



**a world class African city**

CITY OF JOHANNESBURG  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## General Information

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### MAYORAL COMMITTEE

Executive Mayor

Parks Mpho Tau (Chairperson)  
(1 JUNE 2011 - 30 JUNE 2016)

Amos Masondo (Chairperson)  
(1 JULY 2006 - 31 MAY 2011)

Councillors

(1 JUNE 2011 - 30 JUNE 2016)  
Ruby Mathang (Development Planning and Urban Management)  
Geoff Makhubu (Finance)  
Mally Mokoena (Environment and Corporate Services)  
Sello Lemao (Economic Development)  
Nonceba Molwele (Health and Human Development)  
Matshidiso Mfikoe (Public Safety)  
Rosslyn Greeff (Infrastructure and Services)  
Rehana Moosajee (Transportation)  
Daniel Bovu (Housing)  
Connie Bapela (Speaker of Council)  
Chris Vondo (Community Development)  
Prema Naidoo (Chief Whip)  
Elginah Ndhlovhu (Chief of Staff)  
Bafana Sithole (Ordinary Councillor)  
Bhengeza Mthombeni (Ordinary Councillor)  
Christene Walters (Ordinary Councillor)  
Nkele Ntingane (Ordinary Councillor)

(1 JULY 2006 - 31 MAY 2011)  
Parks Mpho Tau (Finance)  
Ruby Mathang (Housing)  
Matshidiso Mfikoe (Environment and Corporate Services)  
Rosslyn Greeff (Development Planning and Urban Management)  
Rehana Moosajee (Transportation)  
Prema Naidoo (Chief Whip)  
Elgina Ndhlovu (Public Safety)  
Bafana Sithole (Community Development)  
Bhengeza Mthombeni (Health)  
Oupa Monareng (Economic Development)  
Christine Walters (Infrastructure and Services)  
Nkele Ntingane (Speaker of Council)  
Mally Mokoena (Ordinary Councillor)  
Nonceba Molwele (Ordinary Councillor)  
Daniel Bovu (Ordinary Councillor)  
Connie Bapela (Ordinary Councillor)

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## 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

Mavela AV Dlamini

### EXECUTIVE DIRECTOR : FINANCE

Mankodi Moitse

### 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

### BANKERS

ABSA Bank Limited

### AUDITORS

The Office of the Auditor-General : Gauteng  
Registered Auditors  
61 Central Street  
Houghton  
2198

PO Box 91081  
Auckland Park  
2006

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

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# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

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### ABBREVIATIONS

AUC	Assets Under Construction
BESA	Bond Exchange South Africa
CJMM	City of Johannesburg Metropolitan Municipality
CMP	Corporate Media Platforms
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DMTN	Domestic Medium Term Note
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation

## **City of Johannesburg**

Annual Financial Statements for the year ended June 30, 2011

### **Municipal Manager's approval of the Annual Financial Statements**

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The 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.

The Annual Financial Statements which have been prepared on the going concern basis, was approved by the Group Audit Committee on 31 August 2011 and was signed on its behalf by:

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**Mavela AV Dlamini**  
**Municipal Manager**

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Statement of Financial Position

Figures in Rand thousand	Note(s)	2011	2010
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	3	92,776	29,275
Loans to Municipal Entities	4	833,198	853,708
Other financial assets	5	157,944	37,058
Trade and other receivables	6	2,601,587	1,604,777
VAT receivable	7	140,424	74,861
Consumer debtors	8	426,551	789,090
Cash and cash equivalents	9	643,438	276,621
		<b>4,895,918</b>	<b>3,665,390</b>
<b>Non-Current Assets</b>			
Investment property	10	1,166,676	1,049,474
Property, plant and equipment	11	23,107,276	22,105,656
Intangible assets	12	570,053	760,054
Investments in Municipal Entities	13	269,176	265,614
Loans to Municipal Entities	4	5,664,489	5,182,594
Other financial assets	5	2,442,198	2,071,318
		<b>33,219,868</b>	<b>31,434,710</b>
<b>Total Assets</b>		<b>38,115,786</b>	<b>35,100,100</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Loans and borrowings	16	336,996	348,593
Finance lease obligation	17	19,882	23,907
Trade and other payables	18	6,358,332	5,462,379
Obligations arising from conditional grants and receipts	19	532,077	577,722
Provisions	20	13,570	13,570
		<b>7,260,857</b>	<b>6,426,171</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	16	11,824,608	10,610,098
Finance lease obligation	17	64,388	67,434
Retirement benefit obligation	21	1,773,642	1,840,913
Provisions	20	338,271	310,090
Deferred income	22	1,871,252	1,820,483
Interest rate swap liability	23	43,098	-
Consumer deposits	24	213,960	224,511
		<b>16,129,219</b>	<b>14,873,529</b>
<b>Total Liabilities</b>		<b>23,390,076</b>	<b>21,299,700</b>
<b>Net Assets</b>		<b>14,725,710</b>	<b>13,800,400</b>
<b>NET ASSETS</b>			
Cashflow hedge reserve		(43,098)	-
Capital replacement reserve		14,260	93,049
COID reserve		129,223	102,535
Accumulated surplus		14,625,325	13,604,816
<b>Total Net Assets</b>		<b>14,725,710</b>	<b>13,800,400</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Statement of Financial Performance

Figures in Rand thousand	Note(s)	2011	2010
<b>Revenue</b>			
Property rates	26	4,747,493	4,105,862
Service charges	27	818,220	796,719
Rental of facilities and equipment		56,389	70,155
Interest received		1,051,964	1,168,422
Income from agency services		168,166	146,418
Public contributions and donations		99,420	9,198
Fines		315,398	257,645
Licenses and permits		806	917
Government grants & subsidies	28	5,979,244	6,654,528
Reversal of impairment	29	17,984	17,267
Other revenue	30	872,375	357,719
<b>Total Revenue</b>		<b>14,127,459</b>	<b>13,584,850</b>
<b>Expenditure</b>			
Employee related costs	31	(3,758,517)	(3,352,294)
Remuneration of councillors	32	(80,646)	(74,439)
Depreciation and amortisation	33	(935,725)	(694,374)
Net impairment losses	34	(41,872)	(36,202)
Finance costs		(1,463,015)	(1,563,779)
Allowance for impairment of current receivables	35	(1,189,013)	(445,540)
Repairs and maintenance		(120,219)	(83,727)
Contracted services	36	(1,337,406)	(1,135,051)
Grants and subsidies paid	37	(2,428,118)	(2,307,115)
General Expenses	38	(1,853,838)	(2,070,954)
<b>Total Expenditure</b>		<b>(13,208,369)</b>	<b>(11,763,475)</b>
(Loss)/gain on disposal of property, plant and equipment		(6,429)	(1,757)
<b>Surplus for the year</b>		<b>912,661</b>	<b>1,819,618</b>



# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Statement of Changes in Net Assets

	Note(s)	Capital replacement reserve	Cashflow hedge reserve	COID	Total reserves	Accumulated surplus	Total equity
Figures in Rand thousand							
Opening balance as previously reported		85,187	-	78,541	163,728	11,511,305	11,675,033
Adjustments							
Change in accounting policy		-	-	-	-	442	442
Prior year adjustments	42	-	-	-	-	183,009	183,009
<b>Balance at July 01, 2009 as restated</b>		<b>85,187</b>	<b>-</b>	<b>78,541</b>	<b>163,728</b>	<b>11,694,756</b>	<b>11,858,484</b>
Changes in net assets							
Contribution to COID Reserve		-	-	39,161	39,161	(39,161)	-
COID claims processed		-	-	(15,167)	(15,167)	15,167	-
Transfer to CRR		118,149	-	-	118,149	(118,149)	-
Unbundling of land		-	-	-	-	122,298	122,298
Net revenue (expenditure) recognised directly in equity		118,149	-	23,994	142,143	(19,845)	122,298
Surplus for the year		-	-	-	-	1,819,618	1,819,618
Total recognised revenue and expenditure for the year		118,149	-	23,994	142,143	1,799,773	1,941,916
PPE purchases from CRR		(110,287)	-	-	(110,287)	110,287	-
Total changes		7,862	-	23,994	31,856	1,910,060	1,941,916
Opening balance as previously reported		93,049	-	102,535	195,584	13,590,377	13,785,961
Adjustments							
Prior year adjustments	42	-	-	-	-	14,439	14,439
<b>Balance at July 01, 2010 as restated</b>		<b>93,049</b>	<b>-</b>	<b>102,535</b>	<b>195,584</b>	<b>13,604,816</b>	<b>13,800,400</b>
Changes in net assets							
Amount recognised directly in other comprehensive income during the year		-	(43,098)	-	(43,098)	-	(43,098)
Contribution to COID Reserve		-	-	43,220	43,220	(43,220)	-
COID claims processed		-	-	(16,532)	(16,532)	16,532	-
Transfer to CRR		126,617	-	-	126,617	(126,617)	-
Unbundling of land		-	-	-	-	55,747	55,747
Net revenue (expenditure) recognised directly in equity		126,617	(43,098)	26,688	110,207	(97,558)	12,649
Surplus for the year		-	-	-	-	912,661	912,661
Total recognised revenue and expenditure for the year		126,617	(43,098)	26,688	110,207	815,103	925,310
PPE purchases from CRR		(205,406)	-	-	(205,406)	205,406	-
Total changes		(78,789)	(43,098)	26,688	(95,199)	1,020,509	925,310
<b>Balance at June 30, 2011</b>		<b>14,260</b>	<b>(43,098)</b>	<b>129,223</b>	<b>100,385</b>	<b>14,625,325</b>	<b>14,725,710</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Cash Flow Statement

Figures in Rand thousand	Note(s)	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of goods and services		7,096,251	5,761,900
Grants		5,979,244	6,654,528
Interest income		975,009	1,074,306
		<u>14,050,504</u>	<u>13,490,734</u>
<b>Payments</b>			
Employee costs		(3,758,517)	(3,352,294)
Suppliers		(2,466,491)	(4,633,195)
Finance costs		(1,463,015)	(1,563,779)
		<u>(7,688,023)</u>	<u>(9,549,268)</u>
<b>Net cash flows from operating activities</b>	39	<b><u>6,362,481</u></b>	<b><u>3,941,466</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	11	(1,861,829)	(3,050,394)
Proceeds from sale of property, plant and equipment	11	24,013	44,146
Purchase of other intangible assets	12	(6,426)	(427,969)
Investments made		(4,789,200)	(1,101,665)
(Increase)/decrease in non current receivables		(450,982)	(90,375)
<b>Net cash flows from investing activities</b>		<b><u>(7,084,424)</u></b>	<b><u>(4,626,257)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(283,296)	(1,260,229)
Proceeds from borrowings		1,512,029	1,993,007
Repayment of provisions		-	(280,000)
Finance lease payments		(7,071)	(2)
Repayment of post retirement benefits		(122,351)	(122,895)
Increase/(decrease in consumer deposits		(10,551)	13,308
<b>Net cash flows from financing activities</b>		<b><u>1,088,760</u></b>	<b><u>343,189</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>366,817</u></b>	<b><u>(341,602)</u></b>
Cash and cash equivalents at the beginning of the year		276,621	618,223
<b>Cash and cash equivalents at the end of the year</b>	9	<b><u>643,438</u></b>	<b><u>276,621</u></b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 Consolidation

##### Investment in associates

An associate is an entity over which the controlling entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate 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, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the municipality's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the municipality's share of net assets of the investee. The surplus or deficit of the municipality includes the municipality's share of the surplus or deficit of the investee.

The municipality's share of the surplus or deficit of the investee is recognised in surplus or deficit.

The most recent available Annual Financial Statements of the associate are used by the municipality in applying the equity method. When the reporting date's of the municipality and the associate are different, the associate prepares, for the use of the municipality, Annual Financial Statements as of the same date as the Annual Financial Statements of the municipality unless it is impractical to do so.

When the Annual Financial Statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the municipality, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the municipality's Annual Financial Statements. In any case, the difference between the reporting date of the associate and that of the municipality is more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Deficits in an associate in excess of the municipality's interest in that associate are recognised only to the extent that the municipality has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the municipality resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in surplus or deficit.

Surpluses and deficits on transactions between the municipality and an associate are eliminated to the extent of the municipality's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement.

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements in conformity with GRAP, management is required to make judgements, estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. These estimates and underlying assumptions are reviewed on an ongoing basis.

Significant judgements include:

#### **Held to maturity investments and loans and receivables**

The CJMM assesses its loans and receivables (including trade receivables) and its held to maturity investments at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### **Available-for-sale financial assets**

The CJMM follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the CJMM evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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.

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

The 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 municipality for similar financial instruments.

#### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been 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 our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

## Accounting Policies

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Provisions are measured at the directors' 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.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

The increase in the restoration provision due to passage of time is recognised as borrowing cost in the income statement.

The cost of ongoing programmes to prevent and control pollution and rehabilitate the environment is recognised as an expense when incurred.

Provisions are measured at the directors' 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.

A provision is recognised when:

- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and
- a reliable estimate can be made of the amount of the obligation

#### Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of contingent liabilities are included in note 41.

#### 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 municipality 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 municipality 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.

Additional information is disclosed in Note 21.

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Accounting Policies

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

#### Debt impairment provision

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

#### Cost model

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

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

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

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Accounting Policies

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### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated, owing to the uncertainty regarding their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

<b>Item</b>	<b>Average useful life</b>
Land and buildings	
• Land	indefinite
• Buildings	30 years
Plant and equipment	10 - 15 years
Furniture and fittings	7 - 10 years
Motor vehicles	5 years
Office equipment	3 - 7 years
Computer equipment	3 years
Infrastructure	
• Electricity	40 - 85 years
• Housing	30 years
• Pedestrian Malls	30 years
• Roads and Paving	30 years
• Sewerage Infrastructure	100 years
• Water Infrastructure	100 years

# City of Johannesburg

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## Accounting Policies

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

Community	
• Buildings	30 years
• Recreational Facilities	20 - 30 years
• Security	5 years
Other	
• Dogs and horses	5 - 7 years
Bins and containers	5 years
Heritage assets	indefinite
Library books	10 years
Emergency equipment	5 - 15 years

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the statement of changes in net assets.



## Accounting Policies

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### 1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Research and development expenditure is written off as incurred.

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

<b>Item</b>	<b>Useful life</b>
Computer software	2 - 8 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Accounting Policies

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### 1.6 Investments in Municipal Entities

Investments in Municipal Entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

### 1.7 Investments in associates

An investment in an associate is carried at fair value and classified as fair value through surplus or deficit.

An associate is an entity over which the Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the Municipality or its Municipal Entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred. When CJMM's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest is reduced to nil, and the recognition of further losses is discontinued except to the extent that the CJMM has an obligation or has made payments on behalf of the investee.

Where the Municipality is no longer able to exercise significant influence over the associate the equity method of accounting is discontinued.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

### 1.8 Financial instruments

Non-derivative financial assets

The municipality initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

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.

The municipality classifies its non-derivative financial assets into the following categories:

- Held-to-maturity financial assets; and
- Loans and receivables.

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Held-to-maturity financial assets

If the municipality has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the municipality from classifying investment securities as held-to-maturity for the current and the following two financial years.

Held-to-maturity financial assets comprise various investments with several financial institutions and these have been presented under "Other financial assets".

#### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise loans to municipal entities, housing scheme loans, trade and other receivables, consumer debtors and cash and cash equivalents.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

#### Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the municipality, economic conditions that correlate with defaults or the disappearance of an active market for a security.

#### Loans and receivables and held-to-maturity investments

The municipality considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investments are assessed for specific impairment.

All individually significant loans and receivables and held-to-maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investments that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investments with similar risk characteristics.

In assessing collective impairment the municipality uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investments. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Non-derivative financial liabilities

The municipality initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

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.

The municipality classifies non-derivative financial liabilities into the other financial liabilities category.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, trade and other payables and consumer deposits.

Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### Derivative financial instruments, including hedge accounting

The municipality holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

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 ongoing 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 surplus or deficit.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in surplus or deficit 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 surplus or deficit, 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 equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in surplus or deficit.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to surplus or deficit in the same period that the hedged item affects surplus or deficit. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in surplus or deficit.

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in surplus or deficit.

Other non-trading derivatives

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 surplus or deficit.

### 1.9 Leases

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

#### Finance leases - lessor

The municipality 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 municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

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

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a 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 a straight-line basis.

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

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

#### Operating leases - lessee

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

## Accounting Policies

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### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

Inventories include consumable stores, maintenance materials, spare parts for plant and equipment, work in progress and land and or property held for sale. Cost is determined by the weighted average method and comprises all costs of purchases, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost and current replacement cost. Current replacement cost represents the cost the municipality would incur to acquire the asset on the reporting date. Where inventories are acquired at cost, or for nominal consideration, their costs are their fair value as at the date of acquisition.

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.

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

#### Change in Accounting Policy

During the period ending 30 June 2010 the City of Johannesburg changed its accounting policy with respect to the method used to account for its inventory. The change was from using the first-in-first-out basis to the weighted average method for accounting for inventory. The change in the accounting policy was as a result of a change in the accounting software of the entity which calculates the inventory balances and movements according to the weighted average method. Therefore in order to attain an accurate and complete set of information with regards to the inventory balance and movements, the change was warranted and is in accordance with the GRAP 3 treatment. The application of the change in accounting policy will result in the provision of more reliable and relevant information. This change in accounting policy has been accounted for retrospectively

### 1.11 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.12 Impairment of cash-generating assets

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the consolidated statement of financial performance immediately. The recoverable amount of the asset is the higher of the asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

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

Non-cash generating assets such as Infrastructure and Community assets are not impaired as no open market value can be obtained and there is no intention to sell these assets as they are for the benefit of the community.

The CJMM has various maintenance and upgrading programmes to ensure continuous uphold and sustained use of these non-cash generating assets.

### 1.14 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.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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.

#### Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

# City of Johannesburg

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## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Purchase of service

Certain pension funds allow members to purchase additional service in terms of the fund's rules. This is reflected in the statement of financial performance when the expense is incurred.

#### Bonus pensionable service and medical boarding's.

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- 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.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where 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 municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

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

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

Provisions are not recognised for future operating deficits.

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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.



## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

### 1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

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

#### Sale of goods

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

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

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

- 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 municipality;
- 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.

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

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

## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

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.

#### Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

### 1.17 Investment income

Investment income comprises interest income on funds invested. Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.12 and 1.13. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Accounting Policies

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### 1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

### 1.21 Fruitless and wasteful expenditure

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

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

### 1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Accounting Policies

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### 1.23 Presentation of currency

These Annual Financial Statements are presented in South African Rand.

### 1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.25 Internal reserves

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

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

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is 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.

### 1.26 Conditional grants and receipts

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

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 2. STATEMENT AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these Annual Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

- GRAP 18 - Segment Reporting
- GRAP 21 - Impairment of non-Cash-Generating Assets
- GRAP 23 - Revenue from non-Exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee benefits
- GRAP 26 - Impairment of Cash-Generating Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments

### 3. INVENTORIES

Consumable stores		33,073	29,294
Housing stock		59,730	-
		<hr/>	<hr/>
		92,803	29,294
Inventories (write-downs)		(27)	(19)
		<hr/>	<hr/>
		<b>92,776</b>	<b>29,275</b>
Cost of inventories expense	Note 38	15,103	14,727

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>4. LOANS TO MUNICIPAL ENTITIES</b>		
<b>Shareholder loans</b>		
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 16% Maturity = No set date for repayment	624,793	624,793
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% Maturity = No set date for repayment	454,939	519,933
	<b>1,079,732</b>	<b>1,144,726</b>
<b>Conduit and additional loans</b>		
City of Johannesburg Property Company (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2011	1,500	4,312
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate range = 10.2% to 17.5% Maturity = 30 June 2017	2,553,150	2,574,415
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	93,907	107,671
Johannesburg Roads Agency (Pty) Ltd Terms and conditions: Rate = 12.09% Maturity = 30 July 2010	-	331
Johannesburg Water (Pty) Ltd Terms and conditions: Rate range = 10.2% to 17.5% Maturity = 30 June 2016	2,460,259	1,875,390
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 10.2% to 17.5% Maturity = 30 June 2016	132,548	149,278
The Johannesburg Fresh Produce Market (Pty) Ltd Terms and conditions: Rate range = 10.2% to 17.5% Maturity = 30 June 2016	190,903	212,475
	<b>5,432,267</b>	<b>4,923,872</b>
Less impairment of loans to Pikitup Johannesburg (Pty) Ltd	<b>(14,312)</b>	<b>(32,296)</b>
	<b>5,417,955</b>	<b>4,891,576</b>
All loans are repayable as per the terms and conditions reflected above.		
Non-current assets	5,664,489	5,182,594
Current assets	833,198	853,708
	<b>6,497,687</b>	<b>6,036,302</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>4. LOANS TO MUNICIPAL ENTITIES (continued)</b>		
<b>Credit quality of loans to group companies</b>		
The credit quality of municipal entities is not determined on an individual basis. The credit rating is done at a group level.		
<b>Credit rating</b>		
AA-	6,497,687	6,036,281
<b>Fair value of loans to municipal entities</b>		
City of Johannesburg Property Company (Pty) Ltd	1,548	2,926
City Power Johannesburg (Pty) Ltd	3,317,568	3,199,214
Johannesburg Metropolitan Bus Services (Pty) Ltd	98,858	104,146
Johannesburg Roads Agency (Pty) Ltd	-	331
Johannesburg Water (Pty) Ltd	3,075,659	2,409,230
Pikitup Johannesburg (Pty) Ltd	148,047	153,139
The Johannesburg Fresh Produce Market (Pty) Ltd	207,223	210,436
The fair value of the loans has been calculated using the discount rates which are based on the City of Johannesburg's Yield Curve.		
<b>Reconciliation of provision for impairment of loans to group companies</b>		
Opening balance	244,597	261,864
Reversal	(17,984)	(17,267)
	<b>226,613</b>	<b>244,597</b>
The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance. No loans are currently past due, all loan repayments were done in terms of the loan agreements.		
<b>5. OTHER FINANCIAL ASSETS</b>		
<b>Held to maturity investments</b>		
Other financial assets	2,501,801	2,017,616
<b>Loans and receivables</b>		
Housing Selling scheme loans	2,089	2,089
Other loans and receivables	98,341	90,760
	100,430	92,849
Loans and receivables - Impairments	(2,089)	(2,089)
	<b>98,341</b>	<b>90,760</b>
<b>Total other financial assets</b>	<b>2,600,142</b>	<b>2,108,376</b>
<b>Non-current assets</b>		
Held to maturity	2,343,857	1,980,558
Loans and receivables	98,341	90,760
	<b>2,442,198</b>	<b>2,071,318</b>
<b>Current assets</b>		
Held to maturity	157,944	37,058
	<b>2,600,142</b>	<b>2,108,376</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 5. OTHER FINANCIAL ASSETS (continued)

#### Held to maturity investments

	2011 Amortised Cost	2011 Market Values
ABSA Investment Maturity - 20.12.2012 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	135,677	149,184
SCMB Long-term Investment Maturity - 31.08.2013 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	22,953	29,425
Investment: RMB - E Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	54,270	90,215
Investment: RMB - E Maturity - 31.12.2012 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	239,391	354,963
Investment: RMB R10 Maturity - 30.11.2014 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	57,127	94,964
STD Bank: (2496) Maturity - 30.11.2011 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	46,932	49,929
ABSA Sinking Fund 20 Maturity - 05.06.2023 Rating - (AAA) Pledged as collateral for CJMM Bond redemptions	1,922,526	1,922,526
Fixed Deposit - RMB Maturity - 30.11.2014 Rating - (AA) Pledged as collateral cannot be sold until the related liability is settled in full	22,924	22,924
	<b>2,501,800</b>	<b>2,714,130</b>



# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>5. OTHER FINANCIAL ASSETS (continued)</b>		
	<b>2010 Amortised Cost</b>	<b>2010 Market Values</b>
ABSA Investment Maturity - 20.12.2012 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	125,960	345,324
SMB Long-term Investment Maturity - 31.08.2013 Rating - (A-) Pledged as collateral cannot be sold until the related liability is settled in full	20,306	45,656
Investment: RMB - E Maturity - 30.11.2014 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	46,079	77,634
Investment: RMB - E Maturity - 31.12.2012 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	218,194	621,458
Investment: RMB R10 Maturity - 30.11.2014 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	48,504	81,720
STD Bank: (2496) Maturity - 30.11.2011 Rating - (A-) Pledged as collateral cannot be sold until the related liability is settled in full	40,096	185,150
INCA & STD Bank Red Maturity - 30.06.2011 Rating - (A-) Pledged as collateral cannot be sold until the related liability is settled in full	16,336	106,021
ABSA Sinking Fund 20 Maturity - 05.06.2018 Rating - (BBB+) Pledged as collateral for CJMM Bond redemptions	1,475,167	2,039,490
Fixed Deposit - RMB Maturity - 30.11.2014 Rating - (AAA) Pledged as collateral cannot be sold until the related liability is settled in full	26,974	45,446
	<b>2,017,616</b>	<b>3,547,899</b>

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price.
- The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

The held to maturity investments are ring-fenced for the repayment of non-current liabilities and there were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010.

The total amount of change in fair value, estimated using discounted cash flow analysis.

The total investments pledged as collateral for CJMM Bonds.

