



CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY  
GROUP ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## General Information

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### MAYORAL COMMITTEE

Executive Mayor

Councillors

30 June 2020

Makhubo Moloantoa Geoffrey (Chairperson)

Molwele Nonceba (Speaker of Council)

Matongo Jolidee (Finance)

Khoza Lawrence (Economic Development)

Phillips Lloyd (Economic Development)- Resigned 16 November 2020

Ahmad Thapelo (Development Planning and Urban Management)-  
Appointed 17 November 2020

Makhuba Helen (Transport)

Moerane Mpho (Environment and Infrastructure Services)

Mgcina Sibongile (Health and Social Development)

Masuku Loyiso (Corporate and Shared Services)

Mokoena Hilda (Public Safety)

Arnolds Margaret (Community Development)

Mabaso Mlungisi (Housing)

Mogase Solomon (Chief Whip)

Mulauzi Mmatlou (Chair of Chairpersons)

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## General Information

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### 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 Ndivhoniwani Lukhwareni (Resigned - February 2021)

### CHIEF FINANCIAL OFFICER

Manenzhe Manenzhe

### REGISTERED OFFICE

Metropolitan Centre,  
158 Loveday Street  
Braamfontein  
Johannesburg  
2001  
Telephone:  
+27 (0)11 407 - 6111  
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 2020

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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

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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

Group Annual Financial Statements for the year ended 30 June 2020

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SPTN	Single Public Transport Network
STD	Standard Bank
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 2020

## City Manager's approval of the Group Annual Financial Statements

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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.



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**Acting Accounting Officer**  
**Floyd Brink**

04/05/2021

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**Date**

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

		GROUP		CJMM	
Figures in Rand thousand	Note(s)	2020	2019 Restated*	2020	2019 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	350 219	265 378	98 715	78 504
Loans to Municipal entities	4	-	-	1 239 068	1 087 460
Other financial assets	5	9 076	33 310	9 076	33 310
Current tax receivable	57	31 463	22 636	-	-
Finance lease receivables	6	-	-	85 183	141 756
Receivables from exchange transactions	7	1 073 741	989 517	10 158 952	8 512 411
Receivables from non-exchange transactions	8	562 350	706 600	525 398	696 532
VAT receivable	9	412 359	449 845	123 613	213 169
Consumer debtors	10	6 842 500	6 072 558	710 188	990 161
Financial assets at fair value - Sinking fund	11	1 641 767	1 292 512	1 641 767	1 292 512
Cash and cash equivalents	12	5 583 184	5 378 881	4 948 105	4 713 152
		<b>16 506 659</b>	<b>15 211 237</b>	<b>19 540 065</b>	<b>17 758 967</b>
<b>Non-Current Assets</b>					
Zoo animals	13	21 294	25 822	-	-
Investment property	14	1 010 045	1 011 474	992 715	992 850
Property, plant and equipment	15	76 185 573	73 200 262	46 535 588	44 616 334
Intangible assets	16	1 139 919	1 292 691	651 558	796 830
Heritage assets	17	600 228	597 788	598 625	596 185
Investments in Municipal Entities	18	-	-	650 174	643 484
Investment in Joint Ventures	19	25 027	25 446	-	-
Loans to Municipal Entities	4	-	-	6 543 630	6 857 552
Other financial assets	5	83 899	60 596	83 899	60 596
Deferred tax	20	1 777 844	1 607 541	-	-
Finance lease receivables	6	-	-	149 881	93 801
Financial assets at fair value - Sinking fund	11	1 469 982	1 384 772	1 469 982	1 384 772
		<b>82 313 811</b>	<b>79 206 392</b>	<b>57 676 052</b>	<b>56 042 404</b>
<b>Total Assets</b>		<b>98 820 470</b>	<b>94 417 629</b>	<b>77 216 117</b>	<b>73 801 371</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Loans and borrowings	21	1 940 627	948 987	1 938 485	948 039
Current tax payable	57	217 012	181 028	-	-
Finance lease obligations	22	174 478	73 856	162 678	66 152
Payables from exchange transactions	23	11 898 231	12 219 260	13 342 870	12 787 784
Payables from non-exchange		380 211	338 552	-	-
VAT payable	58	48 064	61 430	-	-
Unspent conditional grants and receipts	24	1 042 031	315 390	1 041 759	314 983
Provisions	25	372 920	310 207	-	-
Deferred income	27	6 581	5 015	-	-
Consumer deposits		19 900	16 958	-	-
		<b>16 100 055</b>	<b>14 470 683</b>	<b>16 485 792</b>	<b>14 116 958</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

		GROUP		CJMM	
Figures in Rand thousand	Note(s)	2020	2019 Restated*	2020	2019 Restated*
<b>Non-Current Liabilities</b>					
Loans from Municipal entities	28	-	-	434 314	438 146
Loans and borrowings	21	20 157 329	21 097 960	20 146 189	21 084 678
Finance lease obligations	22	38 591	109 518	34 661	103 728
Employee benefits obligations	26	1 219 254	1 303 578	936 546	1 021 491
Unspent conditional grants and receipts	24	77 080	97 732	-	-
Deferred tax	20	3 379 533	3 290 198	-	-
Provisions	25	912 329	888 494	138 241	135 061
Deferred income	27	84 324	78 147	84 324	78 147
Consumer deposits		1 081 662	986 778	14 451	17 240
		<b>26 950 102</b>	<b>27 852 405</b>	<b>21 788 726</b>	<b>22 878 491</b>
<b>Total Liabilities</b>		<b>43 050 157</b>	<b>42 323 088</b>	<b>38 274 518</b>	<b>36 995 449</b>
<b>Net Assets</b>		<b>55 770 313</b>	<b>52 094 541</b>	<b>38 941 599</b>	<b>36 805 922</b>
Accumulated surplus		55 770 313	52 094 541	38 941 599	36 805 922

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

		GROUP		CJMM	
Figures in Rand thousand	Note(s)	2020	2019 Restated*	2020	2019 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Rendering of services	30	29 898 384	27 286 699	256 608	351 879
Rental of facilities and equipment	62	359 155	339 881	135 948	140 318
Agency services	63	707 239	773 746	622 076	696 602
Other revenue	29	287 530	717 598	336 989	525 405
Finance Income	59	639 430	752 236	1 565 776	1 488 123
Fair value adjustments		434 465	447 098	434 465	447 098
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method		680	1 403	-	-
<b>Total revenue from exchange transactions</b>		<b>32 326 883</b>	<b>30 318 661</b>	<b>3 351 862</b>	<b>3 649 425</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	31	12 552 224	12 372 032	12 552 224	12 372 032
Surcharges and taxes	65	256 266	224 819	256 266	224 819
Finance Income		111 368	153 782	110 166	152 218
<b>Transfer revenue</b>					
Government grants and subsidies	32	11 182 535	10 745 671	10 573 215	10 294 887
Levies		526 374	531 288	-	-
Public contributions, donated and contributed property, plant and equipment		335 641	359 720	18 395	2 288
Fines, Penalties and Forfeits		1 066 621	560 309	1 066 621	560 309
<b>Total revenue from non-exchange transactions</b>		<b>26 031 029</b>	<b>24 947 621</b>	<b>24 576 887</b>	<b>23 606 553</b>
<b>Total revenue</b>		<b>58 357 912</b>	<b>55 266 282</b>	<b>27 928 749</b>	<b>27 255 978</b>
<b>Expenditure</b>					
Employee related costs	33	(14 793 850)	(12 579 506)	(8 683 929)	(7 655 670)
Remuneration of councillors	34	(166 267)	(162 088)	(166 267)	(162 088)
Depreciation and amortisation	35	(3 255 914)	(3 251 081)	(1 986 804)	(2 051 247)
Impairment losses	36	(96 551)	(72 712)	(218 281)	(378 115)
Finance costs	60	(2 524 064)	(2 500 036)	(2 670 714)	(2 544 644)
Debt impairment	37	(6 880 118)	(4 578 857)	(2 750 956)	(1 616 568)
Bulk purchases	38	(17 670 956)	(16 535 145)	-	-
Lease rentals on operating lease		(1 229 958)	(1 198 235)	(167 792)	(315 373)
Grants and subsidies paid	39	(288 507)	(180 269)	(4 805 008)	(4 094 638)
Loss on disposal of assets and liabilities		(79 325)	(37 956)	(62 213)	(24 910)
General expenses	40	(7 711 586)	(7 700 000)	(4 281 108)	(4 040 128)
<b>Total expenditure</b>		<b>(54 697 096)</b>	<b>(48 795 885)</b>	<b>(25 793 072)</b>	<b>(22 883 381)</b>
<b>Surplus before taxation</b>		<b>3 660 816</b>	<b>6 470 397</b>	<b>2 135 677</b>	<b>4 372 597</b>
Taxation	61	(14 973)	(20 397)	-	-
<b>Surplus for the year</b>		<b>3 675 789</b>	<b>6 490 794</b>	<b>2 135 677</b>	<b>4 372 597</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets

	Note(s)	Accumulated surplus	Total equity
Figures in Rand thousand			
<b>GROUP</b>			
<b>Balance at 01 July 2018</b>		<b>45 603 730</b>	<b>45 603 730</b>
Changes in net assets			
Surplus for the year- Restated		6 490 794	6 490 794
Total recognised revenue and expenditure for the year		6 490 794	6 490 794
Total changes		6 490 794	6 490 794
<b>Balance at 01 July 2019</b>		<b>52 094 524</b>	<b>52 094 524</b>
Changes in net assets			
Surplus for the year		3 675 789	3 675 789
Total changes		3 675 789	3 675 789
<b>Balance at 30 June 2020</b>		<b>55 770 313</b>	<b>55 770 313</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Accumulated surplus	Total equity
<b>CJMM</b>			
<b>Balance at 01 July 2018</b>		<b>32 433 325</b>	<b>32 433 325</b>
Changes in net assets			
Surplus for the year		4 372 597	4 372 597
Total changes		4 372 597	4 372 597
<b>Balance at 01 July 2019</b>		<b>36 805 922</b>	<b>36 805 922</b>
Changes in net assets			
Surplus for the year		2 135 677	2 135 677
Total changes		2 135 677	2 135 677
<b>Balance at 30 June 2020</b>		<b>38 941 599</b>	<b>38 941 599</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Cash Flow Statement

		GROUP		CJMM	
Figures in Rand thousand	Note(s)	2020	2019 Restated*	2020	2019 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Cash receipts from customers		39 167 407	37 469 097	13 166 386	11 349 674
Grants		11 888 524	10 891 104	11 151 383	10 314 004
Interest income		750 798	839 864	1 243 338	1 233 156
		51 806 729	49 200 065	25 561 107	22 896 834
<b>Payments</b>					
Cash paid to suppliers and employees		(43 056 994)	(38 114 562)	(18 600 036)	(14 720 058)
Finance costs		(2 524 064)	(2 434 266)	(2 504 971)	(2 519 028)
Taxes on surpluses		(48 752)	(268 598)	-	-
		(45 629 810)	(40 817 426)	(21 105 007)	(17 239 086)
<b>Net cash flows from operating activities</b>	42	<b>6 176 919</b>	<b>8 382 639</b>	<b>4 456 100</b>	<b>5 657 748</b>
<b>Cash flows from investing activities</b>					
Purchase of capital assets		(5 755 752)	(7 273 648)	(4 142 967)	(5 212 707)
Loans redeemed from Municipal entities		-	-	637 642	917 675
Finance lease receivables		-	-	78 256	80 724
Investment in Municipal entities		-	-	(8 109)	(14 984)
Other financial assets		931	(9 350)	931	(9 350)
Loans to Municipal entities		-	-	(573 743)	(487 646)
<b>Net cash flows from investing activities</b>		<b>(5 754 821)</b>	<b>(7 282 998)</b>	<b>(4 007 990)</b>	<b>(4 726 288)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		1 000 000	4 349 726	1 000 000	4 349 726
Repayments of Liabilities from Municipal Entities		-	-	(16 036)	(16 036)
Finance lease obligation		(131 740)	(45 343)	(131 740)	(45 343)
Repayment of borrowings		(948 044)	(2 208 232)	(948 044)	(2 208 232)
Repayment of post-retirement benefits		(138 011)	(138 749)	(109 636)	(116 736)
Repayment of provisions		-	-	(7 703)	(3 495)
<b>Net cash flows from financing activities</b>		<b>(217 795)</b>	<b>1 957 402</b>	<b>(213 159)</b>	<b>1 959 884</b>
<b>Net (decrease)/increase cash and cash equivalents</b>		<b>204 303</b>	<b>3 057 043</b>	<b>234 951</b>	<b>2 891 344</b>
Cash and cash equivalents at the beginning of the year		5 378 881	2 321 838	4 713 152	1 821 807
<b>Cash and cash equivalents at the end of the year</b>	12	<b>5 583 184</b>	<b>5 378 881</b>	<b>4 948 103</b>	<b>4 713 151</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## 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

### GROUP

#### Statement of Financial Performance

#### REVENUE

##### REVENUE BY SOURCE

Property rates	12 292 550	-	12 292 550	12 552 224	259 674	1
Service charges	31 813 833	(653 326)	31 160 507	29 898 384	(1 262 123)	2
Investment revenue	677 291	12 593	689 884	750 798	60 914	3
Transfers recognised - operational	9 037 510	4 129	9 041 639	8 576 786	(464 853)	4
Rental of facilities and equipment	405 054	(42 811)	362 243	359 155	(3 088)	
Gains on disposal of PPE	56 215	(56 215)	-	-	-	
Agency fees	765 608	(35 174)	730 434	691 866	(38 568)	
Fines	1 004 523	-	1 004 523	1 066 621	62 098	
Other own revenue	1 432 833	(80 421)	1 352 412	1 840 956	488 544	5
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>57 485 417</b>	<b>(851 225)</b>	<b>56 634 192</b>	<b>55 736 790</b>	<b>(897 402)</b>	

##### EXPENDITURE BY TYPE

Employee costs	(15 085 407)	122 975	(14 962 432)	(14 793 850)	168 582	
Remuneration of councillors	(181 408)	-	(181 408)	(166 267)	15 141	
Debt impairment	(4 136 711)	(869 048)	(5 005 759)	(6 880 118)	(1 874 359)	6
Depreciation & asset impairment	(4 289 935)	38 891	(4 251 044)	(3 352 465)	898 579	7
Finance charges	(2 807 395)	(227)	(2 807 622)	(2 524 064)	283 558	8
Bulk purchases	(18 393 191)	903 455	(17 489 736)	(17 670 956)	(181 220)	
Other expenditure	(11 845 630)	(19 514)	(11 865 144)	(9 294 003)	2 571 141	9
<b>Total expenditure</b>	<b>(56 739 677)</b>	<b>176 532</b>	<b>(56 563 145)</b>	<b>(54 681 723)</b>	<b>1 881 422</b>	
<b>Deficit</b>	<b>745 740</b>	<b>(674 693)</b>	<b>71 047</b>	<b>1 055 067</b>	<b>984 020</b>	
Transfers recognised - capital	2 745 480	363 030	3 108 510	2 605 745	(502 765)	4
Contributions recognised - capital & contributed assets	442 488	-	442 488	-	(442 488)	10
<b>Deficit after capital transfers &amp; contributions</b>	<b>3 933 708</b>	<b>(311 663)</b>	<b>3 622 045</b>	<b>3 660 812</b>	<b>38 767</b>	
Taxation	(35 731)	(11 790)	(47 521)	14 973	62 494	
<b>Deficit for the year</b>	<b>3 897 977</b>	<b>(323 453)</b>	<b>3 574 524</b>	<b>3 675 785</b>	<b>101 261</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## 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						

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## 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 earned was 2,11% higher than what was budgeted largely due to changes in property market values.

### **2. Services charges**

#### **Water & Electricity**

Water & electricity service revenue is below budget due to the national lockdown causing non-essential commercial businesses to halt operations and close down, therefore reducing overall consumption of water and electricity even though home consumption increased due to residents being confined to their homes during the hard lockdown (Level 5 and 4) Service charges for electricity are also less than the budget due to a decrease in kilowatt-hour's sold.

### **3. Investment revenue**

Increase was due to the credit control measures being suspended as a result of the Lockdown Regulation implemented by National Government resulting in an unanticipated decline in the collection of overdue debtors and a consequential increase in interest thereof.

### **4. Transfers recognised - Capital and Operational**

Conditional grant revenue realised was lower than budgeted as the national lockdown prevented certain expenditure from being incurred resulting in a large amount of conditional grants remaining unspent

### **5. Other Revenue**

The favourable result is largely due to the fair value adjustment income recognized by CJMM in the financial year relating to sinking fund..

### **6. Debt impairment**

Increase is due to the credit control measures being suspended as a result of the Lockdown Regulation implemented by National Government resulting in an unanticipated decline in the collection of overdue debtors. The contribution towards the Provision for bad debts was higher than anticipated and this is as a result of poor payment levels which are currently below the budgeted payment levels, customers are continuing to default in their current and old debts.

### **7. Depreciation and amortisation**

Depreciation is under budget due to assets under construction being completed later than anticipated. In addition, the restatement of useful lives across the Group have also decreased the depreciation that was levied as the useful lives were increased.

### **8. Finance Charges**

Finance cost was lower than budgeted due to the planned increase in long term borrowing not being obtained as forecasted for the financial year. The decrease was also due to the significant reduction on the REPO rates by South African Reserve Bank

### **9. Other expenditure**

Other expenditure was below budget due to a reduction in operational costs that were initially forecasted. This was as a result of COVID-19 restrictions and prioritising of essential services across the City. These expenditures are on items such as utilities, conferences and seminars, consulting and professional fees and travelling.

#### **Joburg Water**

The under expenditure on contracted services is attributable to delays in project implementation. The delays were largely caused by non-awards as well as meter verification projects impacted by community protest action.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## 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

### **10. Public contributions, donated and contributed property, plant and equipment**

This income is based on developer's interest in contributing towards infrastructure and it is not always determinable when developers will be making those contributions. The favourable variance is attributable to the income from developer funded assets and bulk contributions received during the year which was higher than anticipated in the budget.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## 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
<b>GROUP - 2020</b>											
<b>Financial Performance</b>											
Agency fees	765 608	(35 174)	730 434	-		730 434	691 866		(38 568)	95 %	90 %
Finance income	677 291	12 593	689 884	-		689 884	750 798		60 914	109 %	111 %
Fines, penalties and forfeits	1 004 523	-	1 004 523	-		1 004 523	1 066 621		62 098	106 %	106 %
Gains on disposal of PPE	56 215	(56 215)	-	-		-	-		-	DIV/0 %	- %
Rendering of services	31 813 833	(653 326)	31 160 507	-		31 160 507	29 898 384		(1 262 123)	96 %	94 %
Rental of facilities and equipment	405 054	(42 811)	362 243	-		362 243	359 255		(2 988)	99 %	89 %
Government grants and subsidies	9 037 510	4 129	9 041 639	-		9 041 639	8 576 786		(464 853)	95 %	95 %
Property rates	12 292 550	-	12 292 550	-		12 292 550	12 552 224		259 674	102 %	102 %
Other revenue	1 432 833	(80 421)	1 352 412	-		1 352 412	1 452 432		100 020	107 %	101 %
<b>Total revenue(Excluding capital transfers and contributions)</b>	<b>57 485 417</b>	<b>(851 225)</b>	<b>56 634 192</b>	<b>-</b>		<b>56 634 192</b>	<b>55 348 366</b>		<b>(1 285 826)</b>	<b>98 %</b>	<b>96 %</b>
Employee costs	(15 085 407)	122 975	(14 962 432)	-	-	(14 962 432)	(14 793 850)	-	168 582	99 %	98 %
Bulk purchases	(18 393 191)	903 455	(17 489 736)	-	-	(17 489 736)	(17 670 956)	-	(181 220)	101 %	96 %
Debt impairment	(4 136 711)	(869 048)	(5 005 759)			(5 005 759)	(6 880 118)	-	(1 874 359)	137 %	166 %
Depreciation and asset impairment	(4 289 935)	38 891	(4 251 044)			(4 251 044)	3 352 465	-	7 603 509	(79)%	(78)%
General expenses	(11 845 630)	(19 514)	(11 865 144)	-	-	(11 865 144)	(15 998 933)	-	(4 133 789)	135 %	135 %
Finance charges	(2 807 395)	(227)	(2 807 622)	-	-	(2 807 622)	(2 524 064)	-	283 558	90 %	90 %
Remuneration of councillors	(181 408)	-	(181 408)	-	-	(181 408)	(166 267)	-	15 141	92 %	92 %
<b>Total expenditure</b>	<b>(56 739 677)</b>	<b>176 532</b>	<b>(56 563 145)</b>	<b>-</b>	<b>-</b>	<b>(56 563 145)</b>	<b>(54 681 723)</b>	<b>-</b>	<b>1 881 422</b>	<b>97 %</b>	<b>96 %</b>
<b>Surplus/ (Deficit)</b>	<b>745 740</b>	<b>(674 693)</b>	<b>71 047</b>	<b>-</b>		<b>71 047</b>	<b>666 643</b>		<b>595 596</b>	<b>938 %</b>	<b>938 %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## 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	2 745 480	363 030	3 108 510	-		3 108 510	2 658 532		(449 978)	86 %	97 %
Contributions recognised - capital and contributed assets	442 488	-	442 488	-		442 488	335 641		(106 847)	76 %	76 %
<b>Surplus/ (Deficit) after capital contributions</b>	<b>3 933 708</b>	<b>(311 663)</b>	<b>3 622 045</b>	-		<b>3 622 045</b>	<b>3 660 816</b>		<b>38 771</b>	<b>101 %</b>	<b>93 %</b>
Taxation	35 731	11 790	47 521	-		47 521	(14 973)		(62 494)	(32)%	(42)%
<b>Surplus/ (Deficit) for the year</b>	<b>3 897 977</b>	<b>(323 453)</b>	<b>3 574 524</b>	-		<b>3 574 524</b>	<b>3 675 789</b>		<b>101 265</b>	<b>103 %</b>	<b>94 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	7 754 430	493 030	8 247 460	-		8 247 460	6 219 893		(2 027 567)	- %	- %

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## 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
<b>CJMM</b>											
<b>Financial Performance</b>											
Property rates	12 292 550	-	12 292 550	-		12 292 550	12 552 224		259 674	102 %	102 %
Service charges	519 512	(102 950)	416 562	-		416 562	256 608		(159 954)	62 %	49 %
Investment revenue	1 477 591	243 825	1 721 416	-		1 721 416	1 565 776		(155 640)	91 %	106 %
Transfers recognised - operational	9 016 250	(13 633)	9 002 617	-		9 002 617	8 738 256		(264 361)	98 %	98 %
Other own revenue	3 011 205	(287 187)	2 724 018	-		2 724 018	2 962 531		238 513	109 %	98 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>26 317 108</b>	<b>(159 945)</b>	<b>26 157 163</b>	<b>-</b>		<b>26 157 163</b>	<b>26 075 395</b>		<b>(81 768)</b>	<b>100 %</b>	<b>99 %</b>
Employee costs	(9 170 016)	373 795	(8 796 221)	-	-	(8 796 221)	(8 704 285)	-	91 936	99 %	95 %
Remuneration of councillors	(181 408)	-	(181 408)	-	-	(181 408)	(166 267)	-	15 141	92 %	92 %
Debt impairment	(1 228 750)	(15 115)	(1 243 865)			(1 243 865)	(2 750 956)	-	(1 507 091)	221 %	224 %
Depreciation and asset impairment	(2 878 706)	(2 871)	(2 881 577)			(2 881 577)	(2 205 085)	-	676 492	77 %	77 %
Finance charges	(2 856 664)	(109 202)	(2 965 866)	-	-	(2 965 866)	(2 670 715)	-	295 151	90 %	93 %
Transfers and grants	(4 501 964)	(357 108)	(4 859 072)	-	-	(4 859 072)	(4 805 008)	-	54 064	99 %	107 %
Other expenditure	(5 703 889)	(226 155)	(5 930 044)	-	-	(5 930 044)	(4 490 753)	-	1 439 291	76 %	79 %
<b>Total expenditure</b>	<b>(26 521 397)</b>	<b>(336 656)</b>	<b>(26 858 053)</b>	<b>-</b>	<b>-</b>	<b>(26 858 053)</b>	<b>(25 793 069)</b>	<b>-</b>	<b>1 064 984</b>	<b>96 %</b>	<b>97 %</b>
<b>Surplus/(Deficit)</b>	<b>(204 289)</b>	<b>(496 601)</b>	<b>(700 890)</b>	<b>-</b>		<b>(700 890)</b>	<b>282 326</b>		<b>983 216</b>	<b>(40)%</b>	<b>(138)%</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## 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	2 245 073	353 030	2 598 103	-		2 598 103	1 834 958		(763 145)	71 %	82 %
Contributions recognised - capital and contributed assets	-	780	780	-		780	18 395		17 615	- %	- %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>2 040 784</b>	<b>(142 791)</b>	<b>1 897 993</b>	<b>-</b>		<b>1 897 993</b>	<b>2 135 679</b>		<b>237 686</b>	<b>113 %</b>	<b>105 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 040 784</b>	<b>(142 791)</b>	<b>1 897 993</b>	<b>-</b>		<b>1 897 993</b>	<b>2 135 679</b>		<b>237 686</b>	<b>113 %</b>	<b>105 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	3 613 384	433 030	4 046 414	-		4 046 414	4 013 331		(33 083)	- %	- %

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 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

## Accounting Policies

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### 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.

