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**CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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 Social Development)
Mally Mokoena (Corporate and Shared Services)
Sello Lemao (Public Safety)
Chris Vondo (Community Development)
Daniel Bovu (Housing)
Prema Naidoo (Chief Whip)

MAYORAL COMMITTEE

Executive Mayor

Herman Mashaba
(AUGUST 2016 - 30 JUNE 2021)

Councillors

(AUGUST 2016 - 30 JUNE 2021)
Vasco da Gama (Speaker of Council)
Dr Rabelani Dagada (Finance)
Sharon Peetz (Economic Development)
Richard Ngobeni (Development Planning and Urban Management)
Nonhlanhla Helen Makhuba (Transportation)
Anthony William Still (Environment and Infrastructure Services)
Dr Mpho Phalatse (Health and Social Development)
Dr Valencia Ntombi Khumalo (Corporate and Shared Services)
Michael Sun (Public Safety)
Nonhlanhla Sifumba (Community Development)
Mzobanzi Ntuli (Housing)
Kevin Wax (Chief Whip)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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,
Loveday Street,
Johannesburg
2001
Telephone:
+27 (0)11 407 - 6111
Facsimile:
+27 (0)11 339 - 5704

POSTAL ADDRESS

P O Box 1049
Johannesburg
2000

PRIMARY BANKER

Standard Bank

AUDITORS

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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ABBREVIATIONS

AARTO	Administrative Adjudication of Road Traffic Offences
AUC	Assets Under Construction
BESA	Bond Exchange South Africa
CJMM	City of Johannesburg Metropolitan Municipality (CORE)
CMP	Corporate Media Platforms
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DMTN	Domestic Medium Term Note
EPWP	Expanded Public Works Program
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
RMB	Rand Merchant Bank
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
SPTN	Single Public Transport Network
SOC	State Owned Company
STD	Standard Bank
TCTA	Trans-Caledon Tunnel Authority
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
VAT	Value Added Taxation

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Municipal Manager's approval of the Group Annual Financial Statements

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

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

Accounting Officer
City Manager

Date

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2016	2015 Restated*	2016	2015 Restated*
Assets					
Current Assets					
Inventories	3	316 836	315 252	119 429	59 326
Loans to Municipal entities	4	-	-	968 687	1 009 887
Other financial assets	5	18 576	13 486	18 576	13 486
Current tax receivable		18 955	21 220	-	-
Finance lease receivables	6	-	-	72 363	60 357
Trade and other receivables	7	1 933 430	1 355 982	4 647 351	4 014 419
Receivables from non-exchange transactions	8	200 120	112 487	200 120	112 487
VAT receivable	9	178 624	292 052	171 744	284 336
Consumer debtors	10	6 177 748	5 001 394	887 113	813 190
Financial assets at fair value - Sinking fund	11	356 555	4 190 880	356 555	4 190 880
Cash and cash equivalents	12	4 369 765	4 879 554	4 182 055	4 179 988
		13 570 609	16 182 307	11 623 993	14 738 356
Non-Current Assets					
Zoo animals	13	25 623	23 741	-	-
Investment property	14	1 015 391	1 015 414	1 014 946	1 014 946
Property, plant and equipment	15	60 572 816	53 748 313	35 662 469	31 971 436
Intangible assets	16	1 098 835	821 925	496 678	439 925
Heritage assets	17	581 877	583 153	580 284	581 560
Investments in Municipal entities	18	-	-	542 542	465 045
Investment in Joint Ventures	19	58 289	49 769	-	-
Investment in Associate	20	15 791	20 046	-	-
Loans to Municipal entities	4	-	-	7 056 974	5 645 661
Other financial assets	5	58 656	49 889	58 656	49 889
Deferred tax	21	514 398	443 108	-	-
Finance lease receivables	6	-	-	308 921	278 502
Financial assets at fair value - Sinking fund	11	3 839 044	4 588 635	3 839 044	4 588 635
		67 780 720	61 343 993	49 560 514	45 035 599
Total Assets		81 351 329	77 526 300	61 184 507	59 773 955

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2016	2015 Restated*	2016	2015 Restated*
Liabilities					
Current Liabilities					
Loans and borrowings	23	594 229	1 574 094	593 487	1 573 418
Current tax payable		902	-	-	-
Finance lease obligations	24	62 558	116 016	51 778	100 173
Financial liabilities at fair value - Sinking fund	30	444 674	137 930	444 674	137 930
Trade and other payables	25	12 431 840	11 124 171	11 232 349	10 297 157
VAT payable	9	183 447	352 342	-	-
Unspent conditional grants and receipts	26	430 787	213 512	393 613	203 912
Provisions	27	32 318	32 342	-	-
Deferred income	29	3 952	8 966	-	-
Other financial liabilities at fair value - Swap	31	4 056	6 856	4 056	6 856
Consumer deposits	32	37 766	28 293	-	-
		14 226 529	13 594 522	12 719 957	12 319 446
Non-Current Liabilities					
Loans from Municipal entities	33	-	-	412 990	411 802
Loans and borrowings	23	17 474 609	14 109 897	17 458 698	14 093 244
Finance lease obligations	24	199 164	242 647	194 971	234 218
Financial liabilities at fair value - Sinking fund	30	725 729	4 881 893	725 729	4 881 893
Employee benefits obligations	28	1 602 623	1 764 455	1 254 455	1 404 610
Unspent conditional grants and receipts	26	23 071	73 943	-	-
Deferred tax	21	2 398 950	2 109 855	-	-
Provisions	27	700 742	659 630	119 156	99 987
Deferred income	29	46 344	45 637	46 344	45 637
Other financial liabilities at fair value - Swap	31	18 078	38 361	18 078	38 361
Consumer deposits	32	809 804	711 165	15 816	17 288
		23 999 114	24 637 483	20 246 237	21 227 040
Total Liabilities		38 225 643	38 232 005	32 966 194	33 546 486
Net Assets		43 125 686	39 294 295	28 218 313	26 227 469
Net Assets					
Reserves					
Hedging reserve		(5 370)	(19 570)	(5 370)	(19 570)
Accumulated surplus		43 131 056	39 313 865	28 223 683	26 247 039
Total Net Assets		43 125 686	39 294 295	28 218 313	26 227 469

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2016	2015 Restated*	2016	2015 Restated*
Revenue					
Revenue from exchange transactions					
Rendering of services	36	23 477 479	21 504 935	429 427	380 840
Rental of facilities and equipment		290 699	229 329	133 566	96 622
Agency services		214 639	204 111	214 639	204 111
Licences and permits		1 211	1 121	1 211	1 121
Other revenue	35	1 601 653	1 312 817	1 038 717	802 251
Finance Income		624 799	606 093	1 195 960	1 102 586
Total revenue from exchange transactions		26 210 480	23 858 406	3 013 520	2 587 531
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	37	8 138 059	7 674 889	8 138 059	7 674 931
Transfer revenue					
Government grants and subsidies	38	8 919 903	8 847 075	8 607 731	8 489 353
Public contributions, donated and contributed property, plant and equipment		363 909	475 453	194 132	323 357
Fines, Penalties and Forfeits		294 864	585 951	294 864	585 951
Total revenue from non-exchange transactions		17 716 735	17 583 368	17 234 786	17 073 592
Total revenue		43 927 215	41 441 774	20 248 306	19 661 123
Expenditure					
Employee related costs	39	(8 999 009)	(8 589 106)	(5 155 438)	(4 883 914)
Remuneration of councillors	40	(133 887)	(127 499)	(133 887)	(127 499)
Depreciation and amortisation	41	(2 794 027)	(2 388 636)	(1 817 666)	(1 645 598)
Impairment losses	42	(55)	(2 382)	(434 643)	(145 645)
Finance costs		(1 941 504)	(1 580 009)	(1 942 628)	(1 647 307)
Debt impairment	43	(2 492 311)	(3 862 791)	(713 688)	(1 345 451)
Repairs and maintenance		(1 282 056)	(1 007 658)	(398 993)	(312 122)
Bulk purchases	44	(13 860 724)	(12 562 745)	-	-
Contracted services	45	(2 602 192)	(2 601 751)	(1 724 656)	(1 877 397)
Grants and subsidies paid	46	(484 417)	(577 071)	(3 552 139)	(3 083 614)
General expenses	47	(5 565 453)	(4 593 109)	(2 824 378)	(2 437 477)
Total expenditure		(40 155 635)	(37 892 757)	(18 698 116)	(17 506 024)
Operating surplus		3 771 580	3 549 017	1 550 190	2 155 099
(Loss)/gain on disposal of assets		(254 027)	(23 606)	(237 593)	(11 139)
Reversal of impairment		-	-	31 315	-
Fair value adjustments	48	546 031	323 518	385 787	259 765
Gain as a result of donated animals and new births		2 695	5 901	-	-
Share of surpluses or deficits from associate or joint ventures accounted for using the equity method		4 816	8 436	-	-
		299 515	314 249	179 509	248 626
Surplus before taxation		4 071 095	3 863 266	1 729 699	2 403 725
Taxation	66	253 904	238 788	-	-
Surplus for the year		3 817 191	3 624 478	1 729 699	2 403 725

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
GROUP				
Balance at 01 July 2014		(37 721)	35 689 387	35 651 666
Changes in net assets				
Amount recognised directly in net assets		18 151	-	18 151
Net revenue (expenditure) recognised directly in equity		18 151	-	18 151
Surplus for the year		-	3 624 478	3 624 478
Total recognised revenue and expenditure for the year		18 151	3 624 478	3 642 629
Total changes		18 151	3 624 478	3 642 629
Opening balance as previously reported		(19 570)	39 304 011	39 284 441
Adjustments				
Prior period restatement		-	9 854	9 854
Balance at 01 July 2015 as restated		(19 570)	39 313 865	39 294 295
Changes in net assets				
Amount recognised directly in net assets		14 200	-	14 200
Net revenue (expenditure) recognised directly in equity		14 200	-	14 200
Surplus for the year		-	3 817 191	3 817 191
Total recognised revenue and expenditure for the year		14 200	3 817 191	3 831 391
Total changes		14 200	3 817 191	3 831 391
Balance at 30 June 2016		(5 370)	43 131 056	43 125 686

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
CJMM				
Balance at 01 July 2014		(37 721)	23 843 314	23 805 593
Changes in net assets				
Amount recognised directly in net assets		18 151	-	18 151
Net revenue (expenditure) recognised directly in equity		18 151	-	18 151
Surplus for the year		-	2 403 725	2 403 725
Total recognised revenue and expenditure for the year		18 151	2 403 725	2 421 876
Total changes		18 151	2 403 725	2 421 876
Opening balance as previously reported		(19 570)	26 158 742	26 139 172
Adjustments				
Prior period errors	52	-	88 297	88 297
Balance at 01 July 2015 as restated		(19 570)	26 247 039	26 227 469
Changes in net assets				
Amount recognised directly in net assets		14 200	-	14 200
Net revenue (expenditure) recognised directly in equity		14 200	-	14 200
Surplus for the year		-	1 729 699	1 729 699
Total recognised revenue and expenditure for the year		14 200	1 729 699	1 743 899
Assets under construction		-	246 945	246 945
Total changes		14 200	1 976 644	1 990 844
Balance at 30 June 2016		(5 370)	28 223 683	28 218 313

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2016	2015 Restated*	2016	2015 Restated*
Cash flows from operating activities					
Receipts					
Cash receipts from customers		29 795 686	28 252 346	8 877 538	7 939 642
Grants		8 821 798	8 016 205	8 797 621	8 050 568
Interest income		624 799	595 753	974 930	1 079 182
		39 242 283	36 864 304	18 650 089	17 069 392
Payments					
Cash paid to suppliers and employees		(31 292 138)	(27 870 784)	(12 856 587)	(11 609 607)
Finance costs		(1 941 504)	(1 580 486)	(1 906 087)	(1 480 650)
Taxes on surpluses		(32 932)	(26 215)	-	-
		(33 266 574)	(29 477 485)	(14 762 674)	(13 090 257)
Net cash flows from operating activities	49	5 975 709	7 386 819	3 887 415	3 979 135
Cash flows from investing activities					
Purchase of capital assets		(9 745 440)	(9 818 846)	(6 514 493)	(6 032 515)
Cash movements in sinking fund		1 100 000	(266 667)	1 100 000	(266 667)
Loans redeemed from municipal entities	65	-	-	1 038 193	970 093
Finance lease receivables		-	-	(75 174)	(62 304)
Investment in Municipal entities		-	-	(46 182)	(57 605)
Other financial assets		-	199 534	-	199 534
Loans to Municipal entities		-	-	(1 540 568)	(1 792 769)
Net cash flows from investing activities		(8 645 440)	(9 885 979)	(6 038 224)	(7 042 233)
Cash flows from financing activities					
Proceeds from borrowings		3 940 000	3 276 000	3 940 000	3 276 000
Liabilities from Municipal entities		-	-	(6 506)	(6 449)
Repayment of borrowings		(1 565 027)	(971 553)	(1 565 027)	(970 295)
Finance lease obligations		(123 057)	(98 953)	(104 773)	(85 186)
Repayment of post retirement benefits		(141 974)	(140 436)	(111 497)	(115 061)
Net cash flows from financing activities		2 159 942	2 065 058	2 152 876	2 099 009
Net (decrease)/increase cash and cash equivalents		(509 789)	(434 102)	2 067	(964 089)
Cash and cash equivalents at the beginning of the year		4 879 554	5 313 656	4 179 988	5 144 077
Cash and cash equivalents at the end of the year	12	4 369 765	4 879 554	4 182 055	4 179 988

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
GROUP						
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rendering of services	25 119 233	(761 903)	24 357 330	23 477 479	(879 851)	
Rental facilities and equipment	301 412	(5 673)	295 739	290 699	(5 040)	
Agency services	253 960	(28 476)	225 484	214 639	(10 845)	
Licences and permits	749	-	749	1 211	462	
Other revenue	2 581 273	297 402	2 878 675	1 601 653	(1 277 022)	1
Finance income	562 854	6 920	569 774	624 799	55 025	2
Total revenue from exchange transactions	28 819 481	(491 730)	28 327 751	26 210 480	(2 117 271)	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TAXATION REVENUE						
Property rates	7 630 678	2 538	7 633 216	8 138 059	504 843	
Government grants and subsidies	8 927 300	366 521	9 293 821	8 919 903	(373 918)	
TRANSFER REVENUE						
Public contributions and contributed assets	259 261	60 728	319 989	363 909	43 920	3
Fines	1 113 002	(99 399)	1 013 603	294 864	(718 739)	4
Total revenue from non-exchange transactions	17 930 241	330 388	18 260 629	17 716 735	(543 894)	
Total revenue	46 749 722	(161 342)	46 588 380	43 927 215	(2 661 165)	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
EXPENDITURE						
Employee related costs	(9 580 796)	(138 657)	(9 719 453)	(8 999 009)	720 444	
Remuneration of councillors	(144 331)	-	(144 331)	(133 887)	10 444	
Depreciation and amortisation	(3 278 707)	22 943	(3 255 764)	(2 794 027)	461 737	5
Impairment losses	-	-	-	(55)	(55)	6
Finance costs	(1 893 960)	(33)	(1 893 993)	(1 941 504)	(47 511)	
Debt impairment	(2 135 425)	(828 131)	(2 963 556)	(2 492 311)	471 245	7
Repairs and maintenance	(1 667 863)	213 129	(1 454 734)	(1 282 056)	172 678	8
Bulk purchases	(14 479 359)	(83 127)	(14 562 486)	(13 860 724)	701 762	
Contracted services	(4 140 467)	96 864	(4 043 603)	(2 602 192)	1 441 411	9
Grants and subsidies paid	(318 846)	(211 616)	(530 462)	(484 417)	46 045	
General expenses	(5 053 411)	652 250	(4 401 161)	(5 565 453)	(1 164 292)	
Total expenditure	(42 693 165)	(276 378)	(42 969 543)	(40 155 635)	2 813 908	
Operating surplus	4 056 557	(437 720)	3 618 837	3 771 580	152 743	
Loss on disposal of assets and liabilities	39 979	(12 000)	27 979	(254 027)	(282 006)	
Fair value adjustments	-	-	-	546 031	546 031	10
Gain as a result of donated assets and new births	-	-	-	2 695	2 695	
Share of (deficit)/ surplus of associate or joint ventures accounted for under the equity method	-	-	-	4 816	4 816	
	39 979	(12 000)	27 979	299 515	271 536	
Surplus before taxation	4 096 536	(449 720)	3 646 816	4 071 095	424 279	
Taxation	502 137	55 275	557 412	253 904	(303 508)	
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	3 594 399	(504 995)	3 089 404	3 817 191	727 787	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Management considers a variance of 10% or more as material. The detailed explanations of the variances are provided below:

Reference:

1. Other Revenue : Mainly due to –

- Reduced Sales to Eskom from Kelvin Power Station as a result of down time and lower performance at the Kelvin High Voltage Yard resulting in lower volumes of units available for sale.
- Decreased number of requests made by customers for new connections and upgrades; and
- Lower revenue received for street pole advertisements.

2. Finance Income: The budget for interest income is driven by the expected cash reserves available for short term investment at an estimated rate. The interest income is below budget due to lower levels of cash being available to invest during the year as a result of an accelerated rate of capital project implementation.

3. Public Contributions: 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.

4. Fines: The under recovery in traffic fines is due to challenges experienced in the implementation of the AARTO system as well as decreased traffic offences by the public.

5. Depreciation and Amortization: The variance is due to assets being bought and capitalised at different times during the financial year, with a sharp bias to purchases made towards the end of the year whereas the budget assumes depreciation for the full year.

6. Impairment loss: The impairment losses are not budgeted and are a result of asset impairment assessment at the reporting date.

7 Debt Impairment: The allowance for consumer debtors was below budget. The allowance is based on collection rates. Collection levels targets were revised downwards in the mid-year review to take into account the prevailing economic conditions. However, collection rates were better than anticipated therefore resulting in a lower impairment amount.

8. Repairs and Maintenance: The budget for repairs and maintenance takes into account the routine, planned maintenance and also allows for emergency repairs, there were less emergency repairs required in the current period than what was budgeted for.

9. Contracted Services: Contracted services below target due to some projects that are still in the planning phase.

10. Fair value adjustments: This emanates mainly from the sinking fund which is based on the performance of the fund, economic conditions and other factors. The fair value adjustment is unpredictable thus not budgeted for.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
CJMM						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of Service	461 916	(40 686)	421 230	429 427	8 197	
Rental facilities and equipment	144 582	(1 740)	142 842	133 566	(9 276)	
Agency services	253 960	(28 476)	225 484	214 639	(10 845)	
Licences and permits	749	(749)	-	1 211	1 211	
Other revenue	906 494	11 879	918 373	1 038 717	120 344	
Finance income	1 240 191	67 067	1 307 258	1 195 960	(111 298)	1
Total revenue from exchange transactions	3 007 892	7 295	3 015 187	3 013 520	(1 667)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7 518 682	-	7 518 682	8 138 059	619 377	
Transfer revenue						
Government grants and subsidies	8 622 400	331 740	8 954 140	8 607 731	(346 409)	
Public contributions and contributed assets	-	1 464	1 464	194 132	192 668	2
Fines	1 113 002	(99 399)	1 013 603	294 864	(718 739)	3
Total revenue from non-exchange transactions	17 254 084	233 805	17 487 889	17 234 786	(253 103)	
Total revenue	20 261 976	241 100	20 503 076	20 248 306	(254 770)	
Expenditure						
Employee Related costs	(5 358 617)	89 608	(5 269 009)	(5 155 438)	113 571	
Remuneration of councillors	(144 331)	-	(144 331)	(133 887)	10 444	
Depreciation and amortisation	(2 364 068)	(15 424)	(2 379 492)	(1 817 666)	561 826	4
Impairment losses	-	-	-	(434 643)	(434 643)	5
Finance costs	(1 995 059)	(54 476)	(2 049 535)	(1 942 628)	106 907	
Debt impairment	(999 412)	102 524	(896 888)	(713 688)	183 200	6
Repairs and maintenance	(600 217)	97 434	(502 783)	(398 993)	103 790	7
Contracted Services	(2 150 985)	244 992	(1 905 993)	(1 724 656)	181 337	8
Grants and subsidies paid	(3 362 521)	(298 151)	(3 660 672)	(3 552 139)	108 533	
General Expenses	(2 512 452)	(248 692)	(2 761 144)	(2 824 378)	(63 234)	
Total expenditure	(19 487 662)	(82 185)	(19 569 847)	(18 698 116)	871 731	
Operating surplus	774 314	158 915	933 229	1 550 190	616 961	
(Loss) gain on disposal of assets	40 000	(12 000)	28 000	(237 593)	(265 593)	
Reversal of Impairment	-	-	-	31 315	31 315	
Fair value adjustments	90 000	(90 000)	-	385 787	385 787	9
	130 000	(102 000)	28 000	179 509	151 509	
Surplus before taxation	904 314	56 915	961 229	1 729 699	768 470	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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

Reference:

- 1. Finance Income:** The budget for interest income is driven by the expected cash reserves available for short term investment at an estimated rate. The interest income is below budget due to lower levels of cash being available to invest during the year as a result of the accelerated rate of capital project implementation.
- 2. Public Contributions:** 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.
- 3. Fines:** The under recovery in traffic fines is due to challenges experienced in the implementation of the AARTO system as well as decreased traffic offences by the public.
- 4. Depreciation and Amortization:** The variance is due to assets being bought and capitalised at different times during the financial year, with a sharp bias to purchases made towards the end of the year whereas the budget assumes depreciation for the full year.
- 5. Impairment loss:** The impairment losses are not budgeted and are a result of impairment assessment at the reporting date.
- 6. Debt Impairment:** The allowance for impairment of consumer debtors was below budget. The allowance is based on collection rates. Collection levels targets were revised downwards in the mid-year review to take into account the prevailing economic conditions. However, collection rates were better than anticipated therefore resulting in a lower impairment amount.
- 7. Repairs and Maintenance:** The budget for repairs and maintenance takes into account the routine, planned maintenance and also allows for emergency repairs, there were less emergency repairs required in the current period than what was budgeted for.
- 8. Contracted Services:** Contracted services below target due to some projects that are still in the planning phase.
- 9. Fair value adjustments:** This emanates mainly from the sinking fund which based on the performance of the fund, economic conditions and other factors. The fair value adjustment is unpredictable and thus not budgeted for.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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
GROUP- 2016											
Financial Performance											
Property rates	7 630 678	2 538	7 633 216	-	-	7 633 216	8 138 059	-	504 843	107 %	107 %
Service charges	25 119 233	(761 903)	24 357 330	-	-	24 357 330	23 477 479	-	(879 851)	96 %	93 %
Investment revenue	562 854	6 920	569 774	-	-	569 774	624 799	-	55 025	110 %	111 %
Transfers recognised - operational	6 185 385	257 940	6 443 325	-	-	6 443 325	6 180 154	-	(263 171)	96 %	100 %
Other revenue	4 250 396	163 854	4 414 250	-	-	4 414 250	2 403 066	-	(2 011 184)	54 %	57 %
Gains on disposal	40 000	(12 000)	28 000	-	-	28 000	-	-	(28 000)	- %	- %
Total revenue	43 788 546	(342 651)	43 445 895	-	-	43 445 895	40 823 557	-	(2 622 338)	94 %	93 %
Employee costs	(9 580 796)	(138 657)	(9 719 453)	-	-	(9 719 453)	(8 999 009)	-	720 444	93 %	94 %
Remuneration of councillors	(144 331)	-	(144 331)	-	-	(144 331)	(133 887)	-	10 444	93 %	93 %
Debt impairment	(2 135 425)	(828 131)	(2 963 556)	-	-	(2 963 556)	(2 492 311)	-	471 245	84 %	117 %
Depreciation	(3 278 707)	22 943	(3 255 764)	-	-	(3 255 764)	(2 794 082)	-	461 682	86 %	85 %
Repairs and maintenance	(1 667 863)	213 129	(1 454 734)	-	-	(1 454 734)	(1 282 056)	-	172 678	88 %	77 %
Finance charges	(1 893 960)	(33)	(1 893 993)	-	-	(1 893 993)	(1 941 504)	-	(47 511)	103 %	103 %
Bulk purchases	(14 479 359)	(83 127)	(14 562 486)	-	-	(14 562 486)	(13 860 724)	-	701 762	95 %	96 %
Contracted services	(4 140 467)	96 864	(4 043 603)	-	-	(4 043 603)	(2 602 192)	-	1 441 411	64 %	63 %
Grants paid	(318 846)	(211 616)	(530 462)	-	-	(530 462)	(484 417)	-	46 045	91 %	152 %
Other expenditure	(5 098 253)	632 011	(4 466 242)	-	-	(4 466 242)	(5 565 453)	-	(1 099 211)	125 %	109 %
Provisions	44 842	20 239	65 081	-	-	65 081	-	-	(65 081)	- %	- %
Loss on disposal of PPE	(21)	-	(21)	-	-	(21)	(254 027)	-	(254 006)	209 652 %	209 652 %
Total expenditure	(42 693 186)	(276 378)	(42 969 564)	-	-	(42 969 564)	(40 409 662)	-	2 559 902	94 %	95 %
Surplus/ (Deficit)	1 095 360	(619 029)	476 331	-	-	476 331	413 895	-	(62 436)	87 %	87 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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
Grant - capital	2 741 915	108 581	2 850 496	-		2 850 496	2 739 750		(110 746)	96 %	100 %
Contributed assets	259 261	60 728	319 989	-		319 989	363 909		43 920	114 %	140 %
Surplus/ (Deficit) after capital contributions	4 096 536	(449 720)	3 646 816	-		3 646 816	3 517 554		(129 262)	96 %	86 %
Other adjustment	-	-	-	-		-	(553 542)		(553 542)	- %	- %
Taxation	502 137	55 275	557 412	-		557 412	253 904		(303 508)	46 %	51 %
Surplus/ (Deficit) for the year	3 594 399	(504 995)	3 089 404	-		3 089 404	3 817 192		727 788	124 %	106 %

Capital expenditure and funds sources

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand
thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
CJMM - 2016											
Financial Performance											
Property rates	7 518 682	-	7 518 682	-	-	7 518 682	8 138 059	-	619 377	108 %	108 %
Service charges	461 916	(40 686)	421 230	-	-	421 230	429 427	-	8 197	102 %	93 %
Investment revenue	1 240 191	67 067	1 307 258	-	-	1 307 258	1 195 960	-	(111 298)	91 %	96 %
Transfers recognised - operational	-	-	-	-	-	-	6 169 836	-	6 169 836	- %	- %
Other own revenue	2 548 787	(129 736)	2 419 051	-	-	2 419 051	2 101 963	-	(317 088)	87 %	82 %
Total revenue (excluding capital transfers and contributions)	11 769 576	(103 355)	11 666 221	-	-	11 666 221	18 035 245	-	6 369 024	155 %	153 %
Employee costs	(5 358 617)	89 608	(5 269 009)	-	-	(5 269 009)	(5 155 438)	-	113 571	98 %	96 %
Remuneration of councillors	(144 331)	-	(144 331)	-	-	(144 331)	(133 887)	-	10 444	93 %	93 %
Debt impairment	(999 412)	102 524	(896 888)	-	-	(896 888)	(713 688)	-	183 200	80 %	71 %
Depreciation and asset impairment	(2 364 068)	(15 424)	(2 379 492)	-	-	(2 379 492)	(2 252 309)	-	127 183	95 %	95 %
Finance charges	(1 995 059)	(54 476)	(2 049 535)	-	-	(2 049 535)	(1 942 628)	-	106 907	95 %	97 %
Transfers and grants	(3 362 521)	(298 151)	(3 660 672)	-	-	(3 660 672)	(3 552 139)	-	108 533	97 %	106 %
Other expenditure	(5 263 654)	93 734	(5 169 920)	-	-	(5 169 920)	(5 187 484)	-	(17 564)	100 %	99 %
Total expenditure	(19 487 662)	(82 185)	(19 569 847)	-	-	(19 569 847)	(18 937 573)	-	632 274	97 %	97 %
Surplus/(Deficit)	(7 718 086)	(185 540)	(7 903 626)	-	-	(7 903 626)	(902 328)	-	7 001 298	11 %	12 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

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	8 622 400	331 740	8 954 140	-		8 954 140	2 437 896		(6 516 244)	27 %	28 %
Contributions recognised - capital and contributed assets	-	1 464	1 464	-		1 464	194 131		192 667	- %	- %
Surplus (Deficit) after capital transfers and contributions	904 314	147 664	1 051 978	-		1 051 978	1 729 699		677 721	164 %	191 %
Surplus/(Deficit) for the year	904 314	147 664	1 051 978	-		1 051 978	1 729 699		677 721	164 %	191 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	-		-	- %	- %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Statement of compliance

Basis of Preparation and Presentation

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

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

Presentation Currency

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

Going Concern

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

Comparative information

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

1.1 Consolidation

Basis of consolidation

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

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

The results of the controlled entities, are included in the consolidated group annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The fair value of any investment retained in the former controlled entity at the date when control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with the Standard of GRAP on Financial Instruments or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

All related party transactions and balances are eliminated in full on consolidation.

