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**CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

MAYORAL COMMITTEE

Executive Mayor

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

Councillors

(1 JUNE 2011 - 30 JUNE 2016)
Constance Bapela (Speaker of Council)
Geoff Makhubo (Finance)
Ruby Mathang (Economic Development)
Rosslyn Greeff (Development Planning and Urban Management)
Christine Walters (Transportation)
Matshidiso Mfikoe (Environment and Infrastructure Services)
Nonceba Molwele (Health and Human Development)
Mally Mokoena (Corporate and Shared Services)
Sello Lemao (Public Safety)
Chris Vondo (Community Development)
Daniel Bovu (Housing)
Prema Naidoo (Chief Whip)

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

GRADING OF LOCAL AUTHORITY

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

CITY MANAGER

Trevor Fowler

CHIEF FINANCIAL OFFICER

Reggie Boqo

REGISTERED OFFICE

Metropolitan Centre
158 Loveday Street
Braamfontein
Johannesburg
2001
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+27 (0)11 407 - 6111
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+27 (0)11 339 - 5704

POSTAL ADDRESS

P O Box 1049
Johannesburg
2000

BANKERS

Standard Bank

AUDITORS

The Office of the Auditor-General : Gauteng
Registered Auditors
61 Central Street
Houghton
2198
PO Box 91081
Auckland Park
2006

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

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City of Johannesburg Metropolitan Municipality

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Abbreviations

AUC	Assets Under Construction
BESA	Bond Exchange South Africa
CJMM	City of Johannesburg Metropolitan Municipality
WIP	Work In Progress
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern 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
USDG	Urban Settlement Development Grant
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 Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Municipal Manager's approval of the Annual Financial Statements

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

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

Accounting Officer
City Manager

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand thousand	Note(s)	2015	2014 Restated*
ASSETS			
Current Assets			
Inventories	3	59 326	113 073
Loans to Municipal Entities	4	1 009 887	980 592
Other financial assets	5	-	186 361
Finance lease receivables	6	81 179	80 984
Trade and other receivables	7	4 146 255	3 576 139
VAT receivable	8	284 336	428 071
Consumer debtors	9	716 651	687 147
Financial assets at fair value	10	4 190 880	2 483 151
Cash and cash equivalents	11	4 179 988	5 144 077
		14 668 502	13 679 595
Non-Current Assets			
Investment property	12	1 014 946	1 012 688
Property, plant and equipment	13	33 233 412	28 645 468
Intangible assets	14	500 913	331 031
Heritage assets	15	581 561	576 580
Investments in Municipal Entities	16	465 046	407 441
Loans to Municipal Entities	4	5 648 642	4 997 925
Other financial assets	5	63 375	65 849
Finance lease receivables	6	256 058	193 949
Financial assets at fair value	10	4 588 635	2 245 558
		46 352 588	38 476 489
Total Assets		61 021 090	52 156 084

* See Note 45

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand thousand	Note(s)	2015	2014 Restated*
LIABILITIES			
Current Liabilities			
Loans and borrowings	19	1 573 418	970 551
Finance lease obligation	20	102 830	76 193
Financial liabilities at fair value	10	137 930	1 081 896
Trade and other payables	21	11 619 271	10 294 890
Obligations arising from conditional grants and receipts	22	210 894	814 381
Provisions	23	-	25 537
Other financial liabilities at fair value	26	6 856	7 816
		13 651 199	13 271 264
Non-Current Liabilities			
Liabilities from Municipal Entities	56	411 802	411 113
Loans and borrowings	19	14 093 244	12 381 580
Finance lease obligation	20	237 899	267 866
Financial liabilities at fair value	10	4 881 893	413 553
Employee benefit obligation	24	1 404 610	1 431 948
Provisions	23	99 987	96 084
Deferred income	25	45 637	48 879
Other financial liabilities at fair value	26	38 361	46 297
Consumer deposits	27	17 288	25 320
		21 230 721	15 122 640
Total Liabilities		34 881 920	28 393 904
Net Assets		26 139 170	23 762 180
NET ASSETS			
Reserves			
Cashflow hedge reserve		(19 570)	(37 721)
Accumulated surplus		26 158 740	23 799 901
Total Net Assets		26 139 170	23 762 180

* See Note 45

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Income from agency services		204 111	193 643
Finance Income		1 077 784	1 116 503
Licences and permits		1 121	1 170
Other revenue	32	822 897	665 997
Rental of facilities and equipment		96 195	94 647
Rendering of services	30	380 840	315 255
Total revenue from exchange transactions		2 582 948	2 387 215
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	7 622 800	7 320 954
Transfer revenue			
Fines		585 951	1 008 530
Government grants	31	8 815 763	7 701 203
Public contributions, donated and contributed property, plant and equipment		322 379	36 981
Total revenue from non-exchange transactions		17 346 893	16 067 668
Total revenue		19 929 841	18 454 883
Expenditure			
Employee related costs	33	(4 883 914)	(4 546 470)
Remuneration of councillors	34	(127 499)	(120 639)
Provision	23	-	(25 537)
Depreciation and amortisation	35	(1 667 941)	(1 487 480)
Impairment losses	36	(142 664)	(58 579)
Finance costs		(1 647 786)	(1 562 106)
Allowance for impairment of current receivables	37	(1 323 689)	(1 513 857)
Repairs and maintenance		(312 122)	(286 682)
Contracted services	38	(1 877 017)	(1 298 187)
Grants and subsidies paid	39	(3 083 614)	(2 548 017)
Provision For Inventory write-down		(59 730)	-
General Expenses	40	(2 693 664)	(2 724 497)
Total expenditure		(17 819 640)	(16 172 051)
Operating surplus		2 110 201	2 282 832
Loss on disposal of assets		(11 129)	(610 070)
Reversal of Impairment		-	190 927
Fair value adjustments	41	259 765	111 973
		248 636	(307 170)
Surplus for the year		2 358 837	1 975 662

* See Note 45

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets as at 30 June 2015

Figures in Rand thousand	Hedging reserve	Accumulated surplus	Total net assets
Balance at 01 July 2013	(54 928)	21 399 282	21 344 354
Changes in net assets			
Amount recognised directly in other comprehensive income during the year	17 207	-	17 207
Land recognition	-	424 957	424 957
Net income recognised directly in net assets	17 207	424 957	442 164
Surplus for the year	-	1 975 662	1 975 662
Total recognised income and expenses for the year	17 207	2 400 619	2 417 826
Total changes	17 207	2 400 619	2 417 826
Opening balance as previously reported	(37 721)	24 020 925	23 983 204
Adjustments			
Prior year adjustments	-	(221 022)	(221 022)
Restated* Balance at 01 July 2014 as restated*	(37 721)	23 799 903	23 762 182
Changes in net assets			
Amount recognised directly in other comprehensive income during the year	18 151	-	18 151
Net income recognised directly in net assets	18 151	-	18 151
Surplus for the year	-	2 358 837	2 358 837
Total recognised income and expenses for the year	18 151	2 358 837	2 376 988
Total changes	18 151	2 358 837	2 376 988
	-	-	-
Balance at 30 June 2015	(19 570)	26 158 740	26 139 170

* See Note 45

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand thousand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		7 939 642	6 376 471
Grants		8 050 568	7 159 446
Interest income		1 079 182	944 772
		<u>17 069 392</u>	<u>14 480 689</u>
Payments			
Cash paid to suppliers and employees		(11 584 069)	(9 880 505)
Finance costs paid		(1 480 650)	(1 530 487)
		<u>(13 064 719)</u>	<u>(11 410 992)</u>
Net cash flows from operating activities	42	<u>4 004 673</u>	<u>3 069 697</u>
Cash flows from investing activities			
Purchase of capital assets	13	(6 032 515)	(3 636 697)
Investment in sinking fund	15	(266 667)	(533 333)
Loans redeemed from municipal entities		970 093	924 657
Finance lease receivables		(62 304)	(83 812)
Investment in Municipal entities		(57 605)	(67 858)
Other financial assets	5	199 534	61 950
Loans to Municipal Entities		(1 792 769)	(1 001 111)
Net cash flows from investing activities		<u>(7 042 233)</u>	<u>(4 336 204)</u>
Cash flows from financing activities			
Proceeds from borrowings		3 276 000	2 066 000
Liabilities from MEs		(6 449)	-
Repayment of borrowings		(970 295)	(662 571)
Finance lease obligation		(85 186)	(68 562)
Repayment of post retirement benefits		(115 061)	(117 802)
Provisions		(25 537)	-
Net cash flows from financing activities		<u>2 073 472</u>	<u>1 217 065</u>
Net increase/(decrease) in cash and cash equivalents		<u>(964 088)</u>	<u>(49 442)</u>
Cash and cash equivalents at the beginning of the year		5 144 077	5 193 519
Cash and cash equivalents at the end of the year	11	<u>4 179 989</u>	<u>5 144 077</u>

* See Note 45

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget (YTD)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of Service	409 661	(4 000)	405 661	380 840	(24 821)	
Rental of facilities and equipment	140 635	(4 713)	135 922	96 195	(39 727)	1
Income from agency services	237 345	(20 000)	217 345	204 111	(13 234)	
Licences and permits	707	-	707	1 121	414	2
Other income	907 584	(24 226)	883 358	822 897	(60 461)	
Interest received	1 341 441	(9 656)	1 331 785	1 077 784	(254 001)	3
Total revenue from exchange transactions	3 037 373	(62 595)	2 974 778	2 582 948	(391 830)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7 610 948	-	7 610 948	7 622 800	11 852	
Government grants	8 105 734	584 884	8 690 618	8 815 763	125 145	4
Transfer revenue						
Public contributions and donations	-	2 312	2 312	322 379	320 067	5
Fines	466 534	879 436	1 345 970	585 951	(760 019)	6
Total revenue from non-exchange transactions	16 183 216	1 466 632	17 649 848	17 346 893	(302 955)	
Total revenue	19 220 589	1 404 037	20 624 626	19 929 841	(694 785)	
Expenditure						
Employee Related costs	(4 972 431)	62 859	(4 909 572)	(4 883 914)	25 658	
Remuneration of councillors	(134 301)	-	(134 301)	(127 499)	6 802	
Depreciation and amortisation	(2 058 139)	55 552	(2 002 587)	(1 667 941)	334 646	7
Impairment losses	-	-	-	(142 664)	(142 664)	8
Finance costs	(1 873 843)	41 795	(1 832 048)	(1 647 786)	184 262	9
Allowance for impairment of current receivables	(376 311)	(980 436)	(1 356 747)	(1 323 689)	33 058	10
Repairs and maintenance	(393 923)	(6 180)	(400 103)	(312 122)	87 981	11
Contracted Services	(2 071 607)	(288 358)	(2 359 965)	(1 877 017)	482 948	12
Grants and subsidies paid	(2 674 232)	(191 885)	(2 866 117)	(3 083 614)	(217 497)	
Cost of housing sold	-	-	-	(59 730)	(59 730)	
General Expenses	(2 717 522)	(333 537)	(3 051 059)	(2 693 664)	357 395	13
Total expenditure	(17 272 309)	(1 640 190)	(18 912 499)	(17 819 640)	1 092 859	
Operating surplus	1 948 280	(236 153)	1 712 127	2 110 201	398 074	
(Loss) gain on disposal of assets	20 000	-	20 000	(11 129)	(31 129)	
Fair value adjustments	-	-	-	259 765	259 765	
	20 000	-	20 000	248 636	228 636	
Surplus before taxation	1 968 280	(236 153)	1 732 127	2 358 837	626 710	

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Management considers 10% or more of variance as material. A detailed description of the variances is provided below

Reference:

1. The variance is mainly attributable to the turnaround time which took a longer period to approve therefore impacted on the new leases.
2. Licence and permits consists of revenue derived from the start-up of new businesses that require environmental health permits to operate. There was an increase in new businesses applying for licences and permits. This has resulted in an increase in the number of licences and permits issued.
3. The budget for interest income is driven by the expected cash reserves available for short term investment and an estimated rate. Therefore, the interest income is under budget as the City had lower cash reserves than expected to invest in short term investment.
4. The variance is mainly attributable to a decrease in grants received in the current year.
5. Public contributions are based on voluntary donations from the public therefore cannot be accurately budgeted for unless there is a commitment to donate by the public at the budgeting stage. The variance resulted from donation of land from the Gauteng Provincial Government.
6. The traffic fines revenue is below budget due to loss of revenue during the post office strike from August 2014 until November 2014. The strike caused delays in the timeous issuing of fines; this has resulted in fines revenue being forfeited.
7. The depreciation for the current for the year is lower than budgeted. There are additions to assets in the current year which have been capitalised as work in progress and therefore not yet depreciated.
8. Impairment losses are not budgeted for. PIKITUP and Metro Bus are experiencing financial difficulties which have resulted in impairment losses being recognised on the loans to MOE's.
9. The borrowing rate used to project the finance cost was higher than the actual borrowing rate for the year. There was also a timing difference between when the borrowing was scheduled to take place compared to the when it actually took place. This has resulted in lower finance cost accrued for the year.
10. The allowance for impairment of consumer debtors is above budget; this can be attributed to the Rates and Housing Debtors, these balances have increased causing a similar growth trend in the allowance for impairment.
11. The budget for repairs and maintenance takes into account the routine, planned maintenance and also allows for the emergency repairs, there were less emergency repairs required in the current period than what was budgeted for.
12. Contracted services below target due to some projects that are still in the planning phase.
13. The general expenditure is under budget due to cost savings realised by departments. The cost savings are mainly attributable to stationery, insurance and utilities.

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	7 610 948	-	7 610 948	-	-	7 610 948	7 622 800	-	11 852	100 %	100 %
Rendering of Services	409 661	(4 000)	405 661	-	-	405 661	380 840	-	(24 821)	94 %	93 %
Investment revenue	1 341 441	(9 656)	1 331 785	-	-	1 331 785	1 077 784	-	(254 001)	81 %	80 %
Transfers recognised - operational	5 808 427	483 287	6 291 714	-	-	6 291 714	8 815 763	-	2 524 049	- %	- %
Other own revenue	1 752 805	832 809	2 585 614	-	-	2 585 614	1 970 040	-	(615 574)	76 %	112 %
Total revenue (excluding capital transfers and contributions)	16 923 282	1 302 440	18 225 722	-	-	18 225 722	19 867 227	-	1 641 505	109 %	117 %
Employee costs	(4 972 431)	62 859	(4 909 572)	-	-	(4 909 572)	(4 883 914)	-	25 658	99 %	98 %
Remuneration of councillors	(134 301)	-	(134 301)	-	-	(134 301)	(127 499)	-	6 802	95 %	95 %
Debt impairment	(376 311)	(980 436)	(1 356 747)	-	-	(1 356 747)	(1 323 689)	-	33 058	98 %	352 %
Depreciation and asset impairment	(2 058 139)	55 552	(2 002 587)	-	-	(2 002 587)	(1 810 605)	-	191 982	90 %	88 %
Finance charges	(1 873 843)	41 795	(1 832 048)	-	-	(1 832 048)	(1 647 786)	-	184 262	90 %	88 %
Transfers and grants	(2 674 232)	(191 885)	(2 866 117)	-	-	(2 866 117)	(3 083 614)	-	(217 497)	108 %	115 %
Other expenditure	(5 163 052)	(628 075)	(5 791 127)	-	-	(5 791 127)	(4 953 662)	-	837 465	86 %	96 %
Total expenditure	(17 252 309)	(1 640 190)	(18 892 499)	-	-	(18 892 499)	(17 830 769)	-	1 061 730	94 %	103 %
Surplus/(Deficit)	(329 027)	(337 750)	(666 777)	-	-	(666 777)	2 036 458	-	2 703 235	(305)%	(619)%

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2 297 307	101 597	2 398 904	-		2 398 904	-		(2 398 904)	- %	- %
Contributions recognised - capital and contributed assets	-	-	-	-		-	322 379		322 379	- %	- %
Surplus (Deficit) after capital transfers and contributions	1 968 280	(236 153)	1 732 127	-		1 732 127	2 358 837		626 710	136 %	120 %
Surplus/(Deficit) for the year	1 968 280	(236 153)	1 732 127	-		1 732 127	2 358 837		626 710	136 %	120 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	-		-	- %	- %

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Statement of compliance

Basis of Preparation and Presentation

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

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

Presentation Currency

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

Going Concern

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

Comparative information

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.1 Transfer of functions between entities under common control

Accounting by the entity as acquirer

Initial recognition and measurement

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

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

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

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

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

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Acquisition-related costs

Acquisition-related costs are costs that the municipality incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP 16.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

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

Financial instruments at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

Allowance for slow moving, damaged and obsolete stock

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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.

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for cash-generating units and individual assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time.

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions as well as contingent liabilities and contingent assets.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

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.

Useful life of PPE

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

Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. This percentage is based on management's estimate and is considered to be appropriate. All material differences are explained in the notes to the annual financial statements.

1.3 Investment property

Definition

Investment property is property (land or a building - or part of a building - or both) or leased property held by the owner or by the lessee under a finance lease 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.

Recognition

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

Initial measurement

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

Where investment property is acquired through a non-exchange transaction(i.e. where it acquired the investment property for no or nominal value), its cost is its fair value as at the date of acquisition.

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Investment property (continued)

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Subsequent measurement.

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

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets, except for land which is not depreciated. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.:

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

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

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

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

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

Derecognition

The municipality derecognises investment property on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit.

1.4 Property, plant and equipment

Definition

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

Recognition

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

Initial measurement

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

Where an asset is acquired through a non-exchange transaction (i.e. where it acquired the property for no or nominal value), its cost is its fair value as at date of acquisition.

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

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Property, plant and equipment (continued)

Subsequent measurement

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

Property, plant and equipment with the exception of land are depreciated on the straight line basis over their expected useful lives to their estimated residual values as follows:

Item	Average useful life
Property	
• Land	Unlimited
• Buildings	30 years
Plant and equipment	2 - 15 years
Furniture and fittings	7 years
Motor vehicles	5 -20 years
Office equipment	3 - 7 years
Infrastructure	10 - 30 Years
Community	3 - 30 Years
Other	
• Dogs and horses	5 - 7 years
Bins and containers	5 - 10 years
Specialised vehicles	12-15 years
Library books	10 years
Emergency equipment	5 - 15 years

The residual value, useful life and depreciation method for property, plant and equipment are reviewed at each reporting date.

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

Derecognition

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

1.5 Heritage assets

Definition

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

Recognition

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Intangible assets (continued)

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

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

Initial measurement

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

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

Subsequent measurement.

Heritage assets are not depreciated

Most heritage assets have an indefinite useful life as they have been preserved for current and future generations and might appreciate in value due to their cultural, environmental, historical, natural, scientific or artistic significance. Therefore there is no finite limit to the period over which the heritage assets is expected to be held by the entity.

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

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset. Transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.5 Intangible assets (continued)

Transitional provision

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts. The transitional provision expires on 2015/06/30.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where heritage assets are acquired through a transfer of functions, the municipality is not required to measure the heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires in terms of Directive 2, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with.

1.6 Intangible assets

Definition

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

An asset is identified if it either:

- 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 binding arrangements (including rights from contracts), regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Recognition

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.

