



CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

General Information

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) - Resigned in August 2017
Leah Knott (Economic Development) -Appointed in August 2017
Richard Ngobeni (Development Planning and Urban Management)
Nonhlanhla Helen Makhuba (Transportation)
Nico De Jager (Environment and Infrastructure Services)
Dr Mpho Phalatse (Health and Social Development)
Dr Valencia Ntombi Khumalo (Corporate and Shared Services)
Michael Sun (Public Safety)
Nonhlanhla Sifumba (Community Development)
Mzobanzi Ntuli (Housing)
Dr Kevin Wax (Chief Whip)
Alex Christians (Chair of Chairpersons)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

General Information

GRADING OF LOCAL AUTHORITY

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

CITY MANAGER

Dr Ndivhoniswani Lukhwareni
Trevor Fowler (Contract expired December 2016)

CHIEF FINANCIAL OFFICER

Reggie Boqo (Resigned mid-June)

REGISTERED OFFICE

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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

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ABBREVIATIONS

AARTO	Administrative Adjudication of Road Traffic Offences
AUC	Assets Under Construction
CJMM	City of Johannesburg Metropolitan Municipality (CORE)
COID	Compensation for Occupational Injuries and Diseases
CRF	Contingency Reserve Fund
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
EPWP	Expanded Public Works Program
FRA	Forward Rate Agreement
FRN	Floating Rate Note
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IRS	Interest Rate Swap
JSE	Johannesburg Stock Exchange
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
NCD	Negotiable Certificate of Deposit
PAYE	Pay As You Earn
PN	Promissory Note
PPE	Property, Plant and Equipment
RMB	Rand Merchant Bank
SANAS	South African National Accreditation System
SARS	South Africa Revenue Services
SCM	Supply Chain Management
SOC	State Owned Company
SPTN	Single Public Transport Network
STD	Standard Bank
TCTA	Trans-Caledon Tunnel Authority
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant

City of Johannesburg Metropolitan Municipality

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VAT

Value Added Taxation

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

City Manager's approval of the Group Annual Financial Statements

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

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

**Accounting Officer
City Manager**

Date

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2017	2016 Restated*	2017	2016 Restated*
Assets					
Current Assets					
Inventories	3	319 320	318 756	84 076	119 429
Loans to Municipal entities	4	-	-	1 043 145	968 687
Other financial assets	5	18 576	18 576	18 576	18 576
Current tax receivable		19 334	18 955	-	-
Finance lease receivables	6	-	-	81 102	72 363
Receivables from exchange transactions	7	1 580 567	1 054 787	4 935 242	3 871 106
Receivables from non-exchange transactions	8	656 196	654 095	410 234	472 201
VAT receivable	9	566 018	253 967	211 173	171 744
Consumer debtors	10	6 015 670	5 330 264	615 278	865 684
Financial assets at fair value - Sinking fund	11	1 530 491	356 555	1 530 491	356 555
Cash and cash equivalents	12	3 095 911	4 369 765	2 781 090	4 182 055
		13 802 083	12 375 720	11 710 407	11 098 400
Non-Current Assets					
Zoo animals	13	26 736	25 645	-	-
Investment property	14	1 015 368	1 015 391	1 014 946	1 014 946
Property, plant and equipment	15	65 406 305	60 421 580	39 192 762	35 589 941
Intangible assets	16	886 245	1 077 385	312 527	461 187
Heritage assets	17	581 877	581 877	580 284	580 284
Investments in Municipal Entities	18	-	-	596 356	542 542
Investment in Joint Ventures	19	33 087	33 289	-	-
Investment in Associate	20	15 602	15 791	-	-
Loans to Municipal entities	4	-	-	6 743 942	7 057 144
Other financial assets	5	40 564	58 656	40 564	58 656
Deferred tax	21	1 335 971	933 401	-	-
Finance lease receivables	6	-	-	226 716	308 921
Financial assets at fair value - Sinking fund	11	2 268 902	3 839 044	2 268 902	3 839 044
		71 610 657	68 002 059	50 976 999	49 452 665
Total Assets		85 412 740	80 377 779	62 687 406	60 551 065