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. Effect of changes in estimates are accounted for on a prospective basis in the statement of financial performance.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Significant judgements include:

Impairment of financial assets

Where objective evidence of impairment loss on financial assets measured at amortised cost exists, the present value of the future cash flows of the financial assets discounted at the financial asset's original effective rate is determined and compared to the carrying value of the financial assets. The carrying amount of asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognised in the statement of financial performance.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market values of other similar instruments, discounted cash flow analysis and option pricing models.

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

Impairment of property, plant and equipment

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality then estimate the recoverable service amount of the asset.

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

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

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions as well as contingent liabilities and contingent assets. Provisions are raised based on the information available to management, and past knowledge.

A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

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

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money

Expected manner of realisation for deferred tax

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Taxation

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

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

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

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

Impairment of receivables

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

Useful life and residual value 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 Zoo animals

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Zoo animals (continued)

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

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

The longevity of zoo animals has been assessed as follows::

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

1.4 Investment property

Definition

Investment properties are immovable land and/or buildings that are held to earn rental income and/or for capital appreciation. Investment property excludes owner-occupied property that is used in the production or supply of goods or services or for administrative purposes, or property held to provide a social service.

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, its cost is its fair value as at the date of acquisition.

Subsequent measurement

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

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

Item	Useful life
Property - Buildings	30 years

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

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

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

Derecognition

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 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:

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

Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

Subsequent measurement:

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

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

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

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

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

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

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

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Derecognition

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

The 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 the statement of financial performance.

1.6 Intangible assets

Definition

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable asset or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the group 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 cost or fair value of the asset can be measured reliably.

Initial Measurement

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Intangible assets (continued)

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

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

Subsequent Measurement

Under the cost model intangible assets are carried at cost less any accumulated amortisation and impairment losses.

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

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

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

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

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

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

1.7 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

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

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

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Accounting Policies

1.7 Heritage assets (continued)

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

Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from their use or disposal. The gain or loss arising from disposal and de-recognition 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 the statement of financial performance.

1.8 Investments in Municipal entities

CJMM separate annual financial statements

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

1.9 Investment in Joint Ventures

Group annual financial statements

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

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

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

The most recent available annual financial statements of the joint ventures are used by the investor in applying the equity method. When the end of the reporting period of the investor is different from that of the joint venture, the joint venture, for the use of the investor, group annual financial statements as of the same date as the group annual financial statements of the investor unless it is impracticable to do so.

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

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Accounting Policies

1.10 Investment in Associate

GROUP annual financial statements

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

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

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

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

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

The most recent available annual financial statements of the associate are used by the investor in applying the equity method. When the end of the reporting period of the investor is different from that of the associate, the associate prepares, for the use of the investor, group annual financial statements as of the same date as the group annual financial statements of the investor unless it is impracticable to do so.

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

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Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Financial instruments

Financial instrument

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.

Financial Assets

A financial asset is a) cash; b) a residual interest of another entity; or (c) a contractual right to:

(i) Receive cash or another financial asset from another entity; or

(ii) Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

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

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

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

Investments at cost

Financial 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. These include investment in municipal entities. Financial instrument are initial held at cost and subsequently measured at cost less any impairment. Impairment losses are recognised in the statement of financial performance.

Financial assets at fair value

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

Cash and cash equivalents

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

Receivables from exchange and non exchange transactions

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

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Financial instruments (continued)

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

VAT

VAT is an indirect tax based on the consumption in the economy. Vendors act as the agent of the government in collecting the VAT charged on taxable transactions. SARS is government agency which administers the VAT Act and ensures that the tax is collected and that the tax law is properly enforced.

VAT is currently levied at the standard rate of 14% on most supplies and importations, but there is a limited range of goods and services which are either exempt, or which are subject to tax at the zero rate.

The group accounts for VAT on a payment basis.

Financial liabilities

A financial liability is any liability that is a contractual obligation to: a) deliver cash or another financial asset to another entity; or b) exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial liabilities consist of interest-bearing borrowings, trade and other payables, bank overdrafts and interest-bearing money market borrowings, liabilities categorised at fair value through profit or loss and derivatives held for hedging (refer to accounting policy on hedge accounting).

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

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

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

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

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

Loans from Municipal entities

Loans from municipal entities are classified as financial liabilities which are initially recognised at fair value and subsequently measured at amortised cost.

Trade and other payables

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

Offsetting Financial assets and liabilities

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

Hedge accounting (derivatives)

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

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.11 Financial instruments (continued)

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

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

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

Cash flow hedges

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

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

1.12 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Tax (continued)

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.13 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

CJMM recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Finance leases - lessee

The municipality recognises assets and liabilities acquired under finance leases as assets and the associated obligation as liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The finance lease assets are depreciated at the same rates as owned property unless the Municipality will not obtain ownership. Where there is no reasonable certainty that the Municipality will obtain ownership by the end of lease term, the leased assets are depreciated over the shorter of the lease term and its useful life.

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

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

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on the straight-line

Leased assets are presented in the statement of financial position according to the nature of assets. The Municipality applies the same depreciation policy for leased assets (operating) as the normal depreciation policy for similar assets.

Operating leases - lessee

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

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

1.14 Inventories

Definition

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.14 Inventories (continued)

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.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Management estimate, based on their assessment of quality and volume, the extent to which inventory on hand at the reporting date will be sold below cost.

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

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

The 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 group. The valuation of inventories is performed using the 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 statement of financial performance.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.15 Impairment of cash and non-cash generating assets

Impairment of cash generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

A cash-generating asset is the smallest identifiable group of assets held 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 (amortisation).

An impairment loss is recognised for cash-generating assets if the carrying amount is higher than the recoverable amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. Impairment loss is recognised in the statement of financial performance. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of financial performance.

The recoverable amount of the cash generating unit is the higher of its fair value less cost to sell, and its value in use.

Impairment of non- cash generating assets

Non-Cash generating assets are those assets held by the municipality with the primary objective other than generating a commercial return.

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

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment annually at the same time every year, as well as whenever there is an indication that the asset may be impaired.

At the end of each reporting period, carrying amounts of non-cash generating assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of a non-cash generating asset is the higher of fair value less costs to sell, and the value-in use. The value-in-use is the present value of the remaining potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of financial performance.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of financial performance.

1.16 Internal reserves

Compensation for occupational injuries and diseases (COID) reserve

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.16 Internal reserves (continued)

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

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

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

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

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

1.17 Budget information

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

The approved budget covers the fiscal period from 2016 to 2018.

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

1.18 Employee benefits

Short-term employee benefits

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

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

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

The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

The City contributes to defined contribution plan and defined benefit plan

Defined contribution plans

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.

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Accounting Policies

1.18 Employee benefits (continued)

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 the statement of financial performance in the reporting period in which the plan is amended.

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

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 statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement. The Municipality does not only account for the legal obligation under formal terms but also for any constructive obligation that arises from the entity's informal practices.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation less fair value of planned assets out of which obligations are to be settled directly, plus any liability that may arise as a result of the minimum funding requirement.

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

Multi-employer plans

The municipality classifies a multi-employer plan either as a defined contribution plan or a defined benefit plan.

Under the defined benefit plan, the Municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

1.19 Provisions and contingencies

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

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

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

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

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.19 Provisions and contingencies (continued)

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

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

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

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 group

No obligation arises as a consequence of the sale or transfer of the operation until the group 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.

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

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

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

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
- 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 group 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 group considers that an outflow of economic resources is probable, an group recognises the obligation at the higher of:

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.19 Provisions and contingencies (continued)

- the amount determined using 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.

1.20 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 transactions are 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 the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue from sale of Bus ticket points

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

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

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

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

Sale of goods

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

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.20 Revenue from exchange transactions (continued)

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

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

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

Income from agency services

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

Finance income

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.

1.21 Revenue from non-exchange transactions

Revenue is a gross inflow of economic benefits or service potential received which represents an increase in the net assets, other than increases relating to contributions from owners.

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.

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

Fines

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 group has two types of fines :

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

Criminal Procedures Act fines:

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

Initial recognition:

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Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

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. There is uncertainty regarding the probability of the flow of economic benefits in respect of criminal procedure act fines. Legal processes have to be undertaken before the criminal procedure act fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Where a reliable estimate cannot be made of revenue from summonses, the Municipality cannot recognise revenue and receivable until this judicial process has been completed and a reliable estimate can be made.

Subsequent measurement

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

AARTO traffic fines

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

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 group,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Conditional grants

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

Unconditional grants

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

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

Rates

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

Public contributions and donations including goods in-kind donations

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

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

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

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

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

1.22 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 the statement of financial performance in the period in which they are incurred.

1.23 In-kind services

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

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Accounting Policies

1.24 Unauthorised expenditure

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

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

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

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

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Management is considered a related party, and comprises of the councillors, Executive Mayor, Mayoral Committee Members, City Manager, Chief Operating Officer, Executive Directors and Group Heads.

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

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

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Accounting Policies

1.28 Events after the reporting date

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

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

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

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

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

1.29 Commitments

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

Commitments are further split into capital and operating commitments.

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

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

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

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

<u>Name</u>	<u>Effective Date</u>
GRAP 20 - Related Parties	Not yet effective
GRAP 32 - Service Concession arrangements: Grantor	Not yet effective
GRAP 108 - Statutory receivables	Not yet effective
GRAP 109 - Accounting by principles and agents	Not yet effective

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

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

Preliminary investigations indicated that, other than additional disclosure, the impact of the new standards on the financial statements will be minimal.

3. INVENTORIES

Consumable stores	136 156	71 952	118 109	58 006
Spare parts	21 524	16 053	-	-
Consumables - Water	66 895	64 882	-	-
Housing stock	61 050	61 050	61 050	61 050
Work in progress	397	5 880	-	-
Consumables - Electrical	83 370	172 899	-	-
Consumables - Road	38 754	18 772	-	-
Fuel (Diesel, Petrol)	3 335	3 062	-	-
	411 481	414 550	179 159	119 056
Inventories (write-downs)	(94 645)	(99 298)	(59 730)	(59 730)
	316 836	315 252	119 429	59 326

3.1 Reconciliation of inventory write-down

Opening balance	99 298	28 363	59 730	-
Inventory written down	5 545	72 262	-	59 730
Inventory derecognised	(10 198)	(1 327)	-	-
	94 645	99 298	59 730	59 730

Inventories recognised as an expense during the year

Bulk purchases	13 860 724	12 562 745	-	-
Cost of inventory expensed	379 824	503 358	20 768	78 061

Reconciliation of Inventory

Opening balance	315 252	302 805	59 326	113 073
Purchases of Inventory	14 247 677	13 150 812	80 871	84 044
Inventory expensed	(14 240 548)	(13 066 103)	(20 768)	(78 061)
Inventory written down	(5 545)	(72 262)	-	(59 730)
	316 836	315 252	119 429	59 326

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
4. LOANS TO MUNICIPAL ENTITIES				
Shareholder loans				
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 17.5% Maturity = 30 June 2026	-	-	581 814	581 814
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2026.	-	-	42 979	42 979
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% Maturity 30 June 2018.	-	-	121 286	181 938
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2018.	-	-	8 681	13 023
	-	-	754 760	819 754

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
4. LOANS TO MUNICIPAL ENTITIES (continued)				
Conduit loans				
PIKITUP Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2026	-	-	121 055	121 054
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	-	-	-	89 793
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	93 736	179 401
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2018	-	-	148 202	209 794
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	-	184 449	233 685
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	-	-	250 533	297 860
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	-	-	194 049	221 694
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.31% Maturity = 30 June 2022	-	-	293 131	327 935
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.65% Maturity = 30 June 2023	-	-	46 548	50 982
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2016	-	-	-	19 707
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	1 303	2 494
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	1 678	2 389
Johannesburg Power (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2024	-	-	812 446	880 290
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2025	-	-	453 259	-
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2016	-	-	-	44 261
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Jibar less 35bp Maturity = 15 May 2026	-	-	72 560	108 840
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	158 492	225 682

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
4. LOANS TO MUNICIPAL ENTITIES (continued)				
Johannesburg Water (Pty) Ltd	-	-	171 899	217 786
Terms and conditions: Rate = 10.9%				
Maturity = 30 June 2019				
Johannesburg Water (Pty) Ltd	-	-	245 689	292 102
Terms and conditions: Rate = Rate = 10.9%				
Maturity = 30 June 2020				
Johannesburg Water (Pty) Ltd	-	-	414 330	455 763
Terms and conditions: Jibar plus 70pb				
Maturity = 15 May 2026				
Johannesburg Water (Pty) Ltd	-	-	194 387	222 080
Terms and conditions: Rate = 10.9%				
Maturity = 30 June 2021				
Johannesburg Water (Pty) Ltd	-	-	248 743	278 277
Terms and conditions: Rate = 9.31%				
Maturity = 30 June 2022				
Johannesburg Water (Pty) Ltd	-	-	555 141	608 016
Terms and conditions: Rate = 9.65%				
Maturity = 30 June 2023				
Johannesburg Water (Pty) Ltd	-	-	734 925	791 424
Terms and conditions: Rate = 10.18%				
Maturity = 30 June 2024				
Pikitup Johannesburg (Pty) Ltd	-	-	628	628
Terms and conditions: Rate = 14.15%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	2 937	2 937
Terms and conditions: Rate = 12.42%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	5 785	5 785
Terms and conditions: Rate = 10.2%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	19 701	19 701
Terms and conditions: Rate = 9%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	30 171	30 171
Terms and conditions: Rate = 10.2%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	14 379	14 379
Terms and conditions: Rate = 12.21%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	7 885	7 885
Terms and conditions: Rate range=12.21%				
Maturity= 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	19 983	19 983
Terms and conditions: Rate range=12.21%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	14 738	14 738
Terms and conditions: Rate range =10.78%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	15 309	15 309
Terms and conditions: Rate range = 10.4%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	22 398	22 398
Terms and conditions: Rate range =9.31%				
Maturity = 30 June 2026				
Pikitup Johannesburg (Pty) Ltd	-	-	27 265	27 265
Terms and conditions: Rate range = 9.65%				
Maturity = 30 June 2026				
City Power Johannesburg (Pty) Ltd	-	-	631 058	-

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
4. LOANS TO MUNICIPAL ENTITIES (continued)				
Terms and conditions: Rate range = 9.88%				
Maturity = 30 June 2025				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	8 575	16 318
Terms and conditions: Rate range = 10.2%				
Maturity = 30 June 2017				
Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-	351 270	-
Terms and conditions: Rate = 9.88%				
Maturity = 30 June 2025				
Pikitup Johannesburg (Pty) Ltd	-	-	104 982	-
Terms and conditions: Rate = 9,88%				
Maturity = 30 June 2025				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	-	8 775
Terms and conditions: Rate range = 10.2%				
Maturity = 30 June 2016				
The Johannesburg Metro Trading Company(Pty) Ltd	-	-	1 302 381	-
Terms and conditions: Rate range = 11.89%				
Maturity = 30 August 2035				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	9 420	13 413
Terms and conditions: Rate range = 10.9%				
Maturity = 30 June 2018				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	8 207	10 485
Terms and conditions: Rate range = 9%				
Maturity = 30 June 2019				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	9 164	10 918
Terms and conditions: Rate range = 10.4%				
Maturity = 30 June 2020				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	9 312	10 660
Terms and conditions: Rate range = 10.4%				
Maturity = 30 June 2021				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	20 265	22 671
Terms and conditions: Rate range = 9.31%				
Maturity = 30 June 2022				
The Johannesburg Fresh Produce (Pty) Ltd	-	-	-	6 889
Terms and conditions: Rate range = 9.65%				
Maturity 30 June 2023				
	-	-	8 032 368	6 162 617
Less impairment of loans to Municipal Entities	-	-	(761 467)	(326 823)
	-	-	7 270 901	5 835 794
Non-current assets	-	-	7 056 974	5 645 661
Current assets	-	-	968 687	1 009 887
	-	-	8 025 661	6 655 548
Reconciliation of provision for impairment of loans to municipal entities				
Opening balance	-	-	326 823	181 179
Additional impairment - Pikitup Johannesburg (Pty) Ltd	-	-	104 982	121 054
Additional impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-	329 662	24 590
	-	-	761 467	326 823

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

4. LOANS TO MUNICIPAL ENTITIES (continued)

Impairment of loan to Pikitup Johannesburg (Pty) Ltd

The entity has entered into a contractual obligation with the CJMM to repay the amount that was lent to the entity. The reason for the impairment is due to the default in the repayments of the specific loans that were issued to Pikitup. As much as the entity has recovered financially they are still defaulting on the capital repayments of the loans.

Impairment of loan - 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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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
5. OTHER FINANCIAL ASSETS				
At amortised cost				
Housing Selling scheme loans	26 629	26 629	26 629	26 629
Other loans and receivables	50 603	36 746	50 603	36 746
	77 232	63 375	77 232	63 375
Non-current assets				
At amortised cost	58 656	49 889	58 656	49 889
Current assets				
At amortised cost	18 576	13 486	18 576	13 486
6. FINANCE LEASE RECEIVABLES				
Gross investment in the lease due				
- within one year	-	-	108 274	90 945
- in second to fifth year inclusive	-	-	369 463	299 376
- later than five years	-	-	1 072	44 339
	-	-	478 809	434 660
less: Unearned finance revenue	-	-	(97 525)	(95 801)
Present value of minimum lease payments receivable	-	-	381 284	338 859
	-	-	381 284	338 859
Present value of minimum lease payments due				
- within one year	-	-	72 363	60 357
- in second to fifth year inclusive	-	-	305 923	272 885
- later than five years	-	-	2 998	5 617
	-	-	381 284	338 859
Non-current assets	-	-	308 921	278 502
Current assets	-	-	72 363	60 357
	-	-	381 284	338 859

The CJMM entered into a finance lease on 1 March 2012 with various MEs 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 97 525 (2015: R 95 801). The fair values were determined at the date of issue of each specialised vehicle to the various MEs.

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
7. TRADE AND OTHER RECEIVABLES				
Loans and receivables				
Accrued VAT	221 725	231 339	221 725	231 339
Deposits	763	746	-	-
Housing debtors	272 081	309 217	272 081	309 217
Fruitless and wasteful expenditure to be recovered	4 474	2 366	4 474	2 366
Trade debtors	191 377	182 538	-	-
Operating lease receivables	62 420	60 886	61 849	60 294
Related party debtors	-	-	3 159 465	2 989 182
Sundry debtors	1 276 580	687 450	1 068 096	450 307
Allowance for bad debts	(209 990)	(200 540)	(147 063)	(126 864)
	1 819 430	1 274 002	4 640 627	3 915 841
Other receivables				
Prepayments	114 000	81 980	6 724	98 578
	114 000	81 980	6 724	98 578
Total trade and other receivables	1 933 430	1 355 982	4 647 351	4 014 419
8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
Fines	200 120	112 487	200 120	112 487
9. VAT				
Receivable	178 624	292 052	171 744	284 336
Payable	(183 447)	(352 342)	-	-
	(4 823)	(60 290)	171 744	284 336

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
10. CONSUMER DEBTORS				
Gross balances				
Rates	5 723 875	5 556 478	5 723 875	5 556 478
Electricity	3 089 041	2 427 784	-	-
Water	5 949 020	5 765 555	-	-
Refuse	1 628 475	1 271 885	-	-
Housing rental	388 705	317 720	388 705	317 720
	16 779 116	15 339 422	6 112 580	5 874 198
Less: Allowance for impairment				
Rates	(4 851 533)	(4 756 065)	(4 851 533)	(4 756 065)
Electricity	(684 902)	(560 475)	-	-
Water	(4 049 533)	(3 994 818)	-	-
Refuse	(641 466)	(721 727)	-	-
Housing rental	(373 934)	(304 943)	(373 934)	(304 943)
	(10 601 368)	(10 338 028)	(5 225 467)	(5 061 008)
Net balance				
Rates	872 342	800 413	872 342	800 413
Electricity	2 404 139	1 867 309	-	-
Water	1 899 487	1 770 737	-	-
Refuse	987 009	550 158	-	-
Housing rental	14 771	12 777	14 771	12 777
	6 177 748	5 001 394	887 113	813 190
Current Assets	6 177 748	5 001 394	887 113	813 190

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Included in above is receivables from exchange transactions				
Electricity	2 404 139	1 867 309	-	-
Water	1 899 487	1 770 737	-	-
Refuse	987 009	550 158	-	-
Housing rental	14 771	12 777	14 771	12 777
	5 305 406	4 200 981	14 771	12 777
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	872 342	800 413	872 342	800 413
Net balance	6 177 748	5 001 394	887 113	813 190
Rates				
Current (0 - 30 days)	843 137	842 763	843 137	842 763
31 - 60 days	183 911	212 575	183 911	212 575
61 - 90 days	184 100	153 938	184 100	153 938
91 - 120 days	165 271	159 992	165 271	159 992
121 - 365 days	816 526	977 432	816 526	977 432
> 365 days	3 530 930	3 209 778	3 530 930	3 209 778
	5 723 875	5 556 478	5 723 875	5 556 478
Electricity				
Current (0 - 30 days)	2 262 150	1 708 761	-	-
31 - 60 days	293 849	259 547	-	-
61 - 90 days	95 448	83 408	-	-
91 - 120 days	84 515	68 653	-	-
121 - 365 days	314 996	277 175	-	-
> 365 days	38 083	30 240	-	-
	3 089 041	2 427 784	-	-
Water				
Current (0 - 30 days)	1 356 908	1 297 650	-	-
31 - 60 days	278 395	294 763	-	-
61 - 90 days	246 399	261 568	-	-
91 - 120 days	223 433	225 802	-	-
121 - 365 days	1 059 749	1 696 997	-	-
> 365 days	2 784 136	1 988 775	-	-
	5 949 020	5 765 555	-	-
Refuse				
Current (0 - 30 days)	157 902	57 627	-	-
31 - 60 days	41 718	40 698	-	-
61 - 90 days	44 372	39 127	-	-
91 - 120 days	48 272	18 726	-	-
121 - 365 days	1 336 211	1 115 707	-	-
	1 628 475	1 271 885	-	-

