u>32,664,650</u>

Conditions still to be met - remain liabilities (see Note 18).

A request for the roll over of the 2018/19 balance will be submitted to the National Treasury.

The request for the roll-over of the 2017/18 balance was not approved by the National Treasury and was set off against the next transfer of the equitable share.

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.

### 37. Fines, Penalties and Forfeits

Towing fees	12,716,544	13,414,035	12,716,544	13,414,035
Library fines	521,404	658,461	521,404	658,461
Pound Fees Fines	159,389	163,280	159,389	163,280
AARTO fines	305,144,800	215,602,500	305,144,800	215,602,500
Section 56 fines: Fire safety	-	31,200	-	31,200
Market fines	569,670	1,030,523	569,670	1,030,523
Management Health Service fines	90,000	9,550	90,000	9,550
	<u>319,201,807</u>	<u>230,909,549</u>	<u>319,201,807</u>	<u>230,909,549</u>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>38. Employee-related costs</b>				
Salaries and wages	5,831,152,215	5,409,307,578	5,793,593,737	5,377,010,423
Bonus	594,098	-	-	-
Medical aid contributions	581,419,203	559,869,099	578,548,566	557,704,971
UIF	37,134,850	36,000,687	37,134,850	36,000,687
Leave pay provision charge	233,247,288	167,198,787	233,020,915	167,137,756
Pension fund contributions	1,106,117,337	1,031,253,427	1,106,117,337	1,031,253,427
Defined contribution plans	4,424,841	(138,002,876)	4,424,841	(138,002,876)
Travel, motor car, subsistence and other allowances	303,965,197	311,146,367	303,965,197	311,146,367
Overtime payments	456,190,607	357,399,531	456,190,607	357,399,531
Long-service awards	4,105,999	4,526,948	4,105,999	4,526,948
Incentive bonuses	366,042	197,735	366,042	197,735
Other allowances	414,209,930	387,901,653	413,080,109	387,082,057
Housing benefits and allowances	48,642,815	45,691,954	48,642,815	45,691,954
Compensation commissioner (COIDA)	2,103,430	1,963,442	2,103,430	1,963,442
	<b>9,023,673,852</b>	<b>8,174,454,332</b>	<b>8,981,294,445</b>	<b>8,139,112,422</b>

### Remuneration of City Manager (M Mosola)

Annual remuneration	3,251,589	2,614,406	3,251,589	2,614,406
Cell phone allowance	24,000	24,000	24,000	24,000
Other allowances *	24,406	-	24,406	-
	<b>3,299,995</b>	<b>2,638,406</b>	<b>3,299,995</b>	<b>2,638,406</b>

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

\* Other allowances consist of subsistence and travelling paid in favour of an employee, a non-pensionable allowance as well as pension, medical aid fund and/or Group Life contribution by the employer.

### Remuneration of Chief Financial Officer - municipal entities

Annual remuneration	1,646,261	2,423,628	-	-
Travel and other allowance	166,000	-	-	-
Performance bonus	76,918	-	-	-
Medical and retirement contributions	36,090	-	-	-
Leave provision	37,378	-	-	-
Cell phone allowance	25,292	36,763	-	-
Other allowance	127,405	127,755	-	-
	<b>2,115,344</b>	<b>2,588,146</b>	-	-

### Remuneration of Chief Executive Officer - municipal entities

Annual remuneration	2,619,103	1,958,641	-	-
Travel and other allowance	37,500	-	-	-
Pension and medical aid contributions	124,831	92,220	-	-
Cell phone allowance	42,000	36,000	-	-
	<b>2,823,434</b>	<b>2,086,861</b>	-	-

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>38. Employee-related costs (continued)</b>				
<b>Remuneration of other managers - municipal entities</b>				
Annual remuneration	6,153,914	6,730,802	-	-
Travel and other allowance	390,707	248,000	-	-
Performance bonuses	135,028	-	-	-
Cell phone allowance	103,514	134,026	-	-
Pension and medical aid contributions	276,843	448,913	-	-
Leave provision	39,696	116,788	-	-
Other allowances	458,347	263,770	-	-
	<b>7,558,049</b>	<b>7,942,299</b>	-	-

### Housing Company Tshwane

2018/19: The Director of Human Settlement has been seconded to Housing Company Tshwane to act as COO from September 2017 until the labour matter with the former incumbent is concluded and the COO post is filled.

2017/18: 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

#### 2018/19

An official of the City of Tshwane was seconded to TEDA to act as Company Secretary from September 2018 to November 2018.

\* Executive Manager Corporate Services resigned on 9 March 2018 and Manager Corporate Services (Ms N Kgatla) has been appointed in an acting capacity from 9 March 2018 to March 2019.

\* The Chief Financial Officer resigned on 30 September 2018 and Senior Manager Financial Management (Mr O Mokoena) has been appointed in an acting capacity from 1 October 2018. The entity has appointed a Chief Financial Officer anticipated to start on 5 August 2019.

\* Company Secretary (Ms L Mahye) resigned on 31 July 2018.

\* Acting Company Secretary (Ms J Molefe) was seconded from the City of Tshwane and started on 1 August 2018 to 30 November 2018.

\* Company Secretary (Mr S Makgatho) was appointed from 1 December 2018.

#### 2017/18

\* 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.

### Directors - municipal entities

Non-executive directors: Board fees	3,215,268	1,630,581	-	-
-------------------------------------	-----------	-----------	---	---

### Remuneration: Executive Mayor (Stevens Mokgalapa)

Annual remuneration (Solly T Msimanga)	783,338	1,233,044	783,338	1,233,044
Cell phone allowance (Solly T Msimanga)	24,990	40,800	24,990	40,800
Other (Solly T Msimanga)	47,801	78,486	47,801	78,486
Annual remuneration (Stevens Mokgalapa)	514,261	-	514,261	-
Cell phone allowance (Stevens Mokgalapa)	16,213	-	16,213	-
Travel allowance (Stevens Mokgalapa)	1,911	-	1,911	-
Other (Stevens Mokgalapa)	16,643	-	16,643	-
	<b>1,405,157</b>	<b>1,352,330</b>	<b>1,405,157</b>	<b>1,352,330</b>

Solly Msimanga resigned as executive mayor on 12 February 2019 and Stevens Mokgalapa was appointed as executive mayor on 12 February 2019.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>38. Employee-related costs (continued)</b>				
<b>Remuneration: Speaker (Rachel Kedibone Mathebe)</b>				
Annual remuneration (Rachel K Mathebe)	1,055,200	1,019,197	1,055,200	1,019,197
Cell phone allowance (Rachel K Mathebe)	42,280	40,800	42,280	40,800
Other allowances (Rachel K Mathebe)	35,288	42,441	35,288	42,441
	<b>1,132,768</b>	<b>1,102,438</b>	<b>1,132,768</b>	<b>1,102,438</b>
<b>Remuneration: Chief Whip (Christiaan M van den Heever)</b>				
Annual remuneration (Van den Heever, Christiaan M)	1,027,223	990,079	1,027,223	990,079
Cell phone allowance (Van den Heever, Christiaan M)	25,368	24,168	25,368	24,168
Other allowances (Van den Heever, Christiaan M)	-	10,138	-	10,138
	<b>1,052,591</b>	<b>1,024,385</b>	<b>1,052,591</b>	<b>1,024,385</b>
<b>Remuneration: Members of the Mayoral Committee</b>				
Annual remuneration	9,643,333	9,485,776	9,643,333	9,485,776
Travel allowance	192,755	235,170	192,755	235,170
Cell phone allowance	254,029	240,231	254,029	240,231
Other allowance	289,348	271,925	289,348	271,925
	<b>10,379,465</b>	<b>10,233,102</b>	<b>10,379,465</b>	<b>10,233,102</b>
Refer to General Information for the list of the individual members of the mayoral committee.				
<b>Members of the Mayoral Committee (individual)</b>				
Anniruth Kissoonduth	1,039,800	1,014,130	1,039,800	1,014,130
Cilliers Brink (resigned 4 June 2019)	919,154	1,016,827	919,154	1,016,827
Darryl Moss (moved from MMC to normal councillor 21 February 2019)	671,304	1,014,247	671,304	1,014,247
Nontsikelelo Lucia Mokotho (moved from MMC to normal councillor 21 February 2019)	673,477	1,014,247	673,477	1,014,247
Michael Mkhari (moved from MMC to normal councillor 21 February 2019)	671,304	1,014,503	671,304	1,014,503
Isak Petrus du Plooy	1,037,379	1,014,247	1,037,379	1,014,247
Mare-Lise Fourie	1,039,553	1,014,247	1,039,553	1,014,247
Randall Mervyn Williams (moved from MMC to normal councillor 21 February 2019)	671,304	1,011,399	671,304	1,011,399
Sheila Lynn Senkubuge	1,037,379	1,011,399	1,037,379	1,011,399
Karen Meyer (appointed 21 February 2019)	364,984	-	364,984	-
Thomas Mandla Nkomo	1,037,379	1,011,393	1,037,379	1,011,393
Richard Baleseng Moheta (appointed 21 February 2019)	374,888	-	374,888	-
Abel Matshidiso Tau (appointed 21 February 2019) (change portfolio 4 June 2019)	459,514	-	459,514	-
Isak Jacobus Pietersen (appointed 21 February 2019)	382,046	-	382,046	-
	<b>10,379,465</b>	<b>10,136,639</b>	<b>10,379,465</b>	<b>10,136,639</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 39. Remuneration of councillors

Councillors' allowances	126,684,958	123,785,928	126,684,958	123,785,928
-------------------------	-------------	-------------	-------------	-------------

Remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee

Councillor's remuneration - June 2019	Basic salary	Travel allowance	Cell phone allowance	Other allowances	Total
Mayor	1,297,599	1,911	41,203	64,444	1,405,157
Speaker	1,055,200	-	42,280	35,288	1,132,768
Chief Whip	1,027,223	-	25,368	-	1,052,591
Members of mayoral committee	9,643,333	192,755	254,029	289,348	10,379,465
Other councillors	77,506,292	23,534,515	5,037,925	6,636,245	112,714,977
	<b>90,529,647</b>	<b>23,729,181</b>	<b>5,400,805</b>	<b>7,025,325</b>	<b>126,684,958</b>

Councillor's remuneration - June 2018	Basic salary	Travel allowance	Cell phone allowance	Other allowances	Total
Mayor	1,233,044	-	40,800	78,486	1,352,330
Speaker	1,019,197	-	40,800	42,441	1,102,438
Chief Whip	990,079	-	24,168	10,038	1,024,285
Members of mayoral committee	9,485,776	235,170	240,231	271,925	10,233,102
Other councillors	75,300,262	23,645,616	4,891,773	6,236,122	110,073,773
	<b>88,028,358</b>	<b>23,880,786</b>	<b>5,237,772</b>	<b>6,639,012</b>	<b>123,785,928</b>

#### In-kind benefits

The 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 mayoral committee members and the City Manager have 2 VIP protection officers each.

The Executive Mayor as well as members of the mayoral committee has use of a Council owned 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.

#### Remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee:

For the disclosure of the remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee, refer to note 38.

### 40. 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 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 40. Remuneration of Top Management (continued)

#### Reporting directly to City Manager

#### July 2018 to June 2019

Name	Designation	Remuneration	Cell phone allowance	Other	Total
Banda, Umar	Chief Financial Officer	2,601,272	21,600	28,734	2,651,606
Tredoux, Lorette	Governance and Support Officer	2,601,272	21,600	27,902	2,650,774
Murphy, James P	Chief Operations Officer	2,601,272	21,600	27,902	2,650,774
Ntsimane, Phillip M	Chief Audit Executive	2,389,147	21,600	25,781	2,436,528
Nkomo, Johannah M	Chief of Police	2,389,147	21,600	43,700	2,454,447
Govender, Previn D	Chief of Emergency Services	1,990,956	21,600	66,929	2,079,485
Matthews, Hilgard	Group Head: Communication and Marketing	1,990,956	21,600	23,463	2,036,019
Hlatshwayo, Nosipho P	Group Head: City Strategy and Organisational Performance	1,990,956	21,600	24,711	2,037,267
		<b>18,554,978</b>	<b>172,800</b>	<b>269,122</b>	<b>18,996,900</b>

\* Other allowances consist of subsistence and travelling paid in favour of employee, a non-pensionable allowance.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 40. Remuneration of Top Management (continued)

2017/18: July 2017 to June 2018

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 M (appointed 12 February 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>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 40. Remuneration of Top Management (continued)

#### Reporting to the GSO or COO

#### July 2018 to June 2019

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other	Total
Babane, Tiyiselani J	Group Head: Office of the Speaker	944,861	-	21,600	433,958	1,400,419
Moya, Hazel N	Group Head: Office of the Chief Whip	944,861	60,000	21,600	356,279	1,382,740
Shingange, Gerald M	Group Head: Human Capital Management	1,417,291	130,693	18,000	492,780	2,058,764
Khumalo, Musawakhe H O	Group Head: Shared Services	1,417,291	130,693	18,000	511,947	2,077,931
Kock, Margaretha J	Group Head: Group Legal and Secretarial Services	1,417,291	-	18,000	630,368	2,065,659
Makgata, Makgorometje A	Group Head: Economic Development and Spatial Planning	1,417,291	130,693	18,000	515,775	2,081,759
Morgan, Verusha	Group Head: Group Property	1,417,291	-	18,000	624,305	2,059,596
Ntsikeni, Zukiswa (resigned 31 March 2019)	Group Head: Customer Relations Management	1,062,968	98,020	13,500	369,585	1,544,073
Nkoko, Koena J	Group Head: Health	1,417,291	130,693	18,000	496,260	2,062,244
Notoane, Stephens R	Group Head: Utility Services	1,417,291	130,693	18,000	503,936	2,069,920
Letlonkane, Pheko I	Group Head: Roads and Transport	1,417,291	130,693	18,000	492,780	2,058,764
Kolisa, Mthobeli S	Group Head: Environmental and Agriculture Management	1,417,291	130,693	18,000	492,780	2,058,764
Mekhoe, Sebatatso S	Group Head: Community and Social Development Services	1,417,291	130,693	18,000	492,780	2,058,764
Memela, Nontobeko	Group Head: Housing and Human Settlement	1,415,191	130,693	18,000	491,859	2,055,743
Phanyane, Namadzavho C	Group Head: Regional Operations and Coordination	1,374,934	130,693	18,000	474,203	1,997,830
		<b>19,915,725</b>	<b>1,464,950</b>	<b>272,700</b>	<b>7,379,595</b>	<b>29,032,970</b>

\* Other allowances consist of subsistence and travelling paid in favour of employee, a non-pensionable allowance.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 40. Remuneration of Top Management (continued)

2017/18: July 2017 to June 2018 (reporting to GSO or COO)

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel and subsistence and acting allowance	Total
Babane, Tiyiselani	Group Head: Office of the Speaker	896,453	-	21,600	385,910	1,303,963
Moya, Hazel	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 (acting)	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>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>41. Depreciation and amortisation</b>				
Depreciation: Investment property (Note 11)	4,742,169	4,977,094	4,742,169	4,977,094
Amortisation: Intangible assets (Note 12)	85,405,628	80,818,976	85,376,038	80,774,665
Depreciation: Property, plant and equipment (Note 10)	1,537,451,858	1,486,120,206	1,535,781,880	1,484,436,590
Depreciation: Leased assets (Note 10)	247,365,573	202,000,449	247,365,573	202,000,449
Depreciation: Rehabilitation assets (Note 10)	17,342,183	161,007,314	17,342,183	161,007,314
	<b>1,892,307,411</b>	<b>1,934,924,039</b>	<b>1,890,607,843</b>	<b>1,933,196,112</b>
<b>42. Impairment of assets</b>				
<b>Impairments</b>				
Property, plant and equipment (refer to Note 10)	51,549,536	70,133,383	51,549,536	70,133,383
Heritage assets (refer to Note 13)	161,141,660	164,616,797	161,141,660	164,616,797
	<b>212,691,196</b>	<b>234,750,180</b>	<b>212,691,196</b>	<b>234,750,180</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>43. Finance costs (interest paid)</b>				
Long-term liabilities (loans and bonds)	1,023,351,668	1,155,437,735	1,023,280,431	1,155,196,608
Interest rate swaps	47,747,346	43,276,471	47,747,346	43,276,471
Trade and other payables (interest on late payments)	9,655,479	600,000	9,655,479	600,000
Finance leases	94,435,225	91,389,971	94,435,225	91,389,971
Bank overdraft	71,451	104,228	11,387	34,745
Tshwane House finance cost	245,706,604	344,684,087	245,706,604	344,684,087
Amortisation: Provisions	79,727,747	75,628,361	79,727,747	75,628,361
	<b>1,500,695,520</b>	<b>1,711,120,853</b>	<b>1,500,564,219</b>	<b>1,710,810,243</b>
<b>44. Debt impairment</b>				
Contributions to impairment allowance (refer to note 4,5 and 6)	4,525,500,385	1,714,131,003	4,524,469,667	1,712,997,942
<b>Contribution to impairment allowance - per service</b>				
Rates	538,292,526	1,508,591,192	538,292,526	1,508,591,192
Electricity	665,145,889	216,058,018	665,145,889	216,058,018
Water	287,548,109	56,762,484	287,548,109	56,762,484
Sanitation	74,100,860	122,795,284	74,100,860	122,795,284
Solid waste	104,019,113	205,420,807	104,019,113	205,420,807
Consumer: other	-	(493,991,305)	-	(493,991,305)
AARTO	91,850,297	52,387,202	91,850,297	52,387,202
Sundry: other	40,581,792	42,769,936	39,551,074	41,636,875
Long-term receivables	3,705,309	3,337,385	3,705,309	3,337,385
Recoverable UIFW	2,720,256,490	-	2,720,256,490	-
	<b>4,525,500,385</b>	<b>1,714,131,003</b>	<b>4,524,469,667</b>	<b>1,712,997,942</b>

Please note the amounts reflected above are the net balance in the expenditure accounts.

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>44. Debt impairment (continued)</b>				
For the 2018/19 financial year the total amount written off was R2 783 895 542 for consumer receivables and R6 045 714 for other receivables which was written off against the allowance with regard to the Municipality. For the group an amount of R2 783 895 542 was written off against the allowance for consumer receivables and R7 033 921 for other receivables.				
For the 2017/18 financial year the total amount written off was R414 379 965 for consumer debtors and R3 794 316 for other debtors which was written off against the allowance.				
For amounts written off refer to Notes 6, 4 and 5.				
<b>45. Bulk purchases</b>				
Electricity	7,971,060,586	7,504,093,451	7,970,960,027	7,504,592,081
Water	2,806,415,277	2,295,000,769	2,806,415,277	2,295,000,769
	<b>10,777,475,863</b>	<b>9,799,094,220</b>	<b>10,777,375,304</b>	<b>9,799,592,850</b>
<b>46. Contracted services</b>				
<b>Consultants and Professional Services</b>				
Business and Advisory	359,012,737	112,860,511	357,527,532	111,298,182
Housing services	66,020,086	177,119,924	66,020,086	177,119,924
IT services	130,690,612	191,466,066	130,690,612	191,466,066
Labour services	435,846,083	271,343,674	435,846,083	271,343,674
Other services	825,628,298	922,728,410	834,310,556	899,013,571
Rudimentary services	182,277,011	131,599,914	182,277,011	131,599,914
Traffic control	20,965,159	18,323,416	20,965,159	18,323,416
Training	2,729,219	-	2,729,219	-
<b>Contractors</b>				
CCTV	15,765,991	31,282,970	15,765,991	31,282,970
Cleaning services	8,720,220	15,298,278	8,720,220	15,298,278
Household refuse removal	497,317,558	418,804,304	497,317,558	418,804,304
Water network services	176,725,390	107,433,252	176,725,390	107,433,252
Building	44,406,441	69,303,782	44,406,441	69,303,782
Electrical	231,518,498	340,820,071	231,518,498	340,820,071
Transportation	157,075,120	107,691,066	157,075,120	107,691,066
Sewerage Services	63,336,896	13,706,941	63,336,896	13,706,941
	<b>3,218,035,319</b>	<b>2,929,782,579</b>	<b>3,225,232,372</b>	<b>2,904,505,411</b>
<b>47. Grants and subsidies paid</b>				
<b>Grants paid to municipal entities</b>				
Transfers to municipal entities	-	-	90,425,090	122,425,090
<b>Other subsidies</b>				
Executive Mayor: donations and other transfers	3,831,909	4,060,580	3,831,909	4,060,580
LED initiatives	507,153	15,347,197	507,153	15,347,197
Gratuities	14,847,168	9,086,834	14,847,168	9,086,834
Learning and training	240,000	-	240,000	-
ECD-NGO support	7,008,096	5,214,392	7,008,096	5,214,392
Group co ID 7	20,308,887	-	20,308,887	-
	<b>46,743,213</b>	<b>33,709,003</b>	<b>46,743,213</b>	<b>33,709,003</b>
	<b>46,743,213</b>	<b>33,709,003</b>	<b>137,168,303</b>	<b>156,134,093</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>48. General expenses</b>				
Advertising and marketing	29,871,027	8,249,938	29,871,027	8,249,938
A Re Yeng operations	239,135,349	102,261,417	239,135,349	102,261,417
Auditors' remuneration	29,276,194	27,707,615	27,863,753	26,388,878
Bank charges	20,691,232	20,145,176	20,691,232	20,145,176
Bulk water purchases: own sources	22,483,393	32,736,975	22,483,393	32,736,975
Commission paid	13,119,495	14,197,474	13,119,495	14,197,474
Commission paid on prepaid electrical sales	631,619,370	599,915,968	631,619,370	599,915,968
Communications	-	8,640,232	-	8,640,232
Compensation	54,310,268	50,077,105	54,310,268	50,077,105
Compensation commissioner	11,435,111	7,091,933	11,435,111	7,091,933
Computer services	47,712,034	-	47,712,034	-
Contribution: Legal proceedings provision	(28,690,453)	(6,959,041)	(28,690,453)	(6,959,041)
Court orders	-	138,162,705	-	138,162,705
Drug and substance abuse	-	30,507,313	-	30,507,313
End user support	21,582,804	18,939,278	21,582,804	18,939,278
Events management	11,014,068	10,790,269	11,014,068	10,790,269
Forensic audit	-	14,048,647	-	14,048,647
Green Desk	-	3,230,665	-	3,230,665
HIV and AIDS grant	-	4,486,314	-	4,486,314
Imbizo	-	6,359,280	-	6,359,280
Internet fees	39,993,075	19,846,340	39,993,075	19,846,340
Insurance	91,067,373	97,800,847	91,034,257	97,646,861
Inventory write-down	10,800,835	9,814,888	10,800,835	9,814,888
Lease expenses	13,902,172	16,123,645	13,404,630	15,443,503
Leasing of property	309,231,785	295,028,312	309,231,785	295,028,312
Licences	18,284,143	79,112,335	18,284,143	79,112,335
Locomotion allowance	19,850,090	18,528,642	19,850,090	18,528,642
Management information system	29,912,323	35,082,250	29,912,323	35,082,250
Membership fees	3,702,208	13,395,000	3,702,208	13,395,000
Non-capital items	7,622,707	391,971	7,622,707	391,971
Other expenses	117,741,110	203,840,607	105,041,658	193,124,731
Postage	39,334,916	39,554,213	39,334,916	39,554,213
Printing	20,738,950	8,806,339	20,400,293	8,140,774
Protective clothing and uniforms	67,557,775	21,711,232	67,538,533	21,674,992
Rehabilitation provisions expense	6,959,997	5,216,713	6,959,997	5,216,713
Rental of plant and equipment	248,389,306	309,921,677	248,389,306	309,921,677
Rental vehicles	102,747,037	181,995,237	102,747,037	181,995,237
Rental of venues	9,881,746	-	9,881,746	-
Restrictions credit control	-	10,590,832	-	10,590,832
SMME initiatives	-	3,515,935	-	3,515,935
Software licences	79,710,716	-	79,710,716	-
Subsistence and travelling	860,289	7,072,543	35,757	6,375,711
Telecommunication	30,715,032	40,627,443	30,715,032	40,627,443
Training board fees	75,242,823	69,710,097	75,242,823	69,710,097
Transport cost departmental activities events	16,172,914	19,031,854	16,172,914	19,031,854
Tshwane Open (golf day)	-	31,905,000	-	31,905,000
Unitary payment: Tshwane House	11,175,856	73,383,709	11,175,856	73,383,709
VAT corrections	31,899,170	878,797	31,899,170	878,797
Ward committee: Administration	-	3,531,571	-	3,531,571
Wi-Fi	82,889,014	53,385,887	82,889,014	53,385,887
	<b>2,589,943,254</b>	<b>2,760,393,179</b>	<b>2,574,118,272</b>	<b>2,746,125,801</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 49. 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.