## Accounting Policies

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### 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 2020

## Accounting Policies

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### 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 2020

## 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

## Accounting Policies

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### 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:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) 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.

## Accounting Policies

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### 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 a joint venture 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 a 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

Group Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 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

Group Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 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 2020

## Accounting Policies

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### 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 Statutory receivables

#### Identification

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

## Accounting Policies

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### 1.13 Statutory receivables (continued)

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The group recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The group initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The group measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

#### Derecognition

The group derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the group transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the group, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.14 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.



## Accounting Policies

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### 1.14 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.

### 1.15 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

## Accounting Policies

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### 1.15 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.

### 1.16 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.

### 1.17 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.

## Accounting Policies

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### 1.17 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.

### 1.18 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.

## Accounting Policies

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### 1.18 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.

### 1.19 Internal reserves

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

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### 1.19 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.

### 1.20 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 2020.

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.

### 1.21 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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### 1.21 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.

### 1.22 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.

## Accounting Policies

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### 1.22 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.

### 1.23 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.

## Accounting Policies

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### 1.23 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.

### 1.24 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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### 1.24 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.

### 1.25 Borrowing costs

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

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

### 1.26 Accounting by principals and agents

#### Identification

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.26 Accounting by principals and agents (continued)

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Recognition

The group, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The group, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The group recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.27 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.

### 1.28 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.

### 1.29 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.30 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.

### 1.31 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.

### 1.32 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.

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.

### 1.33 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 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 July 2020
GRAP 34 - Separate financial statements	01 July 2020
GRAP 35 - Consolidated financial statements	01 July 2020
GRAP 36 - Investment in associates and Joint ventures	01 July 2020
GRAP 37 - Joint Arrangements	01 July 2020
GRAP 38 - Disclosure in interest in other entities	01 July 2020
GRAP 110 - Living and non-living resources	No effective date has been determined by the Minister of Finance

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

The 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

### 3. INVENTORIES

Consumable stores	110 339	92 187	96 442	76 231
Consumables - Electrical	150 464	90 662	-	-
Consumables - Road	68 407	55 037	-	-
Consumables - Water	118 794	99 294	-	-
Other Inventories	6 634	6 795	2 273	2 273
Spare parts	19 712	27 731	-	-
	474 350	371 706	98 715	78 504
Inventories (write-downs)	(124 131)	(106 328)	-	-
	<b>350 219</b>	<b>265 378</b>	<b>98 715</b>	<b>78 504</b>

#### Inventory pledged as security

No inventory was pledged as security.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2020	2019	2020	2019
<b>4. LOANS TO MUNICIPAL ENTITIES</b>				
<b>Shareholder loans</b>				
City Power Johannesburg (SOC) Ltd	-	-	581 814	581 814
Terms and conditions				
City Power Johannesburg (SOC) Ltd	-	-	42 979	42 979
Terms and conditions				
Johannesburg Water (SOC) Ltd	-	-	-	-
Terms and conditions				
	-	-	<b>624 793</b>	<b>624 793</b>
<b>Concessionary Loans</b>				
The Johannesburg Metro Trading Company(Pty) Ltd	-	-	1 860 426	1 694 008
Terms and conditions: rate range = 11.89%				
Maturity = 30 August 2035				
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.				
<b>Conduit loans</b>				
City Power Johannesburg (SOC) Ltd	-	-	2 020 410	2 249 714
Terms and conditions: Rate range = 9.31% - 12.21%				
Maturity = 30 June 2020 -30 June 2029				
Johannesburg Metropolitan Bus Services (SOC) Ltd	-	-	230 770	264 737
Terms and conditions: 10.9%				
Maturity = 30 June 2025				
Johannesburg Water (SOC) Ltd	-	-	2 804 412	2 807 867
Terms and conditions: Rate range = 9.31% - 12.21%				
Maturity = 30 June 2019 - 30 June 2029				
Pikitup Johannesburg (SOC) Ltd	-	-	675 428	599 248
Terms and conditions: Rate range = 9% - 14.15%				
Maturity = 30 June 2020 - 30 June 2030				
The Johannesburg Fresh Produce Market	-	-	10 309	18 499
Terms and conditions: Rate range = 9% - 10.9%				
Maturity = 30 June 2020 - 30 June 2021				
	-	-	5 741 329	5 940 065
Less impairment of loans to Municipal Entities	-	-	(443 850)	(313 852)
	-	-	<b>5 297 479</b>	<b>5 626 213</b>
Non-current assets	-	-	6 543 630	6 857 554
Current assets	-	-	1 239 068	1 087 460
	-	-	<b>7 782 698</b>	<b>7 945 014</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>Reconciliation of provision for impairment of loans to economic entities</b>				
Opening balance	-	-	313 853	-
Additional impairment - Metro trading Company (Pty) Ltd	-	-	129 997	313 853
Reversal of impairment - Johannesburg Metropolitan Bus Services (SOC) Ltd	-	-	-	-
	-	-	<b>443 850</b>	<b>313 853</b>

### Impairment of loan to Metro Trading Company

The impairments relate to Metrotrading Company. Metrotrading Company has not made any repayments towards the loan in the current year even though the amounts are due and payable

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>5. OTHER FINANCIAL ASSETS</b>				
<b>At amortised cost</b>				
Housing selling scheme loans	39 930	41 238	39 930	41 238
Other loans and receivables	53 045	52 668	53 045	52 668
	<b>92 975</b>	<b>93 906</b>	<b>92 975</b>	<b>93 906</b>
<b>Non-current assets</b>				
At amortised cost	83 899	60 596	83 899	60 596
<b>Current assets</b>				
At amortised cost	9 076	33 310	9 076	33 310
<b>6. FINANCE LEASE RECEIVABLES</b>				
<b>Gross investment in the lease due</b>				
- within one year	-	-	105 522	150 886
- in second to fifth year inclusive	-	-	172 598	122 775
	-	-	278 120	273 661
less: Unearned finance revenue	-	-	(43 056)	(38 104)
Present value of minimum lease payments receivable	-	-	235 064	235 557
	-	-	<b>235 064</b>	<b>235 557</b>
<b>Present value of minimum lease payments due</b>				
- within one year	-	-	85 183	141 756
- in second to fifth year inclusive	-	-	149 881	93 801
	-	-	<b>235 064</b>	<b>235 557</b>
Non-current assets	-	-	149 881	93 801
Current assets	-	-	85 183	141 756
	-	-	<b>235 064</b>	<b>235 557</b>

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

The unguaranteed residual values of assets leased under finance lease at the end of the reporting period amount to R 38 727 842 (2019: R 70 517 343).

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 7. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	93 320	96 593	-	-
Prepayments	317 625	140 942	332 596	122 684
Deposits	6 967	693	-	-
Operating lease receivables	21 281	21 530	21 281	21 530
Public Safety debtors	20 393	31 315	20 393	31 315
Related party debtors	-	-	9 217 045	7 770 627
Fruitless and wasteful expenditure	12 188	12 188	12 188	12 188
Rental debtors	109 543	130 673	109 543	130 673
Accrued VAT (Statutory receivable)	359 737	364 914	359 737	364 914
Kelvin Power	13 871	13 872	13 871	13 872
Sundry debtors	118 816	176 797	72 298	44 608
<b>Total trade and other receivables</b>	<b>1 073 741</b>	<b>989 517</b>	<b>10 158 952</b>	<b>8 512 411</b>

**Statutory receivables included in receivables from exchange transactions above are as follows:**

Accrued Vat	359 737	364 914	359 914	364 914
No impairments against the accrued vat.	-	-	-	-
	<b>359 737</b>	<b>364 914</b>	<b>359 914</b>	<b>364 914</b>

### 8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Fines	181 171	491 390	181 171	491 390
Top structure debtors	344 227	205 142	344 227	205 142
Other receivables	36 952	10 068	-	-
	<b>562 350</b>	<b>706 600</b>	<b>525 398</b>	<b>696 532</b>

**Statutory receivables included in receivables from non-exchange transactions above are as follows:**

Fines	181 171	491 390	181 171	491 390
Top structure debtors	344 227	205 142	344 227	205 142
	<b>525 398</b>	<b>696 532</b>	<b>525 398</b>	<b>696 532</b>

### 9. VAT RECEIVABLE (STATUTORY RECEIVABLES)

Receivable	412 359	449 845	123 613	213 169
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These amounts are receivable by the group as a result of transaction attracting value added tax (VAT) as legislated under the Value Added Tax Act 89 of 1991 from the South African Revenue Services.

No impairments against the Vat receivables.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>10. CONSUMER DEBTORS</b>				
<b>Gross balances</b>				
Rates (Statutory receivables)	8 767 456	7 625 771	8 767 456	7 625 771
Electricity	6 688 185	3 867 866	-	-
Water	15 947 135	12 277 734	-	-
Refuse	3 421 126	2 738 383	-	-
	<b>34 823 902</b>	<b>26 509 754</b>	<b>8 767 456</b>	<b>7 625 771</b>
<b>Less: Allowance for impairment</b>				
Rates (Statutory receivables)	(8 057 268)	(6 635 610)	(8 057 268)	(6 635 610)
Electricity	(4 507 376)	(2 427 710)	-	-
Water	(12 965 911)	(9 369 543)	-	-
Refuse	(2 450 847)	(2 004 333)	-	-
	<b>(27 981 402)</b>	<b>(20 437 196)</b>	<b>(8 057 268)</b>	<b>(6 635 610)</b>
<b>Net balance</b>				
Rates (Statutory receivables)	710 188	990 161	710 188	990 161
Electricity	2 180 809	1 440 156	-	-
Water	2 981 224	2 908 191	-	-
Refuse	970 279	734 050	-	-
	<b>6 842 500</b>	<b>6 072 558</b>	<b>710 188</b>	<b>990 161</b>
<b>Included in above gross balance is receivables from exchange transactions</b>				
Electricity	6 688 185	3 867 866	-	-
Water	15 947 135	12 277 734	-	-
Refuse	3 421 126	2 738 383	-	-
	<b>26 056 446</b>	<b>18 883 983</b>	<b>-</b>	<b>-</b>
<b>Included in above gross balance is receivables from non-exchange transactions (taxes and transfers)</b>				
Rates (Statutory receivables)	8 767 456	7 625 771	8 767 456	7 625 771
<b>Gross balance</b>	<b>34 823 902</b>	<b>26 509 754</b>	<b>8 767 456</b>	<b>7 625 771</b>
<b>Rates (Statutory receivables)</b>				
Current (0 -30 days)	618 484	752 645	618 484	752 645
31 - 60 days	323 933	420 227	323 933	420 227
61 - 90 days	287 732	348 242	287 732	348 242
91 - 120 days	403 838	353 936	403 838	353 936
121 - 365 days	2 022 974	1 717 393	2 022 974	1 717 393
> 365 days	5 110 495	4 033 328	5 110 495	4 033 328
	<b>8 767 456</b>	<b>7 625 771</b>	<b>8 767 456</b>	<b>7 625 771</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2020	2019	2020	2019
<b>Electricity</b>				
Current (0 -30 days)	1 890 168	1 504 646	-	-
31 - 60 days	385 933	300 423	-	-
61 - 90 days	283 072	270 161	-	-
91 - 120 days	295 521	479 458	-	-
121 - 365 days	1 301 549	960 896	-	-
> 365 days	2 531 942	352 282	-	-
	<b>6 688 185</b>	<b>3 867 866</b>	-	-
<b>Water</b>				
Current (0 -30 days)	1 261 704	758 176	-	-
31-60 days	1 151 453	1 322 237	-	-
61 - 90 days	473 738	502 915	-	-
91 - 120 days	625 987	552 423	-	-
121 - 365 days	3 884 291	2 870 977	-	-
> 365 days	8 549 962	6 271 006	-	-
	<b>15 947 135</b>	<b>12 277 734</b>	-	-
<b>Refuse</b>				
Current (0 -30 days)	234 054	140 184	-	-
31 - 60 days	105 033	76 784	-	-
61 - 90 days	94 457	75 280	-	-
91 - 120 days	275 525	212 997	-	-
121 - 365 days	2 712 057	2 233 138	-	-
	<b>3 421 126</b>	<b>2 738 383</b>	-	-
<b>Summary of debtors by customer classification</b>				
<b>Residential</b>				
Current (0 - 30 days)	1 830 128	1 468 737	215 682	319 704
31 - 60 days	1 110 917	1 024 726	108 811	196 711
61 - 90 days	590 232	552 579	86 185	164 589
91 - 120 days	939 844	766 985	174 843	164 359
121 - 365 days	6 228 957	4 532 368	1 037 832	864 584
> 365 days	10 418 233	5 624 673	2 192 610	1 746 903
	21 118 311	13 970 068	3 815 963	3 456 850
Less: Allowance for impairment	(17 859 532)	(11 412 816)	(3 506 859)	(2 985 724)
	<b>3 258 779</b>	<b>2 557 252</b>	<b>309 104</b>	<b>471 126</b>
<b>Residential - Past due and impaired</b>				
Current (0 - 30 days)	329 457	556 427	198 211	276 132
31 - 60 days	353 452	384 575	99 997	169 902
61-90 days	247 911	283 356	79 204	142 157
91 - 120 days	794 821	681 748	160 681	141 959
121 - 365 days	5 983 644	4 126 098	953 764	746 752
> 365 days	10 150 247	5 380 612	2 015 002	1 508 822
	<b>17 859 532</b>	<b>11 412 816</b>	<b>3 506 859</b>	<b>2 985 724</b>
<b>Residential - Past due and not impaired</b>				
Current (0 - 30 days)	1 500 671	912 310	17 471	43 572
31 - 60 days	757 465	640 151	8 814	26 809
61 - 90 days	342 321	269 223	6 981	22 431
91 - 120 days	145 023	85 237	14 163	22 400
121 - 365 days	245 313	406 270	84 067	117 832

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
> 365 days	267 986	244 061	177 608	238 082
	<b>3 258 779</b>	<b>2 557 252</b>	<b>309 104</b>	<b>471 126</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>Industrial/ commercial</b>				
Current (0 - 30 days)	2 068 614	1 885 962	388 609	403 161
31 - 60 days	794 721	937 156	205 632	209 626
61 - 90 days	513 981	554 268	188 838	167 875
91 - 120 days	616 868	770 436	218 816	177 713
121 - 365 days	3 172 169	3 060 877	927 199	805 273
> 365 days	5 343 795	4 253 116	2 725 024	2 133 282
	12 510 148	11 461 815	4 654 118	3 896 930
Less: Allowance for impairment	(9 245 355)	(8 545 455)	(4 277 122)	(3 411 758)
	<b>3 264 793</b>	<b>2 916 360</b>	<b>376 996</b>	<b>485 172</b>
<b>Industrial/ commercial - Past due and impaired</b>				
Current (0 - 30 days)	520 507	465 339	357 131	352 967
31 - 60 days	340 116	370 718	188 976	183 528
61 - 90 days	336 142	331 969	173 541	146 974
91 - 120 days	473 155	654 287	201 091	155 587
121 - 365 days	2 454 895	2 740 829	852 093	705 016
> 365 days	5 120 540	3 982 313	2 504 290	1 867 686
	<b>9 245 355</b>	<b>8 545 455</b>	<b>4 277 122</b>	<b>3 411 758</b>
<b>Industrial/ commercial - Past due and not impaired</b>				
Current (0 - 30 days)	1 548 107	1 420 623	31 478	50 194
31 - 60 days	454 605	566 438	16 656	26 098
61 - 90 days	177 839	222 299	15 297	20 901
91 - 120 days	143 713	116 149	17 725	22 126
121 - 365 days	717 274	320 048	75 106	100 257
> 365 days	223 255	270 803	220 734	265 596
	<b>3 264 793</b>	<b>2 916 360</b>	<b>376 996</b>	<b>485 172</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>National and provincial government</b>				
Current (0 - 30 days)	105 668	193 934	14 192	29 780
31 - 60 days	60 716	157 789	9 490	13 888
61 - 90 days	34 787	89 751	12 709	15 778
91 - 120 days	44 158	61 392	10 178	11 865
121 - 365 days	519 745	189 159	57 944	47 536
> 365 days	430 371	385 846	192 862	153 144
	1 195 445	1 077 871	297 375	271 991
Less: Allowance for impairment	(876 519)	(478 926)	(273 287)	(238 128)
	<b>318 926</b>	<b>598 945</b>	<b>24 088</b>	<b>33 863</b>
<b>National and provincial government - Past due and impaired</b>				
Current (0 - 30 days)	13 042	26 072	13 042	26 072
31 - 60 days	8 721	12 159	8 721	12 159
61 - 90 days	11 679	13 814	11 679	13 814
91 - 120 days	35 160	31 767	9 354	10 387
121 - 365 days	397 133	91 398	53 250	41 618
> 365 days	410 784	303 716	177 241	134 078
	<b>876 519</b>	<b>478 926</b>	<b>273 287</b>	<b>238 128</b>
<b>National and provincial government - Past due and not impaired</b>				
Current (0 - 30 days)	92 625	167 861	1 150	3 708
31 - 60 days	51 995	145 630	769	1 729
61 - 90 days	23 107	75 937	1 030	1 964
91 - 120 days	8 999	29 626	824	1 478
121 - 365 days	122 612	97 761	4 694	5 918
> 365 days	19 588	82 130	15 621	19 066
	<b>318 926</b>	<b>598 945</b>	<b>24 088</b>	<b>33 863</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>Total</b>				
Current (0 -30 days)	4 004 410	3 548 632	618 484	752 645
31 - 60 days	1 966 354	2 119 671	323 933	420 227
61 - 90 days	1 138 999	1 196 598	287 732	348 242
91 - 120 days	1 600 869	1 598 813	403 836	353 936
121 - 365 days	9 920 871	7 782 404	2 022 974	1 717 393
> 365 days	16 192 399	10 263 636	5 110 497	4 033 328
	34 823 902	26 509 754	8 767 456	7 625 771
Less: Allowance for impairment	(27 981 402)	(20 437 196)	(8 057 268)	(6 635 610)
	<b>6 842 500</b>	<b>6 072 558</b>	<b>710 188</b>	<b>990 161</b>
<b>Less: Allowance for impairment</b>				
Current (0 -30 days)	863 007	1 047 838	568 385	655 172
31-60 days	702 289	767 452	297 693	365 589
61-90 days	595 732	629 138	264 425	302 945
91-120 days	1 303 131	1 367 802	371 125	307 933
121 - 365 days	8 835 672	6 958 325	1 859 108	1 493 385
>365 days	15 681 571	9 666 641	4 696 532	3 510 586
	<b>27 981 402</b>	<b>20 437 196</b>	<b>8 057 268</b>	<b>6 635 610</b>
<b>Total debtors past due but not impaired</b>				
Current (0 - 30 days)	3 141 404	2 500 794	50 099	97 473
31 - 60 days	1 264 066	1 352 219	26 240	54 638
61 - 90 days	543 267	567 460	23 307	45 297
91 - 120 days	297 734	231 011	32 711	46 003
121 - 365 days	1 085 199	824 079	163 866	224 008
> 365 days	510 829	596 995	413 965	522 742
	<b>6 842 499</b>	<b>6 072 558</b>	<b>710 188</b>	<b>990 161</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	20 437 196	16 191 678	6 635 610	5 237 167
Contributions to allowance	6 038 972	4 840 570	1 421 658	1 398 443
Debt impairment written off against allowance	(51 994)	(595 052)	-	-
Reversal of allowance	1 557 228	-	-	-
<b>Balance at the end of the year</b>	<b>27 981 402</b>	<b>20 437 196</b>	<b>8 057 268</b>	<b>6 635 610</b>

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

### City cleaning levy (Statutory receivable from non exchange)

Included in consumer debtors above, is a levy and imposed specifically as contribution to cleaning the city in general charged for the service provided by the municipality based on Tariffs approved by Municipal council of city of Johannesburg City charged to non-residential and agricultural properties.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### City Cleaning Levy not impaired

Current (0-30 days)	13 468	8 293	-	-
31 -60 days	3 974	3 930	-	-
61 - 90 days	3 516	3 602	-	-
91 -120 days	10 917	9 489	-	-
> 121 days	112 072	31 961	-	-
	<b>143 947</b>	<b>57 275</b>	-	-

### City Cleaning levy impaired

Current (0-30 days)	3 108	7 023	-	-
31 -60 days	1 227	4 459	-	-
61 - 90 days	1 120	4 623	-	-
91 -120 days	4 031	13 783	-	-
> 121 days	138 241	199 478	-	-
	<b>147 727</b>	<b>229 366</b>	-	-

### Property rates (Statutory receivable)

Included in consumer debtors above, are amounts receivable by the group as a result of Rates levied and billed as per the Municipal Property Rates Act No. 6 of 2004.

