



CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

General Information

MAYORAL COMMITTEE

Executive Mayor

Herman Mashaba (Resigned-30 November 2019)

Geoff Makhubo

Councillors

Vasco da Gama (Speaker of Council)

Richard Ngobeni (Finance)

Leah Ruth Knott (Economic Development)

Reuben Mlungisi Masango (Development Planning and Urban Management)

Nonhlanhla Helen Makhuba (Transport)

Nico De Jager (Environment and Infrastructure Services)

Dr Mpho Phalatse (Health and Social Development)

Dr Valencia Ntombi Khumalo (Corporate and Shared Services)

Michael Sun (Public Safety)

Nonhlanhla Sifumba (Community Development)

Meshack Van Wyk (Housing)

Dr Kevin Wax (Chief Whip)

Alex Christians (Chair of Chairpersons)

City of Johannesburg Metropolitan Municipality

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General Information

GRADING OF LOCAL AUTHORITY

The City of Johannesburg Metropolitan Municipality is a Grade Six Local Authority in terms of Item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.

CITY MANAGER

Dr Ndivhoniswani Lukhwareni

CHIEF FINANCIAL OFFICER

Manenzhe Manenzhe

REGISTERED OFFICE

Metropolitan Centre,
158 Loveday Street
Braamfontein
Johannesburg
2001
Telephone:
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Facsimile:
+27 (0)11 339 - 5704

POSTAL ADDRESS

P O Box 1049
Johannesburg
2000

PRIMARY BANKER

Standard Bank

AUDITORS

The Office of the Auditor-General : Gauteng
Registered Auditors
39 Scott Street
Braamley
2090
PO Box 91081
Auckland Park
2006

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

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City of Johannesburg Metropolitan Municipality

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ABBREVIATIONS

AARTO	Administrative Adjudication of Road Traffic Offences
AUC	Assets Under Construction
CJMM	City of Johannesburg Metropolitan Municipality (CORE)
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
EPWP	Expanded Public Works Program
FRA	Forward Rate Agreement
FRN	Floating Rate Note
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IRS	Interest Rate Swap
JDA	Johannesburg Development Agency
JIBAR	Johannesburg Interbank Average Rate
JRA	Johannesburg Roads Agency
JSE	Johannesburg Stock Exchange
MBUS	Metrobus
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MTC	Metropolitan Trading Company
NCD	Negotiable Certificate of Deposit
NPV	Net Present Value
PAYE	Pay As You Earn
PN	Promissory Note
PPE	Property, Plant and Equipment
RMB	Rand Merchant Bank
SANAS	South African National Accreditation System
SARS	South Africa Revenue Services
SCM	Supply Chain Management
SOC	State Owned Company

City of Johannesburg Metropolitan Municipality

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SPTN	Single Public Transport Network
STD	Standard Bank
TCTA	Trans-Caledon Tunnel Authority
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
VAT	Value Added Taxation

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

City Manager's approval of the Group Annual Financial Statements

I am responsible for the preparation of the Group Annual Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The Group 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.

Accounting Officer
Dr. Ndivhoniswani Lukhwareni

Date

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2019	2018 Restated*	2019	2018 Restated*
Assets					
Current Assets					
Inventories	3	265 436	303 474	78 504	78 040
Loans to Municipal entities	4	-	-	1 087 460	841 658
Other financial assets	5	33 310	16 101	33 310	16 101
Current tax receivable		14 152	24 395	-	-
Finance lease receivables	6	-	-	141 756	105 200
Receivables from exchange transactions	7	1 426 287	1 236 300	8 866 788	6 797 785
Receivables from non-exchange transactions	8	723 386	401 259	696 532	352 529
VAT receivable	9	402 725	592 881	213 169	420 702
Consumer debtors	10	6 303 388	5 615 024	990 161	932 524
Financial assets at fair value - Sinking fund	11	1 292 512	784 006	1 292 512	784 006
Cash and cash equivalents	12	5 339 214	2 239 860	4 673 485	1 821 807
		15 800 410	11 213 300	18 073 677	12 150 352
Non-Current Assets					
Zoo animals	13	25 822	26 860	-	-
Investment property	14	998 481	1 006 275	993 350	1 000 144
Property, plant and equipment	15	73 377 912	69 060 662	44 799 519	41 900 071
Intangible assets	16	1 563 366	1 353 458	1 067 351	767 487
Heritage assets	17	597 893	597 783	596 185	596 190
Investments in Municipal Entities	18	-	-	643 484	628 500
Investment in Joint Ventures	19	25 447	24 044	-	-
Investment in Associate	20	-	16 240	-	-
Loans to Municipal entities	4	-	-	6 069 088	6 387 712
Other financial assets	5	60 596	68 454	60 596	68 454
Deferred tax	21	1 595 365	1 309 288	-	-
Finance lease receivables	6	-	-	93 801	132 362
Financial assets at fair value - Sinking fund	11	1 384 772	2 052 797	1 384 772	2 052 797
		79 629 654	75 515 861	55 708 146	53 533 717
Total Assets		95 430 064	86 729 161	73 781 823	65 684 069

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Group Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2019	2018 Restated*	2019	2018 Restated*
Liabilities					
Current Liabilities					
Loans and borrowings	22	948 987	761 803	948 039	760 928
Current tax payable		181 028	289 543	-	-
Finance lease obligations	23	67 392	34 522	59 991	38 274
Financial liabilities at fair value - Sinking fund	29	-	156 219	-	156 219
Payables from exchange transactions	24	12 538 177	12 470 559	12 797 645	11 025 362
VAT payable	9	287 954	444 564	-	-
Unspent conditional grants and receipts	25	348 355	232 492	314 983	201 572
Provisions	26	322 703	299 256	-	-
Deferred income	28	5 410	1 459	-	-
Consumer deposits	31	16 958	15 445	-	-
		14 716 964	14 705 862	14 120 658	12 182 355
Non-Current Liabilities					
Loans from Municipal entities	32	-	-	438 146	426 338
Loans and borrowings	22	21 097 960	19 144 526	21 084 678	19 130 295
Finance lease obligations	23	115 982	129 451	109 889	113 039
Financial liabilities at fair value - Sinking fund	29	-	450 398	-	450 398
Employee benefits obligations	27	1 303 578	1 377 240	1 021 491	1 076 024
Unspent conditional grants and receipts	25	64 360	32 684	-	-
Deferred tax	21	3 289 319	3 090 970	-	-
Provisions	26	876 849	760 311	135 061	123 695
Deferred income	28	78 147	64 332	78 147	64 332
Consumer deposits	31	986 778	946 817	17 240	16 748
		27 812 973	25 996 729	22 884 652	21 400 869
Total Liabilities		42 529 937	40 702 591	37 005 310	33 583 224
Net Assets		52 900 127	46 026 570	36 776 513	32 100 845
Accumulated surplus		52 900 127	46 026 570	36 776 013	32 100 859

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Group Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2019	2018 Restated*	2019	2018 Restated*
Revenue					
Revenue from exchange transactions					
Rendering of services	34	27 466 609	24 824 006	351 879	289 992
Rental of facilities and equipment		334 591	307 506	140 318	130 083
Agency services		673 046	660 312	265 108	242 068
Other revenue	33	743 770	741 037	956 899	874 185
Finance Income		839 864	682 079	1 640 342	1 506 203
Reversal of impairment		-	165	30 847	29 007
Fair value adjustments		447 098	210 257	447 098	210 257
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	19	1 403	1 144	-	-
Total revenue from exchange transactions		30 506 381	27 426 506	3 832 491	3 281 795
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	35	12 372 032	9 110 560	12 372 032	9 110 560
Surcharges and taxes		224 819	233 245	224 819	233 245
Transfer revenue					
Government grants and subsidies	36	10 743 565	9 782 283	10 294 887	9 206 115
Levies		543 562	296 363	-	-
Public contributions, donated and contributed property, plant and equipment		359 720	421 792	2 288	3 612
Fines, Penalties and Forfeits		560 309	211 547	560 309	211 547
Total revenue from non-exchange transactions		24 804 007	20 055 790	23 454 335	18 765 079
Total revenue		55 310 388	47 482 296	27 286 826	22 046 874
Expenditure					
Employee related costs	37	(12 667 744)	(10 684 522)	(7 677 036)	(6 146 100)
Remuneration of councillors	38	(162 088)	(156 206)	(162 088)	(156 206)
Depreciation and amortisation	39	(3 186 446)	(3 132 794)	(1 987 335)	(2 045 073)
Impairment losses	40	(72 553)	(103 318)	(378 115)	(136 555)
Finance costs		(2 434 266)	(2 525 423)	(2 544 645)	(2 631 348)
Debt impairment	41	(4 578 189)	(3 379 992)	(1 616 568)	(866 965)
Bulk purchases	42	(16 535 145)	(15 173 013)	-	-
Lease rentals on operating lease		(1 188 515)	(1 123 140)	(309 892)	(253 872)
Grants and subsidies paid	43	(180 269)	(289 336)	(4 094 638)	(3 684 590)
Loss on disposal of assets and liabilities		(37 564)	(313 623)	(24 910)	(292 851)
General expenses	44	(7 395 132)	(7 918 515)	(3 816 382)	(4 371 854)
Total expenditure		(48 437 911)	(44 799 882)	(22 611 609)	(20 585 414)
Surplus before taxation		6 872 477	2 682 414	4 675 217	1 461 460
Taxation	60	10 198	(67 962)	-	-
Surplus for the year		6 882 675	2 614 452	4 675 217	1 461 460

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Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Accumulated	Total equity
		surplus	
GROUP			
Balance at July 1, 2017 Restated		43 412 118	43 412 118
Changes in net assets			
Surplus for the year- Restated		2 614 452	2 614 452
Total recognised revenue and expenditure for the year		<u>2 614 452</u>	<u>2 614 452</u>
Total changes		<u>2 614 452</u>	<u>2 614 452</u>
Balance at 01 July 2018 restated		46 026 570	46 026 570
Changes in net assets			
Surplus for the year		6 882 675	6 882 675
Total changes		<u>6 882 675</u>	<u>6 882 675</u>
Balance at 30 June 2019		<u>52 909 245</u>	<u>52 909 245</u>

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Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Accumulated surplus	Total equity
CJMM			
Balance at 01 July 2017 Restated		30 639 399	30 639 399
Changes in net assets			
Surplus for the year		1 461 460	1 461 460
Total changes		<u>1 461 460</u>	<u>1 461 460</u>
Balance at 01 July 2018 Restated		32 100 859	32 100 859
Changes in net assets			
Surplus for the year		4 675 217	4 675 217
Total changes		<u>4 675 217</u>	<u>4 675 217</u>
Balance at 30 June 2019		<u>36 776 076</u>	<u>36 776 076</u>

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Group Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2019	2018 Restated*	2019	2018 Restated*
Cash flows from operating activities					
Receipts					
Cash receipts from customers		37 469 097	32 612 817	11 310 008	9 042 075
Grants		10 891 104	9 483 984	10 314 004	8 853 572
Interest income		839 864	715 421	1 233 156	943 110
		49 200 065	42 812 222	22 857 168	18 838 757
Payments					
Cash paid to suppliers and employees		(37 871 075)	(35 116 062)	(14 720 057)	(14 055 609)
Finance costs		(2 434 266)	(2 525 423)	(2 519 029)	(2 353 710)
Taxes on surpluses		(268 598)	(276 031)	-	-
		(40 573 939)	(37 917 516)	(17 239 086)	(16 409 319)
Net cash flows from operating activities	46	8 626 126	4 894 706	5 618 082	2 429 438
Cash flows from investing activities					
Purchase of capital assets		(7 520 167)	(6 354 940)	(5 212 707)	(4 537 052)
Cash movements in sinking fund		-	959 473	-	959 473
Loans redeemed from Municipal entities		-	-	917 675	1 077 986
Finance lease receivables		-	-	80 724	(69 887)
Investment in Municipal entities		-	-	(14 984)	(32 144)
Other financial assets		(9 350)	2 475	(9 350)	2 475
Loans to Municipal entities		-	-	(487 646)	(416 704)
Net cash flows from investing activities		(7 529 517)	(5 392 992)	(4 726 288)	(3 015 853)
Cash flows from financing activities					
Proceeds from borrowings		4 349 726	5 998 386	4 349 726	5 998 386
Liabilities from MEs		-	-	(16 036)	(609)
Liabilities from Municipal entities		-	-	(45 343)	(44 002)
Repayment of borrowings		(2 208 232)	(6 211 059)	(2 208 232)	(6 211 059)
Repayment of post-retirement benefits		(138 749)	(145 091)	(116 736)	(115 584)
Provisions		-	-	(3 495)	-
Net cash flows from financing activities		2 002 745	(357 764)	1 959 884	(372 868)
Net (decrease)/increase cash and cash equivalents		3 099 354	(856 050)	2 851 678	(959 283)
Cash and cash equivalents at the beginning of the year		2 239 860	3 095 910	1 821 807	2 781 090
Cash and cash equivalents at the end of the year	12	5 339 214	2 239 860	4 673 485	1 821 807

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
GROUP						
Statement of Financial Performance						
REVENUE						
REVENUE BY SOURCE						
Property rates	10 098 983	903 436	11 002 419	12 372 032	1 369 613	1
Service charges	29 904 698	(1 021 478)	28 883 220	27 325 461	(1 557 759)	2
Investment revenue	640 237	(13 485)	626 752	839 864	213 112	3
Transfers recognised - operational	8 240 403	(115 231)	8 125 172	8 043 258	(81 914)	
Agency fees	739 574	(15 711)	723 863	673 046	(50 817)	
Fines	449 783	120 000	569 783	560 309	(9 474)	
Other own revenue	2 509 453	(225 818)	2 283 635	2 436 391	152 756	4
Total Revenue (excluding capital transfers and contributions)	52 583 131	(368 287)	52 214 845	52 250 361	35 517	
EXPENDITURE BY TYPE						
Employee costs	(13 290 425)	131 843	(13 158 582)	(12 667 744)	490 838	5
Remuneration of councillors	(170 336)	-	(170 336)	(162 088)	8 248	
Debt impairment	(2 830 770)	(333 009)	(3 163 779)	(4 578 189)	(1 414 410)	6
Depreciation & asset impairment	(4 063 538)	50 647	(4 012 891)	(3 258 999)	753 892	7
Finance charges	(2 317 690)	(95 592)	(2 413 282)	(2 434 266)	(20 984)	
Materials and bulk purchases	(16 947 479)	(100)	(16 947 579)	(16 535 145)	412 434	
Transfers and grants	(342 288)	61 357	(280 931)	(180 269)	100 662	
Other expenditure	(11 135 115)	165 611	(10 969 504)	(8 621 211)	2 348 293	8
Total expenditure	(51 097 641)	(19 243)	(51 116 884)	(48 437 911)	2 678 973	
Surplus/(Deficit)	1 485 490	(387 530)	1 097 961	3 812 450	2 714 490	
Transfers recognised - capital	2 614 216	72 352	2 686 568	2 700 307	13 739	
Public contributions, donated and contributed property, plant and equipment	463 278	(32 900)	430 378	359 720	(70 658)	
Surplus/(Deficit) after capital transfers & contributions	4 562 984	(348 078)	4 214 907	6 872 477	2 657 571	
Taxation	(247 309)	222 416	(24 893)	10 198	35 091	
Surplus/(Deficit) for the year	4 315 675	(125 662)	4 190 014	6 882 675	2 692 662	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

1. Property rates

Property rates is over budget due to the implementation of the general valuation roll which resulted in an overall increase in the market value of existing properties. There has also been an increase in new property registrations and the tariff increase which was effective from 01 July 2018.

The property rates penalties and collection charges are over budget due to the accumulation of penalties, collection charges and interest imposed on non-paying customers.

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2. Services charges

2.1. Service Charges - Electricity

The under-recovery is attributable to a decrease in electricity volumes sold and unresolved billing exceptions and invoicing error.

2.2. Service charges - Water

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The under-performance against budget is due to lower than anticipated water sales volume as a result of a decrease in water consumption by customers

3. Investment revenue

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

The positive variance in Investment revenue is attributable to improved cash balance achieved by the group during the financial year under review as well as the impact of poor payment levels by customers which resulted in a higher outstanding debtors book.

4. Other Revenue

4.1 City Power

The other revenue is over budget by 14% as a result of the Demand Side Service Levy.

4.2 Pikitup

The City Cleaning Levy is over budget due to the implementation of the new general valuation roll and the tariff increase effective 01 July 2018. City cleaning levy is linked to property values.

5. Employee costs

Employee costs are under budget due to budgeted vacant positions that were not filled during the year under review.

6. Debt impairment

Allowance for impairment is over budget due to the lower levels of collections against the budgeted collection target. The contribution towards the Provision for bad debts was higher than anticipated as a result of poor payment levels by customers which are currently below the budgeted payment levels of 85%. Customers are continuing to default on their current and old debt obligations to the City.

The review and the clean-up of the debtor's book also resulted in an increase in the impairment of debtors.

7. Depreciation and amortisation

Depreciation is under budget due to assets under construction being completed later than anticipated and the review of the useful life of assets resulting in saving. Lower than budgeted capital expenditure contributed to the under performance of the expense item.

8. Other expenditure

The under spending as compared to budget is attributable to the austerity measures implemented in line with circular 82 of the MFMA on cost containment leading to under-spending across various expense line items such as travel, advertising, printing and publication expenditure.

8.1 Core departments

The general expenses is under budget due to expiry of the repairs and maintenance contract for which the procurement process for a new contract is in progress

8.2 Joburg Water

The under expenditure in General expenditure is mainly due to the disaster management fund which was originally budgeted for as required by CoJ's Disaster Management Services unit but no claims were submitted.

8.3 City Power

There was a delay in implementing planned maintenance resulting in under-spending in repairs and maintenance

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand thousand

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Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds 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
GROUP - 2019											
Financial Performance											
Property rates	10 098 983	903 436	11 002 419	-	-	11 002 419	12 372 032	-	1 369 613	112 %	123 %
Rendering of services	29 904 698	(1 021 478)	28 883 220	-	-	28 883 220	27 325 461	-	(1 557 759)	95 %	91 %
Rental of facilities and equipment	377 929	1 823	379 752	-	-	379 752	334 591	-	(45 161)	88 %	89 %
Agency fees	739 574	(15 711)	723 863	-	-	723 863	673 046	-	(50 817)	93 %	91 %
Other revenue	2 111 524	(240 999)	1 870 525	-	-	1 870 525	2 101 801	-	231 276	112 %	100 %
Finance Income	640 237	(13 485)	626 752	-	-	626 752	839 864	-	213 112	134 %	131 %
Gain on disposal of PPE	20 000	13 358	33 359	-	-	33 359	-	-	(33 359)	- %	- %
Share of surpluses or deficits from associates or joint	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Government grants and subsidies	8 240 403	(115 231)	8 125 172	-	-	8 125 172	8 043 258	-	(81 914)	99 %	98 %
Fines, Penalties and forfeits	449 783	120 000	569 783	-	-	569 783	560 309	-	(9 474)	98 %	125 %
Total revenue	52 583 131	(368 287)	52 214 845	-	-	52 214 845	52 250 362	-	35 517	100 %	99 %
Employee costs	(13 290 425)	131 843	(13 158 582)	-	-	(13 158 582)	(12 667 744)	-	490 838	96 %	95 %
Remuneration of councillors	(170 336)	-	(170 336)	-	-	(170 336)	(162 088)	-	8 248	95 %	95 %
Depreciation and amortisation	(4 063 538)	50 647	(4 012 891)	-	-	(4 012 891)	(3 186 446)	-	826 445	79 %	78 %
Finance charges	(2 317 690)	(95 591)	(2 413 281)	-	-	(2 413 281)	(2 434 266)	-	(20 985)	101 %	105 %
Debt Impairment	(2 830 770)	(333 009)	(3 163 779)	-	-	(3 163 779)	(4 578 189)	-	(1 414 410)	145 %	162 %
Bulk purchases	(16 933 558)	-	(16 933 558)	-	-	(16 933 558)	(16 535 145)	-	398 413	98 %	98 %
Lease rentals on operating lease	-	-	-	-	-	-	(1 188 515)	-	(1 188 515)	DIV/0 %	DIV/0 %
Grants and subsidies paid	(342 288)	61 357	(280 931)	-	-	(280 931)	(180 269)	-	100 662	64 %	53 %
Loss on disposal of assets and liabilities	-	-	-	-	-	-	(37 564)	-	(37 564)	DIV/0 %	DIV/0 %
General expenses	(11 149 036)	165 510	(10 983 526)	-	-	(10 983 526)	(7 467 686)	-	3 515 840	68 %	67 %
Total expenditure	(51 097 641)	(19 243)	(51 116 884)	-	-	(51 116 884)	(48 437 912)	-	2 678 972	95 %	95 %
Surplus/ (Deficit)	1 485 490	(387 530)	1 097 960	-	-	1 097 961	3 812 450	-	2 714 489	347 %	347 %

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Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2 614 216	72 352	2 686 568	-		2 686 568	2 700 307		13 739	101 %	103 %
Contributions recognised - capital and contributed assets	463 278	(32 900)	430 378	-		430 378	359 720		(70 658)	84 %	78 %
Surplus/ (Deficit) after capital contributions	4 562 984	(348 078)	4 214 906	-		4 214 907	6 872 477		2 657 570	163 %	151 %
Taxation	247 309	(222 416)	24 893	-		24 893	(10 198)		(35 091)	(41)%	(4)%
Surplus/ (Deficit) for the year	4 315 675	(125 662)	4 190 013	-		4 190 014	6 882 675		2 692 661	164 %	159 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	7 645 674		7 645 674	- %	- %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand
thousand

	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
CJMM											
Financial Performance											
Property rates	10 098 983	903 436	11 002 419	-	-	11 002 419	12 372 032	-	1 369 613	112 %	123 %
Service charges	692 130	(224 900)	467 230	-	-	467 230	351 879	-	(115 351)	75 %	51 %
Investment revenue	1 606 796	(28 953)	1 577 843	-	-	1 577 843	1 640 341	-	62 498	104 %	102 %
Transfers recognised - operational	8 240 403	(115 231)	8 125 172	-	-	8 125 172	7 994 057	-	(131 115)	- %	- %
Other own revenue	2 450 506	(201 334)	2 249 172	-	-	2 249 172	2 625 398	-	376 226	117 %	107 %
Total revenue (excluding capital transfers and contributions)	23 088 818	333 018	23 421 836	-	-	23 421 836	24 983 707	-	1 561 871	107 %	108 %
Employee costs	(7 704 281)	96 151	(7 608 130)	-	-	(7 608 130)	(7 677 035)	-	(68 905)	101 %	100 %
Remuneration of councillors	(170 336)	-	(170 336)	-	-	(170 336)	(162 088)	-	8 248	95 %	95 %
Debt impairment	(660 692)	(39 000)	(699 692)	-	-	(699 692)	(1 616 568)	-	(916 876)	231 %	245 %
Depreciation and asset impairment	(2 728 064)	28 892	(2 699 172)	-	-	(2 699 172)	(2 365 450)	-	333 722	88 %	87 %
Finance charges	(2 468 053)	24 095	(2 443 958)	-	-	(2 443 958)	(2 544 645)	-	(100 687)	104 %	103 %
Transfers and grants	(4 199 532)	3 352	(4 196 180)	-	-	(4 196 180)	(4 094 638)	-	101 542	98 %	98 %
Other expenditure	(5 789 012)	430 146	(5 366 066)	-	-	(5 366 066)	(4 151 184)	-	1 214 882	77 %	72 %
Total expenditure	(23 719 970)	543 636	(23 183 534)	-	-	(23 183 534)	(22 611 608)	-	571 926	98 %	95 %
Surplus/(Deficit)	(631 152)	876 654	238 302	-	-	238 302	2 372 099	-	2 133 797	995 %	(376)%

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Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2 343 890	2 098	2 345 988	-		2 345 988	2 300 830		(45 158)	98 %	98 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	2 288		2 288	- %	- %
Surplus (Deficit) after capital transfers and contributions	1 712 738	878 752	2 584 290	-		2 584 290	4 675 217		2 090 927	181 %	273 %
Surplus/(Deficit) for the year	1 712 738	878 752	2 584 290	-		2 584 290	4 675 217		2 090 927	181 %	273 %
Capital expenditure and funds sources											
Total capital expenditure	5 688 262	169 527	5 857 789	-		5 857 789	5 268 523		(589 266)	- %	- %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Statement of compliance

Basis of Preparation and Presentation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise.

Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

Going Concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.1 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.2 Consolidation

Basis of consolidation

The consolidated Group Annual Financial Statements comprise the Annual Financial Statements of CJMM and all entities controlled by CJMM, presented as those of a single entity.

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

Balances, transactions, revenues and expenses between entities within the Group are eliminated in full on consolidation.

1.3 Significant judgements and sources of estimation uncertainty

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Significant judgements include:

Impairment of financial assets

Where objective evidence of 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 asset 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

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items. Allowance for obsolete stock is recognised when stock is slow moving and/or will not be used. The difference between the cost of inventory and the net realisable value is recognised in the statement of financial performance.

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 municipality is the current bid price. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market values of other similar instruments, discounted cash flow analysis and option pricing models.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment of property, plant and equipment

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 estimate the recoverable service amount of the asset.

The recoverable amounts of cash-generating units and individual assets are determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact estimations and may then require a material adjustment to the carrying value of cash-generating units and individual assets.

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

Provisions, contingent liabilities and contingent assets

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

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

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.

The group determines the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties.

Impairment of receivables

Impairment of receivables represent management's best estimate based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This is performed on each category of debtors across all debtor classes.

Useful life of PPE

The useful life of assets are based on management's estimates. Management considers the impact of technology, service requirements and the required return on assets to determine the optimum useful life expectation, where appropriate. The estimated residual value of assets is also based on management's judgement which takes into account the condition of assets at the end of their useful lives.

Budget information

For differences between budget and actual amounts management considers the amount and the nature of the difference and makes a judgement as to which differences are regarded as material. All material differences are explained in the notes to the annual financial statements.

1.4 Zoo animals

Zoo animals are accounted for in terms of GRAP 17 as items of property, plant and equipment. The majority of animals are received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at a fair value at the time of donation or transfer, and are depreciated accordingly.

Market determined prices or values are not available for certain animals due to lack of market because they are not commodities, as well as restrictions on trade of exotic animals which precludes the determination of a fair value. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Zoo animals (continued)

The Johannesburg Zoo also acquires animals through supply chain processes and these newly acquired animals are carried at cost less accumulated depreciation and any impairment losses. The offspring of newly acquired animals shall be recorded at a fair value at the time of birth and will also be depreciated accordingly.

The useful lives of zoo animals listed below reflect useful lives of the different classes of animals at the Johannesburg Zoo. Within the different classes of animals are a number of different species whose useful lives differ. Therefore the useful lives of zoo animals listed below reflect the useful lives of the different species contained within a specific class of animals.

The longevity of zoo animals has been assessed as follows:

Amphibia	4-16 years
Arachnida	2-20 years
Aves	4-6 years
Mammalia	6-64 years
Pisces	1-35 years
Reptilia	7-80 years
Insecta	4 years

1.5 Investment property

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

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

Subsequent measurement

Under the cost model, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties, with the exception of land, are depreciated on the straight-line basis over their expected useful lives as follows:

Item	Useful life
Property - Buildings	30 years
Property -Land	Unlimited

The useful life and the depreciation method for investment properties are reviewed at each reporting date.

Investment properties are tested for impairment whenever there is an indication that the asset may be impaired.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

Derecognition

An investment property is derecognised upon disposal or when it is permanently withdrawn from use, and when no future economic benefits or service potential are expected from its use. Any gain or loss arising from the retirement or disposal is recognized in the statement of financial performance.

1.6 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

All items of property, plant and equipment (PPE) are initially recognised at cost, which includes the purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Property, plant and equipment (continued)

Subsequent measurement:

PPE are shown at cost, less accumulated depreciation and any accumulated impairment. Land is measured at cost, less any impairment in value and is not depreciated, since the useful life is considered to be indefinite.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready and available for its use as intended by management.

Property, plant and equipment with the exception of land are depreciated on the straight line basis over their expected useful lives to their estimated residual values. The depreciation method used for each asset reflects the pattern in which the asset's economic benefits or service potential has been expected to be consumed by the Municipality.

Assets held under finance leases are depreciated on the lower of lease term or expected useful lives in the same way as owned assets. When it is reasonable certain that ownership will be transferred to the lessee at end of lease term, then leased asset will be depreciated over the useful life of the asset which is consistent with that for depreciable assets that are owned. Depreciation is recognised in the statement of financial performance.

Subsequent expenditure is included in the cost of the asset when incurred, if it is probable that such expenditure will result in future economic benefits associated with the item flowing to the Municipality, and the cost can be measured reliably.

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 and also depreciated separately.

The residual values, useful lives and depreciation methods applied to assets are reviewed at each financial year-end based on relevant market information and management consideration.

Property, plant and equipment are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (Years)
Buildings	18 - 60 years
Plant and Equipment	2 - 85 years
Furniture and fittings	2 - 25 years
Motor vehicles	3 - 20 years
Office equipment	2 - 20 years
Computer equipment	2 - 15 years
Bins and containers	5 - 10 years
Infrastructure	10 - 30 years
Community assets	3 - 30 years
Emergency Equipment	5 - 15 years
Wastewater and Water Network	.
Pump stations - Civil	60 - 100 years
Pump stations - Mechanical	5 - 15 years
Pump stations - Electrical	7 - 16 years
Water meters	4 - 13 years
Pipelines and other	60 - 100 years
Landfill Site	Determined annually based on the available space
Specialised vehicles	5- 40 years
Other	2 - 40 years

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Property, plant and equipment (continued)

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the statement of financial performance.

The Group derecognises property, plant and equipment on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the property, plant and equipment. Such difference is recognised in the statement of financial performance.

1.7 Intangible assets

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

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

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

Subsequent Measurement

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

Amortisation commences when the intangible assets are available for their intended use. The amortisation period and method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised on the straight-line basis over the useful lives of assets.

For intangible assets with an indefinite useful life, no amortisation is provided but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. However, the Municipality reviews the useful life of an intangible asset that is not being amortised each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

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

Item	Useful life
Additional capacity rights	10 years
Servitudes	Indefinite
Computer software, internally generated	8 years
Computer software	2-8 years

By their nature, servitudes confer upon the holder a right in perpetuity over the property and as these rights have an indefinite useful life, they are not amortised.

1.8 Heritage assets

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

A heritage asset shall be recognised as an asset if, and only if:

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

A heritage asset that qualifies for recognition as an asset shall be measured at cost.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.8 Heritage assets (continued)

Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement.

Heritage assets are recognised at cost less accumulated impairment. Due to high residual values and long economic lives, the Municipality does not depreciate heritage assets

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset, and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Principles of assets transferred to heritage assets apply up until the date of transfer.

Heritage assets are tested for impairment annually and whenever there is an indication that the asset may be impaired.

1.9 Investments in Municipal Entities

In the municipality's separate annual financial statements, investments in municipal entities are carried at cost less any accumulated impairment

1.10 Investment in Joint Ventures

An investment in an joint ventures is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surpluses or deficits of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have joint control over an joint venture.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

An interest in a jointly controlled company is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on non-current assets held-for-sale and discontinued operations. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of Financial position at cost adjusted for post-acquisition changes in the company's share of net assets of the company, less any impairment losses. Surpluses and deficits on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein.

The most recent available annual financial statements of the joint ventures are used by the investor in applying the equity method.

Distributions received from the joint ventures reduce the carrying amount of the investment.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.11 Investment in Associate

An investment in an associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surpluses or surplus (deficit) of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate.

Distributions received from the associate reduce the carrying amount of the investment.

Surpluses and surplus (deficit) resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

The excess of the group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and is instead included as revenue in the period in which the investment is acquired.

The most recent available annual financial statements of the associate are used by the investor in applying the equity method.

The recognition of the group's share of losses is discontinued once the group's share of losses of an associate equals or exceeds its interest in the associate.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.12 Financial instruments

Financial Assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

To the extent that a financial asset has a maturity period of longer than 12 months, the value of these instruments will be reflected as a non-current asset.

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition (trade date).

Investments at cost

Financial assets at fair value

Financial assets at fair value comprise of derivatives and non-derivative financial instruments designated at fair value. On initial recognition the financial assets are measured at fair value. Subsequent to initial recognition, all changes to fair value are recognised through the statement of financial performance.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Receivables from exchange and non exchange transactions

Trade receivables and consumer debtors are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of financial performance when there is objective evidence that the asset is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable and consumer debtors are impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the statement of financial performance within operating expenses. When trade receivables and consumer debtors are uncollectible, it is written off against the allowance account for trade receivables and consumer debtors once council approval is obtained. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

Financial liabilities

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs.

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, except for financial liabilities at fair value through profit or loss or hedging instruments, which are measured at fair value.

Finance costs on financial liabilities at amortised cost are expensed in the statement of financial performance in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in the statement of financial performance when the liability is derecognised.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.12 Financial instruments (continued)

Gains and losses on financial liabilities at fair value through profit or loss arise from fair value movements and related transaction costs on these liabilities. These gains and losses are recognised in the statement of financial performance in the period in which they are incurred.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

Loans to/ from Municipal entities

Loans to/ from municipal entities are classified as Assets which are initially recognised at fair value and subsequently measured at amortised cost.

Payables from exchange

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting Financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Hedge accounting (derivatives)

The municipality holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the municipality formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The municipality makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported statement of financial performance.

Derivatives are recognised initially at fair value, and attributable transaction costs are recognised in the statement of financial performance as incurred.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect statement of financial performance, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in net assets. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of financial performance.

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the statement of financial performance.

1.13 Tax

Current tax assets and liabilities

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

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Accounting Policies

1.13 Tax (continued)

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

Deferred tax assets and liabilities

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

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

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, to net assets; or
- a business combination.

1.14 Leases

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

Finance leases - lessor

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.

Finance leases - lessee

The Group recognises assets and liabilities acquired under finance leases as assets and the associated obligation as 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.

Minimum lease payments are apportioned between the finance charge and the outstanding capital portion, using the effective interest rate method. 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.

Operating leases - lessor

Operating lease revenue is recognised as revenue on the straight-line basis over the lease term..

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 the straight- line

Operating leases - lessee

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Accounting Policies

1.14 Leases (continued)

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

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

1.15 Inventories

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

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.

Subsequent measurement inventories

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

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. Management estimate, based on their assessment of quality and volume, the extent to which inventory on hand at the reporting date will be sold below cost.

Current replacement cost is the cost the group incurs to acquire the asset on the reporting date.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

The municipality derecognises inventory on disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of inventory is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the inventory. Such difference is recognised in statement of financial performance.

1.16 Impairment of cash and non-cash generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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1.16 Impairment of cash and non-cash generating assets (continued)

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the group; or
- the number of production or similar units expected to be obtained from the asset by the group.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

1.17 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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Accounting Policies

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the group; or
- the number of production or similar units expected to be obtained from the asset by the group.

Reversal of an impairment loss

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

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

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

1.18 Internal reserves

Compensation for occupational injuries and diseases (COID) reserve

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1.18 Internal reserves (continued)

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is aimed to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense.

The municipality is an exempt employer in terms of Section 84 (1) (a) (ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

The certificate of exemption issued by the Commissioner and prescribed by the COID Act requires the Municipality to deposit cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the Municipality's continuing liability as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner.

A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner, and the Municipality is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds from the reserve to the expense account in the statement of financial performance.

1.19 Budget information

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 2019 to 2021.

The group annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.20 Employee benefits

Short-term employee benefits

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

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

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

The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when:

- (a) it has a present legal or constructive obligation to make such payments as a result of past events,
- (b) a reliable estimate of the obligation can be made.

The City contributes to defined contribution plan and defined benefit plan.

Defined contribution plans

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

Defined benefit plans

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1.20 Employee benefits (continued)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit funds are actuarially valued on the projected credit method.

Consideration is given to any event that could impact the funds up to end of the reporting period where the valuation is performed at an earlier date.

Past service costs are recognised immediately in the statement of financial performance in the reporting period in which the plan is amended.

Actuarial gains and losses are recognised in full in the statement of financial performance when they arise.

The Group provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some employees based on the qualification criteria.

Multi-employer plans

The municipality classifies a multi-employer plan either as a defined contribution plan or a defined benefit plan. Under the defined benefit plan, the Municipality 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.

1.21 Provisions and contingencies

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and:

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

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.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

Where the effect of the time value of money is material, the amount of the provision is discounted to present value at the discount rate which 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 shall not exceed the amount of the provision.

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

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Additional disclosures of estimates of provisions are included in the provisions note.

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Accounting Policies

1.21 Provisions and contingencies (continued)

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

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

The group recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.22 Revenue from exchange transactions

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

Revenue from sale of Bus ticket points

Revenue from the sale of ticket points is accounted for as a separately identifiable component of a sale for normal points and bonus points. Each point is equivalent to the value of one rand. Bonus points are earned by customers only on purchase of points above the value of R50. Any bonus points not redeemed in 36 months (3 years) are subject to expiry thereafter any deferred revenue previously recognised is then recognised as revenue.

Revenue arising from sale of bus tickets for both normal and bonus points is initially accounted for as deferred revenue (liability) in the statement of financial position and only recognised as revenue upon redemption of normal or bonus points, or upon the expiry date.

Revenue is recognised at fair value for normal points. Bonus points are also recognised at fair value which is equivalent to the cost of transferring the points. The consideration allocated to the bonus points is measured by reference to the amount which the bonus points could be sold separately.

At the end of each period, deferred revenue is recognised which is measured at fair value of points earned which are yet to be redeemed.

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:

- 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;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on the 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.

Income from agency services

Revenue arising from situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of commission or fee payable to the municipality for services performed.

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Accounting Policies

1.22 Revenue from exchange transactions (continued)

Finance income

Interest is recognised on a time- proportion basis, in surplus or deficit, using the effective interest rate method.

1.23 Revenue from non-exchange transactions

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

Fines

The group has two types of fines :

- Traffic fines issued in terms of the Criminal Procedures Act
- Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO ACT).

Criminal Procedures Act fines:

These fines are issued in terms of the Criminal Procedures Act and are usually issued by way of notice to offenders, and can:

(a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or

(b) indicate that the offender must appear in Court on a specified day (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Initial recognition:

There is uncertainty regarding the probability of the flow of economic benefits in respect of criminal procedure act fines. Legal processes have to be undertaken before the criminal procedure act fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Where a reliable estimate cannot be made of revenue from summonses, the Municipality cannot recognise revenue and receivable until this judicial process has been completed and a reliable estimate can be made.

Subsequent measurement

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition.

AARTO traffic fines

These are fines issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Initial recognition

The COJ is legally entitled to 50% of the face value of the fines, taking into account the best estimate of the inflow of economic benefits in terms of GRAP 23.

In terms of the AARTO ACT par 32(1) and (2), RTIA is legally entitled to receive 50% of the face value of such fine plus other administrative cost so incurred as compensation for their services in collecting and adjudication process.

Subsequent measurement

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition

Government grants

Government grants are recognised as revenue when:

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Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

- it is probable that the economic benefits or service potential associated with the transaction will flow to the group,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Conditional grants

Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the Municipality incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the Municipality is unable to avoid the outflow of resources as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties or else to return to the transferor future economic benefits or service potential. Therefore, when a Municipality initially recognises an asset that is subject to a condition it also recognises a liability. Revenue on such grants is recognised when the qualifying expenditure has been incurred and to the extent that conditions have been complied with.

Unconditional grants

The Municipality recognises revenue from unconditional grants upon receipt and/or when resources transferred meet the criteria for recognition as an asset and there is also no present obligation to the Municipality to refund transferred resources to the transferor.

Unconditional grants also includes grants with restrictions since restrictions do not include a requirement that the transferred asset, or future economic benefits or service potential be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the Municipality a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. The Municipality recognises grants with restriction and unconditional grants as revenue upon receipt of the grant and no corresponding liability is recognised. Unconditional grants are measured at their fair value.

Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Revenue from rates is measured using gazetted tariffs.

Public contributions and donations including goods in-kind donations

Public contributions and donations are voluntary transfers of assets including cash or other monetary assets.

Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge, but may be subject to stipulations.

Public contributions and donations (other than services in-kind) are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognised as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Public contribution and donations including goods in-kind are measured at their fair value as at the date of acquisition.

1.24 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.

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1.25 In-kind services

The Municipality does not recognise services in kind as revenue or assets, but separately discloses the nature and type of major classes of services in-kind as a note to the financial statements.

1.26 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred by a municipality otherwise than in accordance with the approved budget as well as expenditure exceeding the limits of the amounts appropriated for in the different votes in the approved budget.

Depending on circumstances, identified unauthorised expenditure will be authorised by council in an adjustment budget, certified by municipal council as irrecoverable and written off by the council or recovered from a liable official or political office bearer. In cases where unauthorised expenditure is recoverable from an official or political office bearer resulting from necessary investigations, revenue and receivables are recognised. Unauthorised expenditure is disclosed in the notes to the financial statements.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure which was incurred and identified during the financial year and also condoned by the council in terms of the MFMA, is only disclosed in the notes to annual financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be condoned by the council is initially recognised as expenditure based on its nature and after further investigations classified to receivables and revenue. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

1.28 Irregular expenditure

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the MFMA, the Municipal Systems Act, or the Public Office-Bearers Act, and which has not been condoned in terms of the MFMA.

Irregular expenditure which was incurred and identified during the financial year is disclosed in the annual financial statements. It will be accounted for as an expenditure in the statement of financial performance and disclosed separately in the notes to the financial statements.

1.29 Related parties

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

Related party relationships where control exists are disclosed. The municipality discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

1.30 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.30 Events after the reporting date (continued)

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

1.31 Commitments

A Commitment is a contract that is non-cancellable or only cancellable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Commitments are further split into capital and operating commitments.

Capital commitments are amounts committed to acquire goods and services which are of capital in nature i.e. upgrading and/or construction of assets.

Capital commitments are disclosed in the notes to the annual financial statements.

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

In the current financial year, the Municipality has adopted effective revised standards and its interpretations issued by ASB. However, the municipality only adopted effective standards which are relevant to its business operations.

The following Standards and Interpretations were in issue but not yet effective:

<u>Name</u>	<u>Effective Date</u>
GRAP 18 - Segment Reporting	01 April 2020
GRAP 20 - Related Parties	01 July 2019
GRAP 32 - Service Concession arrangements: Grantor	01 July 2019
GRAP 34 - Separate financial statements	01 April 2020
GRAP 35 - Consolidated financial statements	01 April 2020
GRAP 36 - Investment in associates and Joint ventures	01 April 2020
GRAP 37 - Joint Arrangements	01 April 2020
GRAP 38 - Disclosure in interest in other entities	01 April 2020
GRAP 108 - Statutory receivables	01 July 2019
GRAP 109 - Accounting by principles and agents	01 July 2019
GRAP 110 - Living and non-living resources	No effective date has been determined by the Minister of Finance

IGRAP 17 - Interpretation of the standard of GRAP on service concession arrangements where a grantor controls a significant residual interest in an asset

IGRAP 18 - Interpretation of the Standard of GRAP on recognition and derecognition of land

IGRAP 19 - Liabilities to pay levies

The above-mentioned standards and interpretations which are relevant to the Municipality's business operations will be adopted once they become effective.

The municipality applied the principles established in the Standard of GRAP that has been issued, but not yet effective, in developing an appropriate accounting policy dealing with the Related Parties (GRAP 20).

The other standards are similar to existing standards applied by the City and are unlikely to impact the financial position or performance of the entity, but may impact the extent of disclosures provided

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
3. INVENTORIES				
Consumable stores	92 245	92 847	76 231	75 767
Spare parts	33 378	28 353	-	-
Consumables - Water	99 294	86 000	-	-
Consumables - Electrical	90 662	73 021	-	-
Consumables - Road	55 037	50 791	-	-
Other Inventories	6 795	4 649	2 273	2 273
	377 411	335 661	78 504	78 040
Provision for inventory write downs	(111 975)	(32 187)	-	-
	265 436	303 474	78 504	78 040

Cost of inventory expensed is included under bulk purchases and cost of inventory expensed. Provision for inventory write-down comprises of the cumulative balance of inventory on hand that is written down to the net realisable value.

The increase in the provision is mainly caused by the following:

Water

The significant increase in the provision for obsolete stock relates to prepaid meters. These prepaid meters were acquired in 2008, and were unable to be deployed as the Mazibuko court case suspended all roll outs of the prepaid meters. When the roll out program resumed in 2012, these meters were deemed unfit for purpose and were transferred to operations for the meters to be used as conventional meters. This has since also proved to be unsuccessful resulting in the increased contribution to obsolescence. The increase compared to the prior year amounted to approximately R55.5 million

Power

5 additional items which are considered impaired and resulted in an increase in the provision. These items amounts to approximately 50% of the provision for Power. The increase compared to the prior year amounted to approximately R19.6 million.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
4. LOANS TO MUNICIPAL ENTITIES				
Shareholder loans				
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 17.5% Maturity = 30 June 2026	-	-	581 814	581 814
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2026.	-	-	42 979	42 979
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 15% Maturity 30 June 2018.	-	-	-	-
	-	-	624 793	624 793
Concessionary Loans				
The Johannesburg Metro Trading Company(Pty) Ltd Terms and conditions: Rate range = 11.89% Maturity = 30 August 2035	-	-	1 694 008	1 550 508
The loan of R 1 302 551 354 was issued to Metro Trading company on the 1st of September 2015 with a capital and interest payment grace period of three years.				
Conduit loans				
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate range = 9.31% - 12.21% Maturity = 30 June 2019 - 30 June 2027	-	-	1 832 794	2 232 489
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	-	-	416 920	-
Johannesburg Metropolitan Bus Services (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2025	-	-	264 737	295 584
Johannesburg Water (SOC) Ltd Terms and conditions: Rate range = 9.31% - 12.21% Maturity = 30 June 2019 - 30 June 2027	-	-	2 807 866	2 792 040
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate range = 9% - 14.15% Maturity = 30 June 2026 - 30 June 2027	-	-	599 249	524 360
The Johannesburg Fresh Produce Market Terms and conditions: Rate range = 9% - 10.9% Maturity = 30 June 2019 - 30 June 2022	-	-	18 499	28 908
	-	-	5 940 065	5 873 381
Less impairment of loans to Municipal Entities	-	-	(1 102 318)	(819 312)
	-	-	4 837 747	5 054 069

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Non-current assets	-	-	6 069 088	6 387 712
Current assets	-	-	1 087 460	841 658
	-	-	7 156 548	7 229 370

Reconciliation of provision for impairment of loans to municipal entities

Opening balance	-	-	819 312	788 887
Additional impairment - Metro trading Company (Pty) Ltd	-	-	313 853	-
Reversal of impairment - Johannesburg Metropolitan Bus Services (SOC) Ltd	-	-	(30 847)	(29 007)
Additional impairment - Pikitup Johannesburg (SOC) Ltd	-	-	-	59 432
	-	-	1 102 318	819 312

Impairment of loan to Pikitup Johannesburg (Pty) Ltd

The City had entered into a concession with the entity where it agreed to consistently settle interest that becomes due. Although Pikitup has significantly improved its solvency and liquidity position, the continued existence of the concession implies the existence of risk in defaulting.

Impairment of loan to Metro Trading Company (Pty) Ltd

Metro Trading Company has not made any repayments towards the loan in the current year even though the amounts are due and payable

Reversal of impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd

The reversal of impairment relates to the amount recovered from the entity.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
5. OTHER FINANCIAL ASSETS				
At amortised cost				
Housing selling scheme loans	41 238	41 726	41 238	41 726
Other loans and receivables	52 668	42 829	52 668	42 829
	93 906	84 555	93 906	84 555
Non-current assets				
At amortised cost	60 596	68 454	60 596	68 454
Current assets				
At amortised cost	33 310	16 101	33 310	16 101
6. FINANCE LEASE RECEIVABLES				
Gross investment in the lease due				
- within one year	-	-	150 886	111 702
- in second to fifth year inclusive	-	-	122 775	160 835
	-	-	273 661	272 537
less: Unearned finance revenue	-	-	(38 104)	(34 975)
Present value of minimum lease payments receivable	-	-	235 557	237 562
	-	-	235 557	237 562
Present value of minimum lease payments due				
- within one year	-	-	141 756	105 200
- in second to fifth year inclusive	-	-	93 801	132 362
	-	-	235 557	237 562
Non-current assets	-	-	93 801	132 362
Current assets	-	-	141 756	105 200
	-	-	235 557	237 562

COJ entered into a Finance lease with various MOEs for specialised vehicles. The interest rate implicit on the agreement is 10%.