Initial measurement

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost at the date of acquisition, shall be measured at its fair value.

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

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

Subsequent measurement

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Intangible assets (continued)

Under the cost model intangible assets are carried at cost less any accumulated amortisation and any 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 the straight line basis over their useful lives.

Amortisation rates are based on the following estimated finite useful life :

Item	Useful life
Computer software	2-8 years

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

Derecognition

The municipality derecognises intangible assets, when no future economic benefits or service potential are expected from the use or disposal. The gain or loss arising from derecognition of intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of intangible assets. Such difference is recognised in surplus or deficit.

1.7 Investments in Municipal Entities

Recognition

Investment in Municipal Entities is initially recognised at cost

Subsequent measurement

Investment in Municipal Entities is carried at cost less any accumulated impairment.

1.8 Financial instruments

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Definition

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

Recognition

Non-derivative financial assets

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

- Amortised cost; and
- Cost.

Financial instruments at amortised cost are non-derivative financial assets that have fixed or determinable payments.

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

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Financial instruments (continued)

Initial measurement

Non-derivative financial assets are measured at fair value plus any directly attributable transactional costs.

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.

Initial measurement

Financial liabilities are measured at fair value plus any directly attributable transaction costs.

Subsequent measurement

Financial assets

Financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses

Impairment of non- derivative financial assets.

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.

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 surplus or deficit and reflected in an allowance account against financial assets at amortised costs. 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.

Financial liability

Financial liabilities are measured at amortised cost using the effective interest method.

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.

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 to realise the asset and settle the liability simultaneously.

Derecognition

Financial assets

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.

The difference between the carrying amount of a financial asset (or part of a financial asset) and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

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

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

Derivatives

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

On initial designation of the derivative as the hedging instrument, the municipality formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The municipality makes an assessment, both at the inception of the hedge relationship as well as on an 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 initially measured at fair value and 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 net assets. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in surplus or deficit.

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.

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

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.

The finance lease assets are depreciated at the appropriate rates on a straight line basis over the shorter of the lease term or the estimated useful life of the assets.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.9 Leases (continued)

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

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.

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.

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

1.10 Inventories

Definition

Inventories are assets in the form of materials or supplies to be consumed in the production process or distributed in the rendering of services, held for sale or distribution in the ordinary course of operations, or in the process of production for sale or distribution.

Recognition

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

Initial measurement

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

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

Subsequent measurement

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

Inventories are measured at the lower of cost and net realisable value where they are held for;

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

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

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

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality. The valuation of inventories is performed using weighted average method.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

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

1.11 Impairment of cash-generating assets and non-cash-generating assets

Cash-generating assets are assets held by the municipality with the primary objective of generating a commercial return. Non-cash-generating assets are assets primarily held for service delivery purposes.

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

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

The municipality shall assess at reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset or cash generating unit and compare it to the asset's carrying amount.

Irrespective of whether there is an indication of impairment, the entity shall perform an annual test of impairment for intangible assets with indefinite useful life or intangible assets not yet available for use by comparing a carrying amount and a recoverable amount.

An impairment loss on an asset is recognised for if the carrying amount is greater than the recoverable amount. The impairment loss is allocated to reduce the carrying amount of the cash generating asset of the unit on pro rata, based on the carrying amount of each asset within the unit. These reductions in carrying amounts shall be treated as impairment losses on assets and recognised immediately in surplus or deficit.

A reversal of an impairment loss of an asset is recognised if the carrying amount is lower than the recoverable amount but limited to previous impairment losses recognised.

1.12 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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Employee benefits (continued)

A defined contribution plan is a post-employment pension plan under which the municipality pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service.

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

Defined benefit plans

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

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

Past service costs are recognised immediately in surplus or deficit when they arise.

Actuarial gains and losses are recognised in full in the surplus or deficit when they arise.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation

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.

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.

1.13 Provisions and contingencies

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

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

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

Where the effect of time value of money is material, the amount of provision is discounted to present value at the discount rate which is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.13 Provisions and contingencies (continued)

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 shall not exceed the amount of the provision.

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

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.

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 arrangement.

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

Contingent assets and contingent liabilities are not recognised but are separately disclosed. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

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Accounting Policies

1.13 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

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

Revenue from 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

Revenue is recognised at 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.

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

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

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

Agency/Principal revenue

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

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.14 Revenue from exchange transactions (continued)

Interest revenue

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

1.15 Revenue from non-exchange transactions

Non-exchange transactions are transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions are generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines :

Criminal Procedures Act fines:

These fines are issued in terms of the Criminal Procedures Act and are usually issued by way of notice to offenders, and can (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or (b) indicate that the offender must appear in Court on a specified day (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Initial recognition:

An asset acquired through a non- exchange transaction shall initially be measured at fair value at the date of acquisition which is the best estimate of the inflow of economic benefits. An inflow of resources from a non- exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

There is uncertainty regarding the probability of the flow of economic benefits in respect of criminal procedure act fines. Legal processes have to be undertaken before the criminal procedure act fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Subsequent measurement

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

AARTO traffic fines

Initial recognition

An asset acquired through a non- exchange transaction shall initially be measured at fair value at the date of acquisition which is the best estimate of the inflow of economic benefits. An inflow of resources from a non- exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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1.15 Revenue from non-exchange transactions (continued)

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

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

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

Government grants

Government grants are recognised as revenue when:

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Rates

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

Other Revenue

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible employees is virtually certain

1.16 Investment income

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

1.17 Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset. The standard gives the entity the option to either capitalise or to expense borrowing costs. All borrowing costs are recognised as an expense in surplus or deficit in the period in which they are incurred.

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1.18 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred by a municipality otherwise than in accordance with the approved budget as well as expenditure exceeding the limits of the amounts appropriated for the different votes in approved budget. This includes expenditure from a vote unrelated to the department or functional area covered by the vote, expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose, or a grant by the municipality otherwise than in accordance with the MFMA. :

1.19 Fruitless and wasteful expenditure

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

1.20 Irregular expenditure

Irregular Expenditure is expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, Municipal Systems Act, the Public Office-Bearers Act, 1998 (Act No. 20 of 1998 a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy); and which has not been condoned in terms of section 170 of the MFMA.

Fruitless and wasteful expenditure, irregular expenditure and unauthorised expenditure is recognised in the statement of financial performance in the year it is incurred and is classified according to the nature of the expense. With regards to fruitless and wasteful expenditure, a receivable is raised on the amounts that should be recovered according to the MFMA unless the amount has been condoned in terms of the MFMA. Subsequently when the amount is recovered the receivable is reduced with the amount received. The amounts that are found to be irrecoverable and were recognised as revenue on surplus/ deficit in the period incurred will be written off in accordance with the MFMA. The fruitless and wasteful expenditure register will then be updated accordingly.

1.21 Events after the reporting period

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

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

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

1.22 Offsetting

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

1.23 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

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.23 Internal reserves (continued)

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.

1.24 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.

1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C, D1 and D2, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board. Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/06/30 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.27 Commitments

Commitments for which disclosure is necessary to achieve a fair presentation

>Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

>Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

The commitments disclosed in the disclosure note is the aggregate amount of capital and current expenditure approved and contracted for at the reporting date, to the extent the amount has not been recorded elsewhere in the financial statements.

The commitments disclosed in the disclosure note is the aggregate amount of capital and current expenditure approved and contracted for at the reporting date, to the extent the amount has not been recorded elsewhere in the financial statements. Additional text

City of Johannesburg Metropolitan Municipality

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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:

<u>Name</u>	<u>Effective Date</u>
GRAP 18 - Segment Reporting	Not yet effective
GRAP 20 - Related Parties	Not yet effective
GRAP 32 - Service Concession arrangements: Grantor	Not yet effective
GRAP 108 - Statutory receivables	Not yet effective

All standards and interpretations will be adopted at their effective date (except those Standards and Interpretations that are not applicable to the City of Johannesburg).

3. INVENTORIES

Consumable stores		58 006	52 023
Housing stock		1 320	61 050
		59 326	113 073
Cost of inventories expense	Note 40	18 331	14 349

Cost of inventory expense is included under general expenses.

City of Johannesburg Metropolitan Municipality

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4. LOANS TO GROUP COMPANIES

Shareholder Loans

City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 17.5% Maturity = 30 June 2016	581 814	581 814
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2016.	42 979	42 979
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% Maturity 30 June 2018.	181 938	242 590
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2018.	13 023	17 366
	819 754	884 749

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4. LOANS TO GROUP COMPANIES (continued)		
Conduit loans		
PIKITUP Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2026	121 054	-
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	70 163
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	89 793	171 896
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	179 401	257 752
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2018	209 794	264 399
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	233 685	277 917
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	297 860	340 399
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	221 694	246 554
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.31% Maturity = 30 June 2022	327 935	359 733
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.65% Maturity = 30 June 2023	50 982	55 179
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	19 707	37 725
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	2 494	3 583
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	2 389	3 028
Johannesburg Power (Pty) Ltd Terms and conditions: Rate = 10.,18% Maturity = 30 June 2024	880 290	-
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	42 889
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2016	44 261	84 253
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Jibar less 35bp Maturity = 15 May 2026	108 840	145 120
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	225 682	286 017
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	217 786	259 009

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4. LOANS TO GROUP COMPANIES (continued)		
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	292 102	333 818
Johannesburg Water (Pty) Ltd Terms and conditions: Jibar plus 70pb Maturity = 15 May 2026	455 763	497 196
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	222 080	246 983
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2022	278 277	305 260
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	608 016	656 506
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2024	791 424	-
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.15% Maturity = 30 June 2026	628	628
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.42% Maturity = 30 June 2026	2 937	2 937
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	5 785	5 785
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2026	19 701	19 701
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	30 171	30 171
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	14 379	14 379
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	7 885	7 885
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	19 983	19 983
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.78% Maturity = 30 June 2026	14 738	14 738
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.4% Maturity = 30 June 2026	15 309	15 309
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 09.31% Maturity = 30 June 2026	22 398	22 398
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 09.65% Maturity = 30 June 2026	27 265	27 265
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	5 301
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2017	16 318	23 316

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4. LOANS TO GROUP COMPANIES (continued)		
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	1 958
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2015	-	7 198
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2016	8 775	16 704
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2017	-	7 636
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	13 413	16 999
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2019	10 485	12 570
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.4% Maturity = 30 June 2020	10 918	12 502
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 10.4% Maturity = 30 June 2021	10 660	11 879
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2022	22 671	24 870
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	6 889	7 456
	6 162 617	5 274 947
Less impairment of loans to Municipal Entities	(323 842)	(181 179)
	5 838 775	5 093 768
Non-current assets	5 648 642	4 997 925
Current assets	1 009 887	980 592
	6 658 529	5 978 517

Reconciliation of provision for impairment of loans to municipal entities

Opening balance	181 179	153 915
Additional impairment - Pikitup Johannesburg (Pty) Ltd	121 054	27 264
Additional impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd	21 609	-
	323 842	181 179

Impairment of loan to Pikitup Johannesburg (Pty) Ltd

The increase in provision for impairment of loans has been included in operating expenses in the statement of financial performance. Pikitup's loan has been further impaired due to the fact that Pikitup has just been servicing the interest and has not repaid any capital in the past 12 months.

Additional impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd

The Johannesburg Metro Bus company is technically insolvent and has liquidity challenges. The entity has put in a place a turn around strategy aimed to improve the liquidity problem in the long term. The current liquidity problem has led to the impairment of the current portion of the loan.

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Figures in Rand thousand	2015	2014
5. OTHER FINANCIAL ASSETS		
At amortised cost		
Other financial assets	-	186 361
Housing Selling scheme loans	26 629	27 301
Other loans and receivables	36 746	38 548
	<u>63 375</u>	<u>252 210</u>
	63 375	252 210
Non-current assets		
At amortised cost	<u>63 375</u>	<u>65 849</u>
Current assets		
At amortised cost	<u>-</u>	<u>186 361</u>
	2015 Amortised Cost	2014 Amortised Cost
Investment: RMB - E Maturity - 30.11.2014	-	88 703
Investment: RMB - R10 Maturity - 30.11.2014	-	93 371
Fixed Deposit - RMB Maturity - 30.11.2014	-	4 287
	<u>-</u>	<u>186 361</u>
	-	186 361

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Figures in Rand thousand	2015	2014
6. FINANCE LEASE RECEIVABLES		
Gross investment in the lease due		
- within one year	90 945	85 308
- in second to fifth year inclusive	299 376	229 293
- later than five years	42 718	44 069
	<hr/>	<hr/>
	433 039	358 670
less: Unearned finance revenue	(95 802)	(83 737)
	<hr/>	<hr/>
Present value of minimum lease payments receivable	337 237	274 933
	<hr/>	<hr/>
	337 237	274 933
	<hr/>	<hr/>
Non-current assets	256 058	193 949
Current assets	81 179	80 984
	<hr/>	<hr/>
	337 237	274 933
	<hr/>	<hr/>

COJ entered into a Finance lease on 1 March 2012 with various MOEs for specialised vehicles. The interest rate implicit on the agreement is 10%.

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 94 687 (2014: R 48 111).

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Notes to the Annual Financial Statements

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7. TRADE AND OTHER RECEIVABLES			
Loans and receivables			
Accrued VAT		230 283	125 243
Traffic Fines		112 487	171 787
Housing debtors		309 217	132 945
Insurance debtor		-	54
Operating lease receivables		40 934	39 477
Related party debtors		3 001 063	2 679 123
Sundry debtors		351 327	331 527
		4 045 311	3 480 156
Other receivables			
Fruitless and wasteful expenditure to be investigated	47	2 366	2 321
Prepayments		98 578	93 662
		100 944	95 983
Total trade and other receivables		4 146 255	3 576 139
For Fruitless and Wasteful Expenditure refer to note 48			
8. VAT RECEIVABLE			
VAT		284 336	428 071

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Figures in Rand thousand	2015	2014
9. CONSUMER DEBTORS		
Gross balances		
Rates	5 448 273	5 463 047
Housing rental	317 720	256 607
	5 765 993	5 719 654
Less: Allowance for impairment		
Rates	(4 744 399)	(4 787 008)
Housing rental	(304 943)	(245 499)
	(5 049 342)	(5 032 507)
Net balance		
Rates	703 874	676 039
Housing rental	12 777	11 108
	716 651	687 147
Current Assets	716 651	687 147

City of Johannesburg Metropolitan Municipality

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9. CONSUMER DEBTORS (continued)

Rates

Current (0 - 30 days)	553 499	438 988
31 - 60 days	212 575	290 671
61 - 90 days	153 938	294 971
91 - 120 days	159 992	199 942
121 - 365 days	977 432	1 234 887
> 365 days	3 390 837	3 003 588

5 448 273 **5 463 047**

Housing rental

Current (0 - 30 days)	11 346	9 723
31 - 60 days	5 676	4 654
61 - 90 days	5 606	4 589
91 - 120 days	5 365	4 510
121 - 365 days	5 451	4 485
> 365 days	284 276	228 646

317 720 **256 607**

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9. CONSUMER DEBTORS (continued)

Summary of debtors by customer classification

Consumers

Current (0 - 30 days)	581 620	766 688
31 - 60 days	137 772	216 823
61 - 90 days	102 590	206 213
91 - 120 days	112 987	157 061
121 - 365 days	679 227	906 652
> 365 days	1 824 226	1 519 298
	<hr/>	<hr/>
	3 438 422	3 772 735
Less: Allowance for impairment	(3 086 931)	(3 326 514)
	<hr/>	<hr/>
	351 491	446 221

Consumers - Past due and impaired

Current (0 - 30 days)	486 171	667 389
31 - 60 days	116 763	190 156
61 - 90 days	87 093	179 636
91 - 120 days	95 833	137 909
121 - 365 days	573 248	794 657
> 365 days	1 727 823	1 356 767
	<hr/>	<hr/>
	3 086 931	3 326 514

Consumers - Past due and not impaired

Current (0 - 30 days)	89 923	93 858
31 - 60 days	20 952	26 447
61 - 90 days	15 441	25 085
91 - 120 days	17 100	19 069
121 - 365 days	105 924	111 828
> 365 days	102 151	169 934
	<hr/>	<hr/>
	351 491	446 221

City of Johannesburg Metropolitan Municipality

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9. CONSUMER DEBTORS (continued)

Industrial/ commercial

Current (0 - 30 days)	264 014	352 744
31 - 60 days	74 058	86 855
61 - 90 days	52 575	88 027
91 - 120 days	55 099	40 192
121 - 365 days	268 048	320 104
> 365 days	1 463 282	973 892
	<hr/>	<hr/>
	2 177 076	1 861 814
Less: Allowance for impairment	(1 835 527)	(1 631 419)
	<hr/>	<hr/>
	341 549	230 395

Industrial/ commercial - Past due and impaired

Current (0 - 30 days)	222 594	309 092
31 - 60 days	62 439	76 106
61 - 90 days	44 327	77 134
91 - 120 days	46 455	35 218
121 - 365 days	225 995	280 492
> 365 days	1 233 717	853 377
	<hr/>	<hr/>
	1 835 527	1 631 419

Industrial/ commercial - Past due and not impaired

Current (0 - 30 days)	41 420	43 651
31 - 60 days	11 619	10 748
61 - 90 days	8 248	10 893
91 - 120 days	8 644	4 974
121 - 365 days	42 053	39 612
> 365 days	229 565	120 517
	<hr/>	<hr/>
	341 549	230 395

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9. CONSUMER DEBTORS (continued)

National and provincial government

Current (0 - 30 days)	8 476	-
31 - 60 days	6 421	-
61 - 90 days	4 378	-
91 - 120 days	2 729	2 961
121 - 365 days	30 150	26 992
> 365 days	98 341	55 152
	<hr/>	<hr/>
	150 495	85 105
Less: Allowance for impairment	(126 885)	(74 574)
	<hr/>	<hr/>
	23 610	10 531

National and provincial government - Past due and impaired

Current (0 - 30 days)	7 146	-
31 - 60 days	5 414	-
61 - 90 days	3 692	-
91 - 120 days	2 301	2 596
121 - 365 days	25 420	23 651
> 365 days	82 912	48 327
	<hr/>	<hr/>
	126 885	74 574

National and provincial government - Past due and not impaired

Current (0 - 30 days)	1 330	-
31 - 60 days	1 007	-
61 - 90 days	687	-
91 - 120 days	428	366
121 - 365 days	4 730	3 340
> 365 days	15 428	6 825
	<hr/>	<hr/>
	23 610	10 531

City of Johannesburg Metropolitan Municipality

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9. CONSUMER DEBTORS (continued)		
Total		
Current (0 -30 days)	854 110	1 119 432
31 - 60 days	218 251	303 678
61 - 90 days	159 543	294 240
91 - 120 days	170 815	200 214
121 - 365 days	977 425	1 253 748
> 365 days	3 385 849	2 548 342
	<u>5 765 993</u>	<u>5 719 654</u>
Less: Allowance for impairment	(5 049 343)	(5 032 507)
	716 650	687 147
Less: Provision for debt impairment		
Current (0 - 30 days)	715 911	976 481
31 - 60 days	184 616	266 262
61 - 90 days	135 112	256 770
91 - 120 days	144 589	175 723
121 - 365 days	824 663	1 098 800
> 365 days	3 044 452	2 258 471
	<u>5 049 343</u>	<u>5 032 507</u>
Total debtor past due but not impaired		
Current (0 - 30 days)	132 673	137 509
31 - 60 days	33 578	37 195
61 - 90 days	24 376	35 978
91 - 120 days	26 172	24 409
121 - 365 days	152 707	154 780
> 365 days	347 144	297 276
	<u>716 650</u>	<u>687 147</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(5 032 507)	(4 813 706)
Contributions to allowance	(960 002)	(846 777)
Debt impairment transferred to PIKITUP	-	529 012
Debt impairment written off against allowance	943 167	98 964
Balance at the end of the year	(5 049 342)	(5 032 507)