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Housing rental				
Current (0 - 30 days)	13 230	11 346	13 230	11 346
31 - 60 days	6 533	5 676	6 533	5 676
61 - 90 days	6 345	5 606	6 345	5 606
91 - 120 days	6 285	5 365	6 285	5 365
121 - 365 days	6 216	5 451	6 216	5 451
> 365 days	350 096	284 276	350 096	284 276
	388 705	317 720	388 705	317 720
Summary of debtors by customer classification				
Residential				
Current (0 - 30 days)	2 173 526	1 898 538	457 924	581 620
31 - 60 days	378 816	386 728	99 075	137 772
61 - 90 days	297 210	291 080	86 456	102 590
91 - 120 days	250 570	277 010	92 722	112 987
121 - 365 days	2 053 348	2 851 501	351 563	679 227
> 365 days	2 903 779	2 744 779	1 425 750	1 932 430
	8 057 249	8 449 636	2 513 490	3 546 626
Less: Allowance for impairment	(5 112 217)	(6 062 744)	(2 088 671)	(3 022 799)
	2 945 032	2 386 892	424 819	523 827
Residential - Past due and impaired				
Current (0 - 30 days)	270 606	308 552	210 194	242 383
31-60 days	178 594	206 563	87 099	118 930
61 - 90 days	137 992	148 933	72 484	85 989
91 - 120 days	193 558	255 466	74 844	90 988
121 - 365 days	1 546 455	2 500 461	330 232	643 609
> 365 days	2 785 012	2 642 769	1 313 818	1 840 900
	5 112 217	6 062 744	2 088 671	3 022 799
Residential - Past due and not impaired				
Current (0 - 30 days)	1 902 921	1 589 985	247 730	339 236
31 - 60 days	200 223	180 164	11 976	18 842
61 - 90 days	159 219	142 147	13 972	16 601
91 - 120 days	57 012	21 544	17 878	21 999
121 - 365 days	506 894	351 040	21 332	35 618
> 365 days	118 763	102 012	111 931	91 531
	2 945 032	2 386 892	424 819	523 827

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Industrial/ commercial				
Current (0 - 30 days)	2 381 921	1 917 910	370 413	264 014
31 - 60 days	405 287	394 779	78 011	74 058
61 - 90 days	264 061	237 990	98 371	52 575
91 - 120 days	251 388	190 914	70 675	55 099
121 - 365 days	1 352 744	1 174 051	411 937	268 048
> 365 days	3 484 116	2 562 691	2 264 691	1 463 282
	8 139 517	6 478 335	3 294 098	2 177 076
Less: Allowance for impairment	(5 045 133)	(4 017 543)	(2 868 263)	(1 901 597)
	3 094 384	2 460 792	425 835	275 479
Industrial/ commercial - Past due and impaired				
Current (0 - 30 days)	342 791	267 405	170 079	109 730
31 - 60 days	131 517	103 890	68 333	63 654
61 - 90 days	147 188	104 488	81 683	43 729
91 - 120 days	198 784	166 408	56 529	43 974
121 - 365 days	908 974	902 793	386 991	253 987
> 365 days	3 315 879	2 472 559	2 104 648	1 386 523
	5 045 133	4 017 543	2 868 263	1 901 597
Industrial/ commercial - Past due and not impaired				
Current (0 - 30 days)	2 039 129	1 650 505	200 335	154 284
31 - 60 days	273 770	290 888	9 678	10 404
61 - 90 days	116 873	133 503	16 688	8 847
91 - 120 days	52 604	24 506	14 146	11 125
121 - 365 days	443 770	271 257	24 946	14 061
> 365 days	168 238	90 133	160 042	76 758
	3 094 384	2 460 792	425 835	275 479

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Group Annual Financial Statements for the year ended 30 June 2016

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
National and provincial government				
Current (0 - 30 days)	77 880	101 699	28 048	8 476
31 - 60 days	20 302	31 753	13 357	6 421
61 - 90 days	15 393	14 577	5 618	4 378
91 - 120 days	25 818	10 614	8 159	2 729
121 - 365 days	127 605	47 210	59 242	30 150
> 365 days	315 352	205 600	190 568	98 341
	582 350	411 453	304 992	150 495
Less: Allowance for impairment	(444 018)	(257 741)	(268 533)	(136 612)
	138 332	153 712	36 459	13 883
National and provincial government - Past due and impaired				
Current (0 - 30 days)	13 565	4 680	12 870	3 523
31 - 60 days	12 065	6 731	11 700	5 519
61 - 90 days	5 239	4 550	4 665	3 642
91 - 120 days	16 322	8 997	6 526	2 177
121 - 365 days	99 301	32 514	55 654	28 569
> 365 days	297 526	200 269	177 118	93 182
	444 018	257 741	268 533	136 612
National and provincial government - Past due and not impaired				
Current (0 - 30 days)	64 296	97 019	15 160	4 953
31 - 60 days	8 237	25 021	1 657	902
61 - 90 days	10 154	10 027	953	737
91 - 120 days	9 496	1 617	1 633	551
121 - 365 days	28 304	14 696	3 588	1 582
> 365 days	17 845	5 332	13 468	5 158
	138 332	153 712	36 459	13 883

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Total				
Current (0 -30 days)	4 633 327	3 918 147	856 385	854 110
31 - 60 days	804 405	813 260	190 443	218 251
61 - 90 days	576 664	543 647	190 445	159 543
91 - 120 days	527 776	478 538	171 556	170 815
121 - 365 days	3 533 697	4 072 762	822 742	977 425
> 365 days	6 703 247	5 513 070	3 881 009	3 494 053
	16 779 116	15 339 424	6 112 580	5 874 197
Less: Allowance for impairment	(10 601 368)	(10 338 028)	(5 225 467)	(5 061 008)
	6 177 748	5 001 396	887 113	813 189
Less: Allowance for impairment				
Current (0 - 30 days)	626 962	580 637	393 143	355 636
31 - 60 days	322 176	317 184	167 132	188 103
61 - 90 days	290 419	257 971	158 832	133 360
91 - 120 days	408 664	430 871	137 899	137 139
121 - 365 days	2 554 730	3 435 768	772 877	926 165
> 365 days	6 398 417	5 315 597	3 595 584	3 320 605
	10 601 368	10 338 028	5 225 467	5 061 008
Total debtor past due but not impaired				
Current (0 - 30 days)	4 006 346	3 337 509	463 225	498 473
31 - 60 days	482 230	496 073	23 311	30 148
61 - 90 days	286 246	285 677	31 613	26 185
91 - 120 days	119 112	47 667	33 657	33 675
121 - 365 days	978 968	636 993	49 866	51 261
> 365 days	304 846	197 477	285 441	173 447
	6 177 748	5 001 396	887 113	813 189
Reconciliation of allowance for impairment				
Balance at beginning of the year	(10 338 028)	(14 828 248)	(5 061 008)	(5 032 507)
Contributions to allowance	(2 658 759)	(3 279 937)	(603 240)	(960 002)
Debt impairment written off against allowance	2 315 175	7 783 225	438 781	931 501
Reversal of allowance	80 244	(13 068)	-	-
Balance at the end of the year	(10 601 368)	(10 338 028)	(5 225 467)	(5 061 008)

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

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

11. FINANCIAL ASSETS AT FAIR VALUE - SINKING FUND

The Debt redemption fund is a financial solution to assist the CJMM meet its financial obligations to repay previously issued bonds. The CJMM pays contributions into the fund, which is managed by a 3rd party fund manager, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk management framework adopted by the CJMM. The financial liabilities of the fund are disclosed in note 30.

The total investments pledged as collateral for CJMM Bonds.

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

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

Sinking Fund
Maturity - 5 June 2023

Other financial assets through profit or loss

Bonds	65 692	348 475	65 692	348 475
Bond Options	19 525	72 120	19 525	72 120
Bond Repurchase Agreements	-	3 018 257	-	3 018 257
Negotiable Certificate of Deposit	-	309 073	-	309 073
Cash	47 711	374 618	47 711	374 618
Cash Collateral	251	27 364	251	27 364
Forward Rate Agreements	15 702	17 596	15 702	17 596
Swaps	5 100	23 377	5 100	23 377
Promissory Notes	202 574	-	202 574	-
Current Assets	356 555	4 190 880	356 555	4 190 880

Other financial assets through profit or loss

Bonds	1 787 397	1 194 596	1 787 397	1 194 596
Floating Rate Note	1 330 024	1 336 212	1 330 024	1 336 212
Forward Rate Agreement	3 840	-	3 840	-
Amortising Swap	206 078	198 893	206 078	198 893
Bond Options	-	54 181	-	54 181
Swaps	511 705	1 804 753	511 705	1 804 753
Non-Current Assets	3 839 044	4 588 635	3 839 044	4 588 635

4 195 599	8 779 515	4 195 599	8 779 515
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Financial assets carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	2 091 974	3 507 130	2 091 974	3 507 130
Held for trading non-derivative financial assets	2 103 625	5 272 385	2 103 625	5 272 385
4 195 599	8 779 515	4 195 599	8 779 515	

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Group Annual Financial Statements for the year ended 30 June 2016

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	578	720	129	120
Bank	1 255 748	1 602 028	1 069 816	905 420
Call investment deposits	3 113 439	3 276 806	3 112 110	3 274 448
	4 369 765	4 879 554	4 182 055	4 179 988

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Call investment deposits				
Call Deposits STD Bank Rating - (F1+)	1 363	1 406	1 363	1 406
Fixed Deposits STD Bank Rating - (F1+)	584 300	333 800	584 300	333 800
Fixed Deposits ABSA Rating - (F1+)	956 891	508 500	956 891	508 500
Call Deposits ABSA Rating - (F1+)	134 444	481 656	134 444	481 656
Call Deposits RMB Rating - (F1+)	1 100	1 100	1 100	1 100
Fixed Deposits RMB Rating - (F1+)	-	700 000	-	700 000
Call Deposits INVESTEC Rating - (F1)	2 111	1 249	1 108	1 249
Fixed Deposits INVESTEC Rating - (F1)	384 700	83 500	384 700	83 500
Call Deposits NEDBANK Rating - (F1+)	1 357	118 448	1 031	116 090
Fixed deposits NEDBANK Rating (F1+)	31 077	300 000	31 077	300 000
Call Deposits CITI BANK Rating - (F1)	1 993	1 611	1 993	1 611
Fixed Deposits CITY BANK Rating - (F1)	176 400	-	176 400	-
Call Deposits DEUTSCHE BANK Rating - (F1)	2 600	14 000	2 600	14 000
Fixed Deposits DEUTSCHE BANK Rating - (F1)	-	242 000	-	242 000
Call Deposits TCTA Rating - (None)	2 000	2 000	2 000	2 000
Call Deposits LANDBANK Rating - (F1+)	51 050	1 050	51 050	1 050
Stanlib Call Investment Rating - (F1+)	782 053	486 486	782 053	486 486
	3 113 439	3 276 806	3 112 110	3 274 448

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Figures in Rand thousand

13. ZOO ANIMALS

GROUP

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	28 777	(3 154)	25 623	26 108	(2 367)	23 741

Reconciliation of zoo animals - GROUP - 2016

	Opening balance	Additions	Adjustment arising from accounting for births and deaths	Disposals	Depreciation	Total
Zoo animals	23 741	2 370	3 007	(2 312)	(1 183)	25 623

Reconciliation of zoo animals - GROUP - 2015

	Opening balance	Additions	Adjustment arising from accounting for births and deaths	Disposals	Depreciation	Total
Zoo animals	15 247	6 057	3 816	(645)	(734)	23 741

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Figures in Rand thousand

14. INVESTMENT PROPERTY

GROUP	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 015 757	(366)	1 015 391	1 015 757	(343)	1 015 414

CJMM	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 014 946	-	1 014 946	1 014 946	-	1 014 946

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Figures in Rand thousand

Reconciliation of investment property - GROUP - 2016

	Opening balance	Transfers	Depreciation	Total
Investment property	1 015 414	-	(23)	1 015 391

Reconciliation of investment property - GROUP - 2015

	Opening balance	Additions	Transfers	Impairments	Depreciation	Total
Investment property	1 013 179	-	2 258	-	(23)	1 015 414

Reconciliation of investment property - CJMM - 2016

	Opening balance	Transfers	Impairments	Total
Investment property	1 014 946	-	-	1 014 946

Reconciliation of investment property - CJMM - 2015

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

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 568 882	-	8 568 882	8 323 489	-	8 323 489
Buildings	12 656 839	(4 068 677)	8 588 162	12 218 980	(3 575 897)	8 643 083
Plant and machinery	15 621 166	(3 029 148)	12 592 018	13 257 095	(2 623 127)	10 633 968
Furniture and fixtures	630 196	(443 909)	186 287	593 368	(393 171)	200 197
Motor vehicles	714 149	(430 060)	284 089	640 607	(324 818)	315 789
Office equipment	1 088 867	(771 731)	317 136	917 221	(610 098)	307 123
Computer equipment	306 195	(187 054)	119 141	264 624	(153 553)	111 071
Leasehold improvements	26 161	(14 118)	12 043	25 583	(11 401)	14 182
Infrastructure	14 666 267	(5 070 916)	9 595 351	11 685 525	(4 012 880)	7 672 645
Community assets	1 812 480	(723 256)	1 089 224	1 639 083	(603 013)	1 036 070
Landfill sites	473 172	(212 973)	260 199	515 997	(222 980)	293 017
Bins and containers	164 673	(82 025)	82 648	274 999	(198 030)	76 969
Work in progress	11 258 877	-	11 258 877	9 947 302	(4 915)	9 942 387
Minor plant	201 738	(84 207)	117 531	122 429	(77 659)	44 770
Specialised vehicles	1 486 210	(423 591)	1 062 619	1 120 964	(377 467)	743 497
Wastewater network	2 386 791	(210 915)	2 175 876	2 166 527	(187 113)	1 979 414
Water network	4 721 456	(556 238)	4 165 218	3 799 743	(488 266)	3 311 477
Library books	651 709	(596 995)	54 714	642 913	(585 556)	57 357
Emergency equipment.	61 442	(22 297)	39 145	55 575	(17 888)	37 687
Other	9 747	(6 091)	3 656	9 917	(5 796)	4 121
Total	77 507 017	(16 934 201)	60 572 816	68 221 941	(14 473 628)	53 748 313

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

CJMM	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 485 365	-	8 485 365	8 241 841	-	8 241 841
Buildings	10 989 768	(3 393 777)	7 595 991	10 798 630	(2 966 447)	7 832 183
Plant and equipment	317 978	(217 072)	100 906	273 255	(186 190)	87 065
Furniture and fittings	531 901	(393 382)	138 519	496 741	(342 144)	154 597
Motor vehicles	362 514	(283 717)	78 797	324 849	(231 397)	93 452
Office equipment	1 010 457	(723 370)	287 087	840 862	(562 103)	278 759
Infrastructure	13 546 699	(4 772 929)	8 773 770	11 685 525	(4 012 880)	7 672 645
Community assets	1 812 480	(723 256)	1 089 224	1 639 083	(603 013)	1 036 070
Bins and containers	12 402	(8 762)	3 640	12 280	(7 268)	5 012
Work in progress	8 540 674	-	8 540 674	5 948 514	-	5 948 514
Specialised vehicles	790 070	(316 382)	473 688	760 484	(235 288)	525 196
Library books	651 709	(596 995)	54 714	642 913	(585 556)	57 357
Emergency equipment	61 442	(22 297)	39 145	55 575	(17 888)	37 687
Other	1 667	(718)	949	1 666	(608)	1 058
Total	47 115 126	(11 452 657)	35 662 469	41 722 218	(9 750 782)	31 971 436

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Figures in Rand thousand

Reconciliation of property, plant and equipment - GROUP - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	8 323 489	292 978	-	(49 454)	1 869	-	-	-	8 568 882
Buildings	8 643 083	136 656	-	-	241 197	-	(432 774)	-	8 588 162
Plant and equipment	10 633 968	76 655	-	(5 981)	2 353 592	-	(466 216)	-	12 592 018
Furniture and fittings	200 197	21 320	-	(2 181)	16 346	-	(49 395)	-	186 287
Motor vehicles	315 789	47 110	-	(20)	5 043	-	(83 833)	-	284 089
Office equipment	307 123	137 330	-	(865)	11 240	-	(137 692)	-	317 136
Computer equipment	111 071	42 438	-	(613)	3 181	-	(36 936)	-	119 141
Leasehold improvements	14 182	938	-	-	-	-	(3 077)	-	12 043
Infrastructure	7 672 645	623 990	867 226	-	1 243 595	-	(812 105)	-	9 595 351
Community assets	1 036 070	53 608	-	-	119 709	-	(120 163)	-	1 089 224
Landfill sites	293 017	18 271	-	(9 718)	-	-	(41 371)	-	260 199
Bins and containers	76 969	13 550	-	(49)	47	-	(7 869)	-	82 648
Work in progress	9 942 387	6 254 723	-	-	(4 938 233)	-	-	-	11 258 877
Minor plant	44 770	12 148	-	(26)	71 272	-	(10 633)	-	117 531
Specialised vehicles	743 497	398 833	-	(2 448)	29 014	-	(106 222)	(55)	1 062 619
Wastewater network	1 979 414	6 866	-	-	116 892	96 506	(23 802)	-	2 175 876
Water network	3 311 477	253 053	-	-	628 873	70 065	(98 250)	-	4 165 218
Library books	57 357	8 796	-	-	-	-	(11 439)	-	54 714
Emergency equipment	37 687	4 146	-	(21)	1 742	-	(4 409)	-	39 145
Other	4 121	114	-	(24)	-	-	(555)	-	3 656
	53 748 313	8 403 523	867 226	(71 400)	(94 621)	166 571	(2 446 741)	(55)	60 572 816

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Figures in Rand thousand

Reconciliation of property, plant and equipment - GROUP - 2015

	Opening balance	Additions	Disposals	Transfers	Developer Funded network	Depreciation	Impairment loss	Closing balance
Land	7 928 523	347 061	(11 589)	59 494	-	-	-	8 323 489
Buildings	8 510 944	188 710	(101)	359 295	-	(415 765)	-	8 643 083
Plant and machinery	8 801 928	110 280	(2 822)	2 118 829	-	(393 898)	(349)	10 633 968
Furniture and fixtures	205 969	37 367	(1 328)	10 911	-	(52 722)	-	200 197
Motor vehicles	282 943	95 881	(1 577)	-	-	(61 458)	-	315 789
Office equipment	347 972	92 437	(2 926)	13 211	-	(143 571)	-	307 123
Computer equipment	67 955	33 745	(1 250)	39 128	-	(28 507)	-	111 071
Leasehold improvements	14 644	2 731	-	(188)	-	(3 005)	-	14 182
Infrastructure	7 777 435	435 955	-	168 007	-	(708 752)	-	7 672 645
Community assets	1 017 884	51 968	(7)	71 206	-	(104 981)	-	1 036 070
Landfill sites	354 820	40 656	(61 096)	-	-	(41 363)	-	293 017
Bins and containers	53 462	29 410	(6)	323	-	(6 220)	-	76 969
Work in progress	6 675 331	6 856 479	-	(3 584 508)	-	-	(4 915)	9 942 387
Minor plant	22 289	23 240	(7)	8 032	-	(8 784)	-	44 770
Specialised vehicles	733 955	129 675	(3 227)	-	-	(115 716)	(1 190)	743 497
Wastewater network	1 606 846	20 423	-	282 876	90 079	(20 810)	-	1 979 414
Water network	2 961 799	256 225	-	108 626	57 377	(72 550)	-	3 311 477
Library books	55 452	11 573	-	-	-	(9 668)	-	57 357
Emergency equipment	33 478	8 387	(41)	-	-	(4 137)	-	37 687
Other	3 483	1 193	(12)	(17)	-	(526)	-	4 121
	47 457 112	8 773 396	(85 989)	(344 775)	147 456	(2 192 433)	(6 454)	53 748 313

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Reconciliation of property, plant and equipment - CJMM - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Depreciation	Total
Land	8 241 841	292 978	-	(49 454)	-	-	8 485 365
Buildings	7 832 183	49 630	-	-	103 763	(389 585)	7 595 991
Plant and equipment	87 065	40 721	-	(51)	(1 218)	(25 611)	100 906
Furniture and fittings	154 597	10 234	-	(313)	16 308	(42 307)	138 519
Motor vehicles	93 452	9 425	-	-	5 095	(29 175)	78 797
Office equipment	278 759	125 032	-	(534)	11 116	(127 286)	287 087
Infrastructure	7 672 645	617 577	867 226	(867 226)	1 243 595	(760 047)	8 773 770
Community assets	1 036 070	53 608	-	-	119 709	(120 163)	1 089 224
Bins and containers	5 012	75	-	-	47	(1 494)	3 640
Work in progress	5 948 514	4 091 136	-	-	(1 498 976)	-	8 540 674
Specialised vehicles	525 196	-	-	-	-	(51 508)	473 688
Library books	57 357	8 796	-	-	-	(11 439)	54 714
Emergency equipment	37 687	4 146	-	(21)	1 742	(4 409)	39 145
Other	1 058	-	-	-	-	(109)	949
	31 971 436	5 303 358	867 226	(917 599)	1 181	(1 563 133)	35 662 469

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Reconciliation of property, plant and equipment - CJMM - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	7 863 846	347 061	(11 589)	42 523	-	8 241 841
Buildings	7 789 774	155 299	(101)	262 568	(375 357)	7 832 183
Plant and equipment	100 977	13 888	(1 275)	-	(26 525)	87 065
Furniture and fittings	166 173	26 281	(298)	7 739	(45 298)	154 597
Motor vehicles	102 168	66	(1 123)	-	(7 659)	93 452
Office equipment	327 523	72 725	(355)	13 221	(134 355)	278 759
Infrastructure	7 777 435	435 955	-	168 007	(708 752)	7 672 645
Community assets	1 017 884	51 968	(7)	71 206	(104 981)	1 036 070
Bins and containers	4 134	1 345	(6)	323	(784)	5 012
Work in progress	2 905 426	3 850 476	-	(807 388)	-	5 948 514
Specialised vehicles	558 138	40 932	-	-	(73 874)	525 196
Library books	55 452	11 573	-	-	(9 668)	57 357
Emergency equipment	33 478	8 388	(41)	-	(4 138)	37 687
Other	91	998	(1)	-	(30)	1 058
	28 702 499	5 016 955	(14 796)	(241 801)	(1 491 421)	31 971 436

City of Johannesburg Metropolitan Municipality

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Work in progress breakdown

GROUP

	2016			2015		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Buildings	2 295 025	-	2 295 025	991 932	(4 915)	987 017
Community assets	1 567 548	-	1 567 548	1 115 504	-	1 115 504
Plant and machinery	2 104 272	-	2 104 272	2 657 150	-	2 657 150
Furniture and Fittings	-	-	-	16 309	-	16 309
Infrastructure	4 716 973	-	4 716 973	3 863 160	-	3 863 160
Specialized vehicles	-	-	-	39 204	-	39 204
Office equipment	-	-	-	9 898	-	9 898
Water network	298 378	-	298 378	1 056 648	-	1 056 648
Wastewater network	140 709	-	140 709	158 926	-	158 926
Computer equipment	135 973	-	135 973	38 668	-	38 668
Total	11 258 878	-	11 258 878	9 947 399	(4 915)	9 942 484

CJMM

	2016			2015		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Buildings	2 256 153	-	2 256 153	938 548	-	938 548
Community assets	1 567 548	-	1 567 548	1 115 504	-	1 115 504
Emergency equipment	-	-	-	1 742	-	1 742
Furniture and Fittings	-	-	-	16 309	-	16 309
Infrastructure	4 716 973	-	4 716 973	3 861 418	-	3 861 418
Motor vehicles	-	-	-	5 095	-	5 095
Office equipment	-	-	-	9 898	-	9 898
Total	8 540 674	-	8 540 674	5 948 514	-	5 948 514

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Assets subject to finance lease (Net carrying amounts)				
Plant and machinery	2 885	9 434	-	-
Office equipment	34 964	48 039	30 092	35 871
Computer equipment	940	1 068	-	-
Leasehold improvements	12 043	14 182	-	-
Artwork	(36 333)	(41 363)	-	-
Specialised vehicles	164 659	290 195	164 659	290 195
	179 158	321 555	194 751	326 066

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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16. INTANGIBLE ASSETS

GROUP

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	235 867	(55 635)	180 232	235 867	(49 150)	186 717
Servitudes	1 727	-	1 727	1 727	-	1 727
Licences and franchises	285	(242)	43	285	(190)	95
Computer software, internally generated	14 581	(1 387)	13 194	9 874	3 090	12 964
Computer software	2 303 587	(1 543 186)	760 401	1 857 305	(1 252 114)	605 191
Intangible assets under development	28 452	-	28 452	15 231	-	15 231
Other intangible assets	137 743	(22 957)	114 786	-	-	-
Total	2 722 242	(1 623 407)	1 098 835	2 120 289	(1 298 364)	821 925

CJMM

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 841 766	(1 345 088)	496 678	1 530 479	(1 090 554)	439 925