In line with paragraph 58 of GRAP 104, the City's calculation is based on the average collection rate based on a percentage derived by reviewing the previous six month's current debtors balance and determine the average percentage which remains unpaid after 180 days. this amount is calculated at 98% of the aggregate debt in this category and presently 2% is recovered

### Property rates not impaired (Statutory receivables)

#### Ageing

Current (0-30 days)	50 099	97 473	50 099	97 473
31-60 days	26 239	54 637	26 239	54 637
61-90 days	23 307	45 296	23 307	45 296
91-120 days	32 712	46 003	21 712	46 003
121-365 days	163 867	224 008	163 867	224 008
>365 days	133 989	146 365	133 989	146 365
Total	<b>710 188</b>	<b>990 161</b>	<b>710 188</b>	<b>990 161</b>

### Property rates impaired (Statutory receivables)

#### Ageing

Current (0-30 days)	568 385	655 172	568 385	655 172
31-60 days	297 693	365 589	297 693	365 589
61-90 days	264 425	302 945	264 425	302 945
91-120 days	371 125	307 933	371 125	307 933
121-365 days	1 859 108	1 493 385	1 859 108	1 493 385
>365 days	4 696 532	3 510 586	4 696 532	3 510 586
Total	<b>8 057 268</b>	<b>6 635 610</b>	<b>8 057 268</b>	<b>6 635 610</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 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 fund did not have an active manager in the year under review. The City is in the process of appointing a new fund manager.

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	92 570	-	92 570	-
Cash	1 549 196	986 463	1 549 196	986 463
Floating rate notes	-	306 049	-	306 049

#### Current Assets

<b>1 641 766</b>	<b>1 292 512</b>	<b>1 641 766</b>	<b>1 292 512</b>
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#### Other financial assets through profit or loss

Bond	1 116 745	1 228 194	1 116 745	1 228 194
Amortising swap	73 238	24 198	73 238	24 198
Swaps	280 368	132 380	280 368	132 380

#### Non-Current Assets

<b>1 470 351</b>	<b>1 384 772</b>	<b>1 470 351</b>	<b>1 384 772</b>
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<b>3 112 117</b>	<b>2 677 284</b>	<b>3 112 117</b>	<b>2 677 284</b>
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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	353 606	462 627	353 606	462 627
Held for trading non-derivative financial assets	2 758 511	2 214 657	2 758 511	2 214 657

<b>3 112 117</b>	<b>2 677 284</b>	<b>3 112 117</b>	<b>2 677 284</b>
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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	558	1 137	244	249
Bank	4 614 320	1 856 403	3 987 062	1 201 309
Call investment deposits	968 306	3 521 341	960 799	3 511 594
	<b>5 583 184</b>	<b>5 378 881</b>	<b>4 948 105</b>	<b>4 713 152</b>

#### Call investment deposits

Call Deposits STD Bank Rating - (F1+)	61 001	599 045	61 001	599 045
Fixed Deposits ABSA Rating (F1+)	-	500 000	-	500 000
Call Deposits ABSA F1+(ZAF)	472 809	218 982	472 809	218 982
Fixed deposits RMB Rating (F1+)	-	450 000	-	450 000
Call Deposits RMB Rating - (F1+)	72 868	290 370	72 868	290 370
Call Deposits NEDBANK Rating (F1+)	152 045	394 331	144 538	392 276
Call deposits INVESTEC Rating -(F1)	10 185	387 139	10 185	387 139
Fixed Deposits INVESTEC Rating (F1+)	196 700	178 892	196 700	171 200
Fixed Deposits NEDBANK Rating - (F1+)	-	500 000	-	500 000
Call Deposits CITI BANK Rating - (F1)	1 688	1 582	1 688	1 582
Call Deposits DEUTSCHE BANK Rating - (F1)	1 010	1 000	1 010	1 000
	<b>968 306</b>	<b>3 521 341</b>	<b>960 799</b>	<b>3 511 594</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 13. ZOO ANIMALS

GROUP	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	26 206	(4 912)	21 294	26 261	(439)	25 822

#### Reconciliation of zoo animals - GROUP- 2020

	Opening balance	Additions	Additions through transfer of functions / mergers	Decreases due to harvest / sales	Disposals	Depreciation	Total
Zoo animals	25 822	740	1 430	164	(5 788)	(1 074)	21 299

#### Reconciliation of zoo animals - GROUP - 2019

	Opening balance	Additions	Additions through transfer of functions / mergers	Decreases due to harvest / sales	Disposals	Depreciation	Total
Zoo animals	26 860	2 447	2 973	(3 697)	(1 389)	(1 372)	25 822

#### Pledged as security

None of the Zoo animals assets are pledged as security.

#### Free-roaming animals in the farm

These animals do not meet the definition of an asset as the entity does not control the animals.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 14. INVESTMENT PROPERTY

GROUP	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 031 521	(21 476)	1 010 045	1 031 656	(20 182)	1 011 474

  

CJMM	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	992 715	-	992 715	992 850	-	992 850

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### Reconciliation of investment property - GROUP - 2020

	Opening balance	Disposals	Depreciation	Total
Investment property	1 011 474	(135)	(1 294)	1 010 045

### Reconciliation of investment property - GROUP - 2019

	Opening balance	Disposals	Depreciation	Total
Investment property	1 020 058	(7 294)	(1 290)	1 011 474

### Reconciliation of investment property - CJMM 2020

	Opening balance	Disposals	Total
Investment property	992 850	(135)	992 715

### Reconciliation of investment property - CJMM 2019

	Opening balance	Disposals	Total
Investment property	1 000 144	(7 294)	992 850

### Pledged as security

No Investment property is pledged as security.

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 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 15. PROPERTY, PLANT AND EQUIPMENT

#### GROUP

	2020			2019		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 811 874	-	8 811 874	8 810 302	-	8 810 302
Buildings	18 246 309	(5 880 446)	12 365 863	17 427 815	(5 308 665)	12 119 150
Plant and machinery	22 150 147	(5 180 006)	16 970 141	21 233 381	(4 555 817)	16 677 564
Furniture and fixtures	680 910	(532 227)	148 683	661 781	(489 701)	172 080
Motor vehicles	895 332	(626 470)	268 862	794 062	(530 189)	263 873
Office equipment	1 784 032	(1 183 589)	600 443	1 553 198	(1 024 583)	528 615
Computer equipment	406 341	(290 490)	115 851	375 489	(251 034)	124 455
Leasehold improvements	14 494	(7 091)	7 403	18 937	(10 266)	8 671
Infrastructure	30 823 739	(7 651 181)	23 172 558	28 610 282	(6 925 879)	21 684 403
Community assets	3 924 375	(1 266 600)	2 657 775	3 559 446	(1 103 537)	2 455 909
Landfill sites	521 491	(348 480)	173 011	550 239	(304 922)	245 317
Network equipment	69 618	(62 772)	6 846	68 561	(53 015)	15 546
Bins and containers	67 969	(31 449)	36 520	60 119	(27 332)	32 787
Minor plants	218 683	(141 303)	77 380	209 395	(129 812)	79 583
Specialised vehicles	1 889 261	(942 993)	946 268	1 771 408	(766 406)	1 005 002
Wastewater network	3 626 988	(333 917)	3 293 071	3 244 479	(295 396)	2 949 083
Water network	7 438 819	(1 032 440)	6 406 379	7 374 732	(1 491 395)	5 883 337
Library books	662 973	(623 610)	39 363	662 972	(612 198)	50 774
Emergency equipment	122 789	(45 071)	77 718	119 094	(36 157)	82 937
Other	19 381	(9 817)	9 564	19 383	(8 509)	10 874
<b>Total</b>	<b>102 375 525</b>	<b>(26 189 952)</b>	<b>76 185 573</b>	<b>97 125 075</b>	<b>(23 924 813)</b>	<b>73 200 262</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

CJMM

	2020			2019		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 666 392	-	8 666 392	8 667 968	-	8 667 968
Buildings	15 995 646	(5 025 449)	10 970 197	15 257 137	(4 509 566)	10 747 571
Plant and equipment	443 367	(277 088)	166 279	401 999	(250 038)	151 961
Furniture and fittings	564 095	(457 816)	106 279	551 361	(423 589)	127 772
Motor vehicles	498 754	(339 900)	158 854	490 388	(304 146)	186 242
Office equipment	1 679 845	(1 116 758)	563 087	1 455 567	(964 226)	491 341
Infrastructure	30 182 262	(7 520 613)	22 661 649	27 995 746	(6 849 850)	21 145 896
Community assets	3 924 375	(1 266 600)	2 657 775	3 559 446	(1 103 537)	2 455 909
Bins and containers	25 322	(15 643)	9 679	24 349	(13 559)	10 790
Specialised vehicles	1 026 631	(575 436)	451 195	940 540	(451 072)	489 468
Library books	662 973	(623 610)	39 363	662 972	(612 198)	50 774
Emergency equipment	122 789	(45 071)	77 718	119 094	(36 157)	82 937
Other	10 046	(2 925)	7 121	10 072	(2 367)	7 705
<b>Total</b>	<b>63 802 497</b>	<b>(17 266 909)</b>	<b>46 535 588</b>	<b>60 136 639</b>	<b>(15 520 305)</b>	<b>44 616 334</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - GROUP - 2020

	Opening balance	Additions	Disposals	Public contributed network	Depreciation	Impairment loss	Total
Land	8 810 302	17 688	(16 116)	-	-	-	8 811 874
Buildings	12 119 150	840 167	(5 409)	-	(520 293)	(67 752)	12 365 863
Plant and equipment	16 677 564	939 398	(216)	-	(640 336)	(6 269)	16 970 141
Furniture and fittings	172 080	22 073	(94)	-	(45 376)	-	148 683
Motor vehicles	263 873	109 536	-	-	(104 547)	-	268 862
Office equipment	528 615	257 699	(283)	-	(185 588)	-	600 443
Computer equipment	124 455	38 107	(910)	-	(45 801)	-	115 851
Leasehold improvements	8 671	683	(177)	-	(1 774)	-	7 403
Infrastructure	21 684 403	2 199 649	(6 283)	-	(704 090)	(1 121)	23 172 558
Community assets	2 455 909	368 171	-	-	(148 008)	(18 297)	2 657 775
Landfill sites	245 317	-	(28 748)	-	(43 558)	-	173 011
Other equipment	15 546	-	(299)	-	(8 401)	-	6 846
Bins and containers	32 787	7 873	-	-	(4 140)	-	36 520
Minor plants	79 583	9 371	(6)	-	(11 568)	-	77 380
Specialised vehicles	1 005 002	262 964	(106 093)	-	(212 493)	(3 112)	946 268
Wastewater network	2 949 083	292 978	(310)	90 221	(38 901)	-	3 293 071
Water network	5 883 337	585 862	(6 320)	82 668	(139 168)	-	6 406 379
Library books	50 774	-	-	-	(11 411)	-	39 363
Emergency equipment	82 937	3 777	-	-	(8 996)	-	77 718
Other	10 874	89	(4)	-	(1 395)	-	9 564
	<b>73 200 262</b>	<b>5 956 085</b>	<b>(171 268)</b>	<b>172 889</b>	<b>(2 875 844)</b>	<b>(96 551)</b>	<b>76 185 573</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## 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	8 806 740	10 573	(7 011)	-	-	-	8 810 302
Buildings	11 772 293	869 774	(8 274)	-	(496 967)	(17 676)	12 119 150
Plant and machinery	15 980 088	1 325 423	(593)	-	(627 354)	-	16 677 564
Furniture and fixtures	193 728	18 884	(599)	-	(39 933)	-	172 080
Motor vehicles	231 677	102 422	(405)	-	(69 821)	-	263 873
Office equipment	209 298	436 267	(885)	-	(116 065)	-	528 615
Computer equipment	130 100	39 832	(727)	-	(44 750)	-	124 455
Leasehold improvements	9 789	1 860	-	-	(2 978)	-	8 671
Infrastructure	19 688 301	3 044 673	(238)	-	(1 018 536)	(29 797)	21 684 403
Community assets	2 268 380	333 249	(16)	-	(129 360)	(16 344)	2 455 909
Landfill sites	179 755	87 141	-	-	(21 579)	-	245 317
Other equipment	28 743	1 494	-	-	(14 691)	-	15 546
Bins and containers	30 845	8 834	(3 013)	-	(3 879)	-	32 787
Minor plants	94 069	3 697	(183)	-	(18 000)	-	79 583
Specialised vehicles	975 288	166 669	(8 066)	-	(119 994)	(8 895)	1 005 002
Wastewater network	2 758 914	172 386	-	49 136	(31 353)	-	2 949 083
Water network	5 372 883	517 276	(344)	116 563	(123 041)	-	5 883 337
Library books	56 465	-	-	-	(5 691)	-	50 774
Emergency equipment	67 123	21 515	(17)	-	(5 684)	-	82 937
Other	9 141	3 057	-	-	(1 324)	-	10 874
	<b>68 863 620</b>	<b>7 165 026</b>	<b>(30 371)</b>	<b>165 699</b>	<b>(2 891 000)</b>	<b>(72 712)</b>	<b>73 200 262</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - CJMM - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	8 667 968	14 540	(16 116)	-	-	-	8 666 392
Buildings	10 747 571	738 578	(16)	-	(453 339)	(62 597)	10 970 197
Plant and equipment	151 961	41 727	(6)	-	(21 134)	(6 269)	166 279
Furniture and fittings	127 772	15 478	(66)	-	(36 905)	-	106 279
Motor vehicles	186 242	8 366	-	-	(35 754)	-	158 854
Office equipment	491 341	244 125	(253)	-	(172 126)	-	563 087
Infrastructure	21 145 896	2 199 187	(6 283)	-	(676 030)	(1 121)	22 661 649
Community assets	2 455 909	368 170	-	-	(148 008)	(18 296)	2 657 775
Bins and containers	10 790	996	-	-	(2 107)	-	9 679
Specialised vehicles	489 468	188 277	(102 185)	-	(124 365)	-	451 195
Library books	50 774	-	-	-	(11 411)	-	39 363
Emergency equipment	82 937	3 777	-	-	(8 996)	-	77 718
Other	7 705	-	-	-	(584)	-	7 121
	<b>44 616 334</b>	<b>3 823 221</b>	<b>(124 925)</b>	<b>-</b>	<b>(1 690 759)</b>	<b>(88 283)</b>	<b>46 535 588</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

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

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	8 664 406	10 573	(7 011)	-	-	8 667 968
Buildings	10 449 272	752 442	(474)	(440 608)	(13 061)	10 747 571
Plant and equipment	128 665	45 471	(7)	(22 168)	-	151 961
Furniture and fittings	148 406	11 970	(467)	(32 137)	-	127 772
Motor vehicles	125 599	76 415	-	(15 772)	-	186 242
Office equipment	178 902	417 232	(675)	(104 118)	-	491 341
Infrastructure	19 138 038	3 028 775	(238)	(990 882)	(29 797)	21 145 896
Community assets	2 268 380	333 249	(16)	(129 360)	(16 344)	2 455 909
Bins and containers	8 698	3 845	(84)	(1 669)	-	10 790
Specialised vehicles	446 248	107 246	(3 638)	(55 328)	(5 060)	489 468
Library books	56 465	-	-	(5 691)	-	50 774
Emergency equipment	67 123	21 515	(17)	(5 684)	-	82 937
Other	5 688	2 608	-	(591)	-	7 705
	<b>41 685 890</b>	<b>4 811 341</b>	<b>(12 627)</b>	<b>(1 804 008)</b>	<b>(64 262)</b>	<b>44 616 334</b>

### Pledged as security

No assets are pledged as security.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Work in progress breakdown

#### GROUP

Building & Improvements  
Plant and machinery  
Water network  
Wastewater network  
Computer equipment  
Other  
Infrastructure  
Community assets  
Furniture and fixtures  
Work in progress-Office equipment  
Buses  
Containers

#### Total

2020			2019		
Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
1 864 330	-	1 864 330	1 201 600	-	1 201 600
1 661 060	-	1 661 060	1 774 656	-	1 774 656
791 693	-	791 693	685 713	-	685 713
126 513	-	126 513	172 026	-	172 026
46 572	-	46 572	30 351	-	30 351
254 354	-	254 354	221 501	-	221 501
7 790 581	-	7 790 581	6 306 888	-	6 306 888
1 363 261	-	1 363 261	1 327 295	-	1 327 295
3 818	-	3 818	3 140	-	3 140
5 476	-	5 476	3 381	-	3 381
-	-	-	997	-	997
3 901	-	3 901	-	-	-
<b>13 911 559</b>	<b>-</b>	<b>13 911 559</b>	<b>11 727 548</b>	<b>-</b>	<b>11 727 548</b>

#### CJMM

Buildings  
Community assets  
Infrastructure

#### Total

2020			2019		
Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
1 821 831	-	1 821 831	1 106 346	-	1 106 346
1 363 261	-	1 363 261	1 327 295	-	1 327 295
7 690 373	-	7 690 373	6 224 420	-	6 224 420
<b>10 875 465</b>	<b>-</b>	<b>10 875 465</b>	<b>8 658 061</b>	<b>-</b>	<b>8 658 061</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>Assets subject to finance lease (Net carrying amounts)</b>				
Plant and machinery	36 376	37 379	-	-
Motor vehicles	283 950	153 018	98 449	12 374
Office equipment	37 055	58 207	26 467	43 826
BRT buses	46 319	75 905	46 319	75 905
Leasehold improvements	8 483	8 776	-	-
	<b>412 183</b>	<b>333 285</b>	<b>171 235</b>	<b>132 105</b>

### 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

Employee related costs and other expenses	3 584 193	3 305 454	290 930	221 846
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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 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 16. INTANGIBLE ASSETS

#### GROUP

Additional capacity rights  
Servitudes  
Licences and franchises  
Computer software, internally generated  
Computer software, other  
Customer list

#### Total

2020			2019		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
232 361	-	232 361	232 361	-	232 361
1 727	-	1 727	1 727	-	1 727
531	(531)	-	531	(531)	-
13 840	(991)	12 849	13 840	(951)	12 889
2 596 465	(1 703 483)	892 982	3 263 089	(2 220 916)	1 042 173
85 156	(85 156)	-	85 156	(81 615)	3 541
<b>2 930 080</b>	<b>(1 790 161)</b>	<b>1 139 919</b>	<b>3 596 704</b>	<b>(2 304 013)</b>	<b>1 292 691</b>

#### CJMM

Computer software, other

2020			2019		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
1 909 191	(1 257 633)	651 558	2 638 104	(1 841 274)	796 830

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### Reconciliation of intangible assets - GROUP - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Additional capacity rights	232 361	-	-	-	232 361
Servitudes	1 727	-	-	-	1 727
Computer software, internally generated	12 889	-	-	(40)	12 849
Computer software, other	1 042 173	264 078	(39 343)	(373 926)	892 982
Customer list	3 541	-	-	(3 541)	-
	<b>1 292 691</b>	<b>264 078</b>	<b>(39 343)</b>	<b>(377 507)</b>	<b>1 139 919</b>

### 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	12 933	-	(44)	12 889
Computer software, other	1 009 703	368 221	(335 751)	1 042 173
Customer list	24 830	-	(21 289)	3 541
	<b>1 281 849</b>	<b>368 221</b>	<b>(357 379)</b>	<b>1 292 691</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### Reconciliation of intangible assets - CJMM 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	796 830	190 110	(39 337)	(296 045)	651 558

### Reconciliation of intangible assets - CJMM 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	695 878	348 191	(247 239)	796 830

### Pledged as security

No 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	523 399	494 821	442 109	454 484
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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 17. HERITAGE ASSETS

#### GROUP

Art collections, antiques and exhibits  
Historical monuments  
Historical buildings

#### Total

2020			2019		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
538 646	-	538 646	536 311	(105)	536 206
20 478	-	20 478	20 478	-	20 478
41 104	-	41 104	41 104	-	41 104
<b>600 228</b>	<b>-</b>	<b>600 228</b>	<b>597 893</b>	<b>(105)</b>	<b>597 788</b>

#### CJMM

Art collections, antiques and exhibits  
Historical monuments  
Historical buildings

#### Total

2020			2019		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
537 043	-	537 043	534 603	-	534 603
20 478	-	20 478	20 478	-	20 478
41 104	-	41 104	41 104	-	41 104
<b>598 625</b>	<b>-</b>	<b>598 625</b>	<b>596 185</b>	<b>-</b>	<b>596 185</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### Reconciliation of heritage assets - GROUP - 2020

	Opening balance	Additions	Total
Art collections, antiques and exhibits	536 206	2 440	538 646
Historical monuments	20 478	-	20 478
Historical buildings	41 104	-	41 104
	<b>597 788</b>	<b>2 440</b>	<b>600 228</b>

### Reconciliation of heritage assets GROUP - 2019

	Opening balance	Additions	Disposals	Impairment losses	Total
Art collections, antiques and exhibits	536 201	115	(5)	(105)	536 206
Historical monuments	20 478	-	-	-	20 478
Historical buildings	41 104	-	-	-	41 104
	<b>597 783</b>	<b>115</b>	<b>(5)</b>	<b>(105)</b>	<b>597 788</b>

### Reconciliation of heritage assets CJMM- 2020

	Opening balance	Additions	Total
Art collections, antiques and exhibits	534 603	2 440	537 043
Historical monuments	20 478	-	20 478
Historical buildings	41 104	-	41 104
	<b>596 185</b>	<b>2 440</b>	<b>598 625</b>

### 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
	<b>596 190</b>	<b>(5)</b>	<b>596 185</b>

### Pledged as security

No 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	10 185	8 344	10 185	8 344
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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2020	2019	2020	2019
<b>18. INVESTMENTS IN MUNICIPAL ENTITIES</b>				
Net investment	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
City of Johannesburg Property Company (SOC) Ltd	100,00 %	100,00 %	5 141	5 141
City Power Johannesburg (SOC) Ltd	100,00 %	100,00 %	112 466	112 466
Johannesburg City Parks NPC	100,00 %	100,00 %	29 958	29 958
Johannesburg Development Agency (SOC) Ltd	100,00 %	100,00 %	16 278	16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd	100,00 %	100,00 %	54 774	54 774
Johannesburg Roads Agency (SOC) Ltd	100,00 %	100,00 %	335 259	328 569
*Johannesburg Social Housing Company (SOC) Ltd	100,00 %	100,00 %	-	-
*Johannesburg Water (SOC) Ltd	100,00 %	100,00 %	-	-
Metropolitan Trading Company (SOC) Ltd	100,00 %	100,00 %	97 972	97 972
Pikitup Johannesburg (SOC) Ltd	100,00 %	100,00 %	31 315	31 315
The Johannesburg Civic Theatre (SOC) Ltd	100,00 %	100,00 %	1 784	1 784
The Johannesburg Fresh Produce Market (SOC) Ltd	100,00 %	100,00 %	20 000	20 000
Impairment of investment in controlled entity- Metrobus	- %	- %	704 947 (54 774)	698 257 (54 774)
			<b>650 173</b>	<b>643 483</b>

CJMM has investments in the following Municipal Entities that are less than R1 000

Johannesburg Social Housing Company (Pty) Ltd R120

Johannesburg Water (Pty) Ltd R 200

Investments in ME's includes shareholder loans with no fixed repayment terms and interest as they are classified as equity.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 19. INVESTMENT IN JOINT VENTURES

Name of company	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
Golden Triangle Development Company (Pty) Ltd	50,00 %	50,00 %	1 266	1 193
Joshco Madulamoho Joint Venture (JMJV)	55,00 %	55,00 %	23 761	24 254
			<b>25 027</b>	<b>25 447</b>

The carrying amounts of Joint ventures are shown net of impairment losses.