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2017	2016 Restated*	2017	2016 Restated*
Liabilities					
Current Liabilities					
Loans and borrowings	23	3 255 769	594 229	3 254 963	593 487
Current tax payable		569 096	519 029	-	-
Finance lease obligations	24	51 207	62 558	44 605	51 778
Financial liabilities at fair value - Sinking fund	30	150 387	444 674	150 387	444 674
Payables from exchange transactions	25	12 255 562	11 654 027	10 189 295	11 021 758
VAT payable	9	548 108	285 507	-	-
Unspent conditional grants and receipts	26	519 860	410 036	518 946	409 122
Provisions	27	272 377	269 922	-	-
Deferred income	29	4 418	3 952	-	-
Other financial liabilities at fair value - Swap	31	14 060	4 056	14 060	4 056
Consumer deposits	32	45 243	37 766	-	-
		17 686 087	14 285 756	14 172 256	12 524 875
Non-Current Liabilities					
Loans from Municipal entities	33	-	-	418 320	412 990
Loans and borrowings	23	16 855 880	17 474 609	16 840 775	17 458 698
Finance lease obligations	24	154 120	199 164	150 710	194 971
Financial liabilities at fair value - Sinking fund	30	672 074	725 729	672 074	725 729
Employee benefits obligations	28	1 526 221	1 602 623	1 205 441	1 254 455
Unspent conditional grants and receipts	26	216 272	59 331	-	-
Deferred tax	21	2 604 144	2 396 114	-	-
Provisions	27	604 545	718 450	53 994	136 800
Deferred income	29	49 126	46 344	49 126	46 344
Other financial liabilities at fair value - Swap	31	-	18 078	-	18 078
Consumer deposits	32	873 511	809 804	16 479	15 816
		23 555 893	24 050 246	19 406 919	20 263 881
Total Liabilities		41 241 980	38 336 002	33 579 175	32 788 756
Net Assets		44 170 760	42 041 777	29 108 231	27 762 309
Reserves					
Hedging reserve		(1 386)	(5 370)	(1 386)	(5 370)
Accumulated surplus		44 172 146	42 047 147	29 109 617	27 767 679
Total Net Assets		44 170 760	42 041 777	29 108 231	27 762 309

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Group Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2017	2016 Restated*	2017	2016 Restated*
Revenue					
Revenue from exchange transactions					
Rendering of services	36	25 092 442	23 328 536	462 683	429 427
Rental of facilities and equipment		294 181	246 553	129 296	89 725
Agency services		236 778	214 639	236 778	214 639
Licences and permits		3 648	1 211	3 648	1 211
Other revenue	35	1 199 849	1 551 396	684 886	1 038 716
Finance Income		624 146	636 949	1 374 052	1 196 130
Total revenue from exchange transactions		27 451 044	25 979 284	2 891 343	2 969 848
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	37	7 912 381	8 138 059	7 912 381	8 138 059
City cleaning levy		129 476	111 999	-	-
Transfer revenue					
Government grants and subsidies	38	9 301 934	8 917 425	8 986 924	8 599 922
Public contributions, donated and contributed property, plant and equipment		387 803	402 852	97 578	194 132
Fines, Penalties and Forfeits		239 806	288 830	239 806	288 830
Total revenue from non-exchange transactions		17 971 400	17 859 165	17 236 689	17 220 943
Total revenue		45 422 444	43 838 449	20 128 032	20 190 791
Expenditure					
Employee related costs	39	(9 856 853)	(8 999 338)	(5 632 814)	(5 155 438)
Remuneration of councillors	40	(139 593)	(133 887)	(139 593)	(133 887)
Depreciation and amortisation	41	(2 905 690)	(2 809 175)	(1 757 823)	(1 834 054)
Impairment losses	42	(48 681)	(2 929)	(102 312)	(434 643)
Finance costs		(2 404 844)	(1 880 553)	(2 449 399)	(1 944 068)
Debt impairment	43	(3 723 735)	(2 483 374)	(788 672)	(713 688)
Bulk purchases	44	(14 978 933)	(13 747 732)	-	-
Contracted services	45	(2 321 325)	(2 655 703)	(1 495 303)	(1 781 856)
Grants and subsidies paid	46	(500 747)	(484 417)	(3 874 419)	(3 552 139)
General expenses	47	(6 882 070)	(7 003 372)	(2 911 423)	(3 325 632)
Total expenditure		(43 762 471)	(40 200 480)	(19 151 758)	(18 875 405)
Operating surplus		1 659 973	3 637 969	976 274	1 315 386
(Loss)/gain on disposal of assets		(74 489)	(256 037)	(41 277)	(237 625)
Reversal of impairment	42	-	-	29 825	31 315
Fair value adjustments	48	377 220	385 848	377 116	385 787
Gain as a result of donated animals, new births and deaths		1 520	2 695	-	-
Share of surpluses and deficits from associate and joint ventures accounted for using the equity method		158	4 816	-	-
		304 409	137 322	365 664	179 477
Surplus before taxation		1 964 382	3 775 291	1 341 938	1 494 863
Taxation	65	160 617	(253 884)	-	-
Surplus for the year		2 124 999	3 521 407	1 341 938	1 494 863