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Reconciliation of intangible assets - GROUP - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Amortisation	Total
Additional capacity rights	186 717	-	-	-	-	(6 485)	180 232
Servitudes	1 727	-	-	-	-	-	1 727
Licences and franchises	95	285	-	-	-	(337)	43
Computer software, internally generated	12 964	358	-	-	-	(128)	13 194
Computer software	605 191	381 156	188 389	(194 061)	95 898	(316 172)	760 401
Intangible assets under development	15 231	13 221	-	-	-	-	28 452
Other intangible assets	-	137 743	-	-	-	(22 957)	114 786
	821 925	532 763	188 389	(194 061)	95 898	(346 079)	1 098 835

Reconciliation of intangible assets - GROUP - 2015

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment reversal	Total
Additional capacity rights	192 450	-	-	-	(5 733)	-	186 717
Servitudes	1 727	-	-	-	-	-	1 727
Licences and franchises	95	285	-	-	(285)	-	95
Computer software, internally generated	9 022	-	-	-	(130)	4 072	12 964
Computer software	327 131	128 075	(1 445)	340 728	(189 298)	-	605 191
Intangible assets under development	-	15 231	-	-	-	-	15 231
	530 425	143 591	(1 445)	340 728	(195 446)	4 072	821 925

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Reconciliation of intangible assets - CJMM - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	439 925	311 220	188 389	(188 418)	95	(254 533)	-	496 678

Reconciliation of intangible assets - CJMM - 2015

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	239 389	116 961	-	237 752	(154 177)	-	439 925

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17. HERITAGE ASSETS

GROUP

	2016			2015		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	526 316	-	526 316	527 592	-	527 592
Historical monuments	14 457	-	14 457	14 457	-	14 457
Historical buildings	41 104	-	41 104	41 104	-	41 104
Total	581 877	-	581 877	583 153	-	583 153

CJMM

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	524 723	-	524 723	525 999	-	525 999
Historical monuments	14 457	-	14 457	14 457	-	14 457
Historical buildings	41 104	-	41 104	41 104	-	41 104
Total	580 284	-	580 284	581 560	-	581 560

Reconciliation of heritage assets - GROUP - 2016

	Opening balance	Transfers	Total
Art collections, antiques and exhibits	527 592	(1 276)	526 316
Historical monuments	14 457	-	14 457
Historical buildings	41 104	-	41 104
	583 153	(1 276)	581 877

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Reconciliation of heritage assets - GROUP - 2015

	Opening balance	Additions	Transfers	Total
Art collections, antiques and exhibits	522 611	3 195	1 786	527 592
Historical monuments	14 457	-	-	14 457
Historical buildings	41 104	-	-	41 104
	578 172	3 195	1 786	583 153

Reconciliation of heritage assets - CJMM - 2016

	Opening balance	Transfers	Total
Art collections, antiques and exhibits	525 999	(1 276)	524 723
Historical monuments	14 457	-	14 457
Historical buildings	41 104	-	41 104
	581 560	(1 276)	580 284

Reconciliation of heritage assets - CJMM - 2015

	Opening balance	Additions	Transfers	Total
Art collections, antiques and exhibits	521 018	3 195	1 786	525 999
Historical monuments	14 457	-	-	14 457
Historical buildings	41 104	-	-	41 104
	576 579	3 195	1 786	581 560

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
18. INVESTMENTS IN MUNICIPAL ENTITIES				
Gross investment				
City of Johannesburg Property Company (SOC) Ltd			5 141	5 141
City Power Johannesburg (SOC) Ltd			112 466	112 466
Johannesburg City Parks NPC			29 958	29 958
Johannesburg Development Agency (SOC) Ltd			16 278	16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd			54 774	54 774
Johannesburg Roads Agency (SOC) Ltd			227 627	181 445
Metropolitan Trading Company (Pty) Ltd			97 972	97 972
Pikitup Johannesburg (SOC) Ltd			31 315	31 315
Johannesburg Civic Theatre (SOC) Ltd			1 784	1 784
The Johannesburg Fresh Produce Market (SOC) Ltd			20 000	20 000
			597 315	551 133
Impairments				
Johannesburg Metropolitan Bus Services (SOC) Ltd			(54 774)	(54 774)
Pikitup Johannesburg (SOC) Ltd			-	(31 315)
			(54 774)	(86 089)
Net investment				
			Carrying amount 2016	Carrying amount 2015
City of Johannesburg Property Company (SOC) Ltd			5 142	5 142
City Power Johannesburg (SOC) Ltd			112 466	112 466
Johannesburg City Parks NPC			29 958	29 958
Johannesburg Development Agency (SOC) Ltd			16 278	16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd			-	-
Johannesburg Roads Agency (SOC) Ltd			227 627	181 445
Johannesburg Social Housing Company (SOC) Ltd			-	-
Johannesburg Water (SOC) Ltd			-	-
Metropolitan Trading Company (Pty) Ltd			97 972	97 972
Pikitup Johannesburg (SOC) Ltd			31 315	-
The Johannesburg Civic Theatre (SOC) Ltd			1 784	1 784
The Johannesburg Fresh Produce Market (SOC) Ltd			20 000	20 000
			542 542	465 045

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

Johannesburg Social Housing Company (SOC) Ltd - R120
 Johannesburg Water (SOC) Ltd - R 200

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

The Investment in PIKITUP (SOC) Ltd has been reversed by CJMM based on the improved financial position and performance of the entity. The loans issued to the entity are still impaired due to the default in the repayments of the specific loans however indicators reflect that the investment is no longer impaired and hence the reversal of the investment.

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

19. INVESTMENT IN JOINT VENTURES

Name of company	Carrying amount 2016	Carrying amount 2015	Carrying amount 2016	Carrying amount 2015
Golden Triangle (Pty) Ltd	34 097	24 968	1	1
Joshco Madulamoho Joint Venture (JMJV)	24 192	24 801	-	-
	58 289	49 769	1	1

Principal activities and reporting dates of Joint Ventures

Name of entity	Holding	Reporting date	Period of results included
Golden Triangle Development Company (Pty) Ltd	50%	2016/06/30	01/07/2015 - 30/06/2016
Joshco Madulamoho Joint Venture (JMJV)	55%	2016/06/30	01/07/2015 - 30/06/2016

Golden Triangle Development Company (Pty) Ltd

The Golden Triangle is an investment between the CJMM and the Ovenstone Group. The separate Annual Financial Statements of the Joint Venture are available for inspection at the registered office of the entity. The carrying amount of the investment and summary of assets are disclosed below

Opening balance	24 968	18 389
Share of surplus	9 129	6 579
	34 097	24 968

Total assets	65 152	115 184
Total liabilities	(6 952)	(65 246)
Revenue	125 219	257 491
Surplus	18 258	13 159

Madulammoho Joint Venture (JMJV)

The JMJV is an investment between Joshco and Madulamoho for social rental housing. The separate Annual Financial Statements of the Joint Venture are available for inspection at the registered office of the entity. There are no contingent liabilities, contingent assets or commitments relating to the Joint Venture. The carrying amount of the investment and summary of assets are disclosed below

Opening balance	24 801	25 431
Share of (deficit)/ surplus	(59)	(80)
Other movements	(550)	(550)
	24 192	24 801

Total assets	50 191	50 702
Total liabilities	(6 205)	(5 610)
Revenue	7 603	7 105
(Deficit)/ surplus	(106)	(145)

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

20. INVESTMENTS IN ASSOCIATE

Name of entity

Friedshelf 128 (Pty) Ltd	15 791	20 046	-	-
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The CJMM through Pikitup (SOC) holds 50% shares in Friedshelf 128 (pty) Ltd. The CJMM is only considered to have significant influence over the operations of the company.

Movements in carrying value

Opening balance	20 046	18 108		
Share of (deficit)/ surplus	(4 255)	1 938		
	15 791	20 046		

Principal activities, country of incorporation and voting power

The company is incorporated in South Africa and operating in the property industry.

Summary of controlled entity's interest in associate

Total assets	37 477	44 922		
Total liabilities	(4 274)	(6 220)		
Revenue	5 605	6 014		
(Deficit)/ surplus	(5 499)	4 167		

Associates with different reporting dates

The financial year-end of the associate is the last day of February. As the year-end of the two entities is more than three months apart, the entity made estimates to the accounts of the associate to bring the two year ends in line with each other.

21. DEFERRED TAX

Deferred tax liability	2 398 950	2 109 855	-	-
Deferred tax assets	(514 398)	(443 108)	-	-

Reconciliation of deferred tax asset / (liability)

At beginning of year	(1 666 747)	(1 450 460)	-	-
Taxable / (deductible) temporary differences	(155 606)	79 932	-	-
Utilised assessed losses	(62 199)	(296 219)	-	-
	(1 884 552)	(1 666 747)	-	-

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22. FINANCIAL ASSETS BY CATEGORY

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

GROUP- 2016

	Cost	At fair value	Total
Current Assets			
Current tax receivable	18 955	-	18 955
Other financial assets	-	356 555	375 131
Trade and other receivables	1 819 430	-	1 819 430
Receivables from non-exchange	200 120	-	200 120
VAT receivable	178 624	-	178 624
Consumer debtors	6 177 748	-	6 177 748
Call investment deposits	3 113 439	-	3 113 439
Bank balances and cash	1 256 326	-	1 256 326
Non-Current Assets			
Other financial assets - Sinking fund	77 232	3 839 044	3 897 700
	12 841 874	4 195 599	17 037 473

GROUP - 2015

	Cost	At fair value	Total
Current Assets			
Current tax receivable	21 220	-	21 220
Other financial assets	-	4 190 880	4 190 880
Trade and other receivables	1 274 002	-	1 274 002
Receivables from non-exchange	112 487	-	112 487
VAT receivables	292 052	-	292 052
Consumer debtors	5 001 394	-	5 001 394
Call investment deposits	3 276 806	-	3 276 806
Bank balances and cash	1 602 748	-	1 602 748
Non-Current Assets			
Other financial assets	63 375	4 588 635	4 652 010
	11 644 084	8 779 515	20 423 599

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CJMM - 2016

	Cost	At fair value	At amortised cost	Total
Current Assets				
Loans to Municipal Entities	968 687	-	-	968 687
Other financial assets	-	356 555	18 576	375 131
Finance lease receivables	72 363	-	-	72 363
Trade and other receivables	4 640 627	-	-	4 640 627
Receivables from non-exchange	200 120	-	-	200 120
Consumer debtors	887 113	-	-	887 113
VAT receivable	171 744	-	-	171 744
Call investment deposits	3 112 110	-	-	3 112 110
Bank balances and cash	1 069 945	-	-	1 069 945
Non-Current Assets				
Loans to Municipal Entities	7 056 974	-	-	7 056 974
Other financial assets	77 232	3 839 044	(18 576)	3 897 700
Investments in Municipal entities	542 542	-	-	542 542
Finance lease receivables	308 921	-	-	308 921
	19 108 378	4 195 599	-	23 303 977

CJMM - 2015

	Cost	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
Finance lease receivables	60 357	-	60 357
Trade and other receivables	3 915 841	-	3 915 841
Receivables from non-exchange	112 487	-	112 487
Consumer debtors	813 190	-	813 190
VAT receivable	284 336	-	284 336
Call investment deposits	3 274 448	-	3 274 448
Bank balances and cash	905 540	-	905 540
Non-Current Assets			
Loans to Municipal Entities	5 645 661	-	5 645 661
Other financial assets	63 375	4 588 635	4 652 010
Investments in Municipal entities	465 045	-	465 045
Finance lease receivables	278 502	-	278 502
	16 828 669	8 779 515	25 608 184

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
23. LOANS AND BORROWINGS				
Non-Current portion of loans and borrowings -				
At amortised cost				
Structured loans *	16 609	29 942	16 609	29 942
Development Bank of Southern Africa	5 342 227	2 916 186	5 326 316	2 899 533
Listed bonds	7 749 000	6 475 667	7 749 000	6 475 667
Other loans and borrowings	4 366 773	4 688 102	4 366 773	4 688 102
	17 474 609	14 109 897	17 458 698	14 093 244
Current portion of loans and borrowings - At				
amortised cost				
Structured loans *	13 333	13 333	13 333	13 333
Development Bank of Southern Africa	73 959	73 550	73 217	72 871
Listed bonds	166 667	1 233 333	166 667	1 233 333
Other loans and borrowings	340 270	253 878	340 270	253 881
	594 229	1 574 094	593 487	1 573 418
	18 068 838	15 683 991	18 052 185	15 666 662

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

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
24. FINANCE LEASE OBLIGATIONS				
Minimum lease payments due				
- within one year	83 952	139 165	72 137	123 875
- in second to fifth year	216 082	232 077	211 537	220 602
- later than five years	27 999	78 095	27 999	78 095
	328 033	449 337	311 673	422 572
less: future finance charges	(66 311)	(90 674)	(64 924)	(88 181)
Present value of minimum lease payments	261 722	358 663	246 749	334 391
Present value of minimum lease payments due				
- within one year	62 558	116 016	51 778	100 173
- in second to fifth year inclusive	172 486	170 784	168 293	162 355
- later than five years	26 678	71 863	26 678	71 863
	261 722	358 663	246 749	334 391
Non-current liabilities	199 164	242 647	194 971	234 218
Current liabilities	62 558	116 016	51 778	100 173
	261 722	358 663	246 749	334 391

Office Equipment

The Group leases certain office equipment and these are classified as a finance lease. The lease terms range between 2 to 5 years. The Implicit interest rate on the leases ranges between 7.35% and 19.25% per annum.

Plant and Equipment

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

Specialised vehicles

The Group leases certain BRT vehicles and emergency service vehicles. The lease terms for these vehicles range between 10 to 12 years. The effective interest rate on the leases are between 9.7% and 15.43%. The lease for emergency service vehicles expired in August 2015.

The carrying values of these leased assets are included under property, plant and equipment. Refer to note 15.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
25. TRADE AND OTHER PAYABLES				
Financial liabilities				
Accrued interest	168 048	125 120	167 695	124 753
Accrued bonus	258 898	212 545	11 964	11 496
Credit balances in consumer debtors	1 697 672	1 606 071	1 057 876	981 350
Engineering fees	102 530	95 538	102 530	95 538
Operating lease payables	18 729	23 230	1 610	4 967
Other creditors	1 741 781	1 411 905	965 607	605 705
Related party creditor	-	-	6 643 001	6 328 061
Retentions	306 467	235 059	55 695	67 347
Trade payables	7 134 239	6 411 594	1 919 379	1 792 500
	<u>11 169 466</u>	<u>9 908 517</u>	<u>10 925 357</u>	<u>10 011 717</u>
Other liabilities				
Accrued leave pay	568 977	538 857	291 941	269 831
Payments received in advanced	434 499	464 252	15 051	15 609
	<u>1 003 476</u>	<u>1 003 109</u>	<u>306 992</u>	<u>285 440</u>
	<u>12 431 840</u>	<u>11 124 171</u>	<u>11 232 349</u>	<u>10 297 157</u>

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
26. UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Provincial grants : Capital projects	166 339	170 048	166 339	167 788
Urban settlements development grant	94 985	-	94 985	-
Provincial grants : Top Structure of houses	-	108	-	108
Provincial grants : Operating projects	24 210	9 383	24 210	9 383
2010 Public transport (SPTN)	2 475	1 819	2 475	1 819
Neighbourhood Development Partnership Grant	25 753	9 047	25 753	9 047
World Anti-Doping Agency (WADA)	31 805	10 111	31 805	10 111
Expanded Public Works Programme (EPWP)	910	-	910	-
Provincial grant : Jozi Ihlomihle (HIV/Aids)	-	95	-	95
Public Transport Network Grant	45 246	3 502	45 246	3 502
Social housing grant	23 985	74 857	-	-
Infrastructure skills development grants	6 452	2 595	-	-
Public contributions and donations	31 698	5 890	1 890	2 059
	453 858	287 455	393 613	203 912
Non-current liabilities	23 071	73 943	-	-
Current liabilities	430 787	213 512	393 613	203 912
	453 858	287 455	393 613	203 912

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 38 for reconciliation of grants.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2016

Notes to the Group Annual Financial Statements

Figures in Rand thousand

27. PROVISIONS

Reconciliation of provisions - GROUP - 2016

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Legal claims	29 100	2 509	(3 959)	-	27 650
Provision for damages claim	20 000	-	-	-	20 000
Provision for maintenance contract	-	14 000	-	-	14 000
Fleet Provision	19 676	-	-	-	19 676
Environmental rehabilitation: Closed landfill site	151 343	-	130	9 077	160 550
Environmental rehabilitation: Open landfill sites	387 877	-	(9 717)	23 263	401 423
Pension fund provision	79 987	4 169	-	-	84 156
Other provisions	3 989	2 464	(847)	-	5 606
	691 972	23 142	(14 393)	32 340	733 061

Reconciliation of provisions - GROUP - 2015

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Legal claims	29 350	-	(250)	-	29 100
Legacy litigation	18 500	-	(18 500)	-	-
Provision for consultation fees	23 737	-	(23 737)	-	-
Provision for damages claim	20 000	-	-	-	20 000
Provision for cleaning services	1 800	-	(1 800)	-	-
Fleet Provision	19 676	-	-	-	19 676
Environmental rehabilitation: Closed landfill site	144 460	-	(1 195)	8 078	151 343
Environmental rehabilitation: Open landfill sites	425 226	-	(61 096)	23 747	387 877
Pension fund provision	76 084	3 903	-	-	79 987
Other provisions	4 342	-	(353)	-	3 989
	763 175	3 903	(106 931)	31 825	691 972

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of provisions - CJMM - 2016

	Opening Balance	Additions	Interest	Total
Provision for damages claim	20 000	-	-	20 000
Provision for maintenance contract	-	14 000	-	14 000
Pension fund provision	79 987	4 169	-	84 156
Other Provisions	-	1 000	-	1 000
	99 987	19 169	-	119 156

Reconciliation of provisions - CJMM - 2015

	Opening Balance	Additions	Utilised/written back during the year	Interest	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 provision	76 084	3 903	-	-	79 987
	121 621	3 903	(25 537)	-	99 987
Non-current liabilities	700 742	659 630		119 156	99 987
Current liabilities	32 318	32 342		-	-
	733 060	691 972		119 156	99 987

Legal claims

The legal claims provision relates to the litigation in progress that is likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity. The legal claims emanate from supply chain related matters which occurred in the past and the employment related matters from former and current employees against JRA.

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. The Supreme Court of Appeal 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 maintenance contract

An Arbitration matter in which Questek, the claimant, claims that the City must pay it approximately R14 million for services rendered in a maintenance contract at the City's request. The City does not deny the services but submits that it overpaid the service provider in another contract and there should be a set off.

Fleet Provision

The provision relates amounts owed by Pikitup (SOC) Ltd to Fleet Africa for the fleet lease contract that has since expired. The matter has been referred to CoJ legal for assistance. The amount provided for is the amount of all outstanding invoices.

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

Environmental rehabilitation: landfill sites (closed and open)

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

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

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

The final side slopes for each landfill is 1:3;

The cover to waste ratio is 1:5 for each site;

The growth rates for each site are based on zero growth;

The final landfill footprint extends over the entire landfill property size (excluding infrastructure and a 20m buffer zone between the site boundary and the toe of the landfill; and

The density of the waste is calculated using both the survey and weighbridge data.

Pension fund provision

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.

Other Provisions

Provision for Security Contract

On 21 August, the High Court ordered that Mjayeli suffered damages which are limited to 30 days proven loss of profits with the City having to pay Mjayeli's costs. Mjayeli is still to prove this loss. The loss is estimated at R1 million.

Provision for other creditors

The provision relates to amounts owed by Johannesburg City Parks (SOC) Ltd to various creditors. The amounts owed are under dispute. Management has estimated the provision to be R8 million, however there is uncertainty as to when the liability will be settled

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

28. EMPLOYEE BENEFIT OBLIGATIONS

28.1 Post-retirement liabilities

Post-Retirement Medical Aid Plan	(1 179 351)	(1 320 453)	(1 103 327)	(1 240 425)
Post-Retirement Housing Subsidy Plan	(5 688)	(4 450)	(301)	(238)
Retirement Gratuity Plan	(417 584)	(439 552)	(150 827)	(163 947)
	(1 602 623)	(1 764 455)	(1 254 455)	(1 404 610)

28.1.1 Unfunded post-retirement medical aid plan

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

Amounts recognised in the Statement of financial position

Present value of unfunded obligation	1 179 351	1 320 453	1 103 327	1 240 425
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Movements for the year

Opening balance	1 320 453	1 339 856	1 240 425	1 241 051
Benefits paid	(102 929)	(101 901)	(100 369)	(99 177)
Net expense recognised in the statement of financial performance	(38 173)	82 498	(36 729)	98 551
	1 179 351	1 320 453	1 103 327	1 240 425

Net expense recognised in the Statement of financial performance

Current service cost	699	4 680	329	2 924
Interest cost	106 980	114 859	100 371	106 157
Actuarial gains	(145 852)	(37 041)	(137 429)	(10 530)
	(38 173)	82 498	(36 729)	98 551

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
28.1.2 Unfunded post-retirement housing subsidy plan				
The CJMM provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.				
Amounts recognised in the Statement of financial position				
Present value of unfunded obligation in respect of CJMM employees	5 688	4 450	301	238
Movements for the year				
Opening balance	4 450	1 913	238	351
Benefits paid	(85)	(81)	(85)	(77)
Net expense recognised in the statement of financial performance	1 323	2 618	148	(36)
	5 688	4 450	301	238
Net expense recognised in the Statement of financial performance				
Current service cost	187	67	-	-
Interest cost	375	142	18	18
Actuarial losses/ (gains)	761	2 409	130	(54)
	1 323	2 618	148	(36)
28.1.3 Unfunded post-retirement gratuity plan				
The CJMM provides gratuities on retirement or death in respect of certain qualifying staff members who have service with the CJMM when they were not members of one of the retirement funds and who meet certain service requirements in terms of the CJMM conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.				
Amounts recognised in the Statement of financial position				
Present value of unfunded obligation in respect of CJMM employees	417 584	439 552	150 827	163 947
Movements for the year				
Opening balance	439 552	500 610	163 947	190 546
Benefits paid	(38 960)	(38 455)	(11 042)	(15 807)
Net expense recognised in the statement of financial performance	16 992	(22 603)	(2 078)	(10 792)
	417 584	439 552	150 827	163 947
Net expense recognised in the Statement of financial performance				
Interest cost	35 370	42 606	13 029	16 206
Actuarial (gains)/ losses	(18 378)	(65 209)	(15 107)	(26 998)
	16 992	(22 603)	(2 078)	(10 792)

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8,86 %	8,44 %	8,87 %	8,42 %
Health care cost inflation rate	8,01 %	7,61 %	8,01 %	7,61 %
Maximum subsidy inflation rate	5,63 %	7,11 %	5,63 %	7,11 %
Salary inflation	7,51 %	7,11 %	7,11 %	7,11 %
Net discount rate – health care cost inflation (PEMA)	0,79 %	0,75 %	0,79 %	0,76 %
Net discount rate – maximum subsidy inflation (PEMA)	3,06 %	1,22 %	3,06 %	1,24 %
Net discount rate – salary inflation (PEH & Gratuity)	1,26 %	1,22 %	1,26 %	1,24 %

Sensitivity analysis

- - -

GROUP

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		1 179 351	5 688	417 725	1 602 764	
Benefits inflation	+1%	1 215 696	6 425	446 658	1 668 779	4%
	-1%	1 133 001	5 056	391 303	1 529 360	5%
Discount rate	+1%	1 090 699	5 068	391 844	1 487 611	-7%
	-1%	1 282 025	6 422	446 559	1 735 006	8%
Post-retirement mortality	- 1 Year	1 227 715	5 736	417 725	1 651 176	3%
		-	-	-	-	

CJMM

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		1 103 327	301	150 969	1 254 597	
Benefits inflation	+1%	1 136 732	306	162 281	1 299 319	4%
	-1%	1 060 453	296	140 703	1 201 452	4%
Discount rate	+1%	1 020 997	296	140 913	1 162 206	-7%
	-1%	1 198 653	306	162 241	1 361 200	8%
Post-retirement mortality	- 1 Year	1 148 932	304	150 969	1 300 205	4%
		-	-	-	-	

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2017

GROUP

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		99 891	774	34 957	135 622	
Benefits inflation	+1%	103 100	883	37 516	141 499	4%
	-1%	95 868	681	32 805	129 354	-5%
Discount rate	+1%	102 522	735	36 360	139 617	3%
	-1%	96 751	816	33 271	130 838	-4%
Post-retirement mortality	- 1 Year	104 255	780	34 957	139 992	3%
		-	-	-	-	

CJMM

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		93 514	24	12 685	106 223	
Benefits inflation	+1%	96 476	24	13 688	110 188	4%
	-1%	89 712	23	11 775	101 510	-4%
Discount rate	+1%	95 948	26	13 125	109 099	-7%
	-1%	90 458	21	12 140	102 619	8%
Post-retirement mortality	-1 year	97 558	24	12 685	110 267	4%
		-	-	-	-	

Five years historical Post retirement obligations

GROUP

	2016	2015	2014	2013	2012
Total	1 602 623	1 764 455	1 842 379	1 865 790	1 789 466
Experience adjustment	2016	2015	2014	2013	2012
Total	(68 838)	114 354	-	-	-

CJMM

Post- retirement obligation	2016	2015	2014	2013	2012
Total	1 254 455	1 404 612	1 431 950	1 445 683	1 808 068
	2016	2015	2014	2013	2012
Total	(67 185)	(57 482)	-	-	-