#### 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%	2020/06/30	01/07/2019 - 30/06/2020
Joshco Madulamoho Joint Venture (JMJV)	55%	2020/06/30	01/07/2019 - 30/06/2020

#### 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.

	2020	2019
Opening Balance	1 193	527
Share of surplus/(deficit)	73	666
	<b>1 266</b>	<b>1 193</b>
	2020	2019
Total assets	39 547	39 759
Total liabilities	(37 015)	(37 373)
Revenue	-	1 316
Surplus/(deficit)	145	1 333

#### 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:

	2020	2019
Opening Balance	24 254	23 516
Share of surplus/(deficit)	607	738
Changes in net assets	(1 100)	-
	<b>23 761</b>	<b>24 254</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
			2020	2019
Total assets			49 573	50 636
Total liabilities			(6 370)	(6 537)
Revenue			9 908	9 216
Surplus/(deficit)			1 104	1 342
Distributions			2 000	-

### 20. DEFERRED TAX

Deferred tax liability	(3 379 533)	(3 290 198)	-	-
Deferred tax asset	1 777 844	1 607 541	-	-
<b>Total net deferred tax liability</b>	<b>(1 601 689)</b>	<b>(1 682 657)</b>	<b>-</b>	<b>-</b>

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

At beginning of year	(1 682 657)	(1 751 434)	-	-
Taxable / (deductible) temporary differences	89 974	132 542	-	-
Arising / (Utilised) assessed losses	(9 006)	(63 765)	-	-
	<b>(1 601 689)</b>	<b>(1 682 657)</b>	<b>-</b>	<b>-</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 21. LOANS AND BORROWINGS

#### Non-Current portion of loans and borrowings -

##### At amortised cost

Development Bank of Southern Africa	9 574 935	8 689 309	9 563 795	8 676 027
Listed bonds	5 166 000	6 016 000	5 166 000	6 016 000
Other financial liabilities	5 416 394	6 392 651	5 416 394	6 392 651
	<b>20 157 329</b>	<b>21 097 960</b>	<b>20 146 189</b>	<b>21 084 678</b>

#### Current portion of loans and borrowings - At amortised cost

Development Bank of Southern Africa	358 784	486 962	356 642	486 014
Listed bonds	850 000	-	850 000	-
Other financial liabilities	731 843	462 025	731 843	462 025
	<b>1 940 627</b>	<b>948 987</b>	<b>1 938 485</b>	<b>948 039</b>
	<b>22 097 956</b>	<b>22 046 947</b>	<b>22 084 674</b>	<b>22 032 717</b>

### 22. FINANCE LEASE OBLIGATIONS

#### Minimum lease payments due

- within one year	176 151	92 870	171 953	75 852
- in second to fifth year inclusive	44 780	122 514	36 743	114 447
	220 931	215 384	208 696	190 299
less: future finance charges	(12 380)	(32 010)	(11 357)	(20 419)
<b>Present value of minimum lease payments</b>	<b>208 551</b>	<b>183 374</b>	<b>197 339</b>	<b>169 880</b>

#### Present value of minimum lease payments due

- within one year	169 960	73 856	162 678	66 152
- in second to fifth year inclusive	38 591	109 518	34 661	103 728
	<b>208 551</b>	<b>183 374</b>	<b>197 339</b>	<b>169 880</b>

Non-current liabilities	38 591	109 518	34 661	103 728
Current liabilities	174 478	73 856	162 678	66 152
	<b>213 069</b>	<b>183 374</b>	<b>197 339</b>	<b>169 880</b>

#### 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 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>23. PAYABLES FROM EXCHANGE TRANSACTIONS</b>				
Trade payables	4 504 354	5 557 975	1 707 838	2 398 226
Payments received in advance	761 803	756 791	12 300	12 995
Accrued leave pay	997 505	734 965	615 354	428 849
Accrued bonus	137 656	113 401	-	-
Related party creditors	-	-	8 465 194	7 666 989
Accrued interest	172 368	180 594	172 087	180 292
Operating lease payables	13 365	16 538	1 386	657
Retentions	343 595	383 570	35 144	39 109
Credit balances in consumer debtors	1 980 838	2 058 083	1 495 062	1 332 782
Engineering fees	131 265	132 482	131 265	132 482
Other creditors	1 323 551	1 193 437	707 240	595 403
Eskom payable	1 531 931	1 091 424	-	-
	<b>11 898 231</b>	<b>12 219 260</b>	<b>13 342 870</b>	<b>12 787 784</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>24. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
Provincial grants : Capital projects	55 329	55 329	55 329	55 329
Urban settlements development grant	475 607	6 328	475 607	6 328
Provincial grants : Top Structure of houses	-	55 670	-	55 670
Provincial grants : Operating projects	27 317	16 674	27 317	16 674
United Nations Environment Program	2 578	5 220	2 578	5 220
Public Transport Network Grant (Capital Projects)	238 664	614	238 664	614
Neighbourhood Development Partnership Grant (NDPG)	24 369	14 567	24 369	14 567
Integrated City Development Grant (ICDG)	-	2 454	-	2 454
Expanded Public Works Programme (EPWP)	137	647	137	647
Provincial grant : Jozi Ihlomihle (HIV/ AIDS)	12 956	-	12 956	-
Public Transport Network Grant (Operational Projects)	199 085	153 548	199 085	153 548
Energy management grant	4 036	2 251	4 036	2 251
Infrastructure skills development grants	2 690	750	-	-
Integrated National Electrification (DoE)	27 842	33 194	-	-
Public contributions: Service connections	46 370	63 610	-	-
Other unspent public contributions	2 131	2 266	1 681	1 681
	<b>1 119 111</b>	<b>413 122</b>	<b>1 041 759</b>	<b>314 983</b>
Non-current liabilities	77 080	97 732	-	-
Current liabilities	1 042 031	315 390	1 041 759	314 983
	<b>1 119 111</b>	<b>413 122</b>	<b>1 041 759</b>	<b>314 983</b>

See note 32 for reconciliation of grants from National/Provincial Government

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 25. PROVISIONS

#### Reconciliation of provisions - GROUP - 2020

	Opening Balance	Additions	Reversal/Settlement during the year	Change in discount factor	Total
Bonus provision	185 958	181 349	(159 829)	-	207 478
Provision for legal claims	128 035	36 594	(8 698)	-	155 931
Kelvin ash disposal	111 422	8 154	-	-	119 576
Provision for subsistence allowance	2 382	-	(2 382)	-	-
Environmental rehabilitation: Closed landfill site	184 982	-	(8 767)	12 079	188 294
Environmental rehabilitation: Open landfill site	556 805	-	(28 748)	36 359	564 416
Other provisions	29 117	27 024	(6 587)	-	49 554
	<b>1 198 701</b>	<b>253 121</b>	<b>(215 011)</b>	<b>48 438</b>	<b>1 285 249</b>

#### Reconciliation of provisions - GROUP - 2019

	Opening Balance	Additions	Reversal/Settlement during the year	Change in discount factor	Total
Bonus provision	184 756	120 040	(118 838)	-	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	176 650	-	(3 292)	11 624	184 982
Environmental rehabilitation: Open landfill site	459 965	66 574	-	30 266	556 805
Other provisions	18 549	12 829	(2 261)	-	29 117
	<b>1 058 715</b>	<b>229 533</b>	<b>(131 437)</b>	<b>41 890</b>	<b>1 198 701</b>

#### Reconciliation of provisions - CJMM - 2020

	Opening Balance	Additions	Reversal/Settlement during the year	Total
Bonus provision	25 265	5 492	(7 703)	23 054
Provision for legal claims	107 414	7 773	-	115 187
Provision for subsistence allowance	2 382	-	(2 382)	-
	<b>135 061</b>	<b>13 265</b>	<b>(10 085)</b>	<b>138 241</b>

#### Reconciliation of provisions - CJMM - 2019

	Opening Balance	Additions	Reversal/Settlement during the year	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
	<b>123 695</b>	<b>20 552</b>	<b>(9 186)</b>	<b>135 061</b>
Non-current liabilities	912 329	888 494	138 241	135 061
Current liabilities	372 920	310 207	-	-



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
	<b>1 285 249</b>	<b>1 198 701</b>	<b>138 241</b>	<b>135 061</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 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.

### 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 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 26. EMPLOYEE BENEFIT OBLIGATIONS

#### 26.1 Post-retirement liabilities

Post-Retirement Medical Aid Plan	856 572	946 284	801 589	889 340
Post-Retirement Housing Subsidy Plan	7 061	9 712	139	279
Retirement Gratuity Plan	355 621	347 582	134 818	131 872
	<b>1 219 254</b>	<b>1 303 578</b>	<b>936 546</b>	<b>1 021 491</b>

#### 26.1.1 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	856 572	946 284	801 589	889 340
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#### Movements for the year

Opening balance	946 284	992 648	889 340	933 760
Benefits paid	(106 505)	(107 502)	(101 017)	(102 716)
Net expense/(gain) recognised in the statement of financial performance	16 793	61 138	13 266	58 296
	<b>856 572</b>	<b>946 284</b>	<b>801 589</b>	<b>889 340</b>

#### Net expense recognised in the Statement of financial performance

Current service cost	-	106	-	-
Interest cost	77 178	81 198	72 619	76 341
Actuarial (gains)/losses	(60 385)	(20 100)	(59 353)	(18 045)
Curtailement or settlement	-	(66)	-	-
	<b>16 793</b>	<b>61 138</b>	<b>13 266</b>	<b>58 296</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 26.1.2 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	7 061	9 712	139	279
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#### Movements for the year

Opening balance	9 712	7 684	279	313
Benefits paid	(2 208)	(69)	(54)	(52)
Net expense/ (gain) recognised in the statement of financial performance	(443)	2 097	(86)	18
	<b>7 061</b>	<b>9 712</b>	<b>139</b>	<b>279</b>

#### Net expense recognised in the Statement of financial performance

Current service cost	282	223	-	-
Interest cost	756	693	20	23
Actuarial (gains) /losses	(1 481)	1 181	(106)	(5)
	<b>(443)</b>	<b>2 097</b>	<b>(86)</b>	<b>18</b>

### 26.1.3 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	355 621	347 582	134 818	131 872
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#### Movements for the year

Opening balance	347 582	376 908	131 872	141 951
Benefits paid	(29 298)	(31 178)	(8 565)	(13 968)
Net expense/ (gain) recognised in the statement of financial performance	37 337	1 852	11 511	3 889
	<b>355 621</b>	<b>347 582</b>	<b>134 818</b>	<b>131 872</b>

#### Net expense recognised in the Statement of financial performance

Interest cost	28 218	31 519	11 172	11 797
Actuarial (gains)/ losses	9 119	(29 667)	339	(7 908)
	<b>37 337</b>	<b>1 852</b>	<b>11 511</b>	<b>3 889</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	9,05 %	8,75 %	9,05 %	8,75 %
Health care cost inflation rate	5,60 %	6,57 %	5,60 %	6,57 %

### Sensitivity analysis

#### GROUP- 2020

Accrued Liability- Mortality rate	- 20 % Mortality Rate	Valuation Assumption	+ 20 % Mortality Rate
Post-retirement medical aid	927 674	856 572	798 965
Post-retirement Housing subsidies	7 333	7 061	6 805
Post-retirement gratuities	355 035	355 621	356 201
Total	1 290 042	1 219 254	1 161 971

Accrued Liability- Medical/salary inflation	+ 1% in medical /salary inflation	Valuation Assumption	+ 1% in medical /salary inflation
Post-retirement medical aid	836 907	856 572	872 503
Post-retirement Housing subsidies	6 780	7 061	7 358
Retirement gratuities	338 977	355 621	373 505
Total	1 182 664	1 219 254	1 253 366

#### CJMM- 2020

Accrued Liability- Mortality rate	- 20% Mortality Rate	Valuation Assumption	+ 20% Mortality Rate
Post-retirement medical aid	868 271	801 589	747 589
Post-retirement Housing subsidies	142	139	136
Retirement gratuities	134 543	134 818	135 089
Total	1 002 956	936 546	882 814

Accrued Liability- Medical/salary inflation	- 1% in medical /salary inflation	Valuation Assumption	+ 1% in medical /salary inflation
Post-retirement medical aid	784 074	801 589	816 232
Post-retirement Housing subsidies	134	139	141
Retirement gratuities	128 261	134 818	141 875
Total	912 472	936 546	958 248

# City of Johannesburg Metropolitan Municipality

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	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 27. DEFERRED INCOME

#### Bond tap

Balance unspent at beginning of year	29 132	33 659	29 132	33 659
Conditions met - transferred to revenue	(4 732)	(4 527)	(4 732)	(4 527)
<b>Conditions still to be met - transferred to liabilities</b>	<b>24 400</b>	<b>29 132</b>	<b>24 400</b>	<b>29 132</b>

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	49 015	30 673	49 015	30 673
Net movement	133 430	159 866	133 430	159 866
Conditions met - transferred to revenue	(122 521)	(141 524)	(122 521)	(141 524)
<b>Conditions still to be met - transferred to liabilities</b>	<b>59 924</b>	<b>49 015</b>	<b>59 924</b>	<b>49 015</b>

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	5 015	1 459	-	-
Net movements	1 566	3 556	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>6 581</b>	<b>5 015</b>	<b>-</b>	<b>-</b>

Current liabilities	6 581	5 015	-	-
Non current liabilities	84 324	78 147	84 324	78 147
<b>Total</b>	<b>90 905</b>	<b>83 162</b>	<b>84 324</b>	<b>78 147</b>

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.

### 28. LOANS FROM MUNICIPAL ENTITIES

Non-current liabilities	-	-	434 314	438 146
Current liabilities	-	-	-	-
	<b>-</b>	<b>-</b>	<b>434 314</b>	<b>438 146</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 29. OTHER INCOME

Training revenue	1 859	9 299	1 049	8 166
Recovery of insurance	2 624	7 251	777	4 684
Licenses and permits	7 176	8 196	7 176	8 196
Sundry revenue	165 110	566 709	28 673	273 290
Public safety recoveries	29 073	34 708	29 073	34 708
Gautrain maintenance fees	7 124	6 632	-	-
Cemetery fees	25 420	23 360	-	-
Concessionary fees	37 000	37 000	37 000	37 000
Theatre ticket sales	7 159	10 605	-	-
Cut-off fees	4 985	13 838	-	-
Internal recoveries - ME's	-	-	233 241	159 361
	<b>287 530</b>	<b>717 598</b>	<b>336 989</b>	<b>525 405</b>

### 30. RENDERING OF SERVICES

Other service charges	133 135	130 359	26 529	29 804
Town Planning	48 922	78 359	48 922	78 359
Public Safety Services	10 393	21 993	10 393	21 993
Advertising	47 999	77 012	47 999	77 012
BRT and Metrobus Revenue	185 281	234 949	122 765	144 711
Refuse removal	1 790 875	1 653 458	-	-
Sale of electricity	15 522 371	13 935 207	-	-
Sale of water	7 197 513	6 995 882	-	-
Sewerage and sanitation charges	4 961 895	4 159 480	-	-
	<b>29 898 384</b>	<b>27 286 699</b>	<b>256 608</b>	<b>351 879</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 31. PROPERTY RATES

#### Rates received

Residential	4 671 045	4 588 623	4 671 045	4 588 623
Commercial	7 601 295	7 496 956	7 601 295	7 496 956
State	279 884	286 453	279 884	286 453
	<b>12 552 224</b>	<b>12 372 032</b>	<b>12 552 224</b>	<b>12 372 032</b>

#### Valuations

Residential	908 960 424	897 030 967	908 960 424	897 030 967
Commercial	432 626 136	427 383 435	432 626 136	427 383 435
State	44 214 713	49 564 314	44 214 713	49 564 314
	<b>1 385 801 273</b>	<b>1 373 978 716</b>	<b>1 385 801 273</b>	<b>1 373 978 716</b>



# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 32. GOVERNMENT GRANTS AND SUBSIDIES

Provincial grants : Capital projects	9 523	137 800	9 523	137 800
Urban settlements development grant	1 840 451	1 847 914	1 325 936	1 514 027
Provincial grants : Top structure of houses	249 858	116 728	249 858	116 728
Provincial grants : Operating projects	14 357	17 600	14 357	17 600
Department of Energy	2 642	-	2 642	-
Public Transport Network Grant (Capital Projects)	398 036	660 256	398 036	660 256
Neighbourhood development partnership grant	25 707	35 510	25 707	35 510
Integrated City Development Grant (ICDG)	75 757	91 036	75 757	91 036
Expanded Public Works Programme (EPWP)	23 931	34 089	2 671	14 180
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	12 179	23 000	12 179	23 000
Public Transport Network operations Grant	232 927	252 465	232 927	252 465
Ambulance subsidy	124 102	130 373	124 102	130 373
Equitable share and fuel levy	7 962 328	7 172 186	7 962 328	7 172 186
Provincial health subsidies	136 192	128 726	136 192	128 726
Other Grants	74 545	97 988	1 000	1 000
	<b>11 182 535</b>	<b>10 745 671</b>	<b>10 573 215</b>	<b>10 294 887</b>

#### Provincial grants : Capital projects

Balance unspent at beginning of year	55 329	55 329	55 329	55 329
Adjustment - Debtors	9 523	137 800	9 523	137 800
Conditions met - transferred to revenue	(9 523)	(137 800)	(9 523)	(137 800)
<b>Conditions still to be met - transferred to liabilities</b>	<b>55 329</b>	<b>55 329</b>	<b>55 329</b>	<b>55 329</b>

#### Urban settlements development grant

Balance unspent at beginning of year	6 328	-	6 328	-
Current year receipts	2 309 730	1 854 242	2 309 730	1 852 262
Transfers	-	-	(514 515)	(331 907)
Conditions met - transferred to revenue	(1 840 451)	(1 847 914)	(1 325 936)	(1 514 027)
<b>Conditions still to be met - transferred to liabilities</b>	<b>475 607</b>	<b>6 328</b>	<b>475 607</b>	<b>6 328</b>

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.

#### Provincial grants : Top structure of houses

Balance unspent at beginning of year	55 670	79 984	55 670	79 984
Current year receipts	55 103	135 920	55 103	135 920
Settlements/adjustments against debtors	139 085	(43 506)	139 085	(43 506)
Conditions met - transferred to revenue	(249 858)	(116 728)	(249 858)	(116 728)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>55 670</b>	<b>-</b>	<b>55 670</b>

#### Provincial grants : Operating projects

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

Balance unspent at beginning of year	16 674	20 674	16 674	20 674
Current year receipts	25 000	17 600	25 000	17 600
Paid back	-	(4 000)	-	(4 000)
Conditions met - transferred to revenue	(14 357)	(17 600)	(14 357)	(17 600)
<b>Conditions still to be met - transferred to liabilities</b>	<b>27 317</b>	<b>16 674</b>	<b>27 317</b>	<b>16 674</b>

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.