During 2018/19 74 buses were sold (sale was completed).

#### Carrying values

Assets in the auction yard (auction still to be held)	327,508	327,508	327,508	327,508
Sale of properties completed	-	290,617	-	290,617
Sale of 74 buses completed	1,021,967	-	1,021,967	-

#### 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 2018/19 financial year the sale of 74 buses were completed. The retirement revenue amounted to R3 160 119.85 while the net gain amounted to R968 266.76.

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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>50. Cash generated from operations</b>				
Surplus	3,719,434,826	2,439,845,078	3,602,376,254	2,358,163,301
<b>Adjustments for:</b>				
Depreciation and amortisation	1,892,307,411	1,934,924,039	1,890,607,843	1,933,196,112
(Loss)/gain on sale of assets and liabilities	60,698,361	85,601,890	60,649,503	85,440,648
Gain on redemption fund investment	(110,492,275)	86,227,387	(110,492,275)	86,227,387
Fair value adjustments	197,395,260	(94,529,658)	197,395,260	(94,529,658)
Finance costs - Finance leases	94,435,225	91,389,971	94,435,225	91,389,971
Finance cost: Service concession (Tshwane House)	245,706,604	239,983,159	245,706,604	239,983,159
Newly identified assets	(91,600)	(26,941,288)	(91,600)	(26,941,288)
Inventory write-down	10,800,835	9,814,888	10,800,835	9,814,888
Impairment deficit	212,691,196	234,750,180	212,691,196	234,750,180
Debt impairment	4,525,500,385	1,714,131,003	4,524,469,667	1,712,997,942
Movements in operating lease assets and accruals	(155,973)	58,115	-	-
Movements in retirement benefit assets and liabilities	4,424,841	(138,002,876)	4,424,841	(138,002,876)
Movements in provisions	61,083,444	(25,001,367)	61,083,444	(25,001,367)
Movement in tax receivable and payable	(3,769,876)	3,901,820	-	-
Irregular expenditure write-off	(84,273)	-	(84,273)	-
Annual charge for deferred tax	(100,270)	(74,275)	-	-
Amortisation on loans (non-cash)	(36,520,331)	60,084,251	(36,520,331)	60,084,251
Service cost - service concession	-	2,421,943	-	2,421,943
Gain on transfer of function	(191,677,321)	3,739,485	(191,677,321)	3,739,485
Redemption fund (non-cash)	(3,352,973)	-	(3,352,973)	-
<b>Changes in working capital:</b>				
Inventories	(88,447,783)	46,979,319	(88,447,783)	43,514,505
Other receivables	(612,336,436)	126,576,542	(522,528,815)	(146,637,892)
Consumer receivables	(5,272,619,179)	(1,843,903,303)	(5,271,588,461)	(1,865,614,547)
Payables from exchange transactions	(40,867,715)	(196,062,080)	(27,592,320)	88,229,207
VAT	256,276,710	777,405,414	256,530,313	785,775,791
Unspent conditional grants and receipts	(174,028,661)	165,070,977	(174,028,661)	165,070,977
Consumer deposits	42,721,815	104,708,590	42,721,815	108,716,856
	<b>4,788,932,247</b>	<b>5,803,099,204</b>	<b>4,777,487,987</b>	<b>5,712,788,975</b>
<b>51. Repair and maintenance</b>				
Contracted services	587,942,995	555,608,503	587,942,995	555,608,503
General expense	522,244,238	503,839,136	522,244,238	503,839,136
Other materials	163,303,157	8,257,539	163,303,157	8,257,539
Housing Company: General expense	57,559	16,244	-	-
TEDA: General expense	-	4,548	-	-
	<b>1,273,547,949</b>	<b>1,067,725,970</b>	<b>1,273,490,390</b>	<b>1,067,705,178</b>
<b>Repair and maintenance per asset class</b>				
Property, plant and equipment	1,207,401,800	996,209,756	1,207,344,241	996,188,964
Investment property	1,175,904	83,570	1,175,904	83,570
Intangible assets	60,491,762	71,432,644	60,491,762	71,432,644
Heritage assets	4,478,483	-	4,478,483	-
	<b>1,273,547,949</b>	<b>1,067,725,970</b>	<b>1,273,490,390</b>	<b>1,067,705,178</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>52. Commitments</b>				
<b>Authorised capital expenditure</b>				
<b>Approved and contracted for</b>				
• Infrastructure	1,091,630,004	2,277,215,366	1,091,630,004	2,277,215,366
• Community	54,081,895	89,000,585	54,081,895	89,000,585
• Other	429,728,342	1,556,026	429,728,342	1,556,026
• Intangible assets	36,552,709	61,457,900	3,655,209	61,457,900
• Various	-	1,554,847,746	-	1,554,847,743
• Tangible	-	11,640,352	-	11,640,352
• HCT: Infrastructure	273,057,491	107,835,062	-	-
• HCT: Other	533,546	533,545	-	-
	<b>1,885,583,987</b>	<b>4,104,086,582</b>	<b>1,579,095,450</b>	<b>3,995,717,972</b>
<b>Approved but not yet contracted for</b>				
• Infrastructure	1,179,103,268	233,195,071	1,179,103,268	233,195,071
• Community	46,496,684	12,540,000	46,496,684	12,540,000
• Intangible	188,461,940	26,703,339	188,461,940	26,703,339
• Tangible	-	30,000,000	-	30,000,000
	<b>1,414,061,892</b>	<b>302,438,410</b>	<b>1,414,061,892</b>	<b>302,438,410</b>
	<b>3,299,645,879</b>	<b>4,406,524,992</b>	<b>2,993,157,342</b>	<b>4,298,156,382</b>
<b>Total capital commitments</b>				
Already contracted for but not provided for	1,885,583,987	4,104,086,582	1,579,095,450	3,995,717,972
Not yet contracted for and authorised by accounting officer	1,414,061,892	302,438,410	1,414,061,892	302,438,410
	<b>3,299,645,879</b>	<b>4,406,524,992</b>	<b>2,993,157,342</b>	<b>4,298,156,382</b>
<b>53. Unauthorised expenditure</b>				
Opening balance	1,758,293,264	620,032,290	1,758,293,264	620,032,290
Unauthorised expenditure in current year (refer to Appendix D for detail)	3,162,118,014	1,138,260,974	3,162,118,014	1,138,260,974
Less: Write-off and condonation relating to 2016/17 (Council resolution 25 April 2019)	(323,144,188)	-	(323,144,188)	-
Less: Approved/Condoned by Council in respect of 207/18 on 27 September 2018 (non-cash items)	(704,224,563)	-	(704,224,563)	-
Less: Write-off relating to 2016/17 (Council resolution 25 July 2019)	(263,044,000)	-	(263,044,000)	-
Less: Write-off relating to 2017/18 (Council resolution 25 July 2019)	(64,782,499)	-	(64,782,499)	-
Less: Amounts to be recovered in line with section 32 of the MFMA (Council resolution 25 July 2019) iro 2016/17	(56,560,000)	-	(56,560,000)	-
HCT: Current year unauthorised expenditure	3,757,999	-	-	-
Less: HCT amounts condoned by the Board	(3,757,999)	-	-	-
	<b>3,508,656,028</b>	<b>1,758,293,264</b>	<b>3,508,656,028</b>	<b>1,758,293,264</b>

### 2018/19:

Refer to Appendix D relating to municipal votes and Appendix E relating to revenue and expenditure line items for more detail.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 53. Unauthorised expenditure (continued)

Action taken: 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 the Council.

Action taken: A report served before Council on 25 April 2019 and it was approved that the unauthorised expenditure to the value of R323 144 188 relating to the 2016/17 financial year be condoned and written-off.

A report served before Council on 25 July 2019 and it was approved that the unauthorised expenditure to the value of R263 044 000 relating to 2016/17 and R64 782 499 relating to 2017/18 be written-off. Further an amount of R56 560 000 relating to 2016/17 was recommended to be recovered in line with section 32 of the MFMA,

The over-expenditure by departments can mainly be attributed to employee-related costs, depreciation, impairment of assets, finance charges, bulk purchases, contracted services, general expenses and loss on disposal of property, plant and equipment. Further an amount of R2 720 256 490 relating to a debtor raised in respect of a council resolution to recover irregular expenditure was impaired due to a court order.

#### Unauthorised expenditure: Budget overspending per strategic unit

Shared Services	-	56,679,632	-	56,679,632
Group Financial Services Cluster	3,124,986,982	598,135,047	3,124,986,982	598,135,047
Group Human Capital Management	-	11,536,020	-	11,536,020
Emergency Management Services	4,580,363	-	4,580,363	-
Group Legal and Secretarial Services	-	6,181,820	-	6,181,820
Utility services	26,368,849	-	26,368,849	-
City Manager	-	177,287,919	-	177,287,919
Office of the Chief Whip	-	1,870,185	-	1,870,185
Group Property Management	-	27,290,384	-	27,290,384
Environmental and Agriculture Management	-	265,461,781	-	265,461,781
Housing Company Tshwane	3,757,999	-	-	-
	<b>3,165,876,013</b>	<b>1,138,260,968</b>	<b>3,162,118,014</b>	<b>1,138,260,968</b>

#### The over expenditure during the year is attributable to the following categories

Cash	29,803,645	434,036,406	26,045,646	434,036,406
Non-cash	3,136,072,368	704,224,563	3,136,072,368	704,224,563
	<b>3,165,876,013</b>	<b>1,138,260,969</b>	<b>3,162,118,014</b>	<b>1,138,260,969</b>

#### Analysis of non-cash per department:

Environment and Agriculture Management	-	224,309,002	-	224,309,002
Group Property	-	26,737,202	-	26,737,202
Shared Services	-	41,905,938	-	41,905,938
City Manager	-	177,096,068	-	177,096,068
Group Financial Services	2,947,528,195	232,567,582	2,947,528,195	232,567,582
Chief Whip	-	1,608,771	-	1,608,771
Emergency Services	2,307,851	-	2,307,851	-
Utility Services	186,236,322	-	186,236,322	-
	<b>3,136,072,368</b>	<b>704,224,563</b>	<b>3,136,072,368</b>	<b>704,224,563</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>54. Fruitless and wasteful expenditure</b>				
Opening balance	112,212,161	46,818,828	107,747,434	42,978,468
Upgrading of City Hall	-	62,981,422	-	62,981,422
Water purification plant (Themba): standing time, interest and reapplication of licence	-	1,187,544	-	1,187,544
Lease payment: 16 ton hooklifters trucks	48,649,713	-	48,649,713	-
Overtime (overspending)	17,281,386	-	17,281,386	-
Interest on late payment of vendor	468,388	600,000	468,388	600,000
Fleet-related expenditure (fruitless per BAC report)	9,187,091	-	9,187,091	-
Outdated electricity meters	41,287,250	-	41,287,250	-
Less: Amounts to be recovered in line with section 32 of the MFMA - prior year (Council resolution 25 July 2019)	(62,981,422)	-	(62,981,422)	-
HCT: Interest on late payment to SARS (VAT)	584	624,367	-	-
HCT: Defects on construction site - Townlands	6,801,880	-	-	-
HCT: Recovery	(584)	-	-	-
HCT: Less amounts condoned by the Board	(7,426,624)	-	-	-
TEDA: Interest and penalties -SARS	3,775	67,518	-	-
Less: TEDA - write-off	-	(67,518)	-	-
	<b>165,483,598</b>	<b>112,212,161</b>	<b>161,639,840</b>	<b>107,747,434</b>

### Details of fruitless and wasteful expenditure – current year

	<b>Disciplinary steps taken/criminal proceedings</b>	
CoT: Interest on late payment of vendor (Klipkruisfontein pipeline)	Under investigation - outcome pending	468,388
Outdated software and unused electricity meters written-off	Under investigation - memo prepared to be signed	41,287,250
Lease: Payment (16 ton hooklifters trucks) (relating to 2017/18)	Forensic investigation	48,649,713
Fleet-related expenditure: Tallis Fleet (BAC report)	Under investigation - outcome pending	1,489,346
Fleet-related expenditure: Moipone Group (BAC report)	Under investigation - outcome pending	7,697,745
Overtime (overspending) (relating to 2017/18)	Forensic investigation	17,281,386
HCT: Interest on late payments to SARS	Report to the Board - Investigation to be instituted	584
HCT: Defects on construction site -Townlands	Under investigation	6,801,880
TEDA: SARS under payment of provisional tax	Under investigation	3,775
		<b>123,680,067</b>

### Details of fruitless-and wasteful expenditure condoned

	<b>Condoned by Council/Amount recoverable</b>	
City Hall (Asset deemed overstated. Amount spent on restoration was wasted as work was not completed even though service provider was paid.)	Amount to be recovered in line with section 32 of the MFMA. Disciplinary Court action and criminal action.	62,981,422
HCT: Recovery of interest on late payment to SARS	Recovered	584
HCT: Amounts condoned by Board	Investigation concluded - board condoned	7,426,624
		<b>70,408,630</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>55. Irregular expenditure</b>				
Opening balance as previously reported	5,079,713,071	3,394,376,748	5,053,991,069	3,370,124,297
<b>Opening balance as restated</b>	<b>5,079,713,071</b>	<b>3,394,376,748</b>	<b>5,053,991,069</b>	<b>3,370,124,297</b>
Add: Irregular expenditure current (CoT)	1,331,682,289	1,683,866,772	1,331,682,289	1,683,866,772
Add: Forensic investigation - Waste Management (CoT)	141,348,541	-	141,348,541	-
Less: Amounts to be recovered in line with section 32 of MFMA - current (CoT)	-	-	-	-
Less: Amounts to be recovered in line with section 32 of MFMA - prior period (CoT) (Council resolution 25 April 2019)	(3,262,568,782)	-	(3,262,568,782)	-
Less: Amount written off - current (CoT)	-	-	-	-
Less: Amount written off - prior period (Council resolution 25 April 2019)	(27,783,933)	-	(27,783,933)	-
Less: Amount written off - prior period (Council resolution 25 July 2019)	(226,722,490)	-	(226,722,490)	-
HCT: Non-compliance with SCM regulations and MFMA	121,781,148	1,469,551	-	-
HCT: Less amounts condoned by the Board	(149,073,639)	-	-	-
<b>Closing balance</b>	<b>3,008,376,205</b>	<b>5,079,713,071</b>	<b>3,009,946,694</b>	<b>5,053,991,069</b>

Incidents/cases identified in the current year include those listed below:

	<b>Disciplinary steps taken/criminal proceedings</b>		
Non-compliance with section 32 of the MFMA	Under investigation - outcome pending	357,283,347	161,752,309
Non-compliance with SCM regulation 36 (deviations) - prior year	Under investigation - outcome pending	91,451,216	261,488,063
Non-compliance with SCM regulation 36 (deviations) - current year	Under investigation - outcome pending	70,824,659	-
Forensic investigation - Waste Management division (Impact of sub-contracting)	Under investigation - outcome pending	138,265,623	-
Forensic investigation - Waste Management division (Skip loaders hire)	Under investigation - outcome pending	3,082,918	-
Usage of prohibited supplier	Under investigation - outcome pending	-	94,544
Non-compliance with MFMA, SCM regulations and PPP regulations	Under investigation - outcome pending	329,820,588	198,372,995
Non-compliance with MFMA and SCM regulations	Under investigation - outcome pending	413,131	701,329,558
Non-compliance with PPR (Par 5), SCM Regulations (Par 38 (1) and (MFMA) Par 112(2))	Under investigation - outcome pending	37,404,025	-
Non-compliance with SCM Regulation 32	Under investigation - outcome pending	325,641,474	317,834,291
Irregular expenditure transferred from Sandspruit Works Association	Under investigation - outcome pending	-	42,995,012
Non-compliance with section 217 of the Constitution	Under investigation - outcome pending	118,843,849	-
HCT: Procurement splitting	Under investigation - outcome pending	553,178	1,469,551
HCT: Non-compliance with MFMA sec 18(a) - advert less than 7 days	Under investigation - outcome pending	101,901	-
HCT: Non-compliance with MFMA sec 29 - BAC composition	Under investigation - outcome pending	121,119,859	-
HCT: Non-compliance with regulation 36	Under investigation - outcome pending	6,210	-
		<b>1,594,811,978</b>	<b>1,685,336,323</b>

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

### 55. Irregular expenditure (continued)

#### Cases under investigation

**A total of 39 cases were under investigation for the year ended 30 June 2019:**

38 cases relate to non-compliance with section 32 of the MFMA and 1 case relate to non-compliance with section 217 of the Constitution.

**A total of 36 and 38 cases were under investigation for the year ended 30 June 2017 and 30 June 2018 respectively and relate to:**

Non-compliance with SCM regulation 36 (deviations);  
Usage of prohibited supplier;  
Non-compliance with MFMA, SCM regulations and PPP regulations;  
Non-compliance with PPP (par 5), SCM regulations (par 38(1) and MFMA (par 112(2));  
Non-compliance with SCM regulation 32 - prior year;  
Irregular expenditure transferred from Sandspruit Works Association upon disestablishment of the municipal entity;  
Non-compliance with section 32 of the MFMA.

#### Amounts to be recovered in line with section 32 of the MFMA

After the Council Committee Investigations, Council in April 2019 resolved that irregular expenditure amounting to R3 261 224 440 as well as interest through the ex post facto cases reported through the Group Financial Services and Bid Adjudication Committee system which were disclosed in the financial statements be recovered in terms of section 32(2)(b).

#### Incidents were related to:

- \* Non-compliance with MFMA, SCM regulations and PPP regulations
- \* Section 19(a) of the SCM regulations
- \* Non-compliance with MFMA and SCM regulations.

#### Amounts written-off

After the Council Committee Investigations, Council in April 2019 resolved that irregular expenditure amounting to R27 783 33 uncovered through the ex post facto cases reported through the Group Financial Services and Bid Adjudication Committee system be condoned and written off in terms of section 32(2)(b). Council further certified in July 2019 that irregular expenditure amounting to R226 722 489 be declared as irrecoverable and written off in terms of section 32(2)(b).

#### Incidents were related to:

- \* Non-compliance with budgeting process
- \* Section 32 of the MFMA
- \* Failure of service provider to deliver services which they were appointed for.

### 56. Deviation from Supply Chain Management Regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and 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:

- In an emergency
- If such goods or services are produced or available from a single provider only
- For the acquisition of special works of art or historical objects where specifications are difficult to complete
- Acquisition of animals for zoos and/or nature and game reserves
- In any other exceptional case where it is impractical or impossible to follow the official procurement processes

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 56. Deviation from Supply Chain Management Regulations (continued)

#### Deviation from tender and quotation process:

- \* 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:

#### Deviation from tender process (amounts above R200 000)

Emergency	35,889,327	2,430,971	35,889,327	2,430,971
Sole providers	16,845,560	69,655,013	16,845,560	69,655,013
Other exceptional cases	11,162,693	17,611,981	11,162,693	17,611,981
Housing Company Tshwane	-	22,076,926	-	-
TEDA - Contracts extended on month to month basis	-	814,980	-	-
	<b>63,897,580</b>	<b>112,589,871</b>	<b>63,897,580</b>	<b>89,697,965</b>

#### Deviation from quotation process

Sole providers	168,950	92,986	168,950	92,986
Housing Company Tshwane - emergency	435,996	279,661	-	-
TEDA - Contracts extended on month to month basis	44,372	-	-	-
	<b>649,318</b>	<b>372,647</b>	<b>168,950</b>	<b>92,986</b>

### 57. 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 30 June 2019	Value of awards 30 June 2018
A Springbok (Snr Safety Officer)	V Springbok (Spouse)	-	514,725
Mamouba Rahab (CIC Temp)	Mamouba Rahab Mogano (Spouse)	-	12,961,044
L P Kekana (Temporary worker - EPWP)	N M Kekana (Spouse)	18,000	8,892
M B Masina (Administrative officer)	B B Masina (Spouse)	-	331,900
Mhlupheki Samuel (Supervisor)	M S Mahlangu (Spouse)	93,428,345	33,833,106
Benjamin Zacharia Tsela (Librarian)	J B Tsela (Spouse)	43,195,396	18,607,360
Tsakani Vusumusi Tibane	Gwendoline Mpho (Spouse)	-	19,651
Dorah Thoko Mnisi	Gladwin Amos (Spouse)	-	103,385
Josia Masenya	Lebogang Jeanette (Spouse)	12,594	23,589
Thabang Keabetswe Magodiello	Kholofelo Mmabatho Tredge (Spouse)	-	21,250
		<b>136,654,335</b>	<b>66,424,902</b>

#### Municipal entities:

No awards were made in terms of Regulation 45 during the 218/19 financial year.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>58. Additional disclosure in terms of the Local Government: Municipal Finance Management Act</b>				
<b>Contributions to organised local government</b>				
Current year subscription/fee	4,206,860	3,926,885	4,206,860	3,926,885
Amount paid - current year	(4,206,860)	(3,926,885)	(4,206,860)	(3,926,885)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Audit fees</b>				
Current year audit fee	29,276,194	27,707,615	27,863,753	26,388,878
Amount paid - current year	(29,276,194)	(27,707,615)	(27,863,753)	(26,388,878)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The balance of the previous financial year was paid in the following financial year.				
<b>PAYE and UIF</b>				
Opening balance	117,804,514	102,873,720	117,675,818	102,744,379
Current year payroll deductions	1,475,740,836	1,324,577,547	1,464,502,459	1,315,034,397
Amount paid - current year	(1,352,887,720)	(1,206,902,374)	(1,341,657,341)	(1,197,358,579)
Amount paid - previous years	(117,668,126)	(102,744,379)	(117,675,818)	(102,744,379)
	<u><b>122,989,504</b></u>	<u><b>117,804,514</b></u>	<u><b>122,845,118</b></u>	<u><b>117,675,818</b></u>
<b>Pension and medical aid deductions</b>				
Current year payroll deductions and Council contributions	2,328,006,210	2,196,126,236	2,325,195,413	2,193,983,717
Amount paid - current year	(2,327,848,421)	(2,196,126,236)	(2,325,195,413)	(2,193,983,717)
	<u><b>157,789</b></u>	<u>-</u>	<u>-</u>	<u>-</u>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 58. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following councillors had accounts outstanding as at 30 June 2019:

# These councillors made arrangements to pay off their debt.

30 June 2019	Less than 90 days	More than 90 days	Total
Zitha, B P and F T	19,591	4,570	24,161
Silaule, G V (Heir)	5,349	27,850	33,199
Moboa, P P and T C	3,013	26,488	29,501
Mahwayi, M M	6,597	91,851	98,448
Disoloane, K B	17,683	20,010	37,693
Rammushi, J P	863	3,328	4,191
Makgatho and Bofu A L and J T	1,532	915	2,447
Mojela, D L	196	1,508	1,704
Lehobye, M J	4,016	36,148	40,164
Maleka, R R (Heir)	1,526	7,387	8,913
Visser, G P	684	1,647	2,331
Monchusi, D J and R G M	4,122	17,044	21,166
Moloi, E D	470	604	1,074
Masemola, A T	4,308	39,191	43,499
Maepa, K L and W T S	2,149	14,833	16,982
Magaseng M M and K G and Makgaleng	223	507	730
Tshabane, S B	6,045	19,044	25,089
Masemola, C N	27,026	48,545	75,571
Motsaneng, M A #	422	5,146	5,568
Ntlatleng W T and L #	4,548	3,476	8,024
Tyobeka-Makeke, N P	21,879	5,066	26,945
Maepa, K L and W S	14,124	15,514	29,638
De Bruin, C R E #	1,222	6,324	7,546
	<b>147,588</b>	<b>396,996</b>	<b>544,584</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 58. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)

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 and 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
Mosupyo, 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
	<b>106,200</b>	<b>333,716</b>	<b>439,916</b>

# These councillors made arrangements to pay off their debt

### 59. Contingencies

#### Indemnification

Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	145,843,534	82,684,851	145,843,534	82,684,851
--	-------------	------------	-------------	------------

The capitalised value as at 31 December 2018 which is calculated by the Department of Labour amounted to R145 843 534. The actual amount is guaranteed with a bank guarantee.