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 70 517 343 (2018: R73 526 080). The fair values were determined at the date of issue of each specialised vehicle to the various MEs.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Trade debtors	95 267	62 653	-	-
Prepayments	110 714	124 532	92 456	65 999
Operating lease receivables	21 530	20 920	21 530	20 902
Public Safety debtors	31 315	34 365	31 315	34 365
Related party debtors	-	-	7 783 495	5 868 634
Fruitless and wasteful expenditure	12 188	12 188	12 188	12 188
Rental debtors	30 737	27 554	30 737	27 554
Accrued VAT	376 517	361 491	376 517	361 491
Kelvin Power	13 872	13 779	13 872	13 779
Sundry debtors	734 147	578 818	504 678	392 873
Total trade and other receivables	1 426 287	1 236 300	8 866 788	6 797 785
8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
Fines	491 390	106 096	491 390	106 096
Government grants and subsidies	205 142	246 433	205 142	246 433
Levies	26 352	48 730	-	-
Other receivables from non-exchange revenue	502	-	-	-
	723 386	401 259	696 532	352 529
9. VAT				
Receivable	402 725	592 881	213 169	420 702
Payable	(287 954)	(444 564)	-	-
	114 771	148 317	213 169	420 702

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
10. CONSUMER DEBTORS				
Gross balances				
Rates	7 625 771	6 169 691	7 625 771	6 169 691
Electricity	4 140 080	3 667 686	-	-
Water	12 247 524	9 603 997	-	-
Refuse	2 655 760	2 226 123	-	-
	26 669 135	21 667 497	7 625 771	6 169 691
Less: Allowance for impairment				
Rates	(6 635 610)	(5 237 167)	(6 635 610)	(5 237 167)
Electricity	(2 427 710)	(1 912 547)	-	-
Water	(9 368 674)	(7 272 967)	-	-
Refuse	(1 933 753)	(1 629 792)	-	-
	(20 365 747)	(16 052 473)	(6 635 610)	(5 237 167)
Net balance				
Rates	990 161	932 524	990 161	932 524
Electricity	1 712 370	1 755 139	-	-
Water	2 878 850	2 331 030	-	-
Refuse	722 007	596 331	-	-
	6 303 388	5 615 024	990 161	932 524
Included in above gross balance is receivables from exchange transactions				
Electricity	4 140 080	3 667 687	-	-
Water	12 247 524	9 603 997	-	-
Refuse	2 655 760	2 221 385	-	-
	19 043 364	15 493 069	-	-
Included in above gross balance is receivables from non-exchange transactions (taxes and transfers)				
Rates	7 625 771	6 169 691	7 625 771	6 169 690
	26 669 135	21 662 760	7 625 771	6 169 690
Rates				
Current (0 -30 days)	752 645	646 367	752 645	646 367
31 - 60 days	420 227	472 315	420 227	472 315
61 - 90 days	348 242	94 295	348 242	94 295
91 - 120 days	353 936	230 562	353 936	230 562
121 - 365 days	1 717 393	1 143 583	1 717 393	1 143 583
> 365 days	4 033 328	3 582 569	4 033 328	3 582 569
	7 625 771	6 169 691	7 625 771	6 169 691

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Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Electricity				
Current (0 -30 days)	1 776 860	1 671 497	-	-
31 - 60 days	300 423	392 571	-	-
61 - 90 days	270 161	69 155	-	-
91 - 120 days	479 457	223 874	-	-
121 - 365 days	960 897	1 106 214	-	-
> 365 days	352 282	204 375	-	-
	4 140 080	3 667 686	-	-
Water				
Current (0 -30 days)	1 444 511	1 467 337	-	-
31-60 days	605 692	648 766	-	-
61 - 90 days	502 915	107 179	-	-
91 - 120 days	552 423	331 049	-	-
121 - 365 days	2 870 977	2 303 164	-	-
> 365 days	6 271 006	4 746 502	-	-
	12 247 524	9 603 997	-	-
Refuse				
Current (0 -30 days)	135 248	314 053	-	-
31 - 60 days	74 081	98 470	-	-
61 - 90 days	72 629	11 024	-	-
91 - 120 days	205 497	60 577	-	-
121 - 365 days	2 168 305	1 741 999	-	-
	2 655 760	2 226 123	-	-
Summary of debtors by customer classification				
Residential				
Current (0 - 30 days)	1 831 765	1 898 487	319 704	242 335
31 - 60 days	632 356	872 931	196 711	218 442
61 - 90 days	552 579	162 768	164 589	56 840
91 - 120 days	766 985	439 919	164 359	125 344
121 - 365 days	4 532 563	3 899 139	864 584	605 431
> 365 days	5 623 804	4 294 253	1 746 903	1 595 032
	13 940 052	11 567 497	3 456 850	2 843 424
Less: Allowance for impairment	(11 411 947)	(8 907 264)	(2 985 724)	(2 393 976)
	2 528 105	2 660 233	471 126	449 448
Residential - Past due and impaired				
Current (0 - 30 days)	641 179	465 044	276 132	204 030
31 - 60 days	299 823	348 566	169 902	183 914
61-90 days	283 356	84 233	142 157	47 856
91 - 120 days	681 748	385 011	141 959	105 531
121 - 365 days	4 126 098	3 586 768	746 752	509 733
> 365 days	5 379 743	4 037 642	1 508 822	1 342 912
	11 411 947	8 907 264	2 985 724	2 393 976
Residential - Past due and not impaired				
Current (0 - 30 days)	1 190 586	1 433 443	43 572	38 304
31 - 60 days	332 533	524 365	26 809	34 528
61 - 90 days	269 223	78 534	22 431	8 985
91 - 120 days	85 237	54 908	22 400	19 813
121 - 365 days	406 465	312 371	117 832	95 698

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
> 365 days	244 061	256 612	238 082	252 120
	2 528 105	2 660 233	471 126	449 448

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Industrial/ commercial				
Current (0 - 30 days)	2 423 377	2 217 975	403 161	398 450
31 - 60 days	664 314	700 007	209 626	240 589
61 - 90 days	551 617	113 550	167 874	36 280
91 - 120 days	762 935	388 989	177 713	99 423
121 - 365 days	2 995 851	2 284 306	805 273	496 303
> 365 days	4 253 116	3 726 454	2 133 282	1 825 953
	11 651 210	9 431 281	3 896 929	3 096 998
Less: Allowance for impairment	(8 474 875)	(6 730 901)	(3 411 758)	(2 647 221)
	3 176 335	2 700 380	485 171	449 777
Industrial/ commercial - Past due and impaired				
Current (0 - 30 days)	465 339	585 757	352 967	340 584
31 - 60 days	370 718	331 694	183 528	205 648
61 - 90 days	331 970	69 179	146 974	31 011
91 - 120 days	654 287	335 160	155 587	84 983
121 - 365 days	2 670 249	1 949 072	705 016	424 225
> 365 days	3 982 312	3 460 039	1 867 686	1 560 770
	8 474 875	6 730 901	3 411 758	2 647 221
Industrial/ commercial - Past due and not impaired				
Current (0 - 30 days)	1 958 037	1 632 218	50 195	57 867
31 - 60 days	293 596	368 312	26 099	34 941
61 - 90 days	219 648	44 371	20 900	5 268
91 - 120 days	108 649	53 829	22 125	14 440
121 - 365 days	325 603	335 234	100 257	72 078
> 365 days	270 802	266 416	265 595	265 183
	3 176 335	2 700 380	485 171	449 777

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
National and provincial government				
Current (0 - 30 days)	247 971	152 180	29 780	5 581
31 - 60 days	103 751	39 183	13 888	13 284
61 - 90 days	89 751	5 336	15 779	1 174
91 - 120 days	61 392	17 152	11 865	5 795
121 - 365 days	189 159	114 328	47 536	41 849
> 365 days	385 847	345 277	153 144	161 584
	1 077 871	673 456	271 992	229 267
Less: Allowance for impairment	(478 926)	(414 308)	(238 128)	(195 970)
	598 945	259 148	33 864	33 297
National and provincial government - Past due and impaired				
Current (0 - 30 days)	26 072	4 771	26 072	4 771
31 - 60 days	12 159	11 355	12 159	11 355
61 - 90 days	13 814	1 004	13 814	1 004
91 - 120 days	31 766	14 569	10 387	4 953
121 - 365 days	91 398	71 843	41 618	35 771
> 365 days	303 717	310 766	134 078	138 116
	478 926	414 308	238 128	195 970
National and provincial government - Past due and not impaired				
Current (0 - 30 days)	221 900	147 409	3 707	811
31 - 60 days	91 592	27 829	1 729	1 929
61 - 90 days	75 936	4 332	1 964	171
91 - 120 days	29 626	2 584	1 477	842
121 - 365 days	97 760	42 485	5 919	6 078
> 365 days	82 131	34 509	19 068	23 466
	598 945	259 148	33 864	33 297

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Total				
Current (0 -30 days)	4 503 114	4 268 641	752 645	646 367
31 - 60 days	1 400 422	1 612 121	420 226	472 315
61 - 90 days	1 193 947	281 653	348 241	94 295
91 - 120 days	1 591 313	846 062	353 936	230 562
121 - 365 days	7 717 573	6 297 774	1 717 394	1 143 583
> 365 days	10 262 767	8 361 246	4 033 329	3 582 569
	26 669 136	21 667 497	7 625 771	6 169 691
Less: Allowance for impairment	(20 365 748)	(16 052 473)	(6 635 610)	(5 237 167)
	6 303 388	5 615 024	990 161	932 524
Less: Allowance for impairment				
Current (0 -30 days)	1 132 590	1 055 571	655 172	549 385
31 - 60 days	682 701	691 615	365 589	400 916
61 - 90 days	629 139	154 416	302 945	79 871
91 - 120 days	1 367 802	734 740	307 933	195 468
121 - 365 days	6 887 745	5 607 683	1 493 385	969 729
> 365 days	9 665 771	7 808 448	3 510 586	3 041 798
	20 365 748	16 052 473	6 635 610	5 237 167
Total debtors past due but not impaired				
Current (0 - 30 days)	3 370 523	3 195 458	97 474	96 982
31 - 60 days	717 721	920 506	54 637	71 399
61 - 90 days	564 807	127 237	45 295	14 424
91 - 120 days	223 512	111 322	46 002	35 094
121 - 365 days	829 828	682 539	224 008	173 854
> 365 days	596 997	557 536	522 745	540 771
	6 303 388	5 594 598	990 161	932 524
Reconciliation of allowance for impairment				
Balance at beginning of the year	16 052 473	13 370 509	5 237 167	4 711 546
Contributions to allowance	4 909 196	3 156 030	1 398 443	525 621
Debt impairment written off against allowance	(595 922)	(478 321)	-	-
Reversal of allowance	-	4 255	-	-
Balance at the end of the year	20 365 747	16 052 473	6 635 610	5 237 167

The contribution to the allowance is included in the statement of financial performance under debt impairment at amounts exclusive of VAT.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

11. FINANCIAL ASSETS AT FAIR VALUE - SINKING FUND

The Debt redemption fund is a financial solution to assist the CJMM meet its financial obligations to repay previously issued bonds. The CJMM pays contributions into the fund, which is managed by a 3rd 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 CJMM. The financial liabilities of the fund are disclosed in note 29.

The total investments are pledged as collateral for CJMM Bonds.

The investments pledged as collateral cannot be sold until the related liability is settled in full.

The Terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

Sinking Fund
Maturity - 5 June 2023

Other financial assets through profit or loss

Bond	-	88 681	-	88 681
Cash	986 463	225 965	986 463	225 965
Swaps	-	26 498	-	26 498
Floating rate notes	306 049	442 862	306 049	442 862
Current Assets	1 292 512	784 006	1 292 512	784 006

Other financial assets through profit or loss

Bond	1 228 194	1 203 096	1 228 194	1 203 096
Floating rate note	-	305 882	-	305 882
Amortising swap	24 198	188 110	24 198	188 110
Swaps	132 380	355 709	132 380	355 709
Non-Current Assets	1 384 772	2 052 797	1 384 772	2 052 797

2 677 284	2 836 803	2 677 284	2 836 803
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Financial assets carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	462 627	1 319 061	462 627	1 319 061
Held for trading non-derivative financial assets	2 214 657	1 517 742	2 214 657	1 517 742
2 677 284	2 836 803	2 677 284	2 836 803	

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
12. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	1 137	839	249	252
Bank	1 816 736	1 026 423	1 161 642	623 952
Call investment deposits	3 521 341	1 212 598	3 511 594	1 197 603
	5 339 214	2 239 860	4 673 485	1 821 807
Call investment deposits				
Call Deposits STD Bank Rating - (F1+)	599 045	104 027	599 045	104 027
Fixed Deposits ABSA Rating (F1+)	500 000	236	500 000	236
Fixed Deposits ABSA Rating - (F1+)	218 982	865 774	218 982	865 774
Fixed deposits RMB Rating (F1+)	450 000	-	450 000	-
Call Deposits RMB Rating - (F1+)	290 370	1 100	290 370	1 100
Fixed Deposits NEDBANK Rating (F1+)	500 000	-	500 000	-
Call deposits INVESTEC Rating -(F1)	387 139	1 718	387 139	1 718
Fixed Deposits INVESTEC Rating (F1+)	171 200	96 022	171 200	92 107
Call Deposits NEDBANK Rating - (F1+)	402 023	131 596	392 276	120 516
Call Deposits CITI BANK Rating - (F1)	1 582	1 499	1 582	1 499
Call Deposits DEUTSCHE BANK Rating - (F1)	1 000	1 000	1 000	1 000
Call Deposits TCTA Rating - (None)	-	2 000	-	2 000
Call Deposits LANDBANK Rating - (F1+)	-	1 930	-	1 930
Stanlib Call Investment Rating - (F1+)	-	5 696	-	5 696
	3 521 341	1 212 598	3 511 594	1 197 603

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

13. ZOO ANIMALS

GROUP

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	31 347	(5 525)	25 822	32 149	(5 289)	26 860

Reconciliation of zoo animals - GROUP - 2019

	Opening balance	Additions	Additions due to accounting for births	Disposals	Depreciation	Total
Zoo animals	26 860	2 447	2 973	(5 086)	(1 372)	25 822

Reconciliation of zoo animals - GROUP - 2018

	Opening balance	Additions	Additions due to accounting for births	Disposals	Depreciation	Total
Zoo animals	26 736	1 402	2 306	(2 188)	(1 396)	26 860

Pledged as security

No biological assets are pledged as security:

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

14. INVESTMENT PROPERTY

GROUP	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 007 987	(9 506)	998 481	1 015 281	(9 006)	1 006 275

CJMM	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	992 850	500	993 350	1 000 144	-	1 000 144

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of investment property - GROUP- 2019

	Opening balance	Disposals	Depreciation	Total
Investment property	1 006 275	(7 771)	(23)	998 481

Reconciliation of investment property - GROUP - 2018

	Opening balance	Disposals	Depreciation	Total
Investment property	1 021 100	(14 802)	(23)	1 006 275

Reconciliation of investment property - CJMM 2019

	Opening balance	Disposals	Depreciation	Total
Investment property	1 000 144	(7 294)	500	993 350

Reconciliation of investment property - CJMM 2018

	Opening balance	Disposals	Depreciation	Total
Investment property	1 014 946	(14 802)	-	1 000 144

Pledged as security

No assets are pledged as security:

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 777 670	-	8 777 670	8 774 108	-	8 774 108
Buildings	17 287 708	(5 360 179)	11 927 529	16 413 037	(4 857 668)	11 555 369
Plant and machinery	21 236 420	(4 571 578)	16 664 842	19 909 764	(3 949 659)	15 960 105
Furniture and fixtures	652 961	(491 823)	161 138	640 159	(457 829)	182 330
Motor vehicles	742 080	(509 358)	232 722	720 991	(512 357)	208 634
Office equipment	1 854 712	(1 038 859)	815 853	1 445 546	(950 108)	495 438
Computer equipment	373 034	(248 525)	124 509	339 760	(209 658)	130 102
Leasehold improvements	18 936	(10 266)	8 670	29 737	(19 948)	9 789
Infrastructure	28 295 448	(6 939 055)	21 356 393	25 357 947	(5 884 129)	19 473 818
Community assets	4 054 311	(1 097 906)	2 956 405	3 664 216	(957 062)	2 707 154
Landfill sites	507 080	(279 841)	227 239	419 939	(258 262)	161 677
Other equipment	68 561	(53 011)	15 550	68 487	(39 738)	28 749
Bins and containers	159 302	(117 958)	41 344	177 813	(138 224)	39 589
Minor plant	209 395	(129 812)	79 583	206 506	(112 437)	94 069
Specialised vehicles	1 772 193	(768 845)	1 003 348	1 604 232	(636 905)	967 327
Tools and loose gear	940	(421)	519	940	(194)	746
Wastewater network	3 244 479	(295 396)	2 949 083	3 022 957	(264 043)	2 758 914
Water network	7 374 732	(1 491 395)	5 883 337	6 145 172	(772 290)	5 372 882
Library books	671 598	(612 198)	59 400	671 599	(606 508)	65 091
Emergency equipment	117 207	(35 747)	81 460	95 777	(30 364)	65 413
Other	18 976	(7 658)	11 318	17 302	(7 944)	9 358
Total	97 437 743	(24 059 831)	73 377 912	89 725 989	(20 665 327)	69 060 662

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

CJMM	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 635 336	-	8 635 336	8 631 774	-	8 631 774
Buildings	15 009 091	(4 516 007)	10 493 084	14 244 561	(4 053 968)	10 190 593
Plant and equipment	398 968	(249 303)	149 665	354 048	(228 345)	125 703
Furniture and fittings	539 771	(422 942)	116 829	532 653	(395 655)	136 998
Motor vehicles	467 805	(302 424)	165 381	391 395	(288 378)	103 017
Office equipment	1 741 236	(962 177)	779 059	1 338 997	(873 958)	465 039
Infrastructure	27 722 855	(6 867 590)	20 855 265	24 785 882	(5 838 808)	18 947 074
Community assets	4 054 311	(1 097 906)	2 956 405	3 664 216	(957 062)	2 707 154
Bins and containers	24 300	(13 322)	10 978	20 994	(11 921)	9 073
Specialised vehicles	940 541	(452 794)	487 747	838 534	(392 285)	446 249
Library books	671 598	(612 198)	59 400	671 599	(606 508)	65 091
Emergency equipment	117 207	(35 747)	81 460	95 777	(30 364)	65 413
Other	11 341	(2 431)	8 910	8 780	(1 887)	6 893
Total	60 334 360	(15 534 841)	44 799 519	55 579 210	(13 679 139)	41 900 071

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - GROUP - 2019

	Opening balance	Additions	Disposals	Public contributed network	Depreciation	Impairment loss	Total
Land	8 774 108	10 573	(7 011)	-	-	-	8 777 670
Buildings	11 555 369	888 724	(7 893)	-	(495 474)	(13 197)	11 927 529
Plant and equipment	15 960 105	1 330 754	(647)	-	(625 370)	-	16 664 842
Furniture and fittings	182 330	18 874	(599)	-	(39 467)	-	161 138
Motor vehicles	208 634	92 200	(405)	-	(67 707)	-	232 722
Office equipment	495 438	436 031	(860)	-	(114 756)	-	815 853
Computer equipment	130 102	39 829	(686)	-	(44 736)	-	124 509
Leasehold improvements	9 789	1 859	-	-	(2 978)	-	8 670
Infrastructure	19 473 818	2 932 590	(5 224)	-	(1 014 994)	(29 797)	21 356 393
Community assets	2 707 154	390 810	(16)	-	(125 199)	(16 344)	2 956 405
Landfill sites	161 677	87 141	-	-	(21 579)	-	227 239
Other equipment	28 749	1 492	-	-	(14 691)	-	15 550
Bins and containers	39 589	8 522	(3 013)	-	(3 754)	-	41 344
Minor plant	94 069	3 697	(183)	-	(18 000)	-	79 583
Specialised vehicles	973 748	170 989	(6 019)	-	(122 155)	(13 215)	1 003 348
Tools and loose gear	746	-	-	-	(227)	-	519
Wastewater network	2 758 914	172 386	-	49 136	(31 353)	-	2 949 083
Water network	5 372 882	517 277	(344)	116 563	(123 041)	-	5 883 337
Library books	65 091	-	-	-	(5 691)	-	59 400
Emergency equipment	65 413	21 515	(17)	-	(5 451)	-	81 460
Other	9 358	3 065	-	-	(1 105)	-	11 318
	69 067 083	7 128 328	(32 917)	165 699	(2 877 728)	(72 553)	73 377 912

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - GROUP - 2018

	Opening balance	Additions	Disposals	Public contributed network	Depreciation	Impairment loss	Total
Land	9 022 163	7 341	(255 396)	-	-	-	8 774 108
Buildings	11 085 471	958 165	(25 534)	-	(462 727)	(6)	11 555 369
Plant and machinery	15 278 101	1 253 478	(4 102)	-	(566 332)	(1 040)	15 960 105
Furniture and fixtures	213 727	14 731	(634)	-	(45 494)	-	182 330
Motor vehicles	281 074	489	(688)	-	(72 241)	-	208 634
Office equipment	548 394	110 760	(457)	-	(163 259)	-	495 438
Computer equipment	136 922	32 351	(507)	-	(38 664)	-	130 102
Leasehold improvements	11 341	1 395	-	-	(2 947)	-	9 789
Infrastructure	17 499 937	3 003 310	-	-	(953 346)	(76 083)	19 473 818
Community assets	2 483 219	370 161	(169)	-	(146 057)	-	2 707 154
Landfill sites	117 837	58 497	-	-	(14 657)	-	161 677
Other equipment	41 444	1 412	(80)	-	(14 027)	-	28 749
Bins and containers	43 357	8 395	(8 369)	-	(3 794)	-	39 589
Minor plant	101 506	9 265	(92)	-	(16 610)	-	94 069
Specialised vehicles	1 095 674	34 883	(7 371)	-	(123 249)	(26 189)	973 748
Tools and loose gear	-	1 157	(180)	-	(231)	-	746
Wastewater network	2 465 462	196 198	-	125 914	(28 660)	-	2 758 914
Water network	5 163 186	205 621	-	116 317	(112 242)	-	5 372 882
Library books	57 666	13 766	-	-	(6 341)	-	65 091
Emergency equipment	63 898	7 143	(22)	-	(5 606)	-	65 413
Other	7 549	2 991	(8)	-	(1 174)	-	9 358
	65 717 928	6 291 509	(303 609)	242 231	(2 777 658)	(103 318)	69 067 083

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - CJMM - 2019

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	8 631 774	10 573	-	(7 011)	-	-	-	8 635 336
Buildings	10 190 593	752 441	-	(474)	-	(436 415)	(13 061)	10 493 084
Plant and equipment	125 703	45 472	-	(7)	-	(21 503)	-	149 665
Furniture and fittings	136 998	11 970	-	(467)	-	(31 672)	-	116 829
Motor vehicles	103 017	76 414	-	-	-	(14 050)	-	165 381
Office equipment	465 039	417 545	-	(675)	-	(102 850)	-	779 059
Infrastructure	18 947 074	2 931 234	-	(5 224)	-	(988 022)	(29 797)	20 855 265
Community assets	2 707 154	390 810	-	(16)	-	(125 199)	(16 344)	2 956 405
Bins and containers	9 073	3 533	-	(84)	-	(1 544)	-	10 978
Specialised vehicles	446 249	107 245	-	(3 638)	-	(57 049)	(5 060)	487 747
Library books	65 091	-	-	-	-	(5 691)	-	59 400
Emergency equipment	65 413	21 515	-	(17)	-	(5 451)	-	81 460
Other	6 893	2 608	-	-	-	(591)	-	8 910
	41 900 071	4 771 360	-	(17 613)	-	(1 790 037)	(64 262)	44 799 519