### United Nation Environment Programme

Balance unspent at beginning of year	5 220	5 220	5 220	5 220
Conditions met - transferred to revenue	(2 642)	-	(2 642)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>2 578</b>	<b>5 220</b>	<b>2 578</b>	<b>5 220</b>

### Public Transport Network Grant (Capital Projects)

Balance unspent at beginning of year	614	20 547	614	20 547
Current year receipts	636 700	661 023	636 700	661 023
Grants paid back	(614)	(20 700)	(614)	(20 700)
Conditions met - transferred to revenue	(398 036)	(660 256)	(398 036)	(660 256)
<b>Conditions still to be met - transferred to liabilities</b>	<b>238 664</b>	<b>614</b>	<b>238 664</b>	<b>614</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Neighbourhood development partnership grant

Balance unspent at beginning of year	14 567	2 919	14 567	2 919
Current year receipts	80 000	50 058	80 000	50 058
Paid back	(44 491)	(2 900)	(44 491)	(2 900)
Conditions met - transferred to revenue	(25 707)	(35 510)	(25 707)	(35 510)
<b>Conditions still to be met - transferred to liabilities</b>	<b>24 369</b>	<b>14 567</b>	<b>24 369</b>	<b>14 567</b>

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	2 454	12 110	2 454	12 110
Current year receipts	75 757	93 480	75 757	93 480
Paid back	(2 454)	(12 100)	(2 454)	(12 100)
Conditions met - transferred to revenue	(75 757)	(91 036)	(75 757)	(91 036)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>2 454</b>	<b>-</b>	<b>2 454</b>

### Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	647	-	647	-
Current year receipts	24 068	34 736	23 955	34 737
Paid/Due to MOEs	-	-	(21 147)	(19 910)
Paid back	(647)	-	(647)	-
Conditions met - transferred to revenue	(23 931)	(34 089)	(2 671)	(14 180)
<b>Conditions still to be met - transferred to liabilities</b>	<b>137</b>	<b>647</b>	<b>137</b>	<b>647</b>

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	-	757
Current year receipts	25 135	23 000	25 135	23 000
Paid Back	-	(757)	-	(757)
Conditions met - transferred to revenue	(12 179)	(23 000)	(12 179)	(23 000)
<b>Conditions still to be met - transferred to liabilities</b>	<b>12 956</b>	<b>-</b>	<b>12 956</b>	<b>-</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Public Transport Network Grant (Operational projects)

Balance unspent at beginning of year	153 548	99	153 548	99
Current year receipts	432 066	405 914	432 066	405 914
Paid back	(153 602)	-	(153 602)	-
Conditions met - transferred to revenue	(232 927)	(252 465)	(232 927)	(252 465)
<b>Conditions still to be met - transferred to liabilities</b>	<b>199 085</b>	<b>153 548</b>	<b>199 085</b>	<b>153 548</b>

### Energy Mngement Grant

Balance unspent at beginning of year	2 251	2 251	2 251	2 251
Current year receipts/Repayments	1 785	4 000	10 000	11 200
Paid back	-	(4 000)	-	(4 000)
Transfers to MOE	-	-	(8 215)	(7 200)
<b>Conditions still to be met - transferred to liabilities</b>	<b>4 036</b>	<b>2 251</b>	<b>4 036</b>	<b>2 251</b>

### Public contributions: Service connections

Balance unspent at beginning of year	63 610	29 265	-	-
Current year receipts	5 709	34 345	-	-
Adjustments	(22 949)	-	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>46 370</b>	<b>63 610</b>	<b>-</b>	<b>-</b>

### Ambulance subsidy

Current year receipts	124 102	130 373	124 102	130 373
Conditions met - transferred to revenue	(124 102)	(130 373)	(124 102)	(130 373)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	7 962 328	7 172 186	7 962 328	7 172 186
Conditions met - transferred to revenue	(7 962 328)	(7 172 186)	(7 962 328)	(7 172 186)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Provincial health subsidies

Current year receipts	136 192	128 726	136 192	128 726
Conditions met - transferred to revenue	(136 192)	(128 726)	(136 192)	(128 726)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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.

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 33. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	10 269 202	8 810 662	6 200 714	5 553 596
Employee related costs : Pension contributions	1 422 086	1 219 188	830 046	736 869
Employee related costs : Gratuities	3 449	5 720	-	-
Employee related costs : Medical aid contributions	783 762	686 418	447 384	397 063
Employee related costs : Skills development levy	115 793	105 186	72 192	65 392
Housing benefits and allowances	63 758	59 736	45 270	41 878
Overtime payments	878 890	613 608	447 544	258 970
Bonus	660 174	535 400	344 215	286 780
Travel, motor car, accommodation, subsistence and other allowances	534 081	468 595	322 475	309 881
Post-Retirement Benefits	(64 719)	(31 372)	(59 827)	(26 049)
Other employee benefits	57 864	52 905	-	-
UIF	69 510	53 460	33 916	31 290
	<b>14 793 850</b>	<b>12 579 506</b>	<b>8 683 929</b>	<b>7 655 670</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

### Key management remuneration- 2020

Annual Remuneration	46 178	50 286
Car Allowance	2 876	2 986
Performance Bonuses	1 612	1 352
Contributions to UIF, Medical and Pension Funds	2 152	2 649
Final Leave payment	422	270
Other benefits received	1 144	1 276
	<b>54 384</b>	<b>58 819</b>

### Key management 2020

	Annual salary	Allowances	Contributions to UIF, Medical and Pension Funds	Performance bonuses and other bonuses	Final Leave payment	Other benefits received	Total
City manager	2 904	-	56	140	-	-	3 100
GCFO	2 418	-	2	-	-	-	2 420
GH-Communication	1 361	68	191	-	-	-	1 620
Group : COO	2 500	-	2	-	-	-	2 502
Executive Director: Economic Development	2 232	96	2	-	-	-	2 330
Executive Director: Community Development	159	18	17	134	121	-	449
GH-C/Manager	2 155	47	197	-	-	-	2 399
Executive Director: Development Planning and Urban development	1 429	420	259	-	-	-	2 108
GCTO	1 899	156	2	-	-	-	2 057
Executive Director: Housing	60	-	-	-	181	-	241
Executive Director: Health	2 484	117	2	180	-	-	2 783
GH-Strategy	1 438	-	1	-	-	-	1 439
Group Head : CRUM	1 941	103	206	107	-	-	2 357
ED-EISD	1 339	90	191	-	-	-	1 620
Group Head: Governance	1 520	683	208	-	-	-	2 411
Remuneration of the Group Head:Legal and Contracts	1 570	285	201	-	-	-	2 056
<b>Core total</b>	<b>27 409</b>	<b>2 083</b>	<b>1 537</b>	<b>561</b>	<b>302</b>	<b>-</b>	<b>31 892</b>
MTC-Chief Executive Officer	1 503	160	-	-	-	684	2 347
JDA-Appointed Chief Executive Officer	608	-	-	-	-	-	608
Chief Executive Officer - Joburg Theatre	2 222	-	22	195	-	-	2 439
Managing Director - City Parks & Zoo	2 253	96	145	330	-	-	2 824
Executive Manager- JPC	2 585	250	34	349	120	-	3 338
Acting Managing Director - Metrobus	1 706	-	-	-	-	-	1 706
Chief Executive Officer - Joburg Market	1 580	-	-	-	-	275	1 855
Chief Executive Officer - Joburg Market(Acting)	65	-	-	-	-	-	65
Managing Director - Pikitup	1 497	-	20	-	-	-	1 517
Managing Director - Joburg Water	2 226	176	394	177	-	-	2 973
Managing Director- City Power	2 524	111	-	-	-	185	2 820
	<b>46 178</b>	<b>2 876</b>	<b>2 152</b>	<b>1 612</b>	<b>422</b>	<b>1 144</b>	<b>54 384</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

### Key management 2019

	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	2 907	-	52	77	-	-	3 036
Executive director - GCSS	1 168	-	1	-	91	-	1 260
Group head: Risk Assurance Services	1 521	56	157	-	-	-	1 734
GCFO	1 209	-	1	-	-	-	1 210
Executive Director: Economic Development	2 232	96	2	-	-	-	2 330
Executive Director: Community Development (Current)	1 971	156	202	-	-	-	2 329
COO	1 884	-	2	-	-	-	1 886
GCTO	1 899	156	2	-	-	-	2 057
Executive Director: Development Planning and Urban development (Current)	1 565	240	251	-	-	-	2 056
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 : OCM	1 233	-	122	-	-	-	1 355
Group Head : Governance	869	64	93	-	-	-	1 026
Group Head : CRUM	1 943	100	205	100	-	-	2 348
Group Head : Group Legal	1 444	84	164	-	-	-	1 692
<b>Core total</b>	<b>28 441</b>	<b>1 133</b>	<b>1 791</b>	<b>337</b>	<b>91</b>	<b>-</b>	<b>31 793</b>
Managing Director - JRA	2 297	670	129	-	-	-	3 096
Managing Director - JRA (Acting)	618	186	-	-	-	-	804
Executive Director - Joburg Theatre	1 391	-	15	234	-	-	1 640
Managing Director - City Parks & Zoo	2 159	96	139	154	-	-	2 548
Chief Executive Officer - JPC	2 242	250	26	331	-	-	2 849
MBUS-Acting GM	1 156	-	13	-	-	6	1 175
Chief Executive Officer - Market(Acting)	1 795	-	-	-	-	521	2 316
Chief Executive Officer - JDA(DECEASED)	1 460	25	-	130	-	-	1 615
Managing Director - Pikitup	1 019	179	157	-	179	-	1 534
Managing Director - Pikitup (Acting)	263	-	-	-	-	-	263
Chief executive director- City Power	2 524	111	-	185	-	-	2 820
Water-Managing Director	2 242	176	378	158	-	-	2 954
MTC-Chief Executive Officer	1 457	160	-	-	-	749	2 366
JOSHCO-Executive Director	1 222	-	-	-	-	-	1 222



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 34. REMUNERATION OF COUNCILLORS

Executive Mayor	1 655	1 395	1 655	1 395
Mayoral Committee Members	12 794	10 716	12 794	10 716
Speaker	1 238	1 135	1 238	1 135
Councillors	123 083	121 950	123 083	121 950
Councillors' pension contribution	9 273	9 302	9 273	9 302
Chairpersons	18 224	17 590	18 224	17 590
	<b>166 267</b>	<b>162 088</b>	<b>166 267</b>	<b>162 088</b>

#### Remuneration of the Executive Mayor - Moloantoa Makhubo

Annual Remuneration (Herman Mashaba)	552	1 350
Car Allowance (Herman Mashaba)	17	41
Cell phone Allowance (Herman Mashaba)	1	4
Annual Remuneration ( Moloantoa Makhubo)	612	-
Car Allowance ( Moloantoa Makhubo)	63	-
Contributions to UIF, Medical and Pension Funds	101	-
Cell phone Allowance ( Moloantoa Makhubo)	26	-
	<b>1 372</b>	<b>1 395</b>

Appointment from August 2019.

### 35. DEPRECIATION AND AMORTISATION

Property, plant and equipment	2 875 844	2 891 000	1 690 759	1 804 008
Investment property	1 294	1 290	-	-
Zoo animals	1 074	1 372	-	-
Intangible assets	377 507	357 419	296 045	247 239
	<b>3 255 719</b>	<b>3 251 081</b>	<b>1 986 804</b>	<b>2 051 247</b>

### 36. IMPAIRMENT OF ASSETS

#### Impairments

Property, plant and equipment	96 551	72 712	88 283	64 262
Loans to members	-	-	129 998	313 853

Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]

	<b>96 551</b>	<b>72 712</b>	<b>218 281</b>	<b>378 115</b>
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### 37. DEBT IMPAIRMENT

Consumer debtors	5 615 877	4 446 146	1 528 676	1 492 913
Receivables from non exchange	1 178 954	61 382	1 178 954	61 382
Other receivables	85 287	71 329	43 326	62 273
	<b>6 880 118</b>	<b>4 578 857</b>	<b>2 750 956</b>	<b>1 616 568</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2020	2019	2020	2019
<b>38. BULK PURCHASES</b>				
Electricity - Eskom	11 629 675	10 914 625	-	-
Water	6 017 735	5 593 972	-	-
Sewer purification	23 546	26 548	-	-
	<b>17 670 956</b>	<b>16 535 145</b>	-	-

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

### Electricity distribution losses

Comprising of:

Technical losses	-	-	1 088 851	1 029 319	-	-
Non-technical losses	-	-	2 349 708	1 864 313	-	-
<b>Total</b>	-	-	<b>3 438 559</b>	<b>2 893 632</b>	-	-

The electricity energy losses can be classified into technical losses and non-technical losses, during 2019/20 financial year. The entity's technical losses for the year are measured at 9%, amounting to R1 088 851 178 (2019: R 1 029 310 000). Technical losses relates to energy that is lost in the transportation of electricity from the point of supply to point of distribution through dissipation as useless heat.

The entity's non-technical losses increased from 16.3% to 19%. 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

As part of the entity's strategy to continuously reduce the impact of non-technical losses, the following interventions have been implemented and are being reviewed and improved on an annual basis:

- Installation of automatic meter management systems, for both large and small power users i.e. automated metering technologies
- Continuous replacement of faulty conventional and pre-paid meters
- Automation of process to acquire new customers and change of meters (through the implementation of automated workflow and escalation system)
- Utilisation of anonymous "hot line" to report theft, vandalism and tampering
- Random and targeted audits are performed, followed by removal of illegal connections and normalisation supply
- Stand by stand audit which will constitute (100%) verification against the valuation role of the City of Johannesburg
- Reconciliation of customer population with the number of stands on the General valuation roll of the City of Johannesburg.

Percentage

Loss:						
Technical losses	- %	- %	9 %	9 %	- %	- %
Non-technical losses	- %	- %	19 %	16 %	- %	- %
<b>Total</b>	- %	- %	<b>28 %</b>	<b>25 %</b>	- %	- %

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2020	2019	2020	2019
<b>Water losses</b>				
Comprising of:				
Physical losses	-	-	887 900	1 000 000
Commercial losses	-	-	345 300	386 000
<b>Total</b>	-	-	<b>1 233 200</b>	<b>1 386 000</b>

### Non Revenue Water

Non-Revenue Water (NRW) is included in cost of sales. The level of NRW for the year under review is 34.53% [R2.1 billion] (2019: 38.6% [R2.2 billion]). The level of unbilled unmetered consumption for the year under review is 14.04% [R844.8 million] (2019: 13.7% [R766.3 million]). The level of water losses (physical and commercial losses) which is part of NRW for the year under review is 20.49% [R1.2 billion] (2019: 24.8% [R1.4 billion]).

The level of physical losses for the year under review is 14.76% [R887.9 billion], (2019: 17.9% [R1.0 billion]). The level of commercial losses for the year under review is 5.74% [R345.3 million], (2019: 6.9% [R386.0 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 should be less than the savings to be realised. The industry norm for water losses is 18%. This industry norm is exceeded by the company by 10.76% [R647.5 million], (2019: 6.80% [R380.4 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.

### Percentage

Loss:						
Physical losses	- %	- %	14 %	18 %	- %	- %
Commercial losses	- %	- %	5 %	7 %	- %	- %
<b>Total</b>	- %	- %	<b>19 %</b>	<b>25 %</b>	- %	- %

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>39. GRANTS AND SUBSIDIES PAID</b>				
<b>Grants paid to ME's</b>				
City of Joburg Property Company SOC Limited	-	-	658 636	509 336
Johannesburg City Parks NPC	-	-	885 155	827 542
Johannesburg Development Agency SOC Limited	-	-	60 525	39 006
Johannesburg Metro Bus Services SOC Ltd	-	-	636 533	545 463
Johannesburg Roads Agency SOC Limited	-	-	1 169 926	1 103 170
Johannesburg Social Housing Company SOC Limited	-	-	19 098	26 941
Metropolitan Trading Company SOC Limited	-	-	239 990	226 855
Pikitup Johannesburg SOC Limited	-	-	739 256	540 076
Joburg Theatre SOC Limited	-	-	128 469	116 447
	-	-	<b>4 537 588</b>	<b>3 934 836</b>
<b>Other subsidies</b>				
Grant paid : Other	38 261	62 030	17 174	41 563
Grant paid : Housing top structures	250 246	118 239	250 246	118 239
	<b>288 507</b>	<b>180 269</b>	<b>267 420</b>	<b>159 802</b>
	<b>288 507</b>	<b>180 269</b>	<b>4 805 008</b>	<b>4 094 638</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2020	2019	2020	2019
<b>40. GENERAL EXPENSES</b>				
Advertising	36 176	38 649	24 657	19 517
Auditor's remuneration	65 841	63 645	26 426	25 489
Bank charges	149 182	140 036	139 915	130 386
Cleaning	25 497	44 531	-	-
Commission paid	47 531	40 492	-	-
Consulting and professional fees	365 138	369 949	194 196	186 631
Cost of inventories expensed	344 255	320 863	26 753	14 924
Debt collection	229 186	102 240	229 186	102 240
Hire of equipment and buses	33 669	22 060	33 452	21 849
Insurance	230 761	230 817	155 217	123 063
Conferences and seminars	7 074	19 325	5 949	14 144
IT expenses	255 462	248 445	252 915	210 555
Fleet costs	861 231	679 448	142 303	58 597
Marketing	43 488	59 009	22 661	34 571
Motor vehicle expenses	99 378	141 215	-	-
Specialized services	641 455	772 639	808 284	770 853
Productions	18 046	19 229	-	-
Postage and printing stationery	161 170	134 877	140 914	113 690
Contracted services	120 443	32 663	119 389	30 026
Maintenance services	1 991 049	2 324 585	386 280	221 093
Security (Guarding of municipal property)	342 951	417 224	46 816	91 117
Software expenses	141 352	196 946	58 163	126 920
Staff welfare	100 507	94 095	38 438	41 204
Subscriptions and membership fees	44 356	17 541	39 110	7 547
Telephone and fax	134 594	141 739	44 018	47 758
Training	60 618	48 040	35 736	19 075
Travel - local	7 726	9 209	3 428	3 240
Travel - overseas	1 459	2 676	301	1 393
Free electricity	1 885	3 064	-	-
Utilities	348 317	264 864	846 273	947 922
Incident management fund	40 784	38 949	40 784	38 949
Billing and meter reading charges	35 330	12 653	-	-
Cut-off fees	30 292	21 762	-	-
Other expenses	695 383	626 521	419 544	637 375
	<b>7 711 586</b>	<b>7 700 000</b>	<b>4 281 108</b>	<b>4 040 128</b>
<b>41. FAIR VALUE ADJUSTMENTS</b>				
• Fair value movement on the sinking fund	434 465	447 098	434 465	447 098

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>42. CASH GENERATED FROM OPERATIONS</b>				
Surplus	3 675 789	6 490 794	2 135 677	4 372 597
<b>Adjustments for:</b>				
Depreciation and amortisation	3 255 914	3 251 081	1 986 804	2 051 247
Public contributions, Donated and contributed property	(335 641)	(359 720)	(18 395)	(2 288)
Fair value adjustments	(434 465)	(447 098)	(434 458)	(447 098)
Finance costs: liabilities from Municipal entities	-	-	25 528	28 523
Debt impairment	6 880 118	4 578 857	2 750 956	1 616 568
loss/gain on sale of Assets	79 325	37 956	62 213	24 910
Impairment losses	96 551	72 712	218 281	378 115
Post-retirement benefits net expenditure	53 688	65 087	24 168	62 203
Gain/ Loss from equity accounted investments	680	1 403	-	-
<b>Changes in working capital:</b>				
Inventories	(84 841)	38 038	(20 211)	(464)
Receivables	(709 916)	(1 200 478)	189 337	(2 420 908)
Current tax receivable	(8 827)	10 243	-	-
Current tax payable	33 779	(108 515)	-	-
Adjustment of impairment of current receivable	(6 880 118)	(4 578 857)	(2 750 956)	(1 445 208)
Payables from exchange transactions	(321 029)	124 401	(535 737)	1 093 617
VAT receivable/ payable	(22 193)	62 043	89 556	207 533
Unspent conditional grants and receipts	705 989	146 583	726 769	113 411
Increase/(Decrease) in deferred income	7 743	17 766	6 177	13 811
Increase/(Decrease) in Provision	86 547	138 869	3 180	10 687
Increase/(Decrease) in Consumer deposits	97 826	41 474	(2 789)	492
	<b>6 176 919</b>	<b>8 382 639</b>	<b>4 456 100</b>	<b>5 657 748</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 43. COMMITMENTS

#### Commitments in respect of capital expenditure:

##### Authorised and contracted for

• Capital Commitments	7 798 525	10 510 176	1 613 915	2 518 813
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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	81 814	13 167	-	-
- in second to fifth year inclusive	374	4 395	-	-
	<b>82 188</b>	<b>17 562</b>	<b>-</b>	<b>-</b>

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	242 517	199 572	25 904	17 258
- in second to fifth year inclusive	217 937	234 506	49 783	-
	<b>460 454</b>	<b>434 078</b>	<b>75 687</b>	<b>17 258</b>

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%.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 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
	<b>6 868</b>	<b>6 868</b>	<b>6 868</b>	<b>6 868</b>

### Operating leases - as lessee (Equipment)

#### Minimum lease payments due

- within one year	613 424	608 606	-	-
- in second to fifth year inclusive	310 120	618 579	-	-
	<b>923 544</b>	<b>1 227 185</b>	<b>-</b>	<b>-</b>

Operating lease payments represent rentals payable in future by 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	10 814	13 283	10 814	13 283
- in second to fifth year inclusive	33 711	40 318	33 711	40 318
- later than five years	76 089	81 776	76 089	81 776
	<b>120 614</b>	<b>135 377</b>	<b>120 614</b>	<b>135 377</b>

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. The average escalation rate is 4.4% per annum



# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

### 44. CONTINGENCIES

#### GROUP

##### Legal Claims by residents/companies

Details of contingencies	Name of the company responsible	Estimated Amount in R'000
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	2 640
Plaintiff brought summons against the City and Johannesburg Municipal Pension Fund for unpaid benefits. The city will enter an exception to the plea. City attorneys are filing heads of argument.	CJMM	1 432
Claim by a company for services rendered. The claim seems legitimate and City intends on entering settlement negotiations with applicant. The matter is being defended, City filed an answering affidavit raising locus standi/contractual privity alternatively that the amount claimed by the applicant is highly overstated.	CJMM	266 000
A company is claiming an amount in relation to the retention costs, termination costs, payment of the value of the work done and time related costs for the project of 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
Claim by a resident relating to alleged damages for loss of amenity due to City approving certain land uses adjacent to the plaintiff's property.	CJMM	17 000
There is a dispute the members of SALGA 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's allegations arose from the City's non enforcement of the by-laws. A trial date is being awaited.	CJMM	5 800
A Company has a claim against COJ for services rendered. A trial date is being awaited.	CJMM	952
A company claim for monies to be paid by City for tickets and plaintiff also claims for loss of business. The City does not deny the money for the tickets but has a problem with a claim for loss of business by plaintiff.	CJMM	1 402
The City is been sued for loss of income after an attorney 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
An individual instituted civil claim against JMPD. In his claim he alleges that he developed an App for reporting reckless and negligent driving. On 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
Claim by company for allegedly failing to provide sufficient electricity for development after rezoning a property. 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	6 290
Claim for an amount against the City for loss of profit as a result of an alleged diversion /permanent closure of a road next to the plaintiff's filling station. The matter was heard and judgement granted in favour of the City with. The Defendant applied for and was given leave to appeal and the City is still waiting for the appeal process to unfold.	CJMM	17 830