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
GROUP				
Balance at 01 July 2015		(19 570)	38 525 740	38 506 170
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			3 521 407	3 521 407
Total recognised revenue and expenditure for the year		14 200	3 521 407	3 535 607
Total changes		14 200	3 521 407	3 535 607
Opening balance as previously reported		(5 370)	43 131 056	43 125 686
Adjustments				
Prior period restatement			(1 083 909)	(1 083 909)
Balance at 01 July 2016 as restated		(5 370)	42 047 147	42 041 777
Changes in net assets				
Amount recognised directly in net assets		3 984	-	3 984
Net revenue (expenditure) recognised directly in equity		3 984	-	3 984
Surplus for the year			2 124 999	2 124 999
Total recognised revenue and expenditure for the year		3 984	2 124 999	2 128 983
Total changes		3 984	2 124 999	2 128 983
Balance at 30 June 2017		(1 386)	44 172 146	44 170 760

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Group Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
CJMM				
Balance at 01 July 2015		(19 570)	26 025 871	26 006 301
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			1 494 863	1 494 863
Total recognised revenue and expenditure for the year		14 200	1 494 863	1 509 063
Gain on transfer of functions			246 945	246 945
Total changes		14 200	1 741 808	1 756 008
Balance at 01 July 2016		(5 370)	27 767 679	27 762 309
Changes in net assets				
Amount recognised directly in net assets		3 984	-	3 984
Net revenue (expenditure) recognised directly in equity		3 984	-	3 984
Surplus for the year			- 1 341 938	1 341 938
Total recognised revenue and expenditure for the year		3 984	1 341 938	1 345 922
Total changes		3 984	1 341 938	1 345 922
Balance at 30 June 2017		(1 386)	29 109 617	29 108 231

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Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2017	2016 Restated*	2017	2016 Restated*
Cash flows from operating activities					
Receipts					
Cash receipts from customers		30 336 286	29 795 686	7 197 873	8 877 538
Grants		9 568 698	8 821 798	8 992 774	8 797 621
Interest income		624 146	624 799	1 238 704	974 930
		40 529 130	39 242 283	17 429 351	18 650 089
Payments					
Cash paid to suppliers and employees		(34 565 129)	(30 959 275)	(14 982 296)	(12 856 588)
Finance costs		(2 404 884)	(1 941 504)	(2 365 106)	(1 906 087)
Taxes on surpluses		15 765	(32 932)	-	-
		(36 954 248)	(32 933 711)	(17 347 402)	(14 762 675)
Net cash flows from operating activities	49	3 574 882	6 308 572	81 949	3 887 414
Cash flows from investing activities					
Purchase of capital assets		(7 100 961)	(10 028 303)	(3 620 312)	(6 514 493)
Cash movements in sinking fund		400 000	1 100 000	400 000	1 100 000
Loans redeemed from Municipal entities	64	-	-	1 077 172	1 038 193
Finance lease receivables		-	-	68 432	(75 174)
Investment in Municipal entities		-	-	(53 814)	(46 182)
Other financial assets		18 092	-	18 092	-
Loans to Municipal entities		-	-	(1 235 108)	(1 540 568)
Net cash flows from investing activities		(6 682 869)	(8 928 303)	(3 345 538)	(6 038 224)
Cash flows from financing activities					
Proceeds from borrowings		2 626 000	3 940 000	2 626 000	3 940 000
Liabilities from Municipal entities		-	-	(3 803)	(6 506)
Repayment of borrowings		(593 484)	(1 565 027)	(593 484)	(1 564 348)
Finance lease obligations		(52 765)	(123 057)	(51 434)	(104 773)
Repayment of post-retirement benefits		(145 618)	(141 974)	(114 655)	(111 497)
Net cash flows from financing activities		1 834 133	2 109 942	1 862 624	2 152 876
Net (decrease)/increase cash and cash equivalents		(1 273 854)	(509 789)	(1 400 965)	2 067
Cash and cash equivalents at the beginning of the year		4 369 765	4 879 554	4 182 055	4 179 988
Cash and cash equivalents at the end of the year	12	3 095 911	4 369 765	2 781 090	4 182 055