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - CJMM - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	8 884 099	3 071	(255 396)	-	-	8 631 774
Buildings	9 877 423	750 802	(23 889)	(413 743)	-	10 190 593
Plant and equipment	126 806	27 450	(17)	(27 496)	(1 040)	125 703
Furniture and fittings	161 982	9 350	(99)	(34 235)	-	136 998
Motor vehicles	121 290	-	-	(18 273)	-	103 017
Office equipment	520 989	95 375	(382)	(150 943)	-	465 039
Infrastructure	16 961 617	2 988 772	-	(927 232)	(76 083)	18 947 074
Community assets	2 483 219	370 161	(169)	(146 057)	-	2 707 154
Bins and containers	7 813	3 485	-	(2 225)	-	9 073
Specialised vehicles	476 346	24 164	-	(54 261)	-	446 249
Library books	57 666	13 766	-	(6 341)	-	65 091
Emergency equipment	63 898	7 143	(22)	(5 606)	-	65 413
Other	5 269	2 087	-	(463)	-	6 893
	39 748 417	4 295 626	(279 974)	(1 786 875)	(77 123)	41 900 071

Pledged as security

No assets are pledged as security:

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Work in progress breakdown

GROUP

	2019			2018		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Building & Improvements	1 381 636	-	1 381 636	936 984	-	936 984
Plant and machinery	1 761 728	-	1 761 728	1 793 537	-	1 793 537
Water network	687 509	-	687 509	526 305	-	526 305
Wastewater network	174 720	-	174 720	207 478	-	207 478
Computer equipment	5 621	-	5 621	5 195	-	5 195
Other	221 501	-	221 501	250 852	-	250 852
Infrastructure	6 762 455	-	6 762 455	5 178 703	-	5 178 703
Community assets	1 505 048	-	1 505 048	1 266 190	-	1 266 190
Furniture and fixtures	5 917	-	5 917	1 092	-	1 092
Buses	997	-	997	2 047	-	2 047
Total	12 507 132	-	12 507 132	10 168 383	-	10 168 383

CJMM

	2019			2018		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Buildings	1 241 062	-	1 241 062	850 754	-	850 754
Community assets	1 505 048	-	1 505 048	1 266 190	-	1 266 190
Infrastructure	6 698 594	-	6 698 594	5 149 444	-	5 149 444
Total	9 444 704	-	9 444 704	7 266 388	-	7 266 388

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Expenses	3 150 616	2 665 077	221 846	164 306
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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 municipality.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

16. INTANGIBLE ASSETS

GROUP

	2019			2018		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	232 361	-	232 361	232 361	-	232 361
Servitudes	1 727	-	1 727	1 727	-	1 727
Licences and franchises	531	(531)	-	531	(236)	295
Computer software, internally generated	13 840	(939)	12 901	13 840	(908)	12 932
Computer software	3 409 145	(2 096 309)	1 312 836	2 899 904	(1 818 591)	1 081 313
Intangible assets under development	85 156	(81 615)	3 541	85 156	(60 326)	24 830
Total	3 742 760	(2 179 394)	1 563 366	3 233 519	(1 880 061)	1 353 458

CJMM

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 766 469	(1 699 118)	1 067 351	2 272 228	(1 504 741)	767 487

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of intangible assets - GROUP - 2019

	Opening balance	Additions	Amortisation	Total
Additional capacity rights	232 361	-	-	232 361
Servitudes	1 727	-	-	1 727
Licences and franchises	295	-	(295)	-
Computer software, internally generated	12 932	-	(31)	12 901
Computer software	1 081 313	517 231	(285 708)	1 312 836
Intangible assets under development	24 830	-	(21 289)	3 541
	1 353 458	517 231	(307 323)	1 563 366

Reconciliation of intangible assets - GROUP - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Additional capacity rights	232 361	-	-	-	232 361
Servitudes	1 727	-	-	-	1 727
Licences and franchises	472	-	-	(177)	295
Computer software, internally generated	12 949	-	-	(17)	12 932
Computer software	1 151 250	261 994	(6)	(331 925)	1 081 313
Intangible assets under development	46 428	-	-	(21 598)	24 830
	1 445 187	261 994	(6)	(353 717)	1 353 458

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of intangible assets - CJMM - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	767 487	497 162	(197 298)	1 067 351

Reconciliation of intangible assets - CJMM - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	817 118	208 567	(258 198)	767 487

Pledged as security

No intangible assets are pledged as security:

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

Computer software, other	643 316	389 257	583 722	331 862
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City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

17. HERITAGE ASSETS

GROUP	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	536 311	-	536 311	536 201	-	536 201
Historical monuments	20 478	-	20 478	20 478	-	20 478
Historical buildings	41 104	-	41 104	41 104	-	41 104
Total	597 893	-	597 893	597 783	-	597 783

CJMM	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	534 603	-	534 603	534 608	-	534 608
Historical monuments	20 478	-	20 478	20 478	-	20 478
Historical buildings	41 104	-	41 104	41 104	-	41 104
Total	596 185	-	596 185	596 190	-	596 190

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

Reconciliation of heritage assets - GROUP - 2019

	Opening balance	Additions	Disposals	Total
Art collections, antiques and exhibits	536 201	115	(5)	536 311
Historical monuments	20 478	-	-	20 478
Historical buildings	41 104	-	-	41 104
	597 783	115	(5)	597 893

Reconciliation of heritage assets GROUP - 2018

	Opening balance	Total
Art collections, antiques and exhibits	536 201	536 201
Historical monuments	20 478	20 478
Historical buildings	41 104	41 104
	597 783	597 783

Reconciliation of heritage assets CJMM - 2019

	Opening balance	Disposals	Total
Art collections, antiques and exhibits	534 608	(5)	534 603
Historical monuments	20 478	-	20 478
Historical buildings	41 104	-	41 104
	596 190	(5)	596 185

Reconciliation of heritage assets - CJMM - 2018

	Opening balance	Total
Art collections, antiques and exhibits	534 608	534 608
Historical monuments	20 478	20 478
Historical buildings	41 104	41 104
	596 190	596 190

Pledged as security

No heritage assets are pledged as security:

Heritage assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Heritage assets

Heritage assets under development	9 839	9 839	9 839	9 839
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City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
18. INVESTMENTS IN MUNICIPAL ENTITIES				
Gross investment				
City of Johannesburg Property Company (SOC) Ltd		5 142		5 142
City Power Johannesburg (SOC) Ltd		112 466		112 466
Johannesburg City Parks NPC		29 958		29 958
Johannesburg Development Agency (SOC) Ltd		16 278		16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd		54 774		54 774
Johannesburg Roads Agency (SOC) Ltd		328 569		313 585
Johannesburg Social Housing Company (SOC) Ltd		-		-
Johannesburg Water (SOC) Ltd		-		-
Metropolitan Trading Company (SOC) Ltd		97 972		97 972
Pikitup Johannesburg (SOC) Ltd		31 315		31 315
Johannesburg Civic Theatre (SOC) Ltd		1 784		1 784
The Johannesburg Fresh Produce Market (SOC) Ltd		20 000		20 000
		698 258		683 274
Impairments				
Johannesburg Metropolitan Bus Services (SOC) Ltd		(54 774)		(54 774)
Net investment				
		Carrying amount 2019		Carrying amount 2018
City of Johannesburg Property Company (SOC) Ltd		5 142		5 142
City Power Johannesburg (SOC) Ltd		112 466		112 466
Johannesburg City Parks NPC		29 958		29 958
Johannesburg Development Agency (SOC) Ltd		16 278		16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd		-		-
Johannesburg Roads Agency (SOC) Ltd		328 569		313 585
*Johannesburg Social Housing Company (SOC) Ltd		-		-
*Johannesburg Water (SOC) Ltd		-		-
Metropolitan Trading Company (SOC) Ltd		97 972		97 972
Pikitup Johannesburg (SOC) Ltd		31 315		31 315
The Johannesburg Civic Theatre (SOC) Ltd		1 784		1 784
The Johannesburg Fresh Produce Market (SOC) Ltd		20 000		20 000
		643 484		628 500

* CJMM has investments in the following ME's that have a carrying amount less than R1 000

Johannesburg Social Housing Company (SOC) Ltd - R120

Johannesburg Water (SOC) Ltd - R 200

Investments in ME's includes shareholder loans with no fixed repayment terms and interest.

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

19. INVESTMENT IN JOINT VENTURES

Name of company	Carrying amount 2019	Carrying amount 2018	Carrying amount 2019	Carrying amount 2018
Golden Triangle Development Company (Pty) Ltd	1 193	527	1	1
Joshco Madulamoho Joint Venture (JMJV)	24 254	23 517	-	-
Total	25 447	24 044	1	1

Principal activities and reporting dates of Joint Ventures

Name of entity	Holding	Reporting date	Period of results included
Golden Triangle Development Company (Pty) Ltd	50%	2019/06/30	01/07/2018 - 30/06/2019
Joshco Madulamoho Joint Venture (JMJV)	55%	2019/06/30	01/07/2018 - 30/06/2019

Golden Triangle Development Company (Pty) Ltd

The Golden Triangle is an investment between the CJMM and the Ovenstone Group. The separate annual financial statements of the joint venture are available for inspection at the registered office of the entity. The carrying amount of the investment and summary of assets are disclosed below

Opening balance	527	8 949
Share of surplus/(deficit)	666	578
Distributions	-	(9 000)
	1 193	527
Total assets	39 759	37 341
Total liabilities	(37 373)	(36 286)
Revenue	1 316	54 298
Surplus/(deficit)	1 332	1 156

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Madulamoho Joint Venture (JMJV)				
The JMJV is an investment between Joshco and Madulamoho for social rental housing. The separate Annual Financial Statements of the Joint Venture are available for inspection at the registered office of the entity. There are no contingent liabilities, contingent assets or commitments relating to the Joint Venture. The carrying amount of the investment and summary of assets are disclosed below				
Opening balance			23 517	24 139
Share of (deficit)/ surplus			737	(72)
Distributions			-	(550)
			24 254	23 517
Total assets			50 636	49 806
Total liabilities			(6 537)	(7 049)
Revenue			9 216	8 594
Surplus/(deficit)			1 340	(131)
Total share of surplus/(deficit) from Joint ventures and Associates			-	-
Share of (deficit)/ surplus from Goldent Triangle Development Company (Pty) Ltd			666	578
Share of (deficit)/ surplus from Joshco Madulamoho Joint Venture (JMJV)			737	(72)
Share of (deficit)/ surplus from Friedshelf 128 (Pty) Ltd (See Note 20)			-	638
			1 403	1 144

20. INVESTMENT IN ASSOCIATE

Name of entity			Carrying amount 2019	Carrying amount 2018
Friedshelf 128 (Pty) Ltd	-	-	-	16 240
			-	16 240

The CJMM through Pikitup (SOC) held 50% shares in Friedshelf 128 (pty) Ltd. The CJMM was only considered to have significant influence over the operations of the company.

Movements in carrying value

Opening balance	16 240	15 602
Share of (deficit)/ surplus	-	638
Disposal of investment in associate (See note below)	(16 240)	-
	-	16 240

During the 2018/2019 financial year, a decision was taken to dispose of Pikitup's shareholding in Friedshelf (128) Pty (Ltd). The directors of Friedshelf (128) Pty (Ltd) resolved to discontinue the activities of the entity which led to the sale of its main asset i.e building. As at 30 June 2019, the winding down of activities were not yet concluded however 97% of the distributable reserve was distributed to the shareholders. Pikitup's share of the distributable reserve amount to R15 296 223. The remaining 3% has been retained to cover any unknown winding down expenses that may arise. The Pikitup's share of R15 296 223 was accounted for against the investment of R16 240 072 which led to a loss on disposal of the investment in the associate. This loss is accounted for in the statement of financial performance

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
21. DEFERRED TAX				
Deferred tax liability	(3 289 319)	(3 100 163)	-	-
Deferred tax asset	1 595 365	1 309 288	-	-
Total net deferred tax liability	(1 693 954)	(1 790 875)	-	-
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(1 790 875)	(1 746 650)	-	-
Taxable / (deductible) temporary differences	154 574	(442 809)	-	-
Arising / (Utilised) assessed losses	(57 353)	398 584	-	-
	(1 693 654)	(1 790 875)	-	-

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
22. LOANS AND BORROWINGS				
Non-Current portion of loans and borrowings - At amortised cost				
Development Bank of Southern Africa	8 689 309	9 123 575	8 676 027	9 109 344
Listed bonds	6 016 000	6 016 000	6 016 000	6 016 000
Other financial liabilities	6 392 651	4 004 951	6 392 651	4 004 951
	21 097 960	19 144 526	21 084 678	19 130 295
Current portion of loans and borrowings - At amortised cost				
Structured loans *	-	3 275	-	3 275
Development Bank of Southern Africa	486 962	289 016	486 014	288 141
Other financial liabilities	462 025	469 512	462 025	469 512
	948 987	761 803	948 039	760 928
	22 046 947	19 906 329	22 032 717	19 891 223

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
23. FINANCE LEASE OBLIGATIONS				
Minimum lease payments due				
- within one year	92 870	57 834	75 852	50 822
- in second to fifth year	122 514	135 071	114 447	127 664
	215 384	192 905	190 299	178 486
less: future finance charges	(32 010)	(28 932)	(20 419)	(27 173)
Present value of minimum lease payments	183 374	163 973	169 880	151 313
Present value of minimum lease payments due				
- within one year	67 392	34 522	59 991	38 274
- in second to fifth year inclusive	103 179	129 451	97 086	113 039
	170 571	163 973	157 077	151 313
Non-current liabilities	115 982	129 451	109 889	113 039
Current liabilities	67 392	34 522	59 991	38 274
	183 374	163 973	169 880	151 313

Office Equipment

The Group leases certain office equipment and these are classified as a finance lease. The lease terms range between 2 to 5 years.

Plant and Equipment

The Group leases plant and equipment. The lease term is 3 years and the average implicit rate is 10%. The obligations under finance leases are secured by the lessor's charge over the leased assets.

Specialised vehicles

The Group leases certain BRT vehicles, emergency service vehicles and Pikitup's special vehicles. The lease terms for these vehicles range between 10 to 12 years.

The carrying values of these leased assets are included under property, plant and equipment.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
24. PAYABLES FROM EXCHANGE TRANSACTIONS				
Financial liabilities				
Accrued interest	180 594	285 086	180 292	284 765
Related party creditors	-	-	7 657 283	7 006 948
Credit balances in consumer debtors	2 058 083	1 906 605	1 332 782	873 393
Engineering fees	132 482	109 620	132 482	109 620
Operating lease payables	15 634	26 191	657	4 796
Other creditors	1 157 354	1 342 780	611 051	480 506
Eskom payable	1 091 424	1 329 033	-	-
Retentions	383 624	411 319	39 109	60 915
Trade payables	5 575 222	5 237 405	2 402 144	1 843 906
	<u>10 594 417</u>	<u>10 648 039</u>	<u>12 355 800</u>	<u>10 664 849</u>
Other liabilities				
Accrued bonus	113 401	105 576	-	-
Accrued leave pay	734 965	630 205	428 850	346 837
Payments received in advance	1 095 394	1 086 739	12 995	13 676
	<u>1 943 760</u>	<u>1 822 520</u>	<u>441 845</u>	<u>360 513</u>
	<u>12 538 177</u>	<u>12 470 559</u>	<u>12 797 645</u>	<u>11 025 362</u>

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
25. UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Provincial grants : Capital projects	55 329	55 329	55 329	55 329
Urban settlements development grant	6 328	-	6 328	-
Provincial grants : Top Structure of houses	55 670	79 984	55 670	79 984
Provincial grants : Operating projects	18 925	22 925	18 925	22 925
Gauteng Provincial Grant - JMJV	5 220	5 220	5 220	5 220
Public Transport Network Grant (Capital Projects)	614	20 547	614	20 547
Neighbourhood Development Partnership Grant (NDPG)	14 567	2 919	14 567	2 919
Integrated City Development Grant (ICDG)	2 454	12 110	2 454	12 110
Expanded Public Works Programme (EPWP)	647	-	647	-
Provincial grant : Jozi Ihlomihle (HIV/ AIDS)	-	757	-	757
Public Transport Network Grant (Operational Projects)	153 548	99	153 548	99
Infrastructure skills development grants	750	3 214	-	-
Integrated National Electrification (DoE)	33 194	30 742	-	-
Public contributions: Service connections	63 610	29 265	-	-
Other unspent public contributions	1 859	2 065	1 681	1 682
	412 715	265 176	314 983	201 572
Non-current liabilities	64 360	32 684	-	-
Current liabilities	348 355	232 492	314 983	201 572
	412 715	265 176	314 983	201 572

See note 36 for reconciliation of grants.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand

26. PROVISIONS

Reconciliation of provisions - GROUP - 2019

	Opening Balance	Additions	Reversals/ Settlement during the year	Change in discount factor	Total
Bonus provision	184 756	120 041	(118 839)	-	185 958
Provision for legal claims	116 911	18 170	(7 046)	-	128 035
Kelvin ash disposal	101 884	9 538	-	-	111 422
Provision for subsistence allowance	-	2 382	-	-	2 382
Environmental rehabilitation: Closed landfill site	176 651	-	(3 293)	11 624	184 982
Environmental rehabilitation: Open landfill sites	459 965	66 575	-	30 266	556 806
Other provisions	19 400	12 829	(2 262)	-	29 967
	1 059 567	229 535	(131 440)	41 890	1 199 552

Reconciliation of provisions - GROUP - 2018

	Opening Balance	Additions	Reversals/ Settlement during the year	Change in discount factor	Total
Bonus provision	169 116	152 225	(136 585)	-	184 756
Provision for legal claims	119 365	17 705	(20 159)	-	116 911
Kelvin ash disposal	92 710	9 174	-	-	101 884
Environmental rehabilitation: Closed landfill site	167 675	-	(3 477)	12 453	176 651
Environmental rehabilitation: Open landfill sites	382 877	48 653	-	28 435	459 965
Other provisions	7 050	12 521	(171)	-	19 400
	938 793	240 278	(160 392)	40 888	1 059 567

Reconciliation of provisions - CJMM - 2019

	Opening Balance	Additions	Reversals/ Settlement during the year	Change in discount factor	Total
Bonus provision	34 451	-	(9 186)	-	25 265
Provision for legal claims	89 244	18 170	-	-	107 414
Provision for subsistence allowance	-	2 382	-	-	2 382
	123 695	20 552	(9 186)	-	135 061

Reconciliation of provisions - CJMM - 2018

	Opening Balance	Additions	Reversals/ Settlement during the year	Change in discount factor	Total
Bonus provision	19 994	14 706	-	(249)	34 451
Provision for legal claims	92 600	16 644	-	(20 000)	89 244
	112 594	31 350	-	(20 249)	123 695

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Non-current liabilities	876 849	760 311	135 061	123 695
Current liabilities	322 703	299 256	-	-
	1 199 552	1 059 567	135 061	123 695

1. Bonus provision

Bonus provision relates to the performance bonus for the section 57 employees. It also relates to performance bonuses of employees of municipal entities that are to be paid if certain conditions are met which are assessed after 30 June.

2. Provision for legal claims

Provisions for damages relate to the following claims against the City:

2.1 Maintenance Contract

An arbitration matter in which Questek, the claimant, claims that the City must pay it approximately R14 million for services rendered in a maintenance contract at the City's request. The City does not deny the services rendered for R14 million.

2.2 Connaught court case

The provision is in respect of properties used for both business and residential but rated for business only. The City was of the view that it can rate the properties as business only which is in line with its rate policy. However, the courts held that the City's rate policy does not take precedence over the Municipal Property Rates Act and the City is obliged to apportion the value of the properties in terms of the Municipal Property Rates Act.

2.3 Damages claims

A claim of R10 million instituted against the City for damages for loss of business as a result of the construction of the Grayston Drive flyover across Katherine Street, Sandown. The matter has become dormant for long periods, as the last trial date was October 2012 which did not take place and the matter was further postponed.

A litigation in progress that is likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity. The Legal claims emanates from supply chain related matters which occurred in the past and the employment related matters from former and current employees against JRA. The legal claims for on-going cases have been reassessed in the current year based on new developments in the cases.

3. Kelvin ash disposal

Ash disposal provision has been provided for in respect of the Kelvin power station. There is a dispute as to which entity is responsible for these costs between Kelvin Power and City Power.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

4. Provision for subsistence allowance

Subsistence allowance

The applicants brought an application for a declaratory order for the payment of travel time. The matter was ventilated at court and judgement was granted against the City ordering the City to pay for travel time. The City is appealing the decision. The application for leave to appeal was dismissed with a cost, without the judge granting reasons for such refusal for leave to appeal.

5. Environmental rehabilitation: landfill sites (closed and open)

The provision relates to Pikitup (SOC) Ltd landfill sites. On an annual basis, management has to determine an accurate estimate of the environmental obligation to rehabilitate the various landfill sites upon closure. During this process management places reliance upon the final Landfill Airspace Estimation Report as compiled by an independent consulting engineer for the technical data utilised in the provision and lifespan estimates.

The landfill airspace estimation as reported by the consulting engineer was performed by the Topographical surveyor who has extensive experience in the field with an Advanced Mine Survey Certificate -M3.