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand		2011	2010
<b>6. TRADE AND OTHER RECEIVABLES</b>			
<b>Loans and receivables</b>			
Accrued VAT		107,817	132,761
Housing debtors		54,950	330,210
Insurance debtor		77,513	123,769
Kelvin power		76,717	109,748
Operating lease receivables		1,573	871
Sundry debtor		504,939	101,815
Related party debtors		1,755,055	784,145
		<b>2,578,564</b>	<b>1,583,319</b>
<b>Other receivables</b>			
Fruitless and wasteful expenditure to be investigated	44	5,715	5,324
Prepayments		17,308	16,134
		<b>23,023</b>	<b>21,458</b>
<b>Total trade and other receivables</b>		<b>2,601,587</b>	<b>1,604,777</b>
<b>7. VAT RECEIVABLE</b>			
VAT		140,424	74,861
<b>8. CONSUMER DEBTORS</b>			
<b>Gross balances</b>			
Rates		3,725,563	3,129,268
Refuse		645,170	473,231
Housing rental		258,746	229,574
		<b>4,629,479</b>	<b>3,832,073</b>
<b>Less: Provision for debt impairment</b>			
Rates		(3,440,248)	(2,465,264)
Refuse		(509,231)	(358,417)
Housing rental		(253,449)	(219,302)
		<b>(4,202,928)</b>	<b>(3,042,983)</b>
<b>Net balance</b>			
Rates		285,315	664,004
Refuse		135,939	114,814
Housing rental		5,297	10,272
		<b>426,551</b>	<b>789,090</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 8. CONSUMER DEBTORS (continued)

#### Rates

Current (0 - 30 days)	1,543,296	684,184
31 - 60 days	93,306	143,692
61 - 90 days	93,321	165,126
91 - 120 days	71,936	111,146
121 - 365 days	387,405	717,271
> 365 days	1,536,299	1,307,849
	<b>3,725,563</b>	<b>3,129,268</b>

#### Refuse

Current (0 - 30 days)	125,258	63,938
31 - 60 days	25,552	26,904
61 - 90 days	22,294	24,514
91 - 120 days	23,510	21,893
121 - 365 days	106,357	108,168
> 365 days	342,199	227,814
	<b>645,170</b>	<b>473,231</b>

#### Housing rental

Current (0 - 30 days)	3,209	5,913
31 - 60 days	2,961	3,496
61 - 90 days	2,889	3,022
91 - 120 days	2,855	2,943
121 - 365 days	22,319	105,855
> 365 days	224,513	108,345
	<b>258,746</b>	<b>229,574</b>

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past, nor due, nor impaired can be assessed by reference to the customer classification and historical information about counterparty default rates.

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 8. CONSUMER DEBTORS (continued)

#### Summary of debtors by customer classification

##### Consumers

Current (0 - 30 days)	1,371,167	516,813
31 - 60 days	70,009	128,982
61 - 90 days	63,285	129,550
91 - 120 days	63,834	78,969
121 - 365 days	281,657	451,317
> 365 days	995,550	723,450
	<b>2,845,502</b>	<b>2,029,081</b>
Less: Provision for debt impairment	<b>(2,542,739)</b>	<b>(1,521,812)</b>
	<b>302,763</b>	<b>507,269</b>

##### Consumers - Past due and impaired

Current (0 - 30 days)	1,158,207	82,339
31 - 60 days	65,296	111,971
61 - 90 days	59,035	121,874
91 - 120 days	59,544	75,458
121 - 365 days	263,205	404,335
> 365 days	937,452	725,835
	<b>2,542,739</b>	<b>1,521,812</b>

##### Consumers - Past due and not impaired

Current (0 - 30 days)	212,960	412,770
31 - 60 days	4,713	17,011
61 - 90 days	4,250	7,676
91 - 120 days	4,290	3,511
121 - 365 days	18,452	46,982
> 365 days	58,098	(2,385)
	<b>302,763</b>	<b>485,565</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 8. CONSUMER DEBTORS (continued)

#### Industrial/ commercial

Current (0 - 30 days)	297,215	206,720
31 - 60 days	49,072	43,469
61 - 90 days	52,068	61,015
91 - 120 days	30,839	54,079
121 - 365 days	213,736	495,720
> 365 days	1,053,160	879,649
	<hr/>	<hr/>
	1,696,090	1,740,652
Less: Provision for debt impairment	(1,578,399)	(1,487,343)
	<hr/>	<hr/>
	<b>117,691</b>	<b>253,309</b>

#### Industrial/ commercial - Past due and impaired

Current (0 - 30 days)	276,591	24,261
31 - 60 days	45,667	37,514
61 - 90 days	48,455	56,805
91 - 120 days	28,699	50,888
121 - 365 days	198,905	473,412
> 365 days	980,082	844,463
	<hr/>	<hr/>
	<b>1,578,399</b>	<b>1,487,343</b>

#### Industrial/ commercial - Past due and not impaired

Current (0 - 30 days)	20,624	182,459
31 - 60 days	3,405	5,955
61 - 90 days	3,613	4,210
91 - 120 days	2,140	3,191
121 - 365 days	14,831	22,308
> 365 days	73,078	35,186
	<hr/>	<hr/>
	<b>117,691</b>	<b>253,309</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 8. CONSUMER DEBTORS (continued)

#### National and provincial government

Current (0 - 30 days)	3,380	30,502
31 - 60 days	2,739	1,641
61 - 90 days	3,151	2,096
91 - 120 days	3,628	2,934
121 - 365 days	20,687	8,210
> 365 days	54,302	16,957
	<hr/>	<hr/>
	87,887	62,340
Less: Provision for debt impairment	(81,790)	(33,828)
	<hr/>	<hr/>
	<b>6,097</b>	<b>28,512</b>

#### National and provincial government - Past due and impaired

Current (0 - 30 days)	3,146	3,580
31 - 60 days	2,549	1,416
61 - 90 days	2,933	1,951
91 - 120 days	3,376	2,761
121 - 365 days	19,252	7,841
> 365 days	50,534	16,279
	<hr/>	<hr/>
	<b>81,790</b>	<b>33,828</b>

#### National and provincial government - Past due and not impaired

Current (0 - 30 days)	233	26,922
31 - 60 days	190	225
61 - 90 days	219	145
91 - 120 days	252	173
121 - 365 days	1,435	369
> 365 days	3,768	678
	<hr/>	<hr/>
	<b>6,097</b>	<b>28,512</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>8. CONSUMER DEBTORS (continued)</b>		
<b>Total</b>		
Current (0 -30 days)	1,671,762	754,035
31 - 60 days	121,820	174,092
61 - 90 days	118,504	192,661
91 - 120 days	98,301	135,982
121 - 365 days	516,080	955,247
> 365 days	2,103,012	1,620,056
	<b>4,629,479</b>	<b>3,832,073</b>
Less: Provision for debt impairment	<b>(4,202,928)</b>	<b>(3,042,983)</b>
	<b>426,551</b>	<b>789,090</b>
<b>Less: Provision for debt impairment</b>		
Current (0 - 30 days)	1,437,944	110,180
31 - 60 days	113,512	150,901
61 - 90 days	110,423	180,630
91 - 120 days	91,619	129,107
121 - 365 days	481,362	885,588
> 365 days	1,968,068	1,586,577
	<b>4,202,928</b>	<b>3,042,983</b>
<b>Total debtor past due but not impaired</b>		
Current (0 - 30 days)	233,817	622,151
31 - 60 days	8,308	23,191
61 - 90 days	8,082	12,031
91 - 120 days	6,682	6,875
121 - 365 days	34,718	69,659
> 365 days	134,944	33,479
	<b>426,551</b>	<b>767,386</b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(3,042,983)	(2,373,576)
Contributions to provision	(1,159,945)	(1,037,856)
Debt impairment written off against provision	-	116,639
Reversal of provision	-	251,810
	<b>(4,202,928)</b>	<b>(3,042,983)</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand 2011 2010

### 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	114	131
Bank balances	561,032	149,462
Call investment deposits	82,292	127,028
	<b>643,438</b>	<b>276,621</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. The amortised cost carrying amount estimates the fair value due the short term nature of these deposits.

Fixed Deposits STD Bank	1,157	1,218
Rating - (F1+)		
Fixed Deposits ABSA	358	355
Rating - (F1+)		
Call Deposits ABSA	4,289	4,175
Rating - (F1+)		
Call Deposits RMB	1,119	1,108
Rating - (F1+)		
Call Deposits INVESTEC	21,624	17,604
Rating - (F1)		
Call Deposits NEDCOR	46,890	4,172
Rating - (F1+)		
Call Deposits CITY BANK	1,155	1,041
Rating - (F1+)		
Call Deposits DEUTSCHE BK	1,005	1,000
Rating - (F1+)		
Call Deposits TCTA	1,004	1,000
Rating - (F1+)		
Call Deposits LANDBANK	1,055	1,050
Rating - (F1+)		
Calyon SA	1,131	1,084
Rating - (F1+)		
Stanlib Call Investment	1,505	1,090
Rating - (F1+)		
Call Deposits HSBC	-	92,131
Rating - (F1+)		
	<b>82,292</b>	<b>127,028</b>

#### Cash and cash equivalents that have been ring-fenced for following future expenditure

Underwriting of COID reserve	62,800	56,726
Capital replacement reserve	14,260	93,049
	<b>77,060</b>	<b>149,775</b>



# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 10. INVESTMENT PROPERTY

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,172,320	(5,644)	1,166,676	1,055,118	(5,644)	1,049,474

#### Reconciliation of investment property -

	Opening balance	Disposals	Transfers	Total
Investment property	1,049,474	(249)	117,451	1,166,676

#### Reconciliation of investment property - 2010

	Opening balance	Disposals	Transfers	Total
Investment property	1,052,888	(3,377)	(37)	1,049,474

Fair value of investment properties 2,132,900 2,132,900

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.

#### Details of valuation

The CJMM valuation is based on the valuation roll and is reviewed every three years.

# City of Johannesburg

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### 11. PROPERTY, PLANT AND EQUIPMENT

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	15,087,841	(1,711,765)	13,376,076	14,805,689	(1,514,987)	13,290,702
Plant and equipment	188,507	(88,211)	100,296	173,663	(60,495)	113,168
Furniture and fittings	440,381	(280,056)	160,325	399,646	(222,809)	176,837
Motor vehicles	4,293	(4,023)	270	4,297	(3,771)	526
Office equipment	421,020	(274,285)	146,735	359,442	(213,048)	146,394
Computer equipment	190,102	(145,901)	44,201	166,140	(114,634)	51,506
Infrastructure	6,608,139	(1,536,462)	5,071,677	5,280,730	(1,197,680)	4,083,050
Community	624,822	(249,320)	375,502	621,875	(215,467)	406,408
Other	600	(440)	160	746	(491)	255
Bins and containers	10,423	(4,677)	5,746	10,510	(3,366)	7,144
Work in progress	3,674,613	-	3,674,613	3,698,335	-	3,698,335
Heritage	111,145	(21,361)	89,784	107,896	(21,364)	86,532
Library books	320,525	(268,781)	51,744	287,843	(255,977)	31,866
Emergency equipment	26,392	(16,245)	10,147	25,069	(12,136)	12,933
<b>Total</b>	<b>27,708,803</b>	<b>(4,601,527)</b>	<b>23,107,276</b>	<b>25,941,881</b>	<b>(3,836,225)</b>	<b>22,105,656</b>

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### 11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and buildings	13,290,702	115,687	55,747	(16,322)	127,325	(180,200)	(16,863)	13,376,076
Plant and equipment	113,168	21,964	-	(13)	(6,691)	(27,279)	(853)	100,296
Furniture and fittings	176,837	10,202	-	(467)	29,325	(39,654)	(15,918)	160,325
Motor vehicles	526	-	-	-	(2)	(195)	(59)	270
Office equipment	146,394	32,483	-	(382)	30,590	(58,926)	(3,424)	146,735
Computer equipment	51,506	21,726	-	(24)	2,736	(31,286)	(457)	44,201
Infrastructure	4,083,050	70,604	-	-	1,256,632	(337,205)	(1,404)	5,071,677
Community	406,408	13,510	-	(58)	(7,767)	(36,164)	(427)	375,502
Other	255	6	-	(10)	3	(94)	-	160
Bins and containers	7,144	3	-	(26)	15	(1,029)	(361)	5,746
Work in progress	3,698,335	1,543,132	-	-	(1,566,854)	-	-	3,674,613
Heritage	86,532	-	-	-	3,252	-	-	89,784
Library books	31,866	31,300	-	-	-	(11,422)	-	51,744
Emergency equipment	12,933	1,212	-	(33)	194	(2,053)	(2,106)	10,147
<b>Total</b>	<b>22,105,656</b>	<b>1,861,829</b>	<b>55,747</b>	<b>(17,335)</b>	<b>(131,242)</b>	<b>(725,507)</b>	<b>(41,872)</b>	<b>23,107,276</b>

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Unbundling of land	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and buildings	9,332,881	2,343,292	122,298	(36,717)	1,703,703	(147,362)	(27,393)	13,290,702
Plant and equipment	28,120	9,602	-	(83)	86,060	(10,347)	(184)	113,168
Furniture and fittings	153,497	22,611	-	(1,044)	42,805	(38,422)	(2,610)	176,837
Motor vehicles	722	19	-	-	-	(207)	(8)	526
Office equipment	150,498	53,132	-	(909)	63	(56,040)	(350)	146,394
Computer equipment	50,841	29,932	-	-	26	(29,286)	(7)	51,506
Infrastructure	2,156,907	509,379	-	-	1,659,273	(239,112)	(3,397)	4,083,050
Community	363,364	36,758	-	-	42,723	(35,184)	(1,253)	406,408
Other	368	-	-	-	-	(113)	-	255
Bins and containers	8,248	23	-	(16)	9	(1,089)	(31)	7,144
Work in progress	7,594,546	40,557	-	-	(3,936,768)	-	-	3,698,335
Heritage	77,886	1,701	-	(114)	7,059	-	-	86,532
Library books	48,398	1,383	-	(29)	-	(17,886)	-	31,866
Emergency equipment	14,138	2,005	-	(100)	-	(2,141)	(969)	12,933
<b>Total</b>	<b>19,980,414</b>	<b>3,050,394</b>	<b>122,298</b>	<b>(39,012)</b>	<b>(395,047)</b>	<b>(577,189)</b>	<b>(36,202)</b>	<b>22,105,656</b>

#### The following leased assets are included in Property, Plant and Equipment listed above

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	46,364	-	46,364	46,364	-	46,364
Office equipment	139,345	(107,282)	32,063	118,536	(80,580)	37,956
Soccer city	3,138	-	3,138	3,138	-	3,138
<b>Total</b>	<b>188,847</b>	<b>(107,282)</b>	<b>81,565</b>	<b>168,038</b>	<b>(80,580)</b>	<b>87,458</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# City of Johannesburg

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### 12. INTANGIBLE ASSETS

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,091,510	(521,457)	570,053	1,071,294	(311,240)	760,054

#### Reconciliation of intangible assets -

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	760,054	6,426	13,791	(210,218)	570,053

#### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	54,186	427,969	395,084	(117,185)	760,054

# City of Johannesburg

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### 13. INVESTMENTS IN MUNICIPAL ENTITIES

#### Gross investment

	% holding 2011	% holding 2010	Carrying amount 2011	Carrying amount 2010
City of Johannesburg Property Company (Pty) Ltd	100 %	100 %	5,142	6,236
City Power Johannesburg (Pty) Ltd	100 %	100 %	112,466	112,466
Johannesburg City Parks	100 %	100 %	28,098	28,098
Johannesburg Development Agency (Pty) Ltd	100 %	100 %	6,623	6,623
Johannesburg Metropolitan Bus Services (Pty) Ltd	100 %	100 %	54,774	54,774
Johannesburg Roads Agency (Pty) Ltd	100 %	100 %	52,228	49,058
Johannesburg Tourism Company	100 %	100 %	19,279	17,793
Johannesburg Water (Pty) Ltd	100 %	100 %	1	1
Metropolitan Trading Company (Pty) Ltd	100 %	100 %	97,972	97,972
Roodepoort City Theatre	100 %	100 %	1,784	1,784
The Johannesburg Fresh Produce Market (Pty) Ltd	100 %	100 %	20,000	20,000
The Johannesburg Zoo	100 %	100 %	1,860	1,860
			<b>400,227</b>	<b>396,665</b>

#### Impairments

	Carrying amount 2011	Carrying amount 2010
Johannesburg City Parks	(20,218)	(20,218)
Johannesburg Metropolitan Bus Services (Pty) Ltd	(13,726)	(13,726)
Johannesburg Tourism Company	(1,473)	(1,473)
Metropolitan Trading Company (Pty) Ltd	(95,134)	(95,134)
Roodepoort City Theatre	(500)	(500)
	<b>(131,051)</b>	<b>(131,051)</b>

#### Net investment

	Carrying amount 2011	Carrying amount 2010
City of Johannesburg Property Company (Pty) Ltd	5,142	6,236
City Power Johannesburg (Pty) Ltd	112,466	112,466
Johannesburg City Parks	7,880	7,880
Johannesburg Development Agency (Pty) Ltd	6,623	6,623
Johannesburg Metropolitan Bus Services (Pty) Ltd	41,048	41,048
Johannesburg Roads Agency (Pty) Ltd	52,228	49,058
Johannesburg Tourism Company	17,806	16,320
Johannesburg Water (Pty) Ltd	1	1
Metropolitan Trading Company (Pty) Ltd	2,838	2,838
Roodepoort City Theatre	1,284	1,284
The Johannesburg Fresh Produce Market (Pty) Ltd	20,000	20,000
The Johannesburg Zoo	1,860	1,860
	<b>269,176</b>	<b>265,614</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

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### 14. INVESTMENTS IN ASSOCIATES

Name of entity	% holding 2011	% holding 2010	Carrying amount 2011	Carrying amount 2009
Greater Newtown Development Company (Pty) Ltd	23.00 %	23.00 %	-	-
Constitutional Hill Development Company (Pty) Ltd	13.00 %	13.00 %	-	-
			-	-
			-	-

#### Fair value

Greater Newtown Development Company (Pty) Ltd and Constitutional Hill Development Company (Pty) Ltd

The assignment of shares agreement between Johannesburg Development Agency (Pty) Ltd and City of Johannesburg Metropolitan Municipality was signed on 30 October 2007. The shareholding in the two development companies was assigned back to the City of Johannesburg Metropolitan Municipality and their relevant investments have been fully impaired.

#### Associates with different reporting dates

The financial year end of Greater Newtown Development Company (Pty) Ltd and Constitutional Hill Development Company (Pty) Ltd is 31 March.

# City of Johannesburg

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### 15. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Held to maturity	Total
<b>Current Assets</b>			
Loans to Municipal Entities	833,198	-	833,198
Other financial assets	-	157,944	157,944
Trade and other receivables	2,601,587	-	2,601,587
Consumer debtors	426,551	-	426,551
Call investment deposits	82,292	-	82,292
Bank balances and cash	561,146	-	561,146
<b>Non-Current Assets</b>			
Loans to Municipal Entities	5,664,489	-	5,664,489
Other financial assets	98,341	2,343,857	2,442,198
	<b>10,267,604</b>	<b>2,501,801</b>	<b>12,769,405</b>

### 2010

	Loans and receivables	Held to maturity	Total
<b>Current Assets</b>			
Loans to Municipal Entities	853,708	-	853,708
Other financial assets	-	37,058	37,058
Trade and other receivables	1,604,777	-	1,604,777
Consumer debtors	789,090	-	789,090
Call investment deposits	127,028	-	127,028
Bank balances and cash	149,593	-	149,593
<b>Non-Current Assets</b>			
Loans to Municipal Entities	5,182,594	-	5,182,594
Other financial assets	90,760	1,980,558	2,071,318
	<b>8,797,550</b>	<b>2,017,616</b>	<b>10,815,166</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

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<b>16. LOANS AND BORROWINGS</b>		
<b>Non Current portion of loans and borrowings</b>		
Structured loans	722,360	786,590
Development Bank South Africa	1,558,278	1,430,503
Local Registered Stock Loans	30,000	30,000
Municipal bonds	7,451,000	6,580,278
Jozi bonds	34,244	55,109
Other financial liabilities	2,028,726	1,727,618
	<b>11,824,608</b>	<b>10,610,098</b>
<b>Current portion of loans and borrowings</b>		
Structured loans	64,191	48,726
Development Bank South Africa	126,812	135,772
Municipal bonds	-	20,722
Other financial liabilities	145,993	143,373
	<b>336,996</b>	<b>348,593</b>
<b>Non-current liabilities</b>		
At amortised cost	11,824,608	10,610,098
<b>Current liabilities</b>		
At amortised cost	336,996	348,593
	<b>12,161,604</b>	<b>10,958,691</b>
<b>Municipal Manager's estimate of fair value of the loans and borrowings</b>		
Structured loans	790,808	946,592
Development Bank of Stock Loans	1,497,444	1,197,759
Local Registered Stock Loans	26,013	30,000
Municipal bonds	7,707,530	6,708,414
Jozi Bonds	34,813	55,530
Other financial liabilities	2,443,872	1,606,030
	<b>12,500,480</b>	<b>10,544,325</b>

The fair values of the loans and borrowings were determined as follows:

Listed bonds fair values were calculated using the prices as quoted on Bond Exchange South Africa (BESA) on 30 June 2011. Retail bonds fair values were calculated using prices quoted on the Johannesburg Stock Exchange (JSE) on 30 June 2011.

\$2,501,801 million ( 2010 : \$2,017,616 million ) has been invested specifically in a ring-fenced account for the repayment of loans and borrowings. Refer to Note 5



# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

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### 17. FINANCE LEASE OBLIGATION

#### Minimum lease payments due

- within one year	27,420	32,920
- in second to fifth year inclusive	36,478	40,462
- later than five years	478,154	483,023

542,052 556,405

less: future finance charges

(457,782) (465,064)

#### Present value of minimum lease payments

**84,270 91,341**

Non-current liabilities

64,388 67,434

Current liabilities

19,882 23,907

**84,270 91,341**

A register containing the information is available for inspection at the registered office of the CJMM.

### 18. TRADE AND OTHER PAYABLES

#### Financial liabilities

Accrued interest	171,961	121,812
Credit balances in consumer debtors	1,092,773	604,222
Engineering fees	71,928	59,318
Operating lease payables	1,722	1,247
Other creditors	375,099	366,870
Retentions	50,448	45,841
Trade payables	874,001	924,131
Related party creditor	3,431,316	3,034,513
	6,069,248	5,157,954

#### Other liabilities

Accrued leave pay	230,081	215,795
Accrued bonus	39,031	68,027
Payments received in advanced - contract in process	19,972	20,603
	289,084	304,425
	<b>6,358,332</b>	<b>5,462,379</b>

# City of Johannesburg

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<b>19. OBLIGATIONS ARISING FROM CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Obligations arising from conditional grants and receipts comprises of:</b>		
Provincial grants : Capital projects	115,314	55,795
Municipal infrastructure grant	19,614	28,632
Provincial grants : Operating projects	6,630	5,162
Gautrain grant	349	428
Confederation cup	-	84,496
2010 Public transport (SPTN)	334,100	314,254
Neighbourhood development partnership grant	7,636	5,408
Expanded Public Works Programme (EPWP)	30,333	55,394
<b>Subtotal</b>	<b>513,976</b>	<b>549,569</b>
Obligations arising from public contributions and donations	18,101	28,153
	<b>532,077</b>	<b>577,722</b>

The nature and extent of government grants recognised in the Annual Financial Statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

## 20. PROVISIONS

### Reconciliation of provisions -

	Opening Balance	Additions	Utilised during the year	Total
International Parking Management	310,090	28,181	-	338,271
Pension fund provisions	13,570	-	-	13,570
	<b>323,660</b>	<b>28,181</b>	<b>-</b>	<b>351,841</b>

### Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
International Parking Management	-	310,090	-	310,090
Pension fund provisions	282,419	11,151	(280,000)	13,570
	<b>282,419</b>	<b>321,241</b>	<b>(280,000)</b>	<b>323,660</b>
Non-current liabilities			338,271	310,090
Current liabilities			13,570	13,570
			<b>351,841</b>	<b>323,660</b>

### International parking management

On 17 February 2011 the South Gauteng High Court dismissed the City's application for review of the Arbitrator's award on 28 August 2009 and the Arbitration Appeal Tribunal's decision dismissing the City's appeal against that award on 5 February 2010. The City provided for the full amount inclusive of interest amounting to R 73 million and estimated legal cost of R 20 million.

### Pension fund provisions

The pension fund provision relates to the change from defined benefit plans to defined contribution plans of the pension funds. The provision is based on the actuarial valuations of the pension funds and agreement reached by management and the trustee's of the pension funds.

# City of Johannesburg

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## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>21. EMPLOYEE BENEFIT OBLIGATIONS</b>		
<b>21.1 Post retirement liabilities</b>		
Post-Retirement Medical Aid Plan	(1,301,289)	(1,377,019)
Post-Retirement Housing Subsidy Plan	(3,245)	(3,574)
Retirement Gratuity Plan	(469,108)	(460,320)
	<b>(1,773,642)</b>	<b>(1,840,913)</b>
<b>21.1.1 Post retirement medical aid plan</b>		
City of Johannesburg Metropolitan Municipality has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Post-retirement medical aid subsidies are provided to pensioners, in the service of the CJMM as at 1 January 2001, and employees 50 years and older on 1 July 2003 whilst contributory members to either LA Health or Munimed medical schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.		
<b>Amounts recognised in the Statement of financial position</b>		
Present value of unfunded obligation in respect of CJMM employees	1,185,546	1,267,406
In respect of notional accounts for employees of ME's	115,743	109,613
	<b>1,301,289</b>	<b>1,377,019</b>
<b>Movements for the year</b>		
Opening balance	1,267,406	1,165,928
Benefits paid	(91,691)	(86,660)
Net expense recognised in the statement of financial performance	9,831	188,138
	<b>1,185,546</b>	<b>1,267,406</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	2,209	2,685
Interest cost	114,574	97,938
Actuarial (gains) losses	(106,952)	87,515
	<b>9,831</b>	<b>188,138</b>
<b>Notional loan account</b>		
Opening balance	109,613	105,184
Interest received	6,130	6,926
Benefits payments	-	(2,497)
<b>Balance at end of year</b>	<b>115,743</b>	<b>109,613</b>
<b>Key assumptions used</b>		
The principal actuarial assumptions used were as follows:		
Discount rates used	8.60 %	9.00 %
Expected rate of return on assets	8.60 %	9.00 %
Expected rate of return on reimbursement rights	7.10 %	7.40 %
Expected increase in salaries	7.10 %	7.40 %

# City of Johannesburg

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### 21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Other assumptions.