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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	26 119 629	(349 591)	25 770 038	25 092 442	(677 596)	
Rental facilities and equipment	321 242	(6 421)	314 821	294 181	(20 640)	
Agency services	663 431	13 103	676 534	236 778	(439 756)	2
Licences and permits	790	6 510	7 300	3 648	(3 652)	1
Other revenue	2 332 198	84 605	2 416 803	1 199 849	(1 216 954)	2
Finance Income	464 706	(10 471)	454 235	624 146	169 911	3
Total revenue from exchange transactions	29 901 996	(262 265)	29 639 731	27 451 044	(2 188 687)	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TAXATION REVENUE						
Property rates	8 189 000	70 000	8 259 000	7 912 381	(346 619)	
City cleaning levy	114 277	-	114 277	129 476	15 199	4
Government grants and subsidies	9 482 308	743 441	10 225 749	9 301 934	(923 815)	
TRANSFER REVENUE						
Public contributions, Donated and contributed property, plant and equipment	114 254	-	114 254	387 803	273 549	5
Fines	1 105 145	(475 450)	629 695	239 806	(389 889)	6
Total revenue from non-exchange transactions	19 004 984	337 991	19 342 975	17 971 400	(1 371 575)	
Total revenue	48 906 980	75 726	48 982 706	45 422 444	(3 560 262)	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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	(10 464 405)	(158 004)	(10 622 409)	(9 856 853)	765 556	
Remuneration of councillors	(153 699)	-	(153 699)	(139 593)	14 106	
Depreciation and amortisation	(3 567 343)	-	(3 567 343)	(2 905 690)	661 653	7
Impairment losses	-	-	-	(48 681)	(48 681)	
Finance costs	(2 321 693)	(35)	(2 321 728)	(2 404 844)	(83 116)	
Debt impairment	(3 286 247)	197 846	(3 088 401)	(3 723 735)	(635 334)	8
Bulk purchases	(15 323 211)	116 933	(15 206 278)	(14 978 933)	227 345	
Contracted services	(3 485 542)	(148 733)	(3 634 275)	(2 321 325)	1 312 950	9
Grants and subsidies paid	(464 426)	4 320	(460 106)	(500 747)	(40 641)	
General expenses	(6 238 825)	(87)	(6 238 912)	(6 882 070)	(643 158)	
Total expenditure	(45 305 391)	12 240	(45 293 151)	(43 762 471)	1 530 680	
Operating surplus	3 601 589	87 966	3 689 555	1 659 973	(2 029 582)	
Loss on disposal of assets and liabilities	(25)	25	-	(74 489)	(74 489)	
Fair value adjustments	-	-	-	377 220	377 220	10
Gain as a result of donated animals and new births	-	-	-	1 520	1 520	
Share of (deficit)/ surplus of associate or joint ventures accounted for under the equity method	-	-	-	158	158	
	(25)	25	-	304 409	304 409	
Surplus before taxation	3 601 564	87 991	3 689 555	1 964 382	(1 725 173)	
Taxation	416 943	(3 112)	413 831	(160 617)	(574 448)	
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	3 184 621	91 103	3 275 724	2 124 999	(1 150 725)	

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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

The comparison is between actual amounts as at 30 June 2017 and the 2016/2017 Adjusted Budget. Comments are provided on variances in excess of 10%.

1. Licences and permits

The variance is due to the Environment and Infrastructure department's overestimation of the earnings potential of their air permits and energy concession fee. These permits were issued as from October 2016, the actual amounts received represent three quarters of the year.

2. Other Revenue

The main contributors to the variance are as follows:

Lower unit sales to Eskom from electricity produced at Kelvin Power station. Arrangement with Eskom was also discontinued in April 2017.

The under-performance of income from jobbing is as a result of decrease in demand for the jobbing.

Under-performance of income from Johannesburg Metrobus services due to shortfall of buses. Some of the scheduled trips were not undertaken as old buses were out of commission.

3. Finance Income

The variance is as a result of interest charges on outstanding debtors. This is consistent with the lower payment levels of old debt.

4. City cleaning levy

The actual amount is greater than budget as a result of corrections and back billing of properties processed in the current year not previously budgeted for.

5. Public Contributions

Public contributions are based on voluntary donations from the public and therefore cannot be accurately budgeted for unless there is a commitment to donate by the public at the budgeting stage.

6. Fines

The under recovery is mainly due to the termination of electronic speed law enforcement contracts in February 2017, and the invalidation of traffic fines that do not comply with the Administration and Adjudication of Road Traffic Offences Act.

7. Depreciation and Amortization

The variance is due to assets being capitalised at different times during the financial year, whereas the budget assumes depreciation for the full year.

8. Debt Impairment

Collection levels were lower than expected due to the adverse economic conditions

9. Contracted services

The underspending on contracted services is due to the following reasons:

The delay in implementation and roll out of the auto-safe equipment and pre-negotiations with the taxi industry.

Fewer consultants utilised for specialised services.

The underspending as a result of the yellow plant contract which came to an end during the financial year. The current extension of the old contract is at lower rates than budgeted.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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

10. Fair value adjustments

The following instruments contributed to the fair value movement:

The redemption fund contributed significantly to the fair value gains which can be attributed to the fund performance