The experience adjustments were calculated in the current and prior financial year however it was impracticable to calculate it for previous valuations

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

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
29. DEFERRED INCOME				
Bond tap				
Balance unspent at beginning of year	45 637	48 879	45 637	48 879
Conditions met - transferred to revenue	(3 591)	(3 242)	(3 591)	(3 242)
Conditions still to be met - transferred to liabilities	42 046	45 637	42 046	45 637
<p>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.</p> <p>The Tap was issued on the 9th of December 2008 and is due to mature on the 5th of June 2023. The Tap was issued at a premium of R58,038,692, at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.</p>				
Deferred income related to BRT points system				
Current year receipts	4 298	-	4 298	-
Passenger trips received in advance				
Balance unspent at beginning of year	4 264	4 545	-	-
Conditions met - transferred to revenue	(312)	(281)	-	-
Conditions still to be met - transferred to liabilities	3 952	4 264	-	-
<p>Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.</p>				
Commission received				
	4 702	11 066	-	-
	(4 702)	(6 364)	-	-
Conditions still to be met - transferred to liabilities	-	4 702	-	-
<p>The above deferred income relate to commission received on the conclusion of the 5 year lease agreement relating to outdoor advertising. The final amortisation occurred in March 2016.</p>				
Current liabilities	3 952	8 966	-	-
Non-current liabilities	46 344	45 637	46 344	45 637
	50 296	54 603	46 344	45 637

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	2016	2015	2016	2015

30. FINANCIAL LIABILITIES AT FAIR VALUE - SINKING FUND

The Debt redemption fund is a financial solution to assist the CJMM meet its financial obligations to repay previously issued bonds. The CJMM pays contributions into the fund, which is managed by a 3rd party fund manager, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk management framework adopted by CJMM. The financial assets in the fund are disclosed in note 11

The total investments are pledged as collateral for CJMM Bonds

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

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

Sinking Fund
Maturity - 5 June 2023

Other financial liabilities through profit or loss

Bonds	887	1 657	887	1 657
Bond Repurchase Agreements	376 139	521	376 139	521
Bond Options	41 045	88 037	41 045	88 037
Forward Rate Agreements	18 394	14 095	18 394	14 095
Swaps	8 209	33 620	8 209	33 620
Current Liabilities	444 674	137 930	444 674	137 930

Other financial liabilities through profit or loss

Bonds	-	2 704 406	-	2 704 406
Floating Rate Note	222 917	224 528	222 917	224 528
Forward Rate Agreement	7 516	5 327	7 516	5 327
Amortising Swap	15 824	174 607	15 824	174 607
Bond Options	-	66 927	-	66 927
Swaps	479 472	1 706 098	479 472	1 706 098
Non-Current Liabilities	725 729	4 881 893	725 729	4 881 893

1 170 403	5 019 823	1 170 403	5 019 823
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Financial liabilities carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	793 377	2 313 238	793 377	2 313 238
Held for trading non-derivative financial liabilities	377 026	2 706 585	377 026	2 706 585
1 170 403	5 019 823	1 170 403	5 019 823	

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

31. OTHER FINANCIAL LIABILITIES AT FAIR VALUE - SWAP

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

Swap Details

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

Opening balance	45 217	54 113	45 217	54 113
Fair value movement-SWAP	(23 083)	(8 896)	(23 083)	(8 896)
Closing balance	22 134	45 217	22 134	45 217
Current liability	4 056	6 856	4 056	6 856
Non-Current liability	18 078	38 361	18 078	38 361
	22 134	45 217	22 134	45 217

32. CONSUMER DEPOSITS

Non-Current portion of Consumer deposits

Electricity and water deposits	793 988	693 877	-	-
Other deposits	15 816	17 288	15 816	17 288
	809 804	711 165	15 816	17 288

Current portion of Consumer deposits

Other deposits	37 766	28 293	-	-
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Other deposits relate largely to deposits held as part of rental agreements between tenants and JPC Portfolio, Joshco Community Development and the Housing Department.

33. LOANS FROM MUNICIPAL ENTITIES

Non-current liabilities	-	-	412 990	411 802
Current liabilities	-	-	-	-
	-	-	412 990	411 802

Notional Accounts

The liability with the municipality entities was undertaken by the CJMM to cover the portion of the post retirement liability accrued for the employees of CJMM 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	-	-	142 069	134 931
Finance cost	-	-	9 330	8 061
Payments	-	-	(1 635)	(923)
	-	-	149 764	142 069

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
33. LOANS FROM MUNICIPAL ENTITIES (continued)				
Gratuities Notional loan account				
Opening balance	-	-	269 733	276 182
Finance cost	-	-	17 442	16 199
Payments	-	-	(23 948)	(22 648)
	-	-	263 227	269 733

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

34. FINANCIAL LIABILITIES BY CATEGORY

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

GROUP- 2016

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	594 229	-	594 229
Finance lease obligations	62 558	-	62 558
Financial liabilities - Sinking fund	-	444 674	444 674
Other financial liabilities - Swap	-	4 056	-
Non-Current Liabilities			
Loans and borrowings	17 474 609	-	17 474 609
Finance lease obligations	199 164	-	199 164
Financial liabilities - Sinking fund	-	725 729	-
Other financial liabilities - Swap	-	18 078	18 078
Consumer deposits	809 804	-	809 804
	19 140 364	1 192 537	19 603 116

GROUP - 2015

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	1 574 094	-	1 574 094
Finance lease obligations	116 016	-	116 016
Financial liabilities - Sinking fund	-	137 930	-
Other financial liabilities - Swap	-	6 856	1 089 712
Consumer deposits	28 293	-	28 293
Non-Current Liabilities			
Loans and borrowings	14 109 897	-	14 109 897
Finance lease obligations	242 647	-	242 647
Financial liabilities - Sinking fund	-	4 881 893	-
Other financial liabilities - Swap	-	38 361	-
Consumer deposits	711 165	-	711 165
	16 782 112	5 065 040	17 871 824

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Figures in Rand thousand

CJMM - 2016

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	593 487	-	593 487
Finance lease obligations	51 778	-	51 778
Financial liabilities - Sinking fund	-	444 674	444 674
Other financial liabilities - Swap	-	4 056	-
Non-Current Liabilities			
Loans and borrowings	17 458 698	-	17 458 698
Finance lease obligations	194 971	-	194 971
Financial liabilities - Sinking fund	-	725 729	-
Other financial liabilities - Swap	-	18 078	-
Loans from Municipal entities	412 990	-	-
Consumer deposits	15 816	-	15 816
	18 727 740	1 192 537	18 759 424

CJMM - 2015

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	1 573 418	-	1 573 418
Finance lease obligations	100 173	-	100 173
Financial liabilities - Sinking fund	-	137 930	137 930
Other financial liabilities - Swap	-	6 856	-
Trade and other payables	11 316 481	-	11 316 481
Non-Current Liabilities			
Loans and borrowings	14 093 244	-	14 093 244
Finance lease obligations	234 218	-	234 218
Financial liabilities - Sinking fund	-	4 881 893	4 881 893
Other financial liabilities - Swap	-	38 361	-
Loans from Municipal entities	411 802	-	411 802
Consumer deposits	17 288	-	17 288
	27 746 624	5 065 040	32 766 447

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
35. OTHER REVENUE				
Bulk contributions received	175 841	193 866	-	-
Commissions received	354 376	298 207	-	-
Cut-off fees	10 190	2 928	-	-
Demand side management levy	141 577	66 240	-	-
Gautrain maintenance fees	6 724	5 788	-	-
Internal recoveries - ME's	-	-	458 764	390 538
Cemetery fees	20 804	19 381	-	-
Theatre ticket sales	11 931	10 720	-	-
Recovery of insurance	10 098	10 876	140	-
Sundry revenue	852 547	687 566	561 724	394 769
Training revenue	17 565	17 245	18 089	16 944
	1 601 653	1 312 817	1 038 717	802 251
36. RENDERING OF SERVICES				
Other service charges	459 945	509 511	226 650	195 673
Refuse removal	1 298 224	1 202 553	-	-
Sale of electricity	13 908 429	12 743 765	-	-
Sale of water	4 869 085	4 147 061	-	-
Sewerage and sanitation charges	2 739 019	2 716 878	-	-
Surcharges : Electricity	151 582	134 686	151 582	134 686
Surcharges : Refuse	4 180	3 844	4 180	3 844
Surcharges : Water	47 015	46 637	47 015	46 637
	23 477 479	21 504 935	429 427	380 840

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
37. PROPERTY RATES				
Rates received				
Residential	2 850 375	2 639 198	2 850 375	2 639 236
Commercial	5 114 128	4 870 736	5 114 128	4 870 740
State	173 556	164 955	173 556	164 955
	8 138 059	7 674 889	8 138 059	7 674 931
Valuations				
Property rate valuations	945 236 868	919 592 501	945 236 868	919 592 501

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Provincial grants : Capital projects	167 961	168 124	116 541	137 123
Urban settlements development grant	1 636 236	1 685 807	1 386 716	1 359 400
Financial management grant	1 050	1 250	1 050	1 250
Provincial grants : Top structure of houses	304 531	328 077	304 531	328 077
Provincial grants : Operating projects	20 319	8 003	12 619	10 905
2010 Public transport (SPTN)	863 712	925 572	863 712	925 572
Neighbourhood development partnership grant	38 234	39 414	38 234	39 414
Integrated City Development Grant (ICDG)	32 692	40 386	32 692	40 386
Expanded Public Works Programme (EPWP)	33 363	42 864	33 363	42 864
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	19 709	19 889	19 709	19 889
Public Transport Network operations Grant	245 257	520 708	245 257	520 708
Social housing grant	914	914	-	-
Ambulance subsidy	111 416	105 809	111 416	105 809
Equitable share and fuel levy	5 331 848	4 853 451	5 331 848	4 853 451
Provincial health subsidies	110 043	104 505	110 043	104 505
Skills Development Grant	2 618	2 302	-	-
	8 919 903	8 847 075	8 607 731	8 489 353

Provincial grants : Capital projects

Balance unspent at beginning of year	170 048	151 798	167 788	151 796
Current year receipts	159 064	92 832	109 904	59 573
Transfers	-	43 948	-	43 948
Adjustment - Debtors	5 188	49 594	5 188	49 594
Conditions met - transferred to revenue	(167 961)	(168 124)	(116 541)	(137 123)
Conditions still to be met - transferred to liabilities	166 339	170 048	166 339	167 788

Urban settlements development grant

Current year receipts	1 731 221	1 695 487	1 731 221	1 695 487
Transferred to EPWP	-	(9 680)	-	(9 680)
Transferred to ME's	-	-	(249 520)	(326 407)
Conditions met - transferred to revenue	(1 636 236)	(1 685 807)	(1 386 716)	(1 359 400)
Conditions still to be met - transferred to liabilities	94 985	-	94 985	-

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

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Financial management grant				
Current year receipts	1 050	1 250	1 050	1 250
Conditions met - transferred to revenue	(1 050)	(1 250)	(1 050)	(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	108	209 827	108	209 827
Current year receipts	348 759	-	348 759	-
Settled against debtors	(172 823)	(34 774)	(172 823)	(34 774)
Current year claims	128 487	153 132	128 487	153 132
Conditions met - transferred to revenue	(304 531)	(328 077)	(304 531)	(328 077)
Conditions still to be met - transferred to liabilities	-	108	-	108

Provincial grants : Operating projects

Balance unspent at beginning of year	9 383	7 696	9 383	7 696
Current year receipts	36 149	10 690	36 149	10 690
Paid Back	(1 003)	-	(1 003)	-
Transfers to ME's	-	-	(7 700)	2 902
Adjustments	-	(1 000)	-	(1 000)
Conditions met - transferred to revenue	(20 319)	(8 003)	(12 619)	(10 905)
Conditions still to be met - transferred to liabilities	24 210	9 383	24 210	9 383

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

Public Transport Network Grant (Capital Projects)

Balance unspent at beginning of year	1 819	398 840	1 819	398 840
Current year receipts	864 368	553 571	864 368	553 571
Grants paid back	-	(25 020)	-	(25 020)
Conditions met - transferred to revenue	(863 712)	(925 572)	(863 712)	(925 572)
Conditions still to be met - transferred to liabilities	2 475	1 819	2 475	1 819

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Neighbourhood development partnership grant				
Balance unspent at beginning of year	9 047	9 849	9 047	9 849
Current year receipts	54 940	48 461	54 940	48 461
Grants paid back	-	(9 849)	-	(9 849)
Conditions met - transferred to revenue	(38 234)	(39 414)	(38 234)	(39 414)
Conditions still to be met - transferred to liabilities	25 753	9 047	25 753	9 047

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

Integrated City Development Grant (ICDG)

Balance unspent at beginning of year	10 111	-	10 111	-
Current year receipts	54 386	50 497	54 386	50 497
Conditions met - transferred to revenue	(32 692)	(40 386)	(32 692)	(40 386)
Conditions still to be met - transferred to liabilities	31 805	10 111	31 805	10 111

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	19 033	-	19 033
Current year receipts	38 447	36 492	38 447	36 492
Adjustments	-	(3 419)	-	(3 419)
Transfers	(4 174)	(9 242)	(4 174)	(9 242)
Conditions met - transferred to revenue	(33 363)	(42 864)	(33 363)	(42 864)
Conditions still to be met - transferred to liabilities	910	-	910	-

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

Provincial grant : Jozi Ihlomihle (Hiv/Aids)

Balance unspent at beginning of year	95	696	95	696
Current year receipts	19 614	19 288	19 614	19 288
Conditions met - transferred to revenue	(19 709)	(19 889)	(19 709)	(19 889)
Conditions still to be met - transferred to liabilities	-	95	-	95

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Public Transport Network Grant (Operational projects)				
Balance unspent at beginning of year	3 502	12 252	3 502	12 252
Current year receipts	287 001	512 000	287 001	512 000
Transfers	-	(42)	-	(42)
Conditions met - transferred to revenue	(245 257)	(520 708)	(245 257)	(520 708)
Conditions still to be met - transferred to liabilities	45 246	3 502	45 246	3 502
Social Housing grant				
Balance unspent at beginning of year	74 857	72 173	-	-
Current year receipts/Repayments	(49 958)	3 598	-	-
Conditions met - transferred to revenue	(914)	(914)	-	-
Conditions still to be met - transferred to liabilities	23 985	74 857	-	-
The grants relate to funds received by Johannesburg Social Housing Company namely:				
Social Housing Foundation				
Provincial grant - Kliptown Golf Course				
Gauteng Provincial grant - JMJV				
Ambulance subsidy				
Current year receipts	111 416	105 809	111 416	105 809
Conditions met - transferred to revenue	(111 416)	(105 809)	(111 416)	(105 809)
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	5 331 848	4 853 451	5 331 848	4 853 451
Conditions met - transferred to revenue	(5 331 848)	(4 853 451)	(5 331 848)	(4 853 451)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Provincial health subsidies				
Current year receipts	110 043	104 505	110 043	104 505
Conditions met - transferred to revenue	(110 043)	(104 505)	(110 043)	(104 505)
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 withholding of the subsidy.

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
39. EMPLOYEE RELATED COSTS				
Employee related costs : Salaries and wages	6 372 965	6 055 493	3 685 518	3 398 819
Employee related costs : Pension contributions	897 419	904 011	522 784	524 701
Employee related costs : Gratuities	24 434	9 286	-	-
Employee related costs : Medical aid contributions	371 708	342 808	309 216	283 267
Employee related costs : Skills development levy	66 560	62 258	43 867	40 396
Housing benefits and allowances	49 121	36 680	32 218	22 616
Overtime payments	322 911	291 923	81 572	71 505
Bonus	444 418	388 963	214 627	189 867
Travel, motor car, accommodation, subsistence and other allowances	421 893	406 993	277 006	265 197
Post-Retirement Benefits	(25 321)	54 370	(11 370)	87 546
Other employee benefits	52 901	36 321	-	-
	8 999 009	8 589 106	5 155 438	4 883 914

Remuneration of the City Manager

Annual Remuneration	2 705	2 562
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	2	2
	2 835	2 692

Remuneration of the Group Head : Risk Assurance Services

Annual Remuneration	1 653	1 551
Car Allowance	288	287
Performance Bonuses	-	68
Contributions to UIF, Medical and Pension Funds	48	44
Unpaid absence	-	7
	1 989	1 957

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

Annual Remuneration	995	1 269
Car Allowance	135	108
Performance Bonuses	-	81
Contributions to UIF, Medical and Pension Funds	1	121
	1 131	1 579

Remuneration of the Group Head : Communication and Tourism

Annual Remuneration	1 632	1 517
Car Allowance	-	85
Performance Bonuses	-	48
Contributions to UIF, Medical and Pension Funds	2	52
Unpaid absence	-	61
	1 634	1 763

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Remuneration of the Group Head : Legal and Contracts				
Annual Remuneration			1 145	908
Car Allowance			87	87
Performance Bonuses			-	40
Contributions to UIF, Medical and Pension Funds			174	134
			1 406	1 169
Remuneration of the Group : Chief Financial Officer				
Annual Remuneration			2 640	2 500
Car Allowance			144	144
Contributions to UIF, Medical and Pension Funds			2	2
			2 786	2 646
Remuneration of the Executive Director : Economic Development				
Annual Remuneration			2 227	2 115
Contributions to UIF, Medical and Pension Funds			2	2
			2 229	2 117
Remuneration of the Executive Director : Community Development				
Annual Remuneration			1 599	1 514
Car Allowance			103	103
Performance Bonuses			-	59
Contributions to UIF, Medical and Pension Funds			160	152
			1 862	1 828
Remuneration of the Executive Director : Development Planning and Urban Development				
Annual Remuneration			2 020	1 913
Car Allowance			144	144
Performance Bonuses			-	79
Contributions to UIF, Medical and Pension Funds			121	113
Eminence/Premiums Allowance			180	180
			2 465	2 429
Remuneration of the Executive Director : EISD				
Annual Remuneration			1 759	1 666
Car Allowance			97	97
Performance Bonuses			-	49
Contributions to UIF, Medical and Pension Funds			48	45
			1 904	1 857

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Remuneration of the Executive Director : Housing				
Annual Remuneration			1 439	1 362
Car Allowance			96	96
Performance Bonuses			-	52
Contributions to UIF, Medical and Pension Funds			143	135
			1 678	1 645
Remuneration of the Executive Director : Transportation				
Annual Remuneration			1 887	1 789
Car Allowance			73	73
Performance Bonuses			-	76
Contributions to UIF, Medical and Pension Funds			285	270
			2 245	2 208
Remuneration of the Executive Director : Health				
Annual Remuneration			1 965	1 861
Car Allowance			108	108
Performance Bonuses			-	129
Contributions to UIF, Medical and Pension Funds			2	2
			2 075	2 100
Remuneration of the Executive Director : Corporate Services				
Annual Remuneration			1 576	230
Performance Bonuses			-	72
Contributions to UIF, Medical and Pension Funds			2	20
Final leave payment			-	106
			1 578	428
The Executive Director resigned on 30 June 2014 and the current appointment was effective from 1 May 2015.				
Remuneration of the Executive Director : Office of the City Manager				
Annual Remuneration			1 413	1 344
Performance Bonuses			-	82
Contributions to UIF, Medical and Pension Funds			73	68
			1 486	1 494

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
Remuneration of the Group Head : Urban Management and Citizen Relationship Management				
Annual Remuneration			843	197
Car Allowance			50	21
Performance Bonuses			-	77
Contributions to UIF, Medical and Pension Funds			58	36
Final Leave payment			-	51
IEC Payment			21	-
			972	382
Remuneration of the Group Head : Governance				
Annual Remuneration			1 435	1 355
Car Allowance			96	96
Performance Bonuses			-	27
Contributions to UIF, Medical and Pension Funds			81	75
Unpaid absence			-	5
			1 612	1 558
Remuneration of the Chief Operations Officer				
Annual Remuneration			2 567	2 433
Car Allowance			144	144
Performance Bonuses			177	-
Contributions to UIF, Medical and Pension Funds			145	135
			3 033	2 712
Remuneration of the Secretary of Council				
Annual Remuneration			1 681	1 592
Car Allowance			128	128
Contributions to UIF, Medical and Pension Funds			95	88
			1 904	1 808
Remuneration of the Executive Director : Public Safety				
Annual Remuneration			1 653	1 564
Car Allowance			128	128
Contributions to UIF, Medical and Pension Funds			2	2
			1 783	1 694
Remuneration of the Executive Director : Social Development				
Annual Remuneration			1 332	1 258
Car Allowance			104	104
Contributions to UIF, Medical and Pension Funds			73	71
			1 509	1 433

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
40. REMUNERATION OF COUNCILLORS				
Executive Mayor	1 246	1 226	1 246	1 226
Mayoral Committee Members	11 568	9 888	11 568	9 888
Speaker	1 027	1 010	1 027	1 010
Councillors	89 347	89 753	89 347	89 753
Councillors' pension contribution	11 768	10 313	11 768	10 313
Chairpersons	18 931	15 309	18 931	15 309
	133 887	127 499	133 887	127 499

Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration	921	908
Car Allowance	128	128
Contributions to UIF, Medical and Pension Funds	155	148
Cellphone Allowance	42	42
	1 246	1 226

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.

The Council elected a new Executive Mayor and Speaker in August 2016

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
41. DEPRECIATION AND AMORTISATION				
Property, plant and equipment	2 446 742	2 192 433	1 563 133	1 491 421
Investment property	23	23	-	-
Zoo animals	1 183	734	-	-
Intangible assets	346 079	195 446	254 533	154 177
	2 794 027	2 388 636	1 817 666	1 645 598
42. IMPAIRMENT LOSSES				
Impairments				
Property, plant and equipment	55	6 455	-	-
Loans to Municipal Entities	-	-	104 982	121 055
The Pikitup Johannesburg (SOC) 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 shareholders	-	-	329 661	24 590
The Johannesburg Metro Bus company (SOC) Ltd 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.				
	55	6 455	434 643	145 645
Reversal of impairments				
Intangible assets	-	(4 072)	-	-
Total impairment losses recognised (reversed)	55	2 383	434 643	145 645
43. DEBT IMPAIRMENT				
Receivables from non-exchange	50 789	303 194	50 789	303 194
Consumer Debtors	2 362 549	3 447 673	603 835	960 178
Trade and other receivables	78 973	111 924	59 064	82 079
	2 492 311	3 862 791	713 688	1 345 451
44. BULK PURCHASES				
Electricity	9 871 044	9 039 469	-	-
Water	3 962 690	3 496 500	-	-
Sewer purification	26 990	26 776	-	-
	13 860 724	12 562 745	-	-
Electricity distribution losses				
Technical losses	906 279	828 953	-	-
Non-Technical losses	1 314 304	1 777 920	-	-
	2 220 583	2 606 873	-	-

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

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

The entity's non-technical losses decreased from 19.30% to 13.44%. The non-technical losses are mainly attributable to the following:

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

Water Losses

Physical losses	645 900	559 400	-	-
Commercial losses	249 600	216 700	-	-
	895 500	776 100	-	-

The level of total losses for the year under review is 22.6% (2015: 22.0%). The percentage of physical losses for the year under review is 16.3% (2015: 16.0%) and the level of commercial losses for the year under review is 6.3% (2015: 6.2%).

It is acknowledged and accepted that a certain level of water losses cannot be avoided from a technical perspective and is considered acceptable from an economic perspective. This means the cost of interventions to reduce water losses from a technical perspective should be less than the savings to be realised. The industry norm for water losses is 18%. Taking consideration hereof would result in a reduction of the level of water losses for the year under review to 4.6% [R182,2 million], (2015: 4.2% [R146,8 million]). The industry norm of 18% applied is 2% more stringent than the benchmark of 20% as published by the South African Water Research Commission.