Age of spouse	-	Husbands four years older than wives
Mortality of in-service members	-	In accordance with the SA 85-90 (Light) ultimate table (rated down 3 years for females).
Mortality of pensioners	-	In accordance with the PA(90) ultimate male and female tables.

#### Sensitivity analysis

	Change in assumption		
	1%	0%	-1%
Liability	1,195,316	1,267,406	1,353,494
Percentage change	-5.70%	0%	6.80%
Service cost	1,948	2,209	2,527
Percentage change	-11.80%	0%	14.40%

#### Post-Retirement Morality

	Liability	Percentage Change	Service Cost	Percentage Change
2 Years younger	1,311,887	3.50%	2,256	2.10%

#### 21.1.2 Post retirement housing subsidy plan

The City of Johannesburg Metropolitan Municipality 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 based on the subsidy received at the date of valuation. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

The above liability is unfunded. However, City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the City of Johannesburg Metropolitan Municipality was established. The amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of IAS 19 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	3,245	3,574
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The fair value of plan assets includes:

#### Movements for the year

Opening balance	3,574	5,714
Benefits paid	(929)	(922)
Net expense recognised in the statement of financial performance	600	(1,218)
	<b>3,245</b>	<b>3,574</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

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### 21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

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

Interest cost	300	526
Actuarial (gains) losses	300	(1,744)
	<b>600</b>	<b>(1,218)</b>

#### Notional loan account

Opening balance	-	1,303
Benefits payments	-	(1,303)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

#### Key assumptions used

Assumptions used on last valuation on Wednesday, June 30, 2010.

Discount rates used	8.60 %	9.00 %
Expected rate of return on assets	8.60 %	9.00 %

#### Sensitivity analysis

	Change in assumption		
	1%	0%	-1%
Liability	3,498	3,574	3,653
Percentage change	-2.10%	0%	2.20%

#### Post-Retirement Morality

	Liability	Percentage Change
2 Years younger	3,652	2.10%

#### 21.1.3 Post retirement gratuity plan

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

The above liability is unfunded. However, City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the company was established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of IAS 19 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	170,931	163,576
In respect of notional accounts for employees of ME's	298,177	296,744
	<b>469,108</b>	<b>460,320</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>21. EMPLOYEE BENEFIT OBLIGATIONS (continued)</b>		
<b>Movements for the year</b>		
Opening balance	163,576	164,332
Benefits paid	(14,746)	(14,429)
Net expense recognised in the statement of financial performance	22,101	13,673
	<b>170,931</b>	<b>163,576</b>
<b>Net expense recognised in the statement of financial performance</b>		
Interest cost	13,740	13,803
Actuarial (gains) losses	8,361	(130)
	<b>22,101</b>	<b>13,673</b>
<b>Notional loan account</b>		
Opening balance	296,744	294,517
Interest received	16,418	19,311
Benefits payments	(14,985)	(17,084)
<b>Balance at end of year</b>	<b>298,177</b>	<b>296,744</b>

### Key assumptions used

Assumptions used on last valuation on Wednesday, June 30, 2010.

The principal actuarial assumptions used were as follows:

Discount rates used	8.60 %	9.00 %
Expected rate of return on assets	8.60 %	9.00 %
Expected increase in salaries	5.60 %	5.90 %

### Sensitivity analysis

	Change in assumption		
	1%	0%	-1%
Liability	158,803	163,576	176,780
Percentage change	-5.00%	0%	5.70%

### 21.2 Defined contribution plan

Multi employer funds

CJMM and its ME's provide post-employment benefits to all their permanent employees through two defined contribution funds.

- 1) Joint Municipal Pension Fund
- 2) Municipal Employees Pension Fund

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand 2011 2010

### 21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

#### 21.2.1 Joint pension fund

The Joint Municipal Pension Fund is a hybrid pension fund registered in 1986 to provide pension benefits for employees in the Municipal sector. It has been closed to new entrants from the City with effect from 1 January 2002.

In terms of paragraph 7 of IAS 19 (AC116) defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Although the Joint Municipal Pension Fund is a hybrid fund the participating employers have no constructive obligation to pay anything more than the fixed rate of contribution specified in the registered rules.

The rules of the Municipal Employees Pension Fund are very similar to those of the Joint Municipal Pension Fund in so far as the obligations of the local authorities are concerned.

In terms of the rules of this fund the Local Authorities participating in the fund are required, on a monthly basis, to deliver to the Fund:

- The contributions payable by members;
- An amount equal to 22% of the pensionable salaries upon which the members' contributions are based;
- Contributions payable by members whilst on unpaid leave and the equivalent 22% employer contribution thereon;
- Members' contributions in respect of the purchase of past service on rejoining a local authority;
- The equivalent 22% employer contributions in respect of any previously unpaid member contributions;
- Members' contributions in respect of the voluntary purchase of past service.

The rules of the fund also provide that the sources of the fund shall consist of:

- Contributions plus interest paid to the fund in terms of the rules;
- Income derived from the investment of moneys of the fund; and
- Any other money or assets to which the fund may become entitled.

There is no mention of any further contributions being required of participating local authorities in the event of deficits arising. It is therefore concluded that there is no constructive obligation on the part of the City to fund any deficits in this fund. Accordingly we believe that the fund should be regarded as a defined contribution fund for the purposes of IAS 19 (AC116).

In the case of this fund therefore, the contributions paid by the City should be expensed as required in terms of IAS 19 (AC116) for defined contribution funds.

South African Local Authorities Pension Fund

#### Carrying Value

Present value of unfunded obligation in respect of CJMM employees	(119,177)	(101,341)
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#### Movements for the year

Opening balance	101,341	85,882
Net expense recognised in the statement of financial performance	17,836	15,459
	<b>119,177</b>	<b>101,341</b>

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

Interest cost	9,374	7,858
Actuarial (gains) losses	8,462	7,601
	<b>17,836</b>	<b>15,459</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>21. EMPLOYEE BENEFIT OBLIGATIONS (continued)</b>		
<b>Key assumptions used</b>		
Assumptions used on last valuation on Wednesday, June 30, 2010.		
Expected rate of return on assets	8.75 %	9.25 %
<b>21.2.2 The Municipal Employee Pension Fund</b>		
The Municipal Employees Pension Fund is a hybrid pension fund registered in 1988 to provide pension benefits for employees in the Municipal sector. It has been closed to new entrants from the City with effect from 1 January 2002.		
In terms of paragraph 7 of IAS 19 (AC116) defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Although the Municipal Employees Pension Fund is a hybrid fund the participating employers have no constructive obligation to pay anything more than the fixed rate of contribution specified in the registered rules.		
<b>21.2.3 Soweto City Council Pension Fund</b>		
<b>Amounts recognised in the Statement of financial position</b>		
Present value of unfunded obligation in respect of CJMM employees	(1,259,362)	(1,070,886)
<b>Movements for the year</b>		
Opening balance	1,070,886	907,531
Net expense recognised in the statement of financial performance	188,476	163,355
	<b>1,259,362</b>	<b>1,070,886</b>
<b>Net expense recognised in the statement of financial performance</b>		
Interest cost	99,057	83,039
Actuarial (gains) losses	89,419	80,316
	<b>188,476</b>	<b>163,355</b>
<b>Key assumptions used</b>		
Assumptions used on last valuation on Wednesday, June 30, 2010.		
Expected rate of return on assets	8.75 %	9.25 %



# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand 2011 2010

### 21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

CJMM and its ME's provide post-employment benefits to all their permanent employees through defined contribution funds. The following employee contributions have been made to the defined contribution plans.

City of Johannesburg Pension Fund	32,798	32,429
eJoburg Retirement Fund	107,522	87,517
Municipal Councillors Pension Fund	7,116	6,551
National Fund for Municipal Workers	810	856
NBC Provident Fund	78	-
Municipal Employees Gratuity Fund	10,172	9,571
	<b>158,496</b>	<b>136,924</b>

The following employee contributions have been made to the multi-employer plans.

Joint Municipal Pension Fund	1,081	971
Municipal Employees Pension Fund	3,666	3,447
	<b>4,747</b>	<b>4,418</b>

### 22. DEFERRED INCOME

#### Bond tap

Balance unspent at beginning of year	51,437	55,640
Conditions met - transferred to revenue	(4,169)	(4,203)
<b>Conditions still to be met - transferred to liabilities</b>	<b>47,268</b>	<b>51,437</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.

#### Deferred income related to obligations arising from conditional grants and receipts

Balance at beginning of year	1,769,046	2,538,169
Assets Under Construction	1,097,553	1,512,555
Conditions met - transferred to revenue	(1,042,615)	(2,281,678)
<b>Conditions still to be met - transferred to liabilities</b>	<b>1,823,984</b>	<b>1,769,046</b>

Deferred income related to obligations arising from conditional grants and receipts and will be recognised as revenue when the conditions attached to the conditional grants and receipts are substantially met. The deferred income does not relate to unspent conditional grants and receipts, but to expenditure already incurred on work in progress where conditions attached to the conditional grants and receipts have not been substantially met. Previously the deferred income was taken directly to the Capitalisation Reserve within the Accumulated Surplus. The income was released to Revenue when the conditions attached to the conditional grants and receipts were substantially met.

<b>Total deferred income</b>	<b>1,871,252</b>	<b>1,820,483</b>
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# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 23. INTEREST RATE SWAP LIABILITY

During the financial year, 31 March 2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for a 11.66% fixed interest rate.

#### Swap Details

Trade Date : 30 March 2011  
Settlement Date: 30 March 2011  
Nominal Amount: R 1,000 (million)  
Fixed Rate: 11.66%  
Payable: Semi- annual

#### Opening balance

Initial recognition of the swap fair value

- -  
43,098 -

#### Closing balance

**43,098 -**

### 24. CONSUMER DEPOSITS

#### Non Current portion of Consumer deposits

Electricity and water deposits  
Other deposits

209,899 220,894  
4,061 3,617

**213,960 224,511**

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

2011

2010

### 25. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	336,996	336,996
Finance lease obligations	19,882	19,882
Trade and other payables	6,069,248	6,069,248
<b>Non-Current Liabilities</b>		
Loans and borrowings	11,824,608	11,824,608
Finance lease obligations	64,388	64,388
Deferred income	1,871,252	1,871,252
Consumer deposits	213,960	213,960
	<b>20,400,334</b>	<b>20,400,334</b>

### 2010

	Financial liabilities at amortised cost	Total
<b>Current Liabilities</b>		
Loans and borrowings	348,593	348,593
Finance lease obligations	23,907	23,907
Trade and other payables	5,157,954	5,157,954
<b>Non-Current Liabilities</b>		
Loans and borrowings	10,610,098	10,610,098
Finance lease obligations	67,434	67,434
Deferred income	1,820,483	1,820,483
Consumer deposits	224,511	224,511
	<b>18,252,980</b>	<b>18,252,980</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>26. PROPERTY RATES</b>		
<b>Rates received</b>		
Residential	2,141,726	2,001,874
Commercial	2,571,486	2,071,107
State	34,281	32,881
	<b>4,747,493</b>	<b>4,105,862</b>
<b>Valuations</b>		
Residential	667,792,193	663,114,139
<b>27. SERVICE CHARGES</b>		
Other service charges	50,557	55,037
Refuse removal	628,773	637,119
Surcharges : Electricity	110,774	80,207
Surcharges : Refuse	2,514	122
Surcharges : Water	25,602	24,234
	<b>818,220</b>	<b>796,719</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>28. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Provincial grants : Capital projects	889	10,277
Municipal infrastructure grant	248,757	263,229
Financial management grant	1,000	750
Provincial grants : Operating projects	15,949	15,837
Ellis park upgrading : 2010	44,466	199,293
Provincial grant : Soccer city 2010	-	562,097
Gautrain grant	79	151
Confederation cup	86,524	33,631
2010 Public transport (SPTN)	1,189,135	1,620,635
Neighborhood development partnership grant	63,666	91,584
Expanded Public Works Programme (EPWP)	114,007	25,701
Ambulance subsidy	83,410	59,093
Equitable share and fuel levy	3,994,276	3,497,620
Provincial grants : Top structure of houses	53,056	157,663
Provincial health subsidies	84,030	76,967
Department of Communication Grant	-	40,000
	<b>5,979,244</b>	<b>6,654,528</b>
<b>Provincial grants : Capital projects</b>		
Balance unspent at beginning of year	55,795	281,396
Current year receipts	392,183	156,601
Previous years AUC - Capitalised	-	5,953
Accruals reversed	(270)	337
Assets under construction	(3,200)	(21,778)
Transferred to debtors	(328,305)	(355,969)
Repaid to province	-	(468)
Conditions met - transferred to revenue	(889)	(10,277)
<b>Conditions still to be met - transferred to liabilities</b>	<b>115,314</b>	<b>55,795</b>
These grants are provided to finance Capital Projects in respect of Social Services and Housing.		
<b>Municipal infrastructure grant</b>		
Balance unspent at beginning of year	28,632	50,339
Current year receipts	556,450	545,256
Accruals reversed	109	13,483
Assets under construction	(341,035)	(297,907)
Previous years AUC - Capitalised	24,215	978
Transferred to debtors	-	(20,288)
Conditions met - transferred to revenue	(248,757)	(263,229)
<b>Conditions still to be met - transferred to liabilities</b>	<b>19,614</b>	<b>28,632</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.		
<b>Financial management grant</b>		
Current year receipts	1,000	750
Conditions met - transferred to revenue	(1,000)	(750)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>28. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Provincial grants : Operating projects</b>		
Balance unspent at beginning of year	5,162	12,162
Current year receipts	17,417	8,837
Conditions met - transferred to revenue	(15,949)	(15,837)
<b>Conditions still to be met - transferred to liabilities</b>	<b>6,630</b>	<b>5,162</b>
These grants are provided to finance community projects.		
<b>Ellis park upgrading : 2010</b>		
Balance unspent at beginning of year	-	8,969
Current year receipts	-	616
Previous years AUC - Capitalised	44,466	199,293
Assets under construction	-	(7,642)
Transferred : Other grants	-	(1,943)
Conditions met - transferred to revenue	(44,466)	(199,293)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
This grant is provided for the upgrade of Ellis Park.		
<b>Provincial grant : Soccer city 2010</b>		
Balance unspent at beginning of year	-	6,166
Current year receipts	-	78,514
Assets capitalised	-	477,417
Conditions met - transferred to revenue	-	(562,097)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
This grant is provided for the upgrade of Soccer City for the 2010 soccer world cup.		
<b>Gautrain grant</b>		
Balance unspent at beginning of year	428	579
Conditions met - transferred to revenue	(79)	(151)
<b>Conditions still to be met - transferred to liabilities</b>	<b>349</b>	<b>428</b>
The purpose of this grant is to provide capacity support for the Gautrain Rapid Rail Link.		
<b>Confederation cup</b>		
Balance unspent at beginning of year	84,496	13,546
Current year receipts	2,028	104,874
Transferred : Other grants	-	(293)
Conditions met - transferred to revenue	(86,524)	(33,631)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>84,496</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>28. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>2010 Public transport (SPTN)</b>		
Balance unspent at beginning of year	314,254	438,937
Current year receipts	932,000	1,096,935
Previous years AUC - Capitalised	931,701	1,212,813
Assets under construction	(654,720)	(813,796)
Conditions met - transferred to revenue	(1,189,135)	(1,620,635)
<b>Conditions still to be met - transferred to liabilities</b>	<b>334,100</b>	<b>314,254</b>
This grant is provided to finance 2010 Public Transport System.		
<b>Neighborhood development partnership grant</b>		
Balance unspent at beginning of year	5,408	14,201
Current year receipts	99,958	64,836
Previous years AUC - Capitalised	42,233	44,296
Assets under construction	(76,297)	(26,341)
Conditions met - transferred to revenue	(63,666)	(91,584)
<b>Conditions still to be met - transferred to liabilities</b>	<b>7,636</b>	<b>5,408</b>
The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighborhoods.		
<b>Expanded Public Works Programme (EPWP)</b>		
Balance unspent at beginning of year	55,394	-
Current year receipts	110,590	84,095
Assets under construction	(21,644)	(3,000)
Conditions met - transferred to revenue	(114,007)	(25,701)
<b>Conditions still to be met - transferred to liabilities</b>	<b>30,333</b>	<b>55,394</b>
<b>Ambulance subsidy</b>		
Current year receipts	83,410	59,093
Conditions met - transferred to revenue	(83,410)	(59,093)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
<b>Equitable share and fuel levy</b>		
Current year receipts	3,994,276	3,497,620
Conditions met - transferred to revenue	(3,994,276)	(3,497,620)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

This grant is used to subsidise the provision of basic services to indigent community members.

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>28. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Provincial grants : Top structure of houses</b>		
Current year receipts	53,056	157,663
Conditions met - transferred to revenue	(53,056)	(157,663)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
<b>Provincial health subsidies</b>		
Current year receipts	84,030	76,967
Conditions met - transferred to revenue	(84,030)	(76,967)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
<p>The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.</p>		
<b>Department of Communication Grant</b>		
Current year receipts	-	40,000
Conditions met - transferred to revenue	-	(40,000)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
<b>29. REVERSAL OF IMPAIRMENT</b>		
Other loans and borrowings	17,984	17,267
<p>The reversal of impairment relates to repayments of loans impaired for PIKITUP. Refer to note 29 for detail on the loans.</p>		
<b>30. OTHER REVENUE</b>		
BRT revenue	44,535	25,419
Internal recoveries - MEs	334,879	169,941
Recovery of collection fees	166,066	-
Subsidies	26,123	19,962
Sundry revenue	300,772	142,397
	<b>872,375</b>	<b>357,719</b>



# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>31. EMPLOYEE RELATED COSTS</b>		
Employee related costs : Salaries and wages	2,561,831	2,342,509
Employee related costs : Pension contributions	312,584	264,747
Employee related costs : Gratuities	15,269	13,620
Employee related costs : Medical aid contributions	198,938	165,603
Actuarial (gains)/losses	(98,291)	85,641
Housing benefits and allowances	19,596	23,059
Overtime payments	174,355	146,158
Bonus	222,581	174,310
Travel, motor car, accommodation, subsistence and other allowances	229,591	203,733
Less: Employee costs included in other expenses	122,063	(67,086)
	<b>3,758,517</b>	<b>3,352,294</b>
<b>Remuneration of the City Manager</b>		
Annual Remuneration	1,816	1,633
Car Allowance	125	125
Performance Bonuses	-	163
Contributions to UIF, Medical and Pension Funds	176	205
	<b>2,117</b>	<b>2,126</b>
<b>Remuneration of the Executive Director : 2010</b>		
Annual Remuneration	1,455	1,333
Car Allowance	282	282
Performance Bonuses	-	136
Contributions to UIF, Medical and Pension Funds	25	22
	<b>1,762</b>	<b>1,773</b>
<b>Remuneration of the Executive Director : Central Planning Unit</b>		
Annual Remuneration	1,008	906
Car Allowance	110	110
Performance Bonuses	-	96
Contributions to UIF, Medical and Pension Funds	139	143
	<b>1,257</b>	<b>1,255</b>
<b>Remuneration of the Chief Information Officer</b>		
Annual Remuneration	1,607	837
Car Allowance	285	144
Performance Bonuses	-	95
Contributions to UIF, Medical and Pension Funds	318	160
Eminence Allowance	297	120
Acting Allowance	107	-
	<b>2,614</b>	<b>1,356</b>
<b>Remuneration of the Director : External Relations</b>		
Annual Remuneration	753	692
Car Allowance	47	47
Performance Bonuses	-	63
Contributions to UIF, Medical and Pension Funds	27	23
	<b>827</b>	<b>825</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 31. EMPLOYEE RELATED COSTS (continued)

#### Remuneration of the Executive Director : Comm, Marketing and Events

Annual Remuneration	1,423	1,313
Car Allowance	96	96
Performance Bonuses	-	117
Contributions to UIF, Medical and Pension Funds	1	1
	<b>1,520</b>	<b>1,527</b>

Position has been vacant from the 31 January 2011.

#### Remuneration of the Executive Head : Joburg Risk Audit Services

Annual Remuneration	1,191	403
Car Allowance	288	96
Contributions to UIF, Medical and Pension Funds	32	-
	<b>1,511</b>	<b>499</b>

Contract was terminated on the 31 December 2008. A new contract was entered into on 1 March 2010.

#### Remuneration of the Director : Legal and Compliance

Annual Remuneration	815	746
Car Allowance	82	82
Performance Bonuses	-	74
Contributions to UIF, Medical and Pension Funds	68	61
Eminence Allowance	176	176
	<b>1,141</b>	<b>1,139</b>

#### Remuneration of the Executive Director : Finance

Annual Remuneration	1,987	1,841
Car Allowance	72	72
Performance Bonuses	-	162
Contributions to UIF, Medical and Pension Funds	32	28
Eminence Allowance	2	-
	<b>2,093</b>	<b>2,103</b>

#### Remuneration of the Executive Director : Economic Development

Annual Remuneration	1,525	1,405
Car Allowance	132	132
Performance Bonuses	-	128
Contributions to UIF, Medical and Pension Funds	1	1
	<b>1,658</b>	<b>1,666</b>

#### Remuneration of the Executive Director : Revenue and Customer Relations Management

Annual Remuneration	1,515	1,398
Car Allowance	101	101
Performance Bonuses	-	125
Contributions to UIF, Medical and Pension Funds	1	1
	<b>1,617</b>	<b>1,625</b>

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>31. EMPLOYEE RELATED COSTS (continued)</b>		
<b>Remuneration of the Executive Director : Community Development</b>		
Annual Remuneration	1,534	1,312
Car Allowance	86	86
Performance Bonuses	-	128
Contributions to UIF, Medical and Pension Funds	39	36
	<b>1,659</b>	<b>1,562</b>
<b>Remuneration of the Executive Director : Development Planning and Urban Development</b>		
Annual Remuneration	916	689
Car Allowance	97	30
Performance Bonuses	-	120
Contributions to UIF, Medical and Pension Funds	39	1
Acting Allowance	141	-
	<b>1,193</b>	<b>840</b>
Position has been vacant since 1 January 2010.		
<b>Remuneration of the Executive Director : Environmental Management</b>		
Annual Remuneration	1,411	1,301
Car Allowance	108	108
Performance Bonuses	-	117
Contributions to UIF, Medical and Pension Funds	1	1
	<b>1,520</b>	<b>1,527</b>
<b>Remuneration of the Executive Director : Infrastructure and Services</b>		
Annual Remuneration	1,430	445
Car Allowance	153	51
Contributions to UIF, Medical and Pension Funds	1	1
Eminence Allowance	-	10
	<b>1,584</b>	<b>507</b>
<b>Remuneration of the Executive Director : Housing</b>		
Annual Remuneration	675	657
Car Allowance	128	55
Performance Bonuses	-	120
Contributions to UIF, Medical and Pension Funds	39	1
Acting Allowance	141	-
	<b>983</b>	<b>833</b>
Position has been vacant since 1 January 2010.		
<b>Remuneration of the Chief of Police</b>		
Annual Remuneration	1,016	936
Car Allowance	102	102
Performance Bonuses	-	98
Contributions to UIF, Medical and Pension Funds	153	141
Eminence Allowance	220	220
	<b>1,491</b>	<b>1,497</b>

# City of Johannesburg

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### 31. EMPLOYEE RELATED COSTS (continued)

#### Remuneration of the Executive Head : Emergency Management Services

Annual Remuneration	1,160	1,068
Car Allowance	109	109
Performance Bonuses	-	98
Contributions to UIF, Medical and Pension Funds	1	1
Eminence Allowance	220	220
	<b>1,490</b>	<b>1,496</b>

#### Remuneration of the Executive Director : Transportation

Annual Remuneration	1,418	1,311
Car Allowance	73	73
Performance Bonuses	-	55
Contributions to UIF, Medical and Pension Funds	214	306
	<b>1,705</b>	<b>1,745</b>

#### Remuneration of the Executive Director : Health

Annual Remuneration	1,466	1,352
Car Allowance	108	108
Performance Bonuses	-	122
Contributions to UIF, Medical and Pension Funds	1	1
	<b>1,575</b>	<b>1,583</b>

#### Remuneration of the Executive Director : Corporate Services

Annual Remuneration	1,393	1,282
Car Allowance	144	144
Performance Bonuses	-	122
Contributions to UIF, Medical and Pension Funds	39	36
	<b>1,576</b>	<b>1,584</b>

#### Remuneration of the Director : Office of the City Manager

Position has been vacant since 1 June 2009.

#### Remuneration of the Manager Private Office of the Executive Mayor

Annual Remuneration	729	770
Car Allowance	-	69
Performance Bonuses	-	73
Contributions to UIF, Medical and Pension Funds	111	35
Eminence	167	91
	<b>1,007</b>	<b>1,038</b>

# City of Johannesburg

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### 32. REMUNERATION OF COUNCILLORS

Executive Mayor	964	953
Mayoral Committee Members	7,955	7,764
Speaker	771	752
Councillors	63,374	57,910
Councillors' pension contribution	7,582	7,060
	<b>80,646</b>	<b>74,439</b>

#### Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration	60	-
Car Allowance	11	-
Contributions to UIF, Medical and Pension Funds	10	-
Cell Allowance	3	-
	<b>84</b>	<b>-</b>

New appointment 1 June 2011.