In the current year, surplus cash was placed with asset managers The Interest Rate Swap also had some fluctuations in its fair value.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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	432 199	(3 630)	428 569	462 683	34 114	
Rental facilities and equipment	147 980	2 700	150 680	129 296	(21 384)	1
Agency services	238 788	-	238 788	236 778	(2 010)	
Licences and permits	790	6 510	7 300	3 648	(3 652)	2
Other revenue	901 926	40 631	942 557	684 886	(257 671)	3
Finance income	1 294 197	58 915	1 353 112	1 374 052	20 940	
Total revenue from exchange transactions	3 015 880	105 126	3 121 006	2 891 343	(229 663)	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TAXATION REVENUE						
Property rates	8 189 000	70 000	8 259 000	7 912 381	(346 619)	
TRANSFER REVENUE						
Government grants and subsidies	9 106 225	199 934	9 306 159	8 986 924	(319 235)	
Public contributions and contributed assets	-	1 296	1 296	97 578	96 282	4
Fines	990 868	(475 450)	515 418	239 806	(275 612)	5
Total revenue from non-exchange transactions	18 286 093	(204 220)	18 081 873	17 236 689	(845 184)	
Total revenue	21 301 973	(99 094)	21 202 879	20 128 032	(1 074 847)	
EXPENDITURE						
Employee Related costs	(5 780 538)	345	(5 780 193)	(5 632 814)	147 379	
Remuneration of councillors	(153 699)	-	(153 699)	(139 593)	14 106	
Depreciation and amortisation	(2 593 393)	166 012	(2 427 381)	(1 757 823)	669 558	
Impairment losses	-	-	-	(102 312)	(102 312)	
Finance costs	(2 468 618)	(13 227)	(2 481 845)	(2 449 399)	32 446	
Debt impairment	(1 076 679)	177 376	(899 303)	(788 672)	110 631	
Contracted services	(1 650 261)	(95 443)	(1 745 704)	(1 495 303)	250 401	6
Grants and subsidies paid	(3 489 919)	(340 877)	(3 830 796)	(3 874 419)	(43 623)	
General Expenses	(2 927 862)	(2 891)	(2 930 753)	(2 849 688)	81 065	
Total expenditure	(20 140 969)	(108 705)	(20 249 674)	(19 151 758)	1 097 916	
Operating surplus	1 161 004	(207 799)	953 205	976 274	23 069	
(Loss) gain on disposal of assets	25 000	-	25 000	(41 277)	(66 277)	
Reversal of Impairment	-	-	-	29 825	29 825	7
Fair value adjustments	120 000	-	120 000	377 116	257 116	8
	145 000	-	145 000	365 664	220 664	
Surplus before taxation	1 306 004	(207 799)	1 098 205	1 341 938	243 733	

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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

1. Rental of facilities and equipment

The under recovery is mainly in municipal portfolio account (Johannesburg Property Company) and is as a result of low occupancy rates of council owned properties and vacated properties. Occupancy rates and rental collections continue to be affected by the economic climate. Processes are in progress to renew the expired contracts.

2. Licences and permits

The large variance was attributable to the under-recovery experienced by Environment and Infrastructure department's overestimation of the earnings potential of their air permits and energy concession fee. These permits were issued as from October 2016, the actual amounts received represent three quarters of the year.

3. Other income

Main contributors to the variance are:

Housing - The under-recovery was in relation to hostel income. This is as a result of units in Region E and F that became vacant due to maintenance

.

Group finance - The under-recovery is as a result of non-payment of final and pre-termination notices being issued in accordance with the credit policy and is being influenced by the on-going billing reviews.

4. Public contributions, donated and contributed property, plant and equipment

The over-recovery was mainly attributable to the property value received by Joburg Property Company during the year.

5. Fines

The under recovery is mainly due to the termination of electronic speed law enforcement contracts in February 2017, and the invalidation of traffic fines that do not comply with the Administration and Adjudication of Road Traffic Offences Act.

6. Contracted services

Main contributors to the underspending in contracted services are:

Housing: A delay with regards to concluding the SLA for cleaning services. Further the procurement process has commenced with regards to expenditure on Consultant work to undertake Feasibility studies.

EISD: The following projects were not implemented:

- SANAS Calibration Meteorological Weather - SCM did not approve the central adjudication committee report as they argued that the department was attempting to circumvent the SCM policy.
- River clean-up and Waste Recycling projects which formed part of Jozi@work were cancelled in October 2016, this resulted in the department having insufficient time to spend their budget.

Group Finance: With regards to RSSC's enhancement of revenue project, budget was not spent due approval not yet granted in order to appoint a service provider. SCM processes are underway as additional budget was only approved during adjustment budget processor.

7. Reversal of impairment

Reversal of impairment on the loan to Metrobus.

8. Fair value adjustments

The following instruments contributed to the fair value movement:

The Redemption fund contributed significantly to the fair value gains which can be attributed to the fund performance.

In the current year, surplus cash was placed with asset managers.