#### Guarantees issued

Guarantees issued in favour of Eskom	213,500	213,500	213,500	213,500
--------------------------------------	---------	---------	---------	---------

#### Insurance claims

Pending claims iro asset-, motor own damage: contractors and electricity claims	182,001,168	85,497,147	182,001,168	85,497,147
Pending claims iro public liabilities	848,824,873	791,576,638	848,824,873	791,576,638
	<b>1,030,826,041</b>	<b>877,073,785</b>	<b>1,030,826,041</b>	<b>877,073,785</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 2019 has a balance of R275 496.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

### 59. 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.

###### Case 3:

Dispute of ownership of house. Claim amount is undetermined.

###### Case 4:

Interdict application and to declare the City's conduct unlawful. Claim amount is undetermined.

###### Case 5:

Eviction application. Claim amount is undetermined.

##### Group Financial Services

###### Case 6:

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. Finalised, the court has ordered PEU/TUMS to remove their meters at no cost to the City of Tshwane. Matter is finalised.

###### Case 7:

Application by property owners not part of the Lombardy court case for an order that the orders of Lombardy should apply to them as well. The amount cannot be determined.

###### Case 8

Application to remove an amount from the account which was allegedly charged incorrectly. Amount cannot be determined.

###### Case 9

Claim for a refund of payment made in error. Amount cannot be determined.

###### Case 10

Reconciliation of account (24609/2019). Amount cannot be determined.

###### Case 11

Reconciliation of account (29382/2019). Amount cannot be determined.

###### Case 12

City of Tshwane compelled to do accurate reading of the owner's electricity and water meter. Amount cannot be determined.

###### Case 13

Reconciliation of account (37975/2019). Amount cannot be determined.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

### 59. Contingencies (continued)

Case 14  
Reconciliation of account )31006/2019). Amount cannot be determined.

#### Group Human Capital Management

Case 15  
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 16  
Unfair labour practices: Various cases in arbitration or Labour Court stage. Amounts not quantified.

Case 17  
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 18:  
Application to review an award granting employee a fixed travelling allowance. Amount claimed cannot be estimated.

Case 19:  
Unfair dismissal application for review of an award for reinstatement and back pay. Amount claimed cannot be estimated.

Case 20:  
Review of an award granting employee compensation, amounting to three months' salary. Amount claimed cannot be estimated.

Case 21:  
Claim for promotion. Amount cannot be determined at this stage.

Case 22:  
Unfair dismissal review application of an arbitration award for reinstatement and compensation. Amount cannot be determined at this stage.

Case 23:  
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 24:  
Unfair dismissal application for review of an award for reinstatement and back pay. Amount cannot be determined at this stage.

Case 25:  
Application to make an award an order of court. Award makes provision for a higher salary for employee. Amount cannot be determined at this stage.

Case 26  
Claim for payment of money for a higher position. Amount cannot be determined at this stage.

Case 27:  
Three (3) cases: Application for review by the City of Tshwane against an award. Amount cannot be determined at this stage.

Case 28:  
Application to rescind the reconciliation award regarding the reinstatement of dismissed EPWP employees. Amount cannot be determined at this stage.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

### 59. Contingencies (continued)

Case 29:

Applicant to review an award. Amount cannot be determined at this stage.

Case 30:

City of Tshwane review application (j1050/17). Amount cannot be determined at this stage.

Case 31:

Review arbitration award (JR496/18). Amount cannot be determined at this stage.

Case 32:

Review arbitration award (JR495/18). Amount cannot be determined at this stage.

Case 33:

Interdict application and to declare the City's conduct unlawful (JR1429/19). Amount cannot be determined at this stage.

Case 34:

Application for review by the union (JR1571/18). Amount cannot be determined at this stage.

Case 35:

Labour court review application by City of Tshwane to challenge arbitration for reinstatement of dismissed employee. Employee brought application of contempt (JR450/19). Amount cannot be determined at this stage.

Case 36:

Application for contempt to compel City of Tshwane to pay a pension fund contribution rate difference for former employee of Bojanala District Municipality. Former employees only got 13% contribution (JR2856/18). Amount cannot be determined at this stage.

Case 37:

Unfair labour practice grievance dispute (JR2770/17). Amount cannot be determined at this stage.

Case 38:

SAMWU review application against an arbitration decision on the EPWP workers (1350/18). Amount cannot be determined at this stage.

Case 39:

Grievance dispute regarding shift allowance (JS1428/17). Amount cannot be determined at this stage.

Case 40:

Review application of the Labour Court (JR880/18). Amount cannot be determined at this stage.

Case 41:

Review of award to absorb Revenue Agents with criminal records. Amount cannot be determined at this stage.

Case 42:

Review application by SAMWU. Amount cannot be determined at this stage.

Case 43:

Employee is challenging an arbitration ruling (JR1604/17). Amount cannot be determined at this stage.

Case 44:

City of Tshwane review award in favour of employee (JR2750/18). Amount cannot be determined at this stage.

Case 45:

City of Tshwane challenging a step three grievance resolution - giving employees a shift allowance (JR20130/18). Amount cannot be determined at this stage.

Case 46:

SAMWU review application against an arbitration decision on the EPWP workers (JR1753/17). Amount cannot be determined at this stage.

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

### 59. Contingencies (continued)

Case 47:

City of Tshwane review an award (JR2309/18). Amount cannot be determined at this stage.

Case 48:

Review application of award against employee for legitimate expectation (JR11037/17). Amount cannot be determined at this stage.

Case 49:

SAMWU review application against an arbitration decision on the EPWP workers (JR778/18). Amount cannot be determined at this stage.

Case 50:

Dispute claim against SALA pension fund (referral). Amount cannot be determined at this stage.

Case 51:

Application by claimant to review condonation application for unfair dismissal (JR1089/18). Amount cannot be determined at this stage.

Case 52:

Application to make a separation agreement an order of court and for payment of interest on the separation amount (JR71/19). Amount cannot be determined at this stage.

Case 53:

Application for review by employee (JR1220/18). Amount cannot be determined at this stage.

Case 54:

National Empowerment Fund dispute on pension (referral). Amount cannot be determined at this stage.

Case 55:

IMATU review application against award (JR2805/18). Amount cannot be determined at this stage.

Case 56:

SAMWU review application (JR2420/18). Amount cannot be determined at this stage.

Case 57:

Application for review (JS847/17). Amount cannot be determined at this stage.

Case 58:

Application for contempt of court to enforce award (J449/19). Amount cannot be determined at this stage.

Case 59:

City of Tshwane review application (JR496/18). Amount cannot be determined at this stage.

Case 60:

SAMWU review application against arbitration. Amount cannot be determined at this stage.

Case 61:

City of Tshwane application for review of an award finding legitimate expectation for employee (JR947/19). Amount cannot be determined at this stage.

Case 62:

SAMWU application for review (JR60/19). Amount cannot be determined at this stage.

Case 63:

Salary disparity dispute (JS48/18). Amount cannot be determined at this stage.

Case 64:

Application for review (JR2567/19). Amount cannot be determined at this stage.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 59. Contingencies (continued)

Case 65:

Application for an order directing City of Tshwane to reinstate medical aid subsidy of 70% post retirement and 70% back payment of subsidy (JS836/18). Amount cannot be determined at this stage.

#### Group Utility Services

Case 66:

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 67:

Claim for variation escalation. Amount cannot be determined at this stage.

#### Group Shared Services

Case 68:

Review application of broad band tender. Amount cannot be determined at this stage.

Case 69:

Application to review the award of tender CB54/2013 and the PPP entered into with service provider.

#### Regional Operations and Coordination

Case 70:

Application for an order that the City of Tshwane is responsible for polluting the water in Leisure Bay Estate dams and that the City of Tshwane must do something to resolve the problem. Amount cannot be determined at this stage.

#### Group Roads and Transport

Case 71:

Variation exceeding 15% - 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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>59. Contingencies (continued)</b>				
There is uncertainty as to the timing of any of the termination scenarios, therefore simulation was used to arrive at the expected contingent liability.				
<b>Municipal entities</b>				
<b>Housing Company Tshwane:</b>				
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.				
<b>Contingent assets</b>				
<b>Housing Company Tshwane:</b>				
During the previous three financial years (2016 to 2018) the entity has paid output VAT amounting to R13 280 951 to SARS on the capital grant received from both Social Housing Regulatory Authority (SHRA) 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.				
On 13 March 2018, the entity terminated the construction contract with Magic Labour Hire and Security Services due to poor performance. Management has quantified the value of latent defects discovered and is claiming R6 801 204.06 from the Magic Labour Hire and construction guarantee which is held by Power Guarantee (Pty) Ltd.				
<b>Litigation</b>				
	<b>Short description of cases</b>			
Group Economic Development and Spatial Planning	Expropriation. Compensation not paid		2,044,660	2,044,660
Group Economic Development and Spatial Planning	Claim for loss of income due to delay in approving and advertisement		1,263,800	1,263,800
Group Economic Development and Spatial Planning	Render a proper account in respect of waste management services as amount on account was unlawfully calculated		1,077,821	-
Housing and Sustainable Human Settlement Development	Winterveldt expropriation: claiming additional compensation. Awaiting court dates		790,000	790,000
Housing and Sustainable Human Settlement Development	Expropriation: claiming additional compensation. Awaiting court date.		790,000	790,000
Housing and Sustainable Human Settlement Development	Claim for payment of occupational rent/constitutional damages as well as declaratory order. Amount was incorrect in previous years - restatement of R12 150 000 decrease		1,950,000	1,950,000
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	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	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 for compensation in terms of Expropriation Act		3,500,000	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 for compensation in terms of Expropriation Act		3,500,000	3,500,000

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

		Group		Municipality	
		2019	2018 Restated* R	2019	2018 Restated*
<b>59. Contingencies (continued)</b>					
Housing and Sustainable Human Settlement Development	Himalaya Heights: Claim for levies in respect of a sectional unit owned by the City of Tshwane			11,578	11,578
Housing and Sustainable Human Settlement Development	Himalaya Heights: Claim for levies in respect of a sectional unit owned by the City of Tshwane. Claim finalised in 2019.			-	10,172
Housing and Sustainable Human Settlement Development	Claims for payment of rental for Clarina flats where former residents of Schubart Park are housed.			50,616,000	-
Housing and Sustainable Human Settlement Development	Claim for compensation for wrongful invasion of privately owned land			3,800,000	-
Group Financial Services	Interest owing: Dispute over interest debited and owing. Claimant wants same back			80,000	80,000
Group Financial Services	Claim for refund of moneys paid to obtain clearance certificates.			117,246	117,246
Group Financial Services	Damages and refund claim: incorrect clearance certificate. Plaintiff to apply for trial date.			71,296	71,296
Group Financial Services	Breach of contract: Work to be done before 2010 Soccer World Cup. Department alleges that work was never done.			33,594	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	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. Matter is defended			1,657,251	1,657,251
Group Financial Services	Claim for refund: Over charged for water. Municipality has filed a plea.			5,111,360	5,111,360
Group Financial Services	Claim for damages: Tenant did not pay for services. Matter is defended. Trial date awaited. Case finalised in 2019.			-	1,097,937
Group Financial Services	Damages claim: wrong calculation of service charges. Plaintiff is seeking damages in form of a refund for overpayment.			20,274	20,274
Group Financial Services	Claim for refund: Overpaid electricity due to wrong calculation			45,307	45,307
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini			288,789	288,789
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini.			265,661	265,661
Group Financial Services	Warrant for execution for failure to pay for copying machines, fax and digital laser.			22,679	22,679
Group Financial Services	Warrant for execution for failure to pay for leased office machines			11,079	11,079
Group Financial Services	Claim for a credit. Application to amend, alternatively credit applicant's municipal account with claim amount and restore electricity supply.			465,332	465,332
Group Financial Services	Applicant to have the City of Tshwane reverse charges on a municipal account leaving account holder with a credit.			20,380	20,380
Group Financial Services	Applicant seeking adjustment of account with reversal implication.			452,960	452,960
Group Financial Services	Applicant seeking adjustment of account with reversal implication.			66,720	66,720
Group Financial Services	Claim for refund of overcharged electricity.			1,631,706	1,631,706
Group Financial Services	Plaintiff alleges that City of Tshwane charged a penalty fee for each property in the development. City alleges that there was unauthorised tampering with prepaid meter.			1,552,648	-

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

		Group		Municipality	
		2019	2018 Restated* R	2019	2018 Restated*
<b>59. Contingencies (continued)</b>					
Group Financial Services	An order to remove the amount from the account. Finalised - to be rescinded. Value was R100 000.			-	-
Group Financial Services	Reconciliation of municipal account			89,694	-
Group Financial Services	Reconciliation of municipal account			113,737	-
Group Financial Services	Application by property owners not part of the Lombardy Court case for an order that the order of Lombardy should apply to them as well.			646,229	-
Group Financial Services	Reconciliation of account			281,480	-
Group Financial Services	Reconciliation of account			140,290	-
Group Human Capital Management	Claim for breach of employment contract. Fixed employment contract terminated before the fixed period lapsed.			3,221,995	3,221,995
Group Human Capital Management	Breach of contract: Contract concluded in Pretoria and put Magistrate Nigel as forum for adjudication.			100,000	100,000
Group Human Capital Management	Enforcement of arbitration award			92,595	92,595
Group Human Capital Management	Constructive dismissal damages claim. Plaintiff was diagnosed with PTS disorder which it was acknowledged was caused by the employee's conduct hence classified as an injury on duty. Plaintiff was then unable to perform her duties and was subsequently dismissed for mental incapacity. Plaintiff is now suing for damages as a result of the dismissal. Await a new trial date.			850,884	850,884
Group Human Capital Management	Breach of contract: Constructive dismissal as position was not available on erstwhile Nokeng organogram. Claims compensation and performance bonuses. Matter is still pending. Finalised in 2019.			-	159,705
Group Human Capital Management	Breach of Contract: 2 Councillors and an official procured work for City without following prescribed SCM procedures. Both councillors resigned and official is on suspension.			796,680	796,680
Group Human Capital Management	Unfair dismissal: Erstwhile Nokeng appointed traffic officers who did not meet minimum requirements - relieved of duties. Matter still pending at bargaining council.			97,734	97,734
Group Human Capital Management	Unfair labour practice: Erstwhile Nokeng Municipality paid employer medical aid contributions directly to plaintiff in stead of medical aid. Matter is still pending. Finalised in 2019.			-	42,000
Group Human Capital Management	Claim for damages: Unlawful termination of employment. Additional claim.			2,500,000	2,500,000
Group Human Capital Management	Claim for damages: Repudiation of contract of employment. Suing for constructive dismissal and claiming damages.			5,464,800	5,464,800
Group Human Capital Management	Claim for damages: Suspension pending investigation into alleged misconduct. City is to file amended plea.			8,000,000	8,000,000
Group Human Capital Management	Claim for stolen pension money. Referred to Commercial Crimes Unit of SAPS.			649,017	649,017
Group Human Capital Management	Claim for stolen pension money. Cheque for pension payout was issued to wrong person.			327,211	327,211
Group Human Capital Management	Unpaid pension fund			338,848	338,848
Group Human Capital Management	Compensation for unfair labour practices			1,000,000	1,000,000
Group Human Capital Management	Claim for payment of acting allowance			67,099	67,099
Group Human Capital Management	Application to make an award an order of court			30,000	-
Group Human Capital Management	Claim for increase towards travelling allowance. Matter currently being opposed by attorneys.			1,000,000	1,000,000

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

		Group		Municipality	
		2019	2018 Restated* R	2019	2018 Restated*
<b>59. Contingencies (continued)</b>					
Group Human Capital Management	Alleged unlawful deduction of salary due to abscondment.			100,000	100,000
Group Human Capital Management	Claimants allege that they were fixed term contract workers from 2010 to 2013 but were never paid. Hence they claim for payment of salaries. Outcome changed to probable.			-	850,884
Group Human Capital Management	Review of application by City of Tshwane against an award in favour of service provider.			3,175,000	7,378,320
Group Human Capital Management	Application to compel City of Tshwane to implement an equity plan and pay a fine			1,500,000	-
Group Human Capital Management	Arrear payment relating to salary deducted alleged unpaid leave deducted.			43,183	-
Group Human Capital Management	Review application			292,635	-
Group Human Capital Management	Application to reverse deduction			68,655	-
Group Human Capital Management	City of Tshwane review application			470,000	-
Group Human Capital Management	Payment of outstanding salaries			23,101,148	-
Group Human Capital Management	Review application			23,174,012	-
Group Human Capital Management	Review application			3,934,568	-
Group Shared Services	Claim for damages in relation to repudiation of tender CB386/2011			93,938,490	93,938,490
Group Shared Services	Claim for damages as a result of breach of contract.			305,830	305,830
Group Shared Services	Claim for the annual increase in terms of tender CB101/2014.			-	6,000,000
Group Shared Services	Review application of the broadband tender (amount was changed to undetermined)			-	1,245,098,482
Group Shared Services	Claim for payment for services rendered			492,606	-
Group Shared Services	Breach of contract: Claim for damage			23,157,240	-
Group Shared Services	Breach of contract regarding services rendered			690,896	-
Group Utility Services	Breach of contract: Roads and water reticulation construction not properly done. Matter is defended.			2,858,037	2,858,037
Group Utility Services	Contractual claim for adverse physical conditions encountered during a project for laying of a sewer network in Babelegi. The matter is currently in the high court and the intention is to go for arbitration. An arbitration process is going to be initiated.			6,683,428	6,683,428
Group Utility Services	Breach of contract: Tender awarded to provide security services. Information not retrieved information from the company.			98,724	98,724
Group Utility Services	Breach of contract: Tender awarded for City wide communication system. Plaintiff failed to live up to tender specifications and municipality cancelled contract. Matter is defended.			1,401,516	1,401,516
Group Utility Services	Breach of contract: Plaintiff never paid for services rendered.			159,219	159,219
Group Utility Services	Breach of contract: Contribution payment for bulk services. Services inadequately rendered.			952,952	952,952
Group Utility Services	Contribution payment for bulk services. In this matter summons was issued for the payment of bulk services constructions after the City of Tshwane took over the services. Plaintiff alleges that they are entitled to a refund every time a new developer connects to services the Plaintiff installed. The matter was defended and the trial date is awaited.			-	623,491
Group Utility Services	Payment of bulk services contribution. Agreement with erstwhile Kungwini Municipality. Claiming refund.			2,705,431	2,705,431

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>59. Contingencies (continued)</b>				
Group Utility Services			2,081,409	2,081,409
Group Utility Services			4,607,784	4,607,784
Group Utility Services			4,314,672	4,314,672
Group Utility Services			951,078	951,078
Group Audit and Risk			1,128,664	1,128,664
Group Roads and Transport			29,238	29,238
Group Roads and Transport			14,738,003	-
Group Roads and Transport			120,000	120,000
Group Roads and Transport			100,000	100,000
Group Roads and Transport			25,762,057	25,762,057
Group Roads and Transport			30,390,000	30,390,000
Group Roads and Transport			137,082	137,082
Group Roads and Transport			690,446	690,446
Group Roads and Transport			4,943,153	4,943,153
Group Roads and Transport			600,715	-
Group Roads and Transport			1,412,162	-
Group Environment and Agriculture Management			432,221	432,221
Group Environment and Agriculture Management			1,120,885	1,120,885
Group Environment and Agriculture Management			1,210,877	1,210,877
Group Environment and Agriculture Management			2,299,500	2,299,500
Group Environment and Agriculture Management			6,620,000	-

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

		Group		Municipality	
		2019	2018 Restated* R	2019	2018 Restated*
<b>59. Contingencies (continued)</b>					
Group Environment and Agriculture Management	Breach of contract: Claim for payment for services rendered and damages. Contractor alleges breach of contract under tender CB259/2008 by the municipality in utilizing tender CB82/2011 for the same services. The contractor had been contracted under CB257/2008. CB82/2011 was to be used only in emergency situations for the collection of waste. Contractor is also claiming for overtime payments under CB82/2011			46,643,772	-
Group Environment and Agriculture Management	Breach of contract: Refuse removal tender and dispute over its terms. Matter is in court.			200,813	200,813
Group Environment and Agriculture Management	Delivery of refuse bins - contractor never paid. Refuse bins was defective.			158,232	158,232
Group Environment and Agriculture Management	Collision, motor accident damages.			162,589	162,589
Group Environment and Agriculture Management	Claim for damages due to early termination of contract for waste processing. Arbitration			316,000,000	-
Community Safety - Metro Police	Tender for provision of security services at 5 locations in erstwhile Kungwini Municipality. Service provider never paid.			16,720,095	16,720,095
Health Services	Breach of contract: Tender for pesticides and insecticides. Work done and never paid for. Payment for damages claimed.			64,994	64,994
Office of Executive Mayor	Claim for damages following cancellation of contract for upgrading City Hall.			4,900,000	4,900,000
Office of the Speaker	Claim for services rendered. Dispute over terms of tender. Contractor did work which department denies receiving. Matter is before court.			2,360,610	2,360,610
Group Property Management	Claim that development agreement was entered into with municipality on certain properties. Municipality allegedly breached agreement.			51,507,439	51,000,000
Group Property Management	Claim for payment of rental. Outstanding rental for the Bothongo Plaza East Building.			16,446,218	16,446,218
Group Property Management	Claim for damages			10,000,000	10,000,000
Group Property Management	Claim for compensation for Redefine for having demolished the Sammy Marks/Munitoria walk-bridge.			172,794	172,794
Group Property Management	Claim for payment of improvement of City of Tshwane property in Waltloo. City of Tshwane sold property on auction. Occupier refuses to vacate without compensation for improvements.			4,500,000	-
Community and Social Development	Construction claim for City Hall Construction Cullinan Library. Claims for escalation, preliminary general costs and loss and expenditure.			23,157,240	23,157,240
Group Legal Services and Secretariat	Claim for recovery of unpaid attorney and client bills of cost			139,868	-
Group Legal Services and Secretariat	Claim for services rendered			344,365	-
Housing and Sustainable Human Settlement	Claim for compensation for wrongful invasion of privately owned land			-	750,000
Group Financial Services	Claim for interest on debt paid late by the City of Tshwane			-	90,000
	Contractor for construction and development of social housing units in Marabastad failed to deliver the required units. Contract was terminated due to non-performance. Contractor disputes the termination. Housing Company sourced legal opinion with regard to this matter.			41,654,855	41,654,855
				<b>955,113,315</b>	<b>1,697,418,120</b>

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 60. Going concern

We draw attention to the fact that at 30 June 2019, the Group had an accumulated surplus of R28 287 184 788 group's total assets exceed its liabilities by R28,589,746,470. The difference consists of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R302 561 682.

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 group 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 ration (current assets vs current liabilities)	1.04 : 1	0.82 : 1	1.03 : 1	0.82 : 1
Acid test ratio (current assets less inventory vs current liabilities)	0.98 : 1	0.77 : 1	0.97 : 1	0.76 : 1
Solvability ratio (total assets vs total liabilities)	2.04 : 1	1.94 : 1	2.03 : 1	1.93 : 1
Gearing ratio (total long-term debt to total revenue less grants) (%)	42.91	50.51	43.02	50.52
Debtors collection rate (%)	87.78	92.95	87.78	92.95
Cash/cost coverage ratio (months)	1.73	1.26	1.69	1.21
Liquidity ratio (cash and cash equivalents vs current liabilities)	0.33	0.25	0.32	0.24
Net debtor days	35 days	63 days	35 days	63 days

Although the current ratio and cost coverage ratios are below the National Treasury norm, there is a slight improvement from 2017/18 to 2018/19. The current ratio improved from 0.82 : 1 in 2017/18 to 0.95 : 1 in 2018/19. The cost coverage ratio improved from 1.21 in 2017/18 to 1.65 in 2018/19. In order to improve the City's liquidity position and financial sustainability in general, Council approved the financial sustainability plan (FSP) during the 2017/18 financial year. The FSP plan is a positive too in managing and monitoring the City's performance with regard to its financial standing. The improvement in the current ratio and cost coverage ratio can be attributable to the implementation of the FSP.

During the financial year under review (2018/19), an annual rating action by Moody's Investors Services was issued in December 2018. The Moody's rating results yielded a positive outcome for the City as the City maintained a rating of A1.za from 2014 to 2017. As of 2018, Moody's scaled up the rating to Aa2.za, which is a favourable credit rating. Moody's indicated that the City has maintained improved liquidity levels and shown vast improvement in its financial management. The double-notch credit rating from Moody's illustrates the commitment management has shown in striving towards a financially stable city.