#### Remuneration of the Executive Mayor - Amos Masondo

Annual Remuneration	685	645
Car Allowance	170	170
Contributions to UIF, Medical and Pension Funds	111	106
Cell Allowance	36	34
	<b>1,002</b>	<b>955</b>

Contract was terminated on the 31 May 2011.

#### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are employed on a full-time basis by the Council.

Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has two full-time bodyguards. The Speaker has one full-time bodyguard.

### 33. DEPRECIATION AND AMORTISATION

Property, plant and equipment	725,507	577,189
Intangible assets	210,218	117,185
	<b>935,725</b>	<b>694,374</b>

### 34. NET IMPAIRMENT LOSSES

#### Impairments

Property, plant and equipment	41,872	36,202
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# City of Johannesburg

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<b>35. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES</b>		
Impairments	(612)	(23,077)
Allowance - Trade and other receivables	28,061	37,988
Allowance - Consumer debtors	1,159,946	1,037,856
Impairment loss - Trade and other receivables	1,618	(238,783)
Impairment loss - Consumer debtors	-	(116,639)
Reversal of allowance - Consumer debtors	-	(251,805)
	<b>1,189,013</b>	<b>445,540</b>
<b>36. CONTRACTED SERVICES</b>		
Fleet Services	37,890	42,626
Information Technology Services	280,459	242,959
Operating Leases	202,139	184,800
Other Contractors	18,390	11,703
Specialist Services	798,528	652,963
	<b>1,337,406</b>	<b>1,135,051</b>
Refer to note 40 for future operating lease commitments.		
<b>37. GRANTS AND SUBSIDIES PAID</b>		
<b>Grants paid to ME's</b>		
City of Johannesburg Property Company (Pty) Ltd	-	537
Johannesburg City Parks	469,596	425,047
Johannesburg Development Agency (Pty) Ltd	21,637	20,450
Johannesburg Metropolitan Bus Services (Pty) Ltd	291,841	284,497
Johannesburg Roads Agency (Pty) Ltd	439,693	405,230
Johannesburg Social Housing Company (Pty) Ltd	16,794	13,445
Johannesburg Tourism Company	31,616	26,605
Metropolitan Trading Company (Pty) Ltd	45,293	40,559
Pikitup Johannesburg (Pty) Ltd	925,110	846,519
Roodepoort City Theatre	9,375	8,363
The Johannesburg Civic Theatre (Pty) Ltd	25,000	17,464
The Johannesburg Zoo	40,370	36,779
	<b>2,316,325</b>	<b>2,125,495</b>
<b>Other subsidies</b>		
Grant paid : Housing top structures	91,677	157,643
Grant paid : Other	19,004	22,926
Grant paid : Sporting Organisations (Marks Park Sports Club)	1,112	1,051
	<b>111,793</b>	<b>181,620</b>
	<b>2,428,118</b>	<b>2,307,115</b>

Grants paid to MEs are utilised to fund capital and operational expenditure.

The grants paid are based on the approved operating and capital budgeted amounts as approved by Council.

# City of Johannesburg

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## Notes to the Annual Financial Statements

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<b>38. GENERAL EXPENSES</b>		
Advertising	10,412	11,707
Auditors remuneration	11,774	10,880
Bank charges	47,464	39,197
Conferences and seminars	11,849	7,948
Consulting and professional fees	61,918	84,426
Cost of inventories expense	15,103	14,727
Debt collection	216,964	156,292
Hire	5,231	13,589
Insurance	153,568	179,851
Lease rentals on operating lease	158,841	147,971
ME - charges	278,403	246,050
Marketing	25,513	31,435
Other expenses	173,572	238,858
Post retirement expenses	15,960	195,063
Printing and stationery	51,374	42,871
Security (Guarding of municipal property)	174,743	148,801
Settlement of International Parking Management	-	216,810
Software expenses	19,910	6,524
Staff welfare	1,019	6,755
Subscriptions and membership fees	13,091	10,869
Telephone and fax	45,291	42,523
Training	17,051	16,349
Travel - overseas	9,256	7,970
Utilities	335,531	193,488
	<b>1,853,838</b>	<b>2,070,954</b>
<b>39. CASH GENERATED FROM OPERATIONS</b>		
Surplus	912,661	1,819,618
<b>Adjustments for:</b>		
Depreciation and amortisation	935,725	694,375
Loss on sale of assets and liabilities	(6,429)	(1,757)
Interest earned - outstanding debtors	(76,955)	(94,116)
Impairment deficit	23,888	18,935
Debt impairment	1,189,013	445,540
Movements in retirement benefit assets and liabilities	55,080	226,830
Movements in provisions	28,181	321,241
Borrowings	(25,820)	25,277
Deferred income	50,769	(773,327)
Investment movement	4,301,453	1,845,678
Inventories	(63,501)	(598)
Trade and other receivables	(996,810)	(73,076)
Consumer debtors	(749,520)	(695,646)
Trade and other payables	895,953	419,309
VAT	(65,563)	31,602
Obligations arising from conditional grants and receipts	(45,644)	(268,419)
	<b>6,362,481</b>	<b>3,941,466</b>

# City of Johannesburg

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### 40. COMMITMENTS

#### Commitments in respect of capital expenditure:

##### Authorised and not yet contracted for

• Infrastructure	643,685	416,593
• Community	29,170	62,019
• Other	101,810	37,399
• Heritage	1,500	50,081
	<b>776,165</b>	<b>566,092</b>

##### Authorised and contracted for

• Infrastructure	949,758	269,171
• Community	17,000	56,930
• Other	42,601	19,400
• Heritage	15,800	-
• Housing development fund	4,200	-
	<b>1,029,359</b>	<b>345,501</b>
	<b>1,805,524</b>	<b>911,593</b>

##### This expenditure will be financed from:

External Loans	128,600	188,800
Capital Replacement Reserve	14,260	220,510
Government Grants	1,662,664	502,283
	<b>1,805,524</b>	<b>911,593</b>

##### Operating leases - as lessee (Fleet)

##### Minimum lease payments due

- within one year	155,639	121,190
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##### Operating leases – as lessee (Buildings)

##### Minimum lease payments due

- within one year	62,246	47,878
- in second to fifth year inclusive	97,629	88,633
- later than five years	4,427	18,042
	<b>164,302</b>	<b>154,553</b>



# City of Johannesburg

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### 41. CONTINGENCIES

#### Controlling entity

#### Uninsured claims & litigations

Five Plaintiffs brought action against the Council in the 1990's, arising from major road and other construction works at the Empire Interchange, around the suburbs of Braamfontein, Milpark, Cottesloe, Melville, Parktown West, Emmarentia and Richmond. They allegedly suffered damages as a result of the Council having closed the road. One of the plaintiffs proceeded against the City and a judgment was given which effectively dismissed most of the claim against the City except for the diminution of the value of the property which theoretically can still be claimed against the City, however this potential claim will now be reduced substantially (this claim was originally for R4,146,583.00 the majority of which was for loss of earnings). The approximate amount that the plaintiff could now claim would be in the order of approximately R500,000.00. This contingent liability can now be reduced by R3,000,000.00.

A Court action emanating from the alleged breach of contract of lease by the City for an amount of R15,000,000.00. This matter has been dormant for a number of years, the plaintiff shows no inclination to proceed.

A claim for damages was instituted by Engen Petroleum as a result of the construction of the Grayston fly-over for loss of income. The total claim is in excess of R10,000,000.00 and is not insured. SCA has ruled against the City on the matter of whether the construction amounted to a diversion. Thus the City is likely to be found liable and a settlement may be necessary. Matter has been set down for trial on the merits (which includes quantum of damages suffered) in December 2010, but was subsequently postponed. A new trial date is awaited.

Claim for damages for R10,000,000.00 in respect of relocation of homeless people. Home Talk Developments (Pty) Ltd sued the City allegedly because the City relocated homeless people onto the Defendant's property without his consent, making it impossible for him to develop the property. (Insurers said the claim is not covered). We are in the process of expropriating the property. We are awaiting confirmation of budget from the Housing department in order to proceed further with the expropriation application.

Claim relating to the City's alleged unlawful repudiation of contracts. Was dormant but has revived again, claim amounting to R7,000,000.00. The court granted application for leave to appeal decision in November 2010.

Claim for repayment of pre-2003 RSC Levies. Pleadings being exchanged R1,500,000.00. Amending papers. As well as requesting authority to approach the commissioner. We are awaiting further instructions in the matter as the matter is to be settled between the municipalities. Matter is dormant.

Claim for payment of 50% (approx. R2,000,000.00) of all amounts already paid to external service provider for upgrading of a hostel. The matter is dormant.

Claim for damages against the COJ amounting to R11 668 746.00. The claim is based on an alleged breach of contract in that the City has allegedly failed to use its "best endeavors" to have the property transferred to the plaintiff. The COJ and the plaintiff have various discussions and in principle decision to settle the matter has been reached and are now finalising the detail of the settlement.

Claim for an amount of R 216,809,943 from an external service provider for loss of income as result of alleged illegal termination of contract. The Arbitrator awarded the claim against the City. The Arbitration Appeal by the City was dismissed. The City has applied to the High Court for a review of the Arbitrator's Award and the dismissal of the Appeal. The review application was heard by the High Court and was dismissed. The High Court granted leave to appeal and the City has appealed to the Supreme Court of Appeal. The matter is scheduled to be heard in the 1st half of 2012.

Claim amounting to R909 120 for constructive dismissal emanating from sexual harassment. The matter is proceeding to trial, we are awaiting a trial date. We have served our discovery notices. The other side has requested the amendment of the particulars of claim.

Claim for R 50,000,000 for services rendered in terms of contract for the provision of red light violation prosecution services. The institution of arbitration proceedings by the plaintiff were suspended to enable the parties to consider a settlement. No settlement was reached and the matter is now proceeding to arbitration. We are awaiting an arbitration date. The Law Society has appointed an Arbitrator. The City has appointed its senior and junior counsel and is now awaiting the Statement of Claim from plaintiff in which its claim will be formulated.

# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

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### 41. CONTINGENCIES (continued)

#### Pension Fund Matters

Application not to withdraw from Pension Fund. Mediation may take place. The City withdrew from the Pension Fund. The City is waiting for the Fund to take the case further.

Claim for outstanding member and employer contributions ±R14,000,000.00. The City withdrew from the Pension Fund. The city asked for further particulars of the claim and took exception to the summons and particulars of the claim. The matter is dormant as the plaintiff has taken no further steps.

Claim for outstanding employer contributions relating to increased annual contributions to be paid to the fund by COJ ±R18,000,000.00. The City withdrew from the Pension Fund. The City asked for further particulars of the claim and took exception to the summons and particulars of the claim. The matter is dormant as the plaintiff has taken no further steps.

Claim for outstanding member and employer contributions to be paid in full by the COJ ±R1,000,000.00. The City withdrew from the Pension Fund. The city asked for further particulars of the claim and took exception to the summons and particulars of claim. The matter is dormant as the plaintiff has taken no further steps.

Claim for outstanding member and employer contributions to be paid in full by the COJ ±R2,900,000.00. The City withdrew from the Pension Fund. The City asked for further particulars of the claim and took exception to the summons and particulars of claim. The matter is dormant as the plaintiff has taken no further steps.

#### Insured claims

There are a number of possible public liability claims totaling + R3,900,000.00 which are ongoing and which are covered by Insurance.

Guardrisk Contingency Fund. Provision for this liability includes all known liabilities against CJMM and ME's, legally required provision for claims incurred but not yet reported as well as business required provision to support the operational support and operational activities.

#### Guarantees

On behalf of	Institution	Date provided	Expiry date	Amount
SAPOS (Pty) Ltd	FNB (99453)	20 Mar 1989	None	16
Grove W2 and W3 (Pty) Ltd	FNB (99454)	07 Jul 1994	None	61
Department of Transport	FNB (99455)	13 Nov 1995	None	159
ESKOM	FNB (99456)	Annually	Annually	47
IPG (Property Trading & Development (Pty) Ltd	FNB (129924)	27 Sep 2001	01 Feb 2016	406
SAPOS (Pty) Ltd	ABSA Bank Ltd	05 Oct 2005	None	1,000
SAPOS (Pty) Ltd	ABSA Bank Ltd	05 Oct 2005	None	30
SAPOS (Pty) Ltd	ABSA Bank Ltd	24 Nov 2005	None	100
SAPOS (Pty) Ltd	ABSA Bank Ltd	28 Nov 2005	None	200
Scania South Africa (Pty) Ltd	HSBC Ltd	12 Oct 2009	30 Sep 2010	330,000
Scania South Africa (Pty) Ltd	HSBC Ltd	30 Oct 2009	30 Sep 2010	88,206
Kelvin Power (Pty) Ltd	Nedbank Ltd	30 Jul 2010	31 Jul 2011	167,187
City Power (Pty) Ltd and SAPOS (Pty) Ltd	FNB (149316)	19 Jul 2001	None	15
JHB Water (Pty) Ltd and SAPOS (Pty) Ltd	FNB (144146)	08 Jun 2001	None	100
				587,527

# City of Johannesburg

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## Notes to the Annual Financial Statements

Figures in Rand thousand	2011	2010
<b>42. PRIOR PERIOD ERRORS</b>		
<b>Statement of financial position</b>		
CJMM - Finance lease adjustments	46	-
CJMM - Creditors	(42)	(1,455)
CJMM - Cash and cash equivalents	670	-
CJMM - Provision for bonuses	-	(38,804)
CJMM - Other debtors	11,177	69,346
CJMM - Property, plant and equipment	6,246	34,599
CJMM - Loans to Municipal Entities	(20)	-
CJMM - Other financial assets	1,951	2,228
CJMM - VAT	22,348	79,935
CJMM - Obligations arising from conditional grants and receipts	531	-
CJMM - Deferred income	(3,813)	42,170
CJMM - Retirement benefit obligation	(11,178)	-
CJMM - JMPD Fraudulent activities	-	45,796
CJMM - JMPD Fraudulent activities provision	-	(42,580)
CJMM - Consumer debtors	(13,477)	(29,931)
CJMM - Rates adjustments	-	21,705
	<b>14,439</b>	<b>183,009</b>
<b>Statement of financial performance</b>		
CJMM - Grants paid	-	1,386
CJMM - Library books	-	8,458
CJMM - Sundry revenue	(697)	-
CJMM - JMPD Fraudulent activities	-	(45,796)
CJMM - Grants and subsidies paid	119	93
CJMM - Correction of debtors	-	(42,451)
CJMM - Employee costs	13,294	-
CJMM - Correction of leases	(46)	-
CJMM - Depreciation and impairment	(6,245)	(39,219)
CJMM - Allowance for impairment of current receivables	-	42,580
CJMM - Other	(8,298)	4,563
CJMM - Bonus provision	-	38,804
CJMM - Interest paid	(1,780)	(44,215)
CJMM - Traffic fines	-	14,728
CJMM - Property rates	3,730	889
CJMM - Interest earned	(2,463)	(9,196)
CJMM - Contracted services	(14,123)	(61,979)
CJMM - Service charges	9,747	7,336
CJMM - Fruitless and Wasteful Expenditure	(7,677)	-
CJMM - Surplus on sale/disposal of asset	-	(37,285)
CJMM - Correction of rates	-	(21,705)
	<b>(14,439)</b>	<b>(183,009)</b>

# City of Johannesburg

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### 42. PRIOR PERIOD ERRORS (continued)

The correction of the error(s) results in the restatement of comparative figures as follows -

Other revenue (R 0,697 million)  
Repayment from staff debtors and sundry debtors.

Employee costs R 13,294 million  
Adjustment of the Pension Fund to cater for prior year contributions.

Lease (R 0,046 million)  
Payments, interest and depreciation.

Depreciation adjustment (R6,246 million)  
Adjustment of depreciation on library books

Other expenses R 0,619 million  
VAT adjustments as per SARS.

Interest paid R 0,939 million  
Adjustment of the Pension Fund to cater for prior year interest.

Property Rates R 3,730 million  
Adjustment of property rates revenue relating to errors in previous financial years.

Interest earned (R 2,463 million)  
Adjustment of the bond tap premium and discount account, as well as interest in respect of the Carnegie grant.

PAYE payment (R 7,677 million)  
Payment to the Receiver of revenue for prior year PAYE.

Kelvin interest (R 2,719 million)  
Adjustment of interest charged.

Contracted services (R 9,396 million)  
VAT incorrectly claimed on expenditure.

Service charges R 9,747 million  
Adjustment of service charges revenue relating to errors in previous financial years.

Grants and subsidies paid R 0,119 million  
VAT claimed on top structures.

General expenses (R 0,277 million)  
VAT incorrectly claimed on operating expenses.

Contracted services (R 4,728 million)  
VAT incorrectly claimed on expenditure.

General expenses (R 8,639 million)  
VAT incorrectly claimed on operating expenses.

# City of Johannesburg

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### 42. PRIOR PERIOD ERRORS (continued)

#### The correction of the error(s) results in the restatement of comparative figures as follows - 2010

Kelvin Power R 37,000 million

Recognition of Income from the sale of Kelvin Power.

Fruitless and Wasteful Expenditure (R 0,121 million)

Bad Debt written off, regarded as Fruitless and Wasteful Expenditure at COJ Mayoral Committee (15 July 2010).

Adjustment of Debtors (R 0,544 million)

Interest charges previously cleared to debtors, now reversed.

MIG Funding (R 1,386 million)

Re-imburement of MIG Funds to City Power.

Bad Debts R 0,049 million

Correction to the provision for Bad Debts.

Fleet Africa (R 1,441 million)

Adjustment of the Fleet Africa Debtor account.

VAT Adjustment (R 2,947 million)

Correction of Fleet Africa debtor

Fruitless and Wasteful Expenditure (R 0,103 million)

Fruitless and Wasteful Expenditure written off during the year.

Bonus provision (R 38,804 million)

Adjustment for Bonus provision.

Assets disposed of (R 0,074 million)

Adjustment of scrapped assets and depreciation.

Adjustment of Debtors (R 27,852 million)

Correction of fine income.

Capitalisation of Capex project (R 23,237 million)

Depreciation on assets capitalised.

Capitalisation of library books (R 7,763 million)

Depreciation, loss and cost adjustments.

JMPD Fraudulent Activities (R 45,796 million)

Recognition of the debtor as a result of cash shortages, as well as the provision of the debtor

Property Rates R 0,889 million

Adjustment of property rates revenue relating to errors in previous financial years.

Property Rates (R 21,705million)

Adjustment of property rates revenue relating to errors in previous financial years.

Interest earned (R 2,228 million)

Adjustment of the bond tap premium and discount account.

Interest paid (R 42,170 million)

Adjustment of the bond tap premium and discount account.

Other expenses (R 28,671 million)

VAT adjustments as per SARS.

# City of Johannesburg

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### 42. PRIOR PERIOD ERRORS (continued)

Kelvin interest (R 2,812 million)  
Adjustment of interest charged

Contracted services (R 52,214 million)  
VAT incorrectly claimed on expenditure.

Service charges R 7,336 million  
Adjustment of service charges revenue relating to errors in previous financial years.

Grants and subsidies paid R 0,093 million  
VAT claimed on top structures.

General expenses (R 0,918 million)  
VAT incorrectly claimed on operating expenses.

Contracted services (R 9,765 million)  
VAT incorrectly claimed on expenditure.

General expenses (R 27,649 million)  
VAT incorrectly claimed on operating expenses.

### 43. RISK MANAGEMENT

#### Price risk

#### Overview

The CJMM has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Market risk.
- Credit/Counterparty risk

The CJMM's financial risk management objectives are as follows:

- To maintain sound liquidity levels such that optimal returns on surplus cash are realised and interest expenses are minimised.
- Ensuring that the CJMM's Credit Rating is maintained or improved by ensuring that financial risk ratios fall within required limits.
- To ensure sustainable financial viability of the Group by avoiding the occurrence of unnecessary/uncontrolled losses that could arise as a result of exposure in the financial markets. Adverse fluctuations if not properly controlled, could weaken the overall financial position of the Group.
- To protect the financial position of the Group.
- To provide Council with reasonable assurance that financial risks the CJMM is exposed to are identified and, to the best extent possible, mitigated and controlled.

The Treasury Unit identifies, quantifies and sets up control measures to mitigate financial risks in close co-operation with operating units. Treasury executes its responsibility in line with the approved Treasury and Assets and Liabilities Management (ALM) policies.

#### Financial Risk Management Framework

The Risk Management Framework serve to raise awareness, inform and guide the Group on its approved approach to risk management. The framework seeks to assist the Group in the effective identification, evaluation and control of risk that may impact upon the achievement of the corporate, mayoral and service delivery objectives and priorities that the Group has set itself to achieve.

Council has overall responsibility for the establishment and oversight of the CJMM's risk management framework. Council established the Assets and Liabilities Committee (ALCO), which is responsible for developing and monitoring the CJMM's financial risk management policies. ALCO reports regularly to the Mayoral Committee and Section 79 on its activities. Treasury reports its risk management activities to Mayoral, Council and ALCO on a regular basis. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the CJMM's activities

# City of Johannesburg

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### 43. RISK MANAGEMENT (continued)

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

#### Liquidity and Concentration Risk

Liquidity Risk refers to the risk that CJMM may not meet its periodic obligations with respect to its liabilities when they fall due. Management of liquidity is particularly important as it ensures that capital and operating expenditure is met. Treasury enters into liability obligations to bridge funding gaps arising from both capital and operational expenditure. Treasury's function is to ensure the City meets its liability obligations when they fall due.

For each financial year, Council approves a funding plan that minimises liquidity risk. Treasury manages both the long-term and short-term cash requirements, with surplus funds from operations of the City 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 and long term loans.

Short-term liquidity constraints are managed through two types of short-term funding methods: i) General Banking Facilities—the Absa Short term facility of R 380 million, Citi Bank Committed facility of R200 million and ii) Commercial Paper Issuance. CJMM's Treasury makes sure that all short term facilities utilised within the financial year are paid before the end of the financial year in line with Section 45(4)(a) of the MFMA. A cash management policy for managing its short-term cash flows and cash balances in a cost-effective manner is in place. The cash management policy assists the Group in managing its liquidity risk through the use of cash projection models with the aim of minimizing variances between actual and projections.

Both Short and Long term borrowings are approved under CJMM's Domestic Medium Term Note (DMTN) programme.

Liquidity risk is also linked to Concentration risk which could be defined as the probability of high liquidity risk arising from the inability to spread liability obligations such that most debts payable are concentrated around the same period, resulting in defaulting of payments. In line with International Financial Reporting Standards 7 (IFRS 7), the tables below show CJMM's contractual maturity analysis of its interest rate swap and non-derivative financial liabilities.

#### Funding Debt Maturities

The Group funds its coupon, interest and capital payments for all liabilities, other than bonds, from a Contingency Reserve Fund (CRF). Operational surpluses generated by the City are channelled into the CRF. Capital redemptions for bonds are funded from the Sinking Fund. The CJMM's annual budget contains provisions for coupon, interest and capital payments.