The interest rate swap also had some fluctuations in its fair value.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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 - 2017											
Financial Performance											
Property rates	8 189 000	70 000	8 259 000	-	-	8 259 000	7 912 381	-	(346 619)	96 %	97 %
Service charges	26 119 629	(349 591)	25 770 038	-	-	25 770 038	25 092 442	-	(677 596)	97 %	96 %
City cleaning levy	114 277	-	114 277	-	-	114 277	129 476	-	15 199	113 %	113 %
Finance income	464 706	(10 471)	454 235	-	-	454 235	624 146	-	169 911	137 %	134 %
Gains on disposal of PPE	25 000	-	25 000	-	-	25 000	1 520	-	(23 480)	6 %	6 %
Operational grants	6 725 515	1 248	6 726 763	-	-	6 726 763	6 740 131	-	13 368	100 %	100 %
Other income	4 422 806	(377 653)	4 045 153	-	-	4 045 153	2 351 640	-	(1 693 513)	58 %	53 %
Total revenue	46 060 933	(666 467)	45 394 466	-	-	45 394 466	42 851 736	-	(2 542 730)	94 %	93 %
Employee costs	(10 464 405)	(158 004)	(10 622 409)	-	-	(10 622 409)	(9 856 853)	-	765 556	93 %	94 %
Remuneration of councillors	(153 699)	-	(153 699)	-	-	(153 699)	(139 593)	-	14 106	91 %	91 %
Debt impairment	(3 286 247)	197 846	(3 088 401)	-	-	(3 088 401)	(3 723 735)	-	(635 334)	121 %	113 %
Depreciation	(3 567 343)	-	(3 567 343)	-	-	(3 567 343)	(2 954 371)	-	612 972	83 %	83 %
Finance charges	(2 321 693)	(35)	(2 321 728)	-	-	(2 321 728)	(2 404 844)	-	(83 116)	104 %	104 %
Bulk purchases	(15 323 211)	116 933	(15 206 278)	-	-	(15 206 278)	(14 978 933)	-	227 345	99 %	98 %
Other expenses	(6 238 825)	(87)	(6 238 912)	-	-	(6 238 912)	(6 882 070)	-	(643 158)	110 %	110 %
Grants paid	(464 426)	4 320	(460 106)	-	-	(460 106)	(500 747)	-	(40 641)	109 %	108 %
Contracted services	(3 485 542)	(148 733)	(3 634 275)	-	-	(3 634 275)	(2 321 325)	-	1 312 950	64 %	67 %
Loss on disposal of assets	(25)	25	-	-	-	-	(74 489)	-	(74 489)	- %	297 956 %
Total expenditure	(45 305 416)	12 265	(45 293 151)	-	-	(45 293 151)	(43 836 960)	-	1 456 191	97 %	97 %
Surplus/ (Deficit)	755 517	(654 202)	101 315	-	-	101 315	(985 224)	-	(1 086 539)	(972)%	(972)%

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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 - capital	2 756 793	742 193	3 498 986	-	-	3 498 986	2 561 803		(937 183)	73 %	93 %
Contributions - capital assets	114 254	-	114 254	-	-	114 254	387 803		273 549	339 %	339 %
Surplus/ (Deficit) after capital contributions	3 626 564	87 991	3 714 555	-	-	3 714 555	1 964 382		(1 750 173)	53 %	54 %
Taxation	416 943	(3 112)	413 831	-	-	413 831	(160 617)		(574 448)	(39)%	(39)%
Surplus/ (Deficit) for the year	3 209 621	91 103	3 300 724	-	-	3 300 724	2 124 999		(1 175 725)	64 %	66 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-	-	-	7 727 950		7 727 950	- %	- %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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 - 2017											
Financial Performance											
Property rates	8 189 000	70 000	8 259 000	-	-	8 259 000	7 912 381		(346 619)	96 %	97 %
Service charges	432 199	(3 630)	428 569	-	-	428 569	462 683		34 114	108 %	107 %
Finance income	1 294 197	58 915	1 353 112	-	-	1 353 112	1 374 052		20 940	102 %	106 %
Transfers - operational	5 437 171	199 045	5 636 216	-	-	5 636 216	6 713 778		1 077 562	- %	- %
Other revenue	2 425 352	(425 609)	1 999 743	-	-	1 999 743	1 701 359		(298 384)	85 %	70 %
Total revenue (excluding capital transfers and contributions)	17 777 919	(101 279)	17 676 640	-	-	17 676 640	18 164 253		487 613	103 %	102 %
Employee costs	(5 780 538)	345	(5 780 193)	-	-	(5 780 193)	(5 632 814)		147 379	97 %	97 %
Remuneration of councillors	(153 699)	-	(153 699)	-	-	(153 699)	(139 593)		14 106	91 %	91 %
Debt impairment	(1 076 679)	177 376	(899 303)			(899 303)	(788 672)		110 631	88 %	73 %
Depreciation and asset impairment	(2 593 393)	166 012	(2 427 381)			(2 427 381)	(1 860 135)		567 246	77 %	72 %
Finance charges	(2 468 618)	(13 227)	(2 481 845)	-	-	(2 481 845)	(2 449 399)		32 446	99 %	99 %
Transfers and grants	(3 489 919)	(340 877)	(3 830 796)	-	-	(3 830 796)	(3 874 419)		(43 623)	101 %	111 %
Other expenditure	(4 578 123)	(98 334)	(4 676 457)	-	-	(4 676 457)	(4 448 002)		228 455	95 %	97 %
Total expenditure	(20 140 969)	(108 705)	(20 249 674)	-	-	(20 249 674)	(19 193 034)		1 056 640	95 %	95 %
Surplus/(Deficit)	(2 363 050)	(209 984)	(2 573 034)	-	-	(2 573 034)	(1 028 781)		1 544 253	40 %	44 %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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	3 669 054	889	3 669 943	-		3 669 943	2 273 146		(1 396 797)	62 %	62 %
Contributions recognised - capital and contributed assets	-	1 296	1 296	-		1 296	97 578		96 282	- %	- %
Surplus (Deficit) after capital transfers and contributions	1 306 004	(207 799)	1 098 205	-		1 098 205	1 341 943		243 738	122 %	103 %
Surplus/(Deficit) for the year	1 306 004	(207 799)	1 098 205	-		1 098 205	1 341 943		243 738	122 %	103 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	5 298 494		5 298 494	- %	- %