City of Johannesburg Metropolitan Municipality

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10. FINANCIAL ASSETS AT FAIR VALUE		
<p>The Debt redemption fund is a financial solution to assist the City of Johannesburg Municipality meet its financial obligations to repay previously issued bonds. The City of Johannesburg Municipality pays contributions into the fund, which is managed by a 3rd party fund manager, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk management framework adopted by City of Johannesburg Municipality.</p> <p>The total investments pledged as collateral for CJMM Bonds</p> <p>The investments pledged as collateral cannot be sold until the related liability is settled in full.</p> <p>The Terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.</p> <p>Sinking Fund Maturity - 05.06.2023</p>		
Other financial assets through profit or loss		
Bond	1 194 596	866 677
Floating rate note	1 336 212	825 080
Forward rate agreement	-	136
Amortising Swap	198 893	40 942
Bond Options	54 181	-
Swaps	1 804 752	512 723
Non-Current Assets	4 588 634	2 245 558
Other financial liabilities through profit or loss		
Bond	2 704 406	-
Floating rate note	224 528	-
Forward rate agreement	5 327	-
Amortising Swap	174 607	-
Bond Options	66 927	-
Swaps	1 706 098	413 553
Non-Current Liabilities	4 881 893	413 553
Net Non-Current Assets	(293 259)	1 832 005
Other financial assets through profit or loss		
Bonds	348 475	2 108 113
Bond option	72 120	205 624
Bond repos	3 018 257	-
Negotiable Certificate of Deposit	309 073	-
Cash	374 618	99 263
Cash collateral	27 364	35 501
Forward Rate Agreements	17 596	15 031
Swaps	23 377	19 619
Current Assets	4 190 880	2 483 151
Other financial liabilities through profit or loss		
Bonds	1 657	205 508
Bond Repos	521	719 534
Bond Options	88 037	-
Cash - collateral	-	120 529
Forward Rate Agreements	14 095	15 294
Swaps	33 620	21 031
Current Liabilities	137 930	1 081 896

City of Johannesburg Metropolitan Municipality

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10. FINANCIAL ASSETS AT FAIR VALUE (continued)		
Net Current Assets	4 052 950	1 401 255

City of Johannesburg Metropolitan Municipality

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10. FINANCIAL ASSETS AT FAIR VALUE (continued)

Financial assets carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	3 507 130	1 619 156
Held for trading non-derivative financial assets	5 272 383	3 109 554
	8 779 513	4 728 710

Financial liabilities carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	2 313 238	449 878
Held for trading non-derivative financial liabilities	2 706 584	1 045 572
	5 019 822	1 495 450

Cash Collateral

Money is pledged as collateral as part of the ISDA agreement for the various interest rates swaps entered into with other municipal entities as counterparties.

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	2015	2014
11. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	120	128
Bank	905 420	443 798
Call investment deposits	3 274 448	4 700 151
	4 179 988	5 144 077

City of Johannesburg Metropolitan Municipality

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11. CASH AND CASH EQUIVALENTS (continued)		
Call investment deposits		
Call Deposits STD Bank Rating - (F1+)	1 406	1 334
Fixed Deposits STD Bank Rating - (F1+)	333 800	411 500
Fixed Deposits ABSA Rating - (F1+)	508 500	951 394
Call Deposits ABSA Rating - (F1+)	481 656	42 867
Call Deposits RMB Rating - (F1+)	1 100	1 000
Fixed Deposits RMB Rating - (F1+)	700 000	973 500
Call Deposits INVESTEC Rating - (F1)	1 249	19 600
Fixed Deposits INVESTEC Rating - (F1)	83 500	717 600
Call Deposits NEDBANK Rating - (F1+)	116 090	32 090
Fixed Deposits NEDBANK Rating - (F1+)	300 000	772 000
Call Deposits CITI BANK Rating - (F1)	1 611	2 114
Fixed Deposits CITI BANK Rating - (F1)	-	308 000
Call Deposits DEUTSCHE BANK Rating - (F1)	14 000	1 000
Fixed Deposits DEUTSCHE BK Rating - F1	242 000	-
Call Deposits TCTA Rating - (None)	2 000	48 000
Call Deposits LANDBANK Rating - (F1+)	1 050	1 050
Stanlib Call Investment Rating - (F1+)	486 486	417 103
	3 274 448	4 700 152
Underwriting of COID reserve	83 500	170 002
Capital replacement reserve	3 236 684	765 168
	3 320 184	935 170

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12. INVESTMENT PROPERTY

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 014 946	-	1 014 946	1 012 688	-	1 012 688

Reconciliation of investment property - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Investment property	1 012 688	-	-	2 258	-	1 014 946

Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Transfers	Total
Investment property	1 032 957	-	(20 269)	-	1 012 688

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.

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13. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 197 741	-	8 197 741	7 819 746	-	7 819 746
Buildings	10 907 370	(3 091 156)	7 816 214	10 567 308	(2 711 297)	7 856 011
Plant and equipment	370 146	(205 271)	164 875	360 804	(158 425)	202 379
Furniture and fittings	475 134	(328 732)	146 402	467 102	(301 730)	165 372
Motor vehicles	381 281	(287 833)	93 448	327 324	(225 159)	102 165
Office equipment	836 619	(539 385)	297 234	775 470	(435 970)	339 500
Infrastructure	10 585 183	(3 351 499)	7 233 684	10 937 761	(3 288 050)	7 649 711
Community	1 456 434	(486 949)	969 485	1 362 674	(411 323)	951 351
Other	724	(624)	100	717	(586)	131
Bins and containers	12 204	(7 219)	4 985	10 614	(6 511)	4 103
Work in progress	7 694 475	-	7 694 475	2 912 875	-	2 912 875
Specialised vehicles	725 861	(200 663)	525 198	719 497	(161 357)	558 140
Library books	647 625	(594 959)	52 666	626 384	(575 623)	50 761
Emergency equipment	52 632	(15 727)	36 905	48 243	(15 020)	33 223
Total	42 343 429	(9 110 017)	33 233 412	36 936 519	(8 291 051)	28 645 468

City of Johannesburg Metropolitan Municipality

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Depreciation	Total
Land	7 819 746	347 061	-	(11 589)	42 523	-	8 197 741
Buildings	7 856 011	72 578	-	(101)	251 320	(363 594)	7 816 214
Plant and equipment	202 379	13 888	-	(1 275)	-	(50 117)	164 875
Furniture and fittings	165 372	18 219	-	(298)	7 742	(44 633)	146 402
Motor vehicles	102 165	65	-	(1 123)	-	(7 659)	93 448
Office equipment	339 500	82 061	-	(355)	13 221	(137 193)	297 234
Infrastructure	7 649 711	104 878	-	-	167 011	(687 916)	7 233 684
Community	951 351	50 463	-	(7)	71 206	(103 528)	969 485
Other	131	-	-	(1)	-	(30)	100
Bins and containers	4 103	1 346	-	(6)	323	(781)	4 985
Work in progress	2 912 875	5 576 741	-	-	(795 141)	-	7 694 475
Specialised vehicles	558 140	40 932	-	-	-	(73 874)	525 198
Library books	50 761	11 573	-	-	-	(9 668)	52 666
Emergency equipment	33 223	7 837	-	(41)	-	(4 114)	36 905
	28 645 468	6 327 642	-	(14 796)	(241 795)	(1 483 107)	33 233 412

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	7 951 900	426 284	(581 035)	22 597	-	7 819 746
Buildings	8 120 379	66 897	58	92 303	(423 626)	7 856 011
Plant and equipment	111 754	110 592	(152)	3 968	(23 783)	202 379
Furniture and fittings	134 753	9 171	(5 909)	66 504	(39 147)	165 372
Motor vehicles	113 236	13 524	(1 123)	-	(23 472)	102 165
Office equipment	179 675	133 687	(786)	105 544	(78 620)	339 500
Infrastructure	7 300 640	254 482	(293)	677 538	(582 656)	7 649 711
Community	553 850	32 614	(60)	420 137	(55 190)	951 351
Other	185	-	-	-	(54)	131
Bins and containers	4 853	-	-	267	(1 017)	4 103
Work in progress	1 758 751	2 572 387	-	(1 418 263)	-	2 912 875
Specialised vehicles	320 733	326 286	(42 708)	-	(46 171)	558 140
Library books	53 105	5 364	-	-	(7 708)	50 761
Emergency equipment	15 656	14 585	(239)	6 750	(3 529)	33 223
	26 619 470	3 965 873	(632 247)	(22 655)	(1 284 973)	28 645 468

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Office equipment	63 114	(21 057)	42 057	40 696	(21 156)	19 540
Red fleet	337 956	(242 006)	95 950	299 624	(219 482)	80 142
BRT Busses	355 021	(160 776)	194 245	355 021	(131 191)	223 830
Total	756 091	(423 839)	332 252	695 341	(371 829)	323 512

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.

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14. INTANGIBLE ASSETS

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 719 133	(1 218 220)	500 913	1 394 331	(1 063 300)	331 031

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	331 031	116 961	237 752	(184 831)	500 913

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	197 117	261 386	22 558	(150 030)	331 031

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15. HERITAGE ASSETS

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	526 000	-	526 000	521 019	-	521 019
Historical monuments	14 457	-	14 457	14 457	-	14 457
Historical buildings	41 104	-	41 104	41 104	-	41 104
Total	581 561	-	581 561	576 580	-	576 580

Reconciliation of heritage assets 2015

	Opening balance	Additions	Transfers	Total
Art Collections, antiquities and exhibits	521 019	3 195	1 786	526 000
Historical monuments	14 457	-	-	14 457
Historical buildings	41 104	-	-	41 104
	576 580	3 195	1 786	581 561

Reconciliation of heritage assets 2014

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	520 754	402	(234)	97	521 019
Historical monuments	14 457	-	-	-	14 457
Historical buildings	19 625	21 479	-	-	41 104
	554 836	21 881	(234)	97	576 580

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16. INVESTMENTS IN MUNICIPAL ENTITIES

Gross investment

	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
City of Johannesburg Property Company (Pty) Ltd	100 %	100 %	103 113	103 113
City Power Johannesburg (Pty) Ltd	100 %	100 %	112 466	112 466
Johannesburg City Parks	100 %	100 %	29 958	29 958
Johannesburg Development Agency (Pty) Ltd	100 %	100 %	16 278	16 278
Johannesburg Metropolitan Bus Services (Pty) Ltd	100 %	100 %	54 774	54 774
Johannesburg Roads Agency (Pty) Ltd	100 %	100 %	181 445	123 840
Pikitup Johannesburg (Pty) Ltd	100 %	100 %	31 315	31 315
Johannesburg Civic Theatre	100 %	100 %	1 784	1 784
The Johannesburg Fresh Produce Market (Pty) Ltd	100 %	100 %	20 000	20 000
			551 133	493 528

Impairments

	Carrying amount 2015	Carrying amount 2014
Johannesburg Metropolitan Bus Services (Pty) Ltd	(54 774)	(54 774)
Pikitup Johannesburg (Pty) Ltd	(31 315)	(31 315)
	(86 089)	(86 089)

Net investment

	Carrying amount 2015	Carrying amount 2014
City of Johannesburg Property Company (Pty) Ltd	103 115	103 115
City Power Johannesburg (Pty) Ltd	112 466	112 466
Johannesburg City Parks	29 958	29 958
Johannesburg Development Agency (Pty) Ltd	16 278	16 278
Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-
Johannesburg Roads Agency (Pty) Ltd	181 445	123 840
Johannesburg Social Housing Company (Pty) Ltd	-	-
Johannesburg Water (Pty) Ltd	-	-
Pikitup Johannesburg (Pty) Ltd	-	-
The Johannesburg Civic Theatre (Pty) Ltd	1 784	1 784
The Johannesburg Fresh Produce Market (Pty) Ltd	20 000	20 000
	465 046	407 441

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

Johannesburg Social Housing Company (Pty) Ltd - R120.00
Johannesburg Water (Pty) Ltd - R 200.

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

17. INVESTMENTS IN JOINT VENTURES

CJMM has an investment in a Joint venture that is less than R1,000.

Golden Triangle Development Company (Pty) Ltd - R500.00.

City of Johannesburg Metropolitan Municipality

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18. FINANCIAL ASSETS BY CATEGORY

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

2015

	Loans and receivables	At fair value	Total
Current Assets			
Loans to Municipal Entities	1 009 887	-	1 009 887
Other financial assets	-	4 190 880	4 190 880
Trade and other receivables	4 045 311	-	4 045 311
Consumer debtors	716 651	-	716 651
Call investment deposits	3 274 448	-	3 274 448
Bank balances and cash	905 540	-	905 540
Non-Current Assets			
Loans to Municipal Entities	5 648 642	-	5 648 642
Other financial assets	36 746	4 588 635	4 625 381
	15 637 225	8 779 515	24 416 740

2014

	Loans and receivables	At fair value	At amortised cost	Total
Current Assets				
Loans to Municipal Entities	980 592	-	-	980 592
Other financial assets	-	2 483 151	186 361	2 669 512
Trade and other receivables	3 480 156	-	-	3 480 156
Consumer debtors	687 147	-	-	687 147
Call investment deposits	4 700 151	-	-	4 700 151
Bank balances and cash	443 926	-	-	443 926
Non-Current Assets				
Loans to Municipal Entities	4 997 925	-	-	4 997 925
Other financial assets	38 548	2 245 558	-	2 284 106
	15 328 445	4 728 709	186 361	20 243 515

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19. LOANS AND BORROWINGS		
Non Current portion of loans and borrowings - At amortised cost		
Structured loans *	29 942	43 276
Development Bank South Africa	2 899 533	1 251 844
Listed bonds	6 475 667	7 709 000
Other financial liabilities	4 688 102	3 377 460
	14 093 244	12 381 580
Current portion of loans and borrowings - At amortised cost		
Structured loans *	13 333	219 066
Development Bank South Africa	72 871	74 602
Listed bonds	1 233 333	333 333
Other financial liabilities	253 881	343 550
	1 573 418	970 551
	15 666 662	13 352 131

* Structured loans are secured by an investment which will redeem the loan at maturity.

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20. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	126 871	104 110
- in second to fifth year inclusive	224 430	232 347
- later than five years	78 095	128 191
	<u>429 396</u>	<u>464 648</u>
less: future finance charges	(88 667)	(120 589)
Present value of minimum lease payments	340 729	344 059
Present value of minimum lease payments due		
- within one year	102 830	76 193
- in second to fifth year inclusive	166 036	151 082
- later than five years	71 863	116 784
	<u>340 729</u>	<u>344 059</u>
Non-current liabilities	237 899	267 866
Current liabilities	102 830	76 193
	<u>340 729</u>	<u>344 059</u>

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

It is municipality policy to lease certain buildings and equipment under finance leases.

1. Resultant

The Finance Lease liabilities relate to Office Equipment with lease terms of three years. There are no renewal or purchase options and no restrictions imposed by the lease agreements.

2. Red Fleet

Finance Lease Liabilities relate to Emergency Service Vehicles with a lease term of 10 years(excluding extensions). The lease is set to expire in August 2015.

3. Bus Operating Company

Finance Lease Liabilities relate to vehicles with a lease term of 12 years. Capitalised Lease Liabilities are secured by the related finance lease assets.

The carrying values of the finance leased assets are included under other property, plant and equipment. Refer to note 13.

City of Johannesburg Metropolitan Municipality

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21. TRADE AND OTHER PAYABLES

Financial liabilities

Accrued interest	124 878	120 919
Credit balances in consumer debtors	981 350	916 162
Engineering fees	95 538	92 357
Operating lease payables	4 967	8 407
Other creditors	626 556	787 511
Related party creditor	6 323 310	6 581 810
Retentions	67 347	73 410
Trade payables	3 097 501	1 420 442
	<u>11 321 447</u>	<u>10 001 018</u>

Other liabilities

Accrued bonus	12 384	24 085
Accrued leave pay	269 831	255 336
Payments received in advanced	15 609	14 451
	<u>297 824</u>	<u>293 872</u>
	<u>11 619 271</u>	<u>10 294 890</u>

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22. OBLIGATIONS ARISING FROM CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Provincial grants : Capital projects	167 788	151 796
Provincial grants : Top Structure of houses	108	209 827
Provincial grants : Operating projects	9 983	8 296
2010 Public transport (SPTN)	1 819	398 840
Neighbourhood development partnership grant	19 158	9 849
Expanded Public Works Programme (EPWP)	6 382	19 033
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	95	696
Public Transport Network Grant	3 502	12 252
Unspent public contributions and donations	2 059	3 792
	210 894	814 381

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.

A liability is recognised for any unfulfilled conditions, criteria, obligations and other contingencies attaching to government grants or assistance.

See note 31 for reconciliation of grants from National/Provincial Government.

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

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23. PROVISIONS

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Settlement	Reversed during the year	Total
Provision for consultation fees	23 737	-	-	(23 737)	-	-
Provision for Damages claim	20 000	-	-	-	-	20 000
Provision for Cleaning Services	1 800	-	-	(1 800)	-	-
Pension fund provisions	76 084	3 903	-	-	-	79 987
	121 621	3 903	-	(25 537)	-	99 987

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Settlement	Total
Provision for consultation fees	-	23 737	-	-	-	23 737
Provision for Damages Claim	20 000	-	-	-	-	20 000
Provision for Cleaning Services	-	1 800	-	-	-	1 800
Pension fund provisions	72 405	3 679	-	-	-	76 084
	92 405	29 216	-	-	-	121 621

Non-current liabilities	99 987	96 084
Current liabilities	-	25 537
	99 987	121 621

Provision for Cleaning Services

The claim is for cleaning services rendered to the City of Johannesburg on the basis of a verbal contract. The court found against the City and awarded damages to the amount of R1 800 000,00 as a full and final settlement of the matter.

The liability was settled in full.

Provision for Consultation fees

This claim is by a firm of consulting engineers for work done on the construction of the 2010 Soccer World Cup Stadium.

The liability was settled in full.

Provision for Damages Claim

A claim for damages was instituted by the Plaintiff as a result of the construction of the Grayston fly-over for loss of income. The total claim was R10,000,000.00 plus interest 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.

Management has estimated the provision, however there is uncertainty as to when the liability will be settled.

Provision for Soweto pension fund

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23. PROVISIONS (continued)

The provision is for the settlement of the Soweto Pension Fund which was approved by the Mayoral Committee on the 2nd of December 2010.

The Settlement amount should have been paid in cash on or before 30 June 2011, as a result the interest at the rate of 65% of the prime interest has been calculated.