Based on the above analysis, the City of Tshwane is considered to be a going concern operation.

#### Municipal entities:

##### TEDA:

The separate financial statements of the entity 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 entity's adjusted business plan and budget for 2019/20 was approved by the shareholder which guarantees TEDA's existence in the foreseeable future. TEDA is wholly dependent on the funds allocation from the City during the year under review. The operational grant received from the City of Tshwane is unconditional.

##### Housing Company Tshwane:

The separate financial statements of the entity 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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 60. Going concern (continued)

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.

### 61. Events after the reporting date

#### 2018/19:

#### Non-adjusting event

#### Resignation of the City Manager:

The City Manager is the head of the administration as well as the accounting officer as defined by section 15 of the Municipal Systems Amendment Act (Act 7 of 2011), thus the latter (Dr Moeketsi Mosola) resigned from the post on 30 August 2019. The City Manager held a significant position being the Accounting Officer.

#### Labour unrest

From the 29<sup>th</sup> to the 31<sup>st</sup> of July 2019, members of the South African Municipal Workers Union engaged in labour unrest. The purpose was to obtain an 18% increase in the wages of workers. Subsequent to discussions with the Municipality it was agreed that an ex gratia payment will be made to all non-management staff. The ex gratia payment was determined on a varying scale based on the said employees salary level. The total cost of the ex gratia payment paid in August 2019 was R238 843 000.

The Roads and Transport department was the most affected by the strike, with the most impact noted within the Tshwane Bus Services Division. On 29 July 2019, official drivers took buses from the City's premises under the pretext of fulfilling their daily shifts but only to use the buses for blockading the City's main streets and thus causing traffic congestion and infrastructure damages.

An estimated cost of R1 700 000 was paid for towing buses, removing and retrofitting relay equipment for all 250 buses and overtime. Furthermore, the strike had a negative impact on other daily operations such as the non-collection of revenue amounting to R336 000 for A Re Yeng and R1 051 554 for Tshwane Bus Services (TBS) operations respectively.

Infrastructure damages: The unrest led to serious damages in the City's infrastructure and other municipal properties. Internal Surveyors are in the process of assessing the extent of the loss.

As at the legislated date for submitting the financial statements to the Office of the Auditor-General the City was not in a position to financially estimate the cost/losses in line with the damages caused.

The City is still awaiting the risk analysis for critical infrastructure from the respective departments.

#### Broadband Network contract:

On 26 July 2019 the North Gauteng High Court set aside the build, operate and transfer (BOT) contract for the Tshwane Broadband Network, including the tripartite agreement. The ruling has been made with the City of Tshwane's costs, as well as the two Councils', to the three respondents.

The court order indicated that tender number GICT 01 2014/15, for the provision of a municipal broadband network project of ARH which decision was communicated on 11 June 2015 in a letter dated 9 June 2015 including any purported amendment of such letter, is declared invalid and set aside.

The decision of the Municipal Court of the Tshwane Metropolitan Municipality, in its entirety to inter alia approve the terms and sign-off of the build, operate and transfer agreement ("the BOT agreement") of the Tshwane Broadband Network of the City of Tshwane taken on 28 April 2016 is declared invalid and set aside.

Furthermore, the decision to amend clause 4.1 of the BOT agreement which was subsequently entered into between the City of Tshwane and Thobela on 25 May 2016, the effect of which was to extend the period provided for the fulfillment of the suspensive conditions alternatively, their purported waiver of such conditions is declared unlawful and set aside.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 61. Events after the reporting date (continued)

#### Irregular expenditure (Note 51):

In terms of a Council Resolution dated 25 July 2019 an amount of R226 722 489 was written-off after investigations were concluded in terms of section 32 of the MFMA.

#### Unauthorised expenditure (Note 49):

A report served before Council on 25 July 2019 and it was approved that the unauthorised expenditure to the value of R263 044 000 relating to 2016/17 and R64 782 499 relating to 2017/18 be written-off. Further an amount of R56 560 000 relating to 2016/17 was recommended to be recoverable in line with section 32 of the MFMA.

#### TEDA:

The directors of TEDA is unaware of any matter or circumstance arising since the period ending 30 June 2019.

#### Non-adjusting events:

The Chief Financial Officer was appointed on 5 August 2019.

#### Housing Company Tshwane:

The accounting officer is unaware of any matter or circumstance arising since the period ending 30 June 2019.

### 62. Related parties

#### Relationships

##### Name of entity

Housing Company Tshwane  
Tshwane Economic Development Agency  
Jointly controlled operation: EON Reality Inc  
Members of key management

##### % equity interest

100% owned by City of Tshwane  
100% owned by City of Tshwane  
Refer to note 77  
Refer to Note 38 for remuneration of City Manager  
Refer to Note 40 for remuneration of top management  
Refer to Note 38 and 39 for remuneration of councillors

#### 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
- \* Secondment of the company secretary from September 2018 to November 2018 costing the City of Tshwane R196 605.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 62. Related parties (continued)

#### 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 Director Human Settlement has been seconded to Housing Company Tshwane as the Acting COO and Properly Development Manager from September 2017 to June 2019.

#### Related party balances

##### Amounts included in trade payables regarding related parties

Housing Company Tshwane : Rental received on behalf of City of Tshwane	(197,212)	(197,018)
Housing Company Tshwane : Services charges owed by City of Tshwane	(8,057)	-
Housing Company Tshwane: Deposit owed by City of Tshwane	23,400	23,400
Housing Company Tshwane: Unspent conditional grant	5,777,333	22,889,027
TEDA: City of Tshwane - other income (access cards)	-	2,900
TEDA: City of Tshwane (medical surveillance - OHS)	-	(4,200)

#### Related party transactions

##### Sales to related parties

Housing Company Tshwane: Rates	(375,851)	(373,247)
Housing Company Tshwane: Water and electricity	(320,315)	(623,301)

##### Expenses paid on behalf of related parties

TEDA: Administration fees paid to related parties	151,820	-
TEDA: Medical surveillance (OHS)	(18,682)	(1,400)

##### Grants to related parties

Housing Company Tshwane: current year	107,003,299	84,845,123
TEDA grant	54,150,000	54,150,000

#### 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 R84 695 953 (opex = R36 275 090 and capex = R48 420 863) in the year under review and Housing Company recognised R107 003 299 in its individual financial statements.

#### TEDA

The City of Tshwane paid over R54 150 000 in the year under review and TEDA recognised R54 150 000 in its individual financial statements.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

### 63. Prior period restatements

#### Change in accounting policy

No change in accounting policy occurred during the year under review.

#### Reclassification

The under mentioned reclassifications were done to prepare for alignment with mSCOA as well as to align the financial statements with categories of the budget.

#### Statement of financial performance

Revenue line items:

Rental of facilities (R1 702 924 increase)  
Interest received on outstanding consumer receivables (R758 54 increase)  
Other income (R16 074 121 decrease)  
Fair value adjustment (revenue) (R94 425 569 increase)  
Fines, penalties and forfeits (R13 611 546 increase).

Expenditure line items:

Employee related cost R21 040 070 decrease)  
Remuneration of councilors (R2 821 049 decrease)  
Finance cost (R9 939 416 decrease)  
Other materials (R404 732 541 increase)  
Bulk purchases (R32 736 975 decrease)  
Contracted services (R419 091 824 increase)  
Transfers and subsidies (R33 709 003 increase)  
Fair value adjustments (expense) (R8 198 182 increase)  
General expense (R790 995 858 decrease).

Loss on fair valuing of redemption fund increased with R86 227 387 due to duplications that occurred in the calculations as at June 2018.

#### Statement of financial position

A reclassification was done between the different classes of fixed assets. This reclassification was necessary to align the asset classes to the mSCOA classifications. The effect of the reclassification is as follows:

Investment property (R102 650 0851 increase)  
Property, plant and equipment (R449 654 816 increase)  
Intangible assets (R1 216 663 increase)  
Leased assets (R553 521 560 decrease).

A reclassification was done on the current portion of the employee benefit obligation after an error in the calculation of the current portion was picked up and the current portion was decreased with an amount of R159 288 093 and by implication the non-current portion was increased with the same amount.

#### Cash flow statement

No reclassification occurred during the year under review.

#### 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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 63. Prior period restatements (continued)

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 2016/17 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 2017/18 period.

The following material restatements are discussed below:

#### Revenue

Fines (AARTO) were increased with an amount of R2 761 925 (group = R2 761 925) due to late capturing of fines relating to the 2017/18 financial year.

Other income was increased with an amount of R6 343 492 (group = R6 342 092) due to certain journals of Wonderboom Airport not being processed in 2017/18, the A re Yeng fare revenue received in advance was corrected and newly identified assets were also corrected. Further an amount of R1 400 was corrected on inter company transactions due to a restatement on related party transaction by TEDA.

Public contributions were decreased with an amount of R64 042 687 (group = R64 042 687) due to an error picked up in the calculation of the debtor for rezonings done but not yet paid for.

Rental of facilities and equipment was increased with an amount of R4 620 492 (group = R4 620 492) due to certain journals of Wonderboom Airport not being processed in 2017/18.

Fair value adjustment were increased with an amount of R104 089 (group = R104 089) due to corrections on the air value of interest rate swaps.

Government grants and subsidies were increased with an amount of R15 496 386 (group =R17 984 997) due to the TRT subsidy for 2017/18 which was received in July 2018 and a debtor was not created for this amount in the 2017/18 financial year. Housing Company Tshwane restated grants with an amount of R2 488 611.

Remuneration was increased with an amount of R12 522 316 (group = R12 522 316) due to correction of errors in the previous financial years on overtime entries.

Depreciation and amortisation were increased with an amount of R126 150 405 (group = R126 173 097) as a result of an error picked up in the calculations of the 2017/18 financial year. Housing Company Tshwane restated depreciation with an amount of R22 692.

Finance cost was increased with an amount of R24 497 505 (group = R24 497 505) due to the correction of errors in the calculation of leases.

General expense was decreased with an amount of R98 136 410 (group = R98 137 810) due to errors picked up during the VAT audit as well as errors picked up in lease calculation. Inter company transactions were restated with an amount of R1 400.

Other materials were decreased with an amount of R35 534 (group = R35 534) due to corrections on the EPWP initiatives basic salary.

Bulk purchases (of water) was decreased with an amount of R3 172 908 (group = R3 172 908) due to corrections made in the bulk water inventory of 2017/18.

Loss on redemption fund was increased with R5 661 978 (group = R5 661 978) due to corrections on the redemption fund calculations of 2017/18.

Fair value adjustments of the interest rate swap liabilities were decreased with R101 057 97 (group = R101 057 970) due to the duplication of interest rate swaps between the normal swaps and the redemption fund swaps.

#### Statement of financial position:

Other receivables were decreased with a net amount of R9 611 237 (group = R9 563 857) as a result of late capturing of fines relating to the 2017/18 financial year as well as certain journals of Wonderboom Airport not being captured in 2017/18 and corrections on overtime which affect the clearing accounts of payroll. Housing Company Tshwane restated debt impairment with R47 380 which by implication also affect the balance of other receivables.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

### 63. Prior period restatements (continued)

Property, plant and equipment increased with an amount of R128 798 813 (group = R131 264 731) due to a correction on the depreciation of rehabilitation assets of 2017/18 and other corrections due to the purification of the fixed asset register. Housing Company Tshwane restated property, plant and equipment with a net amount of R2 465 918.

Investment property decreased with an amount of R64 295 431 (group = R64 259 431) due to purification of the fixed asset register.

Intangible assets were increased with an amount of R64 891 025 (group = R64 891 025) 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.

Trade payables were decreased with an amount of R14 956 984 (group = R14 956 984) 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 R404 735 213 (current portion = R117 209 910 and non-current portion = R287 525 303) due to errors picked up in the calculations and information received only now which relate to prior years. The municipal entities do not have any finance leases.

VAT payable was decreased with an amount of R7 002 153 (group = R7 002 153) due to the VAT audit.

The interest rate swaps liabilities were decreased with R101 162 058 (group = R101 162 058) due to the duplication of interest rate swaps between the normal swaps and the redemption fund swaps.

For the Municipality, the accumulated surplus was decreased with a net amount of R57 485 485 consisting of a decrease in the surplus of 2017/18 of R1 145 686, a decrease in the surplus of 2016/17 of R65 064 743 and an increase in the surplus of 2015/16 and prior of R8 724 942.

For the group, the accumulated surplus was decreased with a net amount of R54 972 177 consisting of a decrease in the surplus of 2017/18 of R1 367 624, a decrease in the surplus of 2016/17 of R65 064 743 and an increase in the surplus 2015/16 of R8 724 942 as Housing Company Tshwane restated 2017/18 with an amount of R2 513 310.

#### Restatement on disclosure notes

##### Note 59 - Contingencies

Under the litigation cases a restatement was done (R12 150 000 decrease) in the value of a case of Housing and Sustainable Human Settlement Department as the value was previously incorrectly disclosed as R14 100 000 instead of R1 950 000.

##### Note 65 - Operating leases

The total operating lease payment was restated with an amount of R70 756 from R4 005 783 to R3 935 027 due to errors picked up in the calculations. The reconciliation - machinery disclosure was restated in total with an amount of R1 178 881 from R24 958 652 to R26 137 533.

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 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>63. 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>2018</b>				
<b>Statement of financial performance</b>				
<b>Revenue</b>				
Service charges	16,921,045,891	-	-	16,921,045,891
Rental of facilities and equipment	141,396,888	1,702,924	4,620,492	147,720,304
Interest received - outstanding consumer debtors	731,177,851	759,651	-	731,937,502
Licences and permits	52,325,465	-	-	52,325,465
Other income	795,443,972	(16,074,121)	6,342,092	785,711,943
Investment revenue	210,975,786	-	-	210,975,786
Gain on foreign exchange transactions	537,469	-	-	537,469
Property rates	6,761,346,762	-	-	6,761,346,762
Government grants, subsidies, awards and donations	6,467,568,269	-	17,984,997	6,485,553,266
Public contributions and donations	76,885,838	-	(64,042,687)	12,843,151
Fines, penalties and forfeits	214,536,078	13,611,546	2,761,925	230,909,549
Fair value adjustments	-	94,425,569	104,089	94,529,658
<b>Total revenue</b>	<b>32,373,240,269</b>	<b>94,425,569</b>	<b>(32,229,092)</b>	<b>32,435,436,746</b>
<b>Expenditure</b>				
Employee-related cost	8,182,972,086	(21,040,070)	12,522,316	8,174,454,332
Remuneration of councillors	126,606,977	(2,821,049)	-	123,785,928
Depreciation and amortisation	1,808,750,942	-	126,173,097	1,934,924,039
Impairment loss/reversal of impairments	234,750,180	-	-	234,750,180
Finance cost	1,696,562,764	(9,939,416)	24,497,505	1,711,120,853
Debt impairment	1,714,178,382	-	(47,379)	1,714,131,003
Other materials	-	404,732,541	(35,534)	404,697,007
Bulk purchases	9,835,004,103	(32,736,975)	(3,172,908)	9,799,094,220
Contracted services	2,510,690,756	419,091,824	-	2,929,782,580
Transfers and subsidies	-	33,709,003	-	33,709,003
Loss on disposal of assets and liabilities	79,939,912	-	5,661,978	85,601,890
Fair value adjustments	92,859,788	8,198,182	(101,057,970)	-
General expenses	3,649,526,847	(790,995,858)	(98,137,810)	2,760,393,179
Loss on redemption fund	-	86,227,387	-	86,227,387
Taxation	2,920,067	-	-	2,920,067
<b>Total expenditure</b>	<b>29,934,762,804</b>	<b>94,425,569</b>	<b>(33,596,705)</b>	<b>29,995,591,668</b>
<b>Surplus for the year</b>	<b>2,438,477,465</b>	<b>-</b>	<b>1,367,613</b>	<b>2,439,845,078</b>

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>63. 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>2018</b>				
<b>Statement of financial position</b>				
<b>Current assets</b>				
Inventories	635,565,193	-	5,668,518	641,233,711
Investments	2,356,562,644	-	-	2,356,562,644
Other receivables from exchange transactions	1,205,823,394	-	(27,822,168)	1,178,001,226
Other receivables from non-exchange transactions	206,183,986	-	18,258,311	224,442,297
Consumer receivables: Exchange	3,205,059,363	-	-	3,205,059,363
Consumer receivables: Non-exchange	912,319,296	-	-	912,319,296
VAT receivable	2,385,807	-	-	2,385,807
Long-term receivables: short-term portion	132,771,634	-	-	132,771,634
Redemption fund asset	468,779,692	-	-	468,779,692
Cash and bank	562,495,690	-	-	562,495,690
<b>Non-current assets</b>				
Investment property	828,889,079	102,650,081	64,295,431	995,834,591
Property, plant and equipment	36,258,780,046	449,654,816	131,264,731	36,839,699,593
Leased assets	553,521,560	(553,521,560)	-	-
Intangible assets	390,137,806	1,216,663	64,891,025	456,245,494
Heritage assets	3,484,251,610	-	1	3,484,251,611
Deferred tax	59,351	-	-	59,351
Long-term receivables: long-term portion	41,039,269	-	-	41,039,269
Redemption fund	260,151,366	-	-	260,151,366
Interest rate swap asset	47,235,142	-	-	47,235,142
<b>Current liabilities</b>				
Loans and bonds	715,376,151	-	-	715,376,151
Current tax payable	3,042,792	-	-	3,042,792
Lease liabilities	175,371,268	-	117,209,910	292,581,178
Operating lease liability	156,129	-	-	156,129
Payables from exchange transactions	7,180,555,619	-	14,956,984	7,195,512,603
VAT payable	2,219,564,782	-	(7,002,153)	2,212,562,629
Consumer deposits	516,053,782	-	-	516,053,782
Employee benefit obligation	307,179,298	(159,288,093)	-	147,891,205
Unspent grants and receipts	470,930,372	-	-	470,930,372
Service concession arrangements	235,749,104	-	-	235,749,104
<b>Non-current liabilities</b>				
Loans and bonds	10,139,798,026	-	-	10,139,798,026
Lease liabilities	406,402,707	-	287,525,353	693,928,060
Deferred operating lease liability	75,677	-	-	75,677
Employee benefit obligation	1,523,823,760	159,288,093	-	1,683,111,853
Provisions	943,934,569	-	-	943,934,569
Interest rate swap liability	183,928,141	-	(101,162,058)	82,766,083
Service concession arrangements	1,265,561,458	-	-	1,265,561,458
Redemption fund	147,547,144	-	-	147,547,144
<b>Equity</b>				
Accumulated surplus	25,116,961,149	-	(54,972,187)	25,061,988,962

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>63. 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>2018</b>				
<b>Cash flow statement</b>				
<b>Cash generated from operations</b>				
Cash receipts from other revenue sources	2,296,579,247	-	206,001,767	2,502,581,014
Cash receipts from rate payers and service charges	22,376,471,808	-	-	22,376,471,808
Grants: Operating	4,320,824,281	-	(29,144,926)	4,291,679,355
Grants: Capital	2,368,845,285	-	-	2,368,845,285
Interest income	205,582,045	-	5,393,741	210,975,786
Cash paid to employees	(8,309,579,063)	-	11,338,803	(8,298,240,260)
Cash paid to suppliers	(15,855,704,225)	-	(45,759,636)	(15,901,463,861)
Transfers and grants	-	-	(33,709,003)	(33,709,003)
Finance costs (interest paid)	(1,696,562,764)	-	(14,558,089)	(1,711,120,853)
Taxes on surpluses	907,478	-	(3,827,545)	(2,920,067)
<b>Net cash generated from operations</b>	<b>5,707,364,092</b>	<b>-</b>	<b>95,735,112</b>	<b>5,803,099,204</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(3,231,734,545)	-	(21,120,362)	(3,252,854,907)
Retirement/disposal of property, plant and equipment	-	105,837,990	109,418	105,947,408
Retirement of leased assets	900,299	-	(900,299)	-
Proceeds from sale of assets (including gain/loss)	3,116,724	(105,837,990)	17,119,376	(85,601,890)
Proceeds from sale of investment property	-	-	471,229	471,229
Purchase of intangible assets	(35,243,435)	-	7,075	(35,236,360)
Transfer of functions between entities under common control	11,627,223	-	-	11,627,223
Increase/(decrease) in long-term receivables	(46,605,767)	-	-	(46,605,767)
Movement in financial assets	552,870,710	-	-	552,870,710
Capital contribution to redemption fund	(667,611,310)	-	-	(667,611,310)
<b>Net cash from investing activities</b>	<b>(3,412,680,101)</b>	<b>-</b>	<b>(4,313,563)</b>	<b>(3,416,993,664)</b>
<b>Cash flow from financing activities</b>				
Repayment of loans and bonds	(596,715,120)	-	-	(596,715,120)
Proceeds from service concession arrangements	(188,169,587)	-	-	(188,169,587)
Finance lease repayments/(receipts)	(198,648,227)	-	(91,421,549)	(290,069,776)
<b>Net cash from financing activities</b>	<b>(983,532,934)</b>	<b>-</b>	<b>(91,421,549)</b>	<b>(1,074,954,483)</b>
<b>Net cash flow</b>				
Net increase/(decrease) in cash and cash equivalents	1,311,151,057	-	-	1,311,151,057
Cash and cash equivalents at the beginning of the year	1,081,561,706	-	-	1,081,561,706
<b>Cash flow at the end of the year</b>	<b>2,392,712,763</b>	<b>-</b>	<b>-</b>	<b>2,392,712,763</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>63. Prior period restatements (continued)</b>				
<b>Municipality</b>	As previously reported	Reclassi- fication	Correction of errors	Restated
<b>2018</b>				
<b>Statement of financial performance</b>				
<b>Revenue</b>				
Service charges	16,921,669,192	-	-	16,921,669,192
Rental of facilities and equipment	133,087,962	1,702,924	4,620,492	139,411,378
Interest received - outstanding consumer debtors	731,032,609	759,651	-	731,792,260
Licences and permits	52,325,465	-	-	52,325,465
Other income	795,337,402	(16,074,121)	6,343,492	785,606,773
Investment revenue	210,274,693	-	-	210,274,693
Gain on foreign exchange transactions	537,469	-	-	537,469
Property rates	6,761,720,009	-	-	6,761,720,009
Government grants, subsidies, awards and donations	6,438,423,343	-	15,496,386	6,453,919,729
Public contributions and donations	76,885,838	-	(64,042,687)	12,843,151
Fines, penalties and forfeits	214,536,078	13,611,546	2,761,925	230,909,549
Fair value adjustments	-	94,425,569	104,089	94,529,658
<b>Total revenue</b>	<b>32,335,830,060</b>	<b>94,425,569</b>	<b>(34,716,303)</b>	<b>32,395,539,326</b>
<b>Municipality</b>				
<b>2018</b>	As previously reported	Reclassi- fication	Correction of errors	Restated
<b>Expenditure</b>				
Employee-related costs	8,147,630,176	(21,040,070)	12,522,316	8,139,112,422
Remuneration of councillors	126,606,977	(2,821,049)	-	123,785,928
Depreciation and amortisation	1,807,045,707	-	126,150,405	1,933,196,112
Impairment loss/reversal of impairments	234,750,180	-	-	234,750,180
Finance cost	1,696,252,154	(9,939,416)	24,497,505	1,710,810,243
Debt impairment	1,712,997,942	-	-	1,712,997,942
Other materials	-	404,732,541	(35,534)	404,697,007
Bulk purchases	9,835,502,733	(32,736,975)	(3,172,908)	9,799,592,850
Contracted services	2,485,413,588	419,091,824	-	2,904,505,412
Transfers and subsidies	122,425,090	33,709,003	-	156,134,093
Loss on disposal of assets and liabilities	79,778,670	-	5,661,978	85,440,648
Fair value adjustments	92,859,788	8,198,182	(101,057,970)	-
General expenses	3,635,258,069	(790,995,858)	(98,136,410)	2,746,125,801
Loss on redemption fund	-	86,227,387	-	86,227,387
<b>Total expenditure</b>	<b>29,976,521,074</b>	<b>94,425,569</b>	<b>(33,570,618)</b>	<b>30,037,376,025</b>
<b>Surplus for the year</b>	<b>2,359,308,986</b>	<b>-</b>	<b>(1,145,685)</b>	<b>2,358,163,301</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>63. 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>2018</b>				
<b>Statement of financial position</b>				
<b>Current assets</b>				
Inventories	635,565,193	-	5,668,518	641,233,711
Investments	2,356,110,483	-	-	2,356,110,483
Other receivables: Exchange	1,205,551,815	-	(27,869,548)	1,177,682,267
Other receivables: Non-exchange	206,183,986	-	18,258,311	224,442,297
Consumer receivables: Exchange	3,205,059,363	-	-	3,205,059,363
Consumer receivables: Non-exchange	912,319,296	-	-	912,319,296
Long-term receivables: short-term portion	132,771,634	-	-	132,771,634
Redemption fund asset	468,779,692	-	-	468,779,692
Cash and bank	482,680,683	-	-	482,680,683
<b>Non-current assets</b>				
Investment property	828,889,079	-	-	828,889,079
Property, plant and equipment	36,128,996,908	449,654,816	128,798,813	36,707,450,537
Leased assets	553,521,560	(553,521,560)	-	-
Intangible assets	390,084,966	1,216,663	64,891,025	456,192,654
Heritage assets	3,484,251,610	-	-	3,484,251,610
Long-term receivables: long-term portion	41,039,269	-	-	41,039,269
Redemption fund	260,151,366	-	-	260,151,366
Interest rate swap asset	47,235,142	-	-	47,235,142
<b>Current liabilities</b>				
Loans and bonds	715,060,753	-	-	715,060,753
Lease liabilities	175,371,268	-	117,209,910	292,581,178
Payables from exchange transactions	7,129,150,731	-	14,956,984	7,144,107,715
VAT payable	2,219,564,782	-	(7,002,153)	2,212,562,629
Consumer deposits	516,053,782	-	-	516,053,782
Employee benefit obligation	307,179,298	(159,288,093)	-	147,891,205
Unspent grants and receipts	470,930,372	-	-	470,930,372
Service concession arrangements	235,749,104	-	-	235,749,104
<b>Non-current liabilities</b>				
Loans and bonds	10,138,570,319	-	-	10,138,570,319
Lease liabilities	406,402,707	-	287,525,353	693,928,060
Employee benefit obligation	1,523,823,760	159,288,093	-	1,683,111,853
Provisions	943,934,569	-	-	943,934,569
Interest rate swap liability	183,928,141	-	(101,162,058)	82,766,083
Service concession arrangements	1,265,561,458	-	-	1,265,561,458
Redemption fund	147,547,144	-	-	147,547,144
<b>Equity</b>				
Accumulated surplus	24,960,363,857	-	(57,485,485)	24,902,878,372