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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 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 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.

Balances, transactions, revenues and expenses between entities within the group 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 presented 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 2017

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions, contingent liabilities and contingent assets

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

Payables (Consumers with credit balances)

City of Johannesburg (COJ) invoices clients for the following revenue components; electricity on behalf of City Power, water on behalf of Joburg Water, refuse on behalf of Pikitup and rates and taxes on behalf of COJ Core Administration. Revenue and corresponding debtor is allocated to each municipal entity based on the actual consumption/billing.

With regards to credit balances in consumer debtors, COJ allocates credit balances applicable to each entity using the billing trend, allocation takes into account that credit balances are typically utilised through consumption of services to be provided by COJ in the future. Management have applied judgment in determining the allocation basis, this is consistent with prior financial years.

Expected manner of realisation for deferred tax

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

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment of receivables

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

Useful life of PPE

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

Budget information

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.

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

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.

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

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

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Investment property (continued)

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.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

Subsequent measurement

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

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

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

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

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

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

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

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

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

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

Item	Average useful life (Years)
Buildings	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
Infrastructure	10 - 30 years
Community assets	3 - 30 years
Emergency Equipment	5 - 15 years
Wastewater and Water Network	.
Pump stations - Civil	60 - 100 years
Pump stations - Mechanical	5 - 15 years
Pump stations - Electrical	7 - 16 years
Water meters	4 - 13 years
Pipelines and other	60 - 100 years
Landfill Site	Determined annually based on the available space
Library Books	10 years
Specialised vehicles	2 - 40 years
Other	2 - 40 years

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

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

The 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

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.

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

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

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

Subsequent Measurement

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	2-8 years

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

1.7 Heritage assets

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

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.7 Heritage assets (continued)

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

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

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.

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 a 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 a joint venture.

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

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

The most recent available annual financial statements of the joint ventures are used by the investor in applying the equity method. When the end of the reporting period of the investor is different from that of the joint venture, the joint venture prepares for the use of the investor 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, annual financial statements as of the same date as the 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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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 initially 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 2017

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 a 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.

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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 2017

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 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.

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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

Group Annual Financial Statements for the year ended 30 June 2017

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 1 July 2016 to 30 June 2017.

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.

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.18 Employee benefits (continued)

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.

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.19 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the 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, a group recognises the obligation at the higher of:

- 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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

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.

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.20 Revenue from exchange transactions (continued)

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:

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

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

Subsequent measurement

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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

AARTO traffic fines

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

Initial recognition

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

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.

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

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

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.

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

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 and all other section 56 and 57 employees as defined in the MFMA.

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.

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.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

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

<u>Name</u>	<u>Effective Date</u>
GRAP 20 - Related Parties	Not yet effective
GRAP 32 - Service Concession arrangements: Grantor	Not yet effective
GRAP 34 - Separate financial statements	Not yet effective
GRAP 35 - Consolidated financial statements	Not yet effective
GRAP 36 - Investment in associates and Joint ventures	Not yet effective
GRAP 37 - Joint Arrangements	Not yet effective
GRAP 38 - Disclosure in interest in other entities	Not yet effective
GRAP 108 - Statutory receivables	Not yet effective
GRAP 109 - Accounting by principles and agents	Not yet effective
GRAP 110 - Living and non-living resources	Not yet effective

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

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

IGRAP 19 - Liabilities to pay levies

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

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

3. INVENTORIES

Consumable stores	112 435	138 076	82 756	118 109
Spare parts	30 334	21 524	-	-
Consumables - Water	85 972	66 895	-	-
Housing stock	61 050	61 050	61 050	61 050
Work in progress	524	397	-	-
Consumables - Electrical	70 973	83 370	-	-
Consumables - Road	44 135	38 754	-	-
Fuel (Diesel, Petrol)	1 256	3 335	-	-
	406 679	413 401	143 806	179 159
Provision for inventory write downs	(87 359)	(94 645)	(59 730)	(59 730)
	319 320	318 756	84 076	119 429