45. CONTRACTED SERVICES

Information Technology Services	265 396	276 904	260 497	274 445
Fleet Services	638 422	495 373	55 588	52 306
Operating Leases	206 470	144 104	206 765	143 269
Specialist Services	1 111 358	1 379 099	1 178 711	1 385 581
Other Contractors	380 546	306 271	23 095	21 796
	2 602 192	2 601 751	1 724 656	1 877 397

46. GRANTS AND SUBSIDIES PAID

Grants paid to ME's

City of Joburg Property Company SOC Limited	-	-	340 630	-
Johannesburg City Parks NPC	-	-	711 957	644 389
Johannesburg Development Agency SOC Limited	-	-	22 382	26 739
Johannesburg Metropolitan Bus Services SOC Limited	-	-	432 693	400 637
Johannesburg Roads Agency SOC Limited	-	-	746 409	761 067
Johannesburg Social Housing Company SOC Limited	-	-	19 952	19 970
Metropolitan Trading Company SOC Limited	-	-	84 546	-
Pikitup Johannesburg SOC Limited	-	-	643 651	592 918
Joburg Theatre SOC Limited	-	-	73 502	68 823
	-	-	3 075 722	2 514 543

Other subsidies

Grant paid : Housing top structures	322 984	439 197	322 984	439 197
Grant paid : Other	161 433	137 874	153 433	129 874
	484 417	577 071	476 417	569 071

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
	484 417	577 071	3 552 139	3 083 614
47. GENERAL EXPENSES				
Advertising	160 765	77 303	113 108	43 199
Auditor's remuneration	49 544	48 977	19 723	21 296
Bank charges	86 982	81 426	78 511	73 747
Billing and meter reading charges	30 801	25 812	-	-
Cut-off fees	46 158	18 302	-	-
Cleaning	48 826	32 452	-	-
Commission paid	49 123	49 235	-	-
Computer expenses	33 796	29 070	-	-
Conferences and seminars	32 450	26 607	24 060	19 418
Consulting and professional fees	434 103	323 322	122 923	60 221
Cost of inventories expensed	379 824	503 358	20 768	78 061
Debt collection	206 406	161 137	206 406	161 137
Free electricity	6 251	5 619	-	-
Hire	17 762	20 778	17 662	19 672
Hostel charges	1 273	1 362	-	-
IT expenses	11 929	15 978	-	-
Incident management fund	41 273	36 216	41 273	36 216
Insurance	135 042	131 154	135 598	134 647
Lease rentals on operating lease	821 281	778 006	57 587	247 075
ME - charges	-	-	13 000	-
Marketing	128 691	46 204	93 369	24 887
Motor vehicle expenses	70 058	64 967	-	-
Other expenses	712 059	456 120	644 790	492 146
Placement fees	5 039	8 309	-	-
Postage and printing stationery	147 494	169 064	127 623	149 516
Productions	42 640	14 722	-	-
Road maintenance	551 927	445 638	-	-
Social benefits	91 570	204	91 570	204
Security (Guarding of municipal property)	508 457	421 494	211 893	187 021
Software expenses	205 806	121 485	175 656	50 729
Staff welfare	25 904	40 838	-	16 876
Subscriptions and membership fees	24 268	22 316	17 533	17 649
Telephone and fax	154 973	120 628	54 141	51 057
Training	59 085	46 762	31 178	24 367
Travel - local	20 545	18 286	13 117	13 687
Travel - overseas	28 283	26 781	24 679	18 346
Utilities - Other	195 065	203 177	488 210	496 303
	5 565 453	4 593 109	2 824 378	2 437 477

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

Guarantee fees	3 655	9 539	3 655	9 539
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48. FAIR VALUE ADJUSTMENTS

• Fair value movement on the sinking fund	365 504	259 765	365 504	259 765
• Cash flow hedge (Ineffective portion)	20 283	-	20 283	-
• Other fair value adjustments	160 244	63 753	-	-
	546 031	323 518	385 787	259 765

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
49. CASH GENERATED FROM OPERATIONS				
Surplus	3 817 191	3 624 478	1 729 699	2 403 727
Adjustments for:				
Depreciation and amortisation	2 794 027	2 388 636	1 817 666	1 645 598
Public contributions, Donated and contributed property	(363 909)	(475 453)	(194 132)	(322 379)
Fair value adjustments	(546 031)	(323 518)	(385 787)	(259 765)
Reversal of Impairment	-	-	(31 315)	-
Finance costs: liabilities from Municipal entities	-	-	7 695	7 138
Debt impairment	2 492 311	2 740 843	713 688	1 323 689
Impairment in Municipal entities investments	-	-	434 643	142 664
loss/gain on sale of Assets	254 027	23 606	237 593	11 129
Impairment losses on fixed assets	56	2 383	-	-
Post-retirement benefits net expenditure	(19 858)	62 512	(38 658)	87 723
Gain/ Loss from equity accounted investments	(4 816)	(8 436)	-	-
Gain on donated animals	(2 695)	(5 901)	-	-
Changes in working capital:				
Inventories	(1 584)	(12 340)	(60 103)	53 747
Trade and other receivables	(785 756)	(364 802)	(720 564)	(570 116)
Consumer debtors	(1 176 354)	(21 698)	(73 924)	(67 592)
Other receivables from non-exchange transactions	(87 633)	78 030	-	-
Increase/decrease in deferred tax liability	289 095	659 257	-	-
Current tax	3 167	(9 375)	-	-
Adjustment of impairment of current receivable	(2 492 311)	(2 740 843)	(713 688)	(1 323 689)
Trade and other payables	1 554 116	2 130 171	935 192	1 337 779
VAT receivable	113 428	178 725	112 592	143 735
VAT payable	(168 895)	(43 694)	-	-
Unspent conditional grants and receipts	126 610	(622 154)	189 701	(603 487)
Consumer deposits	-	-	(91 287)	-
Increase/(Decrease) in deferred income	(4 307)	(9 887)	707	(3 242)
Increase/(Decrease) in Provision	87 192	(68 024)	19 169	(19 492)
Increase/(Decrease) in Consumer deposits	98 638	204 303	(1 472)	(8 032)
	5 975 709	7 386 819	3 887 415	3 979 135

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

50. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for

• Capital Commitments	6 271 301	9 920 586	2 889 536	6 162 500
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This committed expenditure relates to fixed assets and will be financed by government grants, existing cash resources and external loans etc.

Operating leases - as lessee (Fleet)

Minimum lease payments due

- within one year	164 446	145 592	106 665	92 186
- in second to fifth year inclusive	66 996	146 795	46 509	90 361
	231 442	292 387	153 174	182 547

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

Operating leases – as lessee (Buildings)

Minimum lease payments due

- within one year	102 532	38 700	30 100	20 473
- in second to fifth year inclusive	116 796	37 582	2 187	6 280
- later than five years	1 950	13 862	425	3 354
	221 278	90 144	32 712	30 107

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

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

Operating leases – as lessee Land (Soccer City)

Minimum lease payments due

- within one year	75	75	75	75
- in second to fifth year inclusive	299	299	299	299
- later than five years	6 495	6 570	6 495	6 570
	6 869	6 944	6 869	6 944

Operating leases – as lessee (Equipment)

Minimum lease payments due

- within one year	471 729	453 553	-	-
- in second to fifth year inclusive	1 950 289	1 852 995	-	-
- later than five years	-	470 914	-	-
	2 422 018	2 777 462	-	-

Operating lease payments represent rentals payable by Johannesburg Water, Johannesburg Power and City Theatre's for certain of its equipment. Leases are negotiated for an average term of seven years.

Operating leases – as lessor (income)

Minimum lease payments due

- within one year	28 230	25 025	19 442	17 992
- in second to fifth year inclusive	66 894	63 095	64 426	56 288
- later than five years	60 613	169 312	60 167	169 312
	155 737	257 432	144 035	243 592

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

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51. CONTINGENCIES

GROUP

A subordination agreement has been signed between CJMM and the municipal entities whereby claims made by other parties take preference to claims by the holding company

Detail of contingencies	Name of the company responsible	Amount in Rands
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.	CJMM	500 000
Claim for damages 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.	CJMM	10 000 000
A potential liability as a result of the Public Prosecutor findings in the "broken promises" report of 18 December 2014.	CJMM	5 000 000
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.	CJMM	33 150 639
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.	CJMM	29 406 592
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.	CJMM	6 289 510
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. This matter arose 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.	CJMM	350 000 000
The amount of R 7 435 092 relates to various court cases against the city of Johannesburg which were aggregated together as individually they are immaterial.	CJMM	7 435 092
Claim for R6 000 000 against the COJ, which relates to JCL Project. The matter was set down for a provisional sentence however has been postponed.	CJMM	6 000 000
The claim of R 17 000 000 relates to alleged damages for loss of amenity due to COJ approving certain land uses adjacent to the plaintiff's property.	CJMM	17 000 000
Claim for a reversal of R1 000 000 in respect of adjustment in terms of rates made to the Valuation Roll.	CJMM	1 000 000
An arbitration for a claim against the City of R13 000 000 plus interest where the City awarded a contract to the claimant in or about June 2010 for the provision of professional lead consulting/project management services for the implementation of a fully integrated mixed housing development. The contract expired in June 2013. The contractor is claiming for the provision of professional services rendered to the City. The parties are currently engaged in settlement negotiations.	CJMM	13 000 000
Claim against the COJ for an amount of R5 200 000 relating to an overrun of costs emanating from a contract for the upgrade of the Johannesburg Central Library.	CJMM	5 200 000
Claim of R3 337 701 and R6 460 850, which relates to claims based on SAPOA judgement.	CJMM	9 798 551

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Action against the COJ to repay an amount of R4 581 459 which money was irregular in terms of Supply Chain Management process but was ratified by council. The amount was spent in the launching of the Soweto theatre.	CJMM	4 581 459
Claim of R 17 830 000 relating to loss of profit as a result of alleged diversion/ permanent closure of a road next to the plaintiff's filling station. The City cided with the Johannesburg Development Agency and Johannesburg Road Agency regarding this matter. The plaintiff removed the matter from the roll in January 2014 and a new date was set for 02 March 2016. The matter was removed from the roll again therefore the City awaits a new trial date.	CJMM	17 830 000
Claim for approximately R295 600 000 for COJ and City Power to be contractually obliged to continue to pay monthly medical aid contributions to the two accredited medical scheme providers which are Key Health and LA Health. This matter arose as a result of the COJ withdrawing post-retirement medical aid contributions in 2003. The matter was dormant until late 2014. The set down date is scheduled for 12 September 2016.	CJMM	295 600 000
		5 688 885
Claim for R 1 401 738 for monies to be paid by City for tickets. The plaintiff is a ticket vendor hence claiming the loss of business. The City does not deny the money for the ticket but has an issue with the claim for loss of business by the plaintiff.	CJMM	1 401 738
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	CJMM	5 500 000
The claim of R19 500 000 relates to damages suffered by plaintiff arising from the COJ not following proper procurement process contract between second defendant. The City is required to prove the existence of such contract. The City is awaiting a copy of such contract from Group Head: Revenue.	CJMM	19 500 000
Claim amounting to approximately R3 000 000 for damages arising out of work done but not paid for. Negotiations are on-going.	CJMM	3 000 000
The claim relates to summons issued of R39 000 000 from Fleet Africa for services rendered by the service provider against the City. Parties are engaged in negotiations.	CJMM	39 000 000
A claim for damages against the City where the Plaintiff alleges that when the City implemented Rea Vaya system in Soweto, they permanently closed caused highway or portions thereof and/or diverted traffic in so doing caused the plaintiff to suffer damages in the amount of R17 589 810.	CJMM	17 589 810
Claim for R20 000 000 instituted by the COJ and Bus Operating Company and others against an attorney who misappropriated money to be used by the operators to invest in BOC.	CJMM	20 000 000
Claim for R1 698 400 relating to summons issued against Graffiti Impact. The defendant has raised an issue that the City is not entitled to that money and has asked the court to declare that section of the By-Laws to be null and void. A consultation has been scheduled with the junior and senior counsel to prepare a replication. This may impact on the inner City regeneration fees.	CJMM	1 698 400
A letter of demand was received from Adam Prinsloo attorneys on behalf of their client Mr Langa Mancunga. On the 5th of September 2014 Mr Langa Mancunga was severely injured when he fell in the orchestra pit of the Nelson Mandela Theatre at Joburg Theatre. According to the Attorneys their client has suffered damages which includes medical expenses and loss of earnings.	Civic Theatre (SOC) Ltd	400 000
Bertrams Priority Block: The JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. No progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accomodation is found by JDA and CJMM. The parties are working together to reach agreement without a protracted litigation processes	Development Agency (SOC) Ltd	-
JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road.	Development Agency (SOC) Ltd	23 500 000
Achusim Chijoike vs JDA and Skymark Security (Pty) Ltd: The JDA disputed the matter and indicated to the Plaintiff that it was incorrectly cited as a party. Despite follow up letters to the Plaintiff attorneys in this regard, there has been no activity in the matter since it was reported last year.	Development Agency (SOC) Ltd	35 300
The City was served with a summons by Tembu Convenience Centre CC, trading as a convenience store and Engen Fuel dealership, for loss of income amounting to more than R17.8 million, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. The parties agreed to remove the matter from the roll in order to allow the defendants to amend their pleadings.	Development Agency (SOC) Ltd	17 800 000

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The matter relates to the fibre optic cable that was damaged by opening a trench in the road reserve with a TLB Machine along the road carriage way of Orlando east. The plaintiff, Dark Fibre Africa (Pty) Ltd is suing JDA (2nd Defendant) on the basis that JDA used the services of Easyway Tarmac Pave and Projects CC to manage and control the execution of the water pipeline project and to do the drilling and excavation along the road carriage way of Orlando east.	Development Agency (SOC) Ltd	45 256
The scaffolding work into the Grayston Drive Pedestrian and Cyclist structural bridge collapsed on 14 October 2015 which resulted in the loss of life and other damages. Due to the nature of the incident, the Department of Labour (DOL) has to conduct a formal inquiry to determine the causes for the collapse of the scaffolding works. The inquiry commenced on 7 July 2015 and will be finalised in April 2017 when a report will be with the Commissioner appointed by the DOL.	Development Agency (SOC) Ltd	-
Lucienne Nanetter Raab & Others v JRA & Others (The applicants for an order directing the respondents not to allow construction vehicle to gain access to a construction site from Fulwell road in Bryanston. The JRA has issued a wayleave to the developers to conduct the work.	Road Agency (SOC) Ltd	-
Surprise Mbatha vs JRA. The Applicant has lodged an application for review to set aside the arbitration award to the effect that her dismissal was substantively and procedurally unfair.	Road Agency (SOC) Ltd	-
Appliment vs JRA. JRA was served a letter of demand to do work on his property which has experienced a sinkhole as a result of the storm-water drain running through his property.	Road Agency (SOC) Ltd	-
Post-retirement medical aid benefits for certain former employees were withdrawn in 2015 financial year which resulted in significant reduction in the post-retirement medical aid liability. There is risk that the beneficiaries with withdrawn benefits might sue the entity as they have been members of the post-retirement medical aid for more than 10 years	Road Agency (SOC) Ltd	-
Legal claims - contingent Liabilities Telkom SA SOC Ltd vs JRA (A special plea has been filed and awaiting the plaintiff to apply for a trial date herein	Road Agency (SOC) Ltd	24 999
The plaintiff issued summonses claiming services rendered for the provision of supply chain management services. He alleges that the JRA failed or refused to pay for services rendered.	Road Agency (SOC) Ltd	316 926
4 alleged unfair dismissal cases against Metrobus currently under consideration by the CCMA. Management is confident that awards in this regard will be in favor of Metrobus. However should awards be against Metrobus, the entity may be liable for back pay.	Metro Bus (SOC) Ltd	100 000
A matter related to an ex-employee filing a defamation claim against three current employees of Metrobus who testified in the disciplinary case which resulted in the ex-employee's dismissal are underway. Management is confident that a judgment will be made in favor of Metrobus and the current employees.	Metro Bus (SOC) Ltd	100 000
A case of unfair labour practice is under consideration by the CCMA in relation to promotion. Management is confident that an award will be made in favour of Metrobus in this regard. However should such award be made in favor of the employee Metrobus will be liable for back pay.	Metro Bus (SOC) Ltd	360 000
There is one case of unfair discrimination under consideration by the labour court. Management and external lawyers are confident that the claim will not succeed.	Metro Bus (SOC) Ltd	-
There is a dispute between Metrobus and SARS over a claim by SARS that Metrobus underpaid UIF for the period from 2012 to 2015. Management feels that they have a strong case as all SARS returns filed for the period were paid.	Metro Bus (SOC) Ltd	116 337
The company is a defendant on various claims amounting to R79 474 000 relating to contractual disputes with the service providers.	City Parks NPC	79 474 000
The company is currently pursuing claims amounting to R3 322 000 relating to contractual disputes with the service providers.	City Parks NPC	3 322 000
The plaintiff is claiming for damages for injuries allegedly sustained at or near Orange farm garden site. The total amount claimed is R400 000. The entity is defending the matter.	Pikitung (SOC) Ltd	29 516 712
The plaintiff is claiming retention payments held by Pikitung for services provided. The total amount claimed is R104 526. The entity is defending the matter as the work could not be verified when the retention period lapsed. The matter has also prescribed.	Pikitung (SOC) Ltd	400 000
The plaintiff is claiming monies for services rendered which it is alleged Pikitung has not paid. The total amount claimed is R333 790. The entity has admitted liability of R95 000, a proposed settlement has been tendered but was rejected by the plaintiff.	Pikitung (SOC) Ltd	104 526
The company has a contingent liability in respect of claim of breach of contract by the plaintiff and for monies paid unduly. The total amount claimed is R622 006. Settlement negotiations are in progress and there is a possibility of withdrawal of both claims.	Pikitung (SOC) Ltd	622 006
Judgement was granted against the entity in favour of Range Wave. The entity is currently in arbitration to determine the quantum of the liability.	City Power (SOC) Ltd	-

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City Power is currently claiming consumer debtor impairment at 100% as a tax deduction. South African Revenue Services has approved a deduction of 25%. City Power is appealing the decision of the Receiver.	City Power (SOC) Ltd	
Sunayla Trading and Projects is claiming R245 398 in terms of non-payment from the entity for canteen goods supplied to the entity. The matter is been defended and settlement negotiations are underway	City Power (SOC) Ltd	245 398
Nicholson is claiming damages from the entity arising from electrocution from a smart meter installation.	City Power (SOC) Ltd	100 000
Woods is claiming delictual damages arising from a loss suffered as a result of an alleged robbery by City Power contractors.	City Power (SOC) Ltd	1 000 000
A summons was issued in favour of a customer Dlamini for delictual damages	City Power (SOC) Ltd	300 000
Mndhahvazi Trading Enterprise cc is claiming damages for non-payment from the entity for canteen goods supplied to the entity. The matter is being defended and settlement negotiations are underway.	City Power (SOC) Ltd	383 119
The total estimated claims amount to R7,917,732 which is in respect of disputes with suppliers, the company is of the view that this represents the maximum exposure. The company in consultation with its legal counsel has assessed the outcome of these proceedings and the likelihood that these cases will be successfully defended, no further provision is required	Fresh Produce Market (SOC) Ltd	7 917 732
PJ Bezuidenhout a supplier is claiming a sum of R35 000 000 for services rendered from the entity and other defendants. The matter is at a pleading stage.	City Power (SOC) Ltd	35 000 000

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Figures in Rand thousand

52. PRIOR PERIOD RESTATEMENTS

Accumulated Surplus

GROUP

Effect of errors in Opening balance	279 673
(Decrease)/ Increase in net surplus for 2015	(269 819)
	9 854

CJMM

Effect of errors in Opening balance	43 407
Increase /(decrease) in net surplus for 2015	44 890
	88 297

GROUP

Statement of Financial Position	Reference	As previously reported	Correction of errors	Restated
Trade and other receivables	1	1 292 971	63 011	1 355 982
Consumer debtors	2	4 951 238	50 156	5 001 394
Property, plant and equipment	3	55 010 183	(1 261 870)	53 748 313
Intangible assets	3	882 912	(60 987)	821 925
Trade and other payables	4	(12 417 170)	1 292 999	(11 124 171)
Provisions	4	(688 793)	(3 179)	(691 972)
other balance sheet items not listed		(9 727 330)	(89 984)	(9 817 314)
Accumulated surplus		(39 304 011)	9 854	(39 294 157)
		-	-	-

Statement of Financial Performance	Reference	As previously reported	Correction of errors	Restated
Service charges	2	21 772 609	(267 674)	21 504 935
Property rates	2	7 622 758	52 131	7 674 889
Depreciation and amortisation	3	(2 410 979)	22 343	(2 388 636)
Debt impairment	2	(3 819 051)	(43 740)	(3 862 791)
Other Reclassifications not listed		(19 271 042)	(32 877)	(19 303 919)
Change in Surplus for the year		3 894 295	(269 817)	3 624 478

Certain comparative figures have been reclassified to enhance presentation. Material amendments to prior years due to error or reclassifications are explained below:

The correction of the error(s) - GROUP

Material amendments to prior years due to error or classifications are explained below:

1. Trade and Other Receivables

In the previous year National Treasury (NT) reduced the EPWP grant. Economic Development (ED) did not adjust their expenditure in respect of this grant, which resulted in overspending. ED then raised a debtor against NT without them acknowledging the debt. This error was identified in the current year and recognised retrospectively.

2. Consumer Debtors, Service Charges, Property rates and Debt impairment

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- Rates:** The restatement of revenue, debtors and receivable impairment allowance is due to an adjustment as a result of the Municipal Property Rates Act processes and requirements which were finalised in the current period. These processes and requirements resulted in consumers' accounts been corrected retrospectively.
- Refuse:** The prior period error relates to revenue for 2013 and 2014 financial years. During the current financial year, it was identified that there was refuse revenue was not billed in 2013 and 2014 financial year. Thus, it was corrected in the current financial year.
- Water:** The CJMM has recalculated the accrual value in relation to the 2014 and 2015 financial years. These transactions results in retrospective adjustments to revenue for 2014 and 2015 financial years. This has been accounted for as a prior period adjustment accordingly.
- Electricity:** During the year it was discovered that revenue for the 2014 and 2015 financial years were misstated. The accrual estimates from electricity sales in the respective years were overstated which resulted in the misstatement in revenue.

3. Property, plant and equipment, Intangible Assets and Depreciation

The error occurred in the current year is mainly due to Assets under Construction which were completed in prior financial years but only capitalised in the current financial year. The error has also resulted into adjustments being made to depreciation.

An error occurred due to an accrual for Property plant and equipment as a result of transfer of functions processed in the incorrect period.

4 . Provisions and Trade Payables,

Provisions had been erroneously classified as Trade and other payables. This was identified in the current year and corrected retrospectively. 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 R65 million plus finance charges as from 30 June 2011. The provision of R25 million and the relevant finance charges of R3 million relating to the above provision were erroneously omitted from the financial statements. This error was identified in the current year and recognised retrospectively.

Other restatements not listed include:

An error of R 2 901 287 relating to deferred taxation that has been recalculated for the 2015 financial year and an adjustment was made for prior period temporary differences.

During the financial year, MTC (SOC) Ltd discovered that an amount receivable from South African Revenue Services of R5,664,287 relating to a tax refund was not recognised in prior years. This error has been corrected in the current financial year.

In the previous year National Treasury (NT) reduced the EPWP grant. Economic Development (ED) did not adjust their expenditure in respect of this grant, which resulted in overspending. ED then raised a debtor against NT without them acknowledging the debt. . This error was identified in the current year and recognised retrospectively

The error have resulted in restatement s on the respective notes to the financial statement.

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Statement of Financial Position	Note	As previously reported	Correction of errors	Restated
		R'000	R'000	R'000
Trade and other receivables	1	4 033 761	(19 342)	4 014 419
Consumer debtors	2	716 651	96 539	813 190
Property, plant and equipment	3	33 233 412	(1 261 976)	31 971 436
Intangible assets	3	500 913	(60 988)	439 925
Trade and other payables	4	(11 619 272)	1 333 611	(10 285 661)
Provisions	4	-	-	-
other balance sheet items not listed		(3 065 569)	(44 437)	(3 110 006)
Accumulated surplus		(23 799 896)	(43 407)	(23 843 303)
		-	-	-
Statement of Financial Performance	Note	As previously reported	Correction of errors	Restated
		R'000	R'000	R'000
Property rates	2	7 622 800	52 131	7 674 931
Other revenue	5	822 896	(20 644)	802 252
Government grants	6	8 815 763	(326 410)	8 489 353
Finance Income	5	1 077 784	24 802	1 102 586
Depreciation	3	(1 667 941)	22 343	(1 645 598)
General expenses	6	(2 753 394)	315 918	(2 437 476)
Debt impairment		(1 323 689)	(21 762)	(1 345 451)
Other Income statement items not listed		(10 235 383)	(1 488)	(10 236 871)
Change in Surplus for the year		2 358 836	44 890	2 403 726

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The correction of the error(s) - CJMM

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

1. Trade and Other Receivables

In the previous year National Treasury (NT) reduced the EPWP grant. Economic Development (ED) did not adjust their expenditure in respect of this grant, which resulted in overspending. ED then raised a debtor against NT without them acknowledging the debt. This error was identified in the current year and recognised retrospectively

2. Consumer debtors and Property rates

The restatement of revenue, debtors and receivables impairment allowance is due to an adjustment as a result of the Municipal Property Rates Act processes and requirements which were finalised in the current financial year. This processes and requirements resulted in the consumers' accounts have to be corrected retrospectively.

3. Property, plant and equipment, Intangible Assets and Depreciation

The error occurred in the current year is mainly due to Assets under Construction which were completed in prior financial years but only capitalised in the current financial year. The error has also resulted into adjustments being made to depreciation.

An error occurred due to an accrual for Property plant and equipment as a result of transfer of functions processed in the incorrect period.

4. Trade and other payables and Provisions

The error is due to a legal case which was concluded in the prior financial year but was not reclassified to creditors. This error has been accounted for as a prior period adjustment accordingly.

5. Finance income and Other revenue

Finance lease interest was previously classified as other income instead of interest income. This error has been accounted for as a prior period adjustment accordingly.

6. Government grants and General expenses

This relates to grants incorrectly recognised as revenue and expenditure instead of being recognised as transfers to Municipal Entities. This error has been accounted for as a prior period adjustment accordingly.

53. RISK MANAGEMENT

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:

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53. RISK MANAGEMENT (continued)

- 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 the sustainable financial viability of COJ by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting CJMM's financial position.
- 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 serves to raise awareness and 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 the 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.

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 the 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.

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53. RISK MANAGEMENT (continued)

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 2016:

	Approved Funding R'000	Total Utilised R'000	Available for use R'000
Long-term borrowing	3 940 000	(3 940 000)	-

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 ensures that all short term facilities utilized 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 cash usage.