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>63. 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>2018</b>				
<b>Cash flow statement</b>				
<b>Cash generated from operations</b>				
Cash receipts from other revenue sources	2,877,562,212	-	30,358,966	2,907,921,178
Cash receipts from ratepayers and service charges	21,478,538,196	-	130,811,521	21,609,349,717
Grants: Operating	4,291,679,355	-	-	4,291,679,355
Grants: Capital	2,368,845,285	-	-	2,368,845,285
Interest income	204,880,952	-	5,393,741	210,274,693
Cash paid to employees	(8,274,237,153)	-	11,338,803	(8,262,898,350)
Cash paid to suppliers	(15,509,102,980)	-	(36,335,587)	(15,545,438,567)
Finance costs (interest paid)	(1,696,252,154)	-	(14,558,089)	(1,710,810,243)
Transfers and grants	(122,425,090)	-	(33,709,003)	(156,134,093)
<b>Net cash generated from operations</b>	<b>5,619,488,623</b>	<b>-</b>	<b>93,300,352</b>	<b>5,712,788,975</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(3,166,058,342)	-	(18,635,502)	(3,184,693,844)
Retirement/disposal of property, plant and equipment	-	105,837,990	-	105,837,990
Purchase/redemption of leased assets	900,299	-	(900,299)	-
Proceeds from sale of assets (including gain/(loss))	3,211,576	(105,837,990)	17,185,766	(85,440,648)
Retirement/disposal of investment property	-	-	471,229	471,229
Purchase of intangible assets	(35,290,210)	-	-	(35,290,210)
Transfer of functions between entities under common control	11,627,223	-	-	11,627,223
Increase/(decrease) in long-term receivables	(46,605,767)	-	-	(46,605,767)
Movement in financial assets	552,870,710	-	-	552,870,710
Capital contribution to redemption fund	(667,611,310)	-	1	(667,611,309)
<b>Net cash from investing activities</b>	<b>(3,346,955,821)</b>	<b>-</b>	<b>(1,878,805)</b>	<b>(3,348,834,626)</b>
<b>Cash flow from financing activities</b>				
Repayment of loans and bonds	(596,399,722)	-	2	(596,399,720)
Finance lease (repayments)/receipts	(198,648,227)	-	(91,421,549)	(290,069,776)
Proceeds from service concession arrangements	(188,169,587)	-	-	(188,169,587)
<b>Net cash from financing activities</b>	<b>(983,217,536)</b>	<b>-</b>	<b>(91,421,547)</b>	<b>(1,074,639,083)</b>
<b>Net cash flow</b>				
Net increase/(decrease) in cash and cash equivalents	1,289,315,266	-	-	1,289,315,266
Cash and cash equivalents at the beginning of the year	1,023,130,329	-	-	1,023,130,329
<b>Cash and cash equivalents at the end of the year</b>	<b>2,312,445,595</b>	<b>-</b>	<b>-</b>	<b>2,312,445,595</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 64. In-kind donations and assistance

2018/19:

The Municipality received the following in-kind donations and assistance during the 2018/19 financial year:

#### Emergency Services:

- # One 55 inch Skyworth Digital TV from Skyworth to the value of R6 999
- # Two soccer balls and twenty water bottles from Assupol to the value of R780
- # 9 Draw string bags to the value of R585
- # 9 Conference folders to the value of R1 540
- # 200 Personal alarms to the value of R30 000
- # 150 Conference bags to the value of R5 100
- # 10 Cocktail mixers to the value of R2 875.

#### Metro Police:

- # Scholar patrol equipment to the value of R40 000 from the Gauteng Department of Community Safety.

#### Health Services:

- # Health promotion TB leaflets to the value of R2 180 from Creative Harvest
- # A mobile clinic/trailer and double cab bakkie to the value of R976 944 by PPC)
- # 2 Mobile units/trailers fully equipped with medical equipment to the value of R1 953 888 by PPC.

The Municipality distributed the following in-kind donations and assistance during the 2018/19 financial year:

#### Emergency Services:

- # The division Business Operations Disaster Risk Management provided blankets and mattresses as well as plastic sheets and tents to various informal settlements to the value of R259 266
- # Free quotations rendered to the value of R465 340
- # Emergency Medical Operations gave assistance amounting to R153 184.

### 65. 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 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>65. 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.				
Operating lease payment	10,842,093	3,935,027	10,842,093	3,935,027
<b>Reconciliation - Machinery</b>				
Payable within a year	8,765,653	10,030,254	8,765,653	10,030,254
Payable within 2 to 5 years	3,165,803	16,107,279	3,165,803	16,107,279
	<b>11,931,456</b>	<b>26,137,533</b>	<b>11,931,456</b>	<b>26,137,533</b>
<b>Non-cancelable property leases</b>				
Payable within a year	1,434,169	4,082,372	-	-
Payable within 2 to 5 years	-	1,434,169	-	-
	<b>1,434,169</b>	<b>5,516,541</b>	<b>-</b>	<b>-</b>
<b>66. Rental Income straight lining</b>				
<b>Gross investment in the lease due</b>				
- within one year	9,919,207	11,337,015	9,919,207	11,337,015
- in second to fifth year inclusive	29,924,305	30,095,300	29,924,305	30,095,300
- later than five years	169,994,087	177,180,960	169,994,087	177,180,960
	<b>209,837,599</b>	<b>218,613,275</b>	<b>209,837,599</b>	<b>218,613,275</b>
<b>67. Change in estimate</b>				
<b>Property, plant and equipment</b>				
The useful life of all asset classes was reviewed and adjusted during 2018/19 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 10 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 2018/19 has decreased the depreciation charge for the current and future periods. The total number of assets affected was 1 298 383.				
TEDA:				
During 2018/19 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.				
Housing Company Tshwane (HCT):				
During 2018/19 HCT reviewed the useful life of its other fixed assets and furniture and fittings and revised it from 10 to 15 years and 15 to 18 years respectively. The effect of this revision has decreased the depreciation charges for the current and future periods by R72 696.50.				

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>67. Change in estimate (continued)</b>				
<b>Effect of change in estimates</b>				
Municipality: All asset classes	(48,954,900)	(61,289,092)	(48,954,900)	(61,289,092)
Housing Company Tshwane: Other assets	(72,697)	-	-	-
TEDA: Property, plant and equipment	-	(143,841)	-	-
	<b>(49,027,597)</b>	<b>(61,432,933)</b>	<b>(48,954,900)</b>	<b>(61,289,092)</b>

### 68. Distribution losses: Water

#### Non-revenue water (NRW) - kilolitre

Technical	89,944,459	70,962,559	89,944,459	70,962,559
Non-technical	22,486,115	17,740,640	22,486,115	17,740,640
	<b>112,430,574</b>	<b>88,703,199</b>	<b>112,430,574</b>	<b>88,703,199</b>

#### Non-revenue water (NRW) - Rand value

Technical	841,145,895	591,470,823	841,145,895	591,470,823
Non-technical	210,286,474	147,867,706	210,286,474	147,867,706
	<b>1,051,432,369</b>	<b>739,338,529</b>	<b>1,051,432,369</b>	<b>739,338,529</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 2018/19 financial year the NRW in the city was calculated at 112 430 574 kl (29.81% of the total input into the system). This indicates a deterioration of NRW in the city when compared to June 2018 when the NRW was 88 703 199 kl (27.89% of the total input into the system). The losses in R-value amount to R1 051 432 369 (2018 = R739 338 528). The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R9.351837 for 2018/19 and R8.334970 for 2017/18.

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 68. Distribution losses: Water (continued)

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.

### 69. Distribution losses: Electricity

#### Distribution loss: kWh

Technical	676,260,492	683,712,084	676,260,492	683,712,084
Non-technical	1,089,745,478	1,301,006,422	1,089,745,478	1,301,006,422
	<b>1,766,005,970</b>	<b>1,984,718,506</b>	<b>1,766,005,970</b>	<b>1,984,718,506</b>

#### Distribution loss: Rand value

Technical	557,877,100	525,214,233	557,877,100	525,214,233
Non-technical	898,979,098	999,407,654	898,979,098	999,407,654
	<b>1,456,856,198</b>	<b>1,524,621,887</b>	<b>1,456,856,198</b>	<b>1,524,621,887</b>

#### 2018/19:

The electricity distribution loss for the 2018/19 financial year is calculated at 1 766 005 970 kWh (18.28 % 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.

#### 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.

#### 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 2018/19 financial year the value of non-technical losses amounts to R898 979 098 or 1 089 745 478 kWh based on the cost per unit purchased, namely 82.49 c/kWh.

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.

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 2018/19 financial year the value of technical loss amounts to R557 877 100 or 66 260 492 kWh based on the cost per unit purchased, namely 82.49 c/kWh.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 69. Distribution losses: Electricity (continued)

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.

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.

### 70. 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%.

#### 2018/19 financial year

The following revenue and expenditure line items showed a material variance for the year ending 30 June 2019 against the adjustments budget:

#### Other own revenue category:

- Government grants and subsidies (operational) - (4.97% under) - a few grants have not yet been spend up to June 2019 for example HSDG R210 million.
- Government grants and subsidies (capital) - (11.0% under) - under spending on grants due to slow SCM processes.
- Rental of facilities and equipment (9.7% under) - this line item is based on demand from users of the facilities and equipment.
- Interest on external investments (120.9% over) - increase in interest earned due to increase in investments held.
- Interest on outstanding debtors (12.5% over) - over recovery is due to an increase in levying of interest on long overdue accounts.
- Other revenue (303.2% over) - over-recovery is mostly due to the creation of a debtor for the recoverable UIFW in terms of Council resolution of 25 April 2019 and 25 July 2019. The huge increase was counteracted by under recovery on replacement of meters, transport fees, market fees, approval of advertisement signs, reminder fees and building plan fees.
- Licenses and permits (12.3% under) - under recovery is due to the number of licenses renewed and permit applications not realising as anticipated.
- Gain on disposal of property, plant and equipment (100.0% over) - it is not possible to budget for gains and losses.

#### Expenditure category:

- Employee-related cost (5,5% under) - due to savings in respect of vacancies.
- Debt impairment (19.1% over) - over expenditure is due to adequacy testing at the end of the financial year which indicated an increase in the impairment as well as the impairment of the debtor created for recoverable irregular expenditure.
- Transfers and grants (11.9% under) - this is due to payments for DSA NPO support which did not realise.
- Depreciation (7.6% over) - review of useful lives of assets and other entries relating to depreciation only happens at year-end.
- Other expenditure (13.9% under) - due to the fact that not all of the expenses budgeted realised as anticipated.
- Contracted services (14.4% under) - due to contracted services not realising as planned and slow SCM processes.
- Other materials (14.7% under) - due to expenditure which did not realise as anticipated and slow SCM processes.

#### Capital expenditure:

- The capital expenditure shows a 84,0% spending level against the total budget for the period ending 30 June 2019 as various capital projects did not start or the expenditure on the work was slow.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 70. Budget differences (continued)

#### Changes from the approved budget to the final budget (municipality only)

The adjustment budget was approved by Council on 28 February 2019.

The mid-year budget review report approved by the Council on 28 February 2019 indicated the necessity for an adjustments budget for the 2018/19 financial year for, inter alia, the following:

- To address the impending shortfall on revenue.
- To adjust expenditure in line with anticipated revenue to be realised.
- To authorise the utilisation of projected savings in one vote towards spending under another vote.
- To appropriate roll-over grants that were approved during the financial year.
- To appropriate additional grant funding that have been received.
- Reprioritization to accommodate shortfall on certain items.
- Re-alignment of material over and under spending in terms of the Personnel Cost Plan (PCP).

The Council approved the 2018/19 Original Revenue Budget to the amount of R32 530 206 897 which was increased by R460 984 157 to R32 991 191 054 (increase of 1.4%). Furthermore, the total expenditure of R32 416 976 797 was increased by an amount of R510 956 974 to R32 927 933 771 (increase of 1.6%). As a result the budgeted surplus (before capital transfers) of R113 230 101 was decreased to R63 257 283 surplus, indicating that contractual obligations compromised the downscaling of expenditure.

The original capital budget was approved for an amount of R4 023 015 060. During the adjustment budget process an additional amount of R10 872 806 were approved and the final capital budget for 2018/19 amounts to R4 033 887 866.

### 71. 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.

### 72. 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.

### 73. 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 where after 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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>74. Financial instruments disclosure</b>				
<b>Categories of financial instruments</b>				
<b>Group - 2019</b>				
<b>Financial assets</b>				
	At fair value		At amortised cost	Total
Investments	-		3,627,053,125	3,627,053,125
Other receivables	-		1,581,799,397	1,581,799,397
Consumer receivables	-		3,572,616,162	3,572,616,162
Cash and bank	-		334,174,924	334,174,924
Interest rate swap asset	-		-	-
Long-term receivables	-		155,087,702	155,087,702
Redemption fund asset	1,172,713,805		-	1,172,713,805
	<b>1,172,713,805</b>		<b>9,270,731,310</b>	<b>10,443,445,115</b>
<b>Financial liabilities</b>				
	At fair value		At amortised cost	Total
Retention creditors	-		564,591,426	564,591,426
Payables from exchange transactions	-		5,067,938,478	5,067,938,478
Consumer deposits	-		558,775,597	558,775,597
Loans and bonds: term loans, bonds	-		4,995,152,802	4,995,152,802
Loans and bonds: interest rate swaps	-		6,575,078,615	6,575,078,615
Interest rate swap liability	219,999,785		-	219,999,785
Service concession arrangement	-		1,525,690,370	1,525,690,370
Redemption fund liability	-		-	-
Lease liability	-		837,979,784	837,979,784
	<b>219,999,785</b>		<b>20,125,207,072</b>	<b>20,345,206,857</b>
<b>Group - 2018</b>				
<b>Financial assets</b>				
	At fair value		At amortised cost	Total
Investments	-		2,356,562,644	2,356,562,644
Other receivables	-		1,125,526,994	1,125,526,994
Consumer receivables	-		2,817,949,249	2,817,949,249
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
Redemption fund asset	728,931,058		-	728,931,058
	<b>776,166,200</b>		<b>7,036,345,480</b>	<b>7,812,511,680</b>
<b>Financial liabilities</b>				
	At fair value		At amortised cost	Total
Retention creditors	-		478,155,541	478,155,541
Payables from exchange transactions	-		6,603,774,913	6,603,774,913
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	82,766,083		-	82,766,083
Service concession arrangement	-		1,501,310,562	1,501,310,562
Redemption fund liability	147,547,144		-	147,547,144
Lease liability	-		986,509,239	986,509,239
	<b>230,313,227</b>		<b>20,940,978,214</b>	<b>21,171,291,441</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>74. Financial instruments disclosure (continued)</b>				
<b>Municipality - 2019</b>				
<b>Financial assets</b>				
	At fair value		At amortised cost	Total
Investments	-		3,619,286,445	3,619,286,445
Other receivables	-		1,491,672,817	1,491,672,817
Consumer receivables	-		3,572,616,162	3,572,616,162
Cash and bank	-		264,614,429	264,614,429
Interest rate swap asset	-		-	-
Long-term receivables	-		155,087,702	155,087,702
Redemption fund asset	1,172,713,805		-	1,172,713,805
	<b>1,172,713,805</b>		<b>9,103,277,555</b>	<b>10,275,991,360</b>
<b>Financial liabilities</b>				
	At fair value		At amortised cost	Total
Retention creditors	-		557,957,024	557,957,024
Payables from exchange transactions	-		5,038,645,845	5,038,645,845
Consumer deposits	-		558,775,597	558,775,597
Loans and bonds: term loans, bonds	-		4,995,151,802	4,995,151,802
Loans and bonds: interest rate swaps	-		6,575,078,615	6,575,078,615
Interest rate swap liability	219,999,785		-	219,999,785
Service concession arrangement	-		1,525,690,370	1,525,690,370
Redemption fund liability	-		-	-
Lease liability	-		837,979,784	837,979,784
	<b>219,999,785</b>		<b>20,089,279,037</b>	<b>20,309,278,822</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	-		1,124,064,893	1,124,064,893
Consumer receivables	-		2,817,949,249	2,817,949,249
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
Redemption fund asset	728,931,058		-	728,931,058
	<b>776,166,200</b>		<b>6,954,616,211</b>	<b>7,730,782,411</b>
<b>Financial liabilities</b>				
	At fair value		At amortised cost	Total
Retention creditors	-		475,666,929	475,666,929
Payables from exchange transactions	-		4,924,663,172	4,924,663,172
Consumer deposits	-		516,053,782	516,053,782
Loans and bonds: term loans, bonds	-		5,278,552,457	5,278,552,457
Loans and bonds: interest rate swaps	-		5,575,078,615	5,575,078,615
Interest rate swap liability	83,766,083		-	83,766,083
Service concession arrangement	-		1,501,310,562	1,501,310,562
Redemption fund liability	147,547,144		-	147,547,144
Lease liability	-		986,509,239	986,509,239
	<b>231,313,227</b>		<b>19,257,834,756</b>	<b>19,489,147,983</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 74. Financial instruments disclosure (continued)

#### Disclosure note amounts compared to financial instruments disclosure and financial instruments: risks involved disclosure

The disclosure in note 74 and note 75 will differ from what is disclosed in the statement of financial position due to the definitions and requirements of GRAP 104 as not all line items on the statement of financial position constitute a financial instrument as per the definitions of GRAP 104. For example consumer receivables, other receivables and payables from exchange transactions consist of items that do not meet the definition of a financial instrument and these items are therefore excluded in the aforementioned notes.

### 75. Financial instruments: Risks involved

#### Risks

In running its operations the city is exposed to variety of financial risks: market, liquidity, credit and interest rate risks. Section 62. (1)(c)(i) Of MFMA states that the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control in response to this the City adopted National Treasury Public Sector Risk Management Framework and is committed to the effective management of the risks. The process is called risk monitoring and control. It involves monitoring the identified risks including the above mentioned financial risks, identifying new risks, and evaluating the overall effectiveness of the risk management plan in reducing the risks.

The Group Financial Services is committed to the effective management of the financial risks, with Treasury office responsible for management of market, liquidity, and interest rate risks. The Revenue office is responsible for credit risk management.

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.

#### Financing risk

Financing risk refers to the City's inability to control its monetary policy and defaulting on bonds or other debt issues. Borrowings could become more difficult or more costly in the future.

The City's targeted weighted average cost of borrowing for the MTERF is set at 11,5% per annum and as per the June 2018 audited annual financial statements, the result was 10, 58% meaning that the City is managing its cost of borrowing prudently.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will be negatively affected by the adverse changes in interest rates.

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 City has significant exposure to interest rate risk due to the volatility in South African interest rates, fluctuations in interest rates on bonds issued and short-term investment will impact the City's cash flow negatively.

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.

Mitigation factors -

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

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

The City has adopted smoothing, maintaining a balance between fixed interest rates and floating interest rates on different instruments. The city also uses Interest rate swap to manage the risk –

Variable rate loans : R6 230 460 474 (2018 = R6 174 605 594) and  
Fixed rate loans: R5 339 769 946 (2018 = R4 679 025 479)

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:

#### Year ended 30 June 2019 - 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	3,623,910,758	3,142,367	16.45	24.75			3,627,053,125
Long-term receivables:							
Housing loans		10,990,612	13.87	30.00			10,990,612
Sport club loans		1,004,151	11.99	10.00			1,004,151
Sale of land		73,701,316	11.09	5.00			73,701,316
Arrangement debtors		699,444	10.50		146,120,166		146,819,610
Trade receivables:							
Consumer		6,212,849,238	10.50	1.00	2,457,735,695		8,670,584,933
Other					4,795,808,348		4,795,808,348
Cash and bank		334,174,924					334,174,924
Interest rate swap asset							
Redemption fund asset	1,172,713,805						1,172,713,805
<b>Total financial assets</b>	<b>4,796,624,563</b>	<b>6,636,562,052</b>			<b>7,399,664,209</b>		<b>18,832,850,824</b>
<b>Liabilities</b>							
Interest bearing borrowings	1,779,084,275	3,216,068,527	10.37	5.70			4,995,152,802
Interest rate swaps (notional amounts)	890,312,448	5,684,766,167	9.75	11.80			6,575,078,615
Lease liabilities		837,979,784					837,979,784
Trade payables:							
Creditors					5,067,938,478	0.08	5,067,938,478
Retention					564,591,426	1.00	564,591,426
Consumer deposits					558,775,597		558,775,597
Service concession arrangements					1,501,310,562		1,501,310,562
Interest rate swap liability		219,999,785					219,999,785
Redemption fund liability							
<b>Total financial liabilities</b>	<b>2,669,396,723</b>	<b>9,958,814,263</b>			<b>7,692,616,063</b>		<b>20,320,827,049</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

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

#### Year ended 30 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 Years	Amount	Weighted average period until maturity Years	
	R	R			R		R
<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
Loans to sport clubs		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					1,521,788,467		1,521,788,467
Cash and bank		562,495,690					562,495,690
Interest rate swap asset	47,235,142						47,235,142
Redemption 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>3,568,153,022</b>		<b>13,614,583,313</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		986,509,239					986,509,239
Trade payables:							
Creditors					6,603,774,913	0.08	6,603,774,913
Retention					478,155,541	1.00	478,155,541
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		82,766,083					82,766,083
Redemption fund liability	147,547,144						147,547,144
<b>Total financial liabilities</b>	<b>1,675,720,000</b>	<b>10,396,276,643</b>			<b>9,099,294,798</b>		<b>21,171,291,441</b>

#### 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.

\* See Note 63



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

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

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

The interest rate swap liability of 30 June 2018 has been restated with an amount of R101 057 970 (decrease) due to duplication of swaps. Therefore the estimated fair value gain/(loss) has also been restated.