Management has estimated a provision amount, however there is still uncertainty as to when the liability will be settled.

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24. RETIREMENT BENEFIT OBLIGATION

24.1 Post retirement liabilities

Post-Retirement Medical Aid Plan	(1 240 425)	(1 241 051)
Post-Retirement Housing Subsidy Plan	(238)	(351)
Retirement Gratuity Plan	(163 947)	(190 546)
	(1 404 610)	(1 431 948)

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24. RETIREMENT BENEFIT OBLIGATION (continued)

24.1.1 Post retirement medical aid plan

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 Key Health medical schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	1 240 425	1 241 051
-------------------------------------------------------------------	-----------	-----------

Movements for the year

Opening balance	1 241 051	1 247 105
Benefits paid	(99 177)	(99 200)
Net expense recognised in the statement of financial performance	98 551	93 146
	1 240 425	1 241 051

Net expense recognised in the statement of financial performance

Current service cost	2 924	3 027
Interest cost	106 157	94 296
Actuarial gains	(10 530)	(4 177)
	98 551	93 146

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	-	7,89 %
Expected increase in salaries	-	6,67 %

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24. RETIREMENT BENEFIT OBLIGATION (continued)

Other assumptions.

Age of spouse	-	Husbands five 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

Discount Rate

	-1%	0%	1%
Liability	1 359 270	1 240 425	1 139 083
Percentage change	9,58%	0%	-8,17%
	-	-	-

Benefit inflation

	-1%	0%	1%
Liability	1 137 592	1 240 425	1 358 929
Percentage change	-8,29	0	9,55%

24.1.2 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	238	351
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The fair value of plan assets includes:

Movements for the year

Opening balance	351	459
Benefits paid	(77)	(117)
Net (expense)/Income recognised in the statement of financial performance	(36)	9
	238	351

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24. RETIREMENT BENEFIT OBLIGATION (continued)

Net expense recognised in the statement of financial performance

Interest cost	18	24
Actuarial gains	(54)	(15)
	(36)	9

Key assumptions used

Assumptions used for the valuation .

Discount rates used	8,42 %	8,94 %
Expected increase in salaries	7,11 %	8,05 %

Sensitivity analysis

Discount rate

	-1%	0%	1%
Liability	243	238	235
Percentage change	2,10%	0	-1,26%

Benefit inflation

	-1%	0%	1%
Liability	234	238	243
Percentage change	-1,68%	0	2,10%

24.1.3 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	163 947	190 546
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24. RETIREMENT BENEFIT OBLIGATION (continued)

Movements for the year

Opening balance	190 546	198 117
Benefits paid	(15 807)	(18 484)
Net (expense)/Income recognised in the statement of financial performance	(10 792)	10 913
	163 947	190 546

Net expense recognised in the statement of financial performance

Interest cost	16 206	14 884
Actuarial (gains) losses	(26 998)	(3 971)
	(10 792)	10 913

Key assumptions used

Assumptions used on last valuation on .

The principal actuarial assumptions used were as follows:

Discount rates used	8,42 %	8,94 %
Expected increase in salaries	7,11 %	8,05 %

Sensitivity analysis

Discount rate

	-1%	0%	1%
Liability	176 743	163 947	152 598
Percentage change	7,81%	0	-6,92%

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24. RETIREMENT BENEFIT OBLIGATION (continued)

Table 7.2 summarises the results of this analysis on the sum of the Current-service and Interest Costs for the year ending 30 June 2016.

Table 7.2: Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2016

Assumption	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Costs	% change
Central Assumptions		100,700,441	17,820	13,029,389	113,747,651	
(i) Benefit inflation	+1%	110,723,068	18,170	14,110,626	124,851,864	9%
	-1%	92,003,796	17,477	12,053,775	104,075,048	-8%
(ii) Discount Rate	+1%	103,044,359	19,565	13,508,649	116,572,573	-8%
	-1%	97,637,240	16,008	12,431,020	110,084,268	9%
(iii) Post-retire mortality	-1 yr	105,360,747	18,012	13,029,389	118,408,148	4%

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24. RETIREMENT BENEFIT OBLIGATION (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	42 576	46 833
eJoburg Retirement Fund	156 340	171 178
Municipal Councillors pension Fund	10 467	10 017
National Fund for Municipal Workers	108	102
Municipal Employees Gratuity Fund	10 124	1 163
	219 615	229 293

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

Joint Municipal Pension Fund	1 107	1 114
Municipal Employees Pension Fund	4 021	4 339
	5 128	5 453

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25. DEFERRED INCOME

Bond tap

Balance unspent at beginning of year	48 879	51 804
Conditions met - transferred to revenue	(3 242)	(2 925)
Conditions still to be met - transferred to liabilities	45 637	48 879

The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.

The tap was issued on 9 December 2008, due to mature on 5 June 2023. The tap was issued at a premium of R58,038,692, at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.

Total deferred income	45 637	48 879
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26. OTHER FINANCIAL LIABILITIES AT FAIR VALUE

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

Swap Details

Trade Date : 30 March 2011
Settlement Date: 29 March 2018
Nominal Amount: R 1,000(million)
Fixed Rate: 11.66%
Payable: Semi- annual

Opening balance	54 113	76 629
Fair value movement-SWAP	(8 896)	(22 516)
Closing balance	45 217	54 113
Current liability	6 856	7 816
Non-Current liability	38 361	46 297
	45 217	54 113

27. CONSUMER DEPOSITS

Non Current portion of Consumer deposits

Other deposits	17 288	25 320
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Consumer deposits relate largely to deposits held in the JPC Portfolio Account (R 13 954 192). The other balance relates to deposits held by Community Development and the Housing Department. All consumer deposits are non-current in nature.

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28. FINANCIAL LIABILITIES BY CATEGORY

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

2015

	Financial liabilities at amortised cost	Fair value through profit or loss	Fair value through surplus or deficit - designated	Total
Current Liabilities				
Loans and borrowings	1 573 418	-	-	1 573 418
Finance lease obligations	102 830	-	-	102 830
Trade and other payables	11 321 447	-	-	11 321 447
Non-Current Liabilities				
Loans and borrowings	14 093 244	-	-	14 093 244
Finance lease obligations	237 899	-	-	237 899
Consumer deposits	17 288	-	-	17 288
	27 346 126	-	-	27 346 126

2014

	Financial liabilities at amortised cost	Fair value through profit or loss	Fair value through surplus or deficit - designated	Total
Current Liabilities				
Loans and borrowings	970 551	-	-	970 551
Finance lease obligations	76 193	-	-	76 193
Trade and other payables	10 018 244	-	-	10 018 244
Non-Current Liabilities				
Loans and borrowings	12 428 012	-	-	12 428 012
Finance lease obligations	317 366	-	-	317 366
Consumer deposits	25 320	-	-	25 320
	23 835 686	-	-	23 835 686

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29. PROPERTY RATES		
Rates received		
Residential	2 628 897	2 485 990
Commercial	4 832 191	4 663 782
State	161 712	171 182
	7 622 800	7 320 954
Valuations		
Property rate valuation	919 592 501	912 838 178
30. RENDERING OF SERVICES		
Other service charges	115 746	89 361
BRT Revenue	79 927	59 581
Surcharges : Electricity	134 686	127 531
Surcharges : Refuse	3 844	3 620
Surcharges : Water	46 637	35 162
	380 840	315 255

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31. GOVERNMENT GRANTS AND SUBSIDIES		
Provincial grants : Capital projects	137 123	174 500
Urban settlements development grant	1 685 810	1 511 649
Financial management grant	1 250	1 250
Provincial grants : Top structure of houses	328 077	207 950
Provincial grants : Operating projects	10 905	9 419
2010 Public transport (SPTN)	925 572	793 100
Neighbourhood development partnership grant	79 800	34 652
World Anti-Doping Agency (WADA)	-	10 000
Expanded Public Works Programme (EPWP)	42 864	36 430
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	19 889	32 474
Public Transport Network operations Grant	520 708	255 748
Ambulance subsidy	105 809	100 334
Equitable share and fuel levy	4 853 451	4 452 207
Provincial health subsidies	104 505	81 490
	8 815 763	7 701 203

Provincial grants : Capital projects

Balance unspent at beginning of year	151 796	139 294
Current year receipts	59 573	107 826
Previous years AUC - Capitalised	(506)	-
Transfers	44 454	(252)
Adjustment - Debtors	49 594	79 428
Conditions met - transferred to revenue	(137 123)	(174 500)
Conditions still to be met - transferred to liabilities	167 788	151 796

Conditions still to be met - remain liabilities (see note 22)

These grants are provided to finance Capital Projects

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31. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Urban settlements development grant		
Current year receipts	1 695 487	1 488 878
transfer to EPWP	(9 680)	22 771
Transferred to debtors	3	-
Conditions met - transferred to revenue	(1 685 810)	(1 511 649)
Conditions still to be met - transferred to liabilities	-	-

This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households. The Urban Settlement Development Grant contributes towards the achievement of sustainable human settlements and improved quality of household life by implementing infrastructure development projects that work towards the realisation of adequate housing and improved quality environments and a functional residential property market. The infrastructure development projects includes roads, bridges, water supply network, sanitation services, electrical reticulation, social and recreational services, cemeteries, markets as well as release of well located land.

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31. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Financial management grant

Current year receipts	1 250	1 250
Conditions met - transferred to revenue	(1 250)	(1 250)
Conditions still to be met - transferred to liabilities	-	-

The grant was to target training and capacitation of the staff in the Budget and Treasury offices. It targets systems for the implementation of the MFMA reporting requirements. The grant is mainly used to employ interns in the Finance Department and to fund the MFMA minimum competency level training.

Provincial grants : Top structure of houses

Balance unspent at beginning of year	209 827	392 202
Current year receipts	-	7 055
Adjustments	(34 774)	18 520
Transfers to debtors	153 132	-
Conditions met - transferred to revenue	(328 077)	(207 950)
Conditions still to be met - transferred to liabilities	108	209 827

Conditions still to be met - remain liabilities (see note 22)

Provincial grants : Operating projects

Balance unspent at beginning of year	8 296	7 226
Current year receipts	10 690	10 489
Transfers	2 902	-
Adjustments	(1 000)	-
Conditions met - transferred to revenue	(10 905)	(9 419)
Conditions still to be met - transferred to liabilities	9 983	8 296

Conditions still to be met - remain liabilities (see note 22)

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

2010 Public transport (SPTN)

Balance unspent at beginning of year	398 840	736 859
Current year receipts	553 571	843 781
Grants paid back	(25 020)	(388 700)
Conditions met - transferred to revenue	(925 572)	(793 100)
Conditions still to be met - transferred to liabilities	1 819	398 840

Conditions still to be met - remain liabilities (see note 22)

This grant is provided to finance 2010 Public Transport System.

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31. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Neighbourhood development partnership grant		
Balance unspent at beginning of year	9 849	14 769
Current year receipts	98 958	32 868
Grants paid back	(9 849)	(3 136)
Conditions met - transferred to revenue	(79 800)	(34 652)
Conditions still to be met - transferred to liabilities	19 158	9 849
Conditions still to be met - remain liabilities (see note 22)		
The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighbourhoods. It is an Infrastructure Development grant focusing on township development, for the purpose of attracting private investment and for Government agencies to be able to provide basics services.		
World Anti-Doping Agency (WADA)		
Current year receipts	-	10 000
Conditions met - transferred to revenue	-	(10 000)
Conditions still to be met - transferred to liabilities	-	-
Expanded Public Works Programme (EPWP)		
Balance unspent at beginning of year	19 033	32 789
Current year receipts	36 492	89 434
Adjustments	(3 419)	(43 989)
Transfers	(2 860)	(22 771)
Conditions met - transferred to revenue	(42 864)	(36 430)
Conditions still to be met - transferred to liabilities	6 382	19 033
Conditions still to be met - remain liabilities (see note 22)		
The Grant assists in providing an important avenue for labour absorption and aids transfers of income to poor households. It uses expenditure on goods and services to create work opportunities for the unemployed. EPWP Projects employ workers on a temporary or on-going basis either by government, by contractors, or by other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.		
Orange African cup of nations		
Balance unspent at beginning of year	-	4 737
Adjustments	-	(4 737)
Conditions still to be met - transferred to liabilities	-	-
Conditions still to be met - remain liabilities (see note 22)		
Provincial grant : Jozi Ihlomihle (Hiv/Aids)		
Balance unspent at beginning of year	696	15 282
Current year receipts	19 288	17 888
Conditions met - transferred to revenue	(19 889)	(32 474)
Conditions still to be met - transferred to liabilities	95	696

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31. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Public Transport Network Grant

Balance unspent at beginning of year	12 252	-
Current year receipts	512 000	268 000
Adjustment	(42)	-
Conditions met - transferred to revenue	(520 708)	(255 748)
Conditions still to be met - transferred to liabilities	3 502	12 252

Ambulance subsidy

Current year receipts	105 809	100 334
Conditions met - transferred to revenue	(105 809)	(100 334)
Conditions still to be met - transferred to liabilities	-	-

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

Equitable share and fuel levy

Current year receipts	4 853 451	4 452 207
Conditions met - transferred to revenue	(4 853 451)	(4 452 207)
Conditions still to be met - transferred to liabilities	-	-

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

Provincial health subsidies

Current year receipts	104 505	97 303
Adjustments	-	(15 813)
Conditions met - transferred to revenue	(104 505)	(81 490)
Conditions still to be met - transferred to liabilities	-	-

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 with holding of the subsidy.

Government grant (operating) 19

32. OTHER REVENUE

Brokerage revenue	-	921
Internal recoveries - ME's	415 551	374 766
Other revenue	387 549	254 073
Recovery of insurance	1 526	5 652
Recovery of legal costs	1 327	1 529
Training revenue	16 944	29 056
	822 897	665 997

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33. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	3 398 819	3 237 540
Employee related costs : Pension contributions	524 701	386 604
Employee related costs : Medical aid contributions	283 267	260 821
Employee related costs : Skills development levy	40 396	38 080
Housing benefits and allowances	22 616	20 875
Overtime payments	71 505	59 718
Bonus	189 867	184 172
Travel, motor car, accommodation, subsistence and other allowances	265 197	254 211
Post Retirement Benefits	87 546	104 449
	4 883 914	4 546 470

Remuneration of the City Manager

Annual Remuneration	2 562	2 562
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	2	2
	2 692	2 692

Remuneration of the Group Head : Risk Assurance Services

Annual Remuneration	1 551	1 459
Car Allowance	287	288
Performance Bonuses	68	-
Contributions to UIF, Medical and Pension Funds	44	39
Unpaid absence	7	-
	1 957	1 786

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33. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Group Head : Strategy, Policy Coordination and Relations

Annual Remuneration	1 269	1 080
Car Allowance	108	108
Performance Bonuses	81	-
Contributions to UIF, Medical and Pension Funds	121	107
	1 579	1 295

Remuneration of the Group Head : Communication and Tourism

Annual Remuneration	1 517	1 402
Car Allowance	85	128
Performance Bonuses	48	-
Contributions to UIF, Medical and Pension Funds	52	71
Unpaid absense	61	-
Eminence	-	72
	1 763	1 673

Remuneration of the Group Head : Legal and Contracts

Annual Remuneration	908	862
Car Allowance	87	87
Performance Bonuses	40	-
Contributions to UIF, Medical and Pension Funds	134	119
	1 169	1 068

Remuneration of the Group : Chief Financial Officer

Annual Remuneration	2 500	1 382
Car Allowance	144	48
Contributions to UIF, Medical and Pension Funds	2	1
	2 646	1 431

The CFO's appointment was effective from 05 December 2013

Remuneration of the Executive Director : Economic Development

Annual Remuneration	2 115	978
Contributions to UIF, Medical and Pension Funds	2	1
	2 117	979

The ED of Economic Development's appointment was effective from 06 January 2014

Remuneration of the Executive Director : Community Development

Annual Remuneration	1 514	1 427
Car Allowance	103	103
Performance Bonuses	59	-
Contributions to UIF, Medical and Pension Funds	152	154
	1 828	1 684

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33. EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Executive Director : Development Planning and Urban Development		
Annual Remuneration	1 913	1 595
Car Allowance	144	144
Performance Bonuses	79	-
Contributions to UIF, Medical and Pension Funds	113	89
Eminence/Premiums Allowance	180	105
	2 429	1 933
Remuneration of the Executive Director : EISD		
Annual Remuneration	1 666	1 569
Car Allowance	97	97
Performance Bonuses	49	-
Contributions to UIF, Medical and Pension Funds	45	44
	1 857	1 710
Remuneration of the Executive Director : Housing		
Annual Remuneration	1 362	1 284
Car Allowance	96	96
Performance Bonuses	52	-
Contributions to UIF, Medical and Pension Funds	135	126
	1 645	1 506
Remuneration of the Executive Director : Transportation		
Annual Remuneration	1 789	1 688
Car Allowance	73	73
Performance Bonuses	76	-
Contributions to UIF, Medical and Pension Funds	270	255
	2 208	2 016
Remuneration of the Executive Director : Health		
Annual Remuneration	1 861	1 753
Car Allowance	108	108
Performance Bonuses	129	-
Contributions to UIF, Medical and Pension Funds	2	2
	2 100	1 863
Remuneration of the Executive Director : Corporate Services		
Annual Remuneration	230	1 676
Car Allowance	-	128
Performance Bonuses	72	-
Contributions to UIF, Medical and Pension Funds	20	86
Final leave payment	106	-
	428	1 890

The Executive Director resigned on 30 June 2014 and the current appointment was effective from 01 May 2015.

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33. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Executive Director : Office of the City Manager

Annual Remuneration	1 344	1 160
Performance Bonuses	82	-
Contributions to UIF, Medical and Pension Funds	68	56
	1 494	1 216

Remuneration of the Group Head : Urban Management and Citizen Relationship Management

Annual Remuneration	197	1 113
Car Allowance	21	128
Performance Bonuses	77	-
Contributions to UIF, Medical and Pension Funds	36	101
Final Leave payment	51	-
	382	1 342

The Executive Director resigned 31 August 2014

Remuneration of the Group Head : Governance

Annual Remuneration	1 355	1 283
Car Allowance	96	96
Performance Bonuses	27	-
Contributions to UIF, Medical and Pension Funds	75	69
Unpaid absence	5	-
	1 558	1 448

Remuneration of the Chief Operations Officer

Annual Remuneration	2 433	2 296
Car Allowance	144	144
Contributions to UIF, Medical and Pension Funds	135	125
	2 712	2 565

Remuneration of the Secretary of Council

Annual Remuneration	1 592	1 501
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	88	81
	1 808	1 710

Remuneration of the Executive Director : Public Safety

Annual Remuneration	1 564	491
Car Allowance	128	43
Contributions to UIF, Medical and Pension Funds	2	-
	1 694	534

The ED of Public Safety's appointment was effective March 2014

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33. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Executive Director : Social Development

Annual Remuneration	1 258	1 160
Car Allowance	104	78
Contributions to UIF, Medical and Pension Funds	71	74
	1 433	1 312

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34. REMUNERATION OF COUNCILLORS

Executive Mayor	1 226	1 008
Mayoral Committee Members	9 888	8 255
Speaker	1 010	763
Councillors	89 753	87 658
Councillors' pension contribution	10 313	10 943
Chairpersons	15 309	12 012
	127 499	120 639

Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration	908	854
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	148	140
Cell Allowance	42	42
	1 226	1 164

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 and Speaker have use of a Council owned vehicle for official duties.