Liquidity risk is also linked to Concentration risk which could be defined as the probability of high cash outflow arising from concentration of debt obligations payable around the same period, resulting in risk of default and the inability to evenly spread 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 2016/17	Due in 2017/18				
INTEREST RATE SWAP R1bn Loan	29-Mar- 18	13 344	10 339	-	-	-	-

Capital Redemption Analysis of Non Derivative Liabilities as at 30 June 2016

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	1 872 971	114 724	1 114 724	68 386	65 111	57 527	452 500
Fixed Rate Loans	16 189 333	469 693	2 148 396	440 743	467 081	1 347 928	11 315 496

Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2016

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	1 519 580	-	-	-	-	-
Short Term Investments	1 424 963	-	-	-	-	-

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53. RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the CJMM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimising the CJMM's service delivery objectives. 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 (0%)
- A range of values between two upward percent and one downward percent movement in interest rates. Management generally expects interest rates to rise in the future.

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

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	2%
Floating Rate Loans	2 068 587	2 035 746	2 052 227	2 068 587	2 084 830	2 100 959	2 116 976	2 132 885

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 R64 million (3.11%), and a 1 percentage point decrease in interest rates will decrease the fair value of floating rate liabilities by R33 million.(-1.59%).

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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53. 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	42 969	31 Mar-02	30-Sep-16	3 months JIBAR + 2.535%	Floating	3 490	3 544	3 599	3 653	3 707	3 761	3 815
				31-Dec-16			3 444	3 495	3 546	3 597	3 648	3 699	3 750
				31-Mar-17			3 375	3 422	3 468	3 515	3 562	3 609	3 655
				30-Jun-17			3 335	3 379	3 423	3 467	3 511	3 555	3 600
DBSA 102761-1	DBSA	337 500	20-Aug-09	31-Dec-16	6 months JIBAR + 2.85%	Floating	28 369	29 220	30 070	30 921	31 772	32 622	33 473
				30-Jun-17			27 808	28 613	29 419	30 225	31 031	31 837	32 643
				30-Dec-17			27 638	28 426	29 213	30 001	30 789	31 576	32 364
				30-Jun-18			26 911	27 665	28 399	28 143	29 886	30 630	31 374
DBSA 103345-1	DBSA	390 000	17-Apr-09	31-Dec-16	6 months JIBAR + 2.96%	Floating	33 554	34 537	35 520	36 503	37 486	38 469	39 453
				30-Jun-17			32 868	33 798	34 727	35 667	36 587	37 517	38 447
				31-Dec-17			32 639	33 547	34 454	35 361	36 269	37 176	38 084
				30-Jun-18			31 761	32 617	33 472	34 328	35 183	36 039	36 894
CALYON	CALYON	72 560	05-Sep-06	30-Sep-16	3 months JIBAR less 0.35%	Floating	10 169	10 260	10 352	10 443	10 535	10 626	10 717
				31-Dec-16			10 037	10 116	10 196	10 275	10 364	10 433	10 512
				31-Mar-17			9 909	9 976	10 044	10 112	10 180	10 248	10 316
				30-Jun-17			9 779	9 835	9 892	9 949	10 005	10 062	10 118
NEDBANK 1b	NEDBANK	1 000 000	04-Mar-10	30-Sep-16	3 months JIBAR + 2.8%	Floating	46 124	48 689	51 258	53 830	56 405	58 983	61 564
				31-Mar-17			46 890	49 442	51 998	54 557	57 118	59 683	62 251
				30-Sep-17			47 631	50 185	52 741	55 301	57 864	60 429	62 998
				31-Mar-18			1 047 799	1 050 338	1 052 881	1 055 426	1 057 975	1 060 527	1 063 082
SCMB 200m	SCMB	29 985	19-Sep-03	30-Sep-16	CPI plus Margin	Floating	3 300	3 317	3 333	3 350	3 367	3 383	3 400
				31-Dec-16			3 300	3 317	3 333	3 350	3 367	3 383	3 400
				31-Mar-17			3 300	3 317	3 333	3 350	3 367	3 383	3 400

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53. RISK MANAGEMENT (continued)

				30-Jun-17		3 300	3 317	3 333	3 350	3 367	3 383	3 400
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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

SWAP CASHFLOW SENSITIVITY ANALYSIS

Date	-1%	-0.50%	0	0.50%	1%	1.50%	2%
30-Sep-16	(9 785)	(8 493)	(7 201)	(5 909)	(4 618)	(3 326)	(2 035)
31-Mar-17	(10 991)	(8 564)	(6 142)	(3 730)	(1 322)	1 079	3 475
30-Sep-17	(9 913)	(7 651)	(5 398)	(3 174)	(959)	1 239	3 423
29-Mar-18	(9 100)	(7 012)	(4 940)	(2 906)	(888)	1 107	3 080
Total	(39 789)	(31 720)	(23 681)	(15 719)	(7 787)	99	7 943

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.

Swap Fair Value Sensitivity

Instrument	Maturity date	Fair value sensitivity to the interest rate shift					
		-1%	-0.50%	0%	0.50%	1%	1.5%

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53. RISK MANAGEMENT (continued)

INTEREST RATE	29-Mar-18	(37 347)	(29 691)	(22 134)	(14 719)	(7 398)	(184)	6 925
SWAP ON R1bn loan								

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.

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 (R22) million as at the end of 30 June 2016.

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 2016. Total investments were R 2.9 billion. Treasury constantly monitors the percentage limit utilised.

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	343 783	158 800	336 102	1 089 763	1 928 447	2 897 552	39 %
International Banks	1 050	4 593	-	-	176 400	180 993	869 007	17 %
Public Sector Asset management firms	1 200	53 050	-	-	-	53 050	1 146 950	4 %
	4 600	782 052	-	-	-	782 052	3 817 947	17 %
	11 675	1 183 478	158 800	336 102	1 266 163	2 944 542	8 731 456	78 %

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53. 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	Withdr awn	Not Rated	F1+	F1	F2	F3	Withdr awn	Not Rated
Domestic Banks	0	0	3	2	0	0	0	0	0	0	0	5	0	0	0	0	0
International Banks	0	0	0	1	1	0	1	0	0	0	0	1	2	0	0	0	0
Public Sector	0	2	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0
Asset management firms	0	0	0	0	0	0	0	0	0	2	7	0	0	0	0	2	7
Total	0	2	3	3	1	0	1	0	0	2	7	8	2	0	0	2	7

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:

- Immunise 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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53. RISK MANAGEMENT (continued)

Credit Risk, in the instance of Portfolio 2, is the risk that a 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 2016. The Fund was invested in securities with the following credit quality:

Instrument Type	Fair Value
Bonds	1 852 201
Bond Repurchase Agreement	(376 139)
Floating Rate Note	1 107 108
Forward Rate Agreements	(6 367)
Bond options	(21 520)
Cash	47 711
Cash Collateral	251
NCD	-
Swaps	219 377
Promisory note	202 575
	-

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

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53. RISK MANAGEMENT (continued)

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

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Settled Bond Assets	1 825 184	37 787	264 262	86 363	-	91 326	1 345 446
Floating Rate Note Assets	1 330 024	-	468 630	555 041	306 353	-	-
Floating Rate Note liabilities	(222 917)	-	(222 917)	-	-	-	-
Forward Rate Agreement Assets	19 543	15 702	3 840	-	-	-	-
Forward Rate Agreement liabilities	(25 910)	(18 394)	(7 516)	-	-	-	-
Swap assets	3 270 921	5 100	39 353	18 930	17 447	111 054	3 049 036
Swap liabilities	(3 051 434)	(8 209)	(21 747)	(1 224)	-	(3 197)	(3 017 167)
Bond Repurchase Agreement liabilities	(376 139)	(376 139)	-	-	-	-	-
Promissory Note assets	-	202 574	-	-	-	-	-
	2 769 272	(141 579)	523 905	659 110	323 800	199 183	1 377 315

Market Risk

Market Risk is the risk that changes in market prices such as interest rates, equity prices, foreign exchange rates 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.

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Figures in Rand thousand

53. RISK MANAGEMENT (continued)

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

Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s -1%	R'000s -0.5%	R'000s 0	R'000s 0.5%	R'000s 1%	R'000s 1.5%	R'000s 2%
Redemptions	(4 431 385)	(4 449 242)	(4 362 823)	(4 278 808)	(4 197 116)	(4 117 700)	(4 040 392)
Bonds	1 877 180	1 892 426	1 852 201	1 813 335	1 775 774	1 739 463	1 704 352
Bonds Repurchase Agreement	(376 220)	(376 175)	(376 139)	(376 104)	(376 068)	(376 032)	(375 997)
Floating Rate Note	1 108 565	1 107 675	1 107 108	1 106 541	1 105 976	1 105 411	1 104 847
Forward Rate Agreement	(9 566)	(9 959)	(6 367)	(2 823)	674	4 125	7 529
Interest Rate Swaps	249 068	256 550	219 377	183 783	149 656	116 896	85 408
ABSA Cal	47 711	47 711	47 711	47 711	47 711	47 711	47 711
Reg Sec Collateral	17 480	17 480	17 480	17 480	17 480	17 480	17 480
Nedbank Collateral	(17 228)	(17 228)	(17 228)	(17 228)	(17 228)	(17 228)	(17 228)
Bond options	(12 985)	(10 165)	(21 520)	(30 304)	(35 054)	(36 456)	(36 171)
Promissory Notes	204 134	203 437	202 575	201 717	200 864	200 016	199 172
Net	(1 343 246)	(1 337 490)	(1 337 625)	(1 334 700)	(1 327 331)	(1 316 314)	(1 303 289)

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

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Figures in Rand thousand

53. RISK MANAGEMENT (continued)

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.

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 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Bonds	1 852 201	-	-	1 852 201
Bond Repurchase Agreement	-	(376 139)	-	(376 139)
Floating Rate Notes	-	1 107 108	-	1 107 108
Forward Rate Agreements	-	(6 367)	-	(6 367)
Interest Rate Swaps	-	219 377	-	219 377
Bond options	-	-	(21 520)	(21 520)
Promisory notes	-	202 575	-	202 575
	1 852 201	1 146 554	(21 520)	2 977 235

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

54. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance	19 868	37 312	2 366	2 321
Fruitless and wasteful expenditure current year	7 441	1 552	2 248	45
Approved by Council or condoned	(1 041)	(384)	(125)	-
Reclassified/recovered	-	(18 612)	-	-
	26 268	19 868	4 489	2 366

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

GROUP- 2016

Detail of expenditure	Name of the company responsible	Amount in Rands
Interest charged on late payment of medical accounts for Compensation of Occupational Injuries and Diseases Claims	CJMM	129 836
Interest charged on Eskom account	CJMM	28 705
Interest charged on Neotel account.	CJMM	2 998
Interest charged on Growthpoint Account	CJMM	878
Interest charged on a court judgement granted against the City.	CJMM	2 053 343
Interest charged on Eskom Account.	CJMM	32 510
Interest and penalties paid to SARS was charged based on the late payment and submission of the December 2015 VAT return. This was due to system errors the VAT return was not allowing the return to be submitted and for a payment to be generated. This was then objected to and no response has yet been received from SARS.	Johannesburg Development Agency (SOC) Ltd	2 991 261
Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts.	Johannesburg Property Company (SOC) Ltd	49 629
The entity incurred penalty on Companies House account due to late submission on CIPC.	Johannesburg Roads Agency (SOC) Ltd	1 000
Interest charged on the Telkom account due to late payments.	Johannesburg Roads Agency (SOC) Ltd	47 259
Interest charged on the Eskom account due to late payments.	Johannesburg Roads Agency (SOC) Ltd	4 981
Interest charged on the Eskom account due to late payments.	Johannesburg City Parks NPC	11 000
The fruitless and wasteful expenditure incurred in the current financial period relates to rentals and utilities payment made to JHI Properties and Zenprop due to delayed tenant installation.	Pikitup (SOC) Ltd	1 814 818
The fruitless and wasteful expenditure relates to fines which were levied on the organisation for late renewal of bus licences.	Metrobus (SOC) Ltd	273 479
		7 441 697

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

55. UNAUTHORISED EXPENDITURE

Reconciliation of unauthorised expenditure

Opening balance	2 725 022	1 766 077	2 725 022	1 765 700
Unauthorised expenditure current year	692 587	959 322	692 587	959 322
Recovery of unauthorised expenditure	-	(377)	-	-
	3 417 609	2 725 022	3 417 609	2 725 022

The unauthorised expenditure incurred in the current year was due to over expenditure of the amount appropriated for a vote.

Name of Vote	Amount
Group Finance	587 003
Transport	66 770
Health	31 519
Public Safety	7 295
	692 587

Over expenditure on the operating budget for 2013/14 amounting to R1 713 989 000 was presented to Council and referred to MPAC for further investigation. Internal audit was tasked to investigate and report back to MPAC. The recommendation of MPAC shall be presented to Council in the new financial year.

The unauthorised expenditure in 2014/15 financial year relates to non-cash items i.e. debt impairment, depreciation and asset impairment which resulted from actual expenditure exceeding budget.

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

56. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

Opening balance	1 565 214	1 323 624	994 133	914 533
Irregular expenditure current year	219 944	245 270	155 889	79 600
Approved by Council or condoned	(4 626)	(3 680)	-	-
	1 780 532	1 565 214	1 150 022	994 133

GROUP- 2016

Details of irregular expenditure	Name of the company responsible	Amount in Rands
The list below relates to current year expenditure for contracts that were identified as irregular in the previous year	CJMM	
Sunday Kit Uniform Supplies CC		78 854
Axton Matrix Construction CC		860 847
Blend Property Group		749 504
Botlefela Trading CC		749 504
City Property Administration		186 078
EOH		7 628 350
Eskom Enterprises (Pty) Ltd		138 294
Growthpoint Properties Limited		517 026
Iyer Urban Studio CC		867 250
JT Ross Property Services (Pty) Ltd		2 250 602
LexisNexis		2 069 826
Liberty Life Properties (Pty) Ltd		5 234 503
Link Reflective and Protective Designs CC		216 155
Mulilavhathu trading		806 044
Redefine Properties Ltd		806 044
Redefine Properties Ltd		6 940 689
Royal Haskning DHV		1 314 694
Universal Knowledge Software (UKS)		1 808 036
Vimtsiri Security and Protection Services		4 428 524
CJMM identified irregular expenditure mainly from the transactions that appear to have been splitting of orders.	CJMM	10 526 013
SM Xulu- Original tax invoice not submitted	CJMM	1 466 756
Basia Environment Services CC	CJMM	3 424 311
Royal Haskoning DHV - Supplier on poor performance awarded tender	CJMM	1 256 012
	CJMM	3 190 793
No original tax clearance submitted		253 282
Impilonhle Trading And Projects 6 CC - R157 895		
Exogage Prosperosa Consulting - R51 949		
Ants Project Training and Development - R43 438		
Award of procurement of goods and/or services to a supplier through a deviation process without the MBD 8.	CJMM	9 709 346
Ngungwa Development CC		
Ongoti building construction		
Abangoni Trading 144 cc		
Inappropriate Approval	CJMM	31 255
Phamari Trading Enterprises CC - R7 596		
Nonyanda Transport CC -R23 659		

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<p>Invoice splitting Dot Office Supplies Pty Ltd -R52 266 Sadiki Stationery and Financial Services - R52 411 Kolunga Procurement Services - R50 932 Kgoletso Stationers Cc - R51 294 Fine Fit Uniform & Overall cc - R52 530 D and J Holdings - R45 876 Maeko Property develop - R439 146</p>	CJMM	744 455
<p>No evidence that the CoJ procured goods and services from service providers under a contract secured by other organ of state as contracts (Service Level Agreements) between the other organs of state and service providers were provided for audit purposes. Altech Alcom Matomo Ltd - R9 779 285 Storage Technology Services (Pty) Ltd - R3 771 792 Mafuri Turnkey Accelerated Construction (Pty) Ltd - R2 543 551 Protea Chemicals - R768 258</p>	CJMM	16 862 886
<p>Splitting of quotations Y-Deluxe fast food & catering services - R24 982 Mufanadzo general enterprise - R24 561 Mojoshe catering & projects - R25 439 Ouma catering services - R25 263 Khayelimnandi catering - R25 404 Valdifon CC - R23 860 Funizwe Catering - R25 263 Mojoshe catering & projects - R24 561</p>	CJMM	199 333
<p>Negota Incorporated No tax clearance submitted - R2 693 087</p>	CJMM	2 693 087
<p>Gourmet Food Services Non-compliance with section 29(1) of the SCM policy and section 112 of the MFMA in respect to services sourced through a deviation process from a panel (quotation was issued instead of using a panel.) - R71 720</p>	CJMM	71 720
<p>The renewal of the existing contract is effectively a deviation and the motivation provided by the CoJ does not justify the impracticality to procure the services through a normal competitive bidding process TSS Management Services (Pty) Ltd- R10 734 662</p>	CJMM	10 734 662
<p>Irregular expenditure in respect of total payments exceeding the contract value (Excess amount is irregular) Osmond Lange - R295 498 Buzz Trading - R20 796 374 Lettam Mzansi - R14 654 666 Basia Environmental Services - R3 450 000 SKS Business Solutions - R742 728</p>	CJMM	39 939 266

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<p>Non- Compliance with Preferential Procurement Regulation 9 and National Treasury Instruction Note on: Invitation and evaluation of bids based on the minimum threshold for local production and content for the textile, clothing, leather and footwear sector FG Uniforms - R483 385 Business Connexion PTY LTD Suppliers in service of other state institutes - R16 096 262 MBD4 forms not submitted for audit for awards made to persons in service of the state Megaphase Trading 441 CC - R88 720 KB Ditiro Events CC - R18 421 Tebogo Tsa Dimpho Trading CC - R7 780 Mon Reahola Construction - R25 345 Amugelang Trading Enterprise CC - R71 555 Bidvest Office (PTY) LTD - R25 960 Vividend Income Fund Limited - R175 098 Mohanu and Nkokis Enterprises JW - R1 754 Podumo Trading Enterprise - R6 833 Sizanai General Trading PTY LTD - R26 752</p>	CJMM	17 027 865
<p>Quotations awarded to persons in service of the city Motshako Enterprises and Projects - R31 880 Diageng Investment - R73 690 Due to time limitations and the extent of the population it was Impracticable to quantify the full extent of the irregular expenditure. Instances of possible irregularities shall be properly assessed, investigated, where appropriate, corrective action taken and reported to Council. The irregular expenditure in the opening balance is being investigated.</p>	CJMM	105 570
Metrofile - Transgressions of SCM procedures	JRA (SOC) Ltd	6 927
Makhosi Engineers and Project Managers - Expired tax clearance	JRA (SOC) Ltd JRA (SOC) Ltd	281 664
Bolt & Engineering Distributors - missing documents for unsuccessful	JRA (SOC) Ltd	44 118
Xuma Technologies - missing documents for unsuccessful bidder	JRA (SOC) Ltd	14 912
3. The irregular expenditure relate to proper tender procedures not being followed on various contracts.	Metro Bus (SOC) Ltd	26 865 480
4. The irregular expenditure relates to contracts on which the contracted amounts have been exceeded without following proper SCM procedures.	Metro Bus (SOC) Ltd	4 773 103
This incident is as a result of an amendment to a contract that was awarded to a service provider to manage the company farm over a period of 6 years. This amendment related to security services on contract JW 13591 for the supply and installation of water saving cisterns, in which the criteria applied	Joburg Water (SOC) Ltd	371 000
contract JW CHR 026/15 for the provision of human resource based security services.	Joburg Water (SOC) Ltd	18 639 000
Splitting of orders	JFPM (SOC) Ltd	590 282
No evidence that 3 quotations were requested from suppliers	City Parks NPC	57 000
for the continued payments in respect of the security contract on the farm.	Joburg Water (SOC) Ltd	1 000 000
6. The irregular expenditure relates to amounts spent on procurement of the following:	PIKITUP (SOC) Ltd	
Bin liners		2 929 800
R&R Consulting		757 565
Medical Insurance		1 527 841
Security services		6 198 042
		219 944 170

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Of the historical balance, R174 951 592 has been investigated by Internal Audit and the findings will be presented to MPAC before being presented to Council for condonement.

R26 135 712 is still under investigation and the processes will be completed in the new financial year.

Due to time limitations and the extent of the population it was Impracticable to quantify the full extent of the irregular expenditure. Instances of possible irregularities shall be properly assessed, investigated, where appropriate, corrective action taken and reported to Council

The irregular expenditure in the opening balance is being investigated.

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Notes to the Group Annual Financial Statements

57. IN-KIND DONATIONS AND ASSISTANCE

Health

Health Department received the following:

Management patient files from metrofile amounting to R 73 847.00

3X Laser Printers for Langlaagte Pharmacy at R4 250.00 per unit from Annova amounting to R12 750.00

Community Development

Community development department received the following:

5 669 books from Corporate donations amounting to R1 254 073.00

2 520 books received from Friends of the Libraries amounting to R536 603.00

28 127 books received as donations from anonymous members of public amounting to R5 910 348.00

Speaker's Office

Office of the speaker received the following inkind donations:

Mayou-4 VIP Protection, Council Owned vehicle and admin support, mayoral spousal program

Speaker-2VIP Protection, council owned vehicle and admin support

Strategic and Admin Support-MMC and Chief whip

Admin Support-Ward Councillors

Admin Support-For Chairpersons

Environment and Infrastructure

Environment and Infrastructure received the following inkind donations

Hotel Accomodation Sponsorship by C40 amounting to R24 588.45

Hotel Accomodation sponsored by City of Paris amounting to R4 994.96

Hotel Accomodation sponsored by Agence Franciase de Development amounting to R31 915.72.

Development Planning

Development Planning Department received the following:

Donation received towards research regarding the assessment and development of commercial and industrial properties in Gauteng Properties amounting to R500 000

Office of the Mayor

The office of the Mayor recieved the following:

Meerlust ans sauvignon Blance from The Capital Projects & Infrastructure Team-PWC amounting to R500

Joburg Watch amounting to R150

The Zohar received from the Kabbalah Centre amounting to R600

Small bottle of Honey from Pinpoint One amounting to R50

Sleeping bag from Sun International amounting to R400

City of Johannesburg Metropolitan Municipality

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58. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Council subscriptions	11 329	10 500	11 329	10 500
Amount paid - current year	(11 329)	(10 500)	(11 329)	(10 500)
	-	-	-	-

Skills development levy

Opening balance	3 449	3 312	3 449	3 312
Current year subscription / fee	61 362	57 159	44 414	41 288
Amount paid - current year	(57 690)	(53 710)	(40 742)	(37 839)
Amount paid - previous years	(3 449)	(3 312)	(3 449)	(3 312)
	3 672	3 449	3 672	3 449

Audit fees

Opening balance	3 136	3 120	2 291	1 912
Current year audit fee	53 130	52 618	19 700	21 333
Amount paid - current year	(52 660)	(51 973)	(19 911)	(20 954)
Amount paid - previous years	(481)	(629)	-	-
	3 125	3 136	2 080	2 291

PAYE and UIF

Opening balance	82 329	70 455	59 659	55 758
Current year payroll deductions	1 425 177	1 273 039	793 473	713 174
Amount paid - current year	(1 335 398)	(1 190 710)	(728 125)	(653 515)
Amount paid - previous years	(77 466)	(70 455)	(59 659)	(55 758)
	94 642	82 329	65 348	59 659

Pension and Medical Aid Deductions

Opening balance	70 827	106 741	70 729	106 706
Current year payroll deductions and Council contributions	1 873 002	1 818 870	1 640 381	1 592 691
Amount paid - current year	(1 383 151)	(1 448 315)	(1 504 918)	(1 521 962)
Amount paid - previous years	(425 117)	(406 469)	(70 729)	(106 706)
	135 561	70 827	135 463	70 729

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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2016	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
A Cadman	40 845	30	40 875
M Louw	638	4 285	4 923
D Dewes	52 725	287 724	340 449
IR Mathebula & SM Gwala	532	13 268	13 800
JM Valentine	-	16	16
D M & T Netnow	261 293	2 243	263 536
F Abdullah	802	22 819	23 621
AM Sefoloko	846	7 218	8 064
M Mazibukwana	239	517	756
	357 920	338 120	696 040

30 June 2015	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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59. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

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

Name of the person (Service of the State)	Name of the person/company award	Name of the person/company award	Amount in Rands
Nyiko Gudlhuza	Gudlhuza Development Solutions	Spouse works for Eskom but of not a member of the CC	1 232 636
Nyiko Gudlhuza	Gudlhuza development Solutions	Spouse works for Eskom but of not a member of the CC	35 300
Clive September	GIBB (Pty) Ltd	Daughter employed by Health Infrastructure PWGWC as a State Accountant and another Daughter employed by the City of Cape town as a Project Administrator	623 754
Darren Pillay		Parent employed by the Dept of Education KZN as a data capture and another parent employed by the Dept of Education as an Educator	
Jenny Moon		Spouse works for the City of Cape Town as Head: Business Continuity	
Jo-Anne Stolworthy		Spouse works for the City of Cape Town as Principle Professional officer	
Lize de Beer		Spouse works for Eskom as Chief Engineer	
Mthokozisi Selby Mkhize		Spouse works for the National Department of water Affairs and Forestry as an Accounting Clerk	
Neville Randall		Department of Education as a Senior Educator	
Nomasithini Mzayiya		Spouse works for the Dept of Correctional Services as Correctional Officer	
Penny Smith		Partner works for the Department of Transport and Public Works as DDG	
Rorisang Lekonyana		Spouse work for Department of National Treasury as Deputy Director	
Douglas Kiewiet		Parent works for Department of Water Affairs and Forestry	
Vinnie Naidoo		Spouse works for the Gauteng Dept of Education as an HOD for Math's	
Pravanya Pillay		Spouse works for the City of Cape Town as senior Professional Officer and Mother works for the Dept of Education KZN as HoD: Languages, Father works for the Dept of Transport KZN as Mechanical Engineer	
Zafar Haq	Brother works for City Engineers as Architect/town Planner		
CAJ van Coillie	CSM Consulting Services	Son, Andre van Coillie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	1 700 425
CAJ van Coillie		Son, Andre van Coillie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2 053 480
Andrew Richard Marks	Andrew's Blinds CC	Family member, Amelia Cynthia Marks is employed by the City of Johannesburg in the Revenue and CRM department	4 651
Tshepo Joseph	Maeko Property Developments	Son, Andre van Coillie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	1 541 985
Samual Tebogo	Temoso Trading 387 CC	Family member, Mirriam Moalusi is employed by the City of Johannesburg as a nurse	13 680
Johannes Pompom Kotsedi	Kotsedi Medical CC	Family member, Sophie Nomvula Kotsedi is employed by the City of Johannesburg	197 185