The calculations of the landfill rehabilitation are based on the following assumptions in line with the permit requirements and consistent with prior years:

- The final side slopes for each landfill is 1:3;
- The cover to waste ratio is 1:5 for each site;
- The growth rates for each site are based on zero growth;
- The final landfill footprint extends over the entire landfill property size (excluding infrastructure and a 20m buffer zone between the site boundary and the toe of the landfill; and
- The density of the waste is calculated using both the survey and weighbridge data.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

27. EMPLOYEE BENEFIT OBLIGATIONS

27.1 Post-retirement liabilities

Post-Retirement Medical Aid Plan	946 284	992 648	889 340	933 760
Post-Retirement Housing Subsidy Plan	9 712	7 684	279	313
Retirement Gratuity Plan	347 582	376 908	131 872	141 951
	1 303 578	1 377 240	1 021 491	1 076 024

27.1.1 Unfunded post-retirement medical aid plan

The CJMM has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. The subsidy is based on the age of each qualifying employee on the determined date. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation	946 284	992 648	889 340	933 760
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Movements for the year

Opening balance	992 648	1 130 586	933 760	1 059 955
Benefits paid	(107 502)	(108 806)	(102 716)	(103 793)
Net expense/(gain) recognised in the statement of financial performance	61 138	(29 132)	58 296	(22 402)
	946 284	992 648	889 340	933 760

Net expense recognised in the Statement of financial performance

Current service cost	106	14	-	-
Interest cost	81 198	94 954	76 341	88 994
Actuarial (gains)/losses	(20 100)	(124 100)	(18 045)	(111 396)
Curtailement or settlement	(66)	-	-	-
	61 138	(29 132)	58 296	(22 402)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

27.1.2 Unfunded post-retirement housing subsidy plan

The CJMM provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	9 712	7 684	279	313
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Movements for the year

Opening balance	7 684	6 009	313	317
Benefits paid	(69)	(70)	(52)	(63)
Net expense/ (gain) recognised in the statement of financial performance	2 097	1 745	18	59
	9 712	7 684	279	313

Net expense recognised in the Statement of financial performance

Current service cost	223	288	-	-
Interest cost	693	530	23	25
Actuarial (gains) /losses	1 181	927	(5)	34
	2 097	1 745	18	59

27.1.3 Unfunded post-retirement gratuity plan

The CJMM provides gratuities on retirement or death in respect of certain qualifying staff members who have service with the CJMM when they were not members of one of the retirement funds and who meet certain service requirements in terms of the CJMM conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	347 582	376 908	131 872	141 951
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Movements for the year

Opening balance	376 908	389 626	141 951	145 169
Benefits paid	(31 178)	(36 214)	(13 968)	(11 727)
Net expense/ (gain) recognised in the statement of financial performance	1 852	23 496	3 889	8 509
	347 582	376 908	131 872	141 951

Net expense recognised in the Statement of financial performance

Interest cost	31 519	32 647	11 797	12 100
Actuarial (gains)/ losses	(29 667)	(9 151)	(7 908)	(3 591)
	1 852	23 496	3 889	8 509

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8,73 %	8,03 %	8,73 %	8,03 %
Health care cost inflation rate	6,50 %	6,50 %	6,50 %	6,50 %

Sensitivity analysis

GROUP- 2019

Accrued Liability- Mortality rate	- 20 % Mortality Rate	Valuation Assumption	+ 20 % Mortality Rate
Post-retirement medical aid	1 026 647	946 284	881 316
Post-retirement Housing subsidies	10 057	9 699	9 348
Post-retirement gratuities	347 324	1 535 850	347 995
Total	1 384 028	2 491 833	1 238 659

Accrued Liability- Medical/salary inflation	+ 1% in medical /salary inflation	Valuation Assumption	+ 1% in medical /salary inflation
Post-retirement medical aid	925 490	946 284	963 429
Post-retirement Housing subsidies	9 303	9 699	10 102
Retirement gratuities	328 363	347 724	368 635
Total	1 263 156	1 303 707	1 342 166

CJMM- 2019

Accrued Liability- Mortality rate	- 20% Mortality Rate	Valuation Assumption	+ 20% Mortality Rate
Post-retirement medical aid	965 553	889 340	827 973
Post-retirement Housing subsidies	275	266	257
Retirement gratuities	131 810	1 320 140	132 215
Total	1 097 638	2 209 746	960 445

Accrued Liability- Medical/salary inflation	- 1% in medical /salary inflation	Valuation Assumption	+ 1% in medical /salary inflation
Post-retirement medical aid	870 452	889 340	905 097
Post-retirement Housing subsidies	262	266	271
Retirement gratuities	124 400	132 014	140 266
Total	995 114	1 021 620	1 045 634

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
28. DEFERRED INCOME				
Bond tap				
Balance unspent at beginning of year	33 659	38 067	33 659	38 067
Conditions met - transferred to revenue	(4 527)	(4 408)	(4 527)	(4 408)
Conditions still to be met - transferred to liabilities	29 132	33 659	29 132	33 659
The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.				
The Tap was issued on the 9th of December 2008 and is due to mature on the 5th of June 2023. The Tap was issued at a premium of R58,038,692 at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.				
Deferred income related to BRT points system				
Balance at beginning of year	30 673	11 059	30 673	11 059
Current year receipts	18 342	19 614	18 342	19 614
Conditions still to be met - transferred to liabilities	49 015	30 673	49 015	30 673
BRT awards bonus points to passengers when they load money into their cards. The deferred income is released as and when the passengers redeem their points..				
Passenger trips received in advance				
Balance unspent at beginning of year	1 459	4 418	-	-
Conditions met - transferred to revenue	3 951	(2 959)	-	-
Conditions still to be met - transferred to liabilities	5 410	1 459	-	-
Current liabilities	5 410	1 459	-	-
Non current liabilities	78 147	64 332	78 147	64 332
Total	83 557	65 791	78 147	64 332

Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

29. FINANCIAL LIABILITIES AT FAIR VALUE - SINKING FUND

The debt redemption fund is a financial solution to assist the CJMM meet its financial obligations to repay previously issued bonds. The CJMM pays contributions into the fund, which is managed by a 3rd 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 CJMM. The financial assets in the fund are disclosed in note 11

The total investments are pledged as collateral for CJMM Bonds

The investments pledged as collateral cannot be sold until the related liability is settled in full.

The terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

Sinking Fund Maturity - 5 June 2023

Other financial liabilities through profit or loss

Bond	-	152 331	-	152 331
Forward Rate Agreements	-	1 203	-	1 203
Swaps	-	2 685	-	2 685

Current Liabilities	-	156 219	-	156 219
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Other financial liabilities through profit or loss

Amortising swap	-	15 546	-	15 546
Swaps	-	434 852	-	434 852

Non-Current Liabilities	-	450 398	-	450 398
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	-	606 617	-	606 617
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Financial liabilities carried at fair value through profit or loss

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

30. OTHER FINANCIAL LIABILITIES AT FAIR VALUE - SWAP

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for an 11.66% fixed interest rate.

Swap Details

Trade Date:	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1 billion
Fixed Rate:	11.66%
Payable:	Semi- annual

Opening balance	-	14 060	-	14 060
Net movement	-	(14 060)	-	(14 060)
Closing balance	-	-	-	-

Current Liability	-	-	-	-
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31. CONSUMER DEPOSITS

Non-Current portion of Consumer deposits

Electricity and water deposits	969 538	930 069	-	-
Other deposits	17 240	16 748	17 240	16 748
	986 778	946 817	17 240	16 748

Current portion of Consumer deposits

Other deposits	16 958	15 445	-	-
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Other deposits relate largely to deposits held as part of rental agreements between tenants and JPC Portfolio, Joshco Community Development and the Housing Department.

32. LOANS FROM MUNICIPAL ENTITIES

Notional Accounts

The liability with the municipality entities was undertaken by the City of Johannesburg Metropolitan Municipality to cover the portion of the post retirement liability accrued for the employees of City of Johannesburg Metropolitan Municipality who were transferred to municipal entities when they were established. The amount of the liability was determined at 1 July 2003 and has been accounted for in the form of a notional loan account which earned interest and against which the municipal entities may claim benefit payments.

Medical Aid Notional loan account

Opening balance	-	-	167 631	159 004
Finance costs	-	-	10 950	10 462
Payments	-	-	(1 242)	(1 835)
	-	-	177 339	167 631

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
32. LOANS FROM MUNICIPAL ENTITIES (continued)				
Gratuities Notional loan account				
Opening balance	-	-	258 707	259 316
Finance costs	-	-	16 984	17 062
Payments	-	-	(14 794)	(17 671)
	-	-	260 897	258 707
Non-current liabilities	-	-	438 236	426 338
Current liabilities	-	-	-	-
	-	-	438 236	426 338

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
33. OTHER REVENUE				
Cut-off fees	13 838	16 584	-	-
Gautrain maintenance fees	6 632	6 294	-	-
Licenses and permits	8 196	8 202	8 196	8 202
Public safety recoveries	34 708	27 325	34 708	27 325
Internal recoveries - ME's	-	-	493 945	418 983
Cemetery fees	22 768	20 664	-	-
Collection charges	96 842	160 067	96 842	160 067
Concessionary fees	37 000	37 059	37 000	37 059
Theatre ticket sales	10 605	12 170	-	-
Recovery of insurance	9 642	8 760	4 684	7 693
Sundry revenue	494 240	435 415	273 358	199 087
Training revenue	9 299	8 251	8 166	15 769
	743 770	740 791	956 899	874 185
34. RENDERING OF SERVICES				
Other service charges	168 089	168 399	29 804	30 117
Town Planning	78 359	65 618	78 359	65 618
Public Safety Services	21 993	19 634	21 993	19 634
Advertising	77 012	58 886	77 012	58 886
BRT and Metrobus Revenue	234 252	219 481	144 711	115 737
Refuse removal	1 651 716	1 441 113	-	-
Sale of electricity	14 076 466	13 209 621	-	-
Sale of water	7 043 361	5 996 861	-	-
Sewerage and sanitation charges	4 115 362	3 644 393	-	-
	27 466 609	24 824 006	351 879	289 992

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

35. PROPERTY RATES

Rates received

Residential	4 588 623	3 392 435	4 588 623	3 392 435
Commercial	7 496 956	5 530 872	7 496 956	5 530 872
State	286 453	187 253	286 453	187 253
	12 372 032	9 110 560	12 372 032	9 110 560

Valuations

Residential	897 030 967	641 840 252	897 030 967	641 840 252
Commercial	427 383 435	319 549 584	427 383 435	319 549 584
State	49 564 314	31 160 238	49 564 314	31 160 238
	1 373 978 716	992 550 074	1 373 978 716	992 550 074

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
36. GOVERNMENT GRANTS AND SUBSIDIES				
Provincial grants : Capital projects	137 800	107 866	137 800	107 866
Urban settlements development grant	1 847 914	1 577 196	1 514 027	1 169 277
Provincial grants : Top structure of houses	116 728	248 785	116 728	248 785
Provincial grants : Operating projects	17 600	17 761	17 600	17 761
Public Transport Network Grant (Capital Projects)	660 256	685 585	660 256	685 585
Neighbourhood development partnership grant	35 510	42 563	35 510	42 563
Integrated City Development Grant (ICDG)	91 036	65 052	91 036	65 052
Expanded Public Works Programme (EPWP)	34 089	19 786	14 180	12 047
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	23 000	21 698	23 000	21 698
Public Transport Network operations Grant	252 465	211 990	252 465	211 990
Public contributions: Service connections	-	54 388	-	-
Ambulance subsidy	130 373	123 187	130 373	123 187
Equitable share and fuel levy	7 172 186	6 377 585	7 172 186	6 377 585
Provincial health subsidies	128 726	121 669	128 726	121 669
Other Grants	95 882	107 172	1 000	1 050
	10 743 565	9 782 283	10 294 887	9 206 115
Provincial grants : Capital projects				
Balance unspent at beginning of year	55 329	157 646	55 329	157 646
Transferred to Top structure of houses	-	(68 606)	-	(68 606)
Adjustment - Debtors	137 800	74 155	137 800	74 155
Conditions met - transferred to revenue	(137 800)	(107 866)	(137 800)	(107 866)
Conditions still to be met - transferred to liabilities	55 329	55 329	55 329	55 329
Urban settlements development grant				
Balance unspent at beginning of year	-	266 825	-	266 825
Current year receipts	1 854 242	1 577 196	1 852 262	1 501 731
Paid back	-	(266 825)	-	(266 825)
Transfers	-	-	(331 907)	(332 454)
Conditions met - transferred to revenue	(1 847 914)	(1 577 196)	(1 514 027)	(1 169 277)
Conditions still to be met - transferred to liabilities	6 328	-	6 328	-
<p>This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households. The Urban Settlement Development Grant contributes towards the achievement of sustainable human settlements and improved quality of household life by implementing infrastructure development projects that work towards the realisation of adequate housing and improved quality environments and a functional residential property market. The infrastructure development projects include roads, bridges, water supply network, sanitation services, electrical reticulation, social and recreational services, cemeteries, markets as well as release of well-located land.</p>				
Provincial grants : Top structure of houses				
Balance unspent at beginning of year	79 984	-	79 984	-
Current year receipts	135 920	307 946	135 920	307 946
Transferred from capital projects	-	68 606	-	68 606
Settled against debtors	(43 506)	(47 783)	(43 506)	(47 783)
Conditions met - transferred to revenue	(116 728)	(248 785)	(116 728)	(248 785)
Conditions still to be met - transferred to liabilities	55 670	79 984	55 670	79 984

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Provincial grants : Operating projects				
Balance unspent at beginning of year	22 925	27 624	22 925	27 624
Current year receipts	21 600	30 921	28 800	30 921
Paid back	(8 000)	(17 859)	(8 000)	(17 859)
Transfers to ME's	-	-	(7 200)	-
Conditions met - transferred to revenue	(17 600)	(17 761)	(17 600)	(17 761)
Conditions still to be met - transferred to liabilities	18 925	22 925	18 925	22 925

To transform urban and rural community library infrastructure, facilities and services through a recapitalised programme at provincial level in support of local government and national initiatives. The funding is intended to address backlogs and disparities in ongoing provision and maintenance of community library services across municipalities and enable provincial departments to provide strategic guidance and alignment with national priorities.

Public Transport Network Grant (Capital Projects)

Balance unspent at beginning of year	20 547	3 852	20 547	3 852
Current year receipts	661 023	706 132	661 023	706 132
Grants paid back	(20 700)	(3 852)	(20 700)	(3 852)
Conditions met - transferred to revenue	(660 256)	(685 585)	(660 256)	(685 585)
Conditions still to be met - transferred to liabilities	614	20 547	614	20 547

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Neighbourhood development partnership grant				
Balance unspent at beginning of year	2 919	14 618	2 919	14 618
Current year receipts	50 058	45 464	50 058	45 464
Paid back	(2 900)	(14 600)	(2 900)	(14 600)
Conditions met - transferred to revenue	(35 510)	(42 563)	(35 510)	(42 563)
Conditions still to be met - transferred to liabilities	14 567	2 919	14 567	2 919

The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighbourhoods. It is an Infrastructure Development grant focusing on township development, for the purpose of attracting private investment and for Government agencies to be able to provide basic services.

Integrated City Development Grant (ICDG)

Balance unspent at beginning of year	12 110	4 762	12 110	4 762
Current year receipts	93 480	82 200	93 480	82 200
Paid back	(12 100)	(9 800)	(12 100)	(9 800)
Conditions met - transferred to revenue	(91 036)	(65 052)	(91 036)	(65 052)
Conditions still to be met - transferred to liabilities	2 454	12 110	2 454	12 110

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	4 402	-	4 402
Current year receipts	54 646	19 784	34 737	17 515
Paid back	(19 910)	(4 400)	(19 910)	(4 400)
Transfers	-	-	-	(5 470)
Conditions met - transferred to revenue	(34 089)	(19 786)	(14 180)	(12 047)
Conditions still to be met - transferred to liabilities	647	-	647	-

The Grant assists in providing an important avenue for labour absorption and aids transfers of income to poor households. It uses expenditure on goods and services to create work opportunities for the unemployed. EPWP Projects employ workers on a temporary or on-going basis either by government, by contractors, or by other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.

Provincial grant : Jozi Ihlomihle (Hiv/Aids)

Balance unspent at beginning of year	757	384	757	384
Current year receipts	23 000	22 071	23 000	22 071
Paid Back	(757)	-	(757)	-
Conditions met - transferred to revenue	(23 000)	(21 698)	(23 000)	(21 698)
Conditions still to be met - transferred to liabilities	-	757	-	757

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Public Transport Network Grant (Operational projects)				
Balance unspent at beginning of year	99	38 082	99	38 082
Current year receipts	405 914	212 056	405 914	212 056
Paid back	-	(38 049)	-	(38 049)
Conditions met - transferred to revenue	(252 465)	(211 990)	(252 465)	(211 990)
Conditions still to be met - transferred to liabilities	153 548	99	153 548	99
Public contributions: Service connections				
Balance unspent at beginning of year	29 265	55 526	-	-
Current year receipts	34 345	28 127	-	-
Conditions met - transferred to revenue	-	(54 388)	-	-
Conditions still to be met - transferred to liabilities	63 610	29 265	-	-
Ambulance subsidy				
Current year receipts	130 373	123 187	130 373	123 187
Conditions met - transferred to revenue	(130 373)	(123 187)	(130 373)	(123 187)
Conditions still to be met - transferred to liabilities	-	-	-	-

Gauteng province pays an annual grant to EMS for providing an ambulance service for the City of Johannesburg. This grant covers less than half of the cost of the vehicles, the manning of the vehicles and all other costs associated with providing the service by the City.

Equitable share and fuel levy

Current year receipts	7 172 186	6 030 960	7 172 186	6 030 960
Transfers from other grants	-	346 625	-	346 625
Conditions met - transferred to revenue	(7 172 186)	(6 377 585)	(7 172 186)	(6 377 585)
Conditions still to be met - transferred to liabilities	-	-	-	-

Municipal Equitable Share is the share of Local Government Sphere's share of revenue raised nationally. The equitable share allocation is a subsidy received from National Treasury and is mainly for RSC levies replacement, special support for councillors' remuneration, ward committees and funding for free basic services (Basic Social Services Package) for the registered indigent households.

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Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Provincial health subsidies				
Current year receipts	128 726	121 669	128 726	121 669
Conditions met - transferred to revenue	(128 726)	(121 669)	(128 726)	(121 669)
Conditions still to be met - transferred to liabilities	-	-	-	-
<p>The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.</p>				
Other Grants				
Transfers from creditors	95 882	107 172	1 000	1 050
Conditions met - transferred to revenue	(95 882)	(107 172)	(1 000)	(1 050)
Conditions still to be met - transferred to liabilities	-	-	-	-

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Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
37. EMPLOYEE RELATED COSTS				
Employee related costs : Salaries and wages	9 081 650	7 515 994	5 588 396	4 366 460
Employee related costs : Pension contributions	1 207 452	1 055 411	736 869	620 091
Employee related costs : Gratuities	9 494	10 439	-	-
Employee related costs : Medical aid contributions	562 907	532 305	397 063	375 237
Employee related costs : Skills development levy	104 486	88 896	65 392	53 064
Housing benefits and allowances	58 852	52 378	41 878	38 431
Overtime payments	613 602	445 192	258 970	126 603
Bonus	526 454	507 693	286 780	269 426
Travel, motor car, accommodation, subsistence and other allowances	454 277	427 638	301 688	296 788
Other employee benefits	48 570	48 576	-	-
	12 667 744	10 684 522	7 677 036	6 146 100

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2019

Notes to the Group Annual Financial Statements

Key management remuneration- 2019

Annual Remuneration	28 441	29 995
Car Allowance	1 133	1 158
Performance Bonuses	337	-
Contributions to UIF, Medical and Pension Funds	1 791	1 494
Final Leave payment	91	1 064
	31 793	33 711

Key management

Key management	Annual salary	Allowances	Contribution to UIF, Medical and Pension Funds	Performance bonuses and other bonuses	Final Leave payment	Other benefits received	Total
City manager	2 907	-	52	77	-	-	3 036
GCFO	1 209	-	1	-	-	-	1 210
Group head: Risk Assurance Services	1 521	56	157	-	-	-	1 734
Group : COO	1 884	-	2	-	-	-	1 886
Executive Director: Economic Development	2 232	96	2	-	-	-	2 330
Executive Director: Community Development	1 971	156	202	-	-	-	2 329
Executive Director: OCM	1 233	-	122	-	-	-	1 355
Executive Director: Development Planning and Urban development	1 565	240	251	-	-	-	2 056
GCTO	1 899	156	2	-	-	-	2 057
Executive Director: Housing	1 859	-	197	-	-	-	2 056
Executive Director: Transportation	2 244	73	338	-	-	-	2 655
Executive Director: Health	2 493	108	2	160	-	-	2 763
Executive Director: Corporate Governance	869	64	93	-	-	-	1 026
Group Head : CRUM	1 943	100	205	100	-	-	2 348
ED- GCSS	1 168	-	1	-	91	-	1 260
Remuneration of the Group Head:Legal and Contracts	1 444	84	164	-	-	-	1 692
Core total	28 441	1 133	1 791	337	91	-	31 793
Managing Director - JRA	2 297	670	129	-	-	-	3 096
Managing Director - JRA(Acting)	618	186	-	-	-	-	804
Managing Director - Parks	2 159	96	139	154	-	-	2 548
Managing Director - Joshco	1 222	-	-	-	-	-	1 222
Chief Executive Officer - Joburg Theatre	1 391	-	15	234	-	-	1 640
Chief Executive Officer - JPC	2 242	250	26	331	-	-	2 849
EX Managing Director - Mbus	1 156	-	13	-	-	6	1 175
Chief Executive Officer (Acting) - Market	1 795	-	-	-	-	521	2 316
Chief Executive Officer - JDA	1 460	25	-	130	-	-	1 615
Managing Director - Pikitup	1 019	179	157	-	179	-	1 534
Managing Director(Acting) - Pikitup	263	-	-	-	-	-	263
Managing Director - Water	2 242	176	378	158	-	-	2 954
Managing Director - Power	2 524	111	-	185	-	-	2 820
Chief Executive Officer - MTC	1 457	160	-	-	-	749	2 366
	50 286	2 986	2 648	1 529	270	1 276	58 995

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Notes to the Group Annual Financial Statements

Key management remuneration- 2018

Key management	Annual salary	Allowances	Contribution to UIF, Medical and Pension Funds	Performance bonus and other benefits	Final Leave payment	Other benefits received	Total
City manager - Current	2 759	-	49	-	-	-	2 808
Executive director - GCSS	1 738	-	1	-	188	-	1 927
Group head: Risk Assurance Services	1 983	77	203	-	-	-	2 263
Executive Director : Public Safety	3 247	85	1	-	208	-	3 541
Executive Director: Economic Development	1 936	88	2	-	-	-	2 026
Executive Director: Community Development (Current)	1 552	130	159	-	-	-	1 841
Executive Director: Communication Development (Former)	151	9	17	-	-	-	177
Executive Director: Development Planning and Urban development (Former)	570	81	35	-	98	-	784
Executive Director: Development Planning and Urban development (Current)	275	-	50	-	-	-	325
Executive Director: EISD	995	48	25	-	120	-	1 188
Executive Director: Housing	1 617	-	171	-	-	-	1 788
Executive Director: Transportation	2 126	73	321	-	-	-	2 520
Executive Director: Health	2 359	108	2	-	141	-	2 610
Executive Director : OCM	263	-	14	-	93	-	370
Group Head: Communications	1 559	-	2	-	14	-	1 575
Group Head : Governance	809	48	47	-	65	-	969
Group Head : CRUM	1 839	100	194	-	-	-	2 133
Executive Director : Social development	1 593	60	59	-	137	-	1 849
Group Head : Group Legal	1 067	72	124	-	-	-	1 263
Remuneration of the Group Head : Legal and Contracts (Former)	107	7	16	-	-	-	130
Group Head : Strategy	1 450	172	2	-	-	-	1 624
Core total	29 995	1 158	1 494	-	1 064	-	33 711
Managing Director - JRA(Acting)	1 698	-	311	-	-	152	2 161
Managing Director- JRA(Resigned)	698	-	127	-	-	104	929
Chief Executive officer - JPC	2 114	250	25	313	-	-	2 702
Executive Director - Joshco	1 833	-	-	-	-	-	1 833
Executive Director - Joburg Theatre	1 673	-	512	218	-	70	2 473
Chief Executive officer - Market	1 415	-	-	-	-	407	1 822
Managing Director - City Parks & Zoo	983	40	65	-	-	-	1 088
Managing Director - City Parks & Zoo(Resigned)	504	24	23	199	-	-	750
Chief Executive Officer - JDA(resigned)	301	-	-	-	-	146	447
Chief Executive Officer - JDA (Appointed)	277	5	-	-	-	-	282
Managing Director - Pikitup	1 915	358	298	-	-	-	2 571
Managing Director - Water	1 817	147	290	-	-	-	2 254
Chief Executive Officer - Power	2 252	111	-	131	-	173	2 667
Chief Executive Officer - MTC	1 054	125	-	-	-	360	1 539
	48 529	2 218	3 145	1 925	1 925	1 412	57 229

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

38. REMUNERATION OF COUNCILLORS

Executive Mayor	1 395	1 334	1 395	1 334
Mayoral Committee Members	10 716	10 440	10 716	10 440
Speaker	1 135	1 100	1 135	1 100
Councillors	121 950	116 343	121 950	116 343
Councillors' pension contribution	9 302	9 133	9 302	9 133
Chairpersons	17 590	17 856	17 590	17 856
	162 088	156 206	162 088	156 206

Remuneration of the Executive Mayor - Herman Mashaba

Annual Remuneration		1 350	1 289
Car Allowance		41	41
Cell phone Allowance		4	4
		1 395	1 334

Appointment from August 2016.

39. DEPRECIATION AND AMORTISATION

Property, plant and equipment	2 877 728	2 777 658	1 790 037	1 786 875
Investment property	23	23	-	-
Zoo animals	1 372	1 396	-	-
Intangible assets	307 323	353 717	197 298	258 198
	3 186 446	3 132 794	1 987 335	2 045 073

40. IMPAIRMENT LOSSES

Impairments

Property, plant and equipment	72 553	103 318	64 262	77 123
Loans to Municipal Entities The Pikitup Johannesburg (SOC) Ltd refer to Note 4	-	-	313 853	59 432
	72 553	103 318	378 115	136 555

41. DEBT IMPAIRMENT

Receivables from non-exchange	61 382	104 987	61 382	104 987
Consumer debtors	4 396 963	3 095 131	1 492 912	610 861
Receivables from exchange	119 844	179 874	62 274	151 117
	4 578 189	3 379 992	1 616 568	866 965

Allowance for receivables from non-exchanges relates to the impairment of traffic fines.

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

42. BULK PURCHASES

Electricity	10 914 625	10 349 699	-	-
Water	5 593 972	4 799 538	-	-
Sewer purification	26 548	23 776	-	-
	16 535 145	15 173 013	-	-

The bulk purchases for the year includes electricity distribution losses and water losses.