#### Redemption analysis of SWAP

Loan name	Maturity date	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
Nedbank R1bn loan	30 Jun 11	(30,521,713)	(19,066,103)	(7,905,260)	(2,383,380)	135,533	7,021,663

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### 43. RISK MANAGEMENT (continued)

#### Redemption of non derivative financial instruments

Loan name	Institution	Nominal	Issue date	Maturity date	Rate	Rate option
SCMB R200m	SCMB	200,000	19 Sep 03	30 Sep 18	BA Rate less 3.63%	Floating
DBSA 13541 - 1	DBSA	143,927	01 Oct 00	30 Sep 20	Jiber + 1.46%	Floating
DBSA 11073-1	DBSA	15,664	01 Apr 00	30 Sep 13	Jibar + 1.8%	Floating
DBSA11073-2	DBSA	46,563	01 Oct 00	30 Sep 13	6 months Jiber + 1.8%	Floating
DBSA 102761-1	DBSA	500,000	20 Aug 09	01 Jul 29	6 months Jibar + 2.85%	Floating
DBSA 103345-1	DBSA	600,000	17 Apr 09	30 Jun 29	6 months Jibar + 2.54%	Floating
NEDBANK R1b	NEDBANK	1,000,000	04 Mar 10	31 Mar 18	3 months Jibar + 2.8%	Floating
NEDBANK R315m	NEDBANK	315,000	21 Apr 10	21 Apr 15	3 months Jibar + 2.8%	Floating
CALYON	CALYON	362,800	05 Sep 06	02 Jul 18	3 Months Jibar less 0.35%	Floating
AFD R412m	AFD	412,000	15 Nov 11	15 May 26	6 Months Jibar + 0.7%	Floating
DBSA-12033-1	DBSA	1,032	31 Dec 01	31 Dec 11	16.67%	Fixed
DBSA-12034-1	DBSA	554	31 Dec 01	31 Dec 11	16.67%	Fixed
DBSA-08056-1	DBSA	53,420	31 Mar 02	30 Sep 11	10.00%	Fixed
DBSA-12716-1	DBSA	299	31 Dec 01	31 Dec 12	16.55%	Fixed
DBSA-12717-1	DBSA	554	31 Dec 01	31 Dec 12	16.55%	Fixed
DBSA-12035-1	DBSA	170	31 Dec 01	31 Dec 11	15.26%	Fixed
DBSA-12036-1	DBSA	795	31 Dec 01	31 Dec 11	15.26%	Fixed
DBSA-12037-1	DBSA	1,795	31 Dec 01	31 Dec 12	15.26%	Fixed
DBSA-12038-1	DBSA	420	31 Dec 01	31 Dec 12	15.26%	Fixed
DBSA-12388-1	DBSA	2,136	31 Dec 01	31 Dec 12	15.26%	Fixed
DBSA-09005-1	DBSA	291,732	31 Mar 02	31 Mar 13	10.00%	Fixed
DBSA-08250-1	DBSA	7,570	31 Mar 02	31 Mar 14	10.00%	Fixed
DBSA-09637-1	DBSA	3,700	31 Mar 02	31 Mar 14	10.00%	Fixed
DBSA-11984 - 993	DBSA	77,831	31 Dec 01	30 Jun 14	13.22%	Fixed
DBSA-09337-1	DBSA	29,756	31 Mar 02	30 Sep 14	10.00%	Fixed
DBSA-09726-1	DBSA	2,872	31 Mar 02	30 Sep 14	12.00%	Fixed
DBSA-10295-1	DBSA	1,760	31 Dec 01	30 Jun 16	10.00%	Fixed
DBSA-11064-1	DBSA	2,309	31 Mar 02	31 Mar 20	16.50%	Fixed
DBSA-11064-2	DBSA	250,000	31 Mar 11	30 Jun 26	10.53%	Fixed
ABSA R54.7m	ABSA	54,700	27 Nov 96	30 Nov 11	16.22%	Fixed
ABSA R 150 M	ABSA	150,000	19 Dec 02	20 Dec 12	12.27%	Fixed
RMBR100	RMB	100,000		30 Nov 14	16.50%	Fixed
RMBR95	RMB	95,000		30 Nov 14	14.53%	Fixed
RMBR210	RMB	210,000		31 Dec 12	15.56%	Fixed
INVESTEC R100m	Investec	100,000	24 Dec 03	24 Dec 13	11.77%	Fixed
ABSA Springfield	ABSA	4,900	29 Aug 85	31 Jul 15	8.90%	Fixed
IBM/ IGF Milestone 1	IBM	71,054	01 Nov 09	01 Aug 14	11.14%	Fixed
Milestone 2	IBM	13,775	01 Dec 09	01 Sep 14	11.11%	Fixed
Milestone 3	IBM	18,042	01 Jan 10	01 Oct 14	10.95%	Fixed
Milestone 4	IBM	10,497	01 Feb 10	01 Nov 14	11.03%	Fixed
Milestone 5	IBM	8,601	01 Mar 10	01 Dec 14	10.78%	Fixed
Milestone 6	IBM	12,188	01 Apr 10	01 Jan 15	10.72%	Fixed
Milestone 7	IBM	14,413	01 May 10	01 Feb 15	10.37%	Fixed
Milestone 8	IBM	9,770	01 Jun 10	01 Mar 15	10.35%	Fixed
Milestone 9	IBM	13,655	30 Jun 10	01 Apr 15	10.26%	Fixed
<b>Bonds</b>						
COJ 02	BESA	1,000,000	31 Dec 04	30 Jun 16	11.90%	Fixed
COJ 03	BESA	700,000	26 Oct 05	26 Apr 13	9.70%	Fixed
COJ 04	BESA	1,733,000	05 Jun 06	05 Jun 23	9.00%	Fixed
COJ 05	BESA	2,268,000	05 Jun 08	05 Jun 23	12.21%	Fixed
COJ 06	BESA	900,000	09 Dec 08	05 Jun 18	10.82%	Fixed
COJ 07	BESA	850,000	23 Mar 11	23 Mar 21	10.78%	Fixed
Retail Bond Jozi03	BESA	127,300	21 Sep 07	21 Sep 12	3 months Jiber + 0.40%	Floating

**12,789,554**



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### 43. RISK MANAGEMENT (continued)

#### Redemption of non derivative financial instruments (Continued)

Loan name	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
SCMB R200m	13,333	13,333	13,333	13,333	13,333	30,000
DBSA 13541 - 1	10,111	10,111	10,111	10,111	10,111	42,970
DBSA 11073-1	1,362	1,362	681	-	-	-
DBSA 11073-2	4,049	4,049	2,024	-	-	-
DBSA 102761-1	25,000	25,000	25,000	25,000	25,000	337,500
DBSA 103345-1	30,000	30,000	30,000	30,000	30,000	390,000
NEDBANK R1b	-	-	-	-	-	1,000,000
NEDBANK R315m	63,000	63,000	63,000	63,000	-	-
CALYON	36,280	36,280	36,280	36,280	36,280	72,560
AFD R412m	-	-	-	34,333	34,333	343,333
DBSA-12033-1	99	-	-	-	-	-
DBSA-12034-1	53	-	-	-	-	-
DBSA-08056-1	4,227	-	-	-	-	-
DBSA-12716-1	49	28	-	-	-	-
DBSA-12717-1	91	51	-	-	-	-
DBSA-12035-1	16	-	-	-	-	-
DBSA-12036-1	73	-	-	-	-	-
DBSA-12037-1	284	159	-	-	-	-
DBSA-12038-1	66	37	-	-	-	-
DBSA-12388-1	338	189	-	-	-	-
DBSA-09005-1	37,344	41,294	-	-	-	-
DBSA-08250-1	838	925	1,025	-	-	-
DBSA-09637-1	127	84	38	-	-	-
DBSA-11984 - 993	9,059	10,305	11,717	-	-	-
DBSA-09337-1	3,071	3,389	3,736	2,031	-	-
DBSA-09726-1	308	346	389	212	-	-
DBSA-10295-1	146	161	178	196	216	-
DBSA-11064-1	101	119	140	164	191	101
DBSA-11064-2	-	-	-	-	-	250,000
ABSA R54.7m	50,858	-	-	-	-	-
ABSA R 150 M	-	150,000	-	-	-	-
RMBR100	-	-	-	100,000	-	-
RMBR95	-	-	-	95,000	-	-
RMBR210	-	210,000	-	-	-	-
INVESTEC R100m	13,396	15,054	8,207	-	-	39
ABSA Springfield	130	130	130	130	130	-
IBM/ IGF Milestone 1	14,245	18,259	20,400	5,465	-	-
Milestone 2	2,828	3,497	3,906	1,046	-	-
Milestone 3	3,320	4,473	4,989	2,706	-	-
Milestone 4	1,929	2,602	2,905	1,576	-	-
Milestone 5	1,650	2,132	2,373	1,285	-	-
Milestone 6	2,191	2,821	3,272	2,693	-	-
Milestone 7	2,604	3,335	3,853	3,162	-	-
Milestone 8	1,837	2,318	2,612	4,128	-	-
Milestone 9	2,582	3,174	3,663	3,003	-	-
<b>Bonds</b>						
COJ 02	-	-	166,667	333,333	333,333	166,667
COJ 03	-	-	-	-	-	700,000
COJ 04	-	-	-	-	-	1,733,000
COJ 05	-	-	-	-	-	2,268,000
COJ 06	-	-	-	-	-	900,000
COJ 07	-	-	-	-	-	850,000
Retail Bond Jozi03	-	34,813	-	-	-	-
	<b>336,995</b>	<b>692,830</b>	<b>420,629</b>	<b>768,187</b>	<b>482,927</b>	<b>9,084,170</b>

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### 43. RISK MANAGEMENT (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the CJMM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimising the CJMM's service delivery objectives. IFRS 7 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

#### Interest rate risk

This refers to the risk that the value of a financial instrument will change due to a change in i) the absolute level of interest rates; ii) in the spread between two rates; iii) in the shape of the yield curve or in any other interest rate relationship. CJMM's floating rate liabilities are exposed to interest rate risk in terms of both cash flow and fair values.

#### Interest Rate Fair Value Sensitivity Analysis

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
- A two percent upward and one percent downward movement in interest rates Management generally expects interest rates to rise in the future.

#### Fair value interest rate sensitivity analysis on variable financial liabilities as at June 2011

Loan name	Institution	Nominal	Redemption	Issue date	Maturity date	Rate	Rate option
SCMB R200m	SCMB	200,000	3,333	19 Sep 03	30 Sep 18	BA Rate less 3.63%	Floating
Retail Bond Jozi03	BESA	127,300	127,300	21-Sep-07	21-Jun-12	3 months Jibar + 0.40%	Floating
DBSA 13541 -1	DBSA	159,241	2,528	01-Oct-00	30-Sep-20	3months Jibar + 1.46%	Floating
DBSA 11073-1	DBSA	12,259	681	01-Apr-00	30-Sep-13	6 months Jibar + 1.8%	Floating
DBSA 11073-2	DBSA	36,440	2,024	01-Oct-00	30-Sep-13	6 months Jibar + 1.8%	Floating
DBSA 102761-1	DBSA	500,000	12,500	20-Aug-09	01-Jul-29	6 months Jibar + 2.85%	Floating
DBSA 103345-1	DBSA	600,000	15,000	17-Apr-09	30-Jun-29	6 months Jibar + 2.54%	Floating
NEDBANK R1b	NEDBANK	1,000,000	1,000,000	04-Mar-10	31-Mar-18	3 months Jibar + 2.8%	Floating
NEDBANK R315m	NEDBANK	315,000	31,500	21-Apr-10	21-Apr-15	3 months Jibar + 2.8%	Floating
CALYON	CALYON	362,800	9,070	05-Sep-06	02-Jul-18	3 months Jibar less 0.35%	Floating
AFD R412m	AFD	412,000	17,167	15-Nov-11	15-May-26	6 months Jibar + 0.7%	Floating
		<b>3,725,040</b>	<b>1,221,103</b>				

#### Fair value interest rate sensitivity analysis on variable financial liabilities as at June 2011 (Continued)

Loan name	Institution	Fair value sensitivity analysis to interest rate movement/shift						
		-1	-0.5	0	0.5	1	1.5	2
SCMB R200m	SCMB	70,771	70,432	70,104	69,786	69,478	69,179	68,889
Retail Bond Jozi03	BESA	19,499	24,959	20,062	19,625	19,672	19,722	19,844
DBSA 13541 -1	DBSA	97,669	98,187	98,707	95,713	98,013	100,279	99,100
DBSA 11073-1	DBSA	3,469	3,474	3,479	3,484	3,489	3,495	3,500
DBSA 11073-2	DBSA	10,311	10,326	10,341	10,357	10,372	10,388	10,404
DBSA 102761-1	DBSA	531,076	536,864	542,556	548,156	553,666	559,088	564,426
DBSA 103345-1	DBSA	608,453	615,152	621,743	628,227	634,609	640,891	647,077
NEDBANK R1b	NEDBANK	1,127,593	1,133,177	1,141,987	1,150,832	1,159,702	1,168,588	1,177,483
NEDBANK R315m	NEDBANK	265,722	265,996	266,286	266,590	266,908	267,239	267,583
CALYON	CALYON	249,339	250,350	251,373	252,409	253,454	254,508	255,570
AFD R412m	AFD	461,660	429,897	429,897	429,897	429,897	429,897	429,897
		<b>3,445,562</b>	<b>3,438,814</b>	<b>3,456,535</b>	<b>3,475,076</b>	<b>3,499,260</b>	<b>3,523,274</b>	<b>3,543,773</b>

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### 43. RISK MANAGEMENT (continued)

The fair value sensitivity analysis of variable rate liabilities shows that a 2% increase in interest rates will increase the value of floating rate liabilities by R87.2m, and a 1% decrease will decrease the value of floating rate liabilities by R10,9m

#### 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
- A two percent upward and one percent downward movement in interest rates.

#### Cash flow interest rate sensitivity analysis on variable financial liabilities as at June 2011

Loan name	Institution	Nominal	Redemption	Issue date	Maturity date	Rate	Rate option
Retail Bond Jozi03	BESA	127,300	127,300	21-Sep-07	21-Sep-11	3 months Jibar + 0.40%	Floating
		-	-		21-Mar-12		
		-	-		21-Jun-12		
		-	-		21-Sep-12		
DBSA 13541 -1	DBSA	159,241	2,528	01-Oct-00	30-Sep-11	3 months Jibar + 1.46%	Floating
		-	-		21-Dec-11		
		-	-		31-Mar-00		
		-	-		21-Jun-12		
		-	-		21-Sep-12		
DBSA 11073-1	DBSA	12,259	681	01-Apr-00	30-Sep-11	6 months Jibar + 1.8%	Floating
		-	-		30-Mar-12		
		-	-		30-Sep-12		
DBSA 11073-2	DBSA	36,440	2,024	01-Oct-00	30-Sep-11	6 months Jibar + 1.8%	Floating
		-	-		30-Mar-12		
		-	-		30-Sep-12		
DBSA 102761-1	DBSA	500,000	12,500	20-Aug-09	31-Dec-11	6 months Jibar + 2.85%	Floating
		-	-		30-Jun-12		
		-	-		30-Dec-12		
DBSA 103345-1	DBSA	600,000	15,000	17-Apr-09	31-Dec-11	6 months Jibar + 2.54%	Floating
		-	-		30-Jun-12		
		-	-		30-Dec-12		
NEDBANK R1b	NEDBANK	1,000,000	1,000,000	04-Mar-10	30-Sep-11	3 months Jibar + 2.8%	Floating
		-	-		30-Dec-11		
		-	-		30-Mar-12		
		-	-		30-Jun-12		
		-	-		30-Sep-12		
NEDBANK R315m	NEDBANK	315,000	31,500	21-Apr-10	30-Sep-11	3 months Jibar + 2.8%	Floating
		-	-		30-Dec-11		
		-	-		30-Mar-12		
		-	-		30-Jun-12		
		-	-		30-Sep-12		
CALYON	CALYON	362,800	9,070	05-Sep-06	30-Sep-11	3 Months Jibar less 0.35%	Floating
		-	-		30-Dec-11		
		-	-		30-Mar-12		
		-	-		30-Jun-12		
		-	-		30-Sep-12		
AFD R412m	AFD	412,000	17,167	15-May-11	05-Nov-11	6 Months Jibar + 0.7%	Floating
		-	-		05-May-12		
		-	-		05-Nov-12		
SCMB R200m	SCMB	200,000	3,333	19-Sep-03	30-Sep-11	BA Rate less 3.63%	Floating
		-	-		30-Dec-11		
		-	-		30-Mar-12		
		-	-		30-Jun-12		
		-	-		30-Sep-12		
		<b>3,725,040</b>	<b>1,221,103</b>				

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### 43. RISK MANAGEMENT (continued)

#### Cash flow interest rate sensitivity analysis on variable financial liabilities as at June 2011 (Continued)

Loan name	Institution	Interest rate movement/shift						
		-1	-0.5	0	0.5	1	1.5	2
Retail Bond Jozi03	BESA	1,746	1,890	2,035	2,180	2,324	2,469	2,614
		1,725	1,884	2,042	2,201	2,360	2,518	2,677
		1,571	1,730	1,888	2,047	2,206	2,364	2,523
		1,596	1,757	1,917	2,078	2,238	2,398	2,559
		1,596	1,757	1,917	2,078	2,238	2,398	2,559
DBSA 13541 -1	DBSA	3,950	4,068	4,186	4,068	4,304	4,540	4,540
		3,950	4,064	4,179	4,064	4,294	4,523	4,523
		3,948	4,058	4,169	4,058	4,279	4,499	4,499
		3,998	4,105	4,212	4,105	4,319	4,534	4,534
		4,038	4,143	4,249	4,143	4,354	4,564	4,564
DBSA 11073-1	DBSA	795	803	812	821	829	838	846
		773	779	786	793	800	807	814
		757	762	767	772	778	783	788
DBSA 11073-2	DBSA	2,363	2,388	2,414	2,439	2,464	2,490	2,515
		2,297	2,317	2,337	2,358	2,378	2,398	2,418
		2,250	2,266	2,281	2,296	2,311	2,326	2,342
DBSA 102761-1	DBSA	30,336	31,502	32,668	33,833	34,999	36,165	37,331
		30,653	31,775	32,897	34,018	35,140	36,262	37,384
		31,810	32,913	34,015	35,118	36,221	37,324	38,426
DBSA 103345-1	DBSA	33,898	35,141	36,378	37,609	38,834	40,053	41,266
		33,660	34,739	35,809	36,869	37,919	38,959	39,989
		33,911	34,856	35,788	36,707	37,614	38,508	39,391
NEDBANK R1b	NEDBANK	36,976	39,483	41,989	44,496	47,003	49,510	52,017
		38,402	40,909	43,416	45,923	48,430	50,937	53,443
		41,936	44,443	46,950	49,457	51,964	54,471	56,977
		44,379	46,873	49,366	51,859	54,352	56,845	59,338
		47,553	50,060	52,567	55,073	57,580	60,087	62,594
NEDBANK R315m	NEDBANK	4,684	5,002	5,320	5,637	5,955	6,272	6,590
		36,237	36,552	36,866	37,180	37,494	37,808	38,122
		4,277	4,552	4,827	5,102	5,376	5,651	5,926
		36,058	36,336	36,614	36,892	37,170	37,448	37,726
		4,061	4,299	4,538	4,776	5,014	5,252	5,490
CALYON	CALYON	12,440	12,760	13,080	13,400	13,720	14,041	14,361
		11,924	12,230	12,535	12,840	13,145	13,451	13,756
		11,539	11,833	12,127	12,421	12,715	13,009	13,303
		11,485	11,770	12,056	12,342	12,628	12,914	13,199
		12,019	12,294	12,568	12,842	13,117	13,391	13,665
AFD R412m	AFD	14,175	14,175	14,175	14,175	14,175	14,175	14,175
		13,975	13,975	13,975	13,975	13,975	13,975	13,975
		15,450	15,450	15,450	15,450	15,450	15,450	15,450
SCMB R200m	SCMB	5,103	5,129	5,155	5,180	5,206	5,232	5,258
		4,957	4,982	5,007	5,032	5,057	5,082	5,107
		4,793	4,817	4,842	4,866	4,890	4,914	4,939
		4,647	4,670	4,694	4,717	4,741	4,764	4,788
		4,512	4,535	4,558	4,581	4,604	4,626	4,649
		<b>653,203</b>	<b>676,826</b>	<b>700,421</b>	<b>722,871</b>	<b>746,964</b>	<b>771,025</b>	<b>793,950</b>

#### Hedging Interest Rate Risk

In the 2009/10 financial statements, it was mentioned that Treasury will propose the use of Interest Rate Derivative Swaps to hedge this risk in the 2010/11 financial year. At the end of the third quarter of the 2010/11 financial year, Treasury entered into a 7 year fixed interest rate swap on the R1 billion floating rate Nedbank loan at a fixed rate of 11,66 NACS.

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### 43. RISK MANAGEMENT (continued)

The rationale behind this was based on inflation upside risk factors at the time the swap approval was obtained, bearing in mind that inflation had been on a declining trend from 2008 and had reached its lowest levels in three decades in 2010 and an upward trend would soon follow. The anticipated increase in inflation would increase the interest payments on the liability in question.

The inflation risk factors identified were:

- Larger funding shortfalls for Eskom and the projected increases in electricity cost for consumers
- Larger current account deficit
- Boom in Public Infrastructure Spending
- Above inflation wage negotiations

International accounting standards (IAS) 39 does not provide specific guidance on how hedge effectiveness tests for hedge qualification purposes should be performed. IAS 39.AG 105 specifies that a hedge is normally regarded as effective only if (a) at inception and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated, and (b) the actual results are within a range of 80-125 per cent. It further states that the expectation in (a) can be demonstrated in various ways.

Two methods that are often used to assess hedge effectiveness when the critical terms of the hedging derivative and the hedged item are not identical are:

1. the Dollar-Offset Method
2. the Variability-Reduction Method

The effectiveness of the hedge was measured ( both the fair value and the cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument) by using the above mentioned two methods that CJMM has advocated in measuring the hedge effectiveness.

Assessment of the actual effectiveness as at 30 June 2011 as per the two methods:

1. Dollar-Offset Method- 96%
2. Variability-Reduction Method- 87%

Note that the assessment of the actual hedge effectiveness was within a range of 80-125 per cent and as a result the hedge relationship in the current financial period is assessed as being effective. This implies that CJMM can continue with hedge accounting in the future financial periods and thus the swap can be recognized in the cashflow reserve in equity via other comprehensive income.

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### 43. RISK MANAGEMENT (continued)

#### Swap Cashflow Sensitivity

The table below shows how the cashflow resulting from the swap would respond to changes in interest rates assuming:

- The base case interest rate is at current levels
- A two percent upward and one percent downward movement in interest rates

#### Cash flow interest rate sensitivity analysis on the interest rate swap - SWAP on Nedbank R1bn

Settlement dates	Interest rate movement/shift						
	-1	-0.5	0	0.5	1	1.5	2
30 Sep 11	(16,030)	(16,030)	(16,030)	(16,030)	(16,030)	(16,030)	(16,030)
30-Mar-12	(19,580)	(17,038)	(14,492)	(11,944)	(9,392)	(6,837)	(4,279)
30-Sep-12	(16,011)	(13,465)	(10,915)	(8,362)	(5,806)	(3,247)	(685)
30-Mar-13	(13,225)	(10,690)	(8,151)	(5,609)	(3,065)	(517)	2,034
30-Sep-13	(10,529)	(7,918)	(5,304)	(2,686)	(65)	2,559	5,186
30-Mar-14	(7,718)	(5,161)	(2,602)	(39)	2,528	5,097	7,669
30-Sep-14	(6,812)	(4,239)	(1,664)	915	3,496	6,081	8,669
30-Mar-15	(5,841)	(3,282)	(719)	1,846	4,414	6,986	9,560
30-Sep-15	(5,344)	(2,770)	(193)	2,388	4,971	7,558	10,148
30-Mar-16	(4,824)	(2,249)	328	2,909	5,494	8,081	10,672
30-Sep-16	(4,172)	(1,597)	982	3,564	6,149	8,737	11,328
30-Mar-17	(3,515)	(953)	1,612	4,180	6,751	9,325	11,903
30-Sep-17	(3,111)	(548)	2,017	4,586	7,158	9,732	12,310
30-Mar-18	(2,718)	(155)	2,411	4,980	7,552	10,127	12,706
	-	-	-	-	-	-	-
	<b>(119,430)</b>	<b>(86,095)</b>	<b>(52,720)</b>	<b>(19,302)</b>	<b>14,155</b>	<b>47,652</b>	<b>81,191</b>

On the basis of the above assumptions, a 1% change in interest rates will result in a 127% change in the value of the swap. There is a positive relationship between the swap value and interest rates, thus if interest rates increase, the value of the swap will increase.

#### Swap Fair Value Sensitivity

The table below shows how the fair value of the swap would respond to changes in interest rates assuming:

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

#### Cash flow interest rate sensitivity analysis on the interest rate swap - SWAP on Nedbank R1bn

Settlement dates	Interest rate movement/shift						
	-1	-0.5	0	0.5	1	1.5	2
30-Jun-11	(84,310)	(67,469)	(43,098)	(35,704)	(20,711)	(6,267)	7,654

The above fair values represent the all-inclusive price (price plus swap interest accrual).

#### Estimation of Fair Values

The fair value of financial instruments that are not traded in an active market (for example, trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the municipality is the current bid offer price. The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques.

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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### 43. RISK MANAGEMENT (continued)

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

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

#### Fair Value Hierarchy

In terms of IFRS 7.27A, there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The levels are defined as follows.

#### Level 1

The fair values are based on quoted market prices (unadjusted) in active markets for identical instruments. In terms of the CJMM's liabilities, all bonds fall in this category as they are actively traded on the JSE/BESA.

#### Fair values of all financial liabilities as at 30 June 2011

Loan name	Institution	Nominal	Issue date	Maturity date	Rate	Rate option	Fair value
COJ 02	BESA	1,000,000	31-Dec-04	15-Sep-16	11.90%	Fixed	1,059,629
COJ 03	BESA	700,000	26-Oct-05	26-Apr-13	9.70%	Fixed	709,539
COJ 04	BESA	1,733,000	05-Jun-06	05-Jun-18	9.00%	Fixed	1,621,940
COJ 05	BESA	2,268,000	05-Jun-08	05-Jun-23	12.21%	Fixed	2,491,924
COJ 06	BESA	900,000	09-Dec-08	05-Dec-15	10.82%	Fixed	951,096
COJ 07	BESA	850,000	23-Mar-11	23-Mar-21	10.78%	Fixed	873,403
		<b>7,451,000</b>					<b>7,707,531</b>

The Level 1 Fair Value for the CJMM's liabilities was R7,707 billion as at 30 June 2011.

#### 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. All liabilities other than listed bonds (COJ02 to COJ07) fall into this category including the interest rate swap.

#### Fair value sensitivity analysis to interest rate movement/shift - SWAP on Nedbank R1bn

Settlement dates	Interest rate movement/shift						
	-1	-0.5	0	0.5	1	1.5	2
30-Jun-11	(84,310)	(67,469)	(43,098)	(35,704)	(20,711)	(6,267)	7,654

The Level 2 all-inclusive fair value of the swap stood at R51, 28 m as at the end of 30 June 2011.