	Fair value R	Estimated fair value gain/(loss) R
<b>30 June 2019</b>		
Non-current assets: interest rate swap asset	-	(47,235,142)
Non-current liability: interest rate swap liability	(219,999,785)	(137,233,702)
	<b>(219,999,785)</b>	<b>(184,468,844)</b>
	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	(82,870,171)	60,229,900
	<b>(35,635,029)</b>	<b>88,721,885</b>

### Redemption fund

The redemption 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 7.

	Fair value R	Estimated fair value gain/(loss) R
<b>30 June 2019</b>		
Assets: other financial assets - redemption fund	1,172,713,805	443,782,747
Liability: other financial assets - redemption fund	-	147,547,144
	<b>1,172,713,805</b>	<b>591,329,891</b>
	Fair value R	Estimated fair value gain/(loss) R
<b>30 June 2018</b>		
Assets: other financial assets - redemption fund	728,931,058	22,607,267
Liability: other financial assets - redemption fund	(147,547,144)	(108,834,654)
	<b>581,383,914</b>	<b>(86,227,387)</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 75. 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 rating

As an issuer of long and short term debt instruments to banks and institutional investors in the Debt Capital Market, the City has to undergo independent credit rating assessments, to determine its creditworthiness and its financial ability to make more debt issuances and to repay them.

The City has appointed Moody's Investors Service, an approved credit rating agency to perform credit rating assignments on the City's credit profile and issue credit rating opinions, in terms of the Financial Sector Conduct Authority regulations.

The December 2018 credit rating opinion of the City in terms of the national scale ratings (NSR) South Africa was 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 high likelihood of maintaining the status quo in the medium term. A long term rating of Aa2.za demonstrates a very strong creditworthiness relative to other domestic issuers of debt and a short term rating of P-1.za signifies the strongest ability to repay short term unsecured debt obligations relative to other domestic issuers.

#### Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by defaulting. The defaulting Consumer receivables on exchange transactions exposes the City to credit risk. The credit risk is very limited due to the nature of the municipality's business and its reliance on government grant as the main source of security funding.

The city have an effective Credit Control and Debt Collection Policy to manage the exposure to risk as a result of defaulting customers. Credit control are those managerial, administration and accounting policies the City applies to keep the exposure at the sustainable level while Debt collection are the actual remedies the City takes to enforce the collection of the amounts due and payable to the municipality.

Financial assets, which potentially subject the group 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 group'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 group'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 group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

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

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 2019	30 June 2018
Consumer receivables:		
Household	42	51
Industrial/Commercial	20	18
National and provincial government	3	2
Other consumer receivables	3	2
Long-term receivables	1	9
Sundry receivables	31	18
	<b>100</b>	<b>100</b>

#### Liquidity risk

The risk that the city may encounter difficulties in raising sufficient funds in meeting its obligations and commitments that are due and payable within 12 months. Availability of adequate resources to meet the City's obligations in the needs of its capital and operating expenditure, creditors at large including employees is critical for the city to continue as a going concern of which cannot be compromised.

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.

The City through the Treasury office manages this risk. The City established the redemption fund as a major safeguard towards the risk. The redemption fund is a financial solution to assist the City to meet its financial obligations. The fund was previously managed by a 3rd party of which this ceased as at February 2019 thus currently the fund is not managed by the latter but instead operated by a financial institution.

Other mitigating factors -

The City has also adopted the National Treasury Financial Sustainability Plan (FSP). The FSP will be embedded in the culture of the City and all future plans must be built around this substance plan. The FSP is a tool used to avoid, identify and resolve financial problems by restructuring of the budget, implementing the revenue enhancement initiatives and commitment to stringent expenditure controls particularly on non-essentials and non-revenue generating activities.

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 2020 R	30 June 2021 R	30 June 2022 R
External funding (borrowing): capital expenditure	1,500,000,000	1,300,000,000	1,300,000,000
Grant funding: capital expenditure	2,272,795,267	2,339,245,930	2,505,561,440

#### 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.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market factors. The cornerstones of market risks are currency risk, interest rate risk and price risk. Market risk cannot simply be eliminated through diversification, though it can be hedged against in other ways.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

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

The city applies the following mitigation factors to market risk-

The City investments are diversified amongst the well-established financial institutions. The City abides by National Treasury's investment regulations and the City's Investment policy. Please note that the city is not exposed to currency risk as it does not have foreign investments

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.

#### 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.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

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

Year ended	Fair value	Carrying amount
	R	R
<b>30 June 2019</b>		
<b>Liabilities</b>		
Interest rate swaps	219,999,785	219,999,785
<b>30 June 2018</b>		
<b>Liabilities</b>		
Interest rate swaps	82,766,083	82,766,083

#### 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 19, and 20 and cash and cash equivalents disclosed in Note 9, 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.

The gearing ratio at 30 June 2019 and 30 June 2018 respectively were as follows:

<b>Total borrowings</b>					
Finance lease obligation	20	837,979,785	581,773,975	837,979,785	581,773,975
Loans and bonds	19	11,570,231,417	10,855,174,177	11,570,230,417	10,853,631,072
		<b>12,408,211,202</b>	<b>11,436,948,152</b>	<b>12,408,210,202</b>	<b>11,435,405,047</b>
Less: Cash and cash equivalents	9	334,174,924	562,495,690	264,614,429	482,680,683
Net debt		12,074,036,278	10,874,452,462	12,143,595,773	10,952,724,364
Total equity		28,589,746,470	25,116,961,149	28,313,577,309	24,960,363,857
<b>Total capital</b>		<b>40,663,782,748</b>	<b>35,991,413,611</b>	<b>40,457,173,082</b>	<b>35,913,088,221</b>

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2019	2018 Restated* R	2019	2018 Restated*

### 76. Transfer of functions between entities under common control

#### Transfer of functions between entities under common control occurring during 2017/18

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 must 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.

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 where after 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 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; and
- \* The consultation phase entails informing all communities involved, clients, and employees of Sandspruit Works Association and service providers on the disestablishment.

The transfer of function took place during the 2017/18 financial year as the balances were taken over on 1 July 2017.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*
<b>76. Transfer of functions between entities under common control (continued)</b>				
<b>Value of the assets acquired and liabilities assumed</b>				
<b>Assets acquired</b>				
Property plant and equipment	599,976	7,889,724	599,976	7,889,724
Inventory	-	3,636,374	-	3,636,374
Receivables from exchange transactions	(39,001,794)	885,401,363	(39,001,794)	885,401,363
Receivables from non-exchange transactions	(170,148,968)	648,011,564	(170,148,968)	648,011,564
Deposits rental	(157,189)	157,189	(157,189)	157,189
Cash and cash equivalents	-	11,627,223	-	11,627,223
	<b>(208,707,975)</b>	<b>1,556,723,437</b>	<b>(208,707,975)</b>	<b>1,556,723,437</b>
<b>Liabilities assumed</b>				
Inventory (provision for obsolete stock)	-	171,563	-	171,563
Tshwane operation loss account (creditor)	-	34,298,530	-	34,298,530
Tshwane water purchases (creditor)	(15,739,610)	609,832,440	(15,739,610)	609,832,440
Sundry creditors and accruals	(957,585)	1,031,343	(957,585)	1,031,343
Consumer deposits	(322,190)	4,008,266	(322,190)	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	(11,272)	11,272
VAT	-	-	-	9,369,958
Provision - bonus	-	-	-	2,035,094
Provision - leave pay	-	-	-	9,638,620
Operating lease liability	-	-	(11,272)	11,272
	<b>(17,030,657)</b>	<b>1,532,867,043</b>	<b>(17,041,929)</b>	<b>1,553,921,987</b>
Difference between the carrying amounts of the assets acquired, the liabilities assumed	(191,677,318)	23,856,394	(191,666,046)	23,856,394
<b>Net cash inflow (outflow) on transfer of function</b>				
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.

### Transactions recognised separately from the transfer of functions

None.

\* See Note 63

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2019	2018 Restated* R	2019	2018 Restated*

### 76. Transfer of functions between entities under common control (continued)

#### 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.

All the balances as per the annual financial statements of Sandspruit Works Association were taken over on 1 July 2017, however a number of the take-on balances could not be cleared during the 2017/18 or 2018/19 financial year. A report was submitted to Council to obtain approval for the write-off of all these unresolved balances and differences that occurred during the take-over of all the functions. The net amount of these unresolved balances and differences amounted to R191 677 318 and Council approved the write-off of this loss on 28 March 2019. The amount of R191 677 318 has been accounted for in the statement of changes in net assets as per the guideline on GRAP105: Transfer of functions between entities under common control.

### 77. Jointly controlled operations

On the 5<sup>th</sup> of December 2015 City of Tshwane entered into an agreement with EON Reality Inc. to establish an Interactive Digital Centre Hub in the city. This agreement was for a three year period and could be renewed for a further 2 years pending the City of Tshwane's approval. Both parties, EON Reality Inc. and the City of Tshwane jointly control the Interactive Digital Centre Hub and the payment structure outlines that both the City of Tshwane and EON Reality Inc. contribute 50% each towards the acquiring of equipment and other resources and/or assets to establish the IDC Hub, however the ownership structure as per the agreements states that City of Tshwane owns 100% of Interactive Digital Centre Hub infrastructure. Contribution obligations were outlined as a cash contribution by the City of Tshwane of \$6 582 511 (R74 342 879, 23) and asset donations to the same value by EON Reality Inc.

The City of Tshwane paid an amount of R74 000 000 on 6 August 2015. Assets to the value of R64 460 021, 93 were verified to have been received at the Interactive Digital Centre Hub at Tshwane Leadership Management Academy on 4 April 2016 delivered by EON Reality Inc. whilst an amount of R2 377 073,71 was expensed.

A Debtor was raised to the amount of R7 162 904,36 owed by EON Reality Inc. pending the delivery of the remaining promised assets. Assets were capitalised at cost and depreciated accordingly at their respective useful lives. Depreciation for the year amounted to R15 080 302,35 (2018: R13 731 351,55) and the carrying amount of Interactive Digital Centre Hub assets amounted to R0 (2018:R4 121 794,10) for property, plant and equipment and R26 459 192,42 (2018: R16 849 634, 97) for intangible assets.

\* See Note 63



**Appendix A**  
**Supplementary unaudited information**

**Schedule of external loans as at 30 June 2019**

Interest rate (%)	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written-off during the period	Amortised value	Balance at 30 June 2019	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	50,000,000	-	50,000,000	-	-
DBSA: Floating rate	Variable	2019.10.31	80,017,110	-	-	4,092	80,021,202
Housing Company: National Housing Finance Corporation	14.00	2011.10.31	1,542,105	-	1,542,105	-	-
TEDA			1,000	-	-	-	1,000
DBSA: Bullet repayment loan	Jibar +2.5 margin	2034.06.30	1,600,000,000	-	-	-	1,600,000,000
DBSA: Bullet repayment loan	Jibar + 2.5 margin	2035.06.30	1,500,000,000	-	-	-	1,500,000,000
Nedbank: Bullet repayment loan	11.44%	2026.06.24	1,200,000,000	-	-	1,169,753	1,201,169,753
Nedbank Bullet repayment loan	Jibar	2029.06.30	-	500,000,000	-	1,292,193	501,292,193
			<b>4,431,560,215</b>	<b>500,000,000</b>	<b>51,542,105</b>	<b>2,466,038</b>	<b>4,882,484,148</b>
							<b>5,717,351,542</b>
<b>ANNUITY LOANS:</b>							
DBSA	13.5	2018.04.30	19,582,467	-	19,582,467	-	-
DBSA (Restructuring)	10.97	2018.12.31	37,399,769	-	35,459,268	(1,940,501)	-
INCA	11.03	2019.06.30	2,561,797	-	2,561,797	-	-
INCA	9.52	2020.03.31	51,356,915	-	23,919,214	(567,718)	26,869,983
INCA	11.01	2020.06.30	12,067,429	-	5,494,092	120,353	6,693,690
DBSA	9.36	2020.12.31	92,531,482	-	26,816,189	(1,252,857)	64,462,436
INCA	10.92	2020.12.31	29,278,758	-	10,679,006	(46,144)	18,553,608
INCA	10.81	2021.06.30	27,299,859	-	8,314,148	(249,180)	18,736,531
DBSA	5.0	2021.12.31	30,959,976	-	8,104,093	(202,241)	22,653,642
DBSA	9.84	2021.12.31	155,121,257	-	37,302,431	(1,833,004)	115,985,822
Ivuzi	8.74	2021.12.31	71,616,895	-	18,313,996	-	53,302,899
DBSA	6.25	2028.06.30	69,154,812	-	4,687,063	(146,775)	64,320,974
DBSA	12.81	2028.06.30	168,998,296	-	7,843,679	(506,467)	160,648,150
DBSA	11.32	2028.06.30	166,750,738	-	7,794,470	(445,239)	158,511,029
ABSA Roodeplaat Temba	12.5	2021.03.31	94,936,005	-	25,945,220	(4,429,957)	64,560,828
DBSA Roodeplaat Temba	11.99	2021.03.31	46,547,264	-	13,281,767	(407,069)	32,858,428
Nedbank Roodeplaat Temba	12.51	2021.03.31	62,771,164	-	17,817,068	(579,580)	44,374,516
DBSA TIP	6.75	2029.06.30	112,671,589	-	6,531,192	(221,165)	105,919,232
Nedbank	9.27	2020.05.18	121,520,117	-	47,425,319	(21,500,601)	52,594,197
Nedbank	9.32	2020.06.16	122,189,759	-	47,426,936	(22,569,730)	52,193,093
Standard Bank	7.72	2026.06.30	672,086,622	-	63,121,783	142,199	609,107,038
ABSA Roodeplaat Temba	Jibar	30.06.2027	941,742,441	-	71,440,576	2,190,329	872,492,194
ABSA	Jibar	2029.06.30	-	1,000,000,000	-	-	1,000,000,000
Nedbank	Jibar	2029.06.29	393,395,439	-	63,927,655	11,287,657	340,755,441
Nedbank	Jibar	2025.12.01	222,782,961	-	35,976,553	6,587,348	193,393,756
iVuzi (Firststrand bank)	Jibar	2022.06.30	210,526,316	-	52,631,579	-	157,894,737
iVuzi (Firststrand bank)	Jibar	2027.12.01	310,344,826	-	34,482,759	(2,955,117)	272,906,950
			<b>4,246,194,953</b>	<b>1,000,000,000</b>	<b>696,880,320</b>	<b>(39,525,459)</b>	<b>4,509,789,174</b>
							<b>5,280,929,665</b>

Appendix A  
Supplementary unaudited information

Schedule of external loans as at 30 June 2019

Interest rate (%)	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written-off during the period	Amortised value	Balance at 30 June 2019	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	-	-	(8,334,827)	565,593,063	662,305,281
CoT2: Standard Bank	9.11	2023.04.02	848,437,142	-	-	-	848,437,142	993,513,599
CoT3: Standard Bank	9.46	2028.06.05	755,053,973	-	-	8,873,917	763,927,890	894,553,891
			<b>2,177,419,005</b>	<b>-</b>	<b>-</b>	<b>539,090</b>	<b>2,177,958,095</b>	<b>2,550,372,771</b>
			<b>10,855,174,173</b>	<b>1,500,000,000</b>	<b>748,422,425</b>	<b>(36,520,331)</b>	<b>11,570,231,417</b>	<b>13,548,653,978</b>
<b>FINANCE LEASES</b>								
Super Group	Variable *		119,447,917	30,451,543	38,298,996	12,689,708	124,290,172	117,853,820
Talis Fleetmatics	Variable *		396,083,310	48,155,877	138,326,511	38,525,504	344,438,180	314,587,686
Moipone	Variable *		470,978,012	-	144,946,593	43,220,013	369,251,432	341,686,656
			<b>986,509,239</b>	<b>78,607,420</b>	<b>321,572,100</b>	<b>94,435,225</b>	<b>837,979,784</b>	<b>774,128,162</b>

City of Tshwane Metropolitan Municipality  
Appendix B (supplementary unaudited information)

Analysis of property, plant and equipment as at 30 June 2019 (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>Infrastructure</b>													
Electricity	7,186,939,377	77,094,077	(18,649,460)	4,552,166	(611,695)	<b>7,249,324,465</b>	(2,259,909,463)	(247,903,942)	(887,573)	10,124,106	-	<b>(2,498,576,872)</b>	4,750,747,593
Information & communication	1,010,803,595	6,724,351	(82,002)	-	(162,197)	<b>1,017,283,747</b>	(618,175,340)	(102,843,962)	-	44,070	136,473	<b>(720,838,759)</b>	296,444,988
Rail	2,777,916	-	-	-	-	<b>2,777,916</b>	-	-	-	-	-	-	2,777,916
Roads	9,533,725,473	132,379,390	-	332,703,957	-	<b>9,998,808,820</b>	(3,165,483,046)	(344,795,290)	-	-	-	<b>(3,510,278,336)</b>	6,488,530,484
Sanitation	3,975,103,144	14,488,659	-	70,078,478	(1,537)	<b>4,059,668,744</b>	(1,107,581,635)	(127,632,564)	(13,053,102)	-	1,249	<b>(1,248,266,052)</b>	2,811,402,692
Solid waste	52,059,622	-	(122,593)	225,402	-	<b>52,162,431</b>	(11,126,046)	(1,482,577)	-	117,350	-	<b>(12,491,273)</b>	39,671,158
Storm water	2,128,553,561	9,678,315	-	73,765,322	-	<b>2,211,997,198</b>	(529,418,271)	(74,853,779)	-	-	-	<b>(604,272,050)</b>	1,607,725,148
Water supply	5,060,980,178	127,826,314	(68,007,337)	19,879,580	(185,128)	<b>5,140,493,607</b>	(1,517,457,101)	(175,991,236)	(694,745)	15,186,980	177,359	<b>(1,678,778,743)</b>	3,461,714,864
Assets under construction	7,669,258,986	2,565,519,564	(1,154,565)	(508,122,337)	611,695	<b>9,726,113,343</b>	(125,274,899)	(1,236)	(33,472,656)	-	-	<b>(158,748,791)</b>	9,567,364,552
	<b>36,620,201,852</b>	<b>2,933,710,670</b>	<b>(88,015,957)</b>	<b>(6,917,432)</b>	<b>(348,862)</b>	<b>39,458,630,271</b>	<b>(9,334,425,801)</b>	<b>1,075,504,586</b>	<b>(48,108,076)</b>	<b>25,472,506</b>	<b>315,081</b>	<b>(10,432,250,876)</b>	<b>29,026,379,395</b>
<b>Other property, plant and equipment</b>													
Computer equipment	428,231,360	15,451,445	(1,236,394)	-	295,480	<b>442,741,891</b>	(338,927,245)	(43,441,082)	-	961,866	(88,155)	<b>(381,494,616)</b>	61,247,275
Community assets	4,380,627,986	17,925,997	(85,633)	2,645,758	(47,736,861)	<b>4,353,377,247</b>	(1,305,159,310)	(154,855,762)	(3,244,865)	34,401	-	<b>(1,463,225,536)</b>	2,890,151,711
Community assets: AUC	272,499,330	127,679,579	-	(23,945,521)	1	<b>376,233,389</b>	(2,230,048)	(933,659)	-	-	-	<b>(3,163,707)</b>	373,069,682
Community: service concession	380,329,129	-	-	-	-	<b>380,329,129</b>	-	-	-	-	-	-	380,329,129
Furniture and office equipment	306,959,388	4,632,419	(103,290)	-	197,270	<b>311,685,787</b>	(221,737,432)	(20,925,959)	-	93,152	(46,348)	<b>(242,616,587)</b>	69,069,200
Libraries	298,094,074	6,923,880	(4,552,415)	-	-	<b>300,465,539</b>	(225,865,396)	(18,023,335)	-	3,846,442	-	<b>(240,042,289)</b>	60,423,250
Machinery & equipment	583,374,498	28,032,545	(1,655,536)	104,042	(4,114,909)	<b>605,740,640</b>	(365,423,934)	(55,456,124)	-	1,494,891	2,440,917	<b>(416,944,250)</b>	188,796,390
Transport assets	901,711,568	-	(19,564,931)	33,710,399	4,028,859	<b>919,885,895</b>	(431,756,337)	(99,866,742)	-	19,262,386	(2,665,648)	<b>(515,026,341)</b>	404,859,554
Other assets	1,978,221,198	38,054,397	(2,005,722)	28,409,688	(57,837)	<b>2,042,621,724</b>	(613,067,617)	(29,110,310)	(196,596)	82,444	44,153	<b>(642,247,926)</b>	1,400,373,798
Tshwane House	1,129,911,631	-	-	-	-	<b>1,129,911,631</b>	(43,941,008)	(37,664,318)	-	-	-	<b>(81,605,326)</b>	1,048,306,305
Rehabilitation assets	563,985,483	7,665,366	-	-	-	<b>571,650,849</b>	(478,964,328)	(17,342,183)	-	-	-	<b>(496,306,511)</b>	75,344,338
Leased assets	1,209,990,268	78,607,420	(4,694,614)	-	-	<b>1,283,903,074</b>	(264,496,022)	(247,365,573)	-	2,086,684	-	<b>(509,774,911)</b>	774,128,163
Assets under construction	1,300,779,656	311,861,270	-	(42,786,901)	(1)	<b>1,569,854,024</b>	(46,287,448)	-	-	-	-	<b>(46,287,448)</b>	1,523,566,576
	<b>13,734,715,569</b>	<b>636,834,318</b>	<b>(33,898,535)</b>	<b>(1,862,535)</b>	<b>(47,387,998)</b>	<b>14,288,400,819</b>	<b>(4,337,856,125)</b>	<b>(724,985,047)</b>	<b>(3,441,461)</b>	<b>27,862,266</b>	<b>(315,081)</b>	<b>(5,038,735,448)</b>	<b>9,249,665,371</b>
<b>Biological assets</b>													
Game (livestock)	24,815,042	-	-	(13,030,504)	-	<b>11,784,538</b>	-	-	-	-	-	-	11,784,538
	<b>24,815,042</b>	<b>-</b>	<b>-</b>	<b>(13,030,504)</b>	<b>-</b>	<b>11,784,538</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,784,538</b>

City of Tshwane Metropolitan Municipality  
Appendix B (supplementary unaudited information)

Analysis of property, plant and equipment as at 30 June 2019 (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>Total property plant and equipment</b>	<b>50,379,732,463</b>	<b>3,570,544,988</b>	<b>(121,914,492)</b>	<b>(21,810,471)</b>	<b>(47,736,860)</b>	<b>53,758,815,628</b>	<b>(13,672,281,926)</b>	<b>1,800,489,633</b>	<b>(51,549,537)</b>	<b>53,334,772</b>	<b>-</b>	<b>(15,470,986,324)</b>	<b>38,287,829,304</b>
<b>Heritage assets</b>													
General	3,648,868,410	-	-	-	47,736,860	<b>3,696,605,270</b>	(164,616,799)	-	(161,141,660)	-	-	<b>(325,758,459)</b>	3,370,846,811
	<b>3,648,868,412</b>	-	-	-	<b>47,736,860</b>	<b>3,696,605,272</b>	<b>(164,616,799)</b>	-	<b>(161,141,660)</b>	-	-	<b>(325,758,459)</b>	<b>3,370,846,813</b>
<b>Investment properties</b>													
Investment assets	1,191,035,468	-	(197,466)	-	-	<b>1,190,838,002</b>	(195,200,877)	(4,742,169)	-	-	-	<b>(199,943,046)</b>	990,894,956
	<b>1,191,035,468</b>	-	<b>(197,466)</b>	-	-	<b>1,190,838,002</b>	<b>(195,200,877)</b>	<b>(4,742,169)</b>	-	-	-	<b>(199,943,046)</b>	<b>990,894,956</b>
<b>Intangible assets</b>													
Computer software	554,444,256	5,759,597	(65,132,029)	8,779,965	-	<b>503,851,789</b>	(300,385,712)	(85,376,038)	-	62,130,132	-	<b>(323,631,618)</b>	180,220,171
Servitudes	202,134,110	-	-	-	-	<b>202,134,110</b>	-	-	-	-	-	-	202,134,110
	<b>756,578,366</b>	<b>5,759,597</b>	<b>(65,132,029)</b>	<b>8,779,965</b>	-	<b>705,985,899</b>	<b>(300,385,712)</b>	<b>(85,376,038)</b>	-	<b>62,130,132</b>	-	<b>(323,631,618)</b>	<b>382,354,281</b>
<b>Tota</b>													
Infrastructure	36,620,201,852	2,933,710,670	(88,015,957)	(6,917,432)	(348,862)	<b>39,458,630,271</b>	(9,334,425,801)	1,075,504,586	(48,108,076)	25,472,506	315,081	<b>(10,432,250,876)</b>	29,026,379,395
Other property, plant and equipment	13,734,715,569	636,834,318	(33,898,535)	(1,862,535)	(47,387,998)	<b>14,288,400,819</b>	(4,337,856,125)	(724,985,047)	(3,441,461)	27,862,266	(315,081)	<b>(5,038,735,448)</b>	9,249,665,371
Heritage assets	3,648,868,412	-	-	-	47,736,860	<b>3,696,605,272</b>	(164,616,799)	-	(161,141,660)	-	-	<b>(325,758,459)</b>	3,370,846,813
Intangible assets	756,578,366	5,759,597	(65,132,029)	8,779,965	-	<b>705,985,899</b>	(300,385,712)	(85,376,038)	-	62,130,132	-	<b>(323,631,618)</b>	382,354,281
Investment properties	1,191,035,468	-	(197,466)	-	-	<b>1,190,838,002</b>	(195,200,877)	(4,742,169)	-	-	-	<b>(199,943,046)</b>	990,894,956
Biological assets	24,815,042	-	-	(13,030,504)	-	<b>11,784,538</b>	-	-	-	-	-	-	11,784,538
	<b>55,976,214,709</b>	<b>3,576,304,585</b>	<b>(187,243,987)</b>	<b>(13,030,506)</b>	-	<b>59,352,244,801</b>	<b>(14,332,485,314)</b>	<b>1,890,607,840</b>	<b>(212,691,197)</b>	<b>115,464,904</b>	-	<b>(16,320,319,447)</b>	<b>43,031,925,354</b>