Electricity distribution losses

Technical losses	1 029 319	970 859	-	-
Non-Technical losses	1 864 313	1 537 824	-	-
	2 893 632	2 508 683	-	-

The electricity energy losses can be classified into technical losses and non-technical losses. The technical losses for the year are measured at 9% and these relate to energy that is lost in the transportation of electricity from the point of supply to point of distribution through evaporation.

The entity's non-technical losses increased from 14.3% to 16.3%. The non-technical losses are attributable mainly to the following:

- Theft and bypass of meters
- Illegal decalibration of meters
- Damaged meters and faulty voltage and current transformers
- Billing errors
- Customers without meters

Water Losses

Physical losses	1 000 000	878 400	-	-
Commercial losses	386 000	340 800	-	-
	1 386 000	1 219 200	-	-

The level of physical losses for the year under review is 17.9% [R1.0 Billion], (2018: 18.3% [R878.4 million]). The level of commercial losses for the year under review is 6.9% [R386.0 million], (2018: 7.1% [R340,8 million]).

It is acknowledged and accepted that a certain level of water losses cannot be avoided from a technical perspective and is considered acceptable from an economic perspective. This means the cost of interventions to reduce water losses from a technical perspective are less than the savings that can be realised. The industry norm for water losses is 18%. This norm is exceeded by the company by 6.8% [R380.4,0 million], (2018: 7.5% [R360 million]). The industry norm of 18% applied is 2% more stringent than the benchmark of 20% as published by the South African Water Research Commission.

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
43. GRANTS AND SUBSIDIES PAID				
Grants paid to ME's				
City of Joburg Property Company SOC Limited	-	-	509 336	368 134
Johannesburg City Parks NPC	-	-	827 542	737 022
Johannesburg Development Agency SOC Limited	-	-	39 006	28 707
Johannesburg Metro Bus Services SOC Ltd	-	-	545 463	504 212
Johannesburg Roads Agency SOC Limited	-	-	1 103 170	896 443
Johannesburg Social Housing Company SOC Limited	-	-	26 941	14 807
Metropolitan Trading Company SOC Limited	-	-	226 855	143 670
Pikitup Johannesburg SOC Limited	-	-	540 076	617 166
Joburg Theatre SOC Limited	-	-	116 447	104 432
	-	-	3 934 836	3 414 593
Other subsidies				
Grant paid : Housing top structures	118 239	247 645	118 239	247 645
Grant paid : Other	62 030	41 691	41 563	22 352
	180 269	289 336	159 802	269 997
	180 269	289 336	4 094 638	3 684 590

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
44. GENERAL EXPENSES				
Advertising	37 081	40 800	19 517	23 498
Auditor's remuneration	63 645	61 125	25 489	27 478
Bank charges	140 036	153 310	130 386	143 772
Billing and meter reading charges	12 653	20 598	-	-
Cut-off fees	21 762	31 357	-	-
Cleaning	44 262	46 694	-	-
Commission paid	40 352	35 650	-	-
Conferences and seminars	17 852	15 397	14 144	15 111
Consulting and professional fees	341 370	387 529	186 631	182 855
Cost of inventories expensed	477 930	341 143	14 924	13 484
Debt collection	102 240	258 622	102 240	258 622
Legal settlement	4 777	8 480	5 481	8 480
Fleet costs	671 619	729 046	58 597	54 591
Free electricity	3 064	3 517	-	-
Hire of equipment and buses	21 742	24 831	21 849	24 708
IT expenses	218 999	103 396	210 555	231 217
Incident management fund	38 949	46 977	38 949	46 977
Insurance	237 100	251 366	123 063	120 989
Marketing	54 977	50 085	34 571	28 817
Motor vehicle expenses	147 150	261 870	-	-
Other expenses	345 306	820 596	489 288	703 196
Specialized services	761 963	853 762	770 853	948 691
Postage and printing stationery	132 844	95 508	113 690	74 843
Productions	18 668	17 007	-	-
Contracted services	33 255	39 363	30 026	40 158
Maintenance services	2 311 139	1 946 332	220 981	163 446
Security (Guarding of municipal property)	413 990	576 832	91 117	285 134
Software expenses	134 151	146 911	67 255	57 820
Staff welfare	44 497	36 490	19 841	10 655
Subscriptions and membership fees	16 051	20 086	7 547	14 229
Telephone and fax	138 037	146 726	47 758	54 101
Training	39 743	42 981	19 075	17 708
Travel - local	9 114	7 200	3 240	2 879
Travel - overseas	2 676	3 816	1 393	2 201
Utilities	296 138	293 112	947 922	816 194
	7 395 132	7 918 515	3 816 382	4 371 854

Included in other expenses are guarantee fees relating to the COJ2 bond which is held at amortised cost.

45. FAIR VALUE ADJUSTMENTS

• Fair value movement on the sinking fund	447 098	212 727	447 098	212 727
• Interest rate swap	-	(2 470)	-	(2 470)
	447 098	210 257	447 098	210 257

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
46. CASH GENERATED FROM OPERATIONS				
Surplus	6 882 675	2 614 452	4 675 217	1 461 460
Adjustments for:				
Depreciation and amortisation	3 186 446	3 197 903	1 987 335	2 045 073
Public contributions, Donated and contributed property	(359 720)	(421 792)	(2 288)	(3 612)
Fair value adjustments	(447 098)	(210 257)	(447 098)	(210 257)
Reversal of impairment	-	(165)	(30 847)	(29 006)
Finance costs: liabilities from Municipal entities	-	-	27 844	8 627
Debt impairment	4 578 189	3 379 992	1 616 568	866 965
loss/gain on sale of Assets	37 564	313 623	24 910	292 850
Impairment losses	72 553	103 318	378 115	67 622
Post-retirement benefits net expenditure	65 087	-	62 203	(13 834)
Gain/ Loss from equity accounted investments	1 403	1 144	-	-
Changes in working capital:				
Inventories	38 038	16 148	(464)	6 294
Receivables	(1 200 478)	(705 668)	(2 460 575)	(1 797 900)
Current tax receivable	10 243	3 001	-	-
Current tax payable	(108 515)	37 259	-	-
Adjustment of impairment of current receivable	(4 578 189)	(3 379 992)	(1 616 568)	(866 965)
Payables from exchange transactions	67 618	197 347	1 057 117	1 102 448
VAT receivable/ payable	33 546	(87 448)	207 533	(209 529)
Unspent conditional grants and receipts	147 539	(335 516)	113 411	(317 374)
Increase/(Decrease) in deferred income	17 766	12 247	13 811	15 206
Increase/(Decrease) in Provision	139 985	92 411	11 366	11 101
Increase/(Decrease) in Consumer deposits	41 474	66 699	492	269
	8 626 126	4 894 706	5 618 082	2 429 438

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

47. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for

• Capital Commitments	10 211 098	12 103 032	2 285 719	3 766 170
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This committed expenditure relates to fixed assets and will be financed by government grants, existing cash resources and external loans etc.

Operating leases - as lessee (Fleet)

Minimum lease payments due

- within one year	13 167	4 056	-	-
- in second to fifth year inclusive	4 395	-	-	-
	17 562	4 056	-	-

The Group leases vehicles from fleet service providers. In terms of the agreement, all rentals due on vehicles leased are payable monthly in arrears and are linked to the prime overdraft rate. Furthermore the agreement places restrictions on maximum number of kilometres which can be travelled over the lease term and specifies the rate at which excess kilometres will be billed.

Operating leases – as lessee (Buildings)

Minimum lease payments due

- within one year	199 573	184 142	17 258	65 937
- in second to fifth year inclusive	234 506	95 945	-	17 258
	434 079	280 087	17 258	83 195

Leases for buildings are negotiated for a term of 2 to 5 years for department occupied buildings and the ME's head offices. JPC head office lease term is 10 years. Some leases are subject to yearly escalations at an average of 9%.

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

Operating leases – as lessee Land (Soccer City)

Minimum lease payments due

- within one year	75	75	75	75
- in second to fifth year inclusive	299	299	299	299
- later than five years	6 494	6 494	6 494	6 494
	6 868	6 868	6 868	6 868

Operating leases - as lessee (Equipment)

Minimum lease payments due

	608 606	596 168	-	-
	618 579	1 220 666	-	-
	1 227 185	1 816 834	-	-

Operating lease payments represent rentals payable in future by Johannesburg Water and Johannesburg City Power for certain equipment. Leases are negotiated for an average term of seven years.

Operating leases – as lessor (income)

Minimum lease payments due

- within one year	-	447	-	-
- later than five years	-	-	-	-
	-	447	-	-

The operating lease income relates to rental of buildings. The average lease agreements are three years and are based on a rental fee per square metre of rental space.

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48. CONTINGENCIES

GROUP

Legal Claims by residents/companies

	Name of the company responsible	Estimated Amount in R'000
Claim for breach for allegedly failing to provide sufficient electricity for development after rezoning a property. Claim is defended on the basis that sufficient electricity is available and Plaintiff was aware of available supply. The court dismissed the application and the parties agreed that the allocated time for trial was not sufficient as a result they are currently awaiting new trial date.	CJMM	6 289
Claim by Metropol Consulting Pty Ltd for services rendered.	CJMM	266 000
Developmentnomics (Pty) LTD. The Plaintiff claims to have suffered damages to the extent of lost income for the full duration of the agreement concluded with the City. Pleadings have closed and the matter is awaiting set down.	CJMM	1 000
Claim by Kenneth Corlette relating to alleged damages for loss of amenity due to City approving certain land uses adjacent to the plaintiff's property. Trial date set for 9, 10, and 11 September 2019.	CJMM	17 000
There is a dispute the members of SALA Pension Fund lodged with the City of Joburg subsequent to their transfer to eJoburg pension fund. The court decided that if this matter should proceed there should be a joinder by all the affected parties	CJMM	20 951
The Plaintiff sued the City for damages. the Plaintiff alleges arose from the City's non enforcement of the by-laws. The City defended the action and filed its plea. A trial date is being awaited.	CJMM	5 800
Fundi Communications claim against COJ for services rendered. A trial date is being awaited.	CJMM	952
Great Life Trading claim for monies to be paid by City for tickets. The plaintiff is a ticket vendor hence claiming the loss of business. Trial date set for 3 September 2019. The City does not deny the money for the tickets but has a problem with a claim for loss of business by plaintiff.	CJMM	1 401
International Art Solutions LLC versus Johannesburg City Theatres. The Plaintiff (an international company) is suing the Johannesburg City Theatres for the cancellation of the Soweto Jazz Festival in 2018. A plea and request for security has been served.	Joburg Theatre (SOC) Ltd	24 505
The City is been sued for loss of income after Mathipane Tsebane was unlawfully and arbitrarily removed from the COJ Attorney collection panel and the court having ordered his reinstatement, the City having failed to reinstate.	CJMM	180 000
Bertrams Priority Block: JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. No progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accommodation is found by JDA and CJMM. The parties are working together to reach agreement without a protracted litigation process.	Development Agency (SOC) Ltd	-
Ubuntu Kraal (Pty) Ltd vs JDA & CJMM - JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road. The matter is now being handled by CJMM insurer attorneys. The matter was set for trial in June 2018 but was withdrawn from trial roll. There has been no developments since then. The plaintiff's attorneys have withdrawn as attorneys of record on this matter and the attorneys that are meant to take over this matter have not yet filed their notice of substitution. We have written to the attorney and are yet to receive a response as to whether they still intend pursuing this matter.	Development Agency (SOC) Ltd	23 500
Achusim Chijoike vs JDA and Skymark Security (Pty) Ltd: JDA disputed the matter and indicated to the Plaintiff that it was incorrectly cited as a party. The plaintiff has to date not responded to pleadings by JDA. A letter has been addressed by JDA attorneys to the plaintiff to the effect that should the company not receive feedback from the plaintiff, JDA will continue to seek court approval to withdraw the matter. The matter stopped at pleadings stage and is likely not going to proceed.	Development Agency (SOC) Ltd	-

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The are two (2) applications. One (1) is in relation to the cancellation of the long term lease agreement in one of the JCPZ cemeteries. The other matter relates to erection of a cellphone mast in a public open space.	Johannesburg City Parks NPC	-
Grayston Pedestrian Bridge scaffolding collapse: The scaffolding work into the Grayston Drive Pedestrian and Cyclist structural bridge collapsed on 14 October 2015 which resulted in the loss of life and other damages. Due to the nature of the incident, the Department of Labour (DOL) has to conduct a formal inquiry to determine the causes for the collapse of the scaffolding works. The inquiry commenced on 7 July 2016 and a Commissioner appointed by the DOL. The hearing took place and was completed. We now await the report with the outcome from the Commissioner from the DOL.	Development Agency (SOC) Ltd	-
Applemint vs JRA. JRA was served a letter of demand to do work on the applicants property which has experienced a sinkhole as a result of the storm-water drain running through his property.	Road Agency (SOC) Ltd	-
Liepollo Selatile vs JRA. The Application for review to set aside the award dated 22nd December 2018 in terms of SALGBC found that the Applicants dismissal was procedurally and substantively fair.	Road Agency (SOC) Ltd	-
Tony Diesel Electrical Generators (sub-contractor) vs JRA - Application for an order to remove automatic generator installed at Asphalt Depot. The sub-contractor (Tony Diesel Electrical Generators) was not paid by the main contractor (ML Sakhile). The JRA fully paid the ML Sakhile (main contractor) for the supply and delivery of the automatic generator.	Road Agency (SOC) Ltd	-
City Power has submitted tax returns with SARS for 2015 and 2016 financial years claiming 100% bad debt allowance. However the South African Revenue Services has approved a deduction of 25% in terms of bad debt allowances. City Power is currently continuing to claim a 100% allowance as it is appealing the decision of the Receiver. Should the appeal be unsuccessful the tax liability for 2015, 2016 and 2017 would increase.	City Power (SOC) Ltd	-
Velly Siphon Phaloane instituted civil claim against JMPD. In his claim he alleges that he developed an App for reporting reckless and negligent driving. On the 27 March 2019 Executive Mayor launched Buya Mthetho hotline for reporting reckless and negligent driving. The Plaintiff further alleges that the City unlawfully appropriated his intellectual property. The City is defending the matter. We have filed exception notice to the Plaintiff summons, the Plaintiff failed to reply to our notice of exception.	CJMM	162 000
JHB Housing Company has lodged legal proceedings against the entity. The dispute relates to the entity's inability to provide additional electricity capacity available for a new electricity connection.	City Power (SOC) Ltd	2 142
A summons was issued in favor of a customer Dlamini for delictual damages. The matter is defendant by the entity.	City Power (SOC) Ltd	267
The entity received a letter of demand from the lawyers of Sarah Elizabeth Bosch after she fell in to the orchestra pit. Bosch's attorneys claim that the incident was caused due to negligence by Joburg Theatre. The matter has gone to court and JCT is awaiting a outcome. The amount has not been provided for as this is considered as a potential obligation that may be incurred depending on the outcome of a future event.	Joburg Theatre (SOC) Ltd	9 020
The company is a defendant in various claims relating to SARS for PAYE and related penalties. The matter is still ongoing as at year 30 June 2019.	Johannesburg City Parks NPC	5
Koumantarakis Group has initiated legal proceedings against The City of Johannesburg, City Power and Johannesburg Roads Agency for an alleged violation of a patent for manhole covers. The matter is being defended and an expert was appointed by the entity to assist with the matter. The potential liability for the entity is yet to be determined.	CJMM	-
The plaintiff is claiming for damages for injuries allegedly sustained at or near Orange farm garden site. The plaintiff is claiming compensation for pain suffered. The entity is defending the matter. The matter is about to close pleadings. The trial can be anticipated late in 2019 or the beginning of 2020.	Pikitup (SOC) Ltd	400
The service provider sued the entity an amount for services rendered and not paid for. The intention to defend was served and filed. The likelihood of the entity succeeding in defending the matter are high.	Pikitup (SOC) Ltd	327
Dispute with a customer who sustained injuries in an accident involving a forklift of an agent. The directors are of the opinion that the case can be successfully defended by the entity.	Joburg Market (SOC) Ltd	4 020
Dispute with a customer who slipped on a peel of lettuce on the premises of the entity and sustained injuries. The directors are of the opinion that the case can be successfully defended by the entity.	Joburg Market (SOC) Ltd	1 780

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JOSCHO is currently involved in a legal dispute against the company. Legal dispute with Renaissance Security and Cleaning T/A Topo Security Services.	Johannesburg Social Housing Company (SOC) Ltd	27
JOSCHO is currently involved in a legal dispute against the company. Legal dispute with Gosiam Development for damage claim for loss of income at Randburg Silkirk for fence demolition.	Johannesburg Social Housing Company (SOC) Ltd	653
HL Matlala Properties (Gorogang) Plant Hire vs JRA. The plaintiff is claiming for the stated amount being kept by JRA as retention money.	Road Agency (SOC) Ltd	2 780

Contractual Disputes with service providers

Detail of contingencies	Name of the company responsible	Estimated Amount in R'000
Divinity Trading a trading supplier has lodged legal proceedings against the entity. The claim arising from supply chain processes where there was a passing over of bid due to none functional of protective proto type during site visits by Bid Evaluation Committee. The potential liability is the Bid value.	City Power (SOC) Ltd	90 000
Claim for services rendered: A potential claim for services rendered. A service provider was appointed in an irregular manner and presented an invoice for payment. The invoice was not paid and any claim for payment will be resisted.	Metro Bus (SOC) Ltd	200
Setheo Investment has lodged legal proceedings in respect of the termination of the contracts for the upgrading of the Eldorado Park and Hopefield substation.	City Power (SOC) Ltd	69 668
Gorogang is claiming in relation to the retention costs, termination costs, payment of the value of the work done and time related costs for the project bulk and storm-water at Pimville Zone. The service provider abandoned the site and claim that the City had made a calculation error and he then repudiated the contract. Notice to oppose the matter was filed by COJ.	CJMM	8 950
Masande vs City of Johannesburg. The City was sued for breach on 12 December 2014. The matter was finalized in 2016. On or about the 12th September 2018, the applicant served an Application for leave to appeal the judgement. The Application for leave to appeal was heard on the 13th of November 2018, in which the Judge granted the applicant the leave to appeal. The City is opposing the appeal.	CJMM	1 667
The plaintiff is claiming monies for services rendered which it is alleged Pikitup has not paid. The trial date has been applied for and it is expected that it will be set for the latter part of 2019 or early 2020. The likelihood of recovering legal costs should the entity succeed are remote.	Pikitup (SOC) Ltd	333
The plaintiff is claiming that his former company contracted with the entity and alleges that the entity is in breach of the contract by failing to pay for the equipment purchased by the plaintiff in fulfilment of the contract. The said company is liquidated. The plaintiff in this matter is not acting and therefore the matter has remained dormant. The likelihood of recovering costs should the entity succeed are remote.	Pikitup (SOC) Ltd	10 000
Joemann Construction and Couriers Services CC claim for breach of contract for the provision of goods. As at the 16 October 2018 the parties are exchanging pleadings.	CJMM	11 306
Manzini vs City of Johannesburg and others. A claim for monetary payment for a breach of contract and a claim for immediate specific performance as per the agreement. Parties are exchanging pleadings.	CJMM	340
The company is a defendant in various claims relating to contractual disputes with some of the service providers. The matter is still ongoing as at year 30 June 2019.	Johannesburg City Parks NPC	6
J & B Consulting a supplier is claiming in terms of non-payment for services rendered to the entity. The matter is being defended by the entity.	City Power (SOC) Ltd	3 203
ABB South Africa a supplier is claiming in terms of non-payment for services rendered to the entity. The matter refers to adjudication in terms of NEC contract.	City Power (SOC) Ltd	5 532
Dispute with service provider due to a utility cost analysis project that was suspended as a result of an invalid tender award. The directors are of the opinion that the case can be successfully defended by the entity.	Joburg Market (SOC) Ltd	792

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Disputes/legal claims by employees

Detail of contingencies	Name of the company responsible	Estimated Amount in Rands
The entity is reviewing the arbitration award in favor of an employee where CCMA ruled that the employee was unfairly dismissed. The matter was finalized with the ruling in favour of the employer. The employee has however lodged an appeal with the Labour Appeals Court. The likelihood of recovering the costs from the applicants are remote.	Pikitup (SOC) Ltd	2 838
The entity is involved in five (5) litigation matters with employees and former employees. Three (3) of the matters are currently lodged with the CCMA and two (2) of the matters are currently lodged with the labour court. The directors are of the opinion that the cases can be successfully defended by the entity.	Joburg Market (SOC) Ltd	-
		-
Alleged unfair dismissal: Nineteen (19) alleged unfair dismissal cases against Metrobus currently under consideration by the SALGBC. Management is confident that the matter will be ruled in the company's favour, should the courts rule otherwise, the possible liability to the company will be at the stated amount.	Metro Bus (SOC) Ltd	1 400
Claim for defamation: A matter related to an ex-employee filing a defamation claim against three current employees of Metrobus who testified in the disciplinary case which resulted in the ex-employee's dismissal are underway. Management is confident that a judgment will be made in favor of Metrobus and the current employees.	Metro Bus (SOC) Ltd	-
Unfair discrimination: One case of unfair labour practice is under consideration by the labour court. Management and external lawyers are confident that an award will be made in favour of Metrobus in this regard. However should such award be made in favor of the employee Metrobus will be liable for payment in the region.	Metro Bus (SOC) Ltd	814
Plaintiff brought summons against the City and Johannesburg Municipal Pension Fund for unpaid benefits. The City disputes the claim. The city will enter an exception to the plea. The hearing of the exception has been set down on 21 June 2018. The hearing was not set down due to new development on the case. City attorneys are filing heads of argument.	CJMM	1 431
The employee took the entity to SALGBC for unfair dismissal after termination of the employee's services. The opposing papers have been lodged and awaiting the employee to set the matter down. The likelihood of recovering the costs from the applicants are remote.	Pikitup (SOC) Ltd	2 824
Claim from a previous employee: The Plaintiff is claiming the following: Payment of the promotional jobs he should have been appointed in compensation for a turnaround plan he wrote for Metrobus, the Plaintiff is of the view that he should have been appointed as a Board Member.	Metro Bus(SOC) Ltd	24 000
JOSHCO is currently involved in a legal dispute against the company. Ms. C Holmes is in a legal dispute with JOSHCO because of unfair dismissal.	Johannesburg Social Housing Company (SOC) Ltd	99

Contingent Asset

Detail of contingencies	Name of the company responsible	Estimated Amount in Rands
Claim instituted by the COJ and Bus Operating Company and others against an attorney who misappropriated money to be used by the operators to invest in BOC.	CJMM	20 000
Claim relating to summons issued against Graffiti Impact. The defendant has raised an issue that the City is not entitled to that money and has asked the court to declare that section of the By-Laws to be null and void. Pleadings are closed. Pre-trial has been held. Instructed attorneys to set the matter down and revert with allocated date.	CJMM	1 698
The City submits that it overpaid Questek in another contract. Pleadings are still being exchanged between the parties regarding this matter. Refer to provisions for the details of this case	CJMM	70 000

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JRA vs Nomakhephu - The JRA is suing the defendant for the payment of monies erroneously deposited into the supplier's account. The assessment by JRA legal unit for winning the case is medium. The commencement date of action for this litigation was January 2011.	Road Agency (SOC) Ltd	316
Summons for the irregular issuing of clearance certificate and irregular refund payment. Matter to date has not been defended. Appearance to defend entered on the 29th of January 2019. Parties are in the process of exchange of pleadings and the matter is yet to be heard. The Attorneys on behalf of the City are attempting to trace the second defendant.	CJMM	537
Subsequent to the disciplinary hearing in respect of the irregular expenditure note, civil proceedings will commence against the employee concerned to recover the amount. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.	Joburg Market (SOC) Ltd	674
JOSHCO is currently involved in various legal disputes for the company. Legal dispute with JEH Properties and Dempster Mckinnon for Breach of Contract.	Johannesburg Social Housing Company (SOC) Ltd	7 000
JOSHCO is currently involved in various legal disputes for the company. Legal dispute with Solidaire Construction (Pty) Ltd. Failure by service provider to perform as per JBCC contract.	Johannesburg Social Housing Company (SOC) Ltd	11 000
JOSHCO is currently involved in various legal disputes for the company. Legal dispute with SKN Consulting for damages suffered claim as a result of non-performance.	Johannesburg Social Housing Company (SOC) Ltd	13 926
The Receiver has withheld VAT refunds due to the entity to offset against the income tax owing to the Receiver. In the event that the entity is successful in its endeavor to achieve tax exemption status or the 100% bad debt allowance the entity will receive a full refund of the amount withheld.	City Power (SOC) Ltd	464 670

49. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments

Statement of financial position

GROUP

	Note	As previously reported	Correction of error	Reclassification	Restated
Receivables from exchange transactions	1	1 037 817	183 438	15 045	1 236 300
Consumer Debtors	2	5 866 774	(251 750)	-	5 615 024
Current Tax Receivable	3	16 254	8 141	-	24 395
Revenue from non exchange	4	535 507	(134 248)	-	401 259
Intangible	5	916 732	436 726	-	1 353 458
Deferred tax		1 105 562	203 726	-	1 309 288
Unspent conditional grant- Non current	6	(202 486)	(30 006)	-	(232 492)
Other balance sheet items	7	35 416 868	942 800	(15 045)	36 344 623
Finance lease obligation		(44 102)	9 580	-	(34 522)
Accumulated Surplus		(44 648 926)	(1 368 407)	-	(46 017 333)
		-	-	-	-

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Notes to the Group Annual Financial Statements

CJMM

	Note	Correction of error	Reclassification
CJMM - Receivables from exchange transactions		71 636	15 045
CJMM - Receivables from non-exchange transactions		46 540	-
CJMM - Property, plant and equipment		385 605	-
CJMM - Intangible Assets		(44 802)	-
CJMM - Heritage Assets		6 021	-
CJMM - Trade and other payables		77	(15 045)
Accumulated Surplus		(638 839)	-
		(173 762)	-

Statement of financial performance

GROUP

	Note	As previously reported	Correction of error	Reclassification	Restated
Rendering of services		25 430 502	(373 251)	(233 245)	24 824 006
Surcharges and taxes	8	-	-	233 245	233 245
Impairment losses		(34 385)	(68 933)	-	(103 318)
Other	9	(22 510 836)	171 355	-	(22 339 481)
		-	-	-	-
Surplus (deficit) for the year		2 885 281	(270 829)	-	2 614 452

CJMM

	Note	Correction of error	Reclassification
CJMM-Service charges		-	233 245
CJMM - Surcharges and taxes		-	(233 245)
CJMM - Impairment losses		68 933	-
CJMM-Depreciation and amortisation		145 868	-
CJMM-General Expenses		(41 039)	-
Surplus for the year		173 762	-

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

GROUP

1. Receivables from exchange transactions and non exchange

Electricity revenue accrual was mistated in 2017 and 2018 financial periods. The affected periods have been adjusted and comparative amounts restated.