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Bertrams Priority Block: JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with illegal occupants to settle the matter out of court. Progress made since 2012 - Some of the illegal occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left because of inability to meet monthly rental payments will be accommodated by the Department of Housing. Since this, 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 the JDA and CJMM. The parties are working together to reach agreement without a protracted litigation processes. No estimated value.	Development Agency (SOC) Ltd	-
JDA has been served with summons for loss of income and damages to property by the operators of the establishment located 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 the trial roll. There has been no developments since the matter was removed from the trial roll in June 2018. 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. JDA has 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
Regarding this matter, 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 entity not receive feedback from the plaintiff, JDA will continue to seek court approval to withdraw the matter.	Development Agency (SOC) Ltd	-
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. The Commissioner from the Department of Labour has concluded on the matter and the JDA is currently in the process of appealing the verdict.	Development Agency (SOC) Ltd	-
There is an application for an order to remove automatic generator installed at Asphalt Depot.	Roads Agency (SOC) Ltd	150
SARS vs JRA – SARS initiated an audit of JRA for the income tax for the years 2016 and 2017 tax years. After engagement SARS has indicated that they want JRA to pay for the outstanding income tax. However JRA has lodged an objection to this.	Roads Agency (SOC) Ltd	100 019
JRA was served a letter of demand to do work on the applicant's property which has experienced a sinkhole as a result of the storm-water drain running through his property. Estimated amount to the liability is nil.	Roads Agency (SOC) Ltd	-
Application for review to the labour court to set aside the award dated 22nd December 2018. In terms of SALGBC it found that the Applicant dismissal was procedurally substantively fair. Estimated amount to the liability is nil.	Roads Agency (SOC) Ltd	-
There is a dispute over the supplying and laying of asphalt where the contract was vague.	Roads Agency (SOC) Ltd	8 034
A respondent is opposing JRA's application to have the Public Protector's report declared unlawful and set aside.	Road agency (SOC) Ltd	2 500
There is a Way leave application for installation of CCTV cameras. Estimated amount to the liability is nil.	Roads Agency (SOC) Ltd	-
Certain various respondents made an urgent application to the high court for the underpinning, remediation and management of the stormwater infrastructure at the Muldersdrift Seloop River in Mogale City.	Roads Agency (SOC) Ltd	2 000
City Power has submitted tax returns to SARS for 2015, 2016, 2017, 2018 and 2019 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 the above periods would increase.	City Power (SOC) Ltd	-

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

The Receiver has withheld VAT refunds due to the City Power 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
A supplier has lodged legal proceedings against City Power. The claim arises from a supply chain process. The bid from a supplier was passed over to non-functioning equipment during site visits by the Bid Evaluation Committee. The supplier is appealing the judgment which was granted in favour of the entity with costs.	City Power (SOC) Ltd	90 000
A company 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.	City Power (SOC) Ltd	-
A summons was issued in favour of a customer for delictual damages. The plaintiff is claiming damages for an injury sustained when falling into a trench. The matter is defendant by the entity.	City Power (SOC) Ltd	267
SARS has disallowed wear and tear allowances claimed under section 12C and 13D for the tax years 2014, 2015 and 2016. The entity has been claiming these allowances based on written approval received from SARS in 2003. SARS indicated in its letter of disallowance that the entity is entitled to section 11E wear and tear allowances. However in the revised assessments for these years issued by SARS no deduction was afforded to the entity. This resulted in an overstatement in the amounts due for the stated tax years and consequent interest costs. The entity is challenging SARS in the Income Tax Court after failing in its endeavours to resolve the impasse prescribed by the Income Tax Administration Act.	City Power (SOC) Ltd	1 237 883
Debt restructuring: During the debt restructuring process, management identified that there could be potential tax issues that could arise from the debt restructuring process. Management also identified certain potential issues in so far as it related to income tax. Management is in the process of assessing this and determining appropriate way forward.	Metro Bus (SOC) Ltd	-
A public liability claim from the lawyers of a customer after she fell in to the orchestra pit. The customer's attorneys claim that the incident was caused due to negligence by Joburg Theatre. The matter has gone to court and JCT is awaiting an outcome.	Joburg Theatre (SOC) Ltd	9 020
The estimated claim excludes legal costs and the entity is of the view that this represents the maximum exposure. Dispute with a customer who sustained injuries in an accident involving a forklift of an agent.	Joburg Market (SOC) Ltd	4 020
The estimated claim excludes legal costs and the entity is of the view that this represents the maximum exposure. Dispute with a customer who slipped on a peel of lettuce on the premises of the entity and sustained injuries.	Joburg Market (SOC) Ltd	1 780
A certain company has a damage claim for loss of income at Randburg Silkirk for fence demolition against JOSHCO.	JOSHCO (SOC) Ltd	653
Disputes with a certain company relating to security services	JOSHCO (SOC) Ltd	28
Disputes with a certain company relating to recruitment services	JOSHCO (SOC) Ltd	264
A company is claiming for interest on overdue professional account and legal fees.	JOSHCO (SOC) Ltd	157
A company is claiming for legal fees from claim for construction work done on the Casa Mia refurbishment project.	JOSHCO (SOC) Ltd	378
The plaintiff claims that it had under-billed the entity for a 5 year period in relation to a contractual agreement for the supply of metered bulk water. The matter is at arbitration. The entity submitted its plea and discovery affidavit and the matter awaits further submissions by the plaintiff. The plaintiff has not yet submitted its reply to the entity's plea. Each party bears its own cost for the arbitration and share costs for recordings, venue and arbitrator's costs.	Joburg Water (SOC) Ltd	74 427

### Contractual Disputes with service providers

Detail of contingencies	Name of the company responsible	Estimated Amount in R'000
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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

The City was sued for breach on 12 December 2014. The matter was finalised 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
There is a claim for breach of contract for the provision of goods. As at the 16 October 2018 the parties are exchanging pleadings.	CJMM	11 307
There is a claim for monetary payment for a breach of contract for the stated amount and a claim for immediate specific performance as per the agreement. Parties are exchanging pleadings.	CJMM	340
The estimated claim excludes legal costs and the entity is of the view that this represents the maximum exposure. 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
The plaintiff is claiming monies for services rendered which it is alleged Pikitup has not paid. The likelihood of recovering legal costs should the entity succeed are remote.	Pikitup (SOC) Ltd	334
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. The likelihood of recovering costs should the entity succeed are remote.	Pikitup (SOC) Ltd	10 000
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	8 700
A supplier is claiming in terms of non-payment for services rendered to the entity and City of Johannesburg. The matter is being defended by the entity.	City Power (SOC) Ltd	2 366
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	5 333
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	5 001
A supplier is claiming in terms of non-payment for services rendered to the entity. Arbitration has been held and the entity is awaiting award.	City Power (SOC) Ltd	5 533
A supplier has lodged legal action against the entity for the cancellation of contract. The potential liability is the remaining contract value at the time of cancellation.	City Power (SOC) Ltd	-
A company 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
JHB Housing Company withdrew legal action against the entity on 10 March 2020. The dispute relates to the entity's inability to provide additional electricity capacity available for a new electricity connection.	City Power (SOC) Ltd	-
Contact JRA/19/001 dispute where the contractor complains of failure by the JRA to award them work notwithstanding compliance by the contractor with conditions of the contract.	Roads Agency (SOC) Ltd	43 444
Two service providers both applied twice for an interdict to prevent JRA from terminating part of their Cleaning contract due to the in sourcing of the cleaners.	Roads Agency (SOC) Ltd	200
During 2018, Joburg Theatre was served with summons for an alleged breach of contract regarding the Soweto Jazz Festival. The Plaintiff in the matter sought an amount for the damages based on the alleged breach of contract. The matter is sub judice.	Joburg Theatre (SOC) Ltd	24 505
There are various contractual claims by suppliers/contractors against the entity. Claims are still subject to litigation and there is a provisional estimate for the entity.	City Parks NPC	5 100
The plaintiff claims that the concluded written agreement for the replacement of advertising services was breached by the entity by failing to make payment. The plaintiff raised an exception to the entity's plea and both the plaintiffs and the entity's heads of arguments were served by the date of reporting. If the court finds in favour of the entity and cost order is issued, recovery of legal fees will be pursued.	Joburg Water (SOC) Ltd	2 006
The plaintiff claim relates to alleged failure to reimburse the first plaintiff with reasonable costs for the upgrade and repair of water infrastructure. The alternative claim relates to a claim for enrichment in the same amount. The matter is held in abeyance by the plaintiffs and the entity is not aware of any trial date. If the court finds in favour of the entity and cost order is issued, recovery of legal fees will be pursued.	Joburg Water (SOC) Ltd	5 487

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

### Disputes/legal claims by employees

Detail of contingencies	Name of the company responsible	Estimated Amount in R'000
The employees took the entity to SALGBC for unfair dismissal after termination of their services (expired contracts) during the current financial year. The entity intends to review arbitration award granted after commissioner ruled in favour of employees.	Pikitup (SOC) Ltd	20 434
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
Alleged unfair dismissal: 10 alleged unfair dismissal cases against Metrobus currently under consideration by the SALGBC. Management is confident that awards in this regard will be in favor of Metrobus.	Metro Bus (SOC) Ltd	-
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: Two entity employees have raised a salary dispute based on current salary and potential payback from 1989 and 2013 respectively.	Metro Bus (SOC) Ltd	-
Unfair discrimination: An employee has raised a dispute for unpaid salary. The estimate is still to be determined.	Metro Bus (SOC) Ltd	-
Unfair labour practice: After the recruitment process for managing director the board resolved to recommend a certain candidate. The recommendation was not approved by the shareholder and the candidate declared a dispute. The employee might compel Metrobus to pay damages.	Metro Bus (SOC) Ltd	-
The entity is involved in four (4) litigation matters with employees and former employees. Three (3) of the matters are currently lodged with the SALGBC and the potential cost of settlement is equal to 1 years compensation for all 3 matters.	Joburg Market (SOC) Ltd	1 505
Unfair dismissal. The CCMA ordered the complaint be compensated but he is now approaching the Labour Court to apply for re-instatement.	Roads Agency (SOC) Ltd	16
Two employees are challenging the appointment process of a Group Executive (GE) position after the employees were not appointed after contesting the position. The potential liability is the payback of GE's salary to both employees should they succeed. The matter is being defended by the entity.	City Power (SOC) Ltd	-
An employee is challenging his dismissal for gross negligence in dealing with contracts between Sergei and City Power. The employee is claiming the unpaid salary from the date of dismissal. The matter is being defended by the entity.	City Power (SOC) Ltd	-
An employee is challenging his dismissal for gross negligence in dealing with contracts between Setheo and City Power. The employee is claiming the unpaid salary from the date of dismissal. The matter is being defended by the entity.	City Power (SOC) Ltd	-
An employee is challenging his job grade. The employee is claiming the salary difference between the two grades. The matter is being defended by the entity.	City Power (SOC) Ltd	-
An employee is challenging the job grading system. The employee is claiming the salary difference between the two grades. The matter is being defended by the entity.	City Power (SOC) Ltd	-

### Contingent Assets 2020

Detail of contingencies	Name of the company responsible	Estimated Amount in R'000
Claim relating to summons issued against a certain company. 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
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	11 528

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

The City submits that it overpaid a company 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
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
The entity is pursuing claims against suppliers/contractors. The potential financial benefit cannot be determined with certainty as these matters are still subject to litigations but there is a provisional estimate by the entity.	City Parks NPC	3 400
The entity is a beneficiary to a land donated from a deceased estate. The land is situated in France. The process is on-going and neither the value nor the date of transfer is currently known.	City Parks NPC	-
Matter relates to erection of a cellphone mast in a public open space. Costs are expected to be recovered.	City Parks NPC	-
Cancellation of the long term lease agreement in one of the entity's cemeteries. Costs are expected to be recovered.	City Parks NPC	-
Spoliation application against entity with regards to the erection of a cell mast.	City Parks NPC	-
Failure by service provider to perform as per JBCC Contract.	JOSHCO (SOC) Ltd	11 000
There is a claim against a supplier for breach of contract.	JOSHCO (SOC) Ltd	7 000
There is a claim against a certain company for damages suffered as result of non-performance.	JOSHCO (SOC) Ltd	13 926
The entity has a counter claim in relation to the last bulleted item listed under contingent liabilities. The claim relates to the inverse where the entity has been over-billed for a period of 5 years in relation to a contractual agreement for the supply of metered bulk water.	Joburg Water (SOC) Ltd	34 989

### GROUP Contingencies 2019

The following was the estimated value of Contingent Assets/(Liabilities) as at 30 June 2019 per these categories:

Category Name	Estimated Amount in R'000
Legal Claims by residents/companies	(730 819)
Contractual Disputes with service providers	(201 997)
Disputes/legal claims by employees	(33 406)
Contingent Assets	589 821
	<b>(376 401)</b>

### 45. 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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

### GROUP

	Note	As previously reported	Correction of error	Reclassification	Restated
Receivables from exchange transactions	1	1 426 287	(391 732)	(45 038)	989 517
Consumer Debtors	2	6 303 388	(230 830)	-	6 072 558
Current Tax Receivable	3	14 152	8 484	-	22 636
Revenue from non exchange	4	723 386	(61 824)	45 038	706 600
Intangible	5	1 563 366	(270 675)	-	1 292 691
Property, Plant and Equipment		73 377 912	(177 650)	-	73 200 262
Payables from exchange transactions	6	(12 538 177)	(19 635)	338 552	(12 219 260)
Other balance sheet items	7	(17 970 187)	338 259	-	(17 631 928)
Taxes and transfers payables (Non-exchange)		-	-	(338 552)	(338 552)
Accumulated Surplus		(52 900 127)	805 603	-	(52 094 524)
		-	-	-	-

### CJMM

	Note	Correction of error	Reclassification
CJMM - Receivables from exchange transactions		(314 710)	(39 667)
CJMM - Loans to Municipal entities		788 464	-
CJMM - Property, plant and equipment		(183 185)	-
CJMM - Intangible Assets		(270 521)	-
CJMM - Trade and other payables		9 809	-
CJMM - Cash and Cash and equivalents		-	39 667
Accumulated Surplus- 2018/2019 Opening Balance		(332 476)	-
		<b>(302 619)</b>	<b>-</b>

### Statement of financial performance

#### GROUP

	Note	As previously reported	Correction of error	Reclassification	Restated
Rendering of services		27 466 609	(179 910)	-	27 286 699
Finance Income	8	839 864	66 154	(153 782)	752 236
Finance Income (Revenue from non-exchange transactions)		-	-	153 782	153 782
Other	9	1 825 524	3 140	-	1 828 664
Depreciation and amortisation		(3 186 446)	(64 635)	-	(3 251 081)
Employee related costs		(12 667 744)	(1 989)	90 227	(12 579 506)
General expenditure		(7 395 132)	(214 641)	(90 227)	(7 700 000)
<b>Surplus (deficit) for the year</b>		<b>6 882 675</b>	<b>(391 881)</b>	<b>-</b>	<b>6 490 794</b>

#### CJMM

	Note	Correction of error	Reclassification
CJMM-Depreciation and amortisation		63 912	-
CJMM - Finance Income		-	152 218
CJMM - Finance Income - Interest on property rates debtors		-	(152 218)
CJMM- Reversal of impairment		30 847	-
CJMM-General Expenses		207 860	-
<b>Surplus for the year</b>		<b>302 619</b>	<b>-</b>

## Notes to the Group Annual Financial Statements

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### GROUP

#### Finance Income

The finance income on property rates was reclassified to revenue from non-exchange to alignment to GRAP 23.

#### Property, Plant and Equipment, Depreciation and Amortisation

Restatement of property, plant and equipment relates to the correction of assets capitalised in the current year which were available for use in previous years, it also had an impact on depreciation and therefore affecting the carrying amount of property, plant and equipment.

Property, plant and equipment were also corrected to align with the asset register. Depreciation for some of the buildings were calculated incorrectly in the previous years which resulted in the restatement of depreciation amount in the current year. .

#### Receivables from exchange and non-exchange transactions

Reclassification of receivables from exchange transactions is as a result of City cleaning levy debtors amount that was previously classified as receivable from exchange transactions instead of being classified as receivables from non exchange transactions. The City cleaning levy amount was understated due to an incorrect report that was used. This also led to the debtors from exchange transactions being overstated as they included City cleaning levies.

Receivables from exchange transactions and non exchange transactions was also restated due to an incorrect calculations of provision for bad debts, and included insurance invoices that were incorrectly raised and not approved resulting in restatement. As such these claims did not qualify to be treated as revenue and assets. The correction of inter-departmental balances incorrectly accounted for.

#### Payables from exchange transactions

Payables from exchange transactions were restated as previously reported due to the following reasons:-

- The payables from exchange transactions have been adjusted relating to The VAT on city cleaning levy accrual reversal.
- Additional expenditure and reversals relating to accruals for previous years were adjusted for. The non-current lease motor vehicles were understated due to ungaranteed portion of the residual value which was not accounted for. This relates to the correction of assets capitalised in the current year which were available for use in prior years. This error had an impact on depreciation/ amortisation and therefore affecting the carrying amount of fixed assets.

#### Current tax receivable

Current tax adjusted for SARS refund and interest receivable as a result of overpayment in provisional tax in prior years. Tax in prior years Adjustment of prior year tax expense and company tax due to adjustment of tax allowance allowed by SARS on property plant and equipment,

#### Intangible Assets

Amortization: The entity erroneously calculated amortization for intangible assets in the prior year.

#### Consumer debtors

Consumer debtors was restated as a result of recalculation of accrual value in relation to the previous years, and also as a result of bad debt write off reversals during the financial year. Therefore the restatement was done to correct errors detected in the writeoff amounts.

#### Services rendered

The electricity revenue accrual was misstated in the previous periods. The revenue for the affected periods has been adjusted and comparative amounts restated. Accrual values in relation to previous years were recalculated. The City cleaning levy was understated due to an incorrect report that was used. This also led to the debtors from exchange transactions being overstated as they included City cleaning levies.

#### Taxes and transfers payables (non-exchange)

Taxes and transfers payables (non-exchange) which were previously accounted for as payables from exchange transactions was reclassified and shown as a separate line item in the face of statement of financial performance.

#### Employee Related Costs (Reclassification)

Uniforms which were previously accounted for as employee related costs have been reclassified from Employee related costs to General expenditure - The error is due to the correction of the misstatements in expenditure..



## Notes to the Group Annual Financial Statements

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### CJMM

The correction of the errors result in the statement of comparative figures as follows:

#### Receivables from exchange transactions-

Correction of prior year Inter-company debtors previously approved to be written-off not accounted for in the financial records. City cleaning levy was understated by

#### Property, plant and equipment, Intangible Assets, Heritage Assets, Depreciation

This relates to the correction of assets capitalised in the current year which were available for use in prior years. This error had an impact on depreciation and therefore affecting the carrying amount of fixed assets.

#### Trade and other payables

Creditors paid in the prior year without reducing the liability as such the transactions were recorded in the incorrect financial year.

#### Loans to Municipal Entities

Alignment of impairment calculation on loans to MOE to GRAP 104. Loans to MOE was previously impaired based on the going concern of the entity instead of comparing the present of the changed cash flows to the carrying amount as required by GRAP 104.

#### Reclassifications:

**Finance Income:** The Finance income on property rates was reclassified to revenue from non-exchange to Alignment to GRAP 23.

**General expenditure:** The error is due to the correction of the misstatements in expenditure.

**Commitments:** The prior year figures for commitments have been restated by R218 654 due to an error identified in the current year in the commitment register.

## 46. 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.

The City actively mitigates financial risks that may arise due to changes in the market environment.

### Portfolio 1 Overview

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

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, quantifies 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 City on its approach to risk management. The framework, which is reviewed on a continuous basis in line with best market practices, seeks to assist the City in the effective identification, evaluation and control of financial risks that may impact service delivery objectives.

Council has overall responsibility for establishing and exercising oversight over CoJ's risk management framework. The CFO's forum is responsible for developing and monitoring the CoJ's financial risk management policies.

The City's overall financial risk management strategy focuses on addressing the unpredictability of financial markets and seeks to minimize potential adverse effects on the CoJ's financial performance. The City recognizes that an effective risk management function is fundamental to its operations. Risk awareness, control and compliance are embedded in Group Treasury's day-to-day activities.

### Liquidity and Concentration Risk

Liquidity Risk, refers to the risk that CoJ 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 expenditures are met. The City manages both 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 project initiatives are managed through issuance of long-term debt in the form of CoJ bonds or long term loans or a combination of the two. Both Short and Long term borrowings are done as per Council approved funding plan.

The table below indicates approved facilities as at the end of June 2020:

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

Details	Approved Funding R'000	Total Utilised R'000	Repaid R'000
<b>Short-Term Borrowings</b>			
Short term Borrowings	3 000 000	-	-
<b>Long-Term Borrowings</b>			
Long term borrowing	2 988 396	1 000 000	-
<b>Total</b>	<b>5 988 396</b>	<b>1 000 000</b>	<b>-</b>

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

i) General Banking Facilities (overdraft); and

ii) Commercial Paper Issuance.

The City 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 process for managing short-term cash flows and cash balances in a cost-effective manner is in place. The cash management process assists the City in managing its liquidity risk through the use of cash flow projection models with the aim of minimizing variances between projected and actual cash usage. The City has signed a loan agreement with the DBSA in the 2019/20 financial for a total of R 2.9bn. The City has only received R1bn as at 30 June 2020. The DBSA was only able to avail the rest of the amount in July 2020 forming part of the 2021 financial year. DBSA was unable to provide the full amount (R2.9bn) because there was a huge shortage on market liquidity, to a point where it was not able to raise the wholesale funding on its side due to the Covid pandemic. The South African Reserve Bank (SARB) has responded to the liquidity dry up in the by purchasing government bonds in the secondary market.

The City realizes that liquidity risk is also linked to concentration risk which is defined as the probability of high cash outflows arising from concentration of debt obligations payable around the same period. If not properly managed, concentration risk can lead to default risk.

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### Capital Redemption Analysis of Non Derivative Liabilities as at 30 June 2020

Class	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	148 000	145 000	145 000	145 000	145 000	1 042 000
Fixed Rate Loans	1 791 000	989 000	3 167 000	2 193 000	763 000	11 412 000

### Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2020

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	749 000	-	-	-	-	-
Short Term Investments	211 000	-	-	-	-	-

### Market risk

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Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

Market risk is the risk that changes in market prices, such as interest rates and commodity prices which affect CoJ's income or the value of its financial instruments. The objective is to manage and control market risk exposures to be within acceptable risk parameters, while optimizing service delivery objectives. Interest rate risk is the main category of market risk which affects the City.

### 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.

The South African Reserve Bank has reduced the repo rate – the interest rate at which the SARB lends to big commercial banks in South Africa, by 250 basis points reducing the repo rate to 3.75%. This will impact the interest rates that the commercial banks charge to their clients i.e. softening the impact of COVID 19 on CoJ. The SARB has also introduced other mechanisms to provide liquidity and stabilise markets. The mechanisms include SARB entering the short-term funding markets, by providing additional liquidity in exchange for repurchase agreements for maturities of up to 12 months. They have also purchased government bonds in the secondary market.