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### 43. RISK MANAGEMENT (continued)

#### Fair values of all financial liabilities as at 30 June 2011

Loan name	Institution	Nominal	Issue date	Maturity date	Rate	Rate option	Fair value
SCMB R200m	SCMB	200,000	19-Sep-03	00-Jan-00	BA Rate less 3.63%	Floating	70,104
DBSA 13541 -1	DBSA	149,131	01-Oct-00	00-Jan-00	3 months Jibar + 1.46%	Floating	98,707
DBSA 11073-1	DBSA	2,724	01-Apr-00	00-Jan-00	6 months Jibar + 1.8%	Floating	3,479
DBSA 11073-2	DBSA	8,098	01-Oct-00	00-Jan-00	6 months Jibar + 1.8%	Floating	10,341
DBSA 102761-1	DBSA	275,000	20-Aug-09	00-Jan-00	6 months Jibar + 2.85%	Floating	542,556
DBSA 103345-1	DBSA	330,000	17-Apr-09	00-Jan-00	6 months Jibar + 2.54%	Floating	621,743
NEDBANK R1b	NEDBANK	1,000,000	04-Mar-10	00-Jan-00	3 months Jibar + 2.8%	Floating	1,141,987
NEDBANK R315m	NEDBANK	315,000	21-Apr-10	00-Jan-00	3 months Jibar + 2.8%	Floating	266,286
CALYON	CALYON	362,800	05-Sep-06	00-Jan-00	3 Months Jibar less 0.35%	Floating	251,373
AFD R412m	AFD	412,000	15-Nov-11	00-Jan-00	6 Months Jibar + 0.7%	Floating	429,846
DBSA-12033-1	DBSA	1,032	31-Dec-01	31-Dec-11	16.67%	Fixed	104
DBSA-12034-1	DBSA	554	31-Dec-01	31-Dec-11	16.67%	Fixed	56
DBSA-08056-1	DBSA	53,420	31-Mar-02	30-Sep-11	10.00%	Fixed	4,363
DBSA-12716-1	DBSA	299	31-Dec-01	31-Dec-12	16.55%	Fixed	84
DBSA-12717-1	DBSA	554	31-Dec-01	31-Dec-12	16.55%	Fixed	156
DBSA-12035-1	DBSA	170	31-Dec-01	31-Dec-11	15.26%	Fixed	16
DBSA-12036-1	DBSA	795	31-Dec-01	31-Dec-11	15.26%	Fixed	76
DBSA-12037-1	DBSA	1,795	31-Dec-01	31-Dec-12	15.26%	Fixed	481
DBSA-12038-1	DBSDBSA	420	31-Dec-01	31-Dec-12	15.26%	Fixed	113
DBSA-12388-	DBSA	2,136	31-Dec-01	31-Dec-12	15.26%	Fixed	573
DBSA-09005-1	DBSA	291,732	31-Mar-02	31-Mar-13	10.00%	Fixed	83,270
DBSA-08250-1	DBSA	7,570	31-Mar-02	31-Mar-14	10.00%	Fixed	2,987
DBSA-09637-1	DBSA	3,700	31-Mar-02	31-Mar-14	10.00%	Fixed	1,228
DBSA-11984 - 993	DBSA	77,831	31-Dec-01	30-Jun-14	13.22%	Fixed	34,439
DBSA-09337-1	DBSA	29,756	31-Mar-02	30-Sep-14	10.00%	Fixed	13,166
DBSA-09726-1	DBSA	2,872	31-Mar-02	30-Sep-14	12.00%	Fixed	1,400
DBSA-10295-1	DBSA	1,760	31-Dec-01	30-Jun-16	10.00%	Fixed	960
DBSA-11064-1	DBSA	2,309	31-Mar-02	31-Mar-20	16.50%	Fixed	1,243
DBSA-11064-2	DBSA	250,000	31-Mar-11	30-Jun-26	10.53%	Fixed	75,904
ABSA R54.7m	ABSA	54,700	27-Nov-96	30-Nov-11	16.22%	Fixed	52,331
ABSA R 150 M	ABSA	150,000	19-Dec-02	20-Dec-12	12.27%	Fixed	162,047
RMBR100	RMB	100,000		30-Nov-14	16.50%	Fixed	161,292
RMBR95	RMB	95,000		30-Nov-14	14.53%	Fixed	153,236
RMBR210	RMB	210,000		31-Dec-12	15.56%	Fixed	353,846
INVESTEC R100m	Investec	100,000	24-Dec-03	24-Dec-13	11.77%	Fixed	39,196
ABSA Springfield	ABSA	4,900	29-Aug-85	31-Jul-15	8.90%	Fixed	652
IBM/ IGF Milestone 1	IBM	71,054	01-Nov-09	01-Aug-14	11.14%	Fixed	62,281
Milestone 2	IBM	13,775	01-Dec-09	01-Sep-14	11.11%	Fixed	11,762
Milestone 3	IBM	18,042	01-Jan-10	01-Oct-14	10.95%	Fixed	15,445
Milestone 4	IBM	10,497	01-Feb-10	01-Nov-14	11.03%	Fixed	9,676
Milestone 5	IBM	8,601	01-Mar-10	01-Dec-14	10.78%	Fixed	7,691
Milestone 6	IBM	12,188	01-Apr-10	01-Jan-15	10.72%	Fixed	11,735
Milestone 7	IBM	14,413	01-May-10	01-Feb-15	10.37%	Fixed	13,791
Milestone 8	IBM	9,770	01-Jun-10	01-Mar-15	10.35%	Fixed	6,993
Milestone 9	IBM	13,655	30-Jun-10	01-Apr-15	10.26%	Fixed	13,111
Loan Stock	Std Bank	30,000	31-Aug-02	31-Aug-13	14.70%	Fixed	26,013
Retail Bond Jozi03	Retail Bond	127,300	21-Sep-07	21-Sep-12	3 months Jibar + 0.40%	Floating	20,062
		<b>4,827,353</b>					<b>4,778,201</b>

The Level 2 Fair Value for the CJMM's liabilities was R4, 792 billion as at 30 June 2011.

The Level 2 Fair Value of CJMM's long term investments stood at R814 million as at 30 June 2011.



# City of Johannesburg

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### 43. RISK MANAGEMENT (continued)

#### Fair value of long term investments

Investment	Date	Fair Value
RMB Security Deposit	30 Jun 11	45,467,104
RMB Amo Deposit	30 Jun 11	94,963,621
RMB EMLC	30 Jun 11	90,215,440
RMB R248 SF	30 Jun 11	354,963,402
STD Midr	30 Jun 11	49,928,808
ABSA	30 Jun 11	149,184,283
SCMB LS	30 Jun 11	29,424,532
		<b>814,147,190</b>

#### Level 3

Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation inputs are not based on observable market data. The CJMM does not have any instruments falling under the level 3 category

#### Credit/Counterparty Risk

The Group deposits surplus funds with financial institutions to mitigate against the negative cost of carry and these funds are diversified around different investment type and institutions.

The credit limit exposure table below depicts all investments with various counterparties as at the 30 June 2011. Total investments were R 276 million. The table also shows the credit limit approved per counterparty. Treasury constantly monitors the percentage limit utilized and warning signal levels are set at an investment with any counterparty above the 90% limit utilization

# City of Johannesburg

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### 43. RISK MANAGEMENT (continued)

Credit limit exposure report

Counter party	ST Ratings	Approved Limit	Call Deposits	Term Deposits	Total Exposure	Available For use	% Limit Utilisation
ABSA	F1+	650,000	198,078	-	198,078	451,922	30.47%
RMB	F1+	500,000	1,114	-	1,114	498,886	0.22%
INVESTEC	F1+	350,000	1,157	20,351	21,508	328,492	6.15%
NEDBANK	F1+	500,000	3,049	43,800	46,849	453,151	9.37%
STANDARD	F1+	500,000	1,152	-	1,152	498,848	0.23%
<b>Total: Domestic banks</b>		<b>2,500,000</b>	<b>204,550</b>	<b>64,151</b>	<b>268,701</b>	<b>2,231,299</b>	
CITIBANK	F1+	350,000	1,150	-	1,150	348,850	0.33%
DEUTSCHE BANK	F1+	350,000	1,000	-	1,000	349,000	0.29%
CALYON SA	F1+	350,000	1,131	-	1,131	348,869	0.32%
HSBC	F1+	350,000	-	-	-	350,000	0.00%
<b>Total: International banks</b>		<b>1,400,000</b>	<b>3,281</b>	<b>-</b>	<b>3,281</b>	<b>1,396,719</b>	
SARB		500,000	-	-	-	500,000	0.00%
LAND BANK	F1+	350,000	1,050	-	1,050	348,950	0.30%
TCTA	F1+	350,000	1,000	-	1,000	349,000	0.29%
<b>Total: Public sector</b>		<b>1,200,000</b>	<b>2,050</b>	<b>-</b>	<b>2,050</b>	<b>1,197,950</b>	
CADIZ	F2	50,000	-	-	-	50,000	0.00%
CORONATION	F2	50,000	-	-	-	50,000	0.00%
METROPOLITAN	F1	150,000	-	-	-	150,000	0.00%
PSG	F2	50,000	-	-	-	50,000	0.00%
SANLAM CAPITAL MARKETS	F1	150,000	-	-	-	150,000	0.00%
STANLIB	F1+	150,000	1,498	-	1,498	148,502	0.10%
<b>Total: Asset management firms</b>		<b>600,000</b>	<b>1,498</b>	<b>-</b>	<b>1,498</b>	<b>598,502</b>	
<b>Grand total: Investments</b>		<b>5,700,000</b>	<b>211,379</b>	<b>64,151</b>	<b>275,530</b>	<b>5,424,470</b>	

### Credit quality of Investments

CJMM has been placing investments with those entities with a short-term credit rating of F1+. F1+ indicates the strongest credit quality of the obligator, meaning the risk of default is minimal. The credit qualities of CJMM's investments as at 30 June 2011 are shown in the tables below.

### Fair value of long term investments

Investment	Date	Fair Value
RMB Security Deposit	30 Jun 11	45,467,104
RMB Amo Deposit	30 Jun 11	94,963,621
RMB EMLC	30 Jun 11	90,215,440
RMB R248 SF	30 Jun 11	354,963,402
STD Midr	30 Jun 11	49,928,808
ABSA	30 Jun 11	149,184,283
SCMB LS	30 Jun 11	29,424,532
		<b>814,147,190</b>

# City of Johannesburg

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<b>44. FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	5,324	19,070
Fruitless and wasteful expenditure current year	208	-
Approved by Council or condoned	-	(1,665)
Fruitless and wasteful expenditure under investigation	183	(12,081)
<b>Transfer to other debtors for verification</b>	<b>5,715</b>	<b>5,324</b>

### 1. Office of the Speaker

Non-attendance of Conferences, Seminars and Training sessions by staff after the relevant bookings and payments has been made - R10,000.00.

Disciplinary steps/criminal proceedings : None.

### 2. Development Planning and Urban Management

Consulting fees for the provision of training programmes to the Department R39,200.00.

Disciplinary steps/criminal proceedings : Report submitted to Mayoral Committee for condonement.

Repairs to Fleet Africa Vehicle R14,793.54.

Disciplinary steps/criminal proceedings : Report submitted to Mayoral Committee for condonement.

### 3. Economic Development, Office of the Executive Mayor, Finance, Revenue and Customer Relations, Housing, Development Planning and Urban Management, Emergency Management Services, JMPD

Interest charged on late payments - R327,288.03.

Disciplinary steps/criminal proceedings : Investigations have been made as to the cause of the problem and steps will be taken to prevent a recurrence in the future.

## 2010

### 1. Office of the Executive Mayor

Non-attendance of Conferences, Seminars and Training sessions by staff after the relevant bookings and payments has been made - R36,129.15.

Disciplinary steps/criminal proceedings : The matter is still under investigation.

### 2. Environmental Management

Rental payment for six months before occupation R 1,404,936.00.

Disciplinary steps/criminal proceedings : Report submitted to Mayoral Committee for condonement.

### Emergency Services, Housing, Development Planning, Corporate and Shared Services, Infrastructure, Transportation, JMPD, Community Development, Rates and Taxes, Office of the Executive Mayor, Office of the Speaker, Economic Development

Interest charged on late payments - 3,883,147.84.

Disciplinary steps/criminal proceedings : Investigations have been made as to the cause of the problem and steps will be taken to prevent a recurrence in the future.

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### 45. UNAUTHORISED EXPENDITURE

#### Reconciliation of unauthorised expenditure

Unauthorised expenditure current year	48,498	-
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#### 1. Emergency Management Services

Payments made to Fleet Africa for the leasing of vehicles, in the absence of sufficient budget R60,000.00.

Disciplinary steps/criminal proceedings : The matter is still under investigation.

#### 2. JMPD

Payments to Contractors for Guarding of Municipal Properties - R48,437,864.95.

Disciplinary steps/criminal proceedings : The matter is still under investigation.

### 46. IN-KIND DONATIONS AND ASSISTANCE

#### Community Development received the following:

- Donation received from D. Guthrie worth R14,776.00.
- Donation from Environmental Affairs RSA worth R2,500.00.
- Donation received from Maureen Isaacson worth R16,770.00.
- Donation received from Pepic & Krause worth R32,725.00
- GPLAS donation on the topic of diabetes, including books and DVD's worth R55,705.00.
- Johannesburg Friends of the Libraries, Section 21 Committee worth R1,009,220.00.
- Donations to the various libraries worth R1,855,165.00.
- Donation received from Deloitte and Touche worth R10,530.00.
- Donations received from Exclusive Books (various stores), worth R279,682.00.
- Donation received from Justine Ryan worth R60,750.00.
- Donation from Booktalk worth R40,170.00
- Donation received from Jacklin Enterprises worth R7,770.00.
- Donation received from LIASA worth R41,970.00.
- Donation received from National Library Services worth R180,931.00.
- Donation received from Mailboat worth R10,060.00.
- Office Equipment, Sewing Machines and sewing materials from De la Rue Company, worth R30,000.00.
- Blankets donated by Eskom Foundation, the Salvation Army, Immaculate Night Shelter and Zayne Angemia & Friends, totalling R200,300.00.
- Donation received from the Al Imdaad Foundation worth R50,350.00.
- Food parcels and clothing donated by the Tzu Chi Foundation, worth R5,600.00.
- Cookies donated by Tsa Africa for a senior citizens event worth R2,000.00.

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### 46. IN-KIND DONATIONS AND ASSISTANCE (continued)

- Crockery donated by Hisense Electronics amounting to R8,100.00.
- Donation made by the Ivory Park Taxi Association for mortuary services and coffin storage, worth R4,700.00.
- Soup, bread, water bottles and transport donated by Shoprite Checkers worth R4,000.00.
- Food and accommodation for abused women, made by Panel Shelter worth R19,350.00.
- Donation made by Diepsloot Taxi Association for the transportation of Senior citizens to and from Ivory park, amounting to R30,000.00.
- Catering and entertainment made by the provincial SAPS worth R1,000.00.
- Donation of computers, new and second hand, made by various donors, amounting to R67,967.44.
- Workshop on integrated food and security programme, donated by the United Nation and Food Agricultural Organization, amounting to R321,450.00.
- Imizamo Communication Company, donation of canned samp for a Christmas party hamper, R700.00.
- Donation of various magazines, made by DISA, worth R2,000.00.
- Falcon Business School, donation of a television set for Mandela day, worth R1,500.00.
- Donation of matric dance dresses and suits amounting to R4,000.00.
- Donation of gift packs for seniors and women, made by DISA, worth R1,000.00.
- Vegetable seeds donated by Mega Mica, Agri Seeds and Third Thursday Women worth R6,100.00.
- Donation of signboards by Rotary amounting to R5,000.00.
- Deco paige donated by Mega Mica, worth R1,000.00.
- Food parcels donated by the Gift of Givers and Food Bank, amounting to R5,100.00.
- Clothes donated by various donors, amounting to R51,395.
- Bed linen donated by Don Suites Hotels, amounting to R30,000.00.
- Donation of three solar powered composting UD toilets by Compushare, amounting to R30,040.00.
- Tin foods donated by Zayne Angemia & Friends, worth R6,000.00.
- Gift packs donated by Jet Stores and Diskom, worth R29,500.00.
- Cash donations by Goldreef City Casino and Dr. A.D Makhubela, amounting to R2,700.00.

### Office of the Executive Mayor Department received the following:

- Ad - hoc donations made by various donors, consisting of caps, t - shirts, bags, books and clocks, amounting to R9,005.00.
- Donation of a framed, autographed Bafana jersey, made by Z. Ngobese (Adidas PR Manager), worth R600.00.
- Donation of a bottle of Moet Champagne, made by Tsogo Sun Gaming, worth R100.00.
- Wine gift packs donated by various donors, amounting to R1,440.00.
- Golfing gear and sporting attire donated by various donors amounting to R13,899.00.

# City of Johannesburg

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### 46. IN-KIND DONATIONS AND ASSISTANCE (continued)

- Recognition trophy donated by Event Management, worth R5,890.00.
- Framed collage donated by Event Management to the value of R2,500.00.
- Donation by the MMC's, one 32 GB, I Pad, worth R6,000.00.
- Donation made by TSSMS, consisting of tickets to the Cape Town Jazz Festival, worth R3,000.00.
- Food and gift hampers donated by various donors, worth R2,500.00.
- Garden sets donated by Forest and Fisheries, amounting to R210.00.

#### Environmental Management received the following:

- C40 CITIES Conference held in Rotterdam worth R12,937.35.
- Climate Dialogue Conference attended by Executive Director, Flora Mokgohloa worth R9,580.63.

#### Health Department received the following:

- Gift vouchers donated by Pick and Pay, amounting to R1,200.00.
- Garden tools received during the year from Department of Agriculture and Motsepe Optometrists, worth R2,899.00.
- Donation by Biley Makda, consisting of fourteen wall clocks, worth R800.00.
- Donation of clothing by Overwear and Duches, worth R257.80.
- Donation of a microwave oven by Old Mutual, amounting to R500.00.
- Donation of Accu Check Glucose meters, made by Hemocure SA and Roche, worth R11,831.44.
- Medical Equipment received from Sun International Hotel, Wandl's and Roodepoort Rotary Club, worth R495,191.95.
- Cash donations amounting to R30,970.00, made by Kwena Marketing.
- Food parcels donated by Pick and Pay, worth R395.88.
- Donation made by Nestle i.r.o a motivational luncheon for professional clinicians, worth R7,000.00.

#### Emergency Management Services Department received the following:

- Donation made by Fire Raiders and the Christ Embassy for the hosting of a gala dinner, amounting to R15,000.00.
- Donation of shopping vouchers by M & M and the Glen Shopping Mall, to the value of R5,500.00.
- Travel by Arrangement, donation for a weekend for two to Cape Town, flights, accommodation and car rental, worth R10,000.00.
- Donation of an I Phone by Vodacom, amounting to R7,500.00.
- Donation made by British Petroleum towards the hiring of a stadium for the Cricket World Cup, worth R10,000.00.
- Donation of 2x6 berth dog trailers, made by Liberty Corporate, amounting to R32,838.22.
- Donation of lunch cooler bags made by Disaster Management and Fire Brigade Services, worth R10,000.00.
- Donation of pencil bags made by Disaster Management and Fire Brigade Services, worth R10,000.00.

#### Johannesburg Metropolitan Police Department received the following:

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### 46. IN-KIND DONATIONS AND ASSISTANCE (continued)

- 3 x HP 500B MP Desktop Computers from Traffic Management Technologies worth R15,000.00.
- 3 x LG Flatron Screens from Traffic Management Technologies worth R6,000.00.
- 3 x D Link Wireless Modems from Traffic Management Technologies worth R450.00.
- 12 x Dogs donated worth R6,000.00 (11 German shepards and 1 Golden retriever).

A register of all donations and assistance is available for inspection.

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

#### Contributions to organised local government

Council subscriptions	9,500	9,100
Amount paid - current year	(9,500)	(9,100)
	-	-

#### Audit fees

Opening balance	775	648
Current year audit fee	12,720	10,887
Amount paid - current year	(10,206)	(10,760)
	<b>3,289</b>	<b>775</b>

#### PAYE and UIF

Opening balance	35,514	30,350
Current year payroll deductions	609,855	507,561
Amount paid - current year	(560,794)	(472,047)
Amount paid - previous years	(35,514)	(30,350)
	<b>49,061</b>	<b>35,514</b>

#### Pension and Medical Aid Deductions

Opening balance	67,373	59,772
Current year payroll deductions and council contributions	977,328	779,452
Amount paid - current year	(898,397)	(712,079)
Amount paid - previous years	(67,373)	(59,772)
	<b>78,931</b>	<b>67,373</b>

#### VAT

VAT receivable	140,424	74,861
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VAT output payables and VAT input receivables are shown in note 7.

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

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2011. All amounts are disclosed in Rands and not rounded to the nearest thousand.

June 30, 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cooper JL	1,300	6,937	8,237
Dyodo P	456	3,205	3,661
Gcabashe BTS	410	2,600	3,010
Gwebu JS	-	23,238	23,238
Kekana L	194	1,259	1,453
Landis R	2,176	13,275	15,451
Lemao SJ	1,839	5,403	7,242
Maimane MA	1,182	2,607	3,789
Maisha NP	1,310	1,116	2,426
Maluleka MF	2,218	4,626	6,844
Masemola MP	1,083	160	1,243
Matladi JM	-	125	125
Matlou MG	1,860	3,328	5,188
Mbatha IN	972	3	975
Mgcina SE	938	718	1,656
Mncwabe MH	6,555	256	6,811
Mnisi MS	1,051	9,911	10,962
Mokoko F	2,035	18,567	20,602
Motsumi LJ	148	894	1,042
Mthombeni SB	4,007	1,589	5,596
Netnow DM	5,221	301,863	307,084
Nhose JL	58	2,173	2,231
Nkhasi G	2,051	11,755	13,806
Ravid M	2,779	7,107	9,886
Sethole PE	1,341	11,799	13,140
Sikweqa Q	-	4	4
Stewart PLL	10,579	11,390	21,969
Tseleli ET	652	7,689	8,341
Tshabalala J	4,666	1,433	6,099
Twala YA	437	195	632
Valentine ML	92	155	247
Valentine ML	268	598	866
Van Der Merwe MT	-	3,802	3,802
Vondo FC	89	1,617	1,706
Weir PEH	2,173	53,745	55,918
	<b>60,140</b>	<b>515,142</b>	<b>575,282</b>



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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2010. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

June 30, 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bailey LR	1,053	2,094	3,147
Bovu BD	-	168	168
Dewes DS	5,074	902	5,976
Dhlomo AN	387	2,182	2,569
Dlamini TJ	7,563	33,594	41,157
Dlamini TJ	816	3,509	4,325
Khanyi CJ	750	760	1,510
Lichaba DL	1,371	5,669	7,040
Lutya RN	425	1,515	1,940
Mahlanga JP	1,209	4,813	6,022
Matladi JM	-	125	125
Middlemas-White	101	440	541
Mkhize DS	1,316	1,218	2,534
Mokoena A	-	1,253	1,253
Monareng OE	-	576	576
Mthlane P	45	70	115
Phakathi TZ	1,908	1,470	3,378
Putsoa A	1,429	7,485	8,914
Radebe C	1,179	8,095	9,274
Ramakhula MS	-	206	206
Sabbagh ST	5,467	19,760	25,227
Sabbagh ST	7,490	61	7,551
Seboyane MA	823	84	907
Seefort CM	6,366	5,493	11,859
Van Der Merwe	-	3,802	3,802
	<b>44,772</b>	<b>105,344</b>	<b>150,116</b>

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

During the 2011 year the following Councillors' had arrear accounts outstanding for more than 90 days.

June 30, 2011	Highest outstanding amount > than 90 days	Total (Rands)	Comments
Bailey LR	1,830	2,951	Salary deduction
Bailey LR	1,566	2,732	Salary deduction
Bittkau R	5,792	15,685	Arrears 90+days
Bovu BD	168	168	Arrears 90+days
Cooper JL	6,937	8,237	Arrears 90+days
Dewes DS	28,931	36,651	Salary deduction
Dewes DS	34,572	43,774	Salary deduction
Dewes DS	5,717	7,361	Arrears 90+days
Dewes DS	84	1,231	Arrears 90+days
Dewes DS	18,512	26,186	Arrears 90+days
Dewes DS	5,619	9,676	Salary deduction
Dhlomo AN	2,459	2,623	Query on account
Dlamini TJ	54,181	62,618	Query on account
Dlamini TJ	4,399	5,598	Salary deduction
Dyodo P	3,205	3,661	Arrears 90+days
Gcabashe BTS	2,600	3,010	Arrears 90+days
Gwebu JS	23,238	23,238	Arrears 90+days
Kekana L	1,259	1,453	Arrears 90+days
Khanyi CJ	1,528	2,708	Salary deduction
Landis R	13,275	15,451	Arrears 90+days
Lemao SJ	5,403	7,242	Arrears 90+days
Lichaba DL	7,627	9,195	Salary deduction
Louw MA	262	1,827	Arrears 90+days
Lutya RN	2,085	2,506	Salary deduction
Machaba TEL	687	1,313	Query on account
Mahlangu JP	5,745	6,398	Salary deduction
Maimane MA	2,607	3,789	Arrears 90+days
Maisha NP	1,116	2,426	Arrears 90+days
Maluleke MF	4,626	6,844	Arrears 90+days
Masemola MP	160	1,243	Arrears 90+days
Matladi JM	125	125	Arrears 90+days
Matlou MG	3,328	5,189	Arrears 90+days
Mbasela JV	1,104	6,587	Arrears 90+days
Mbatha IN	23	503	Arrears 90+days
Mgcina SE	718	1,655	Arrears 90+days
Middlemas-White	541	569	Arrears 90+days
Mkhize DS	3,703	4,849	Salary deduction
Mncwabe MH	256	6,811	Arrears 90+days
Mnisi MS	9,911	10,961	Arrears 90+days
Moepi NR	25	150	Arrears 90+days
Mohlala NP	9,276	35,085	Arrears 90+days
Mokoena A	1,253	1,253	Arrears 90+days
Mokoko F	18,567	20,602	Arrears 90+days
Monareng OE	576	576	Arrears 90+days
Motsumi LJ	894	1,042	Arrears 90+days
Msiza SB	377	6,871	Arrears 90+days
Mthalane P	90	154	Arrears 90+days
Mthombeni SB	1,589	5,596	Arrears 90+days
Mtshali EV	191	633	Arrears 90+days
Netnow DM	301,863	307,084	Arrears 90+days
Nhose JL	2,173	2,231	Arrears 90+days
Nkhasi G	11,755	13,805	Arrears 90+days
Nyambe AT	1	54	Arrears 90+days

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Phakathi TZ	5,051	9,722	Query on account
Putsoa A	9,460	11,560	Salary deduction
Radebe C	9,639	10,711	Salary deduction
Ramakhula MS	206	206	Arrears 90+days
Ravid M	7,107	9,886	Arrears 90+days
Sabbagh ST	21,686	30,395	Query on account
Sabbagh ST	34,426	40,606	Query on account
Seboyane MA	1,026	1,664	Arrears 90+days
Seefort CM	10,274	17,690	Arrears 90+days
Sethole PE	11,799	13,139	Arrears 90+days
Sikweqa Q	4	4	Arrears 90+days
Stewart PLL	11,390	21,968	Arrears 90+days
Tseleli ET	7,689	8,341	Arrears 90+days
Tshabalala J	1,433	6,099	Arrears 90+days
Twala YA	195	632	Arrears 90+days
Valentine ML	598	866	Arrears 90+days
Valentine ML	155	247	Arrears 90+days
Van Der Merwe MT	3,802	3,802	Arrears 90+days
Vondo FC	1,617	1,706	Arrears 90+days
Weir PEH	53,745	55,918	Arrears 90+days
	<b>805,831</b>	<b>995,342</b>	-

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

During the 2010 year the following Councillors had arrear accounts outstanding for more than 90 days.