**Appendix C (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the period ended 30 June 2019**

	2018/19					2017/18 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>11,566,764,038</b>	<b>301,921,768</b>	<b>11,868,685,806</b>		<b>11,868,685,806</b>	<b>15,711,538,914</b>		<b>3,842,853,108</b>	<b>132 %</b>	<b>136 %</b>	<b>11,285,963,433</b>
Executive and council	51,404,050	10,062,460	61,466,510		61,466,510	63,397,462		1,930,952	103 %	123 %	22,952,278
Finance and Administration	11,471,184,763	293,974,101	11,765,158,864		11,765,158,864	15,601,721,792		3,836,562,928	133 %	136 %	11,215,226,206
Internal Audit	44,175,225	(2,114,793)	42,060,432		42,060,432	46,419,660		4,359,228	110 %	105 %	47,784,949
<b>Community and public safety</b>	<b>1,698,969,784</b>	<b>235,624,177</b>	<b>1,934,593,961</b>		<b>1,934,593,961</b>	<b>1,395,665,094</b>		<b>(538,928,867)</b>	<b>72 %</b>	<b>82 %</b>	<b>1,548,998,286</b>
Community and social services	54,734,065	11,196,898	65,930,963		65,930,963	56,729,884		(9,201,079)	86 %	104 %	41,112,992
Sport and recreation	393,009,049	(55,554,573)	337,454,476		337,454,476	342,551,411		5,096,935	102 %	87 %	261,488,460
Public safety	4,067,950	151,683	4,219,633		4,219,633	4,643,508		423,875	110 %	114 %	2,469,313
Housing	1,039,667,676	277,553,368	1,317,221,044		1,317,221,044	856,701,603		(460,519,441)	65 %	82 %	1,027,357,761
Health	207,491,044	2,276,801	209,767,845		209,767,845	135,038,688		(74,729,157)	64 %	65 %	216,569,760
<b>Economic and environmental services</b>	<b>1,424,701,493</b>	<b>(133,085,316)</b>	<b>1,291,616,177</b>		<b>1,291,616,177</b>	<b>1,232,375,872</b>		<b>(59,240,305)</b>	<b>95 %</b>	<b>87 %</b>	<b>1,307,980,595</b>
Planning and development	144,576,572	153,441	144,730,013		144,730,013	92,289,420		(52,440,593)	64 %	64 %	(19,727,023)
Road transport	1,279,462,873	(133,238,757)	1,146,224,116		1,146,224,116	1,134,921,086		(11,303,030)	99 %	89 %	1,323,673,604
Environmental protection	662,048	-	662,048		662,048	5,165,366		4,503,318	780 %	780 %	4,034,014
<b>Trading services</b>	<b>20,411,630,826</b>	<b>25,088,212</b>	<b>20,436,719,038</b>		<b>20,436,719,038</b>	<b>20,350,560,280</b>		<b>(86,158,758)</b>	<b>100 %</b>	<b>100 %</b>	<b>18,450,117,112</b>
Energy sources	12,744,404,575	47,837,202	12,792,241,777		12,792,241,777	12,286,990,742		(505,251,035)	96 %	96 %	11,599,831,151
Water management	4,959,386,345	(322,396,662)	4,636,989,683		4,636,989,683	5,010,926,152		373,936,469	108 %	101 %	4,173,747,197
Waste water management	1,104,057,970	253,784,993	1,357,842,963		1,357,842,963	1,354,579,611		(3,263,352)	100 %	123 %	1,064,122,032
Waste management	1,603,781,936	45,862,679	1,649,644,615		1,649,644,615	1,698,063,775		48,419,160	103 %	106 %	1,612,416,732
<b>Other</b>	<b>240,244,067</b>	<b>(3,493,872)</b>	<b>236,750,195</b>		<b>236,750,195</b>	<b>226,573,567</b>		<b>(10,176,628)</b>	<b>96 %</b>	<b>94 %</b>	<b>229,058,845</b>
Other	240,244,067	(3,493,872)	236,750,195		236,750,195	226,573,567		(10,176,628)	96 %	94 %	229,058,845
<b>Total Revenue - Standard</b>	<b>35,342,310,208</b>	<b>426,054,969</b>	<b>35,768,365,177</b>		<b>35,768,365,177</b>	<b>38,916,713,727</b>		<b>3,148,348,550</b>	<b>109 %</b>	<b>110 %</b>	<b>32,822,118,271</b>

**Appendix C (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the period ended 30 June 2019**

**2018/19**

**2017/18**  
**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>7,675,576,915</b>	<b>(107,226,954)</b>	<b>7,568,349,961</b>	-	<b>7,568,349,961</b>	<b>10,193,925,141</b>	<b>2,956,101,784</b>	<b>2,625,575,180</b>	<b>135 %</b>	<b>133 %</b>	<b>7,967,384,957</b>
Executive and council	1,295,683,057	(40,300,944)	1,255,382,113	(5,243,225)	1,250,138,888	1,038,430,509	-	(211,708,379)	83 %	80 %	1,194,001,866
Finance and Administration	6,043,530,343	(42,935,310)	6,000,595,033	(3,611,795)	5,996,983,238	8,953,085,022	2,956,101,784	2,956,101,784	149 %	148 %	6,573,601,891
Internal audit	336,363,515	(23,990,700)	312,372,815	(395,000)	311,977,815	202,409,610	-	(109,568,205)	65 %	60 %	199,781,200
<b>Community and public safety</b>	<b>5,107,780,160</b>	<b>336,162,346</b>	<b>5,443,942,506</b>	<b>(4,739,331)</b>	<b>5,439,203,175</b>	<b>4,992,598,604</b>	-	<b>(446,604,571)</b>	<b>92 %</b>	<b>98 %</b>	<b>4,563,988,396</b>
Community and social services	351,102,691	17,139,691	368,242,382	1,103,089	369,345,471	346,731,715	-	(22,613,756)	94 %	99 %	486,246,768
Sport and recreation	3,372,251,932	(39,587,184)	3,332,664,748	2,810,456	3,335,475,204	3,274,702,839	-	(60,772,365)	98 %	97 %	2,802,864,572
Public safety	21,056,667	52,008	21,108,675	24,000	21,132,675	19,092,215	-	(2,040,460)	90 %	91 %	438,100
Housing	643,199,568	315,346,538	958,546,106	(6,525,123)	952,020,983	637,125,760	-	(314,895,223)	67 %	99 %	680,084,885
Health	720,169,302	43,211,293	763,380,595	(2,151,753)	761,228,842	714,946,075	-	(46,282,767)	94 %	99 %	594,354,071
<b>Economic and environmental services</b>	<b>3,307,006,576</b>	<b>65,058,660</b>	<b>3,372,065,236</b>	<b>14,331,800</b>	<b>3,386,397,036</b>	<b>3,072,607,163</b>	-	<b>(313,789,873)</b>	<b>91 %</b>	<b>93 %</b>	<b>3,061,760,893</b>
Planning and development	1,006,630,536	9,450,480	1,016,081,016	(367,750)	1,015,713,266	854,254,364	-	(161,458,902)	84 %	85 %	917,043,961
Road transport	2,127,061,551	51,453,548	2,178,515,099	13,906,591	2,192,421,690	2,048,541,709	-	(143,879,981)	93 %	96 %	1,998,133,264
Environmental protection	173,314,489	4,154,632	177,469,121	792,959	178,262,080	169,811,090	-	(8,450,990)	95 %	98 %	146,583,668
<b>Trading services</b>	<b>16,741,957,737</b>	<b>125,296,533</b>	<b>16,867,254,270</b>	<b>(560,970)</b>	<b>16,866,703,300</b>	<b>16,891,616,101</b>	<b>202,705,673</b>	<b>24,912,801</b>	<b>100 %</b>	<b>101 %</b>	<b>14,687,109,818</b>
Energy sources	10,998,544,927	161,683,521	11,160,228,448	14,594,362	11,174,822,810	11,091,436,051	-	(83,386,759)	99 %	101 %	10,073,937,144
Water management	3,707,771,142	(9,928,512)	3,697,842,630	(9,668,824)	3,688,173,806	3,887,876,349	199,702,543	199,702,543	105 %	105 %	2,564,461,769
Waste water management	801,799,970	(27,168,346)	774,631,624	(147,862)	774,483,762	680,077,649	-	(94,406,113)	88 %	85 %	664,857,350
Waste management	1,233,841,698	709,870	1,234,551,568	(5,328,646)	1,229,222,922	1,232,226,052	3,003,130	3,003,130	100 %	100 %	1,383,853,555
<b>Other</b>	<b>192,115,753</b>	<b>(542,291)</b>	<b>191,573,462</b>	<b>208,521</b>	<b>191,781,983</b>	<b>163,590,465</b>	-	<b>(28,191,518)</b>	<b>85 %</b>	<b>85 %</b>	<b>183,710,906</b>
Other	192,115,753	(542,291)	191,573,462	208,521	191,781,983	163,590,465	-	(28,191,518)	85 %	85 %	183,710,906
<b>Total Expenditure - Standard</b>	<b>33,024,437,141</b>	<b>418,748,294</b>	<b>33,443,185,435</b>	<b>-</b>	<b>33,443,185,435</b>	<b>35,314,337,474</b>	<b>3,158,807,457</b>	<b>1,871,152,039</b>	<b>106 %</b>	<b>107 %</b>	<b>30,463,954,970</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,317,873,067</b>	<b>7,306,675</b>	<b>2,325,179,742</b>		<b>2,325,179,742</b>	<b>3,602,376,253</b>		<b>1,277,196,511</b>	<b>155 %</b>	<b>155 %</b>	<b>2,358,163,301</b>

**Appendix D (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the period ended 30 June 2019**

	2018/19						2017/18		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	11,574,031	9,768,456	21,342,487		21,342,487	8,119,245		(13,223,242)	38 %	70 %	21,574,908
Economic Development and Spatial Planning	447,325,064	419,797	447,744,861		447,744,861	367,795,750		(79,949,111)	82 %	82 %	191,804,452
Emergency Management Services	118,784,569	(13,240)	118,771,329		118,771,329	59,964,308		(58,807,021)	50 %	50 %	110,810,397
Environment and Agriculture Management	1,622,436,946	46,113,037	1,668,549,983		1,668,549,983	1,723,155,577		54,605,594	103 %	106 %	1,642,644,447
Group Communication and Marketing	1,274,238	(1,274,238)	-		-	-		-	DIV/0 %	- %	-
Group Financial Services	11,289,857,203	307,247,278	11,597,104,481		11,597,104,481	15,414,565,582		3,817,461,101	133 %	137 %	11,081,761,473
Group Human Capital Management	29,199,697	(4,379,210)	24,820,487		24,820,487	15,713,596		(9,106,891)	63 %	54 %	15,917,393
Health Department	63,434,532	1,568,200	65,002,732		65,002,732	63,506,294		(1,496,438)	98 %	100 %	59,822,671
Housing and Human Settlement	1,006,196,294	286,876,605	1,293,072,899		1,293,072,899	832,196,664		(460,876,235)	64 %	83 %	1,002,047,684
Metro Police	370,549,046	(51,198,767)	319,350,279		319,350,279	325,439,296		6,089,017	102 %	88 %	236,246,620
Regional Operations & Coordination	60,253,791	(6,373,225)	53,880,566		53,880,566	56,763,401		2,882,835	105 %	94 %	66,509,259
Roads and Transport	1,299,190,747	(143,499,978)	1,155,690,769		1,155,690,769	1,140,446,541		(15,244,228)	99 %	88 %	1,336,743,315
Shared Services	1,126,124	-	1,126,124		1,126,124	13,589		(1,112,535)	1 %	1 %	5,912,825
Utility Service	18,800,902,564	(20,937,197)	18,779,965,367		18,779,965,367	18,642,064,382		(137,900,985)	99 %	(1) %	16,826,290,029
Group Audit and Risk	44,175,225	(2,114,793)	42,060,432		42,060,432	46,419,660		4,359,228	110 %	105 %	47,784,949
Group Legal and Secretarial Service	435,210	-	435,210		435,210	112,769		(322,441)	26 %	26 %	-
Group Property	97,257,029	(7,619,729)	89,637,300		89,637,300	134,486,457		44,849,157	150 %	138 %	71,682,072
Office of the Chief Whip	-	-	-		-	4,500		4,500	DIV/0 %	DIV/0 %	-
Community and Social Development Services	78,317,699	7,188,315	85,506,014		85,506,014	73,284,681		(12,221,333)	86 %	94 %	102,503,020
Customer Relations Management	20,200	-	20,200		20,200	19,532		(668)	97 %	97 %	21,133
City Strategy and Operational Performance	-	4,283,661	4,283,661		4,283,661	12,641,905		8,358,244	- %	- %	2,041,624
<b>Total Revenue by Vote</b>	<b>35,342,310,209</b>	<b>426,054,972</b>	<b>35,768,365,181</b>		<b>35,768,365,181</b>	<b>38,916,713,729</b>		<b>3,148,348,548</b>	<b>109 %</b>	<b>110 %</b>	<b>32,822,118,271</b>

**Appendix D (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the period ended 30 June 2019**

	2018/19						2017/18 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	113,357,696	21,952,711	135,310,407	(119,752)	135,190,655	115,471,180	-	(19,719,475)	85 %	102 %	390,025,097
Economic Development & Spatial Planning	581,788,833	(2,841,761)	578,947,072	-	578,947,072	506,441,561	-	(72,505,511)	87 %	87 %	502,532,073
Emergency Management Services	750,951,033	(11,809,776)	739,141,257	-	739,141,257	743,721,620	4,580,363	4,580,363	101 %	99 %	648,012,511
Environment and Agriculture Management	1,609,005,408	3,546,429	1,612,551,837	-	1,612,551,837	1,577,792,737	-	(34,759,100)	98 %	98 %	1,726,700,509
Group Communications & Marketing	118,084,586	(2,305,564)	115,779,022	-	115,779,022	94,834,253	-	(20,944,769)	82 %	80 %	114,423,607
Group Financial Services Cluster	2,899,164,677	(53,640,362)	2,845,524,315	-	2,845,524,315	5,970,511,297	3,124,986,982	3,124,986,982	210 %	206 %	3,722,293,153
Group Human Capital Management	381,122,578	(3,507,818)	377,614,760	-	377,614,760	336,328,030	-	(41,286,730)	89 %	88 %	309,105,063
Health Department	433,427,058	15,038,309	448,465,367	-	448,465,367	393,125,244	-	(55,340,123)	88 %	91 %	382,807,662
Housing and Human Settlement	355,249,498	274,107,493	629,356,991	-	629,356,991	350,952,746	-	(278,404,245)	56 %	99 %	460,478,032
Metro Police	2,598,744,281	(1,529,546)	2,597,214,735	-	2,597,214,735	2,398,779,112	-	(198,435,623)	92 %	92 %	2,253,290,604
Regional Operations and Coordination	3,324,410,857	(58,585,528)	3,265,825,329	119,752	3,265,945,081	3,195,657,064	-	(70,288,017)	98 %	96 %	2,712,676,828
Roads and Transport	1,511,525,175	72,729,576	1,584,254,751	-	1,584,254,751	1,462,622,476	-	(121,632,275)	92 %	97 %	1,572,447,068
Shared Services	1,551,057,208	(33,374,556)	1,517,682,652	-	1,517,682,652	1,439,221,035	-	(78,461,617)	95 %	93 %	1,382,998,626
Utility Service	14,223,480,871	154,088,778	14,377,569,649	-	14,377,569,649	14,403,938,499	26,370,782	26,368,850	100 %	101 %	12,122,095,853
Group Audit and Risk	357,827,228	(21,045,692)	336,781,536	-	336,781,536	217,990,647	-	(118,790,889)	65 %	61 %	225,681,108
Office of the Executive Mayor	179,948,346	(23,050,422)	156,897,924	-	156,897,924	110,575,977	-	(46,321,947)	70 %	61 %	154,149,193
Group Legal and Secretarial Service	163,299,125	(116,924)	163,182,201	-	163,182,201	169,364,021	6,181,820	6,181,820	104 %	104 %	144,185,948
Group Property	766,432,709	56,557,460	822,990,169	-	822,990,169	800,856,651	-	(22,133,518)	97 %	104 %	778,053,038
Office of the Chief Whip	40,821,577	(29,030)	40,792,547	-	40,792,547	34,068,818	-	(6,723,729)	84 %	83 %	32,321,955
Office of the Speaker	289,381,794	1,055,900	290,437,694	-	290,437,694	245,827,682	-	(44,610,012)	85 %	85 %	247,734,823
Community and Social Development Services	447,031,928	31,949,936	478,981,864	-	478,981,864	448,207,053	-	(30,774,811)	94 %	100 %	348,704,415
Customer Relations Management	222,967,601	1,627,461	224,595,062	-	224,595,062	206,969,567	-	(17,625,495)	92 %	93 %	193,915,095
City Strategy and Organisational Performance	105,357,074	(2,068,781)	103,288,293	-	103,288,293	91,077,206	-	(12,211,087)	88 %	86 %	39,322,709
<b>Total Expenditure by Vote</b>	<b>33,024,437,141</b>	<b>418,748,293</b>	<b>33,443,185,434</b>	<b>-</b>	<b>33,443,185,434</b>	<b>35,314,334,476</b>	<b>3,162,119,947</b>	<b>1,871,149,042</b>	<b>106 %</b>	<b>107 %</b>	<b>30,463,954,970</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,317,873,068</b>	<b>7,306,679</b>	<b>2,325,179,747</b>		<b>2,325,179,747</b>	<b>3,602,379,253</b>		<b>1,277,199,506</b>	<b>155 %</b>	<b>155 %</b>	<b>2,358,163,301</b>



**Appendix E (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the period ended 30 June 2019**

	2018/19							2017/18 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	7,022,526,717	73,483,053	7,096,009,770		7,096,009,770	7,142,145,479		46,135,709	101 %	102 %				6,790,629,742
Service charges - electricity revenue	12,333,572,013	23,229,118	12,356,801,131		12,356,801,131	11,982,161,755		(374,639,376)	97 %	97 %				11,467,162,816
Service charges - water revenue	4,367,621,448	(318,817,550)	4,048,803,898		4,048,803,898	4,165,095,081		116,291,183	103 %	95 %				3,409,578,018
Service charges - sanitation revenue	1,104,284,460	(1,718,121)	1,102,566,339		1,102,566,339	1,158,198,012		55,631,673	105 %	105 %				968,213,753
Service charges - refuse revenue	1,562,934,735	85,988,108	1,648,922,843		1,648,922,843	1,710,014,136		61,091,293	104 %	109 %				1,535,652,151
Rental of facilities and equipment	173,296,670	(15,274,269)	158,022,401		158,022,401	142,756,417		(15,265,984)	90 %	82 %				139,411,378
Interest earned: External investments	103,454,160	73,930,832	177,384,992		177,384,992	391,948,285		214,563,293	221 %	379 %				210,274,693
Interest earned: Outstanding debtors	575,252,267	190,113,814	765,366,081		765,366,081	860,736,503		95,370,422	112 %	150 %				731,792,260
Fines	368,651,101	(53,576,635)	315,074,466		315,074,466	319,201,805		4,127,339	101 %	87 %				230,909,549
Licences and permits	58,138,651	(4,965,000)	53,173,651		53,173,651	46,618,295		(6,555,356)	88 %	80 %				52,325,465
Transfers recognised - operational	4,440,080,940	296,512,998	4,736,593,938		4,736,593,938	4,501,238,850		(235,355,088)	95 %	101 %				4,348,653,570
Other revenue	1,025,761,986	21,961,222	1,047,723,208		1,047,723,208	4,224,560,950		3,176,837,742	403 %	412 %				798,449,924
Gains on disposal of PPE	-	-	-		-	258,462,608		258,462,608	- %	- %				33,798,796
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>33,135,575,148</b>	<b>370,867,570</b>	<b>33,506,442,718</b>		<b>33,506,442,718</b>	<b>36,903,138,176</b>		<b>3,396,695,458</b>	<b>110 %</b>	<b>111 %</b>				<b>30,716,852,115</b>

**Appendix E (Municipality only)**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the period ended 30 June 2019**

	2018/19							2017/18 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	9,549,513,946	(42,412,271)	9,507,101,675	(2,543,982)	9,504,557,693	8,981,294,444	-	(523,263,249)	94 %	94 %	-	-	-	8,139,112,422
Remuneration of councillors	132,797,337	-	132,797,337	-	132,797,337	126,684,958	-	(6,112,379)	95 %	95 %	-	-	-	123,785,928
Debt impairment	1,514,427,397	-	1,514,427,397	-	1,514,427,397	4,524,469,667	3,010,042,270	3,010,042,270	299 %	299 %	-	-	-	1,712,997,942
Depreciation and asset impairment	1,954,589,526	-	1,954,589,526	-	1,954,589,526	2,103,299,039	148,709,513	148,709,513	108 %	108 %	-	-	-	2,167,946,292
Finance charges	1,390,752,601	(3,102,411)	1,387,650,190	-	1,387,650,190	1,399,068,871	11,418,681	11,418,681	101 %	101 %	-	-	-	1,710,810,247
Bulk purchases	10,758,963,983	(2,750,004)	10,756,213,979	-	10,756,213,979	10,777,375,304	21,161,325	21,161,325	100 %	100 %	-	-	-	9,799,592,850
Other materials	729,597,118	(86,989,397)	642,607,721	8,800,625	651,408,346	555,279,230	-	(96,129,116)	85 %	76 %	-	-	-	404,955,707
Contracted services	3,315,744,034	464,416,420	3,780,160,454	(10,870,612)	3,769,289,842	3,225,232,373	-	(544,057,469)	86 %	97 %	-	-	-	3,013,581,285
Transfers and grants	132,647,449	15,645,791	148,293,240	7,458,887	155,752,127	137,168,303	-	(18,583,824)	88 %	103 %	-	-	-	156,134,093
Other expenditure	3,545,402,625	73,855,890	3,619,258,515	(2,844,918)	3,616,413,597	3,113,061,988	-	(503,351,609)	86 %	88 %	-	-	-	3,124,461,545
Loss on disposal of PPE	1,125	84,274	85,399	-	85,399	371,403,299	371,317,900	371,317,900	434,904 %	100 %	-	-	-	110,576,662
<b>Total Expenditure</b>	<b>33,024,437,141</b>	<b>418,748,292</b>	<b>33,443,185,433</b>	<b>-</b>	<b>33,443,185,433</b>	<b>35,314,337,476</b>	<b>3,562,649,689</b>	<b>1,871,152,043</b>	<b>106 %</b>	<b>107 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,463,954,973</b>
<b>Surplus/(Deficit)</b>	<b>111,138,007</b>	<b>(47,880,722)</b>	<b>63,257,285</b>		<b>63,257,285</b>	<b>1,588,800,700</b>	<b>(3,562,649,689)</b>	<b>1,525,543,415</b>	<b>2,512 %</b>	<b>1,430 %</b>				<b>252,897,142</b>
Transfers recognised - capital (monetary - National/Provincial)	2,198,735,060	48,187,400	2,246,922,460		2,246,922,460	2,013,310,602		(233,611,858)	90 %	92 %				2,104,325,795
Transfers recognised - capital (monetary - Departmental agencies)	8,000,000	7,000,000	15,000,000		15,000,000	264,951		(14,735,049)	- %	- %				940,363
<b>Surplus/(Deficit) after capital transfers and contributions</b>	<b>2,317,873,067</b>	<b>7,306,678</b>	<b>2,325,179,745</b>		<b>2,325,179,745</b>	<b>3,602,376,253</b>		<b>1,277,196,508</b>	<b>155 %</b>	<b>155 %</b>				<b>2,358,163,300</b>
<b>Surplus/(Deficit) after taxation</b>	<b>2,317,873,067</b>	<b>7,306,678</b>	<b>2,325,179,745</b>		<b>2,325,179,745</b>	<b>3,602,376,253</b>		<b>1,277,196,508</b>	<b>155 %</b>	<b>155 %</b>				<b>2,358,163,300</b>
<b>Surplus/(Deficit) attributable to municipality</b>	<b>2,317,873,067</b>	<b>7,306,678</b>	<b>2,325,179,745</b>		<b>2,325,179,745</b>	<b>3,602,376,253</b>		<b>1,277,196,508</b>	<b>155 %</b>	<b>155 %</b>				<b>2,358,163,300</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,317,873,067</b>	<b>7,306,678</b>	<b>2,325,179,745</b>		<b>2,325,179,745</b>	<b>3,602,376,253</b>		<b>1,277,196,508</b>	<b>155 %</b>	<b>155 %</b>				<b>2,358,163,300</b>