### 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	1 874 000	1 793 000	1 829 000	1 874 000	1 899 000	1 934 000	1 969 000	2 004 000

### Fair Value Sensitivity Analysis of Variable Rate Liabilities

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 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-20	3 months JIBAR + 2.535%	Floating	2 580	2 583	2 586	2 589	2 592	2 596	2 599
DBSA 102761-1	DBSA	300 000	20-Aug-09	31-Dec-20	6 months JIBAR + 2.85%	Floating	22 523	23 122	23 721	24 319	24 918	25 517	26 115
				30-Jun-21			21 509	22 067	22 625	23 182	23 740	24 298	24 856
				31-Dec-21			21 138	21 674	22 209	22 745	23 281	23 816	24 352
				30-Jun-22			20 599	21 095	21 591	22 087	22 582	23 078	23 574
				30-Dec-22			20 345	20 818	21 290	21 763	22 236	22 708	23 181
DBSA 103345-1	DBSA	345 000	17-Apr-09	31-Dec-20	6 months JIBAR + 2.96%	Floating	26 545	27 225	27 906	28 586	29 267	29 948	30 628
				30-Jun-21			25 349	25 981	26 614	27 246	27 878	28 510	29 143
				31-Dec-21			24 889	25 494	26 099	26 704	27 309	27 914	28 419
				30-Jun-22			24 234	24 792	25 350	25 908	26 465	27 023	27 581
		-		30-Dec-22			23 901	24 432	24 962	25 491	26 020	26 550	27 079
Nedbank	NEDBANK	1 349 726	21-Jun-19	21-Sep-20	3 months JIBAR + 2.08%	Floating	38 168	39 738	39 832	42 879	44 449	46 020	47 590
				21-Dec-20			36 438	37 980	48 437	41 065	42 607	44 150	45 692
				23-Mar-21			45 183	46 714	47 963	49 776	51 307	52 838	54 369
				21-Jun-21			44 008	45 478	46 635	48 418	49 888	51 358	52 828

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Estimation of Fair Values

The fair value of financial instruments (for example, trading & available for sale securities, or over-the counter derivatives) is based on quoted market prices at the balance sheet date, or determined by using valuation techniques.

The City 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 other financial instruments.

To determine the fair values of floating rate instruments, the City uses market forward rates to estimate future interest and capital cash flows, and then utilizes its credit curve to calculate 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

The City invest surplus funds with financial institutions for yield enhancement purposes. The credit limit exposure table below depicts all investments with various counterparties as at 30 June 2020.

COUNTERPARTY CLASS	Operational			Ring-fenced		Total Exposure	Available for use	Percentage Utilised
	Approved Limit	Call Deposits	Fixed Deposits	Call Deposits	Term Deposits			
Domestic Banks	7 237 500	687 000	-	74 000	197 000	958 000	6 279 000	13 %
International Banks	1 050 000	3 000	-	-	-	3 000	1 047 000	- %
	<b>8 287 500</b>	<b>690 000</b>	<b>-</b>	<b>74 000</b>	<b>197 000</b>	<b>961 000</b>	<b>7 326 000</b>	<b>13 %</b>

### Portfolio 2

#### Introduction and overview

The City has established a sinking fund to redeem its long term borrowings including listed bonds and other bilateral loans. The City is currently in the process of appointing a new fund manager to manage portfolio on behalf of the City.

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

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

# City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

### 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.

As at 30 June 2020, the fund's investments were in the following instruments:

Assets	Fair Value R'000
Government bonds	1 209 000
Swaps	373 000
Amort Swaps	26 000
Cash	1 549 000
	-
	-
	-
	-
	-
	-

#### 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 fund'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	1 209 000	93 000	-	738 000	-	67 000	312 000
Swap Assets	399 000	-	-	-	-	399 000	-
Cash Assets	1 549 000	1 549 000	-	-	-	-	-
	<b>3 157 000</b>	<b>1 642 000</b>	<b>-</b>	<b>738 000</b>	<b>-</b>	<b>466 000</b>	<b>312 000</b>

#### Market Risk

The fund's market risk is managed on a daily basis.

#### Interest rate risk sensitivity analysis

# City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

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	1 278 000	1 253 000	1 209 000	1 206 000	1 184 000	1 162 000	1 142 000
IRS	399 000	399 000	399 000	399 000	399 000	399 000	399 000
Cash	1 549 000	1 549 000	1 549 000	1 549 000	1 549 000	1 549 000	1 549 000
<b>Net</b>	<b>3 226 000</b>	<b>3 201 000</b>	<b>3 157 000</b>	<b>3 154 000</b>	<b>3 132 000</b>	<b>3 110 000</b>	<b>3 090 000</b>

### Operational risk

Operational risk is the risk of loss arising from failures in processes, technology and infrastructure supporting the fund's activities.

Mechanisms 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 management

### 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.

The table below analyses financial instruments measured at fair value as at 30 June 2020

30 June 2020	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Bonds	1 209 000	-	-	1 209 000
Interest Rate Swaps	-	399 000	-	399 000
Current Account	1 549 000	-	-	1 549 000
	<b>2 758 000</b>	<b>399 000</b>	<b>-</b>	<b>3 157 000</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 47. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance as previously reported	428 543	240 421	114 758	14 407
<b>Opening balance as restated</b>	<b>428 543</b>	<b>240 421</b>	<b>114 758</b>	<b>14 407</b>
Fruitless and wasteful expenditure current year	67 925	184 602	25 172	102 570
Prior year Fruitless and wasteful expenditure identified in the current year	5 929	11 088	-	-
Transfer to receivable for recovery	(2 183)	(33)	(2 183)	-
Written-off	(21 391)	(2 718)	(3 553)	(2 219)
Reversals	(222)	(4 817)	-	-
<b>Closing balance</b>	<b>478 601</b>	<b>428 543</b>	<b>134 194</b>	<b>114 758</b>

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 Council approval after a committee investigated and concluded to certify expenditure of R21 391 706 as irrecoverable.

#### Transfer to receivable for recovery

- The fruitless and wasteful expenditure that was transferred to receivable for recovery relates to the Council resolution of meeting held 27 October 2020 where it was resolved that R2 183 110 in fruitless and wasteful expenditure be immediately recovered by the City from the responsible officials.

#### Reversals

- Service providers at JFPM (R207 000) and MTC (R15 000) reversed interest charged that was previously classified as fruitless and wasteful expenditure.

#### Fruitless and wasteful expenditure current year

The following are the incidents that caused the Fruitless and wasteful expenditure identified in the 2020 financial year:

Description of the incident	Entity/Department	Amount (R'000)
CJMM Departments	CJMM	25 172
Cleaning materials were procured from the service provider which did not meet the required SABS, ISO standards and therefore could not be utilised within the Joburg Market premises.	JFPM	14
Relates to pallet pool project that was started in the 2011 financial year but the project was not completed and never used by the market	JFPM	1 591
Relates to expenditure incurred for main building improvements designs incurred between 2015 and 2016 financial year which were never used	JFPM	4 338
Interest charged on overdue accounts	JRA	4
Interest payable to SARS	POWER	14 886
Interest on late payments	POWER	600
Fraudulent salary payment	WATER	90
Advertising costs	WATER	4
Interest on overdue accounts	PARKS	26
Charges for damage on hired vehicle	PARKS	23
Newly leased office accommodation not fully utilised	JPC	24 362
SARS interest and penalties for PAYE and other payroll items	JPC	2 688
Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts	JPC	1
Interest on overdue accounts	MTC	16
Advertising costs on cancelled tenders	JOSHCO	38
		<b>73 853</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 48. UNAUTHORISED EXPENDITURE

#### Reconciliation of unauthorised expenditure

Opening balance	4 389 636	4 556 831	4 226 334	4 406 768
Unauthorised expenditure current year	682 146	493 867	59 468	480 628
Written off by council	(1 434 172)	(661 062)	(1 434 172)	(661 062)
	<b>3 637 610</b>	<b>4 389 636</b>	<b>2 851 630</b>	<b>4 226 334</b>

Unauthorised expenditure incurred in 2020 financial year relates to the following:

Name of Vote	Amount
CJMM	59 486
Joburg Water	350 401
	-
JOSHCO	24 260
JCPZ	14 965
CITY Power	233 052
<b>TOTAL</b>	<b>682 164</b>

Over expenditure on the operating budget for 2019/20 mainly results from non-cash items such as debt impairment, depreciation and interest on overdraft bank accounts.

#### Write-off approval

On 30 October 2020, Council resolved to certify as irrecoverable and write off unauthorised expenditure of R1 434 172 000.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 49. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### Contributions to organised local government

Opening balance	-	-	-	-
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#### Skills development levy

Opening balance	6 705	4 616	5 604	4 567
Current year subscription / fee	120 735	90 325	74 718	64 849
Amount paid - current year	(106 986)	(83 620)	(61 397)	(59 245)
Amount paid - previous years	(6 777)	(4 616)	(5 604)	(4 567)
	<b>13 677</b>	<b>6 705</b>	<b>13 321</b>	<b>5 604</b>

#### Audit fees

Opening balance	(254)	1 406	1 079	1 349
Current year audit fee	65 726	63 620	26 311	25 461
Amount paid - current year	(65 472)	(63 874)	(27 390)	(25 731)
Amount paid - previous years	-	(1 406)	-	-
	<b>-</b>	<b>(254)</b>	<b>-</b>	<b>1 079</b>

#### PAYE and UIF

Opening balance	134 993	106 343	111 933	84 039
Current year payroll deductions	2 280 868	1 486 531	1 420 953	1 262 734
Amount paid - current year	(2 156 816)	(1 351 538)	(1 320 212)	(1 150 801)
Amount paid - previous years	(134 146)	(106 343)	(111 933)	(84 039)
	<b>124 899</b>	<b>134 993</b>	<b>100 741</b>	<b>111 933</b>

#### Pension and Medical Aid Deductions

Opening balance	208 781	230 918	150 475	132 247
Current year payroll deductions and Council contributions	3 080 882	2 267 312	2 055 467	1 779 484
Amount paid - current year	(2 816 046)	(2 058 531)	(1 874 155)	(1 629 008)
Amount paid - previous year	(151 899)	(230 918)	(150 475)	(132 248)
	<b>321 718</b>	<b>208 781</b>	<b>181 312</b>	<b>150 475</b>

#### VAT

VAT receivable	412 359	449 845	123 613	213 169
VAT payable	(48 064)	(61 430)	-	-
	<b>364 295</b>	<b>388 415</b>	<b>123 613</b>	<b>213 169</b>

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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2020	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
Chritians PV & A	12 391	10	12 401
Dewes DS	29 986	39 101	69 087
Echeozonjoku BC & UI	11 124	166 271	177 395
Hlomendlini IN	1 299	278	1 577
Homer RL & C	10 675	124	10 799
Mnisi	2 733	33 596	36 329
Molete B	-	312 773	312 773
Ngwenya ML	5 386	19 453	24 839
Ngwenya ML	22 672	101 834	124 506
Thale MZ	1 386	204	1 590
	<b>97 652</b>	<b>673 644</b>	<b>771 296</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2019. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2019	Outstanding less than 90 days (Rands)	Outstanding more than 90 days (Rands)	Total R
Lekgetho JK	2 200	6 749	8 949
McBason	1 364	813	2 177
Netnow DM	22 676	180 843	203 519
Ngalonkulu MJ	12 457	58 594	71 051
Tsotetsi EM	2 615	2 081	4 696
	<b>41 312</b>	<b>249 080</b>	<b>290 392</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

### 50. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

During the year under review the municipality gave the following award to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state for the previous twelve months

Name of the person (Service of the State)	Name of the person (entity receiving award)"	Capacity in which that person is in the service of the state	Amount in Rands
Moleboge Motsoetla	(RebaHloniPhi Pty Ltd), Oupa Ephraim Motsoetla	Permanent employee- Health Department	192 798
Clive September	GIBB (Pty) Ltd	Daughter employed by Health Infrastructure PWGWCas a State Accountant and another Daughter employed by the City of Cape town as a ProjectAdministrator	656 263
Nokuthula Sedumedi	Delta Built Environment	Wife is employed by DBSA and Sister is employed by SAA	1 839 600
Lumko Sidwell Mhlauli	Lukhozi Consulting Engineers	Wife employed by Office of the Premier	1 738 231
CAJ van Coillie	CSM Consulting Services	Son is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2 053 480
CAJ van Coillie	CSM Consulting	Son, Andre van Collie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2 885 000
CAJ van Coillie	CSM Consulting	Son, Andre van Collie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2 860 000

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

### 51. IRREGULAR EXPENDITURE

Opening balance	7 159 791	5 000 464	3 509 209	2 724 270
<b>Opening balance as restated</b>	<b>7 159 791</b>	<b>5 000 464</b>	<b>3 509 209</b>	<b>2 724 270</b>
Add: Irregular Expenditure - current	3 105 187	2 131 507	965 558	816 239
Add: Irregular Expenditure - prior period	191 256	249 285	80 000	-
Less: Amount written off - current	(1 712 250)	(221 465)	(66 279)	(31 300)
<b>Closing balance</b>	<b>8 743 984</b>	<b>7 159 791</b>	<b>4 488 488</b>	<b>3 509 209</b>

### Group 2020

Description of the incident	Entity	Amount in R'000
Irregular Expenditure - prior period adjustment	CJMM	80 000
Awards to persons in service of state not blocked	CJMM	30 590
Non-Compliance with SCM policies	CJMM	530
Expenditure in respect of prior year contract identified as irregular	CJMM	729 446
Contracts identified as irregular in the current year	CJMM	204 992
Appointment of a supplier who did not meet mandatory requirements	POWER	18 076
Irregular expenditure not disclosed (2180 GS)	POWER	2 181
Appointment of a supplier who did not meet mandatory requirements	POWER	2 162
Extension of current contract	POWER	1 955
Extension of current contract	POWER	645
Extension of current contract	POWER	5 236
False declaration	POWER	1 411
Work without contracts	POWER	15 152
Supply and repair of ICT Hardware & Accessories	POWER	3 371
Removal of illegal metres and audits	POWER	7 117
Maintenance of DC Systems	POWER	526
Supply and installation of fibre	POWER	2 499
Extension of contract periods done after expiry date	POWER	2 583
Turnkey solutions for Electrification Projects	POWER	55 890
Third party vending	POWER	8 515
Security contract	POWER	34 697
Waterval key project	POWER	681
Labour contracts declared null and void by court	POWER	845 162
Fleet contract extended by CoJ	POWER	96 492
Subcontractor used to finalise disciplinary case	POWER	193
Strategic partner used to finalise disciplinary case	POWER	84
Security contract extension	POWER	60 639
Covid -19 emergency procurement	POWER	2 527
The process followed by JW of procuring the services through a deviation process contravenes the requirements of regulation 36 of the MFMA regulations	WATER	1 815
The process followed by JW of procuring the services through a deviation process contravenes the requirements of regulation 36 of the MFMA regulations	WATER	804
Incorrect functionality points were awarded to the winning bidder and non-compliance with sub-contracting regulations.	WATER	1 102
Incorrect functionality points were awarded to the winning bidder	WATER	2 978
No evidence to support the functionality criteria and points awarded.	WATER	7 428
The evaluation criteria applied on the bids were not consistent with what was stipulated in the tender documents	WATER	3 190
The process followed by JW of procuring the services through a deviation process contravenes the requirements of regulation 36 of the MFMA regulations	WATER	17 972

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## Notes to the Group Annual Financial Statements

The process followed by JW of procuring the services through a deviation process contravenes the requirements of regulation 36 of the MFMA regulations	WATER	4 354
The process followed by JW of procuring the services through a deviation process contravenes the requirements of regulation 36 of the MFMA regulations	WATER	1 671
The process followed by JW of procuring the services through a deviation process contravenes the requirements of regulation 36 of the MFMA regulations	WATER	134
The evaluation criteria applied on the bids were not consistent with what was stipulated in the tender documents	WATER	315
The process followed by JW of procuring the services through a deviation process contravenes the requirements of regulation 36 of the MFMA regulations	WATER	35 015
The process followed by JW of procuring the services through a deviation process contravenes the requirements of regulation 36 of the MFMA regulations	WATER	86 878
The entity did not meet the CIDB conditions relating to an award to a contractor with a 6CEPE grading	WATER	18 265
Vuk'uphile programme was developed to build the capacity amongst emerging contractors to execute increasing amount of labour-intensive work. Learner contractors in the programme received training required as part of the EPWP Guidelines so that when they exit the programme they are fully qualified to tender for and execute labour intensive projects. An independent investigation, performed by an external forensic investigating firm was conducted in 3 phases. The last phase concluded during the 2018-19 financial year and found that the programme did not follow the correct recruitment processes for the 65 learner contractors, and a lack of documentary evidence to substantiate the appointment of these learner contractors. The investigation further revealed evidence of bribery, corruption and extortion committed by 2 Johannesburg Water officials. These officials have since resigned from the entity. A criminal case has been instituted against these officials. (SAPS Case number 442/02/2018). The case has been escalated to the NPA who will make a decision on whether to prosecute or not. Investigations with regards to the remaining internal employees alleged to have failed to follow company guidelines for the programme were finalised and one disciplinary case is currently in progress.	WATER	56 929
The entity did not correctly apply Regulation 9 of the PPPFA, which stipulates that in contracts with a value of R30 million and more, a minimum of 30% must be stipulated during the tender phase for subcontracting. The value of this contract is more than R30 million but the entity specified a lesser percentage available for subcontracting. The reasons for this decision have been discussed with AGSA, however the opinion of AGSA is that the regulation has been applied incorrectly and thus leads to irregular expenditure. This was a two-year contract.	WATER	8 818
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 valuation	WATER	1 138
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	12 350



# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

The 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	39
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	54 054
<p>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 following reasons for the motivation were provided by JW:</p> <ul style="list-style-type: none"> <li>• Increase in the number of water prepaid vending units being deployed within the city</li> <li>• Over the last 3 to 5 years, the number of applications that need to be accessed via the internet has increased.</li> <li>• There is a plan to start moving business applications into cloud</li> <li>• The increase in bandwidth will increase the performance for users accessing JW application and systems of over the GSM network.</li> <li>• Natural Growth in demand</li> <li>• New email services will elevate email security to include scanning of internet links, macros in attachment and impersonation.</li> <li>• Email continuity is a service that allow JW employees to have full access to their email in the event the mail server is unavailable for a long period due to planned or unplanned outages.</li> </ul> <p>Although this is the current service provider that provides internet services to JW, they are not the only service provider that can provide internet services. 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.</p>	WATER	2 334
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	344
Quotations were found to consist of items of a similar nature which could have been combined and treated as a single transaction.	WATER	1 616
Quotations were found to consist of items of a similar nature which could have been combined and treated as a single transaction.	WATER	3 612
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	34 573
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	21 414
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	1 071
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	3 519

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

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	992
Transactions were identified during the year whereby SCM processes were not followed	MTC	1 989
In the current year the irregular expenditure is relating to Avis Fleet and payments made to City of Johannesburg (AON).	JDA	321
Over expenditure on contract	JRA	40 326
Employees in service of the state doing business with JRA	JRA	29
Non compliance with local content requirements	JRA	1 168
Non - compliance with regulation 32 of the MFMA.	JRA	274 513
Interview and magazine profiling for previous CEO were rendered without prior authorisation	JFPM	33
The contract had to be extended after it had expired as there was an intention to centralise printing and photocopying services by COJ, hence Joburg Market could not go out on tender	JFPM	382
Tax matters of the entity not resolved with SARS	JFPM	469
Tax matters of the entity not resolved with SARS	JFPM	816
The service provider performed repairs and maintenance work after their contract with Joburg Market had expired	JFPM	356
The contractor provided ad-hoc services (Sky Jack), which did not form part of contract with Joburg Market.	JFPM	51
The contract expired and the tendering process was put on hold due to in-sourcing of security by the City of Johannesburg	JFPM	12 030
The contract expired, however, there was a need to use the vehicles. The extension of the contract was done by COJ, which allowed the entities to rent Avis cars for transportation purposes. National Treasury deemed the contract to be irregular.	JFPM	1 209
The contract was extended whilst the entity awaits the organisational decision of Metro Trading Company	JFPM	6 467
Covid-19 PPE were procured from service provider after authorised budget was depleted	JFPM	16
Cleaning consumables purchased from supplier without following supply chain processes	JFPM	74
The entity had entered into the contract via section 32, however this contract was declared irregular by the Auditor General at the originating entity/organisation	JFPM	393
Goods purchased from supplier without following supply chain processes	JFPM	8
Diesel purchases from a service provider that is not tax compliant	JFPM	154
Purchased medicines which was not in the service providers initial awarded contract	JFPM	21
The service provider was awarded a contract for over R1m whilst they were not a registered VAT vendor (as per the VAT Act, you must be registered for VAT as soon as you foresee that your revenue will exceed R1m).	JFPM	1 076
Tax matters of the entity not resolved with SARS	JFPM	10
Goods purchased from supplier without following supply chain processes.	JFPM	112
Oracle	JFPM	702
Deviated from obtaining 3 quotes without obtaining CFO/delegated official approval - Metrofile(PTY) Ltd	JFPM	38
Deviated from obtaining 3 quotes without obtaining CFO/delegated official approval - Indigo travel (PTY) Ltd	JFPM	52
Irregular Expenditure - prior period adjustment	JFPM	4 867
Contract found irregular at the City of Johannesburg - AON Insurance	JFPM	769
Supplier was appointed to supply goods even though they were not the cheapest when compared to other suppliers who submitted quotes	JFPM	26

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Competitive bidding process not followed for transaction above R200 000	Metrobus	21 797
Contract amount exceeded - No procurement process followed (Timing/Value)	Metrobus	914
Transversal City Contracts	Metrobus	18 969
In the service of the state	Metrobus	138
Fleet contracts entered into by the City of Johannesburg without following a competitive bidding process	JCPZ	54 627
Advertisement of long term contracts below 30 days	JCPZ	8 755
Amounts made without following a competitive bidding process by city of Johannesburg-Insurance- current year	JCPZ	8 281
Amounts made without following a competitive bidding process - spending beyond original quoted amount	JCPZ	150
Amounts made without following a competitive bidding process by city of Johannesburg-Insurance- prior year	JCPZ	5 851
Unrecorded portion of irregular expenditure - incurred up to 30 June 2018	JCPZ	596
Irregular expenditure omitted in the calculations	JCPZ	50
Landfill fleet	PIKITUP	64 354
Fleet costs	PIKITUP	101 980
Public protector report	PIKITUP	14 636
IT Services	PIKITUP	6 623
Security contract	PIKITUP	13 993
During the audit of 2019/20 financial year, auditors identified two (2) tenders and (three) 3 request for quotations which should have been advertised with a local content requirement in accordance with regulation 8(2) of preferential procurement regulations of 2017.	THEATRE	616
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 and is therefore required to disclose irregular expenditure.	THEATRE	211
Extension of security contracts pending finalization of insourcing process	JOSHCO	1 662
Irregular insurance contract at CoJ	JOSHCO	372
Capex expenditure for Completion of Dobsonville project	JOSHCO	5 665
JPC incurred R11 436 050 for fleet services. Fleet services are an essential requirement for the operations of JPC and could not be discontinued under the existing contract that was entered into by the COJ	JPC	11 436
The JPC issued a tender for a panel of professionals under POP 03/2018. The tender was issued to the public through a competitive bidding process. The JPC Bid Adjudication Committee awarded the tender after having followed due process. The Auditor General declared the panel irregular stating that the Bid Evaluation Committee members were not fair in allocating their scores. The JPC has since withdrawn the panel under POP 03/2018 and bidders were informed of the withdrawal.	JPC	2 008
Supply chain management non-compliance	JPC	6 207
		<b>3 296 444</b>