The Executive Mayor has four full-time bodyguards. The Speaker has two full-time bodyguards.

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35. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1 483 110	1 226 446
Investment property	-	111 003
Intangible assets	184 831	150 031
	1 667 941	1 487 480

36. IMPAIRMENT LOSSES

Impairments

Investments in Municipal Entities - (31 314)

These investments were impaired due to the possible absorption of these entities into the CJMM. The Pikitup Johannesburg (Pty) Ltd Investment was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of these impairments, refer to Note 16

Loans to Municipal Entities (121 055) (27 265)

The Pikitup Johannesburg (Pty) Ltd loan was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of this impairment, refer to Note 4

Loans to Municipal Entities (21 609) -

The Johannesburg Metro Bus company is technically insolvent and has liquidity challenges. The entity has put in a place a turn around strategy aimed to improve the liquidity problem in the long term. The current liquidity problem has led to the impairment of the current portion of the loan.

(142 664) **(58 579)**

37. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES

Allowance for Impairment - Trade and Other Receivables - Fines	303 194	609 614
Allowance for Impairment - Consumer Debtors	960 002	846 777
Consumer Debtors written Off	-	4 707
Allowance for Impairment - Trade and Other Receivables - Other	60 493	52 759
	1 323 689	1 513 857

Allowance for Trade and other receivables includes the impairment Traffic fines and sundry debtors.

38. CONTRACTED SERVICES

Fleet Services	52 306	6 838
Information Technology Services	274 265	258 535
Operating Leases	143 269	183 476
Other Contractors	21 796	20 883
Specialist Services	1 385 381	828 455
	1 877 017	1 298 187

Refer to note 43 for future operating lease commitments.

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39. GRANTS AND SUBSIDIES PAID		
Grants paid to ME's		
City of Johannesburg Property Company (Pty) Ltd	-	24 850
Johannesburg City Parks	644 389	568 075
Johannesburg Development Agency (Pty) Ltd	26 739	24 977
Johannesburg Metropolitan Bus Services (Pty) Ltd	400 637	329 703
Johannesburg Roads Agency (Pty) Ltd	761 067	651 103
Johannesburg Social Housing Company (Pty) Ltd	19 970	18 397
Pikitup Johannesburg (Pty) Ltd	592 918	564 569
The Johannesburg Civic Theatre (Pty) Ltd	68 823	56 504
	2 514 543	2 238 178
Other subsidies		
Grant paid : Housing top structures	439 197	289 578
Grant paid : Other	129 874	19 053
Grant paid : Sporting Organisations (Marks Park Sports Club)	-	1 208
	569 071	309 839
	3 083 614	2 548 017

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

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

40. GENERAL EXPENSES

Advertising	43 403	43 374
Auditors remuneration	21 296	20 610
Bank charges	73 747	67 192
Conferences and seminars	19 418	15 106
Consulting and professional fees	60 221	60 945
Consumables/Inventory expensed	18 331	14 349
Debt collection	161 137	35 853
Hire	17 509	19 053
Incident management fund	36 216	42 006
Insurance	134 647	171 046
Lease rentals on operating lease	244 062	320 817
ME - charges	329 532	450 246
Marketing	24 887	28 003
Other expenses	483 707	327 986
Printing and stationery	149 516	176 493
Security (Guarding of municipal property)	187 021	184 473
Software expenses	50 729	69 816
Staff welfare	16 876	27 273
Subscriptions and membership fees	17 649	14 736
Telephone and fax	51 057	42 659
Training	24 367	25 478
Travel - local	13 687	9 941
Travel - overseas	18 346	12 958
Utilities	496 303	544 084
	2 693 664	2 724 497

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

9 539	9 231
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41. FAIR VALUE ADJUSTMENTS		
Other financial assets		
• Fair value movement on the sinking fund	259 765	108 457
• Cash flow hedge (Ineffective portion)	-	3 516
	259 765	111 973
42. CASH GENERATED FROM OPERATIONS		
Surplus	2 358 837	1 975 662
Adjustments for:		
Depreciation and amortisation	1 667 941	1 487 480
Public contributions, Donated and contributed property	(322 379)	(36 981)
Fair value adjustments	(259 765)	(111 973)
Reversal of Impairment	-	(190 927)
Finance costs: liabilities from MEs	7 138	-
Provision	-	25 537
Allowance for impairment of current receivables	1 323 689	1 513 857
Impairment in MOE investments	142 664	58 579
loss/gain on sale of Assets	11 129	610 070
Retirement benefits net expenses	87 723	104 068
Changes in working capital:		
Inventories	53 747	6 779
Trade and other receivables	(570 116)	(1 702 446)
Consumer debtors	(29 504)	(211 573)
Adjustment of impairment of current receivable	(1 323 689)	(1 439 675)
Refuse debtors transferred to PIKITUP	-	(31 314)
Trade and other payables	1 324 381	1 839 871
VAT	143 735	(285 232)
Obligations arising from conditional grants and receipts	(603 487)	(541 757)
Increase/(Decrease) in deferred income	(3 242)	(2 925)
Increase/(Decrease) in Provision	3 903	3 679
Increase/(Decrease) in Consumer deposits	(8 032)	(1 082)
	4 004 673	3 069 697

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43. COMMITMENTS

Commitments in respect of capital expenditure:

Contracted for

• Capital Commitments	4 859 949	3 980 260
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The commitment disclosure include multi year contracts that extend beyond one year.

Operating leases - as lessee (Fleet)

Minimum lease payments due

- within one year	83 558	17 518
- in second to fifth year inclusive	86 163	125 533
- later than five years	-	22 121
	169 721	165 172

Operating leases – as lessee (Buildings)

Minimum lease payments due

- within one year	20 473	29 003
- in second to fifth year inclusive	6 280	25 845
- later than five years	3 354	2 760
	30 107	57 608

Lease payments made throughout the year by respective Departments are included in the Statement of Financial Performance under General Expenses, refer to Note 40.

Operating lease smoothing and calculations are based on the contracts relating to operating leases of buildings held in the various Departments of the CJMM. The average leasing term for the CJMM is 4 years and the average escalation rate is 9%. Restrictions imposed on lease agreements are limited to those contained in individual contracts. A complete register of operating leases, as well as all the contracts are maintained by facilities management.

Operating leases – Land (Soccer City)

Minimum lease payments due

- within one year	75	75
- in second to fifth year inclusive	299	299
- later than five years	6 570	6 644
	6 944	7 018

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44. CONTINGENCIES

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Uninsured claims & litigations

1. 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. (This claim was originally for R4,146,583 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.
2. Claim for damages for R10,000,000 in respect of relocation of homeless people. The plaintiff sued the City of Johannesburg allegedly because the City of Johannesburg relocated homeless people onto the defendant's property without its consent, making it impossible for him to develop the property.
3. Claim for damages against the City of Johannesburg amounting to R11,668,746.00. The claim is based on an alleged breach of contract in that the City of Johannesburg has allegedly failed to use its "best endeavours" to have the property transferred to the plaintiff.
4. Claim for breach in the amount of R12,842,448.89 arising from the City of Johannesburg cancellation of security contract for operational requirements. The claim is being defended on the basis that the contract was cancelled lawfully. The hearing took place from 21 to 23 April 2015. Judgement is awaited.
5. Claim for R50,000,000 for services rendered in terms of contract for the provision of red light violation services. The matter was referred to arbitration. The hearing will continue from 20 to 25 July 2015. The hearing was heard on 17 and 18 August 2015. Judgement is awaited.
6. The plaintiff instituted action against the City of Johannesburg for wrongful termination of contract. It sought relief two fold, to uphold the contract, alternatively damages in the sum of R33,150,639. The matter was referred to arbitration; the plaintiff is however refusing to sign the arbitration agreement. The City is prepared to proceed with the arbitration however the plaintiff has not taken any further steps.
7. The City of Johannesburg appointed a service provider (a joint venture) to construct 1000 low cost RDP houses. The one partner to the JV subsequently ceded its rights and obligations in terms of the JV agreement to the other partner, which the City of Johannesburg was not party to. The latter partner then only concluded 385 foundations. After various opportunities to remedy the defects, the City terminated the contract. A dispute was declared and the matter referred to arbitration in terms of the JBCC agreement for the sum of R29,406,592. The service provider has applied for a trial date which was on 30 January 2015, however the case was further postponed to a date not yet known. The City of Johannesburg is processing the drafting of a discovery affidavit.
8. Claim for breach in the amount of R3,255,674 arising from the City of Johannesburg's cancellation of security contract for operational requirements. The claim is being defended on the basis that the contract is cancelled lawfully.
9. Claim for breach in the amount of R6,289,510 for allegedly failing to provide sufficient electricity for development after rezoning a property. Claim is defended on the basis that sufficient electricity is available and Plaintiff was aware of available supply.
10. Claim against the City of Johannesburg for the continuation of monthly post-retirement medical aid payments to employees of the city who are medical aid members. Estimated amount of R350,000,000. This matter arise from the City of Johannesburg withdrawing the post-retirement medical aid contributions in 2003, currently the matter is to proceed for a trial which has not been announced yet.
11. Claim for a refund against the City Of Johannesburg by Bombela Civil Joint Venture of R 5 500 000 in which the amount also includes legal cost.
12. The amount of R 5.661.578 relates to various court cases against the city of Johannesburg which were aggregated together as individually they are immaterial .

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45. PRIOR PERIOD ERRORS

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

Statement of Financial Position	Note	As previously reported	Correction of errors	Restated
	R	R	R	R
CJMM - Trade and other receivables		3 637 804	(61 665)	3 576 139
CJMM - Heritage Assets		590 473	(13 893)	576 580
CJMM - Investment property		1 261 859	(249 171)	1 012 688
CJMM - Property, plant and equipment		28 673 747	(28 279)	28 645 468
CJMM - Consumer debtors		649 517	37 630	687 147
CJMM - Intangible Assets		234 260	96 771	331 031
CJMM - Loans and borrowings		(12 428 012)	46 432	(12 381 580)
CJMM - Finance Lease Obligation		(317 366)	49 499	(267 867)
CJMM - Trade and other payables		(10 312 116)	17 226	(10 294 890)
CJMM - Liabilities from Municipal entities		-	(411 113)	(411 113)
CJMM - Accumulated Surplus- 2013/14 Opening Balance		(21 080 400)	(316 936)	(21 397 336)
CJMM-Other Financial Assets		104 332	(38 482)	65 850
CJMM - VAT Receivable		429 077	(1 006)	428 071
CJMM - Provision		(20 000)	(76 084)	(96 084)
CJMM - Retirement benefit obligation		(1 843 061)	411 113	(1 431 948)
CJMM - Other financial Assets at fair value		3 233 260	1 495 449	4 728 709
CJMM - Financial Liabilities at Fair value		-	(1 495 449)	(1 495 449)
		(7 186 626)	(537 958)	(7 724 584)

Statement of financial performance

Statement of financial performance	Note	As previously reported	Correction of errors	Restated
	R	R	R	R
CJMM - Property rates		(7 549 458)	228 504	(7 320 954)
CJMM - Rendering of Services		(255 674)	(59 581)	(315 255)
CJMM - Interest received		(1 150 706)	34 203	(1 116 503)
CJMM - Other revenue		(717 857)	51 860	(665 997)
CJMM - Depreciation and amortisation		1 435 240	52 240	1 487 480
CJMM - Rental of facilities and equipment		(82 749)	(11 898)	(94 647)
CJMM - Allowance for impairment of current receivables		1 705 889	(192 032)	1 513 857
CJMM - Contracted services		1 304 766	(6 579)	1 298 187
CJMM - Public contributions, Donated and contributed property		(14 923)	(22 058)	(36 981)
CJMM - General Expenses		2 812 246	(87 749)	2 724 497
CJMM - Loss/gain on disposal of PPE		522 911	87 159	610 070
CJMM - Finance Cost		1 535 163	26 943	1 562 106
CJMM - Traffic Fines		(1 367 970)	359 440	(1 008 530)
CJMM - Employee related costs		4 468 941	77 529	4 546 470
CJMM - Repairs and maintenance		286 705	(23)	286 682
		2 932 524	537 958	3 470 482

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

Management provides explanations for prior period adjustments which are considered material

Property, plant and equipment, Finance Lease Obligation, Finance Cost

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45. PRIOR PERIOD ERRORS (continued)

Public Works Lease: Land (R49,5 million)

The lease was previously classified as a Finance Lease which resulted in the recognition of the land and a finance lease obligation in the financial statements. Upon critical review of the contract in conjunction with the relevant GRAP standards it was concluded that the lease was in fact an operating lease. This was due to a lack of evidence to prove that the lease transferred substantially all the risks and rewards incidental to ownership of the land. The land and the finance lease liability were thus retrospectively derecognised from the financial statements. The Finance Costs relating to the obligation were also retrospectively derecognised.

Depreciation on completed assets had not been accounted for in the prior year. This was retrospectively adjusted. (R56m) Previously, assets (amounting to R35m) were incorrectly classified as Heritage assets. These assets were retrospectively reclassified Property, plant and equipment.

Intangible Assets

Intangible assets were erroneously omitted from the financial statements. The cost and subsequent depreciation of these assets were retrospectively recognized.

Investment Property

The cost of a project was prematurely capitalized before it had been completed. The initial cost and the subsequent depreciation have thus been retrospectively reversed.

Heritage Assets and Public contributions, Donated and contributed property

Property, plant and equipment which had been incorrectly classified as Heritage assets (R35m) were retrospectively reclassified.

Donations of Heritage assets (R21m) which had not been capitalised were retrospectively recognised.

Consumer Debtors, Property rates and Allowance for impairment.

The restatement resulted from the following;

The market values of properties had changed as a result of a ratepayer's objection and the appeal process

The reversal of the prior year's revenue as a result of the outcome of the Connaught Case in which the court finding went against the City. The court decided that the city must reverse the billing and refund where necessary.

Contracted Services

Contracts on leased buildings had not been accounted for in the prior period. This was retrospectively corrected.

Depreciation

The net effect of all the prior period adjustments to assets resulted in the R52m increase in depreciation. The largest of which was the R56m worth of depreciation recognized on property, plant and equipment

Employee Related Costs and General Expenses

It was found that benefits paid on the Post-Retirement Liability were erroneously recorded as employee related costs in profit/loss. This error was retrospectively corrected.

Rentals of properties and office equipment

Rental of Halls income was incorrectly classified as Other Revenue. It was retrospectively reclassified to Rental facilities.

Other Revenue

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45. PRIOR PERIOD ERRORS (continued)

Revenue from Rea Vaya bus services was reclassified from Other Revenue to Service Charges as management believes this to be the most appropriate classification. Rental of Halls income was incorrectly classified as Other Revenue. It was retrospectively reclassified to Rental facilities.

Kelvin Power revenue had been under-stated by R12m due to a misinterpretation of the contract which had stipulated for an increase of R3 million per quarter.

Rendering of Services

Revenue from Rea Vaya bus services was reclassified from Other Revenue to Service Charges.

Provisions, finance charges, Trade and other payables

The provision is for the settlement of the Soweto Pension Fund which was approved by the Mayoral Committee on the 2nd of December 2010. The settlement amount agreed upon was R65m plus finance charges as from 30 June 2011.

The Provision of R40m relating to the Soweto Pension Fund had been erroneously classified as Trade and other payables. This was identified in the current year and corrected retrospectively.

The provision of R25m and the relevant finance charges of R3m relating to the above provision were erroneously omitted from the financial statements. This error was identified in the current year and recognised retrospectively.

Fines, Trade and Other Receivables

Traffic fines revenue in the previous year was overstated as a result of invalid fines included. This error had an impact on the fines receivable, revenue and impairment. This error was identified in the current year and adjusted retrospectively.

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46. RISK MANAGEMENT

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

Portfolio 1 Overview

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

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

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

To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on financial assets and liabilities, CJMM plays a focal role in:

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that CoJ's Credit rating is maintained or improved by ensuring that financial risk ratios fall within required limits.
- Ensuring sustainable financial viability of COJ by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting CJMM's financial position.
- 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, which is reviewed on a continuous basis in line with best market practices, seeks to assist the Group in the effective identification, evaluation and control of financial risks that may impact upon the realization of corporate, mayoral and service delivery objectives and priorities that the Group has set itself to achieve.

Council, through the Assets and Liabilities Committee (ALCO), has overall responsibility for the establishment and oversight of the CJMM's risk management framework. ALCO, in this regard, 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.

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.

The CJMM's Treasury unit 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.

Liquidity and Concentration Risk

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

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46. RISK MANAGEMENT (continued)

For each financial year, Council approves a funding plan that minimizes 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 or long term loans or a combination of the two.

Short-term liquidity constraints are managed through two types of short-term funding methods: i) General Banking Facilities 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 projected and actual usage.

Both Short-term and Long-term borrowings are approved as per the budget and the banking services contract. The table below indicates approved facilities as at end of June 2015:

Details	Approved Funding R'000	Total Utilised R'000	Available for use R'000
Short-Term Borrowings			
Long-Term Borrowings			
Borrowing	3 276 000	3 276 000	-

Liquidity risk is also linked to Concentration risk which could be defined as the probability of high cash outflow arising from concentration of debt obligations payable around the same period, resulting in risk of default and the inability to evenly spreading liability obligations.

In line with GRAP 104, 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 channeled 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.

Swap Redemption Analysis

Instrument	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	
INTEREST RATE SWAP	29-Mar-18	24 300	15 279	9 270	-	-	-
R1bn Loan							

Capital Redemption Analysis of Non Derivative Liabilities as at 30 June 2015

Class	Balance	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
Floating Rate Loans	1 987 6	114 724	114 724	1 114 724	68 386	65 111	510 028
Fixed Rate Loans	13 708 0	1 458 694	469 693	2 148 397	440 743	467 081	8 723 429
		-	-	-	-	-	-

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46. RISK MANAGEMENT (continued)

Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2015

Investment type	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
Call Deposits	1 106 136	-	-	-	-	-
Short Term Investments	2 167 800	-	-	-	-	-
	-	-	-	-	-	-

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. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the 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 range of values between two upward percent and one downward percent movement in interest rates. Management generally expects interest rates to rise in the future.

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

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	2%
Floating Rate Loans	1 274 602	1 207 573	1 241 079	1 274 602	1 308 141	1 341 696	1 375 268	1 408 857

Fair Value Sensitivity Analysis of Variable Rate Liabilities

The fair value sensitivity analysis of variable rate liabilities shows that a 2 percentage point increase in interest rates will increase the fair value of floating rate liabilities by R134 million (10.53%), and a 1 percentage point decrease in interest rates will decrease the fair value of floating rate liabilities by R67 million.(-5.26).

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.