June 30, 2010	Highest outstanding amount > 90 days	Total (Rands)	Comment
Bailey LR	2,094	3,147	Arrears 90+days
Bapela CB	6,442	8,080	Arrears 90+days
Bovu BD	168	168	Arrears 90+days
Clarke SNM	4	4,637	Arrears 90+days
Deppe AJ	213	832	Arrears 90+days
Deppe AJ	331	1,436	Arrears 90+days
Dewes DS	902	5,976	Arrears 90+days
Dhlomo AN	2,182	2,569	Arrears 90+days
Dlamini TJ	3,509	4,325	Arrears 90+days
Dlamini TJ	33,594	41,156	Arrears 90+days
Griffin S	2,078	3,026	Arrears 90+days
Grobbelaar C	621	5,309	Arrears 90+days
Khanyi CJ	1,126	1,576	Arrears 90+days
Lichaba DL	5,669	7,041	Arrears 90+days
Louw MA	254	1,015	Arrears 90+days
Lutya RN	1,515	1,940	Arrears 90+days
Madungandaba BE	12,097	13,050	Arrears 90+days
Mahlanga JP	4,813	6,022	Arrears 90+days
Makhubo MM	52	136	Arrears 90+days
Matladi JM	125	125	Arrears 90+days
Mfikoe MAM	147	371	Arrears 90+days
Middlemas-White DJ	440	541	Arrears 90+days
Middlemas-White DJ	23	388	Arrears 90+days
Mkhize DS	17,971	18,922	Arrears 90+days
Moepi NR	57	73	Arrears 90+days
Mohlala NP	2,445	13,212	Arrears 90+days
Mokoena A	1,253	1,253	Arrears 90+days
Monareng OE	576	576	Arrears 90+days
Moosa FH	-	1,528	Arrears 90+days
Msiza SB	52	4,282	Arrears 90+days
Mthalane P	94	110	Arrears 90+days
Mthombeni SB	3,075	3,317	Arrears 90+days
Mtshali EV	355	614	Arrears 90+days
Phakathi TZ	3,842	5,082	Arrears 90+days
Pretorius L	161	733	Arrears 90+days
Putsoa A	7,485	8,914	Arrears 90+days
Radebe C	8,095	9,274	Arrears 90+days
Ramadikela G	2,666	3,653	Arrears 90+days
Ramakhula MS	651	688	Arrears 90+days
Ravid M	-	2,011	Arrears 90+days
Sabbagh ST	19,760	25,228	Arrears 90+days
Sabbagh ST	2,691	9,093	Arrears 90+days
Sabbagh ST	530	7,851	Arrears 90+days
Seboyane MA	84	906	Arrears 90+days
Seefort CM	5,493	11,859	Arrears 90+days
Sithole B	1	3,946	Arrears 90+days
Van Der Merwe MT	3,802	3,802	Arrears 90+days
Volker VT	62,071	66,561	Arrears 90+days
Zondi BD	1,890	8,276	Arrears 90+days
Zulu S	538	984	Arrears 90+days
	<b>224,037</b>	<b>325,614</b>	-

# City of Johannesburg

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

1. Appointment of a service provider to implement the HARAMBE: Africa Celebrate Event, Mntungwa Communication Solutions, R175,000.00.  
Reason  
The Company is a Sole Provider for the HARAMBE Africa Event.
2. Condonation/Ratification Extension for the utilization of a Service Provider due expired contract (992/06), Mponegele Consultancy, R300,240.00.  
Reason  
Contract 992/06: Temporary Staff Employment Agency expired on 4 December 2008. A new Tender A350 was advertised but however its validity expired in December 2009. Since the expiry of Contract 992/06 the Department has been utilizing this contract from September 2008 to June 2010 without any authority.
3. Ratification Engagement of a service provider without following the necessary Supply Chain Management Policy and Procedures, Sepolane Trading CC, R14,975.74.  
Reason  
Procurement processes and procedures were followed through advertising on the City's notice board but the recommended service provider. failed to deliver the required services on time and the department was compelled to use the previous expired contract without obtaining authority.
4. Adjustment of the contract amount for the provision of professional project management services for the management of Contract No.178/08 renovations to existing hospital facilities and 177/08 renovations and alterations of Casa Mia building, Profica Project Management Services, Casa Mia R5,284,869.68 and BBV Phase 2 R4,647,934.64.  
Reason  
Adjustment of professional fees due to the increase in the scope of work. Work already commenced without the department obtaining the necessary authority. Therefore the department's action be ratified.
5. The EAC's approval for payment of Malani Padayachee & Associates (Pty) Ltd (MPA Consulting Engineers) for the work performed-advice on effects of diversion on City of Johannesburg due to Gauteng Freeway Improvement Scheme, MPA Consulting Engineers, R30,000.00.  
Reason  
Procurement process was followed in terms of soliciting of quotations from the panel of service providers, however the service provider was engaged without an official order/report being signed by the delegated authority due to time constraints.
6. Ratification, Engaging a Service Provider without following the necessary Supply Chain Management Policies and Procedures:-
  - a) MC Masilo Peace Communications, R80,000.00
  - b) Nyasha Management Consultants, R160,000.00
  - c) Pinky and Beauty Catering Services, R11,475.00
  - d) Impumelelo's Kitchen, R11,475.00
  - e) Kwapeng Construction and Services, R14,875.00
  - f) JZK Business Enterprise , R11,475.00
  - g) Mapeteke Catering, R11,475.00
  - h) Mapeteke Catering, R12,750.00
  - i) Thabo M Designs, R12,825.00
  - j) Dinkwe Caterers, R15,535.00
  - k) Tiphineni Catering, R14,875.00
  - l) Kwapeng Construction & Services, R17,750.00
  - m) Mahlubandile Catering & Events, R12,750.00  
Reason  
Procurement processes and procedure were followed through advertising on the City's notice board but the department engaged the service provider before the report was signed by the relevant authority, Director SCMU.

# City of Johannesburg

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

7. Acquisition of service provider to clean two vacant properties of builders rubble and remove loose bricks on pavements along the street, Elite Cleaners, R275,000.00.  
Reason  
The cleaning of the (IBC) was satisfactorily undertaken until the major influx of media arrived and the service provider was unable to respond to the increased numbers in terms of cleaning the toilets properly. On 7 June 2010 the service provider was called in and verbally warned. On the 15 June 2010. The Executive Director: 2010 Office was again contacted by FIFA who complained that the state of the toilets was shocking, and then in consultation with legal department, the contract was terminated and Soccer City cleaning company (Elite) took over the cleaning without the department following normal procurement process.
8. Ratification of actions of Transportation Rea Vaya in relation to additional unauthorised expenditure by advertising vacant positions, Vogue HR Services, R9,218.12.  
Reason  
Procurement process was followed for soliciting quotation for under R30,000.00 however the department overspent by R9,218.12 without obtaining authority to do so.
9. Procurement of Marques for Soccer City and remote search parks to be used for the supply of food and refreshments to the City's volunteer and officials during the 2010 FIFA World Cup S.A, Bellaskie Food and Enterprise and 3 Events and Exhibitions, R125,519.10.  
Reason  
The department requested three (3) quotations as per the Supply Chain Management Policies and Procedures of the City for the supply of the marquees but after they were erected, the City realized that additional Marquees were required for remote search Parks from 3M x 3M to a 6M x 6M. This was due to the increase in numbers of both COJ Metro Police and Environmental Health staff at both these remote search Parks.
10. Lease of the Platberg High Site, Jasco t/a WEBB Industries, R177,694.44 Annual rental for (3) three years  
Reason  
The service provider is a sole supplier of the Platberg high site.
11. Approval of the payment of the service provider for Membership Fee, Gartner, R549,045.00.  
Reason  
Request approval for the payment of the services already rendered.
12. Appointment of a service provider for customized business writing skills and business presentation skills training courses, Corporate Development Consultancy Company, R44,688.00.  
Reason  
The Department requested the service provider on the 10 March 2009 for the preparation of a customized business writing skills and business presentation skills training course, without following the necessary Supply Chain Management processes.
13. Condonation of deviation from Supply Chain Management Procedures: Approval for appointment of Bohlokoa Outdoor Advertising (Pty) Ltd for the provision of the storage for the minibus-taxis removed from the Phase 1A starter service routes, Bohlokoa Outdoor Advertising (Pty) Ltd, R563,684.40 and R47,652.00.  
Reason  
The previous service provider Tirhani advised the City that their lease of the said premises where the 167 taxis were stored was about to lapse. Tirhani indicated that they have another storage facility in Linbro Park. It, however, transpired that moving the vehicles from Devland to Linbro Park would be too expensive as some needed to be towed or transported due to insufficient fuel, flat tyres, faulty brakes and/or inoperative batteries.  
To remove the vehicles to a different facility is a logistical nightmare, considering that, whilst in storage, their batteries and tyres go flat and therefore Bahlokoa Outdoor Advertising (Pty) Ltd was appointed without following SCM process to store the vehicles.
14. Rental payment for 2010 FWC Branding of the cooling towers at Soccer City Stadiums, Industrial Zone Limited, R296,400.00.  
Reason  
The LOC as the custodian of FIFA branding requested the City to install and replace on all identified precincts along principal public routes all torn and damaged flags. The LOC has thus supplied the City with about 150 FIFA branded flags that require to be re-installed on M1 highway by 09 July 2010, therefore it was urgent to install these flags on time for the closing ceremony match at Soccer City on the 11th July 2010 and therefore quotations could not be solicited in compliance to SCM procedures.

# City of Johannesburg

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15.	Additional unauthorized expenditure by advertising vacant positions, Vogue HR Services, R39,218.20. Reason The department did adhere to SCM processes and procedures through advertising and obtaining three (3) quotations however the department requested approval for a special circular advertising externally to spend thirty thousand (R30,000.00) but due to urgency ended up spending additional cost without the permission(R39,218.20)	
16.	Extension for the utilization of SAP HCM tools and licenses, EPI USE Africa (Pty) Ltd, R102,883.66. Reason EPI USE South Africa was contracted through Masana to purchase the various licenses and tools for the SAP HCM application tool, to ensure that audit queries, reports and services for information management and payroll function are minimised. The contract expired and the department continued utilising the services of the service provider for these services without obtaining the necessary authority.	
17.	Clarification of the EAC resolution in the appointment of 10 additional foot inspectors from the beginning of May 2010, Reakgona Foot Inspectorate (Pty) Ltd, R144,675.00 Monthly fee for a period of six months. Reason When the starter service was expanded on the 15th March 2010 by the additional complementary and feeder router, the existing inspectorate was unable to cope with an increased passenger numbers. It was therefore urgent for the department to appoint additional 10 inspectors from Reakgona and further extend Reakgona's contract with the City, which was due to expire on 31 May 2010 for a period of six (6) months with an option to renew for the further three (3) months pending implementation of the AFC system to deal with additional passengers.	
18.	Football for hope festival 2010 in Alexandra, Street Football World, R215,217.75. Reason Due to the additional recreational facilities available for the participants, a decision was taken by the LOC and FIFA to move the team Village from River Park to Queens High School. As a result the City will not be contributing to the labour to manufacture the furniture but will be contributing towards the cost of the bedding while Streetfootballworld to procure the temporary bridge and bedding as they already have existing contracts with the relevant service providers.	
19.	Deviation Enterprise Resource Planning Post Implementation Support and End-user Training and training material review and updating, EOH Hetu and UCS, R64,796,000.00. Reason EOH Hetu and UCS have been providing resources for the function since the inception of the programme. It was not feasible nor cost effective to go out on tender now or extend IBM statement of work in its current format due to the steep rates and high mark up they levy of the resources. Direct contracting with the companies will save the City in excess of 35% of resources costs as there will be no third party make up hence EOH Hethu and UCS have been contracted as they have the required skill and capacity to provide the required services.	
20.	Ratification of payment to a service provider, deviate to continue utilize a contract for a further six months and authorization of payments for the months April,May and June 2010, Mponegele Consultancy, R515,200.00 and R193,200.00. Reason The department filled the vacancy of learnership project manager through a City contract for placement of personnel with a service provider for a period of six (6) months. The contract was extended in March 2010 for three (3) months as the incumbent was able to provide course for the new employees and learnership candidates. On extending the service level agreement, Mpongele Consultancy, contract with the City had gone past its appointment period it is therefore urgent to extend the contract for a period of six (6) months while the process is put in place to have the position filled on a full time basis.	
21.	Request for extension of contract period for Rea Vaya Bus Rapid Transport System probity services by Grant Thornton, Grant Thornton, R149,402.50. Reason Extension of scope of work for probity advisory services for BRT.	
22.	Extension of the appointment of a service provider for the facilitation of signing of bus operating contract for phase 1A of the Rea Vaya BRT, Stratalign/Tokiso, R2,621,767.00. Reason The contract of a service provider expired on the 30th June 2010 and it will not be possible to move forward and finalize the outstanding matters without the services of the service provider as they provide a critical role of being an independent chair and facilitator for negotiations therefore it is urgent to extend the contract of stratalign/Tokiso.	

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

23. Approval for the appointment of a service provider for provision of the storage for the Minibus-Taxis removal from the Phase 1A starter service route, Bohlokoa Outdoor Advertising (Pty) Ltd, R515,565.00.  
Reason  
Due to urgency it is important to appoint a service provider for a period of three (3) months to assist in the provision of the storage for the minibus-taxi because the contract of the previous storage facility had expired.
24. Appointment of a service provider to provide specialist legal support Dorljota taxi association for the formation of the trust company for the Rea Vaya Project, Modise Mabule Inc (Attorneys Labour and Commercial Practitioners, R143,000.00.  
Reason  
DORLJTA felt that the model of forming (TOICS) will not be suitable for them and requested the City to assist them to form a trust company of lawyers to help them form a trust. The City is about to finalize negotiations with the taxi industry and the transportation department does not have enough time to go on a tender for the appointment of specialist lawyers to help DORLJOTA to form a trust. As a way forward, DORLJOTA approved Modise Mabute Inc to assist them with formation of the trust.
25. Appointment of a service provider to provide technical support to the taxi industry for the finalization of bus operating contracts for phase 1A of the Rea Vaya, Fot Consulting, R1,500,000.00.  
Reason  
Good progress at negotiations between the City and the Taxi Industry has been made, negotiations are about to be finalized. (TOICS) have been formed for all associations except for DORLJOTA Taxi Association. For the City to wrap up negotiations and handover the Bus Operating Company to the Taxi Industry, some of the task needs to be finalized. It is anticipated that it will take about three (3) months to finalize all outstanding issues pertaining to Rea Vaya contracts and taxi industry will still need technical support, hence it is necessary to extend the contract of the service provider for a three months (1 July 2010 to September 2010).
26. Report for the Park-and- Ride and Park-and-Walk facilities that were hired during the simulation on the 24 and 27 May 2010, Nasrec Park-and-Ride, Nasrec Park-and Walk, Shareworld Park-and-Walk, Rand Show Park-and-Walk and Constitutional Hill, R353,640.00.  
Reason  
It was impractical for the Department of Transportation to go out on a competitive bidding process as the facilities were identified in terms of their location and suitability to operate as Park and Ride and Park and Walk for the 2010 Fifa World cup.
27. Report for the Constitutional Hill Park-and-Ride facility that was hired during the 2010 FIFA World Cup, Constitutional Hill, R786,500.00.  
Reason  
Constitutional Hill was the only suitable venue in terms of location for the Rea Vaya bus route and therefore normal procurement processes could not be followed, the negotiations with Constitutional Hill were concluded a few weeks before the event of the 2010 Fifa World Cup.
28. Request for Approval to Deviate from Normal Supply Chain Management Procedures to Extend the Appointment of FOT Consulting to Provide Technical Support to the Taxi Industry During the Rea Vaya Transition Period, FOT, R1,150,000.  
Reason  
On the 23rd August 2010 the City finalised Rea Vaya negotiations and signed the final agreement with the taxi industry paving the way for taxi operators to take over the Bus Operating Company from Clidet (Interim Bus Operating Company). This agreement was signed after complex negotiations with the taxi industry. As part of the Executive Mayor's undertaking, the City has been providing technical support to the taxi industry through FOT Consulting. The contract of FOT Consulting would have come to an end on the 30th of September 2010 hence the deviation to extend the contract to conclude these negotiations.



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29.	Extension of the Appointment of SAHA International (SA)(Pty) Ltd to Provide Technical Support for the AFC System of the Rea Vaya, SAHA International (SA)(Pty) Ltd (SAHA), R4,441,008 .00. Reason JRA appointed SAHA in 2008 as AFC Consultant to the Rea Vaya project. At the beginning of January 2010 JRA ceded this contract with SAHA to the City, with the expiry date being August 2010. SAHA is the main contributor to the development of the bid specification of the AFC system. The request for the deviation to extend the appointment of SAHA to provide professional overview services for system management and integrated ticketing for intelligent transport system projects, including technical support and consulting services is based on the premises that they are a sole supplier for the services.	
30.	Extension of Services of Eyethu/ITS JV by Virtue of Tender A379, Eyethu Events and ITS Engineers JV , R1,768,750.00. Reason On 16 April 2010 tender A379 was awarded to Eyethu Events and ITS Engineers JV. The contract had additional services such as pedestrian bridge over the dangerously busy road adjacent to the Soccer City. However it was at the last minute found that additional pedestrian fencing, security and crowd control officer were indeed required leading up to the Rea Vaya stations at Ellis Park Soccer City. There was no longer time left to put out a bid for the additional services or to explore the provision of an alternativeservice provider to provide the services since all other arrangements were finalised with Eyethu Events and ITS Engineers JV during the last week before the Soccer World Cup opening match at Soccer City hence the request for a Ratification.	
31.	Failure to Comply with the Provisions of Supply Chain Management Policy and Approval of Payment of the Service Provider: Cleaning of Karzene Taxi Holding Facility, Kya Guards CC, R68,947.20. Reason Service providers were appointed under contract: 072/07 Panel of Service Providers for Special Operations Clean up campaigns and clean up for hot spot areas located within the City of Johannesburg in a City environs. The invoice were rejected by the Finance department as the rates reflected in the invoice were not as per the contract approved by the City. (Contract 072/07). The invoice reflected the labour rate of R11-00 per hour whilst the contract approved an hourly rate of R9-38 per hour hence the request for ratification to approve the rates as they were not approved in the contract awarded.	
32.	Expenditure Incurred by Temporary Resources Appointed in Rea Vaya Unit, Lusiba Staffing, R96,000.00 for the Ratification and R143,640 for the Deviation until January 2011. Reason Transportation Department appointed Lusiba Staffing (through a deviation to the Executive Adjudication Committee) to provide a temporary resource in the position of Revenue Manager for a period of three months ending June 2010. Due to the pressure of the financial year end and to ensure that all revenue is collected and accounted for in the books of Rea Vaya the extension of the temporary staff was over looked which resulted in the incumbent rendering services without the necessary authority and contract, hence the ratification and the request for a deviation to secure the same resource until January 2011.	
33.	Extension of Contract number Trans 001/02/07 for a period of 15 months to offer specialised coaching services for the MMC: Transportation, MIS Vidal T/a Wellspring, R228,000.00. Reason MIS Vidal T/a Wellspring was appointed initially on 23 May 2007 under contract number Trans 001/02/07 to provide specialised coaching services to the MMC Transportation. Due to continuity the service provider contract is further extended to complete the whole programme.	
34.	Facilitation of Preparatory Talks (Talks about Talks) with Potential Operations for Phase 1B of Rea Vaya, to Agree on a Suitable Model to be used for Phase 1B Contracts, Stratalign/Tokiso, R416,000.00. Reason Transportation Department has completed negotiations with taxi operators for phase 1A of the Rea Vaya. All affected operators have formed taxi operating companies to take over Rea Vaya operations from Clidet. As part of the preparation of Phase 1B, several stakeholders were engaged to try to agree on the model to be used for Phase 1B of the Rea Vaya. From this discussions it became clear that different stakeholders have divergent views about the model and based on this all parties felt that there was a need for a facilitated process to try to agree on the model and most of the stakeholders felt that Tokiso should be appointed to facilitate this engagement. Tokiso is preferred because they already have experienced with Phase 1A negotiations and they have been successful in facilitating the signing of Phase 1A contract hence the request for a deviation.	

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

35. Extension of the Scope of Work for Contract for the Provision of Technical and Operational Services Associated with the Macro Surveillance Closed Circuit Television System of the City of Johannesburg, Omega Risk Solution, Monthly fee of R1,045,857.38 and R100,000.00 maintenance fee.  
Reason  
Contract for the building, operating and transferring of a Macro Surveillance closed circuit television system within the City of Johannesburg was awarded in 2007 to Omega Risk Solution. The lease agreement is signed with Omega Risk Solution to make provision for the service provider to enter into a lease agreement with the landlord of Penmore Towers (CCTV Control Centre) which agreement expired on 30 September 2010 the same date as the expiry of the contract between City of Johannesburg and Omega Risk Solution. Failure to renew the contract with Omega the City would have no option but take a risk of removing the equipment from Penmore Towers building and conclude a separate contract with a new landlord, hence the request for the extension of the contract and the Penmore Towers for a further period of 12 months ending 30 September 2011.
36. Extension of Contract 987/05 for Provision, Operational Support and Maintenance of a Turnkey Digital Red Light and Speed Law Enforcement System, TMT Services Supplies (PTY) LTD, Syntell (PTY) LTD and Moving Violation Systems, R35 Plus Vat and R47 Plus Vat.  
Reason  
Contract 987/05 for the Provision, Operational Support and Maintenance of a Turnkey Digital Red Light and Speed Law Enforcement System was awarded in 2005 for a period of three years to three service providers. After the expiry of the three year period the contract was extended to a further period of one year (till 31 October 2010). During this period, legislation was promulgated and JMPD became an ARTO pilot site however in January 2010 it became evident that the implementation of the ARTO legislation will create more challenges hence the request for deviation to extend the existing contract for a further period of six months ending 30 April 2011 while JMPD and RTMC are locked in negotiations regarding the intricacies in implementing of AARTO.
37. Extension of the Scope of work for Contract Number 091/07 Collection, Processing, Archiving, Storage, Transportation and Microfilming of Documentation - JMPD, Micro Focus (Pty) Ltd, R4.4 million.  
Reason  
Contract 091/07 for collection, processing, archiving, storage, transportation and microfilming of documentation expires 30 November 2010. Currently the JMPD licensing department at Loveday Street has been closed and relocated to JMPD head quarters to Martindale. The request for extension of the current contract for a period of 6 months ending 30 May 2011 is due to the movement of all microfilming hardware and stored images to the JMPD head quarters in Martindale.
38. Utilising a Service Provider in an Exceptional Case where it was Impractical to follow Official Procurement Processes, SABC, R599,987.70.  
Reason  
The SABC is the sole provider of the radio stations Ukhozi Radio and Lesedi Radio which were utilised by Joburg Connect as a media drive to advertise the call centre. The ratification is requested as Joburg Connect did not follow procedure in a form of a deviation to request the accounting officer to approve the appointment of SABC to provide the services as provided for in term of Regulation 36 1(a) of the MFMA Regulation.
39. Motivation to Purchase Equipment and Call Centre Furniture Installed at 28 Harrison by Sibize for Gauteng Shared Services Centre (GSSC), Sibize, R888,050.00.  
Reason  
The Executive Adjudication Committee at its meeting of 28 May 2010 approved the lease of 28 Harrison Street Building as it has been identified as a suitable site for the Unified Customer Contact Centre (UCCC). The identified building was once used as a Call Centre for GSSC and has all the required infrastructure, furniture that can be utilised by the City hence the request for deviation to procure this infrastructure from Sibize who were running the call centre on behalf of GSSC which contract has been terminated and they were vacating the building on 20 September 2010. Five other quotations were solicited from service providers on the City's contract, contract 103/08 for benchmarking purposes and all the service providers' pricing for the infrastructure and IT related equipment were exceptionally very high as apposed to the price offered by Sibize which was the lowest and included all the items required by the City.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