### Amounts written-off

After the Council committee investigations, Council adopted the council committee recommendation to write-off an amount of R 1 712 249 595 (2019: R221 465 000) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

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### 52. IN-KIND DONATIONS AND ASSISTANCE

The following in-kind donations were received by the Mayor's office during the year up to 30 June 2020

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Name of individual/entity	Description of in-kind donation received	Estimated value (in Rands)
Rotary Club Johannesburg	Wooden Picture Frame	170
Willie Slabber and Paul Richardson	Haig Dimple Deluxe Scotch Whiskey in Ceramic Decanter	1 500
De Wetshof Retirement Village	George Lee Networkin CD	154
Johannesburg Property Company	Leather Binder Notebook	120
	Branded Pencil Bag	90
	Branded Pencil Bag	30
	Flash Disk	80
	Forbes Magazine	50
Joburg Market	Branded Umbrella	100
	Leather Money and Card Holder	125
Discovery	Mens Breathable Padded Cycling Shorts	1 800
	Mens Cycling Bike Jersey Short Sleeve with 3 Rear Pockets	800
	Navy Discovery Nylon Sport Tog Bag	200
	Drawstring Sport Backpack	50
	600ml Glass Bottle with Navy Blue Sleeve	70
	Sports Towel with Corner Zipper Pocket	140
	Branded Socks	60
	Branded Cap	130
Craig and Fatima Newman	Glenlivet 15 Year Old French Oak Reserve Single Malt Scotch Whisky	900
Boitumelo Tuma Mputle	B Inspired Devotions Book	200
Dennis Maboneng Street Market	Pocket Square and Lapel Flower	95
Mahant Swami Maharaj	Box of Fudge	230
Standard Bank Joy of Jazz Golf Day	Backsberg Sparkling Brut 2017 MCC	160
M. Africa	Life Luxury & Style Magazine	70
Standard Bank Joy of Jazz	Wine Opener and Stopper	190
	22 Years of Standard Bank Joy of Jazz CD	79
Kyalami Grand Prix Circuit	Softshell Jacket	550
	Cap	150
Georgina - Group Communications	Rosewood Branded Pen and Letter Opener Set	570
	Two 1 x 0.8m Photograph Frames	3 000
Mr Jono Leaf-Wright	Framed Jozi Stars Team Shirt	2 000
	Jozi Stars Cotton T-shirt	90
	Branded Jozi Stars Cap	160
	Branded Drawstring Bag	40
	Branded Mini Cricket Bat	119
Ms. Anju Ranjan	Nederburg Red Wine, Ferrero Rocher, Lindt Lindor Mint Chocolate	350
CNBC Africa	Cuvee Billionnaires Row Champagne: Charles Mignon	-
SGV Attorneys	6 X 450 ml Lara Wine Glasses	-
Madoda Dlamini	50 Years of Passion and Innovation	-
Nazeer Essop & George Tshesane	Journal: and Deloitte Newsletters	150
Ms. Simphiwe Zuma	Journal: It always Impossible Until its done	350
	R200Book: Betting on a Darkie – Lifting the Corporate Game R150Customised Wooden Plaque	
Mcdonald Mathabe	2 X Boxes of Chop Sticks, Book: Up and Out of Poverty By President XI Jinping, BOOK: Governance of China 2 By His Excellency the President of Peoples Republic of China XI Jinping, 1 X Red Chinese Plate, 1X Box Chinese Tea	1 000
Sweden Embassy	Crafted Crystal Glass material	150
Elsa Wang	Huawei PRO30	7 000

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

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**23 272**

In addition to the above, there were COVID-19 related donations that were received. Please refer to the Impact of COVID-19 note for the detail.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

### 53. 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	
	2020	2019	2020	2019
Emergency - Reg (1)(a)(i)	348 852	720 055	125 204	645 474
Sole supplier - Reg (1)(a)(ii)	106 736	225 678	79 229	3 313
Special work of art - Reg (1)(a)(iii)	-	28 879	-	-
Aquisition of animals - Reg (1)(a)(iv)	740	2 285	-	-
Impracticability - Reg (1)(a)(v)	927 979	1 969 730	419 252	1 419 437
Ratification of minor breaches - Reg (1)(b)	16 844	21 615	1 049	6 575
Other contracts extensions	218 466	177 473	-	-
	<b>1 619 617</b>	<b>3 145 715</b>	<b>624 734</b>	<b>2 074 799</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 54. RELATED PARTIES

#### Relationships

Ultimate controlling entity  
Municipal owned entities

City of Johannesburg Metropolitan Municipality 18  
Johannesburg City Parks 19  
Johannesburg Metropolitan Bus Services (Pty) Ltd  
Johannesburg Social Housing Company (Pty) Ltd  
City Power Johannesburg (Pty) Ltd  
Johannesburg Development Agency (Pty) Ltd  
Johannesburg Roads Agency (Pty) Ltd  
Johannesburg Water (Pty) Ltd  
The Johannesburg Civic Theatre (Pty) Ltd  
The Johannesburg Fresh Produce Market (Pty) Ltd  
Pikitup Johannesburg (Pty) Ltd  
City of Johannesburg Property Company (Pty) Ltd  
Metropolitan Trading Company (Pty) Ltd

#### Related party balances

#### Amounts included in Loans, Trade and other receivables with related parties

City Power Johannesburg (Pty) Ltd	8 056 042	7 068 681
City of Johannesburg Property Company (Pty) Ltd	427 874	365 855
Johannesburg City Parks	118 425	51 161
Johannesburg Development Agency (Pty) Ltd	362 531	468 982
Johannesburg Metropolitan Bus Services (Pty) Ltd	767 307	834 326
Johannesburg Roads Agency (Pty) Ltd	144 321	105 362
Johannesburg Social Housing Company (Pty) Ltd	461 455	318 228
Johannesburg Water (Pty) Ltd	4 198 953	4 350 388
Metropolitan Trading Company (Pty) Ltd	2 265 954	1 853 697
Pikitup Johannesburg (Pty) Ltd	1 217 491	1 013 662
The Johannesburg Civic Theatre (Pty) Ltd	9 396	806
The Johannesburg Fresh Produce Market (Pty) Ltd	92 627	52 139
	<b>18 122 376</b>	<b>16 483 287</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 54. RELATED PARTIES (continued)

#### Amounts included in Loans,

#### Trade and other payables with related parties

City Power Johannesburg (Pty) Ltd	912 026	1 321 051
City of Johannesburg Property Company (Pty) Ltd	593 023	402 122
Johannesburg City Parks	804 980	745 293
Johannesburg Development Agency (Pty) Ltd	503 219	744 594
Johannesburg Metropolitan Bus Services (Pty) Ltd	31 350	42 936
Johannesburg Roads Agency (Pty) Ltd	1 195 140	1 141 068
Johannesburg Social Housing Company (Pty) Ltd	311 442	212 739
Johannesburg Water (Pty) Ltd	1 203 305	1 154 747
Metropolitan Trading Company (Pty) Ltd	1 233 396	845 949
Pikitup Johannesburg (Pty) Ltd	1 728 252	1 183 586
The Johannesburg Civic Theatre (Pty) Ltd	5 722	2 470
The Johannesburg Fresh Produce Market (Pty) Ltd	442 916	313 658
	<b>8 964 771</b>	<b>8 110 213</b>

#### Related party transactions

#### Revenue from related parties

City Power Johannesburg (Pty) Ltd	726 705	681 170
City of Johannesburg Property Company (Pty) Ltd	66 963	36 218
Johannesburg City Parks	14 187	9 967
Johannesburg Development Agency (Pty) Ltd	28 678	24 175
Johannesburg Metropolitan Bus Services (Pty) Ltd	69 813	68 295
Johannesburg Roads Agency (Pty) Ltd	29 395	21 528
Johannesburg Social Housing Company (Pty) Ltd	1 092	671
Johannesburg Water (Pty) Ltd	555 816	524 213
Metropolitan Trading Company (Pty) Ltd	166 667	149 002
Pikitup Johannesburg (Pty) Ltd	95 638	89 348
The Johannesburg Civic Theatre (Pty) Ltd	7 152	998
The Johannesburg Fresh Produce Market (Pty) Ltd	3 279	4 519
	<b>1 765 385</b>	<b>1 610 104</b>

#### Operating Expenditure

City Power Johannesburg (Pty) Ltd	125 930	100 997
City of Johannesburg Property Company (Pty) Ltd	784 728	778 771
Johannesburg City Parks	953 629	899 073
Johannesburg Development Agency (Pty) Ltd	72 072	39 006
Johannesburg Metropolitan Bus Services (Pty) Ltd	638 578	547 722
Johannesburg Roads Agency (Pty) Ltd	1 219 122	1 152 302
Johannesburg Social Housing Company (Pty) Ltd	44 159	34 831
Johannesburg Water (Pty) Ltd	489 822	499 027
Metropolitan Trading Company (Pty) Ltd	459 148	375 685
Pikitup Johannesburg (Pty) Ltd	790 247	595 354
The Johannesburg Civic Theatre (Pty) Ltd	150 987	142 343
The Johannesburg Fresh Produce Market (Pty) Ltd	30 178	21 299
	<b>5 758 600</b>	<b>5 186 410</b>

#### Commitments

Johannesburg Development Agency	2 390 079	1 325 957
Johannesburg City Parks & Zoo	13 711	13 711
Johannesburg Social Housing	219 380	-
Johannesburg Roads Agency	1 499 036	437 076
	<b>4 122 206</b>	<b>1 776 744</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 54. RELATED PARTIES (continued)

### 55. CHANGE IN ESTIMATE

#### Property, plant and equipment

The useful lives of certain property, plant and equipment have been reviewed and re-assessed 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.

The following Municipal entities had changes in their asset's useful lives based on re-assessments performed, and the effect on the current and future periods thereof:

#### Metrobus

The useful life and residual value adjustment resulted in a decrease in depreciation in the current year amounting to R4,236,965

#### Joburg Water

Computer Equipment have been reassessed. The impact of the change in estimate is a decrease in the current year depreciation by R407 000 and a decrease in future years depreciation by R270 000.

Furniture and Fittings have been reassessed. The impact of the change in estimate is a decrease in the current year depreciation by R5 000 and a decrease in future years depreciation by R3 000.

Laboratory Equipment have been reassessed. The impact of the change in estimate is a decrease in the current year depreciation by R4 000 and a decrease in future years depreciation by R3 000.

Minor Plant have been reassessed The impact of the change in estimate is a decrease in the current year depreciation by R3 000 and a decrease in future years depreciation by R3 000.

Office Equipment range remains 5 to 18 years as described in the policy; however, the sub classes within the Office Equipment have been reassessed. The impact of the change in estimate is a decrease in the current year depreciation by R1 000 and a decrease in future years depreciation by R500.

#### City Power

The Computer equipment useful life was reassessed and the impact to current year depreciation is a decrease of R1 717 000 and an increase in future periods of R171 000.

Plant and machinery was reassessed and the impact to current year depreciation is a decrease of R891 000 and an increase in future periods of R891 000.

Furniture and fittings was reassessed and the impact to current year depreciation is a decrease of R2 496 000 and an increase in future periods of R2 496 00.

#### 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 R 5 925 992 (2019: 30 121 583)

#### 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 R 20 725 585 (2019: R21 616 569).

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 56. EVENTS AFTER THE REPORTING DATE

#### Unauthorised, Irregular and Fruitless and wasteful expenditure write-off and recovered

On 30 July 2020 and 28 October 2020, Council resolved to certify certain Unauthorised, Irregular and Fruitless and wasteful Expenditure as irrecoverable. In addition, Council resolved to immediately recover fruitless and wasteful expenditure incurred by the City from its officials. These approvals have occurred after 30 June 2020, and the circumstances are in connection to circumstances that were there before or on 30 June 2020. Due to the fact that the approvals were before the financial statements were authorised for issue (i.e. After audit is concluded) these are therefore adjusting events and the 30 June financial statements must be amended to account for the write-offs and recovery of the expenditure.

The total value of these write-offs and recoveries accounted for in the applicable notes is as follows:

	Amounts approved 30 July 2020	Amounts approved 30 October 2020	Total
Unauthorised Expenditure (Written off)	-	1 434 172	1 434 172
Irregular Expenditure (Written off)	958 863	753 387	1 712 250
Fruitless and wasteful Expenditure (Written off)	19 443	1 949	21 392
Fruitless and wasteful expenditure (Recoverable)	-	2 183	2 183
	<b>978 306</b>	<b>2 191 691</b>	<b>3 169 997</b>

### 57. CURRENT TAX RECEIVABLES (STATUTORY RECEIVABLE)

These are amounts receivable by the group as a result of transaction attracting Income Tax as legislated under the Income Tax Act 58 of 1962 from the South African Revenue Services.

No impairments against the current tax receivables.

### 58. VAT PAYABLE

Tax refunds payables	48 064	61 430	-	-
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### 59. FINANCE INCOME

#### Interest revenue

Bank	350 516	380 405	1 450 572	1 383 204
Interest charged on trade and other receivables	244 359	315 080	57 084	53 533
Interest- Other	44 555	56 751	58 120	51 386
	<b>639 430</b>	<b>752 236</b>	<b>1 565 776</b>	<b>1 488 123</b>

### 60. FINANCE COSTS

Borrowings	2 329 728	2 271 992	2 531 944	2 395 574
Trade and other payables	20 391	28 085	-	-
Interest on post retirement	89 755	118 447	109 339	116 005
Interest unwinding on rehabilitation of landfill	48 439	41 889	-	-
Interest- Other	35 751	39 623	29 431	33 065
	<b>2 524 064</b>	<b>2 500 036</b>	<b>2 670 714</b>	<b>2 544 644</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019
<b>61. TAXATION</b>				
<b>Major components of the tax income</b>				
<b>Current</b>				
Local income tax - current period	68 192	76 985	-	-
<b>Deferred</b>				
Originating and reversing temporary differences	(83 165)	(97 382)	-	-
	<b>(14 973)</b>	<b>(20 397)</b>	-	-
<b>Reconciliation of the tax expense</b>				
Reconciliation between accounting surplus and tax expense.				
Accounting surplus	3 660 816	6 470 397	2 135 677	4 372 597
Tax at the applicable tax rate of 28% (2019: 28%)	1 025 028	1 811 711	597 990	1 224 327
<b>Tax effect of adjustments on taxable income</b>				
Non-taxable and non-deductible items	(955 550)	(1 769 731)	(597 990)	(1 224 327)
(Over)/ under provision of prior years	(84 451)	(62 377)	-	-
	<b>(14 973)</b>	<b>(20 397)</b>	-	-
<b>62. RENTAL OF FACILITIES AND EQUIPMENT</b>				
<b>Facilities and equipment</b>				
Rental of facilities	77 855	78 824	5 798	7 940
Rental of properties	281 300	261 057	130 150	132 378
	<b>359 155</b>	<b>339 881</b>	<b>135 948</b>	<b>140 318</b>
<b>63. AGENCY SERVICES</b>				
Commission	634 527	676 904	211 766	265 108
Billing and collection	57 339	96 842	410 310	431 494
Management Fees	15 373	-	-	-
	<b>707 239</b>	<b>773 746</b>	<b>622 076</b>	<b>696 602</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### Joburg Market Fresh Produce

The sale of fresh produce on National Fresh Produce Markets are governed by the Agriculture Produce Agent Council Act (APAC) and Market By Laws. The City is an agent through Joburg Market facilitating to sale of fruits and vegetables. The commission earned is R408.3 million (2019: R398.7 million). Amounts held and payable to principal R60.2million (2019: R73.6million)

### Gauteng Department of Roads and Transport

The agreement requires the city to perform all the registering and testing functions on behalf of the department which consist of Motor vehicle registration and licencing, Driving licence test centre functions and Vehicle testing station functions. The City is an Agent to the agreement as they are only entitled to a commission amount and deposit all the net amount received for services rendered to the provincial department. City's failure to deposit amounts collected to the province for a period of two months result to strict requirement of depositing daily to the department. Thus a principal-agent arrangement exists, and CJMM is the agent as per GRAP 109. Amounts held and payable to principal R35.4million (2019: R42 million)

### Vehicle registration are driver's licencing commission can be broken down as follows:

Licensing	172 974	216 774	172 974	216 774
Permit fees	16 521	19 234	16 521	19 234
Certificate fees	4 674	5 814	4 674	5 814
Testing fees	16 519	21 972	16 519	21 972
Trade plates	1 078	1 313	1 078	1 313
	<b>211 766</b>	<b>265 107</b>	<b>211 766</b>	<b>265 107</b>

## 64. PRINCIPAL AGENT ARRANGEMENT

### Webtickets

City of Johannesburg as a Principal The group has an agreement with Webtickets to sell tickets for shows. Through this arrangement Webtickets uses its distribution platform via Pik N Pay. All sales through Pik N Pay are deposited directly to Webtickets who in turn deducts the ticketing fee and pay the amount due to JCT. The table below provides the transactions that relates to the arrangement.

### South African Post Office Limited

The agreement is between the South African Post Office Limited and City of Johannesburg Metro Municipality where the terms and conditions have been agreed upon that the Post office will accept payments from city customers on behalf of the City at their post office outlets. The City is a principal to this agreement.

### Transwitch

The City is a principal to an agreement where Transwitch Services (Pty) Ltd (TSS) will collect all the outstanding accounts owed by city customers on behalf of the City.

TSS must ensure that all payments collected must be paid to the City's nominated bank account not later than 24 hours after collection. and in the event that next day is weekend or public holiday, the payment must be made on the next business day thereafter.

Entity	Cash held by agent		Cash paid by agent		Commision paid	
-	2020	2019	2020	2019	2020	2019

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 64. PRINCIPAL AGENT ARRANGEMENT (continued)

Transwitch Services (Pty) Ltd	22 074	44 202	5 285 370	5 105 372	99 216	95 322
South African Post Office Limited	13 856	3 231	389 189	390 894	2 035	2 050
Webtickets	-	-	1 744	2 148	92	116

All the cash held by the agents on behalf of the City is expected to be settled by not later than 31 July 2020

### 65. SURCHARGES AND TAXES

Surcharges- Electricity	187 412	173 705	187 412	173 705
Surcharges- Water	62 809	45 539	62 809	45 539
Surcharges- Refuse	6 045	5 575	6 045	5 575
	<b>256 266</b>	<b>224 819</b>	<b>256 266</b>	<b>224 819</b>

### 66. CASH MANAGEMENT

Since 2013 financial year, Transport department within City of Johannesburg had cash losses due to alleged fraudulent activities and theft amounting to R0 (2019: R8 033 000). 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.

95 001	86 968	95 001	86 968
-	8 033	-	8 033
<b>95 001</b>	<b>95 001</b>	<b>95 001</b>	<b>95 001</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

## Notes to the Group Annual Financial Statements

	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019

### 67. IMPACT OF COVID-19

The covid-19 pandemic has created significant challenges to the operational activities of City of Johannesburg group some of the impacts by Covid-19 amongst other were:

- In July 2020, the City council approved Revenue foregone as a form of Disaster Rebate Relief from lockdown level 5 which commenced on the 27th March 2020 and will be provided for a period of three months ending June 2020
- For billing and outstanding balances on all services for this three months period, the City has provided a relief on interest and suspension on the credit control actions: Waiving of interest on all city customers for their outstanding balances with the amount of interest waived being R37 million. Relaxing the current 50% and 30% compulsory payments when customers are entering into a payment arrangements for their outstanding balance and replacing with 10% minimum deposit with no supporting documents confirming affordability.
- Extension on the Expanded Social Package benefits expiring within this period until Level 1 lockdown. Due to the impact of Covid-19 and Credit Control Policy relief, the City average collection rate went down by 2.8%. A significant Increase in debt impairment and write-off due to the credit control measures being suspended as a result of the Lockdown Regulation implemented by National Government resulting in an unanticipated decline in the collection of overdue debtors.
- Ticketing and catering services for Joburg theatre declined due to hard lock down regulations implemented . The outbreak resulted in strict lockdown regulations being enforced across the country and led to the temporary closure of all the group construction sites from the end of March 2020 until the beginning of June 2020 Most development projects continued into the 2020/21 financial year and in some cases, completion dates had to be deferred to take into consideration the lockdown period.
- The National Lockdown has had a significant impact on the business of transport which has seen a significant decline in its revenue performance due to passengers remaining at home complying and implementing lockdown regulations. This pandemic has adversely affected the cash collection from consumer debtors as people diverted money they would normally pay to other essential needs
- A Government Gazette No.43181 was issued on 30 March 2020 that allows municipalities to pass a special adjustment budget before the end of the 2019/20 financial year to authorise all expenditure linked to the emergency to address the COVID-19 pandemic.

The following was spent in response to COVID-19:

Entity and Description	Type of donation
Wheels on meals on CoJ Premises catered for the following areas:	Meals per day
Hilbrow	600 Meals
Bertha Solomon	600 Meals
Hoffland	600 Meals
Jan Hoffmeyer	600 Meals
Grosvenor	600 Meals
Florida	30 Meals
World View Flats	265 Meals
World View Park	325 Meals
Church of Scientology	Sanitation of buildings
CADENA	Hand Sanitizers and Pamphlets in different languages
Megan Simpson	400 Masks
ANOVA Health	10 Gazebos
SASOL	1,500 litres handsanitizer 1000 surgical masks 1000 gloves and 2000 bars of soap
SONOF Africa	Nuo Air Purifiers - 2
Various Companies, Individuals and NGOs	Food Parcels

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	GROUP		CJMM	
Figures in Rand thousand	2020	2019	2020	2019