**Appendix F (Municipality only)**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the period ended 30 June 2019**

	2018/19								2017/18 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	60,000,000	(20,000,000)	40,000,000	-	-	40,000,000	39,349,430	-	(650,570)	98 %	66 %	-	-	-	138,653,698
Group Audit and Risk	150,000	10,000,000	10,150,000	-	-	10,150,000	7,598,346	-	(2,551,654)	75 %	5,066 %	-	-	-	-
Economic Development & Spatial Planning	77,750,000	9,929,621	87,679,621	-	-	87,679,621	62,182,704	-	(25,496,917)	71 %	80 %	-	-	-	77,567,853
Emergency Management Services	14,000,000	16,000,000	30,000,000	-	-	30,000,000	25,613,246	-	(4,386,754)	85 %	- %	-	-	-	10,198,715
Environment and Agriculture Management	689,437,240	(27,407,944)	662,029,296	-	-	662,029,296	588,646,492	-	(73,382,804)	89 %	85 %	-	-	-	606,897,879
Group Communication and Marketing	4,000,000	200,000	4,200,000	-	-	4,200,000	200,000	-	(4,000,000)	5 %	5 %	-	-	-	-
Group Financial Services	6,000,000	6,000,000	12,000,000	-	-	12,000,000	-	-	(12,000,000)	- %	- %	-	-	-	34,980,206
Health	289,863,469	102,593,851	392,457,320	-	-	392,457,320	288,485,182	-	(103,972,138)	74 %	100 %	-	-	-	374,773,520
Housing and Human Settlement	132,395,000	(62,378,486)	70,016,514	-	-	70,016,514	49,176,805	-	(20,839,709)	70 %	37 %	-	-	-	42,111,606
Customer Relations Management	-	100,000	100,000	-	-	100,000	99,279	-	(721)	99 %	DIV/0 %	-	-	-	-
Metro Police	3,500,000	-	3,500,000	-	-	3,500,000	3,493,056	-	(6,944)	100 %	100 %	-	-	-	-
Regional Operations and Coordination	850,000	753,303	1,603,303	-	-	1,603,303	1,099,405	-	(503,898)	69 %	129 %	-	-	-	27,864,109
Roads and Transport	938,680,980	(13,852,168)	924,828,812	-	-	924,828,812	711,698,040	-	(213,130,772)	77 %	76 %	-	-	-	675,930,876
Shared Services	24,000,000	101,306,172	125,306,172	-	-	125,306,172	112,307,001	-	(12,999,171)	90 %	468 %	-	-	-	45,864,454
Utility Service	1,479,059,321	(116,621,121)	1,362,438,200	-	-	1,362,438,200	1,236,077,558	-	(126,360,642)	91 %	84 %	-	-	-	-
Group Property	5,000,000	3,500,000	8,500,000	-	-	8,500,000	2,451,578	-	(6,048,422)	29 %	49 %	-	-	-	-
Community and Social Development	288,761,050	(118,428,228)	170,332,822	-	-	170,332,822	152,853,710	-	(17,479,112)	90 %	- %	-	-	-	161,471,633
<b>Capital multi-year expenditure sub-total</b>	<b>4,013,447,060</b>	<b>(108,305,000)</b>	<b>3,905,142,060</b>	<b>-</b>	<b>-</b>	<b>3,905,142,060</b>	<b>3,281,331,832</b>	<b>-</b>	<b>(623,810,228)</b>	<b>84 %</b>	<b>82 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,196,314,549</b>
<b>Single-year expenditure</b>															
Economic Development and Spatial Planning	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	410,900
Group Communication and Marketing	200,000	(200,000)	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	-
Emergency Management Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	8,661,204
Housing and Human Settlement	400,000	(400,000)	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	2,031,545
Group Property Management	-	500,000	500,000	-	-	500,000	-	-	(500,000)	- %	DIV/0 %	-	-	-	-
Group Financial Services	5,000,000	(5,000,000)	-	-	-	-	-	-	-	- %	- %	-	-	-	-
Environment and Agriculture Management	1,350,000	(1,350,000)	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	393,253
Customer Relations Management	100,000	(100,000)	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Regional Operations and Coordination	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	1,942,026
Community and Social Development	500,000	(500,000)	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	6,553,681
Roads and Transport	1,200,000	9,300,000	10,500,000	-	-	10,500,000	7,500,000	-	(3,000,000)	71 %	625 %	-	-	-	1,682,410
<b>Capital single-year expenditure sub-total</b>	<b>8,750,000</b>	<b>2,250,000</b>	<b>11,000,000</b>	<b>-</b>	<b>-</b>	<b>11,000,000</b>	<b>7,500,000</b>	<b>-</b>	<b>(3,500,000)</b>	<b>68 %</b>	<b>86 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,675,019</b>
<b>Total Capital Expenditure - Vote</b>	<b>4,022,197,060</b>	<b>(106,055,000)</b>	<b>3,916,142,060</b>	<b>-</b>	<b>-</b>	<b>3,916,142,060</b>	<b>3,288,831,832</b>	<b>-</b>	<b>(627,310,228)</b>	<b>84 %</b>	<b>82 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,217,989,568</b>

**Appendix F (Municipality only)**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the period ended 30 June 2019**

	2018/19								2017/18 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>51,450,000</b>	<b>115,806,172</b>	<b>167,256,172</b>	-	-	<b>167,256,172</b>	<b>128,273,839</b>	-	<b>(38,982,333)</b>	<b>77 %</b>	<b>249 %</b>	-	-	-	<b>125,258,678</b>
Executive and Council	8,850,000	(500,000)	8,350,000	-	-	8,350,000	3,321,132	-	(5,028,868)	40 %	38 %	-	-	-	41,416,077
Finance and administration	42,600,000	106,306,172	148,906,172	-	-	148,906,172	117,354,361	-	(31,551,811)	79 %	275 %	-	-	-	83,842,601
Internal Audit	-	10,000,000	10,000,000	-	-	10,000,000	7,598,346	-	(2,401,654)	76 %	DIV/0 %	-	-	-	-
<b>Community and public safety</b>	<b>1,411,206,759</b>	<b>(92,070,807)</b>	<b>1,319,135,952</b>	-	-	<b>1,319,135,952</b>	<b>1,100,093,322</b>	-	<b>(219,042,630)</b>	<b>83 %</b>	<b>78 %</b>	-	-	-	<b>1,215,035,063</b>
Community and social services	176,350,000	(33,711,152)	142,638,848	-	-	142,638,848	137,653,086	-	(4,985,762)	97 %	78 %	-	-	-	104,170,271
Sport and recreation	792,198,290	(88,775,020)	703,423,270	-	-	703,423,270	614,233,232	-	(89,190,038)	87 %	78 %	-	-	-	624,565,473
Housing	132,795,000	(62,778,486)	70,016,514	-	-	70,016,514	49,176,805	-	(20,839,709)	70 %	37 %	-	-	-	46,085,178
Health	309,863,469	93,193,851	403,057,320	-	-	403,057,320	299,030,199	-	(104,027,121)	74 %	97 %	-	-	-	430,015,426
<b>Economic and environmental services</b>	<b>690,180,980</b>	<b>124,642,725</b>	<b>814,823,705</b>	-	-	<b>814,823,705</b>	<b>628,180,479</b>	-	<b>(186,643,226)</b>	<b>77 %</b>	<b>91 %</b>	-	-	-	<b>511,633,738</b>
Planning and development	62,250,000	11,929,621	74,179,621	-	-	74,179,621	49,904,643	-	(24,274,978)	67 %	80 %	-	-	-	73,252,232
Road transport	627,930,980	112,713,104	740,644,084	-	-	740,644,084	578,275,836	-	(162,368,248)	78 %	92 %	-	-	-	438,381,506
<b>Trading services</b>	<b>1,789,559,321</b>	<b>(232,933,090)</b>	<b>1,556,626,231</b>	-	-	<b>1,556,626,231</b>	<b>1,384,485,789</b>	<b>88,608,122</b>	<b>(172,140,442)</b>	<b>89 %</b>	<b>77 %</b>	-	-	-	<b>1,062,108,433</b>
Energy sources	1,104,379,000	(113,802,170)	990,576,830	-	-	990,576,830	854,329,942	-	(136,246,888)	86 %	77 %	-	-	-	369,744,348
Water management	187,319,554	24,862,863	212,182,417	-	-	212,182,417	300,790,539	88,608,122	88,608,122	142 %	161 %	-	-	-	337,491,736
Waste water management	492,860,767	(144,193,783)	348,666,984	-	-	348,666,984	225,098,163	-	(123,568,821)	65 %	46 %	-	-	-	354,872,349
Waste management	5,000,000	200,000	5,200,000	-	-	5,200,000	4,267,145	-	(932,855)	82 %	85 %	-	-	-	-
<b>Other</b>	<b>79,800,000</b>	<b>(21,500,000)</b>	<b>58,300,000</b>	-	-	<b>58,300,000</b>	<b>47,798,403</b>	-	<b>(10,501,597)</b>	<b>82 %</b>	<b>60 %</b>	-	-	-	<b>132,676,600</b>
Other	79,800,000	(21,500,000)	58,300,000	-	-	58,300,000	47,798,403	-	(10,501,597)	82 %	60 %	-	-	-	132,676,600
<b>Total Capital Expenditure - Standard</b>	<b>4,022,197,060</b>	<b>(106,055,000)</b>	<b>3,916,142,060</b>	-	-	<b>3,916,142,060</b>	<b>3,288,831,832</b>	<b>88,608,122</b>	<b>(627,310,228)</b>	<b>84 %</b>	<b>82 %</b>	-	-	-	<b>3,046,712,512</b>
<b>Funded by:</b>															
National Government	2,123,706,010	(64,355,000)	2,059,351,010	-	-	2,059,351,010	1,945,325,042	-	(114,025,968)	94 %	92 %	-	-	-	2,042,358,850
Provincial Government	40,760,000	2,525,401	43,285,401	-	-	43,285,401	31,487,716	-	(11,797,685)	73 %	77 %	-	-	-	59,673,358
Other transfers and grants	8,000,000	7,000,000	15,000,000	-	-	15,000,000	264,951	-	(14,735,049)	2 %	3 %	-	-	-	3,233,783
<b>Transfers recognised - capital</b>	<b>2,172,466,010</b>	<b>(54,829,599)</b>	<b>2,117,636,411</b>	-	-	<b>2,117,636,411</b>	<b>1,977,077,709</b>	-	<b>(140,558,702)</b>	<b>93 %</b>	<b>91 %</b>	-	-	-	<b>2,105,265,991</b>
Public contributions & donations	150,000,000	(52,387,036)	97,612,964	-	-	97,612,964	78,429,702	-	(19,183,262)	80 %	52 %	-	-	-	61,157,097
Borrowing	1,500,000,000	-	1,500,000,000	-	-	1,500,000,000	1,094,386,808	-	(405,613,192)	73 %	73 %	-	-	-	700,248,494
Integrated City Development Grant	38,261,050	-	38,261,050	-	-	38,261,050	37,838,374	-	(422,676)	99 %	99 %	-	-	-	-
Internally generated funds	161,500,000	1,161,635	162,661,635	-	-	162,661,635	101,099,239	-	(61,562,396)	62 %	63 %	-	-	-	180,040,930
<b>Total Capital Funding</b>	<b>4,022,227,060</b>	<b>(106,055,000)</b>	<b>3,916,172,060</b>	-	-	<b>3,916,172,060</b>	<b>3,288,831,832</b>	-	<b>(627,340,228)</b>	<b>84 %</b>	<b>82 %</b>	-	-	-	<b>3,046,712,512</b>

**Appendix G (Consolidated)  
Budgeted Cash Flows  
for the period ended 30 June 2019**

**2018/19**

**2017/18  
Restated**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand			Rand
<b>Cash flow from operating activities</b>									
<b>Receipts</b>									
Other sources	1,500,317,641	(10,285,517)	1,490,032,124	1,490,032,124	3,866,146,148	2,376,114,024	259 %	258 %	2,502,581,014
Ratepayers/consumers	24,491,604,124	525,716,245	25,017,320,369	25,017,320,369	21,739,122,160	(3,278,198,209)	87 %	89 %	22,376,471,808
Government - operating	4,440,080,940	296,512,998	4,736,593,938	4,736,593,938	4,420,594,609	(315,999,329)	93 %	100 %	4,291,679,355
Government - capital	2,206,735,060	66,060,207	2,272,795,267	2,272,795,267	2,089,119,435	(183,675,832)	92 %	95 %	2,368,845,285
Investment revenue	133,342,210	44,640,375	177,982,585	177,982,585	392,896,387	214,913,802	221 %	295 %	210,975,786
<b>Payments</b>									
Suppliers	(17,421,710,148)	(551,914,365)	(17,973,624,513)	(17,973,624,513)	(17,021,249,219)	952,375,294	95 %	98 %	(15,901,463,861)
Employees	(9,736,943,604)	43,290,939	(9,693,652,665)	(9,693,652,665)	(9,150,358,810)	543,293,855	94 %	94 %	(8,298,240,260)
Finance cost	(1,390,948,318)	3,226,013	(1,387,722,305)	(1,387,722,305)	(1,500,695,520)	(112,973,215)	108 %	108 %	(1,711,120,853)
Transfers and grants	(52,495,121)	(5,373,030)	(57,868,151)	(57,868,151)	(46,743,213)	11,124,938	81 %	89 %	(33,709,003)
Taxation on surpluses	-	-	-	-	100,270	100,270	DIV/0 %	DIV/0 %	(2,920,067)
<b>Net cash flow from/used operating activities</b>	<b>4,169,982,784</b>	<b>411,873,865</b>	<b>4,581,856,649</b>	<b>4,581,856,649</b>	<b>4,788,932,247</b>	<b>207,075,598</b>	<b>105 %</b>	<b>115 %</b>	<b>5,803,099,204</b>
<b>Cash flow from investing activities</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE, investment property and intangible assets	1,242,497	-	1,242,497	1,242,497	(32,476,872)	(33,719,369)	- %	- %	(85,130,661)
Capital contribution to sinking fund	-	-	-	-	(467,570,833)	(467,570,833)	- %	- %	(667,611,310)
Decrease/(increase) other non-current receivables	(269,149)	17,202,982	16,933,833	16,933,833	18,723,201	1,789,368	111 %	(6,956)%	(46,605,767)
Movement in financial assets	19,751,051	(119,040,531)	(99,289,480)	(99,289,480)	(331,816,402)	(232,526,922)	334 %	(1,680)%	552,870,710
<b>Payments</b>									
Capital assets (Purchases)/repayment of leased assets	(3,981,975,089)	(10,764,078)	(3,992,739,167)	(3,992,739,167)	(3,510,452,060)	482,287,107	88 %	88 %	(3,288,091,267)
Transfer of functions	-	-	-	-	-	-	DIV/0 %	DIV/0 %	11,627,223
Retirement /disposal of property, plant and equipment	-	-	-	-	66,025,000	66,025,000	DIV/0 %	DIV/0 %	105,947,408
<b>Net cash flow from/used investing activities</b>	<b>(3,961,250,690)</b>	<b>(112,601,627)</b>	<b>(4,073,852,317)</b>	<b>(4,073,852,317)</b>	<b>(4,257,567,966)</b>	<b>(183,715,649)</b>	<b>105 %</b>	<b>107 %</b>	<b>(3,416,993,664)</b>
<b>Cash flow from financing activities</b>									
Borrowing long-term/refinancing	1,500,000,000	-	1,500,000,000	1,500,000,000	1,500,000,000	-	100 %	100 %	-
Movement in interest rate swap liability	-	-	-	-	-	-	- %	- %	-
Increase/(decrease) in Service concession arrangements	-	-	-	-	(221,326,797)	(221,326,797)	- %	- %	(188,169,587)
<b>Payments</b>									
Repayment of borrowing(long-term)	(1,062,773,968)	200,000,000	(862,773,968)	(862,773,968)	(748,422,425)	114,351,543	87 %	70 %	(596,715,120)
Movement in redemption fund	-	-	-	-	(29,689,647)	(29,689,647)	- %	- %	-
Repayment of finance leases	-	-	-	-	(321,572,099)	(321,572,099)	- %	- %	(290,069,776)
<b>Net cash flow from/used financing activities</b>	<b>437,226,032</b>	<b>200,000,000</b>	<b>637,226,032</b>	<b>637,226,032</b>	<b>178,989,032</b>	<b>(458,237,000)</b>	<b>28 %</b>	<b>41 %</b>	<b>(1,074,954,483)</b>

**Appendix G (Consolidated)  
Budgeted Cash Flows  
for the period ended 30 June 2019**

**2018/19**

**2017/18  
Restated**

	<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</b>	<b>Actual Outcome as % of Original Budget</b>	<b>Restated Audited Outcome</b>
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Net increase/(decrease) in cash held</b>	<b>645,958,126</b>	<b>499,272,238</b>	<b>1,145,230,364</b>	<b>1,145,230,364</b>	<b>710,353,313</b>	<b>(434,877,051)</b>	<b>62 %</b>	<b>110 %</b>	<b>1,311,151,057</b>
Cash/cash equivalents at the year begin:	2,332,806,351	59,905,884	2,392,712,235	2,392,712,235	2,392,712,763	1,087,754,098	100 %	103 %	1,081,561,706
<b>Cash/cash equivalents at the year end:</b>	<b>2,978,764,477</b>	<b>559,178,122</b>	<b>3,537,942,599</b>	<b>3,537,942,599</b>	<b>3,103,066,076</b>	<b>652,877,047</b>	<b>88 %</b>	<b>104 %</b>	<b>2,392,712,763</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>														
Integrated National Electrification Programme (INEP)	Department of Mineral and Energy	-	-	-	22,683,000	8,837,000	8,480,000	-	40,000,000	40,000,000	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	97,146,820	-	(65,079,389)	1,005,110,420	-	455,907,000	-	1,461,017,420	1,442,193,832	50,891,019	None	None	Yes
Gautrans Job Creation	Gauteng: Transport	-	-	-	-	-	-	-	-	-	-	None	None	Yes
PTIS: Transport	Gauteng: Transport (GDoT)	56,526,666	-	(51,226,998)	151,536,000	151,536,000	149,814,011	-	452,886,011	458,185,679	-	None	None	Yes
LG SETA Discretionary Grant	Department of Local Government	1,986,037	-	1,129,950	-	-	-	-	-	264,951	2,851,036	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	-	-	-	-	7,000,000	3,000,000	-	10,000,000	256,546	9,743,454	None	None	Yes
Integrated City Development	National Treasury	32,664,650	-	(32,664,650)	38,261,050	-	-	-	38,261,050	37,838,374	422,676	None	None	Yes
Social Infrastructure Grant	National Treasury	708,600	-	-	17,975,727	6,840,238	-	-	24,815,965	22,180,163	3,344,402	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture and Recreation	5,557,911	-	(2,548,358)	6,038,000	-	-	260,000	6,298,000	9,307,553	-	None	None	Yes
Finance Management Grant (FMG)	National Treasury	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Neighbourhood Development (NDPG)	National Treasury	3,107,814	-	(3,107,814)	-	3,605,000	-	-	3,605,000	3,605,000	-	None	None	Yes
		197,698,498	-	153,497,259)	1,241,604,197	177,818,238	617,201,011	260,000	2,036,883,446	2,013,832,098	67,252,587			

**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	-	-	-	13,591,000	-	-	398,236	13,989,236	13,292,657	696,579	None	None	Yes
Primary Healthcare	Gauteng: Department of Health and Social Development	-	-	-	34,885,900	-	14,951,100	-	49,837,000	49,837,000	-	None	None	Yes
Emergency Medical Services (EMS)	Gauteng: Department of Health and Social Development	-	-	-	40,854,000	-	-	-	40,854,000	40,854,000	-	None	None	Yes
Human Settlement Development: Top structure	Gauteng: Local Government and Housing (GLGH)	253,589,420	-	-	-	-	22,800,000	-	22,800,000	66,020,085	210,369,335	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	1,372,049	-	(1,129,950)	1,129,950	-	-	-	1,129,950	-	1,372,049	None	None	Yes
Equitable share	National Treasury	-	-	151,272,000	999,217,000	648,101,000	599,530,000	-	2,246,848,000	2,398,120,000	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	9,633,630	38,534,580	-	-	-	38,534,580	48,168,210	-	None	None	Yes
Municipal Disaster Recovery	Department Local Government	1,447,865	-	(1,447,865)	-	-	-	-	-	-	-	None	None	Yes
Housing Accreditation	Gauteng: Local Government and Housing (GLGH)	-	-	-	-	-	-	-	-	-	-	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	-	-	1,980,993	3,402,000	5,560,000	-	-	8,962,000	8,105,678	2,837,315	None	None	Yes
TRT subsidy	Roads and Transport	-	(15,496,386)	-	4,066,939	-	18,381,702	17,576,577	40,025,218	23,256,889	1,271,943	None	None	Yes
DBSA: Water conservation	Development Bank of South Africa	-	-	-	-	-	-	8,444,703	8,444,703	8,444,703	-	None	None	Yes
Housing Company Tshwane: SHRA	Social Housing Regulatory Authority	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Tirelo Boshha	Department of Public Service and Administration (DPSA)	-	-	-	-	-	-	4,219,972	4,219,972	3,835,473	384,499	None	None	Yes
PTNOG: Transport Gautrans	Gauteng: Transport (GDoT)	4,786,559	-	43,409,210	-	252,560,000	50,512,000	-	303,072,000	351,267,769	-	None	None	Yes
Equitable Share: Fuel levy	Gauteng: Transport	11,961,294	-	-	-	-	-	-	-	-	11,961,294	None	None	Yes
Integrated City Development	Department Local Government	-	-	-	483,040,000	483,040,000	483,041,000	-	1,449,121,000	1,449,121,000	-	None	None	Yes
EPWP	National Treasury	-	-	-	6,751,950	-	-	-	6,751,950	5,995,840	756,110	None	None	Yes
Housing Company Tshwane: GHDS	Department of Public Works	-	-	-	8,005,000	14,405,000	9,603,000	-	32,013,000	32,013,000	-	None	None	Yes
	Gauteng Department of Human Settlement	-	-	-	-	-	-	8,287,908	8,287,908	8,287,908	-			
		273,231,875	(15,496,386)	203,643,330	1,636,128,319	1,403,666,000	1,198,818,802	38,927,396	4,277,540,517	4,509,270,212	229,649,124			

Revenue per Statement of Financial Performance (see Note 27)

6,453,919,728 (15,496,386)

6,523,102,310

Unspent conditional grants per Statement of Financial Position (see Note 11)

(470,930,373)

296,901,711