2. Consumer Debtors and Rendering of services

The City of Johannesburg Metropolitan Municipality has recalculated the water and electricity accrual value in relation to the 2017 and 2018 financial years. These transactions results in an adjustment to revenue for the 2017 and 2018 financial years as disclosed below. This has been accounted for as a prior period adjustment accordingly.

3. Current tax receivable

An error in the calculation of company tax for Joburg Market in the prior year was identified and corrected in the current year. The error resulted from passing an incorrect journal to the company tax account.

4. Intangible

The error was due as incorrect classification of intangible as PPE and due to capacity rights acquired from Eskom were previous amortised incorrectly

5. Grant

Grants incorrectly accounted for and restated during the current year.

6. Finance lease obligations

There is a prior year adjustment on the finance lease balance. The amount consist of an adjustment on the minimum lease payments and future finance charges in PIKITUP SOC (Ltd)

8. Services rendered

Surcharge services were incorrectly classified as services rendered

9. Impairment losses

Impairment losses restatement is as a result of capital projects which were halted in previous years

CJMM

Property, Plant and Equipment (PPE), Heritage Asset and Intangible Assets

The error was as a result of incorrect classification of Heritage and Intangible assets as PPE

Depreciation

This error is due to assets which were completed and ready for use in the previous financial year but only capitalised in the current year. As a result, prior year has been restated

Related Party Payables, General Expenses and Receivables from exchange transactions(Accrued VAT)

The error is due mistatement in the previous financial year, and has been corrected.

Receivables from non-exchange transactions

This result from the reversal of consumer deposits accounted for without cash receipt

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Figures in Rand thousand

50. RISK MANAGEMENT

Price risk

The CJMM, through Group Treasury and Finance Strategy and Planning unit (Treasury) manages financial risks through usage of two portfolios consisting of financial instruments. For the purposes of this disclosure, portfolios are assigned as Portfolio 1 and 2. Portfolio 1 is managed internally by the CJMM whereas Portfolio 2 is outsourced to a specialist Fund/Portfolio Manager.

Portfolio 1 Overview

Effective financial risk management is vital to CJMM. The realisation of the CJMM's objectives toward service delivery depends on CJMM's sound management of financial risks which enable the City to anticipate and respond to changes in the market environment as well as making informed decisions under conditions of uncertainty.

The CJMM is exposed to the following financial risks from the use of financial instruments:

- Liquidity risk and Concentration risk (including integrated cash flow management)
- Market risk.
- Credit/Counterparty risk

To ensure the execution of and compliance to overall risk management policies and guidelines, CJMM plays a focal role in:

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that CJMM's Credit rating is maintained or improved by ensuring that financial risk ratios fall within required limits.
- Ensuring the sustainable financial viability of COJ by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting CJMM's financial position.
- Providing Council with reasonable assurance that financial risks the CJMM is exposed to are identified and, to the best extent possible, mitigated and controlled.

The City, identifies, quantities and sets up control measures to mitigate financial risks to an acceptance level.

Financial Risk Management Framework

The Risk Management Framework serves to raise awareness, inform and guide the Group on its approved approach to risk management. The framework, which is reviewed on a continuous basis in line with best market practices, seeks to assist the Group in the effective identification, evaluation and control of financial risks that may impact upon the realization of corporate, mayoral and service delivery objectives and priorities that the Group has set itself to achieve .

Council, through the CFO's forum, has overall responsibility for the establishment and oversight of the CJMM's risk management framework. CFO's forum, in this regard, is responsible for developing and monitoring the CJMM's financial risk management policies. CFO's Forum reports regularly to the Mayoral Committee and Section 79 on its activities.

The CJMM's financial risk exposures are managed by the Treasury Unit. The CJMM's activities expose it to a variety financial risks. The municipality's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the CJMM's financial performance. The group recognizes that an effective risk management function is fundamental to its operations. Risk awareness, control and compliance are embedded in Treasury's day-to-day activities.

Liquidity and Concentration Risk

Liquidity Risk, refers to the risk that CJMM may not meet its short term obligations when they fall due. Management of liquidity risk is particularly important as it ensures that capital and operating expenditure is met. Treasury enters into liability obligations to bridge funding gaps arising from both capital and operational expenditure with the aim of ensuring that CJMM meets its liability obligations when the fall due.

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Figures in Rand thousand

For each financial year, Council approves a funding plan that minimizes liquidity risk. CJMM manages both the long term and short-term cash requirements, with surplus funds from operations being invested in short term money market instruments.

Long-term liquidity risks arising from capital projects initiatives are managed through issuance of long-term debt in the form of CJMM bonds or long term loans or a combination of the two. Both Short-term and Long-term borrowings are approved as per council approved funding plan

The table below indicates approved facilities as at the end of June 2019:

Details	Approved Funding R'000	Total Utilised R'000	Repaid R'000
Short-Term Borrowings			
Short term Borrowings	3 675 000	1 500 000	1 500 000
Long-Term Borrowings			
Long term borrowing	2 849 000	2 849 000	-
Total	6 524 000	4 349 000	1 500 000

Short-term liquidity constraints are managed through two types of short-term funding methods:

- General Banking Facilities (overdraft); and
- Commercial Paper Issuance.

CJMM's Treasury ensures that all short term facilities utilized within the financial year are paid before the end of the financial year in Compliance with Section 45(4) (a) of the MFMA. A cash management policy for managing its short-term cash flows and cash balances in a cost-effective manner is in place. The cash management policy assists the Group in managing its liquidity risk through the use of cash projection models with the aim of minimizing variances between projected and actual cash usage.

Liquidity risk is also linked to Concentration risk which could be defined as the probability of high cash outflow arising from concentration of debt obligations payable around the same period, If not properly managed, concentration risk can lead to default risk.

Capital Redemption Analysis of Non Derivative Liabilities as at 30 June 2019

Class	Balance	Due in less than a year R'000	Due in one to two years R'000	Due in two to three years R'000	Due in three to four years R'000	Due in four to five years R'000	Due in more than five years R'000
Floating Rate Loans		155 000	148 000	145 000	145 000	1 332 000	
Fixed Rate Loans		793 000	1 691 000	889 000	3 067 000	13 660 000	

Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2019

Investment type	Due in less than a year R'000	Due in one to two years R'000	Due in two to three years R'000	Due in three to four years R'000	Due in four to five years R'000	Due in more than five years R'000
Call Deposits	2 062 000	-	-	-	-	-
Short Term Investments	1 450 000	-	-	-	-	-

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Figures in Rand thousand

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the CJMM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures to be within acceptable risk parameters, while optimizing the CJMM's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the CJMM.

Interest rate risk

This refers to the risk that the value of a financial instrument will change due to a change in

- i) the absolute level of interest rates;
- ii) in the spread between two rates;
- iii) in the shape of the yield curve or in any other interest rate relationship.

CJMM's floating rate liabilities are exposed to interest rate risk in terms of both cash flow and fair values.

Interest Rate Fair Value Sensitivity Analysis for Floating Rate Liabilities.

The fair values of the CJMM's floating rate liability portfolio are sensitive to interest rate changes. The fair values of these liabilities are based on projected cash flows calculated using market projected forward rates. The projected cash flows are then discounted using market implied discount factors. The table below shows how the fair values of floating rate liabilities change on the basis of the following assumptions:

- The base case interest rate is at current levels (0%)
- A range of values between two upward percent and one downward percent movement in interest rates. Management generally expects interest rates to rise in the future.

Fair value sensitivity to the interest rate movement/shift for Floating Rate Loans R'000

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	2%
Floating Rate Loans	1 971 000	1 893 000	1 932 000	1 971 000	2 011 000	2 050 000	2 089 000	2 128 000

Fair Value Sensitivity Analysis of Variable Rate Liabilities

The fair value sensitivity analysis of variable rate liabilities shows that a 1 percentage point increase in interest rates will increase the fair value of floating rate liabilities by R78,4 million and a 1 percentage point decrease in interest rates will decrease the fair value of floating rate liabilities by R78.6 million.

Interest Rate Cashflow Sensitivity Analysis

The Floating rate tables below shows the cash flow sensitivity analysis for floating rate liabilities. The sensitivity analysis is based on the following assumptions:

- The base case interest rate is at current levels (0% changes)
- A two percent upward and one percent downward movement in interest rates.

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Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	25 276	31 Mar-02	30-Sep-19	3 months JIBAR + 2.535%	Floating	2 785	2 801	2 817	2 833	2 849	2 865	2 881
				31-Dec-19			2 728	2 740	2 753	2 766	2 779	2 791	2 801
				31-Mar-20			2 674	2 683	2 693	2 703	2 712	2 722	2 731
				30-Jun-20			2 624	2 631	2 637	2 643	2 649	2 655	2 662
				30-Dec-21			2 577	2 580	2 583	2 586	2 589	2 592	2 595
DBSA 102761-1	DBSA	300 000	20-Aug-09	31-Dec-19	6 months JIBAR + 2.85%	Floating	23 529	24 191	24 853	25 514	26 176	26 838	27 499
				30-Jun-20			24 467	25 054	25 714	26 337	26 960	27 584	28 207
				30-Dec-20			22 155	22 753	23 352	23 951	24 549	25 148	25 747
				30-Jun-21			21 612	22 170	22 727	23 286	23 844	24 402	24 959
				30-Dec-21			21 392	21 928	22 463	22 999	23 534	24 070	24 606
DBSA 103345-1	DBSA	345 000	17-Apr-09	31-Dec-19	6 months JIBAR + 2.96%	Floating	27 771	28 528	29 284	30 040	30 796	31 552	34 226
				30-Jun-20			26 631	27 342	28 052	28 763	29 473	30 184	30 894
				31-Dec-20			26 126	26 806	27 487	28 167	28 848	29 528	30 209
				30-Jun-21			25 466	26 098	26 731	27 363	27 995	28 627	29 260
				30-Dec-21			25 176	25 780	26 386	26 991	27 596	28 200	28 805
Nedbank	Nedbank	1 349 726	21-Jun-19	30-Sep-19	3 months JIBAR + 2.08%	Floating	50 783	52 521	54 259	55 997	57 735	59 473	61 211
				23-Dec-19			47 001	48 565	50 310	51 965	53 619	55 274	56 298
				23-Mar-20			46 293	47 920	49 546	51 173	52 799	54 426	56 052
				22-Jun-20			45 545	47 143	48 742	50 340	51 938	53 537	55 135

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Estimation of Fair Values

The fair value of financial instruments that are not traded in an active market (for example, trading and available for sale securities) is based on quoted market prices at the balance sheet date or determined using valuation techniques.

The CJMM uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. 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.

To determine the fair values of floating rate instruments, the CJMM uses market forward rates to estimate future interest and capital cashflows, and then utilises market implied discount rates to calculate their present values

Fair Value Hierarchy

In terms of GRAP 104, paragraph .118 and .119 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position.

Level 1: Fair value are based on quoted prices (unadjusted) in an active market for identical financial instruments.

Level 2 Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: This category uses inputs for the asset or the liability that are not based on observable market data (unobservable inputs).

Credit/Counterparty Risk

CJMM invests surplus funds with financial institutions for yield enhancement purposes. The credit limit exposure table below depicts all investments with various counterparties as at the 30 June 2019.

COUNTERPARTY CLASS	Approved Limit	Operational		Ring-fenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Fixed Deposits	Call Deposits	Term Deposits			
Domestic Banks	7 237 500	1 842 000	1 450 000	45 000	173 000	3 509 000	3 728 000	48 %
International Banks	1 050 000	3 000	-	-	-	3 000	1 047 000	- %
	8 287 500	1 845 000	1 450 000	45 000	173 000	3 512 000	4 775 000	48 %

Portfolio 2

Introduction and overview

CJMM has established a sinking fund to redeem its long term borrowings including listed bonds and bilateral loans. The fund is currently managed by an external fund manager.

The fund has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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The fund manager has delegated authority to manage the fund in line with the council approved Portfolio Management Agreement.

Risk Management Framework

Credit Risk

Credit Risk is the risk that counterparty in a financial instrument will fail to discharge an obligation or commitment that it has entered into with the fund, resulting in a financial loss to the fund.

The fund manager invests with counterparties and in instruments meeting criteria set out in the Portfolio Management Agreement

Exposure to credit risk

The Fund's maximum credit risk at the reporting date is represented by the respective carrying amount of the relevant financial assets in the statement of financial position at 30 June 2019. The Fund was invested in the following securities, categorized as per instrument type:

Instrument Type	Fair Value R'000
Government bonds	197 000
Swaps	157 000
Floating Rate Note	306 000
Corporate Bond Assets	1 032 000
Cash	-
Cash	986 000
	-
	-
	-
	-
	-

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. There is also a risk that the fund will not deliver upon its mandate.

The fund 's liquidity risk is managed on a daily basis by the fund manager. The funds's overall liquidity is reported in the risk committee report on a quarterly basis.

Maturity analysis for financial instruments

The following are the contractual maturities of financial assets and liabilities, including estimated interest payments:

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Assets	1 228 000	-	-	93 000	-	736 000	399 000
Swap Assets	157 000	-	-	-	-	-	157 000
FRN Assets	306 000	306 000	-	-	-	-	-
Cash Asset	986 000	986 000	-	-	-	-	-
	2 677 000	1 292 000	-	93 000	-	736 000	556 000

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Market Risk

The funds market risk is managed on a daily basis by the fund manager in accordance with the Portfolio management agreement. The funds market positions are reported to the Risk Committee on a quarterly basis.

Interest rate risk sensitivity analysis

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates.

The sensitivity analysis reflects how changes in underlying interest rates affect the fair value of the financial instruments.

Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s -1%	R'000s -0.5%	R'000s 0	R'000s 0.5%	R'000s 1%	R'000s 1.5%	R'000s 2%
Bonds	1 279 000	1 253 000	1 228 000	1 204 000	1 180 000	1 158 000	1 136 000
FRN	306 000	306 000	306 000	306 000	306 000	306 000	306 000
IRS	556 000	375 000	156 000	45 000	(105 000)	(248 000)	(382 000)
Cash	986 000	986 000	986 000	986 000	986 000	986 000	986 000
Net	3 127 000	2 920 000	2 676 000	2 541 000	2 367 000	2 202 000	2 046 000

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities.

Mechanism to mitigate operational risk include the following:

- appropriate segregation duties between various functions, roles and responsibilities
- reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical and business standards;
- risk mitigation

In light of Council's approval for the City to enter into a termination process with the current Fund Manager by mutual agreement, the City is assessing all risks that may arise in the transition phase with a view to ensure that any such risks are mitigated in a manner that does not negatively impact the City.

Valuation of financial instruments

The Fund measures fair values using the following fair value hierarchy:

- **Level 1:** Fair values of financial assets and financial liabilities are traded in active markets are based on quoted prices or dealer prices.
- **Level 2:** The fund uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange like interest swaps like use only observable market data and require little management judgement and/traded derivatives exchange and simple over the counter derivatives like interest rate swaps.

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The table below analyses financial instruments measured at fair value as at 30 June 2019

30 June 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Bonds	1 228 000	-	-	1 228 000
Floating Rate Notes	-	306 000	-	306 000
Interest Rate Swaps	-	156 000	-	156 000
Current Account	986 000	-	-	986 000
	2 214 000	462 000	-	2 676 000

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
51. FRUITLESS AND WASTEFUL EXPENDITURE				
Reconciliation of fruitless and wasteful expenditure				
Opening balance	240 421	188 387	14 407	5 343
Fruitless and wasteful expenditure current year	184 602	51 696	102 570	9 064
Prior year Fruitless and wasteful expenditure identified in the current year	11 088	347	-	-
Written-off	(2 718)	(9)	(2 219)	-
Transfer to receivable for recovery	(33)	-	-	-
Reversal	(4 817)	-	-	-
	428 543	240 421	114 758	14 407

The fruitless and wasteful expenditure disclosed in the opening balance is currently under investigation. Pending the results of the investigation this figure might be condoned or recovered in the next financial year.

Written-off

- The fruitless and wasteful expenditure written off is based on R2 219 000 (CJMM) and R499 000 (JRA) that was certified as irrecoverable

Transfer to receivable for recovery

- The fruitless and wasteful expenditure that was transferred to receivable for recovery relates to Joburg Theatres where travel and accommodation was cancelled after failing to secure visa applications on time. The expenditure has been recovered from the concerned employees.

Reversals

- Service providers at Joburg Water (R2 030 000) and MTC (R2 787 000) reversed interest charged in the current year that was previously classified as fruitless and wasteful expenditure.

GROUP - 2019

Description of the incident	Entity	Amount in R'000
Interest charged on late payment of invoices	CJMM	603
Salaries or payments made to employees after termination date	CJMM	367
Costs incurred on assets projects subsequently abandoned	CJMM	56 049
Software licenses procured were not fully utilised	CJMM	45 551
Interest levied on the organisation for late payment of invoices (amount below R1 000)	MBUS	-
Penalty and interest relating to provisional tax return filed in an incorrect period	MARKET	207
PAYE late payment penalty	MARKET	468
Legal Service Interest incurred on late payment	MARKET	59
Generators that were never commissioned - current year	MARKET	4 915
Generators had deteriorated to a state of non-functionality and the original voltage was not compatible with the local frequency 50Hz and voltage 400V/220V).		
Generators that were never commissioned - identified in current year but incurred in the prior year	MARKET	11 088
Interest charged on the Eskom account	JRA	2
Interest payable to SARS	POWER	21 984
Interest on late payments	POWER	209
Salary payment to incorrect banking account	POWER	26
The contract for the building of Eldorado park substation was cancelled	POWER	28 427
Interest paid to a contractor because of an arbitration award stemming from a dispute with a contractor.	WATER	302

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Interest paid to a contractor because of delay in release of retention funds	WATER	28
JCPZ failed to collect and pay over to SARS PAYE on the final bonus, leave and bonus on retired employees	PARKS	136
SARS interest and penalties for PAYE and other payroll items	JPC	1 142
Newly leased office space not fully utilised	JPC	3 249
Tax penalties and interest on overdue accounts	MTC	6 354
Interests and penalties on PAYE short payments of settlements and arbitrations, retrospective payments of employee settlements.	PIKITUP	34
The interest on underpayment of the provisional tax. The entity has lodged a dispute for the amount to be reversed as the difference on provisions was caused by the change in accounting policy in prior year	THEATRE	49
SARS for late payment and submission of tax returns	JOSHCO	29
Social Development - Interest charged on overdue account	CJMM	14 407
TOTAL		195 690

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

52. UNAUTHORISED EXPENDITURE

Reconciliation of unauthorised expenditure

Opening balance	4 556 831	4 121 355	4 406 768	4 102 263
Unauthorised expenditure current year	493 867	435 476	480 628	304 505
Written off by council	(661 062)	-	(661 062)	-
	4 389 636	4 556 831	4 226 334	4 406 768

Name of Vote	Amount
CJMM - Group Finance	476 865
CJMM - Public Safety	3 763
MTC	13 239
	493 867

GROUP

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53. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Council subscriptions	-	9 476	-	9 476
Amount paid - current year	-	(9 476)	-	(9 476)
	-	-	-	-

Skills development levy

Opening balance	4 616	3 975	4 567	3 940
Current year subscription / fee	90 325	77 783	64 849	52 948
Amount paid - current year	(83 620)	(73 167)	(59 245)	(48 381)
Amount paid - previous years	(4 616)	(3 975)	(4 567)	(3 940)
	6 705	4 616	5 604	4 567

Audit fees

Opening balance	1 406	1 983	1 349	843
Current year audit fee	63 620	61 331	25 461	27 539
Amount paid - current year	(63 874)	(61 908)	(25 731)	(27 033)
Amount paid - previous years	(1 406)	-	-	-
	(254)	1 406	1 079	1 349

PAYE and UIF

Opening balance	106 343	91 472	84 039	72 406
Current year payroll deductions	1 486 531	1 694 242	1 262 734	997 713
Amount paid - current year	(1 351 538)	(1 594 171)	(1 150 801)	(913 674)
Amount paid - previous years	(106 343)	(85 200)	(84 039)	(72 406)
	134 993	106 343	111 933	84 039

Pension and Medical Aid Deductions

Opening balance	230 918	177 876	132 247	121 755
Current year payroll deductions and Council contributions	2 267 312	2 350 407	1 779 484	1 556 064
Amount paid - current year	(2 058 531)	(2 174 520)	(1 629 008)	(1 423 817)
Amount paid - previous years	(230 918)	(122 845)	(132 247)	(121 755)
	208 781	230 918	150 476	132 247

VAT

VAT receivable	402 725	592 881	402 725	592 881
VAT payable	(287 954)	(444 564)	(287 954)	(444 564)
	114 771	148 317	114 771	148 317

VAT output payables and VAT input receivables are shown in note 9.

All VAT returns have been submitted by the due date throughout the year.