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46. RISK MANAGEMENT (continued)

Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	75 829	31 Mar-02	30-Sep-15 3 months JIBAR + 2.535%	Floating	3 555	3 622	3 689	3 755	3 822	3 889	3 956	
						31-Dec-15	3 545	3 609	3 672	3 736	3 800	3 863	3 927
						31-Mar-16	3 505	3 565	3 625	3 685	3 745	3 805	3 864
						30Jun-16	3 488	3 545	3 601	3 658	3 715	3 771	3 828
						-	-	-	-	-	-	-	
DBSA 102761-1	DBSA	425 000	20-Aug-09	31-Dec-15 6 months JIBAR + 2.85%	Floating	28 216	29 129	30 043	30 957	31 870	32 784	33 668	
						30-Jun-16	28 268	29 141	30 014	30 886	31 759	32 631	33 504
						30-Dec-16	28 545	29 396	30 246	31 097	31 948	32 799	33 649
						31-Jun-17	28 188	28 994	29 800	30 606	31 412	32 218	33 023
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
DBSA 103345-1	DBSA	495 000	17-Apr-09	31-Dec-15 6 months JIBAR + 2.96%	Floating	33 441	34 500	35 559	36 617	37 676	38 734	39 793	
						30-Jun-16	33 468	34 478	35 488	36 498	37 507	38 517	39 527
						31-Dec-16	33 757	34 740	35 724	36 706	37 689	38 672	39 655
						31-Jun-17	33 307	34 236	35 166	36 096	37 026	37 956	38 885
						-	-	-	-	-	-	-	
CALYON	CALYON	190 469	05-Sep-06	30-Sep-15 3 months JIBAR less 0.35%	Floating	10 385	10 522	10 659	10 796	10 933	10 933	11 288	
						30-Dec-15	10 351	10 478	10 603	10 729	10 855	10 981	11 106
						31-Mar-16	10 263	10 377	10 489	10 602	10 715	10 829	10 942
						30-Jun-16	10 206	10 307	10 409	10 511	10 622	10 714	10 816
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	

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46. RISK MANAGEMENT (continued)

							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
NEDBANK 1b	NEDBANK	1 000 000	04-Mar-10	30-Sep-15	3 months JIBAR + 2.8%	Floating	40 134	42 692	45 254	47 818	50 386	52 956	55 530
				31-Mar-16			42 242	44 802	47 366	49 933	52 504	55 077	57 654
				30-Sep-16			44 738	47 302	49 869	52 439	55 012	57 589	60 168
				31-Mar-17			46 345	48 897	51 452	54 011	56 571	59 135	61 703
							-	-	-	-	-	-	-
SCMB 200m	SCMB	69 942	19-Sep-03	30-Sep-15	CPI plus Margin	Floating	3 300	3 317	3 333	3 350	3 367	3 383	3 400
				31-Dec-15			3 300	3 317	3 333	3 350	3 367	3 383	3 400
				31-Mar-15			3 300	3 317	3 333	3 350	3 367	3 383	3 400
				30-Jun-16			3 300	3 317	3 333	3 350	3 367	3 383	3 400
							-	-	-	-	-	-	-

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46. RISK MANAGEMENT (continued)

Hedging Interest Rate Risk

Testing Hedge Effectiveness by the City of Johannesburg

Dollar-Offset Method

The City of Johannesburg test hedge effectiveness of the interest rate swap using the Dollar Offset Method. The Dollar-Offset Method compares changes in the fair value or cash flow of the hedged item and the derivative (hypothetical swap). A hypothetical swap is one that has a fixed rate which gives a zero value at inception. The fixed rate that gives a zero value at swap initiation is 11.213%.

This rate is used to generate the hypothetical swap. The all in fixed rate on the actual swap is 11.66%. The Dollar-Offset Method can be applied either period-by-period or cumulatively.

The per period approach is used generate accounting entries. Under the per period test, the movement in the swap value from one financial year to the next is compared to the movement in the hypothetical swap in the same period.

The cumulative approach is used to measure hedge effectiveness. Under the cumulative test, the movement in the swap value from inception to the next is compared to the movement in the hypothetical swap in the same period.

Should the hedge be effective, the market and credit risk gets included in Other Comprehensive Income (OCI), by deferring the minimum of the change in fair value of the actual swap and the hypothetical swap, provided the hedge effectiveness ratio is between 80% and 125%.

Per IAS 39 IG F.4.2: The expected hedge effectiveness may be assessed on a cumulative basis if the hedge is so designated and that condition is incorporated into the appropriate hedging documentation. Therefore even if a hedge is not expected to be highly effective in a particular period, hedge accounting is not precluded if effectiveness is expected to remain sufficiently high over the life of the hedging relationship.

If the hedge no longer meets the criteria for hedge accounting in paragraph 88, the COJ shall prospectively discontinue applying hedge accounting. The cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When the transaction occurs; amounts that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

Hedge effectiveness measurement

Assessment of the actual effectiveness as at 30 June 2014 as per the Dollar-Offset Method was calculated as shown below:

Date	Swap Value	Hypothetical Swap Value	Cummulative Effectiveness Test	Per Period Effectiveness Test
31 March 2011	(23 701)	-	- %	- %
30 June 2011	(51 288)	(26 773)	103,00 %	103,04 %
30 June 2012	(117 932)	(95 323)	99,00 %	97,22 %
30 June 2013	(76 629)	(57 469)	93,00 %	109,11 %
30 June 2014	(54 113)	(38 470)	80,00 %	118,51 %
30 June 2015	(45 217)	(33 104)	66,00 %	165,00 %

Given that the effectiveness of the cash flow hedge is 165.78 percent which is not within the 80-125 percent effectiveness range, the hedge no longer meets the criteria for hedge accounting in IAS 39.88. Given the ineffectiveness of the cash flow hedge in the current period, the COJ will discontinue with hedge accounting. Thus the reserve of R38,469,561 shall be reclassified from equity to profit or loss when the forecast transaction occurs. During the current financial year R18,463,137 of the reserve was reclassified to profit/loss. The current movement on the swap liability of R8,896,143 was fully recognised directly in profit/loss due to the discontinuation of hedge accounting.

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46. RISK MANAGEMENT (continued)

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46. 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

Date	SWAP CASHFLOW SENSITIVITY ANALYSIS						
	-1%	-0.50%	0	0.50%	1%	1.50%	2%
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
30-Sep-15	(15 702)	(14 413)	(13 206)	(11 836)	(10 548)	(9 260)	(7 971)
31-Mar-16	(15 989)	(13 535)	(11 093)	(8 648)	(6 213)	(3 784)	(1 361)
30-Sep-16	(13 180)	(10 877)	(8 591)	(6 321)	(4 067)	(1 829)	392
31-Mar-17	(10 921)	(8 790)	(6 688)	(4 602)	(2 544)	(509)	1 503
29-Sep-17	(9 214)	(7 242)	(5 297)	(3 388)	(1 506)	348	2 174
29-Mar-18	(7 541)	(5 740)	(3 973)	(2 241)	(541)	1 127	2 764
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	(72 547)	(60 597)	(48 848)	(37 036)	(25 419)	(13 907)	(2 499)

From the above table we note that a 1 percentage point decrease in interest rates would increase swap cashflows by R23.7 million(48.51%). A 2 percentage point increase in interest rates will decrease the swap cash R46.4 million (94.88%).

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.

Instrument	Maturity date	Swap Fair Value Sensitivity						
		Fair value sensitivity to the interest rate shift						
		-1%	-0.50%	0%	0.50%	1%	1.5%	2%
INTEREST RATE	29-Mar-18	(67 343)	(56 115)	(45 217)	(34 383)	(23 863)	(13 565)	(3 481)
SWAP ON R1BN								
loan								

On the basis of the above assumptions, a 1 percentage point increase in interest rates will result in a 47% decrease in the value of the swap liability. There is a positive relationship between the swap value and interest rates, thus if interest rates increase, the value of the swap will increase.

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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46. 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 GRAP 104.130 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position. The interest rate swap is the only instrument reported at fair value and therefore needs to be classified as per fair value hierarchy. 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. The Level 2 all-inclusive fair value of the swap stood at -R45.2 million as at the end of 30 June 2014.

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 2015. Total investments were R 3.2 billion. Treasury constantly monitors the percentage limit utilized.

COUNTERPARTY CLASS	Approved Limit	Operational		Ringfenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Term Deposits	Call Deposits	Term Deposits			
DOMESTIC BANKS	4 825	90	300	511	1 626	2 527	2 298	52 %
INTERNATIONAL BANKS	1 050	16	-	-	242	258	792	24 %
PUBLIC SECTOR ASSET MANAGEMENT FIRMS	1 200	3	-	-	-	3	1 197	- %
	2 850	486	-	-	-	486	2 364	17 %
	9 925	595	300	511	1 868	3 274	6 651	32 %

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46. RISK MANAGEMENT (continued)

Credit quality of Investments

The credit qualities of CJMM's counterparties as at 30 June 2015 are shown in the table below.

COUNTERPARTY CLASS	Long Term Rating									Short Term Rating							
	AAA	AA+	AA	AA-	A+	A	A-	BBB +	BBB	Govt Guara nteed	Not Rated	F1+	F1	F2	F3	Govt Guara nteed	Not Rated
DOMESTIC BANKS	1		3		1							4	1				
INTERNATIONAL BANKS				1		2						1	2				
PUBLIC SECTOR ASSET MANAGEMENT FIRMS		2										2	0				5
		1		1							3						
Total	1	3	3	2	1	2	0	0	0	0	3	7	3	0	0	0	5

Portfolio 2

Introduction and overview

In order for the CJMM to meet its debt redemption obligations specific to its long-term borrowing and to mitigate the related risks, the CJMM has mandated a fund manager to operate its Debts Redemption Fund (The Fund).

The key objectives central to the fund included in the mandate are:

- Immunize the liability, in principle eliminating interest rate risk, as well as eliminating reinvestment risk by matching the investment horizon of funds with their anticipated utilization;
- Enable the CJMM to meet their redemption obligations

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

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

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

Risk Management Framework

The Fund maintains positions in a variety of derivative and non-derivative financial instruments in accordance with its investment management strategy. The Liability Plus approach entails a risk-based investment strategy that manages the fund's assets appropriately, relative to its liabilities. The strategy focuses on mitigating the risks surrounding the liability, whilst at the same time seeking a return from the asset base. Conservative hedges can be employed to provide protection against the risks embodied in the liability. An asset strategy deployed is designed to deliver above-benchmark returns, and this is overlaid on the protective derivative structures. The integrated solution mitigates risks and improves performance.

The Fund's investment manager has been given a discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the Fund's risk management framework is monitored quarterly by the Fund's Risk Committee which is chaired by the City Treasurer. Other committee members include senior treasury officials and the investment management team. Overall governance is monitored by the CJMM's Asset and Liability Committee (ALCO) whose primary objective is to manage financial risk emanating from the City's operational and borrowing initiatives.

Credit Risk

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46. RISK MANAGEMENT (continued)

Credit Risk, in the instance of Portfolio 2, is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from derivative financial assets, cash and cash equivalents, balances due from agencies and receivables from reverse repurchase agreements.

Management of credit risk

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's risk management policy. Credit risk is monitored on a daily basis by the investment manager in accordance with policies and procedures in place. Any deviations on the expected parameters of the Fund's credit risk are acted upon immediately.

In terms of this mandate, the acceptable credit exposures are:

- Government
- Parastatals
- Highly-Rated Corporate, Banks and Institutions

Exposure limits are determined as a function of the primary capital of the issuer, the credit rating provided by a rating agency and the liquidity of the instrument.

Exposure to credit risk

The Fund's maximum credit risk at the reporting date is represented by the respective carrying amount of the relevant financial assets in the statement of financial position at 30 June 2015. The Fund was invested in securities the following credit quality:

Instrument Type	Fair Value
Bonds	(1 162 992)
Bond Repos	3 017 737
FRN	1 111 685
FRA	(1 826)
Bond options	(28 662)
Cash	374 618
Cash Collateral	27 364
NCD	309 073
Swaps	88 409
Amortisation Swaps	24 287
	-

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of bonds, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Fund's overall liquidity risk is monitored on a quarterly basis by the Fund's Risk Committee and CJMM ALCO. Six months prior to any CJMM upcoming bond redemptions, the liquidity of the Fund is assessed in relation to the required redemption amount and necessary measures to meet the obligations are undertaken if necessary.

Maturity analysis for financial instruments

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

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46. RISK MANAGEMENT (continued)							
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Assets	1 538 510	343 914	41 748	171 704	86 591	-	894 553
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Liabilities	(2 704 406)	-	-	-	-	-	(2 704 406)
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRN Assets	1 336 212	-	-	472 541	558 057	305 614	-
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRN liabilities	(224 527)	-	-	(22 528)	-	-	-
Subtotal	(224 527)	-	-	(22 528)	-	-	-
	(224 527)	-	-	(22 528)	-	-	-
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRA Assets	17 596	17 596	-	-	-	-	-
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRA Liabilities	(19 421)	(14 095)	(5 327)	-	-	-	-
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Swap Assets	2 027 021	23 376	13 871	60 617	4 793	16 768	1 907 624
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Swap Liabilities	(1 914 325)	(33 620)	(25 101)	(23 287)	(4 280)	-	(1 828 037)

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46. RISK MANAGEMENT (continued)							
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Bond Repos Asset	3 018 257	3 018	-	-	-	-	-
Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
NDCs Assets	309 073	309 073	-	-	-	-	-
	309 073	309 073	-	-	-	-	-

Market Risk

Market Risk is the risk that changes in market prices such as interest rates, equity prices, foreign exchange rate and credit spreads (not relating to changes in the issuers credit standing) will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's objective. The Fund deploys asset-liability matching principles to design an asset management strategy to immunise the portfolio from the underlying risks inherent in the liability. In addition, an active portfolio management strategy that rebalances the assets in order to take advantage of market mispricing opportunities is followed. Directional trades are overlaid on the asset strategy to provide yield enhancement.

The Fund's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Fund manager monitors the market risk in real time using the Rand per-Point metric which defines the profit or loss that would be generated by a one basis point move in the underlying interest rate curve.

The Fund's market positions are monitored on a quarterly basis by the Fund's Risk Committee and CJMM ALCO.

The Fund uses derivatives to manage its exposure to interest rate and other price risks. The instruments used include interest rate swaps, forward contracts, futures and options.

Interest rate risk sensitivity analysis

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. With respect to the Fund's interest-bearing financial instruments, the Fund is subject to exposure of fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

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

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46. RISK MANAGEMENT (continued)

Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s -1%	R'000s -0.5%	R'000s 0	R'000s 0.5%	R'000s 1%	R'000s 1.5%	R'000s 2%
Redemptions	(5 606 519)	(5 499 112)	(5 394 990)	(5 294 032)	(5 196 120)	(5 101 144)	(5 008 996)
Contributions	1 689 186	1 674 151	1 659 356	1 644 799	1 630 474	1 616 376	1 602 501
Bonds	(1 275 881)	(1 217 842)	(1 162 992)	(1 111 146)	(1 062 134)	(1 015 794)	(971 972)
Bonds Repos	3 018 332	3 018 034	3 017 737	3 017 439	3 017 142	3 016 845	3 016 549
FRN	1 112 921	1 112 302	1 111 685	1 111 069	1 110 455	1 109 843	1 109 232
FRA	3 237	704	(1 826)	(4 352)	(6 874)	(9 394)	(11 909)
IRS	259 471	183 977	112 696	45 313	(18 458)	(78 879)	(136 189)
ABSA Cal	374 618	374 618	374 618	374 618	374 618	374 618	374 618
Reg Sec Collateral	17 460	17 460	17 460	17 460	17 460	17 460	17 460
Nedbank Collateral	9 903	9 903	9 903	9 903	9 903	9 903	9 903
Bond options	6 188	(10 329)	(28 662)	(44 640)	(55 243)	(60 402)	(62 195)
NCD'S	309 241	309 157	309 073	308 989	308 905	308 821	308 737
Net	(81 843)	(26 977)	24 058	75 420	130 128	188 253	247 739

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The primary responsibility for the development and implementation of controls over operational risk rests with the Fund's Risk Committee. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

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

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to CJMM.

The Fund as provided the custodian a general lien over the financial assets held in custody for the purpose of covering the exposure from providing custody services. The general lien is part standard contractual terms of the custody agreement, at present, ABSA Bank Limited provide custody services.

Valuation of financial instruments

Availability of observable market prices and model inputs reduces the need for management opinion and estimation. This also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions of financial markets.

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46. RISK MANAGEMENT (continued)

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function which is independent of front office management and reports to the Funds Risk committee which has overall responsibility of significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of model valuation; a review and approval process for new models and changes to such models; analysis and investigation of significant daily valuation movement and reporting of significant valuation issues to the Funds Risk committee.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in the measurements:

- Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs either directly i.e (as prices) or indirectly (i.e derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data
- Level 3: Valuation techniques using significant, unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations.

The Fund uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange like interest swaps that use only observable market data and require little management, judgement and/ traded derivatives exchange and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

30 June 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Bonds	(1 162 992)	-	-	(1 162 992)
Bond Repos	-	3 017 737	-	3 017 737
Floating Rate Notes	-	1 111 685	-	1 111 685
Forward Rate Agreements	-	(1 826)	-	(1 826)
Interest Rate Swaps	-	112 696	-	112 696
Bond options	-	-	(28 662)	(28 662)
	(1 162 992)	4 240 292	(28 662)	3 048 638

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47. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance	2 321	6 200
Fruitless and wasteful expenditure current year	45	19
Approved by Council or condoned	-	(648)
Fruitless and wasteful expenditure under investigation	-	(3 250)
Transfer to other debtors for verification	2 366	2 321

2015

Rates and Taxes Department

An amount of R2 748 relates to an incorrect advertisement placed on the newspaper.

Housing Department

An amount of R41 917 relates to interest charged on Eskom account.

2014

Revenue Department

The Fruitless and wasteful expenditure for R18, 974 relates to interest charged for late payment.
Disciplinary steps / Criminal proceedings: None

EMS

An amount of R647,758 was condoned during the year.

Reversal of Fruitless and Wasteful Expenditure

The amount of R3,250,000 relates to Fruitless and wasteful expenditure incorrectly classified. This error was identified during the year and thus the reversal in the current year.

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48. IRREGULAR EXPENDITURE		
Reconciliation of irregular expenditure		
Opening balance	939 253	726 043
Irregular expenditure current year	79 604	213 484
Approved by Council or condoned	-	(260)
Transfer to receivables for recovery	-	(14)
	1 018 857	939 253

2015

1. CQS Technology Holdings (Pty) Ltd

The audit command language (ACL) Software is a tool used by Internal Audit to perform various analytics on sets of data. The software was procured from Messrs CQS Technology Holdings (Pty) Ltd as the official sole distributor of ACL and support of ACL licences in South Africa, hence the request for a deviation.

R 677 230.66

2. Growthpoint Properties Limited

The Housing Department Region A offices are located at Block L, 400 16th Road Central Park, Midrand, the public has been using the premises to engage with the Department, hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.

Value: R 494 745.40

3. KPMG

On 20 December 2011 KPMG was appointed to second an Acting Group CFO on a temporary basis for a period of nine months at a cost of R5 859 000.00. Subsequent to the appointment of KPMG CJMM commenced with the recruitment process of an appropriate Group CFO however no suitable candidate was found hence the request for a deviation to extend the original engagement of KPMG by six months.