40. Proposed Extension of the Contract for the Appointment of MTN Service Provider for Cellular Phone Provision, MTN, To be determined after a month.  
Reason  
Contract A186 Provision for Cellular Phone Services was awarded to MTN with effect from 1 January 2007 ending 31 July 2010. The ratification and deviation for the extension of the MTN contract is due to the change over and porting of lines from MTN to Vodacom which would only occur once all the City's contractual obligations with MTN have been satisfactory resolved.
41. Appointment of a service provider for the 2010/2011 financial year for the intranet solution, LexisNexis, R551,516,59.  
Reason  
The service provider is a sole supplier of the intranet for the index Information System.
42. Procurement Processes and Proposed Extension of Lease and for Additional Parking Bays to Accommodate Various City Departments at the CJ Cronje Building, City property administration (PTY) LTD, R4,123,287.00 and R714,780.00.  
Reason  
The former Region 8 now Region F head office is located at the CJ Cronje building in Johannesburg. The original three year lease expires 30 November 2010 and the Region has requested to continue to occupy the premises for a further period of three years hence the deviation.
43. Motivation for extra funds to pay Gondwana Environmental Services for the management of the City's Air Quality Monitoring stations and related data services, Gondwana, R140,725.40.  
Reason  
Contract A222 was awarded to Gondwana Environmental Solutions for an amount of R1,752,066 including VAT for a period of three years starting from April 2007 ending June 2010. However the department omitted to include in the contract services such as minor repairs and maintenance of faulty equipment including the meteorological sensors and analyzers, which were deemed to be consumables and were to be separately catered for by the City hence the request for ratification for the amount of R140,725.40 to pay the service provider for the related services rendered.
44. Ratification of the services rendered by the supplier and final payment for the sourcing strategy (new IT Contract), Gartner, R180,576.00.  
Reason  
The Executive Adjudication Committee on the 29 February 2007, approved the Master Consulting contract with Gartner Ireland Ltd for a period of 12 months ending 20 March 2009. On January 2009, the then CIO concluded a Sourcing Strategy for the City's new IT contract with Gartner Consulting Ltd totaling R528,000.00 exclusive of VAT. A total of R421,343.70 has to date been paid and the R180,576.00 is for the last deliveries. The service provider could not complete the required services as per the relevant sourcing strategy before the contract termination on 30 March 2009, hence the request for the ratification.
45. Extension of Temporary Appointment of Dimension Data SA as a Result of Unforeseen Circumstances in the Bid Evaluation, Adjudication and Award Processes and a Requirement for Due Diligence and Transitioning in respect of New Proposal Number A387 – Outsourcing of ICT Services, Dimension Data SA, On the same rates as per contract A117.  
Reason  
Contract A117 was awarded to Masana Technologies for a period of five years ending in 2010. Unfortunately Masana Technologies entered into a voluntary liquidation in 2009 and the City had no alternative but to urgently arrange for a take over the contract by Dimension Data and IBM for a period of 12 months ending September 2010. The contract for Dimension Data was further extended by the Executive Adjudication Committee 1 October 2010 for a further period of two months until 30 November 2010 and thereafter continuing on a month to month basis with a 30 days notice period for termination until the finalisation of the appointment of service providers for the new contract number A387.
46. Request to rescind the previous EAC decision for lease of the Platberg High Site from a Service Provider and to include and annual escalation, Jasco t/a Webb, R177,694.44.  
Reason  
On the 23 July 2010 the EAC approved the lease of the Platberg High site for a period of three (3)years however the service provider omitted to include a provision for annual escalation therefore request authorization for the inclusion of an annual escalation equal to CPI index for the period of the lease.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

47. Appointment of a Service Provider for the 2011 and 2012 Joburg open including budget and expenditure, Trinergy, R1,000,000.00.  
Reason  
The City had a one year contract with Navitude (Pty) Ltd as subsidiary company of the SAIL Group now called Trinergy Group to manage the Joburg open 2011. With the City having rights to host the Joburg open up to 2015 it is important that there is a continuation on delivering the same standards if not better than previously demonstrated with the 2010 tournament. The main reason for not going out on a competitive bidding process is due to the fact that the scope is limited in golfing industry in relation to the management of major golfing tournaments. Trinergy has an extensive market track record of experience in managing international golfing tournaments across the country.
48. Appointment of a service provider to host the Mayoral charity golf day on the 20th August 2010, Houghton Golf Club, R140,825.50 and Pro Shop, R10,423.78.  
Reason  
When a brief on the services required was given to a supplier who had responded to the call for quotations, it had excluded the sourcing of prices. It is on this basis that the Pro Shop was engaged directly for sourcing prices for the Mayoral charity golf day.
49. Request for Extension of the Quality Verification and Control System (QVCS) Contract for Provision of an Automated Action Driven Balanced Scorecard (ADBS) Performance Management Monitoring Tool for the 2010/2011 Financial Year, QVCS, R324,136.20.  
Reason  
The service provider is a sole supplier of the information technology platform for the City of Johannesburg Performance Management Automated Monitoring System. The deviation is therefore requested to enable the City to migrate to SAP.
50. Proposed lease of municipal animal pounds to S.P.C.A within various areas in the City of Johannesburg and ratification to use SPCA service without a contract, SPCA, R1,151,780.25.  
Reason  
The SPCA is the only society registered in terms of legislation to enforce the Animal Protection Act. The initial contract between the City and SPCA was approved by the Executive Adjudication Committee on 27 July 2010 for a period of 3 years. The initial contract has expired hence the deviation for a new contract for a period of 3 years, as SPCA is the sole provider.
51. Extension of lease agreement to accommodate development planning and urban management quadrant offices, Murray an Roberts Properties Services (Pty) Ltd, R287,455.08.  
Reason  
On the 17 September 2007, the Executive Adjudication Committee approved the lease for Development Planning & Urban Management, for office space for 137 Sivewright Avenue, New Doornfontein, for a period of 3 years ending September 2010. When the Urban Management model was revised, it introduced the Quadrants 1 & 2 and this deviation for the extension of the initial lease is meant to accommodate the Quadrants as the Quadrants Multi-disciplinary Task Team (MDTT) already operates in this building.
52. Motivation for ED: ISD to Sign a New Two Year Lease Agreement with Broll from 01 October 2010 to September 2012, Broll, R545,313.84 per month excluding VAT.  
Reason  
A deviation was approved by the Executive Adjudication Committee at its meeting of 29 March 2007 for ISD to enter into a three year lease agreement with the owners of 125 Simmonds Street ending September 2010. ISD further request to occupy the building for a further period of 24 months hence the deviation.
53. Continuation of a maintenance Contract for Digital High Speed Copiers, Pambili Document Solutions, R7,000,000.00 for a period of three years.  
Reason  
Extension of existing contract prior to the commencement of the new contract.
54. Winding down on the MTN Contract and porting to Vodacom Service Provider, MTN, R24,770,391.65 for the period 1 December 2010 to 31 March 2011.  
Reason  
An extension was required to enable the City to settle all issues including porting with the existing service provider and the suspension of lines would have had an adverse effect on service delivery. Porting is a process outside the control of the City, MTN or Vodacom and controlled by a third party (ICASA) This process could take longer than anticipated.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

55. Ratification of the actions of officials from the Transportation department for appointing a service provider without following normal SCM procurement process, Ka Lethabo Trading and Logistic CC, R322,500.00.  
Reason  
The City had to prepare for the removal and transfer of the scrapped Minibus Taxis to the scrapping site within the first week of January. Due to the holiday season and the unavailability of many service providers, the short period of time within which the scrapping process was to be completed, the City had to make an urgent appointment of a vehicle towing service provider who was prepared to do the work within the 5 days period. The Department could not obtain prior approval to engage the service provider hence a request for condonation of their actions was submitted to the Accounting officer.
56. Ratification of the actions of officials from the Transportation department for appointing a service provider without following the normal SCM procurement process, Taxi Scrapping Administrator (Pty) Ltd, R494,959.00.  
Reason  
The taxis to be scrapped had been in storage for a period of over a year and needed to be towed to the Taxi scrapping Administrator site which would have cost over R4 Million. It was therefore decided to scrap the taxis closer to where they were stored in order to minimize the cost. The Taxi Scrapping Administrator (Pty) Ltd needed to be paid for the provision of offsite mobile machines, labour and equipments. The Department could therefore not obtain prior approval to engage the service provider hence the request for condonation.
57. Deviation from the normal SCM policy and procedure to appoint a service provider to provide specialist legal support to Victimized operators participating in the Rea Vaya phase 1A bus operating contract, Leonard Singer Attorneys, R18,000,000.00.  
Reason  
On 3 February 2011, the Mayoral committee approved a four-pillar strategy to be adopted by the City to assist taxi operators who have been victimized, and as a result are unable to operate their vehicles, because of their involvement in the phase 1A bus operating contract. The appointment of legal counsel on behalf of the victimized operators was included in this mayoral committee approval. The victimized operators wanted to nominate their own service provider, and this was considered desirable, since the City wanted to avoid any potential conflict of interest situation that could have arisen as a result of the appointment of legal counsel chosen by the City. The appointment of the service provider was urgent, because the City was paying compensation to victimized operators, and urgent legal steps needed to be taken to move towards the reinstatement of the victimized operators. The appointment was also considered appropriate as the service provider was one who had been nominated by various groups in the taxi industry, and was considered to be the sole provider of the services required to be rendered.
58. Deviation from the normal SCM policy and procedure to appoint a service provider to provide Mediation Services to resolved outstanding Phase A1 Negotiations disputes between taxi operators and COJ, Tokiso Dispute Settlement, R199,780.00.  
Reason  
The Appointment of the mediators was urgent, as the victimized operators were suffering economic loss, and the City was paying compensation to some of them for this loss of income. Indefinite payment of the compensation was unsustainable, and the mediation process had to be convened as a matter of urgency. The appointment of the mediators had to be done by way of deviation because the parties had agreed that the mediator would have to be agreed by all the parties after an intensive interviewing process. This meant that open tender was not possible. However, the parties were given an opportunity to shortlist from a list of over 10 proposed mediators and interviewed four. Of the four interviewed, two were selected.
59. Deviation from normal procurement policy and procedures :Renewal of a maintenance Agreement for the Rea Vaya Station Doors, Dorman South Africa (PTY)Ltd, R618,165.00.  
Reason  
Dorman and Sandpalm were the original suppliers of the Rea Vaya station glass sliding and steel roller-shutter doors, who also guarantee the doors. As the functioning of the stations depends largely on the functioning of its doors, the doors have to function optimally at all times, which requires ongoing maintenance and repair. Pending the appointment of a contractor to take responsibility for the maintenance of all aspects of the stations, maintenance SLA's were in the interim concluded by the City with Dorman and Sandpalm directly, which contracts expired at the end of January 2011. Permission was sought from the EAC to extend the contracts with Dorman and Sandpalm until the end of May 2011, where after they would be taken over by the station maintenance contractor.

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

60. Ratification of the actions of officials from the Transportation department in relation to the unauthorized expenditure incurred with regards the annual increase IRO Temporary depot rental, PUTCO, R153,000.00.  
Reason  
During August 2009, the EAC authorised the conclusion of a lease with Putco Properties (Pty) Ltd in respect of its Nancefield bus depot in Soweto for two years from 1 September 2009 to 31 August 2011. When the ED: Transportation on 28 August 2009 concluded this lease with Putco, Putco insisted that rental escalation of 9% (nine percent) compounded per year be included in the agreement. As the City was under pressure to commence the Rea Vaya Starter Service on 31 August 2010 the City had to procure timely the use of the depot for the purposes thereof and the lease agreement was finalised accordingly and without the EAC having approved the inclusion of the aforesaid escalation clause.
61. Failure to comply with the provisions of Supply chain Management Policy and Procedures and approval of payment of the services provider: Africa Management Communications CC, Africa Management Communications CC, R58,071.60.  
Reason  
A new employee was tasked to organize the training for the sub –Directorate. An acceptance form was received from a service provider which was presented to the Director. The new employee believed it was an approval as she thought the procedure she was following was correct and was in line with the Municipal Entity where she comes from. This unfortunately resulted in the service provider being engaged without the necessary approval.
62. Deviation from the normal SCM policy and procedures for the appointment of a service provider to implement a joint billing call centre solution, EOH, R13,145,245.00.  
Reason  
Billing “challenges” were experienced within R&CRM. EOH was at that stage involved with the Billing Systems; enhancements; configurations and billing developments to address system challenges post Phakama implementation. EOH therefore had the necessary system knowledge, business knowledge and all necessary background to assist the City with the Billing challenges. Furthermore In order to ensure to the continuity and completion of work in progress a deviation was requested to appoint EOH as the preferred business partner.
63. Deviation from the normal procurement process: Extension of Contract: Valuation Appeals, George Nel Valuations Services, R100,000 for a period of two years.  
Reason  
George Nel Evaluation Services was initially appointed in 2009 from a panel of valuers appointed by the Johannesburg Property Company. The services of George Nel were extended in order for him to represent the City as an Expert at the evaluation Appeals Board. It was therefore impractical for the City to go out on Tender and acquire the services of another valuator to give expert advice on the valuation done by George Nel Valuers.
64. Deviation from normal SCM policy and procedures to appoint a sole supplier of pictometry digital aerial imagery, AOC Geomatics, R2,500,000.00.  
Reason  
Sole Supplier of pictometry digital aerial imagery.
65. Ratification of the actions of officials from the office of the CIO for appointing a service provider without following the normal SCM policy and procedures :-
- |    |  |   |               |
|----|--|---|---------------|
| a) | Di Data-Completion of projects Jan to March 2011   | - | R6,901,500.00 |
| b) | Di Data-Telkom Jan to March 2011                   | - | R193,500.00   |
| c) | Fastrack- SAP Business Consulting                  | - | R326,800.00   |
| d) | Highveld PFS-SAP Business Consulting               | - | R258,000.00   |
| e) | Sysma-Software for MPD EMS                         | - | R172,000.00   |
| f) | Micotel-SAP Tech Programme Manager                 | - | R251,280.00   |
| g) | MtechSA-SLA for tevonis, COJ technical environment | - | R640,000.00   |
| h) | Eben Jacobs-management for technical environment   | - | R159,300.00   |
| i) | Moiloa-PM bucket Consultant                        | - | R666,500.00   |
| j) | Blue Biason Basis Support                          | - | R290,250.00   |
| k) | Motheo Consultants-Pick it ip-Blue Pencil          | - | R1,440,500.00 |
- Reasons  
Due to the fact that tender A392 was adjudicated during February 2011 when critical ICT services necessary for the operations had to continue within COJ and those services were not covered by tender A387 or A392. A further month (March 2011) was requested as implementation of A392 took longer than anticipated and these critical services were requested from the service providers indicated.

# City of Johannesburg

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

66. Extension of the existing lease agreements at 222 Smith Street :-

a)	Housing building	-	R3,749,009.00
b)	Parking	-	R300,960.00
c)	OCIO building	-	R2,078,676.00
d)	Parking	-	R184,680.00
e)	Additional parking at Parkode	-	R594,000.00

#### Reasons

1. The OCIO & Housing departments have established themselves at 222 Smit Street for efficient service delivery
  2. The rental negotiated with the landlord was favorable and cheaper than the other rental space available for similar accommodation in Braamfontein.
  3. 222 Smit street is next to the Park station and convenient for its staff etc.
  4. Close proximity to Metro Building (about 200 metres) and operational efficiency
  5. The cost and time for set-up of new accommodation for operational requirements would amount to additional expenses and costs.
- Therefore it was impractical to go out on a competitive bidding process for any other building as this building meets all the requirements of the two departments.

67. Lease of ICT high site at Carlton Centre from a sole supplier, Multisource Telcoms (Pty) Ltd, R381,466.80 for a period of two years.

#### Reason

The Service Provider is a Sole supplier.

68. Deviation report for the appointment of Hamilton Hydraulic Services for the repairs of specialized equipments, Hamilton Hydraulic Services, R505,467.12.

#### Reason

Quotations were solicited for strip and repair various specialized equipments used for rescue purposes and generating power from various service providers for EMS's The other service providers contacted had other engagements and therefore could not respond to the request for quotations, whereas Hamilton Hydraulic Services had ample space and storage to hold on to the equipment. The service provider also happens to be a sole provider for the equipment. It was thus impractical to go out on Tender.

69. Ratification of the actions of JMPD Officials for failure to comply with the provisions of the SCMU in respect of the appointment of a service provider to finalize disciplinary matters, Mthobembeni and Associates, R371,125.00 and R628,875.00.

#### Reason

The service provider was appointed to prosecute JMPD Officers who obstructed the free way On 25 June 2008. The Service Provider has been used by the City in the past in similar cases and that prompted the Acting Chief of Police to appoint the service provider as he thought that they have a contract with the City. Hence the request for the ratification. The Deviation request relates to the extension of the mandate of the service provider to finalize those cases as it would be impractical to go out on tender to get a new service provider to finalize the cases.

70. Deviation from the normal SCM policy and procedure to appoint a sole provider for the solar bees for Bruma Lake, SAME Water, R1,700,000.00.

#### Reason

The Service Provider is a Sole Supplier of a unique product.

71. Ratification of the actions of officials from the Health Department for appointing a service provider without following the normal SCM policy and procedures, Impilonhle Trading and Projects, R68,791.25.

#### Reason

Region B health Department requested various quotations from service providers on the City Database to provide quotes for protective clothing. Impilonhle Trading Projects was found to comply with all the specification as required and that their price was the most reasonable. The department however contravened Section 19.2.5 of the City's Supply Chain Management Policy (splitting of requirement with the sole intention of circumventing any of the procurement mechanism listed is not allowed in the SCM policy) in that they have requested 14 Quotations from the service provider totaling R68,791.26 as opposed to consolidating all these requirements and advertising them on the Notice Board as per the MFMA Regulations. The Region was of the impression that individual invoices from each clinic were less than R30,000 and therefore they can be dealt with in terms of soliciting quotations under R30,000.

# City of Johannesburg

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### 48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

72. Appointment of a service provider to construct the City Of Johannesburg Metro's Computable General Equilibrium (CGE) Model, University of Johannesburg, R1,100,000.00.  
Reason  
DED solicited quotations from three High Education Institutions namely, Wits University, University of Johannesburg and University of South Africa to construct the City's Metro Computable General Equilibrium(CGE) Model as the City has signed a MOU with these Institutions.
73. Ratification for payment of outstanding account for Arch Chemicals (Pty) Ltd, Arch Chemicals (Pty) Ltd, R631,200.00.  
Reason  
The service provider was appointed to maintain the chemical dosing system at all municipal swimming pools as they are the sole providers of the chemical dosing system. When the initial appointment was about to expire the department called for tenders to determine if there were new players in the industry. The same service provider was the only company that responded to the tender and the tender was only evaluated and approved four months after its expiry and there were invoices for the four months that need to be paid hence the request to ratify the actions of officials from Community Development were submitted.
74. Renewal of lease for Blackheath and Malvern Libraries without following the normal SMU policy and procedures :-  
a) Momentum Property Investment (PTY) Ltd-Blackheath Library - R344,027.67  
b) Momentum Property Investment (PTY) Ltd-Blackheath Library - R162,021.12  
Reason  
The Libraries have been operational in these locations for more than 9 years and have established these premises as their base.It was therefore impractical to go out on a competitive bidding process due to the accessibility and location of these libraries since they have established themselves there for longer periods.
75. Ratification of the actions of officials from the Community Development department for appointing a service provider without following SCM policy and procedures :-  
a) Elite Cleaning Services - R396,104.90  
b) Malvern Plaza CC - R155,921.00  
c) Malvern Library - R100,595.56  
Reason  
The contract went beyond its legal deadline whilst the process of appointing a new contractor who is on the Panel of Contractors was in the process of being finalized.
76. Appointment of a service provider to manage Wembly Shelter to accommodate minor children, Twilight Children, R934,344.00 for a period of two years.  
Reason  
Sole provider of the equipment.
77. Deviation from the normal SCM policy and procedures in the appointment of a service provider in relation to the payment of the sponsorship, ATP & ITF, R6,000,000.00.  
Reason  
The Department attained approval from Mayoral Committee to purchase the rights to the tournament and the approval from the EAC to appoint the service provider but not the mechanism through which the payment is going to be made. Hence the deviation to request an approval to pay the amount through The Sponsorship Company.

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 Annual Financial Statements.



# City of Johannesburg

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### 49. HEDGING ACTIVITIES

During the financial year, 31 March 2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for a 11.66% fixed interest rate.

#### Swap Details

Trade Date : 30 March 2011  
Settlement Date: 30 March 2011  
Nominal Amount: R 1,000 (million)  
Fixed Rate: 11.66%  
Payable: Semi- annual

The swap was designated as a cash flow hedge in accordance with IAS 39.88 and the actual hedge relationship was measured as 100% effective as it was between the effective range of 80%- 125% and thus the full portion of the loss on the hedging instrument will be recognized in the cash flow reserve in equity through the other comprehensive income in the statement of financial performance.

The hedge effectiveness was assessed using the following two methods:

- Dollar- Offset Method: 96%
- Variability Reduction Method 87%

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance and the effective portion recognized in the Cash flow hedge reserve in the Statement of Changes in Net Assets.

The swap value represents the clean fair value ( All-inclusive price less any swap interest accrual outstanding).

Swap interest expense of R 8 190 000 was recognized in the statement of financial performance during the financial period.

#### SWAP market-to-market as at 30 June 2011

Effective (loss) / gain	(43,098)	-
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# City of Johannesburg

Annual Financial Statements for the year ended June 30, 2011

## Notes to the Annual Financial Statements

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### 50. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

	Original budget	Adjusted budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>								
Property rates	4,870,501	4,874,458		4,874,458	4,747,493	126,965	97 %	97 %
Service charges	737,155	817,847		817,847	818,220	(373)	100 %	111 %
Rental of facilities and equipment	259,304	158,782		158,782	56,389	102,393	36 %	22 %
Interest earned	923,933	935,347		935,347	1,051,964	(116,617)	112 %	114 %
Fines, licenses and permits	342,358	342,358		342,358	316,204	26,154	92 %	92 %
Income from agency services	171,215	190,000		190,000	168,166	21,834	89 %	98 %
Government grants and subsidies - Operational	4,320,761	4,667,980	52,089	4,720,069	5,979,244	(1,259,175)	127 %	138 %
Other revenue	471,338	818,480	447	818,927	872,375	(53,448)	107 %	185 %
Profit/(Loss) on disposal of property, plant and equipment	37,000	37,000		37,000	(6,429)	43,429	(17)%	(17)%
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>12,133,565</b>	<b>12,842,252</b>	<b>52,536</b>	<b>12,894,788</b>	<b>14,003,626</b>	<b>(1,108,838)</b>	<b>109 %</b>	<b>115 %</b>

# City of Johannesburg

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## Notes to the Annual Financial Statements

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### 50. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Adjusted budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Employee costs	(3,637,779)	(3,734,907)	12,644	(3,722,263)	(3,758,517)	36,254	101 %	103 %
Remuneration of councillors	(83,953)	(83,953)	-	(83,953)	(80,646)	(3,307)	96 %	96 %
Debt impairment	(465,085)	(545,647)		(545,647)	(1,189,013)	643,366	218 %	256 %
Depreciation and asset impairment	(911,734)	(883,435)		(883,435)	(959,613)	76,178	109 %	105 %
Repairs and maintenance	(124,677)	(5,806)	-	(5,806)	(120,219)	114,413	2,071 %	96 %
Finance charges	(1,398,727)	(1,426,764)	(119)	(1,426,883)	(1,463,015)	36,132	103 %	105 %
Contracted services	(1,160,424)	(1,298,789)	(80,950)	(1,379,739)	(1,337,406)	(42,333)	97 %	115 %
Transfers and grants	(2,420,657)	(2,453,301)	(2,655)	(2,455,956)	(2,428,118)	(27,838)	99 %	100 %
Other expenses	(2,189,846)	(2,405,964)	19,824	(2,386,140)	(1,853,838)	(532,302)	78 %	85 %
<b>Total expenditure</b>	<b>(12,392,882)</b>	<b>(12,838,566)</b>	<b>(51,256)</b>	<b>(12,889,822)</b>	<b>(13,190,385)</b>	<b>300,563</b>	<b>102 %</b>	<b>106 %</b>
<b>Surplus/(Deficit)</b>	<b>(259,317)</b>	<b>3,686</b>		<b>4,966</b>	<b>813,241</b>	<b>(808,275)</b>	<b>16,376 %</b>	<b>(314)%</b>
Transfers recognised - capital	815,186	1,491,248	(16,257)	1,474,991	99,420	1,375,571	7 %	12 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>555,869</b>	<b>1,494,934</b>		<b>1,479,957</b>	<b>912,661</b>	<b>567,296</b>	<b>62 %</b>	<b>164 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>555,869</b>	<b>1,494,934</b>		<b>1,479,957</b>	<b>912,661</b>	<b>567,296</b>	<b>62 %</b>	<b>164 %</b>

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### 50. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Adjusted budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>								
Total capital expenditure	-	-	-	-	52,114	(52,114)	DIV/0 %	DIV/0 %
<b>Sources of capital funds</b>								
Transfers recognised - capital	579,057	1,248,756	(16,757)	1,231,999	1,767,142	(535,143)	143 %	305 %
Public contributions and donations	28,500	31,863		31,863	99,420	(67,557)	312 %	349 %
Borrowing	473,900	473,901		473,901	1,711,223	(1,237,322)	361 %	361 %
Internally generated funds	220,510	217,014	1,306	218,320	-	218,320	- %	- %
<b>Total sources of capital funds</b>	<b>1,301,967</b>	<b>1,971,534</b>	<b>(15,451)</b>	<b>1,956,083</b>	<b>3,577,785</b>	<b>(1,621,702)</b>	<b>183 %</b>	<b>275 %</b>

# City of Johannesburg

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### 51. CHANGE IN ESTIMATE

#### Property, plant and equipment

In terms of GRAP 17, the depreciation method applied to assets shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern.

This resulted in a reduction of useful life of property, plant and equipment and an increase in the accumulated depreciation in the current financial year. The useful life adjustment amounted to R14,3 million and depreciation also decreased by R55,6 million. The average remaining useful life of property, plant and equipment increased by 3 months from 36 months to 39 months.

#### Intangible assets

In terms of GRAP 102, the amortisation period and the amortisation method for intangible assets with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern.

This resulted in an extension of useful life of intangible assets and a reduction in the accumulated amortisation in the current financial year. The net impact amounted to a R9,2 million reduction in amortisation. The average remaining useful life of intangible assets increased by 2 months from 11 months to 13 months.

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