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Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
54. IRREGULAR EXPENDITURE				
Reconciliation of irregular expenditure				
Opening balance	5 000 464	3 092 836	2 724 270	1 855 963
Irregular expenditure current year	2 131 507	1 644 262	816 239	868 307
Prior year Irregular expenditure identified in current year	249 285	272 666	-	-
Written-off	(221 465)	(9 300)	(31 300)	-
	7 159 791	5 000 464	3 509 209	2 724 270

GROUP - 2019

Description of the incident	Entity	Amount in R'000
Contracts identified as irregular expenditure	CJMM	812 857
Non-Compliance with SCM policies	CJMM	3 137
Awards to persons in service of state not blocked	CJMM	245
Payment of outstanding invoices for Licensing, Support and Maintenance of Software	POWER	69
Payment of SCADA system lincensing, support and maintenance	POWER	1 639
Payment for maintenance of GIS breakers at Prospect substation	POWER	1 464
Payment for City Power Jozi@work Capability Service Agent	POWER	477
Payment for security services after funds had been depleted	POWER	515
Payment of a strategic partner	POWER	805
Over spending on contract extension value. Printing Solution	POWER	442
Over spending on contract extension value. GSM Services	POWER	18 977
Over spending on contract extension value. GSM Services	POWER	9 285
Over spending on contract extension value. Security Services for National Key Point	POWER	1 885
Contract irregularly awarded. Public Relations and Agency Services	POWER	888
Maintenance of network, street lights and service connections	POWER	138 311
Purchase of goods for canteen	POWER	139
Provision of medical & employee wellness support services	POWER	2 435
Maintenance of HV & MV Switchgear	POWER	4 235
Fleet Contract	POWER	69 045
False Declaration	POWER	1 021
Third Party Vending	POWER	38 910
Supply and repairs of ICT Hardware and Accessories	POWER	563
Meter reading check and final	POWER	5 373
Removal of illegal connections and meter audit	POWER	29 199
Maintenance of DC Systems	POWER	3 619
Supply, installation and commissioning of optic fibre for telecommunications between substations and depots	POWER	2 594
Substations contract	POWER	179 288
Turnkey Solutions for Electrification Projects	POWER	11 628
Panel of strategic partners	POWER	54 812
Quotations	POWER	479
Non tax complaint supplier awarded-Quotation	POWER	34
Support and maintenance services for laboratory machinery without a valid contract over a number of years. The procurement process has subsequently commenced to put a valid contract in place.	WATER	2 606
The procurement processes were not followed as the winning bidders were allocated points for the criteria that they did not achieve. If the points were not awarded, the bidders would not have achieved the minimum score on functionality to proceed for further evaluation	WATER	519

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The qualifications for the contracts manager and site agent were not the required ones as stated. Therefore, the service provider should have not been awarded points for contracts manager and site agent. The service provider would have not met the minimum qualifying score of 70 that was required to pass functionality and therefore they would have not been evaluated for price. The service provider should have not appointed.	WATER	10 759
The procurement processes were not followed as the winning bidders were allocated points for the criteria that they did not achieve. If the points were not awarded, the bidders would not have achieved the minimum score on functionality to proceed for further evaluation.	WATER	8 357
The procurement processes were not followed as the winning bidder was allocated points for the criteria that they did not achieve. If the points were not awarded, the bidder would not have achieved the minimum score on functionality to proceed for further evaluation. Further to this, the procurement processes were not followed as winning bidders had an amount for the municipal rates, taxes and service charges that was outstanding for more than three months. If this was considered that the bidder should have been rejected.	WATER	11
Johannesburg Water had a number of deviations with the service provider where the service provider had a non-tax compliant status and outstanding documentation, however they were still appointed	WATER	332
The supplier was appointed by way of numerous deviations. The motivation for deviation was that it was an exceptional case where it is impractical or impossible to follow the official procurement process. It was indicated that the new contract will not be in place due to the fact that it was still with the internal auditors for probity check. The deviation is as a result of poor planning due to lack of contract management processes in place at Johannesburg Water SOC Limited. The contract came to an end in August 2016 and the entity did not plan in advance to initiate a new tender process with adequate specifications. Furthermore, the reason to not award tender no JW OPS 03/16 because the validity period expired is unjustifiable.	WATER	6 950
The supplier was appointed by way of numerous deviations. The motivation for deviation was that it was an exceptional case where it is impractical or impossible to follow the official procurement process. It was indicated that the new contract will not be in place due to the fact that it was still with the internal auditors for probity check. The deviation is as a result of poor planning due to lack of contract management processes in place at Johannesburg Water SOC Limited. The contract came to an end in August 2016 and the entity did not plan in advance to initiate a new tender process with adequate specifications. Furthermore, the reason to not award tender no JW OPS 03/16 because the validity period expired is unjustifiable.	WATER	38 428
The winning quote did not score the highest total number of points as required by the Preferential Procurement Regulations.	WATER	69
Quotations were found to consist of items of a similar nature which could have been combined and treated as a single transaction.	WATER	1 636
Quotations were found to consist of items of a similar nature which could have been combined and treated as a single transaction.	WATER	796
Quotations were found to consist of items of a similar nature which could have been combined and treated as a single transaction.	WATER	199
The motivation for deviation was that the procurement process was considered to be an exceptional case where it is impractical or impossible to follow the official procurement process. The justification for the deviation the current service provider limits competition and does not allow other service providers an opportunity to render services to JW. This is also indicative of the service provider receiving preferential treatment by JW.	WATER	3 226
The reasons provided in the motivation for the deviations to procure the hire of mechanical plant were informed by inefficiencies and lack of capacity within the Entity and not due to it being impractical or impossible to follow an open tender process. Based on the reasons provided for the deviations, it was not justified and do not comply with paragraph 36(1) (iv) of the Municipal Supply Chain regulations.	WATER	33 759
The reasons provided in the motivation for the deviations to procure the hire of mechanical plant were informed by inefficiencies and lack of capacity within the Entity and not due to it being impractical or impossible to follow an open tender process. Based on the on the reasons provided for the deviations, it was not justified and do not comply with paragraph 36(1) (iv) of the Municipal Supply Chain regulations.	WATER	29 066

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Johannesburg Water had a number of deviations with the service provider where the service provider had a non-tax compliant status as well as COIDA non-compliant, however they were still appointed	WATER	10 125
The supplier was one of the bidders that were evaluated on functionality and disqualified in a tender, however continued to be appointed through a deviation process	WATER	8 461
The supplier was appointed through a deviation process for the transportation and delivery of potable water for a period of thirty-one (31) months from 1 September 2016 to 31 March 2019. The motivation for deviation was that the procurement process was considered to be an exceptional case where it is impractical or impossible to follow the official procurement process. Lack of poor planning is not a justifiable reason for a deviation process to be embarked on.	WATER	10 353
During the audit of procurement and contract management (quotations), it was noted that multiple procurement transactions with a transaction value above R200 000 were not procured through the competitive bidding process as required by the Municipal Supply Chain Regulation.	WATER	548
During the audit of procurement and contract management (quotations), it was noted that multiple procurement transactions with a transaction value above R200 000 were not procured through the competitive bidding process as required by the Municipal Supply Chain Regulation.	WATER	279
During the audit of procurement and contract management (quotations), it was noted that multiple procurement transactions with a transaction value above R200 000 were not procured through the competitive bidding process as required by the Municipal Supply Chain Regulation.	WATER	1 060
During the audit of procurement and contract management (quotations), it was noted that multiple procurement transactions with a transaction value above R200 000 were not procured through the competitive bidding process as required by the Municipal Supply Chain Regulation.	WATER	1 591
During the audit of procurement and contract management (quotations), it was noted that multiple procurement transactions with a transaction value above R200 000 were not procured through the competitive bidding process as required by the Municipal Supply Chain Regulation.	WATER	4 941
During the audit of procurement and contract management (quotations), it was noted that multiple procurement transactions with a transaction value above R200 000 were not procured through the competitive bidding process as required by the Municipal Supply Chain Regulation.	WATER	2 608
During the audit of procurement and contract management (quotations), it was noted that multiple procurement transactions with a transaction value above R200 000 were not procured through the competitive bidding process as required by the Municipal Supply Chain Regulation.	WATER	6 910
The service provider had a non-tax compliant status, however they were still appointed	WATER	199
The COJ procured fleet services using regulation 32 of the Municipal Supply Chain regulations. It was found during the audit that the terms and conditions of the contract that the COJ entered into with the supplier differed materially from the original contract entered into by the other organ of state.	WATER	11 871
Transactions were identified during the year whereby SCM processes were not followed	MTC	806
Avis Fleet - the JDA had incurred services with a service provider that was extended without following the proper processes. This contract was selected through a Regulation 32 and was appointed by CJMM	JDA	71
Internet Solutions – Expenditure without a valid contract	JRA	545
Vodacom - Expenditure without a valid contract	JRA	2 307
Information Technologies - Expenditure without a valid contract	JRA	185
MTN Service Provider - Expenditure without a valid contract	JRA	3 686
MTN Business Solutions - Expenditure without a valid contract	JRA	2 800
Intdev Internet Technologies - Expenditure without a valid contract	JRA	1
AGP Engineering (Pty) Ltd - Splitting of orders	JRA	400
Quotation split. SM Safety and Technical Learning Group (Pty) Ltd	JRA	600
Quotation split. Hlapogadi Suppurative Services (Pty) Ltd	JRA	400
Avis - Over expenditure on COJ fleet contract which no contract value was allocated to the JRA.	JRA	26 660
Shonisani Rambau Construction (Pty) Ltd - Non-compliance with regulation 32 of MFMA	JRA	36 000
Imvula roads and Cicils (Pty) Ltd - Non-compliance with regulation 32 of MFMA	JRA	23 112
Mdina Engineering CC - Non-compliance with regulation 32 of MFMA	JRA	36 449
Actophambili Roads (Pty) Ltd - Non-compliance with regulation 32 of MFMA	JRA	35 870

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Stefanuti Stocks Khombanani Consortium - Non-compliance with regulation 32 of MFMA	JRA	73 380
Contract extension without approval for CCTV rental extended whilst the entity awaits the organisational decision of Metro Trading Conmapy	MARKET	8 701
Contract extension without approval for rental and maintenance of photocopying machines	MARKET	833
Contract extension for security extended whilst the entity awaits the insourcing of security services by the City of Johannesburg	MARKET	14 240
Avis car rental - the entity incurred services with a service provider that was extended without following the proper processes. This contract was selected through a Regulation 32 and was appointed by CJMM	MARKET	1 238
Segosedi. Service provider was appointed without following the proper tender process	MARKET	30
City Youth Media. Service provider was appointed without following the proper tender process	MARKET	5
Eenbee. Service provider appointed without following the proper tender process	MARKET	196
1st ground events management. Service provider was appointed without following the proper tender process	MARKET	108
Inqaba Ya Matolo. Service provider was appointed without following the proper tender process as stipulated in the MFMA	MARKET	9
Irene country lodge - The amount spent exceeded the contracted amount. The amount incurred outside the appointment was committed without following the correct process	MARKET	14
Road refurbishment costs went over the contract amount due to additional work being performed without approval	MARKET	4 454
Tsoelepele. Service provider was appointed without following the proper tender process as stipulated in the MFMA.	MARKET	8
Eazi access. Contract term was exceeded	MARKET	25
Irregular expenditure relate to proper tender procedures not being followed	MBUS	91 938
The irregular expenditure relate to contracts on which the contracted amounts have been exceeded.	MBUS	1 273
Awards made to persons in the employee of the state	MBUS	138
Avis Fleet contract entered into by the City of Johannesburg without following a competitive bidding process	PARKS	42 724
Non-compliance with MFMA contract awarded on incorrect points	PARKS	4 524
Payments made without following a competitive bidding process -spending beyond original quoted amount	PARKS	249
Non-compliance with MFMA local content criteria not included	PARKS	3 165
Landfill operations and maintenance	PIKITUP	720
Cleaning of illegal dumping areas	PIKITUP	2 707
Fleet charges	PIKITUP	28 481
Licensing	PIKITUP	59
Supply of security services	PIKITUP	2 739
Recruitment	PIKITUP	218
Fuel	PIKITUP	907
Public protectors findings	PIKITUP	69 063
Procurement of fleet	PIKITUP	32 592
Catering	PIKITUP	21
Security contract	PIKITUP	9 655
Avis Fleet Services. The contract has been declared irregular at Group level due to non-compliance with section 116 of the MFMA. The entity incurred expenditure on this contract.	THEATRE	903
Irregular expenditure was incurred for Cleaning and Gardening Services	JOSHCO	16 000
Security Services. Contracts extended beyond the 15% threshold pending the insourcing project by CoJ and its entities	JOSHCO	14 700
Procurement for repairs and maintenance when the panel had expired	JOSCHO	8 700
Fleet services are an essential requirement for the operations JPC and could not be discontinued under the existing contract that was entered into by the COJ	JPC	7 115
JPC incorporated a panel of professionals consisting of 46 categories and utilised the service providers on an ad hoc basis. The panel is not in compliance with SCM regulations.	JPC	730
TOTAL		2 380 792

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55. IN-KIND DONATIONS AND ASSISTANCE

The office of the Mayor recieved the following in-kind donations

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Description of in-kind donations and assistance received	From which organisation	Value in Rands (if known)
2 x Bottles of Whiskey and Brandy	Nelson Mandela: Chairman's Recital - Black Tie Event	3 500
Unique Turkish rug	Turkish Delegation	25 000
2 x Bottles of Whiskey and Brandy	Nelson Mandela Centenary Dinner	3 500
Book: The True Story of Heavenly Culture, World Peace, Restoration of light (HWPL): Peace and Cessation of War	Heavenly Culture, World Peace, Restoration of Light (HWPL)	-
Kavalan Single Malt Whisky	NYC Global Citizen Festival Organisation	1 349
Materman paris Pen	NYC Global Citizen Festival Organisation	199
Korean red ginseng tea	Gwangyang City Delegation	548
Johnnie Walker Double Black	Andre Coetzee	500
Gold Engraved cuff links	Rand Club	300
Gold Award Plaque	European Investment T	400
Slazenger Umbrella	Saljee Govender van der Merwe Inc. Attorneys	300
The White House Historical Association	US Consulate General in Johannesburg	317
Christmas Ornament 2018		
Unique Miniature Version of the Newtown Head	Johannesburg Development Agency	-
Wire rhino sculpture	American embassy	196
2 x Le Creuset mugs	Adcock Ingram	400
Bottle of KWV red wine, ferrero rocher 10 pcs, amarula chocolate	Consulate General of India	550
samsung gear s3 classic	AMKA	5 800
Bangladesh diary and desk calendar 2019	High Commissioner Chowdhury - Bangladesh	-
Indonesian food	Ambassador Salman Al Farisi - Indonesia	-
Nigerian Chronometre	Consul General Adama - Nigeria	-
Faux Leather A5 Notebook and wallet gift set.	High Commissioner Khan - Pakistan	400
50x55cm Mahogany Photo Frame	Nelson Mandela Foundation	335
Excelsior Cabernet Sauvignon 2016		80
Touch Warwick Cabernet Sauvignon 2014	Touch HD: Tbo Touch	75
Book: From the Third World to the First by Kuan Yew	Prince Mashele	390
Book: The Crazy Ones: A Guide to an Entrepreneurial Mindset by Mangi Tshikomba	Mangi Tshikomba	150
A4 UNISA Leather Black Branded Conference Folder with No Binder	UNISA	150
A4 Leather Brown Conference Folder with No Binder	UNISA	120
Book: Unisa 1873-2018 - The Making of a Distance Learning University (Hardcover)	UNISA	874
Book: Degrees of Excellence (Hardcover)	UNISA	400
Branded Biodegradable Cloth Bag	Concrete Expo	100
Nylon Tool Pouch with Loops and Pockets	Concrete Expo	300
Safety Glasses	Concrete Expo	50
Red Branded Cap	Concrete Expo	30
6 Place Mats	Mayor of Accra: Mayor Mohammed Adjei Sowah	400
Traditional Table Runner	Mayor of Accra: Mayor Mohammed Adjei Sowah	100
Branded Mug	Mayor of Accra: Mayor Mohammed Adjei Sowah	180
Circuit Board Notebook	Huawei	279
		47 272

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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 reports them to the next meeting of the accounting officer and includes a note to the Group Annual Financial Statements.

In terms of Section 36 (2) of the supply chain management regulation.

Details of Deviations

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018
Emergency Reg (1)(a)(i)	720 055	120 941	645 474	34 637
Sole supplier - Reg (1)(a)(ii)	225 678	580 296	3 313	411 675
Special work of art - Reg (1)(a)(iii)	28 879	32 377	-	-
Aquisition of animals - Reg (1)(a)(iv)	2 285	1 241	-	-
Impracticability - Reg (1)(a)(v)	1 969 730	198 373	1 419 437	-
Ratification of minor breaches - Reg (1)(b)	21 615	312 397	6 575	187 844
Other contracts extensions	177 473	122 670	-	-
	3 145 715	1 368 295	2 074 799	634 156

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

57. HEDGING ACTIVITIES

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for an 11.66% fixed interest rate.

Swap Details

Trade Date:	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1 billion
Fixed Rate:	11.66%
Payable:	Semi- annual

The cash flow hedge was ineffective for the year ended 30 June 2015 and it no longer met the criteria for hedge accounting as per IAS 39 par 88. The City of Johannesburg has therefore discontinued applying hedge accounting. .

CASH FLOW RESERVE

Opening Balance	-	1 386	-	1 386
Distribution to profit and loss	-	(1 386)	-	(1 386)
	-	-	-	-

Note that the SWAP value represents the clean fair value (All inclusive price less any SWAP interest accrual outstanding)

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

58. RELATED PARTIES

Relationships

CORE

Other members of the group

City of Johannesburg Metropolitan Municipality
 Johannesburg City Parks NPC
 Johannesburg Metropolitan Bus Services (SOC) Ltd
 Johannesburg Social Housing Company (SOC) Ltd
 City Power Johannesburg (SOC) Ltd
 Johannesburg Development Agency (SOC) Ltd
 Johannesburg Roads Agency (SOC) Ltd
 Johannesburg Water (SOC) Ltd
 The Johannesburg Civic Theatre (SOC) Ltd
 The Johannesburg Fresh Produce Market (SOC) Ltd
 Pikitup Johannesburg (SOC) Ltd
 City of Johannesburg Property Company (SOC) Ltd
 Johannesburg Metro Trading Company (SOC) Ltd
 Golden Triangle Development Company (Pty) Ltd 19
 Madulamoho JMJV
 Friedshelf 128 (Pty) Ltd 20
 CJMM - Refer to note 39

Joint ventures

Associates

Members of key management

Related party balances

Amounts included in Loans, Trade and other receivables regarding related parties

City Power Johannesburg (SOC) Ltd	7 068 681	5 239 366
City of Johannesburg Property Company (SOC) Ltd	365 855	548 200
Johannesburg City Parks NPC	51 161	36 662
Johannesburg Development Agency (SOC) Ltd	468 982	345 003
Johannesburg Metropolitan Bus Services (SOC) Ltd	834 326	857 849
Johannesburg Roads Agency (SOC) Ltd	105 362	114 051
Johannesburg Social Housing Company (SOC) Ltd	318 228	164 264
Johannesburg Water (SOC) Ltd	4 350 388	4 236 275
Metropolitan Trading Company (SOC) Ltd	1 853 697	1 647 952
Pikitup Johannesburg (SOC) Ltd	1 013 662	1 015 237
The Johannesburg Civic Theatre (SOC) Ltd	806	817
The Johannesburg Fresh Produce Market (SOC) Ltd	52 139	65 674
	16 483 287	14 271 350

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

58. RELATED PARTIES (continued)

Amounts included in Loans,

Trade and other payables regarding related parties

City Power Johannesburg (SOC) Ltd	1 321 051	1 292 554
City of Johannesburg Property Company (SOC) Ltd	402 122	593 503
Johannesburg City Parks NPC	745 293	688 262
Johannesburg Development Agency (SOC) Ltd	744 594	855 742
Johannesburg Metropolitan Bus Services (SOC) Ltd	42 936	40 518
Johannesburg Roads Agency (SOC) Ltd	1 141 068	945 160
Johannesburg Social Housing Company (SOC) Ltd	212 739	340 535
Johannesburg Water (SOC) Ltd	1 154 747	677 391
Metropolitan Trading Company (SOC) Ltd	845 949	507 493
Pikitup Johannesburg (SOC) Ltd	1 183 586	1 265 055
The Johannesburg Civic Theatre (SOC) Ltd	2 470	9 122
The Johannesburg Fresh Produce Market (SOC) Ltd	313 658	154 308
	8 110 213	7 369 643

Related party transactions

Revenue from related parties

City Power Johannesburg (SOC) Ltd	681 170	533 868
City of Johannesburg Property Company (SOC) Ltd	36 218	36 960
Johannesburg City Parks NPC	9 967	6 944
Johannesburg Development Agency (SOC) Ltd	24 175	41 112
Johannesburg Metropolitan Bus Services (SOC) Ltd	68 295	70 402
Johannesburg Roads Agency (SOC) Ltd	21 528	9 145
Johannesburg Social Housing Company (SOC) Ltd	671	5 381
Johannesburg Water (SOC) Ltd	524 213	545 115
Metropolitan Trading Company (SOC) Ltd	149 002	129 469
Pikitup Johannesburg (SOC) Ltd	89 348	83 056
The Johannesburg Civic Theatre (SOC) Ltd	998	196
The Johannesburg Fresh Produce Market (SOC) Ltd	4 519	5 105
	1 610 104	1 466 753

Operating Expenditure

City Power Johannesburg (SOC) Ltd	100 997	153 149
City of Johannesburg Property Company (SOC) Ltd	778 771	681 951
Johannesburg City Parks NPC	899 073	796 794
Johannesburg Development Agency (SOC) Ltd	39 006	30 345
Johannesburg Metropolitan Bus Services (SOC) Ltd	547 722	506 522
Johannesburg Roads Agency (SOC) Ltd	1 152 302	940 312
Johannesburg Social Housing Company (SOC) Ltd	34 831	20 601
Johannesburg Water (SOC) Ltd	499 027	404 610
Metropolitan Trading Company (SOC) Ltd	375 685	246 614
Pikitup Johannesburg (SOC) Ltd	595 354	676 446
The Johannesburg Civic Theatre (SOC) Ltd	142 343	124 469
The Johannesburg Fresh Produce Market (SOC) Ltd	21 299	11 455
	5 186 410	4 593 268

Commitments

Johannesburg Development Agency (SOC) Ltd	1 340 559	2 265 944
Johannesburg City Parks & Zoo NPC	13 711	-
Johannesburg Roads Agency (SOC) Ltd	437 076	462 640
	1 791 346	2 728 584

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

58. RELATED PARTIES (continued)

These commitments with related parties are also included in note 43

59. CHANGE IN ESTIMATE

Property, plant and equipment

The useful lives of certain property, plant and equipment have been reviewed and reassessed by management during the current reporting period to reflect a more accurate pattern of consumption expected to be derived from these assets. The changes were made prospectively from the beginning of the reporting period. Depreciation is accounted over the remaining useful lives.

Property rates

The change in estimate amount included in revenue are due to change in property values, implementation of appeal board decisions, property subdivisions and consolidations and property categories. The change in estimate for property Rates and Taxes amounted to R30 121 583 (2018: R15 388 189)

Traffic fines

The amount relates to traffic fines accounted for as invalid in the previous year, this was due to these not being posted to traffic offenders within the prescribed period. These fines were subsequently collected by JMPD in the current year. The change in estimates for fines amounted to R21 616 569 (2018: R15 496 878).

60. TAXATION

Major components of the tax expense (income)

Current

Local income tax - current period	107 419	40 610	-	-
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Deferred

Originating and reversing temporary differences	(97 221)	(108 572)	-	-
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10 198	(67 962)	-	-
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Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus	6 872 477	2 682 414	-	-
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Tax at the applicable tax rate of 28% (2016: 28%)	1 924 294	751 076	-	-
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Tax effect of adjustments on taxable income

Non-taxable and non-deductible items	(1 817 289)	(819 038)	-	-
(Over)/ under provision of prior years	(96 807)	-	-	-

10 198	(67 962)	-	-
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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2019	2018	2019	2018

61. CASH MANAGEMENT

Since 2013 financial year, Transport department within City of Johannesburg had cash losses due to alleged fraudulent activities and theft amounting to R8 033 000 (2018: R15 162 000). These losses incurred led to monies which were never credited into the City's bank account. Management is in the process of prosecuting personnel alleged to have undertaken fraudulent activities and/or have been negligent in the execution of their duties. Cases have also been opened with the SAPS with a view inter alia to recovering the monies. Investigations are almost complete and based on the outcome of these investigations actions have already been taken and will continue to be taken to improve controls and hold the relevant parties accountable. The loss is included under general expenditure.

Opening balance	86 968	71 806	86 968	71 806
Current year losses	8 033	15 162	8 033	15 162
	95 001	86 968	95 001	86 968