Value: R 9 093 076.65

4. Blend Property Group and Redefine Properties Limited

The normal procurement processes were dispensed with on the basis that the procurement in question is regarded as an exceptional case where it is impractical to follow the normal procurement processes. The library facilities within the communities who will be unhappy, and costs will be excessive. These libraries have been established in these communities for a very long time and moving or relocating them might disadvantage the communities and will be costly.

Blend property group - R 391 721.93

Redefine Properties Limited - Value: R 9 329 233.33

5. JT Ross Property Services (Pty) Ltd

The Health Department Region A offices are located at Unit 6, 7 and 8, Alphen Square North Randjespark, Midrand. The public has been using the premises to engage with the Department; hence the request for a deviation to extend the lease for those premises as it is impractical to go out on tender on the same building.

Value: R 2 372 843.86

6. Universal Knowledge Software (UKS)

The provision and support of the Library System and that of a new contract for the supply and maintenance of the Library System for a period of thirty six (36) months, starting on 01 February 2013.

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48. IRREGULAR EXPENDITURE (continued)

Value: R 861 203.51

7. LexisNexis

In the past Group Central HR and Group Legal and Contracts solicited quotations from services that provide research engine licenses for law reports, cases, training etc., for HR related cases and ordinary cases. Three service providers Sabinet, Juta and LexisNexis submitted their products and were interviewed and presentations were held to determine which product best suits the requirements of CJMM. The product by LexisNexis proved to provide a reliable reference and research engine that can be used as a reference work. CJMM has been using the product by LexisNexis since then, hence the request to deviate from the normal procurement process and appoint LexisNexis to provide licenses and services to be used as a research engine for the CJMM

Value: R 1 803 739.50

8. Liberty Life Properties (Pty) Ltd

Economic Development is currently occupying Jorissen Place, and the contract expired.

Value : R 10 535 545.61

9. Axton Matrix Construction CC

Tax clearance not submitted/No evidence that the municipal account statement was submitted

Value: R 958 803.51

10. Vimtsiri Security and Protection Services

Non Compliance with SCM regulation 28(1)(a)(ii) (Tenders not evaluated on preference point system)

Value : R 10 677 453.51

11. KRB Law Firm (A466)

Winning bidder's municipal accounts in arrears 90 days overdue Ramapala W L MJ46569.88 Issued on 02/05/2012, and Kunene 90 days overdue R5 204.26 02/04/2012

Value: R 11 017 403.07

12. Ratification: Reg. 36(1)(b)

Authorisation for payment of Late Harvest Caterers and Events

The Housing Department (Office of the MMC) requested catering for the launch of the allocation of units to the beneficiaries in Jabulani Extension 1 (Hostel) and Imbizo organized for 2000 people.

The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Practise Note 4 of 2011 (Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.

Value: R 178 293.80

13. Events Galore

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48. IRREGULAR EXPENDITURE (continued)

The Housing Department (Office of the MMC) requested catering for establishment of the steering committee in Princess plot and Thulamntwana the purpose of the event was to address the service delivery to avoid eruption of unrest as well as handing over projects to Ward Councillor and his team.

The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.

Value: R 92 240.49

14. Brandhead Strategic Marketing Communications

The department followed the normal procurement process in terms of soliciting quotations from their panel (A471) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.

Value: R 60 326.92

15. Elphash Trading Enterprise

The department followed the normal procurement process in terms of soliciting quotations but however their process was flawed in that they engaged the service provider outside contract 402/12 and without proper authorisation by the delegated authority for a threshold of R30 000 to R200 000, hence the ratification.

Value: R21 190.92

16. EMS Private Providers

The Health Department request the approval of ratification of its actions for using services of EMS private providers while in process of appointing a contract for the EMS services for the 81 local government Primary Health Care (PHC) facilities. The EMS private ambulance service are used in the event of non-response by provincial ambulances in life threatening situations to prevent loss of life and avoid possible medico-legal implications for the Health facilities of the City of Johannesburg.

Value: R 208 135.39

17. Events Galore CC

The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority and the threshold amount exceeded the delegation of the Group Head: Strategic Supply Chain Management and the report was referred to the EAC for approval, hence the ratification.

Value: R 263 733.63

18. Gourmet Food Services (Pty) Ltd

The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.

Value: R 169 898.09

19. Events Galore CC

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48. IRREGULAR EXPENDITURE (continued)

The department followed the normal procurement process in terms of soliciting quotations from their panel (A473) but however their process was not completed as they did not comply with Municipal Supply Chain Management Policy, in that they engaged the service provider without their report being signed and approved by the Central Adjudication Committee, hence the ratification.

Value: R 1 099 131.30

20. Seipelo Consulting Services, Mantshakala Catering and Mbedzi Events Management

The Environmental And Infrastructure Services Section 79 Committee scheduled a Public Hearings for the Treated Effluent Draft By-Law in various regions on 14 March 2015 this event required catering and PA Systems. Quotations were sourced from suitably qualified service providers and while the department was still busy with the procurement process, they were advised that the Public Hearings were postponed (as per the decision made in the Programming Committee on 11 March 2015). On the day before the Public Hearings (13 March 2015), the department was advised that the public hearing were going through (as per the decision made by the By-Law Task Team on 12 March 2015) and that they should proceed with the procurement process. This left the department with no time to complete the procurement process, hence the ratification.

Seipelo Consulting Services

R 25 614.04 (for catering)

Mantshakala (Catering)

R 25 438.60 (for catering)

Mbedzi Events Management

R 24 561.40 (PA Systems)

21. Sunday Kit Uniform Supplies CC, Faithfullness Business Enterprise CC, Link Reflective and Protective

Designs CC, Bonamini Trading Enterprise and Rads Investments. Bid Advertised for less than the minimum required period (Contract number 434/14)

Value: R 2 333 768.90

22. Kendon Medical Supplies, Instant Office Furniture Cc and Zamchem CC

Non - compliance with SCM regulation 5 which may result in irregular expenditure no evidence that the following quotation were approved by a appropriately delegated official or committee as required by SCM regulation 5.

Value: R 48 227.48

23. Moagi Technologies cc and Zamchem CC

It appears that there has been a deliberate splitting of quotations to avoid compliance with the ACM regulations .

Value: R 51 548.28

24. Mulilavhathu trading, Botlefela Trading cc, Iyer Urban Studio CC and Royal Haskning DHV. Municipal account that is in arrears for more than 3 months.

Value: R 6 709 536.06

25. Griffiths and Griffiths CC

Purchase of Antique Furniture pieces Purchase of Antique furniture per regulation

Value: R 125 780.78

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48. IRREGULAR EXPENDITURE (continued)

26. Dimension Data - Setting up of ICT Infrastructure

Setting up of ICT infrastructure for the New office of the Ombudsman and its Business Operations The incorporation of the Ombudsman's Office ought to have been adequately planned for and hence justification is inadequate. It was not impossible neither was it impractical for CJMM to follow the official procurement process hence the deviation is contrary to Reg.36 (1)(a)(v).

Value: R 3 996 177.42

27. EOH - Setting up of infrastructure network cabling

Setting up of ICT infrastructure for the New office of the Ombudsman and its Business Operations. The incorporation of the Ombudsman's Office ought to have been adequately planned for and hence justification is inadequate. It was not impossible neither was it impractical for CJMM to follow the official procurement process hence the deviation is contrary to Reg.36 (1)(a)(v).

Value: R 792 816.69

28. Yeo Technologies - Setting up and Hosting of the Contact centre

Setting up of ICT infrastructure for the New office of the Ombudsman and its Business Operations The incorporation of the Ombudsman's Office ought to have been adequately planned for and hence justification is inadequate. It was not impossible neither was it impractical for CJMM to follow the official procurement process hence the deviation is contrary to Reg.36 (1)(a)(v).

Value: R 5 129 167.41

29. Tefo Efithile Trading

Supplier in service of the CJMM

Value: R 35 300.00

30. In addition to the above, we have identified potential deliberate splitting of quotations and quotation not approved by a appropriately delegated official or committee to the value of R 83 953 280.33. This is the maximum amount which is currently being investigated, however, due to time constraints investigations were not concluded as at the date at which the financial statements were finalized.

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48. IRREGULAR EXPENDITURE (continued)

2014

1. Ratification of SCM processes Regarding the Appointment of Consultants, R 165,000

Reason

A request for quotations was placed on the board for a period of seven (7). Two service providers submitted quotations. The most suitable company with the lowest cost estimate, Media Tenor South Africa, was appointed to provide the media monitoring services for the amount of R165,000.00 (Excl VAT). A breach of practice of the SCM policy was incurred as the company selected by Group Head Communication & Tourism had not supplied rates and taxes for the directors and company and was not on the City's supplier database

2. Ratification of SCM processes regarding the Appointment of Catgraphics (Pty) Ltd from the Marketing Service Panel A459, R142,819.20

Reason

An appointment of Catgraphics (Pty) Ltd was made in accordance with the City's Supply Chain Management policy and procedures as the supplier is on the approved panel. The purpose to request ratification is because of a minor breach as only 5 service providers were requested to submit quotations as opposed to all service providers on the panel.

3. Ratification of SCM processes regarding the Appointment of Zenone Production from the Marketing Services Panel A459, R40,453.66

Reason

An appointment of Zenone Productions was made in accordance with the City's Supply Chain Management policy and procedures as the supplier is on the approved panel. The purpose to request ratification is because of a minor breach as only 5 service providers were requested to submit quotations as opposed to all service providers on the panel.

4. Approval of payment of Mandisa Personnel for a Temporary Receptionist, R75,000.00

Reason

The department followed the normal procurement process in terms of advertising on the notice board for temporary Agencies to provide a resource for a period of three months. This was to facilitate that the position be advertised and filled within the period. However the position could not be filled and the department extended the contract without the service provider without authority.

5. Payment of Staffing Direct Training Academy for a Temporary Executive Secretary, R141,930.00

Reason

The Institutional Review has brought its own challenges, amongst others, transfer of the Executive Secretary to the Revenue Department. This movement crippled the office of the Group head to the extent that it became extremely difficult to complete some tasks and assignments on time and with good quality. Request to circulate the vacant position was sent to HR with an intention to fill with three months, the process took longer than expected and due to the complexity of the position, the department deemed it imperative to appoint a temporary Executive Secretary to assist in the office of the Group Head. In January 2013, however without following the normal procurement process.

6. Ratification of Actions of Officials from Budget Office for their failure to adhere to SCM Policy in engaging a Service Provider to Advertise for the Public Consultation process on the Proposed Tabled Tariffs for 2013/2014 without CAC Approval (Panel A459) , R378,742.69

Reason

The department solicited three quotations from the approved Panel A459, however proceeded to engage the service provider without following Practice Note 004/2011 with regards the utilisation of panels.

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48. IRREGULAR EXPENDITURE (continued)

7. Failure to comply with the Provisions of Supply Chain Management Policy and Approval of Payment of the Service Provider: Eletsanang Business Enterprise cc , R101,044.74

Reason

In the absence of a valid contract without and following the normal procurement process and in compliance to Occupational Health and Safety standards, Group Finance requested Eletsanang Business Enterprise cc was to continue to provide hygienic services from 01 February 2013 to 30 April 2013 at 28 Harrison (Technical Call Centre).

This service could not be discontinued as this was going to pose a health risk to call centre staff and management.

8. Failure to comply with the provisions of Supply Chain Management Policy and Approval of Payment of JMPD Uniform Embroidery, R395,825.67

Reason

The City undertook as the top priority to address the wide scale of non-identification of officers in term of their uniform items, the RFQ process was followed and three quotations were solicited and the recommended service provider was found to be cheapest for the embroidery per item.

However the quantity of uniform items to be embroid increased and such the price increased and the department continued to receive the services without obtaining proper authority for the increase in the contract price.

9. Ratification of GSPCR Officials for acting outside Delegated Authority in relation to the Quarterly Assurance of the 2013/2014 Institutional SDBIP, R50,726.00

Reason

The RFQ for the request for consultants to assist with the Institutional Services delivery and Budget Implementation Plan was solicited from the approved Panel A425 and only two service providers responded and Deloitte Consulting (Pty) Ltd was appointed.

Later on the extension of scope of work was done without obtaining the necessary approval and the additional work carried out by the service provider was authorised by GSPCR and was aimed at ensuring quality completion of the Institutional SDBIP, hence the ratification.

10. Extension of the Revenue Management Contract for Statement Printing and Distribution report for the City of Johannesburg: Contract C281/10, R4,100,000.00

Reason

The Revenue and Shared Services Centre (RSSC) is in the process of enhancing the distribution process and upgrading the Systems to ensure that the City improves the service delivery that will improve Revenue collection by adding MMS Statements as a going Green Campaign.

The current printing and posting Contract No. C281/10 with Mailtronics Direct Marketing cc as a service provider officially expired at the end of August 2013. Hence the request for extension for four months to facilitate the completion of the process for a new contract.

11. Extension of provision of GIS Enterprise License Agreement, Technical Support and Development for the City of Johannesburg, R5,000,000.00

Reason

The procurement for the new contract commenced in June 2013 and is to be replaced with contract 418/13, and due to delay in the procurement process it is envisaged that the new contract will only be awarded by mid December 2013.

Due to this there will be no GIS Enterprise Licence Agreement, technical support and development for the City in place if the current contract is not extended. for a period of approximately four (4) months to allow the conclusion of the tender process that is currently taking place to be concluded.

12. Ratification of Actions of Transport Rea Vaya in relation to Unauthorised Expenditure incurred for the provision of Financial Modelling and Advisory Service of Phase 1B, R793,920.80

Reason

Transport Department awarded a tender for Financial Advisory and Modelling Services to BnP Capital and Goba

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48. IRREGULAR EXPENDITURE (continued)

(Pty) Ltd for a period of 2 years.

The reason for the extension was due to fact that the Phase 1B negotiations were not finalised as well as the operational and business plans that were developed for Metrobus.

At the time when EAC approved the extension of BnP Capital contract, 20% of the budget was not spent. However after further investigation it was discovered that there were outstanding invoices which not submitted to the Department and resulted in unauthorised expenditure of R793,920.80, hence the ratification.

13. Authorisation for payment of suppliers appointed for repairs and maintenance outside the Panel 402/12, R167,529.75

Reason

Housing department has been sourcing three quotes from suppliers who are on COJ database for repairs and maintenance of Housing stock.

The regional officials only became aware of the existence of the panel when invoices were returned by Finance: Merchant Payment, informing 222 Smit finance officials that there is a panel for general repairs and maintenance. The invoices that were returned were for those of the contractors who were not in the panel of Contract 402/12, were the request for ratification of department has not used an established panel of service providers as approved by the City.

14. Payment of a Supplier BN Catering and Hospitality for Catering Services rendered for EMS, R27,000.00

Reason

The interview for fire-fighters position was held by the Human Resources division over a period of seventeen (17) days, due to the overwhelming response received for the advertisement.

Three (3) catering companies were telephonically contacted and only one (1) company BN Catering and Hospitality responded. The user department solicited the quotations telephonically and could not provide proof that they have solicited three quotations. The process followed was inadequate, hence the request for the ratification

15. Payment of a supplier Gourmet Food Services (Pty) Ltd for Catering rendered at EMS, R132,981.00

Reason

The quotations were solicited from the service provider in Contract A473: Panel of Service Providers for the Event Management Services for the City of Johannesburg. Out of twelve (12) service providers that were contacted telephonically only seven (7) responded.

The service provider scored the highest number of points and was awarded the quotation. EMS failed to ensure that the full Supply Chain Management process (That the submission be signed by the delegated authority) was followed and continued to engage the service provider without the necessary approval.

16. Payment of LexisNexis (IR Network Solution) as Sole Service Provider, R2,202,043.30

Reason

In the past Group Central HR and Group Legal and Contracts solicited quotations from services that provide research engine licenses for law reports, cases, training etc, for HR related cases and ordinary cases.

Three service providers Sabinet, Juta and LexisNexis submitted their products and were interviewed and presentations were held to determine which product best suits the requirements of the City.

The product by LexisNexis proved to provide a reliable reference and research engine that can be used as a reference work.

The City has been using the product by LexisNexis since then, hence the request to deviate from the normal procurement process and appoint LexisNexis to provide licenses and services to be used as a research engine for the City.

17. Deviation Report to Rescind the First Appointment of the Design Engineer in Terms of Contract A396 for the Design, Supply and Installation of Pedestrian Bridge at KYA Sands Informal Settlement and make new Appointment for same, R2,046,990.57

Reason

Extension of scope of work and value for Kya Sands Pedestrian Bridge from 30m to 69.9m to avoid having to apply for water license of which the approval of the license could take between 18 to 60 months to be granted.

18. Extension of Lease to Accommodate the Department of Economic Development at Jorissen Place, Braamfontein,

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48. IRREGULAR EXPENDITURE (continued)		
Estimated amount of R7 700 000.00		
Reason		
Economic Development is currently occupying Jorissen Place, and the contract expired. The department is currently residing in the same building and awaiting the Kine Centre Building Lease Agreement with Medical Empowerment Consortium (Pty) Ltd		
19. Regularisation of Service Agreement entered into with PanSolutions Pty, R41,945.41 & R33,754.21		
Reason		
During the 2012/13 financial year, the City instituted Institutional and Policy Programme changes that resulted in the Region performing increased functions of liaising and engaging with citizens through meeting and stakeholder forums. Also the Region has to embark on education and awareness campaigns as part of engaged citizenry trajectory. This in turn resulted in an increased need to duplicate copies of documents to be made available to citizens during public meetings. Hence the Ratification		
20. Payment of the Service Provider, R25,800.48		
Reason		
The service provider (Cardinal Stationers) that was initially awarded the translation services advised the City a day before the Council meeting that they were unable to provide the translation services. The department approached Village Exhibitions and Events to provide the translation and interpretation services as there was not enough time to follow the normal procurement process. Hence the ratification		
21. Payment of the service provider, R46,349.00 & R68,432.81		
Reason		
The department solicited three quotation from the panel of Recruitment Agencies, due to the delays in the approval of the department's organisational structure that resulted in the services and extension of contracts for a temporary Receptionist, Admin Officer and Personal Assistant to the Executive Director: Group Assurance Services, the department had to extend the contract of the temporary staff services with NT Ngidi.		
22. Ratification of the Actions of Group Human Capital Management in Relation to the over Expenditure on CEEF Breakaway R 5 737.62		
Reason		
The initial quotation for the CEEF Breakaway was R90,819.24. The Group Executive Director: Corporate Shared Services, later requested management representatives from different departments, be invited to attend the workshop. This, together with providing lunch for Guest Speakers and special dietary requirements for some of the attendees, resulted in an additional amount of R5,737.62 (VAT inclusive) being incurred, it was impractical at that stage and time to request new quotations for the additional requirement.		
23. Ratification of Actions of JMPD to pay Urban Brew for services rendered, R42 675.19		
Reason		
After hiring mobile toilets during Dec 2013 and Jan 2014 from Urban Brew for the Inner City Clean-up Project Hillbrow, an executive decision was taken to continue with the project. However, this resulted in the mobile toilets being retained for the month of Feb 2014, and we were only notified on the 03 February 2014 therefore it became impracticable and impossible to follow the normal procurement processes which then resulted in a deviation and thereafter ratification by the EAC.		
24. Appointment of a Service Provider to produce Squeeze and Stings Advertising Material for Joburg Open 2014, R103 254.00		
Reason		
The department followed the normal procurement process in terms of soliciting quotations from their panel (A474) but however their process was not completed as they did not comply with Practise Note 4 of 2011 (Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a		

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48. IRREGULAR EXPENDITURE (continued)

threshold of R30 000 to R200 000 hence the ratification.