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Macdonald Boikanyo	Hiznhez Business Enterprise	Family member, Mmamosa Boikanyo is a director in the City of Johannesburg	48 200
Silby Dunn	Red Ant Security Relocation And Eviction Services	Family member, Kelebogile Dunn was employed by the City of Johannesburg in the Corporate services	2 123 785
Ms Y Phosa-	SMEC South Africa	Ms Phosa is the spouse of Dr. M Phosa, Chairperson of the board of SMEC South Africa and nonexecutive director	1 114 000
Raul Mosse	Siyakwe General Works	Family member, Juliet Simango is employed by the City of Johannesburg as a Operational Manager (Supervisor)	85 258

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

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

Sole Suppliers

The following deviations were as a result of service providers being sole suppliers for the required goods or services as per S 36 1 (b) of the supply chain management regulation

Name of Sole Supplier	Name of Company	Amount in Rands
Levitt's Distribution CC	Civic (SOC) Ltd	200 000
Sappi	Civic (SOC) Ltd	30 000
The Flavour	Civic (SOC) Ltd	200 000
Slo JO	Civic (SOC) Ltd	200 000
Slo JO	Civic (SOC) Ltd	24 289
Ola Cool Runners	Civic (SOC) Ltd	80 000
Slush Puppy	Civic (SOC) Ltd	150 000
Electrosonic	Civic (SOC) Ltd	226 086
L- Acoustics / Sound Harmonics	Civic (SOC) Ltd	400 000
External Team Events Company, Company Relay and Team	Civic (SOC) Ltd	30 000
DWR distribution cc	Civic (SOC) Ltd	186 267
Sysman Public Safety Systems	Civic (SOC) Ltd	15 000
Power Development Services	Civic (SOC) Ltd	2 109
Microsoft SA	Water (SOC) Ltd	20 514 000
AEC Amersham (SOC) Ltd	Fresh Produce Market (SOC) Ltd	507 605
South African Institute of Civil Engineering	JRA (SOC) Ltd	57 000
Stage Audio Works	Civic (SOC) Ltd	100 000
The Leadership Magazine	JOSHCO (SOC) Ltd	44 460
New Way Power	Civic (SOC) Ltd	200 000
AfricanGraphix	JDA (SOC) Ltd	13 200
		<u>23 180 016</u>

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Emergency

The following deviations were due to emergencies as per section 36 (1) (i) of the supply chain management regulation

Name of the Service provider	Emergency explanation	Name of Entity	Amount in Rands
Triakon Professional Engineering Services	Emergency - The collapse of stormwater manhole caused a sinkhole which imposed danger to the children and other people.	JRA (SOC) Ltd	1 507 775
Ambassador Air	Emergency - appointment for the repairs of the airconditioning system at JRA Head Office.	JRA (SOC) Ltd	456 215
Ambassador Air Services (Pty) Ltd	Emergency - appointment for the repairs of the air-conditioning system at JRA Head Office.	JRA (SOC) Ltd	881 870
Ambassador Air Services (Pty) Ltd	Emergency - appointment for the repairs of the air-conditioning system at JRA Head Office.	JRA (SOC) Ltd	980 134
Egoli Gas	Emergency - Relocation of gas line on the Emmarentia dam wall which posed a safety threat.	JRA (SOC) Ltd	664 984
Makhosi Engineers and Project Managers	Emergency - Health and safety threat at Asphalt Plant due to the emissions which resulted in air pollution	JRA (SOC) Ltd	281 664
Best Enough Trading	Filling of a critical post (risk manager) whilst the tender process to appoint a panel was underway	JRA (SOC) Ltd	193 778
SNA Civil Structural Engineering (Pty) Ltd	Emergency - Investigation into the collapse of the bridge support structure onto M1 Motorway at Grayston Drive.	JRA (SOC) Ltd	1 195 500
Manoti Building Construction cc	Emergency - Repairs of the cracked glass, sealing and installation of glass façade at the Johannesburg Roads Agency Head Office building.	JRA (SOC) Ltd	427 230
Triakon Engineering cc	Emergency stormwater and Gabion reinstatement at Wyoming Berario which posed safety risk and damages to infrastructure.	JRA (SOC) Ltd	496 638
Gilcels Construction and Projects	Emergency admin block sewage line blockage at Hamburg depot.	JRA (SOC) Ltd	6 000
	Emergency upgrade of 88kV switchyard		8 053 276
Lumacon Air Condition	Emergency repairs to Fleurhof Heat Pumps		56 959
	Emergency procurement of Hydraulic oil	City Power (SOC) Ltd	42 037
	Emergency repairs to Bordeaux and Randburg 6,6kv substations	City Power (SOC) Ltd	786 590
	Emergency repairs to transformer at Eikenhof substation	City Power (SOC) Ltd	389 768
	Emergency repairs to Khanyisa substation due to fire damage	City Power (SOC) Ltd	13 000 000
	Emergency procurement of low level stock items	City Power (SOC) Ltd	805 845
	Other Contracts incurred by Joburg Water for emergencies	Water (SOC) Ltd	17 747 000
	Procurement by Johannesburg Fresh Produce Market for emergencies	Fresh Produce (SOC) Ltd	11 669 189

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Various suppliers	emergency procurement related to Casual labour, drivers, cleaning equipment, consumables and tools and physical security as result of Pikitup strike.	PIKITUP (SOC) Ltd	35 654 447
	Facilities management maintenance and repairs	PIKITUP (SOC) Ltd	87 626
Ascret of David Initiative Projects and Construction	Due to a water leak from the downstairs kitchen overflowing into Portfolio A offices, emergency repairs had to be effected.	JDA (SOC) Ltd	3 450
The Drain Surgen	Emergency repairs to drainage system		50 000
			<u>195 437 975</u>

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Special work of art

The following deviations were due to services being special works of art as per section 36 (1) (iii) of the supply chain management regulation. These were incurred by Johannesburg Civic Theatre (SOC) Ltd as part of their business.

Name of special art	Amount in Rands
Step and Move (Moving minds)	49 600
June 2016 Youth Month	2 700 000
Inhouse events at Joburg Theatres	7 000
Promusa	9 500
Facilitators	280 000
Ga Se Lerato & Kudelowaziyo	202 000
In-house Productions (Neew Year's, Luther Vandross, Freedom week, Magic Flute, Africa Day)	11 850 000
Who's Who Management	378 000
Provision of artists for Arts Alive 2015	7 000 000
Burn the Floor	60 000
Youth Development 2015/16	650 000
Soweto Theatre inhouse productions	1 677 750
In-House Production at Joburg Theatre	3 375 000
	<u>28 238 850</u>

Purchase of animals

The following deviations were as a result of purchase of animal as per section 36 (1) (iv) of the supply chain management regulation by Joburg City Parks and Zoo

Detail of expenditure	Amount in Rands
PO053917,PO054629 and PO054628 animals purchase	107 500
Procurement of Animal- Flamingo	25 000
Procurement of Animal-water Buffalo	200 000
Procurement of Animal - Reptiles	24 200
Procurement of Animal - Coati	12 500
Procurement of Animal - African Buffalo	350 000
Procurement of Animal - Rhino	700 000
Procurement of Animal - Buffalo Weaver, Guenea fowl and Barbet	21 650
Procurement of Animal - Nigripes	50 000
PO053918 animal purchase	25 000
PO053927 animal purchase	280 000
	-
PO053919 animals purchase	64 105
Purchase order number PO049037 for Procurement of Animal-white Pelican	72 000
	<u>1 931 955</u>

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Operating leases extensions

Deviation and Ratification from the Normal Procurement processes in terms of regulation 36 (1) (b) of the municipal supply chain Management for departments to remain in their current buildings and to extend the current lease agreements.

Name of supplier /building	Amount in Rands
Sanlam / JHI	9 340 469
Redefine Properties	34 628 992
Investec Ltd	5 981 722
Germiston Bronze	6 498 123
CEz Investments	3 508 965
66 Plein Street CC	8 695 886
Liberty Group Property Management	11 422 548
ZenProp	14 351 278
Orion Property	7 400 597
Hermans and Romans	10 042 797
Eureka	-
Aca - Crum	-
Proton	732 000
CJ Cronje	556 000
ACA Health	90 000
Traduna	661 000
Fedsure Parking	99 000
Kyalami Business Park	35 000
Jorissen - DED	650 000
Aca Legislature	85 000
Alphen Square Dev	150 000
Alphen Square Health	250 000
222 Smit Street Housing	591 000
Blackheath Library	13 500
Horizon View Library	8 500
Kilarney Library	6 500
Halfway House Library	8 500
Wilfro Park Library	7 000
Modderfontein Library	8 000
222 Smit Street MTC	250 000
16th Road Randjies Park	42 000
Transport	148 843
Alexandra Library	10 000
Malvern Library	100 000
Delta Property fund	93 183 126
Gandhi Square (Metrobus ticket office)	11 264
Sappi Building	453 484
	210 021 094

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Other contract extensions.

Deviation and Ratification from the Normal Procurement processes in terms of regulation 36 (1) (b) of the municipal supply chain Management to extend the current contracts for security and cleaning services

Name of Supplier	Name of the company responsible	Amount in Rands
Khulani Makhosikazi Khulani	JPC	780 000
Green Sweep	JPC	432 000
Document Warehouse	JPC	242 127
Nicor Prosys	JPC	694 484
Softline VIP	JPC	573 752
Telkom	JPC	1 646 137
Infra-Sol	JPC	4 783 951
Schindler Lifts	JPC	2 307 409
Vodacom	JPC	738 146
Abzubros	JPC	383 494
Mabotwane Security	JPC	4 721 795
Mafoko Security Patrols	JPC	1 431 114
Marshall Knights	JPC	572 844
MC security	JPC	2 156 597
Peak Security	JPC	132 347
Sihlangene Security	JPC	2 077 338
SOS Protecsure	JPC	1 508 230
Venus Security Solutions	JPC	2 695
Vimtsire Security Protections	JPC	1 699 762
Continuous Membership to Gartner Research Services	CJMM	6 353 874
Various fresh produce market contracts	JFPM	64 000
Mthimkhulu Stone Works CC	JOSHCO (SOC) Ltd	101 837
Jolobe Trading	JOSHCO (SOC) Ltd	406 080
Gochi Trading	JOSHCO (SOC) Ltd	413 280
Exclusive People	JOSHCO (SOC) Ltd	45 996
VZ Contractor	JOSHCO (SOC) Ltd	533 040
		<u>34 802 329</u>

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Notes to the Group Annual Financial Statements

Other Deviations

Deviation and Ratification from the Normal Procurement processes in terms of regulation 36 (1) (av) and (b) of the municipal supply chain Management.

Name of the Service provider	Emergency explanation	Name of Entity	Amount in Rands
Y – Deluxe Fast Food	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 480
Mufanadzo General Enterprise	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 000
Mojoshe Catering & Projects	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	29 000
Ouma Catering Services	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 800
Khayalimnandi Catering	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 960
Valdifon CC	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	27 200
Funizwe Catering	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 800
Mojoshe Catering & Projects	Normal procurement processes were followed in respect to the Whippyery outreach program however Supply Chain did not release invoices as they perceive this as a split of quotation, hence the ratification	CJMM	28 000
Lapa la Rona	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030
Late Harvest Caterers & Events	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030
Make it Happen	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030
Jessy Catering Services T/A Platters	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030

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Taung Management Services	Appointment of catering services by JMPD for public safety ward based policing (Joburg 10 plus) and tool kit training programme. the matter was referred to Group Risk and Assurance Services for investigation.	CJMM	123 030
Gourmet Food Services	The department solicited quotations from three (3) service providers on Panel A473 instead of requesting quotations from all (9) service providers that are on Panel A473.	CJMM	81 760
Mango Kernel Flour and the Associated Technical Training for the Joburg Bread Programme	The requirement for the appointment of a sole provider for the project is due to the fact that there is no capacity in the City or the Department to undertake the technical training for Joburg Bread, that the Joburg Bread concept is an innovation to the City, and that GEMS is the only organization with the proof of patent application to produce the mango kernel flour using mango waste, and that the technology is aligned to the Blue Economy business model.	CJMM	919 736
SAP Maxattention support services	Procured in terms of Section 116 (3) of the Municipal finance management Act.	CJMM	75 000 000
Bowman Gilfillan	appointment for the legal services to respond to summons whilst tender process was underway	JRA (SOC) Ltd	382 366
Afhco Holdings	Impracticality - Afhco Holdings was the only supplier in the JRA Head Office vicinity to offer parking services in a radius of 500 meters.	JRA (SOC) Ltd	107 010
Van Velden Duffey Incorporated	Impracticality - appointment for the legal services to respond to summons whilst tender process was underway	JRA (SOC) Ltd	38 412
PWC Research Services (Pty) Ltd	Impracticality - Renewal of the Remchannel software which was developed by PWC and it was impractical to find a new provider to work on the Remchannel.	JRA (SOC) Ltd	64 500
Community Advertiser CC T/A Cherry Apple Media	Impracticality - Cherry Apple Media was appointed to render services to the JRA for advert placement on specialised publications. The appointment was made whilst the tender process was being initiated.	JRA (SOC) Ltd	1 003 606
Oracle Corporation	Impracticality - Renewal of software licenses (Oracle) which is currently being used by JRA. It was impractical to find a new provider.	JRA (SOC) Ltd	1 889 363
Game Shopping Centre	Purchase of long service awards vouchers from Game Stores for qualifying employees.	JRA (SOC) Ltd	107 000
Dick King Lab Supplies (Pty) Ltd	The Procurement of mould and plates for matest gyratory compactor from sole supplier.	JRA (SOC) Ltd	29 735
Maverick Trading 59 cc	Supply and delivery of non-metal products (KI Tops and Slabs) as a result of shortages experienced at the depots due to increased demand.	JRA (SOC) Ltd	5 000 000
Eskom Holdings	Appointment for the re-routing of the electrical cables at the Nxumalo Bridge.	JRA (SOC) Ltd	3 875 931
Britehouse	The Accounting Officer ratified a minor breach in supply chain processes for the appointment of Britehouse. An RFQ was advertised on the JDA website for seven days, on receipt of the RFQ the bid was evaluated and the service provider was appointed with a value that exceeds the threshold of R200 000 by R 25,378. The minor breach of the procurement process was ratified by the Accounting Officer.	JDA (SOC) Ltd	25 378
The Creative Axis	The Accounting Officer ratified a minor breach in supply chain processes for the continued appointment of The Creative Axis. The team was erroneously appointed for two years (2013/14 and 2014/15) instead of three years i.e. including the 2015/16 financial year. The tender document advertised had stated a three year appointment of a service provider. The minor breach of the procurement process was ratified by the Accounting Officer.	JDA (SOC) Ltd	256 740
Various suppliers	Joburg Water requested deviation on certain contracts due to to impracticality	Water (SOC) Ltd	-
	Purchase order number PO050097 for the exhibition stand in Durban	Parks (SOC) Ltd	48 600

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Various suppliers	Other deviations were documented and reported to the MTC Board of directors who considered them and subsequently approved them.	MTC (SOC) Ltd	7 834 000
Various suppliers	Procurement related to other services	Pikitup (SOC) Ltd	1 655 950
Bankuna Engineering Mapitsi Civil	completion of Soweto infrastructure upgrade and rehabilitation in SB 10 , Diepkloof	Water (SOC) Ltd	79 023 748
Telkom SA	appointment of Telkom for provision of telephony service	Water (SOC) Ltd	30 540 530
Various suppliers	Procurement related to Forensic investigations, securing external landfill airspace, evacuation chairs, specialised equipment, personnel recruitment advertisement, hire of equipment, move management and tenant installation. telephone directory and physical security.	Pikitup (SOC) Ltd	289 367 727
Various suppliers	procurement deviated due to impracticality in following the normal processes	CIVIC (SOC) Ltd	587 026
OTIS Elevators	Maintenance of lifts at Chelsea Project was deviated due to limited source supply		129 175
Delta Link	M- files document management system		16 436
			498 827 119

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

61. HEDGING ACTIVITIES

During the 2011 financial year, 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 billion
Fixed Rate:	11.66%
Payable:	Semi- annual

The cash flow hedge was ineffective for the year ended 30 June 2016 and it no longer met the criteria for hedge accounting as per IAS 39 par 88. The CJMM has therefore discontinued applying hedge accounting.

CASH FLOW RESERVE

Opening Balance	19 570	37 721	19 570	37 721
Fair value movement - SWAP	(14 200)	(18 151)	(14 200)	(18 151)
	5 370	19 570	5 370	19 570

Interest expense recognised in the statement of financial performance during the financial period	21 868	37 381	21 868	37 381
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The SWAP value represents the clean fair value as at 30 June 2016 (All inclusive price less any SWAP interest accrual outstanding)

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

62. RELATED PARTIES

Relationships

CORE

Other members of the group

City of Johannesburg Metropolitan Municipality
 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
 Johannesburg Metro Trading Company (Pty) Ltd
 Golden Triangle Development Company (Pty) Ltd 19

Joint ventures

Related party balances

Amounts included in Loans,

Trade and other receivables regarding related parties

City Power Johannesburg (Pty) Ltd	4 190 326	3 981 965
City of Johannesburg Property Company (Pty) Ltd	69 494	236 037
Johannesburg City Parks	57 146	39 133
Johannesburg Development Agency (Pty) Ltd	145 327	70 854
Johannesburg Metropolitan Bus Services (Pty) Ltd	799 629	323 182
Johannesburg Roads Agency (Pty) Ltd	82 937	123 055
Johannesburg Social Housing Company (Pty) Ltd	29 976	16 436
Johannesburg Water (Pty) Ltd	4 626 541	4 366 719
Metropolitan Trading Company (Pty) Ltd	1 311 889	-
Pikitup Johannesburg (Pty) Ltd	879 253	1 088 547
The Johannesburg Civic Theatre (Pty) Ltd	401	3 220
The Johannesburg Fresh Produce Market (Pty) Ltd	76 537	111 427
	12 269 456	10 360 575

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
62. RELATED PARTIES (continued)				
Amounts included in Loans, Trade and other payables regarding related parties				
City Power Johannesburg (Pty) Ltd			2 394 166	2 251 768
City of Johannesburg Property Company (Pty) Ltd			139 879	252 262
Johannesburg City Parks			652 479	604 570
Johannesburg Development Agency (Pty) Ltd			856 119	868 828
Johannesburg Metropolitan Bus Services (Pty) Ltd			217 487	30 113
Johannesburg Roads Agency (Pty) Ltd			840 174	822 118
Johannesburg Social Housing Company (Pty) Ltd			322 356	246 143
Johannesburg Water (Pty) Ltd			581 734	643 470
Metropolitan Trading Company (Pty) Ltd			24 775	-
Pikitup Johannesburg (Pty) Ltd			914 078	1 060 557
The Johannesburg Civic Theatre (Pty) Ltd			18 437	7 196
The Johannesburg Fresh Produce Market (Pty) Ltd			65 777	40 546
			7 027 461	6 827 571
Related party transactions				
Revenue from related parties				
City Power Johannesburg (Pty) Ltd			506 146	422 634
City of Johannesburg Property Company (Pty) Ltd			5 940	7 005
Johannesburg City Parks			16 009	50 215
Johannesburg Development Agency (Pty) Ltd			8 855	7 832
Johannesburg Metropolitan Bus Services (Pty) Ltd			40 042	49 142
Johannesburg Roads Agency (Pty) Ltd			24 037	26 695
Johannesburg Social Housing Company (Pty) Ltd			1 264	-
Johannesburg Water (Pty) Ltd			561 328	569 004
Metropolitan Trading Company (Pty) Ltd			91 287	-
Pikitup Johannesburg (Pty) Ltd			68 070	25 545
The Johannesburg Civic Theatre (Pty) Ltd			412	8 413
The Johannesburg Fresh Produce Market (Pty) Ltd			10 829	65 475
			1 334 219	1 231 960
Operating Expenditure				
City Power Johannesburg (Pty) Ltd			203 643	186 494
City of Johannesburg Property Company (Pty) Ltd			425 602	294 133
Johannesburg City Parks			764 118	691 953
Johannesburg Development Agency (Pty) Ltd			22 382	26 855
Johannesburg Metropolitan Bus Services (Pty) Ltd			434 580	403 775
Johannesburg Roads Agency (Pty) Ltd			795 150	768 941
Johannesburg Social Housing Company (Pty) Ltd			23 541	25 580
Johannesburg Water (Pty) Ltd			260 406	272 182
Metropolitan Trading Company (Pty) Ltd			105 931	-
Pikitup Johannesburg (Pty) Ltd			703 256	592 918
The Johannesburg Civic Theatre (Pty) Ltd			99 063	70 545
The Johannesburg Fresh Produce Market (Pty) Ltd			18 730	16 730
			3 856 402	3 350 106
Commitments				
Johannesburg Development Agency (Pty) Ltd			1 137 800	2 003 690
Johannesburg City Parks & Zoo			66 899	88 100
Johannesburg property Company (Pty) Ltd			8 717	369 878
Johannesburg Roads Agency (Pty) Ltd			-	17 100
Johannesburg Water (Pty) Ltd			716	-
			1 214 132	2 478 768

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015

62. RELATED PARTIES (continued)

The commitments above with related parties are included under note 43

63. CHANGE IN ESTIMATE

Traffic fines

A change in accounting estimate is when newer and more reliable information informs the municipality that the previous amounts used to measure revenue and receivables need to be adjusted. If after initial recognition, it becomes clear that cash has been received from offenders, then revenue recognised initially is adjusted accordingly in the Statement of Financial Performance and this change is accounted for as a change in accounting estimate.

The change in estimates for fines amounted to R 32 233 380 in the current year

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Figures in Rand thousand

64. EVENTS AFTER THE REPORTING DATE

Municipal elections took place on the 3rd August 2016. The outcome resulted in a change in Mayoral Committee members. This date falls within the post balance sheet period, therefore the change in the committee members should be noted.

65. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Johannesburg Broadband network (JBN)

The Johannesburg Broadband network (JBN) was transferred from B Wired to the City of Johannesburg. The initial accounting of the transfer of function was incomplete as at 30 June 2016. The account balances affected are Property, plant and equipment and intangible assets. The amounts recognised are therefore provisional amounts as per paragraph 40 of GRAP 105.

The transfer of function took place during the 2016 financial year and was finalised on Friday, September 4, 2015. Value of.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed

Property, plant and equipment	867 226	-	867 226	-
Intangible assets	188 389	-	188 389	-
	1 055 615	-	1 055 615	-

Acquisition related costs

The acquisition related costs amounted to R42 551 -. These costs have been expensed in the year of acquisition and are included in general expenses] in statement of financial performance.

Revenue and surplus or deficit of the Johannesburg Broadband network (JBN)

Revenue of R48 117 - and loss of R 52 690- of Johannesburg Broadband network (JBN) under Metropolitan Trading Company has been included in the group's results since the date of acquisition.

Initial accounting incomplete

Assets were accounted for at provisional amounts at acquisition date, the parent municipality is still embarking on a valuation exercise to confirm the Asset values.

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Figures in Rand thousand	GROUP		CJMM	
	2016	2015	2016	2015
66. TAXATION				
Major components of the tax expense				
Current				
Local income tax - current period	36 100	19 599	-	-
Deferred				
Originating and reversing temporary differences	217 804	219 189	-	-
	253 904	238 788	-	-
Reconciliation of the tax expense				
Reconciliation between accounting surplus and tax expense.				
Accounting surplus	4 071 095	3 863 266	1 729 699	2 403 725
Tax at the applicable tax rate of 28% (2015: 28%)	1 139 907	1 081 714	484 316	673 043
Tax effect of adjustments on taxable income				
Non taxable and non-deductible items	(883 473)	(800 511)	(484 316)	(673 043)
(Over)/ under provision of prior years	(2 936)	8 826	-	-
Tax effect of previously unused tax losses	406	(51 241)	-	-
	253 904	238 788	-	-

67. CASH MANAGEMENT

During the 2016 financial year, Transport department within City of Johannesburg had cash losses due to alleged fraudulent activities and theft amounting to R31,194 million (2015: R8,133 million). These losses incurred led to monies which were never credited into the City's bank account. Management is in the process of prosecuting personnel alleged to have undertaken fraudulent activities and/or have been negligent in the execution of their duties. Cases have also been opened with the SAPS with a view inter alia to recovering the monies. Investigations are almost complete and based on the outcome of these investigations actions have already been taken and will continue to be taken to improve controls and hold the relevant parties accountable.