25. Extension of Joburg Tourism Rental Lease Agreement, R140 000.00

Reason

The Johannesburg Tourism Company (JTC) has been operating its head office at Ground Floor, Grosvenor Corner, Parktown North since its inception in 2005. Due to the incorporation of JTC to Group Communication and Tourism Department (GC&T), the rental agreement for the current lease expires at end May 2014. GC&T is currently finalising new Tourism office space with Joburg Property Company (JPC) at the Sandton Library (owned by the City of Johannesburg) Nelson Mandela Square. The process has not yet been finalised and is awaiting final signatures before a competitive bidding processes can proceed in order to undertake the necessary renovations required for tourism and for the relocation. Hence the deviation.

26. Failure to obtain the necessary Approval for Quotations sourced from Panel A471 to Secure Exhibition and Advertising Space at the International Tourism Bourse (ITB 2014), R124 992.83

Reason

The department followed the normal procurement process in terms of soliciting quotations from their panel (A471) but however their process was not completed as they did not comply with Practise Note 4 of 2011 (Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.

27. Professional Service Providers to Embark on the Consolidation, Subdivisions and Rezoning of the Existing Industrial Township of Rand Leases Extension 5 to a Residential Township, R641 256.36 & R363095.54

Reason

In 2010 City of Johannesburg's Housing Department conducted feasibility studies on land known as Rand lease Extension 5 which is currently zoned industrial. The Rand lease Extension 5 property is owned by the City of Johannesburg and has been invaded by approximately 150 families. The name of the informal settlement is Rugby Club which has been recorded under the City of Johannesburg's master list as per the report approved during January 2008. The available land has potential to yield +- 2500 housing opportunities.

Following recommendations within the feasibility studies conducted, that Rand lease Extension 5 be developed as a mixed income residential development, the City of Johannesburg Housing Department commenced with the procurement of professional services providers from the approved panel of consultants A311 during October 2011. Professional services were procured in an effort to undertake consolidation, subdivision and rezoning of the existing industrial township of Rand leases Extension 5 to (conclude and submit a township establishment application for a mixed income) mixed residential development, this process was also employed as an endeavour to formalize existing informal settlements, in particular Rugby Club, within the City of Johannesburg and furthermore to provide housing opportunities to the surrounding communities.

Aurecon South Africa (Pty) Ltd and Batalala Construction CC were appointed under Contract A311 as part of the upgrading of the existing informal settlement Rugby Club, and both their contracts expired in October 2012. Hence the request for the completion of the outstanding work as part of the consolidation, subdivision and rezoning of the existing industrial township of Rand leases Extension 5 to a residential township.

28. NT Ngidi - A temp worker was hired without adherence to the correct procedures being followed. (R165 356 Responsible official – Ntombifuthi Mbanjwa.

29. JPC was previously captured under our books as asn irregular and it should have been under JPC Financial. JPC had an amount of R141 215 condoned and only R125 207 is awaiting condonement.

Disciplinary steps / Criminal proceedings: None

30. KRB Law Firm (A466) R 34 976 728.93

Award made to supplier whose municipal accounts were in arrears for more than 90 days (overdue Ramapala W L MJ46569.88 Issued on 02/05/2012, and Kunene 90 days overdue R5 204.26 02/04/2012)

31. Axton Matrix Construction CC

Award made to supplier without submission of a valid original tax clearance certificate, R24 846 984.5

32. M2M Projects CC

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48. IRREGULAR EXPENDITURE (continued)		
2 472 462.00		
33	Iqhayiya Award made to supplier without submission of a valid original tax clearance certificate and BBEEE scores awarded without a valid BBEEE certificate, 341 572.00	
34	Branded Head Award made to supplier without submission of a valid original tax clearance certificate and BBEEE scores awarded without a valid BBEEE certificate, 124 992.83	
35	Vimtsiri Security and Protection Services, 15 103 757.00	
36.	Gourmet Food services. Payment of the services provided during the Launch of the IDP Outreach Process held on the 9th April 2013 disclosed as a deviation and reasons were that Quotations were solicited from service providers on Panel A473, however the request for the planning and facilitation of the IDP outreach programme was only communicated to the department two days before the event, and hence the department could not fully comply with the Supply Chain Management policies and procedures in the engagement of the service provider. The service provider was therefore engaged without proper Supply Chain Management process fully being complied with. This is not a deviation due to the events that occurred not meeting the section 36 requirements. The cause for the shortcoming and delay is poor planning. R460 466.52	
37.	Irregular expenditure in respect of contracts that were classified as irregular in the previous year. The CQS Technology Holdings (Pty) Ltd, R 292 398 Guardrisk Insurance Company Ltd, R 51 699 000 Growthpoint Properties Limited, R 527 841 Yebo Shine (Pty) Ltd. R 2 907 Cut to Black Media, R 604 923 Nenongwe Building Construction and All Cleaning Services, R152 203.23 KPMG R 16 074 518.96 Mailtronic Direct Marketing CC, R500 000 EOH, UCS and BCX respectively, R13 800 000 Reakgona Inspectorate (Pty) Ltd, R200 640 TMT Service & Supplies (Pty) Ltd, R302 481 Eris Property Group (Pty) Ltd, R108 134.41 Blend Property Group, R818 555.41 Redefine Properties Limited, R10 422 418.83 JT Ross Property Services (Pty) Ltd, R3 236 727.35 SOS Protect Sure National Division R1 400 000 Gijima AST Holdings (Pty) Ltd, R40 757.28 Bonamini Trading Enterprise, R2 204 651.96 Manenzhe Hygiene Solutions, R14 518.9 Two Tone Global Agency R28 742.53 Mindworx Consulting (Pty) Ltd, R111 348.94 Universal Knowledge Software (UKS), R2 893 220 XON, R1 400 000 Glomas Africa, R217 252.42 Agonamathata Air Conditions and Projects, R127 554.58 Bella Recruitment Team, R24 735.78 Beef, General and Civil Construction, R3 1840 BNP Capital and Goba (Pty) Ltd, R928 644 Exponent (Pty) Ltd, R963 300,00 Imvelo Office Profile CC, R164 150.89 Thuthuka Paper (Pty) Ltd, R6 873.07 Insearch recruitment project, R37 556.16 Mandisa Human Capital, Vogue HR Services and Innovations Recruitment R 184 040,00 & R170 660.8	

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49. UNAUTHORISED EXPENDITURE		
Reconciliation of unauthorised expenditure		
Opening balance	51 711	51 711

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50. IN-KIND DONATIONS AND ASSISTANCE

The department of Environment and Infrastructure has received the following

To attend the International Symposium on Energy from biomass and Waste conference - R13 662.00 (AIR TICKET WAS SPONSORED)

To represent the City as participant at the C40 Climate Change Risk Assessment network works shop in Rio de Janeiro, Brazil 10-13 November 2014 - R18 207.00

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51. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Contributions to organised local government		
Council subscriptions	10 500	10 264
Amount paid - current year	(10 500)	(10 264)
	-	-
Audit fees		
Opening balance	1 912	1 639
Current year audit fee	21 333	20 639
Amount paid - current year	(20 954)	(20 366)
	2 291	1 912
PAYE and UIF		
Opening balance	61 294	56 104
Current year payroll deductions	788 003	723 929
Amount paid - current year	(722 241)	(662 635)
Amount paid - previous years	(61 294)	(56 104)
	65 762	61 294
Pension and Medical Aid Deductions		
Opening balance	106 706	99 751
Current year payroll deductions and council contributions	1 592 691	1 358 500
Amount paid - current year	(1 521 962)	(1 251 794)
Amount paid - previous years	(106 706)	(99 751)
	70 729	106 706
VAT		
VAT receivable	284 336	428 071

VAT output payables and VAT input receivables are shown in note 8.

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

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51. 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 30 June 2015. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2015	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
D DEWES	105 914	371 913	477 827
P ZITHA	459	43 474	43 933
S RADEBE	10 213	38 553	48 766
D JANE	8 175	20 178	28 353
F ABDULLAH	1 110	19 604	20 714
C RADEBE	1 865	16 616	18 481
D NETNOW	295 244	14 834	310 078
A MBINGELELI	949	14 546	15 495
P LEKGETHO	9 404	20 899	30 303
MATHEBULA & GWALA	493	11 616	12 109
A PUTSOA	1 554	8 125	9 679
P DYODO	735	5 502	6 237
M MALULEKE	1 247	5 430	6 677
S MNGUNI	219	7 116	7 335
A SEFOLOKO	1 993	4 418	6 411
M LIBUSENG	1 769	4 062	5 831
M LOUW	1 780	3 937	5 717
E KENANA	527	2 935	3 462
J MAHLANGA	139	2 638	2 777
F MATHANG	1 392	2 510	3 902
P NYENGEZA	391	2 333	2 724
M MASEMOLA	898	2 183	3 081
L LAMOLA	744	1 847	2 591
COOPER	-	41	41
P NTOMBELA	4 484	272	4 756
DAGADA	797	167	964
THOMO	759	556	1 315
NGWEDZENI	704	651	1 355
MATHANG	869	97	966
SITHOLE	20	197	217
MAFOKWANE	1 463	1 512	2 975
DAWES	746	171	917
VALENTINE	1	51	52
VOLKER	30 055	1 999	32 054
RAMARU	518	2 408	2 926
MAZIBUKWANA	304	792	1 096
SHALE	274	379	653
VONDO AND BANTU	445	14	459
NHOSE	12 131	222	12 353
	500 784	634 798	1 135 582

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

30 June 2014

	Outstanding less than 90 days (Rands)	Outstanding more than 90 days (Rands)	Total R
Clarke SNM	1 957	-	1 957
Dyodo P	1 190	2 517	3 707
Jane DK	534	14	548
Lemao SJ	3 911	586	4 497
Louw MA	2 866	1 260	4 126
Mahlanga JP	399	1 200	1 599
Matladi JM	-	19	19
Motlhamme SBE	518	43	561
Netnow DM	9 754	302 647	312 401
Nyengeza Mp	274	1 194	1 468
Radebe C	2 589	13 890	16 479
Tsobane MM	1 413	165	1 578
	25 405	323 535	348 940

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

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

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

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

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

Name of the person (Service of the State)	Capacity	Name of the person/company award	Name of company	Amount in Rands
Sophie Novella Kotsedi	Perm Cashier (Community Development)	Johannes Pompom Kotsedi	Kited Medical CC	573 557
Fikile Dikolomela	Perm (Professional Nurse)	Emmanuel Tefo Lengene	Tefo Efithlile Trading	35 300
Vulani Nonchalant Maeko	Perm (Admin Assistant Stores)	Tshepo Joseph	Maeko Property Developments	623 754
Cynthia Marks	Supervisor:CS C's	Andrew Richard	Andrew's Blinds cc	3 874
Miriam Moalusi	Nurse	Samual Tebogo	Temoso Trading 387 CC	165 379
Sophie Nomvula Kotsedi	Cashier	Johannes Pompom Kotsedi	Kotsedi Medical CC	659 079

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53. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

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

1. Extension of Joburg Tourism Rental Lease Agreement.

Reason

The Johannesburg Tourism Company (JTC) has been operating its head office at Ground Floor, Grosvenor Corner, Parktown North since its inception in 2005. Due to the incorporation of JTC to Group Communication and Tourism Department (GC&T), the rental agreement for the current lease expires at end May 2014. GC&T is currently finalising new Tourism office space with Joburg Property Company (JPC) at the Sandton Library (owned by the City of Johannesburg) Nelson Mandela Square. The process has not yet been finalised and is awaiting finalisation a competitive bidding processes for the necessary renovations required for tourism and for the relocation. Hence the deviation.

Value: R397 125.24

2. Software Support for the Heritage Asset Management Software by the Sole Provider.

Reason

Glomas Africa, is the only company licenced to support the STAR system in South Africa.

Value: R505 644.99

3. Housing Department

Request for Approval to Purchase Approved Detailed Designs and Bill of Quantities from AS Nonyane Consortium for Driziek Extension 3 & 5

Reason

AS Nonyane Consortium were appointed as the lead consultant by CoJ Housing Department on 15th January 2012 to provide project management services for the Mayibuye Programme for Driziek Ext 3 & 5. The appointment of AS Nonyane Consortium was conducted through the competitive bidding process and it should be noted that the award was done prior promulgation of the SCM Policy Section 111 of the MFM Act 56 of 2003 and Supply Chain Management Regulations.

After completing activities on 26th July 2002, AS Nonyane Consortium were instructed to facilitate the construction of internal services i.e water and sewer, roads and stormwater to Driziek Ext 3 & 5, later were instructed to proceed with the procurement of contractors to construct the services. Subsequent to detailed design approval by JRA in 2004, construction of tarred roads and stormwater was delayed due to budget constraints. And changes of design standards introduced by JRA had a negative effect on time and cost for implementing this project.

Value: DRIZIEK EXTENSION 3 R4 963 716.87
DRIZIEK EXTENSION 5 R3 809 796.44

4. Abafazi Healthcare services and Kimru IT Logiz

Reason:

The CJMM obtained one written price quotation as the supplier was the exclusive distributor of the service.

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53. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

Value:	Abafazi Healthcare services	R26 844
	Kimru IT Logiz	R12 002

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54. HEDGING ACTIVITIES

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

Swap Details

Trade Date : 30 March 2011
Settlement Date: 29 March 2018
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 shall be recognized in other comprehensive income in the statement of financial performance.

The hedge effectiveness was assessed using the following method:

- Dollar - Offset Method 118,51%

CASH FLOW RESERVE

Opening Balance	37 721	54 928
Fair value movement - SWAP	(18 151)	(17 207)
	19 570	37 721

Interest expense recognised in the statement of financial performance during the financial period

37 381 34 205

SWAP value represents the clean fair value as at 31 December 2014 (all inclusive price less any SWAP interest accrual outstanding).

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55. RELATED PARTIES		
Relationships		
Controlling entity	City of Johannesburg Metropolitan Municipality	
Other members of the group	Johannesburg City Parks Johannesburg Metropolitan Bus Services (Pty) Ltd Johannesburg Social Housing Company (Pty) Ltd City Power Johannesburg (Pty) Ltd Johannesburg Development Agency (Pty) Ltd Johannesburg Roads Agency (Pty) Ltd Johannesburg Water (Pty) Ltd The Johannesburg Civic Theatre (Pty) Ltd The Johannesburg Fresh Produce Market (Pty) Ltd Pikitup Johannesburg (Pty) Ltd City of Johannesburg Property Company (Pty) Ltd Golden Triangle Development Company (Pty) Ltd	
Joint ventures		
Related party balances		
Amounts included in Loans,		
Trade and other receivables regarding related parties		
City Power Johannesburg (Pty) Ltd	3 981 965	2 706 007
City of Johannesburg Property Company (Pty) Ltd	236 037	414 101
Johannesburg City Parks	39 133	69 445
Johannesburg Development Agency (Pty) Ltd	70 854	11 503
Johannesburg Metropolitan Bus Services (Pty) Ltd	323 182	242 558
Johannesburg Roads Agency (Pty) Ltd	123 055	208 006
Johannesburg Social Housing Company (Pty) Ltd	16 436	36 586
Johannesburg Water (Pty) Ltd	4 366 719	3 921 665
Pikitup Johannesburg (Pty) Ltd	1 088 547	1 130 326
The Johannesburg Civic Theatre (Pty) Ltd	3 220	2 550
The Johannesburg Fresh Produce Market (Pty) Ltd	111 427	153 968
	10 360 575	8 896 715

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55. RELATED PARTIES (continued)

Amounts included in Loans,

Trade and other payables regarding related parties

City Power Johannesburg (Pty) Ltd	2 251 768	2 704 046
City of Johannesburg Property Company (Pty) Ltd	252 262	393 954
Johannesburg City Parks	604 570	533 864
Johannesburg Development Agency (Pty) Ltd	868 828	493 165
Johannesburg Metropolitan Bus Services (Pty) Ltd	30 113	32 233
Johannesburg Roads Agency (Pty) Ltd	822 118	557 449
Johannesburg Social Housing Company (Pty) Ltd	246 143	141 786
Johannesburg Water (Pty) Ltd	643 470	688 680
Pikitup Johannesburg (Pty) Ltd	1 060 557	912 256
The Johannesburg Civic Theatre (Pty) Ltd	7 196	6 046
The Johannesburg Fresh Produce Market (Pty) Ltd	40 546	94 463
	6 827 571	6 557 942

Related party transactions

Revenue from related parties

City Power Johannesburg (Pty) Ltd	422 634	437 454
City of Johannesburg Property Company (Pty) Ltd	7 005	4 575
Johannesburg City Parks	50 215	11 052
Johannesburg Development Agency (Pty) Ltd	7 832	1 466
Johannesburg Metropolitan Bus Services (Pty) Ltd	49 142	21 517
Johannesburg Roads Agency (Pty) Ltd	26 695	11 917
Johannesburg Water (Pty) Ltd	569 004	565 205
Pikitup Johannesburg (Pty) Ltd	71 302	60 096
The Johannesburg Civic Theatre (Pty) Ltd	8 413	6 854
The Johannesburg Fresh Produce Market (Pty) Ltd	65 475	17 710
	1 277 717	1 137 846

Operating Expenditure

City Power Johannesburg (Pty) Ltd	186 494	334 743
City of Johannesburg Property Company (Pty) Ltd	294 133	282 970
Johannesburg City Parks	691 953	585 177
Johannesburg Development Agency (Pty) Ltd	26 855	27 380
Johannesburg Metropolitan Bus Services (Pty) Ltd	403 775	331 049
Johannesburg Roads Agency (Pty) Ltd	768 941	660 483
Johannesburg Social Housing Company (Pty) Ltd	25 580	20 158
Johannesburg Water (Pty) Ltd	272 182	262 366
Pikitup Johannesburg (Pty) Ltd	592 918	608 815
The Johannesburg Civic Theatre (Pty) Ltd	70 545	63 913
The Johannesburg Fresh Produce Market (Pty) Ltd	16 730	14 119
	3 350 106	3 191 173

56. LIABILITIES FROM MUNICIPAL ENTITIES

Non-current liabilities	411 802	411 113
Current liabilities	-	-
	411 802	411 113

Notional Accounts

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56. LIABILITIES FROM MUNICIPAL ENTITIES (continued)

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

Medical Aid Notional loan account

Opening balance	134 931	128 146
Interest received	8 061	6 785
Payments	(923)	-
	142 069	134 931

Gratuities Notional loan account

Opening balance	276 182	290 080
Interest received	16 199	15 340
Payments	(22 648)	(29 238)
	269 733	276 182

Notional accounts liability

411 802 411 113

57. Operating Lease (Lessor)

Minimum Lease Payments due

Within one year	17 992	15 321
In second to fifth year	56 288	53 635
Later than five years	169 312	165 160
	243 592	234 116

The rental income is in relation to the rental of buildings.