3.1 Reconciliation of provision for inventory write-down

Opening balance	94 645	99 298	59 730	59 730
Inventory written down	4 018	5 545	-	-
Inventory derecognized	(11 304)	(10 198)	-	-
	87 359	94 645	59 730	59 730

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

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
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.	-	-	60 634	121 286
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2018.	-	-	4 338	8 681
	-	-	689 765	754 760
Concessionary Loans				
The Johannesburg Metro Trading Company(Pty) Ltd Terms and conditions: Rate range = 11.89% Maturity = 30 August 2035	-	-	1 421 132	1 302 551

The loan of R 1 302 551 354 was issued to Metro Trading company on the 1st of September 2015 with a capital and interest payment grace period of three years.

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Conduit loans				
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 11.23% Maturity = 30 June 2026	-	-	235 986	-
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	-	93 736
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2018	-	-	78 595	148 202
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	-	129 504	184 449
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	-	-	197 694	250 533
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	-	-	163 171	194 049
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2022	-	-	254 861	293 131
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	-	-	41 654	46 548
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate 10.18% Maturity = 30 June 2024	-	-	743 086	812 446
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate 9.88% Maturity = 30 June 2025	-	-	581 722	631 058
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2026	-	-	121 055	121 055
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2028	-	-	57 080	-
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 14.15% Maturity = 30 June 2026	-	-	628	628
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 12.42% Maturity = 30 June 2026	-	-	2 937	2 937
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	-	-	5 785	5 785
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2026	-	-	19 701	19 701
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.2% Maturity = 15 May 2026	-	-	30 171	30 171
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	14 379	14 379
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	-	-	7 885	7 885

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate range = 12.21 % Maturity = 30 June 2026	-	-	19 983	19 983
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate range = 10.78% Maturity = 15 May 2026	-	-	14 738	14 738
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 10.4% Maturity = 30 June 2026	-	-	15 309	15 309
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2026	-	-	22 398	22 398
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2026	-	-	27 265	27 265
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2027	-	-	104 982	104 982
Johannesburg Metropolitan Bus Services (SOC) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	-	-	1 303
Johannesburg Metropolitan Bus Services (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-	884	1 678
Johannesburg Metropolitan Bus Service (SOC) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2025	-	-	323 541	351 270
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2025	-	-	420 342	453 259
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 11.23% Maturity = 30 June 2026	-	-	430 283	-
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = Jibar less 35bp Maturity = 30 June 2026	-	-	36 280	72 560
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 10,9% Maturity = 30 June 2018	-	-	83 541	158 492
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 10,9% Maturity = 30 June 2019	-	-	120 693	171 899
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = Rate 10,9% Maturity = 30 June 2020	-	-	193 872	245 689
Johannesburg Water (SOC) Ltd Terms and conditions: Jibar plus 70pb Maturity = 15 May 2026	-	-	372 897	414 330
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 10,9% Maturity = 30 June 2021	-	-	163 456	194 387
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 9,31% Maturity = 30 June 2022	-	-	216 269	248 743
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 9,65% Maturity = 30 June 2023	-	-	496 773	555 141
Johannesburg Water (SOC) Ltd	-	-	672 184	734 925

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Terms and conditions: Rate = 10,18% Maturity = 30 June 2024 The Johannesburg Fresh Produce (SOC) Ltd	-	-	-	8 575
Terms and conditions: Rate = 10,2% Maturity = 30 June 2017 The Johannesburg Fresh Produce (SOC) Ltd	-	-	4 965	9 420
Terms and conditions: Rate = 11,9% Maturity = 30 June 2018 The Johannesburg Fresh Produce (SOC) Ltd	-	-	5 713	8 207
Terms and conditions: Rate = 9% Maturity = 30 June 2019 The Johannesburg Fresh Produce (SOC) Ltd	-	-	7 216	9 164
Terms and conditions: Rate = 10,4% Maturity = 30 June 2020 The Johannesburg Fresh Produce (SOC) Ltd	-	-	7 814	9 312
Terms and conditions: Rate = 10,4% Maturity = 30 June 2021 The Johannesburg Fresh Produce (SOC) Ltd	-	-	17 619	20 265
Terms and conditions: Rate = 9,31% Maturity = 30 June 2022	-	-	-	-
	-	-	6 464 911	6 729 987
Less impairment of loans to Municipal Entities	-	-	(788 721)	(761 467)
	-	-	5 676 190	5 968 520
Non-current assets	-	-	6 743 942	7 057 144
Current assets	-	-	1 043 145	968 687
	-	-	7 787 087	8 025 831

Reconciliation of provision for impairment of loans to municipal entities

Opening balance	-	-	761 467	326 824
Additional impairment - Johannesburg Metropolitan Bus Services (SOC) Ltd	-	-	-	329 661
Reversal of impairment - Johannesburg Metropolitan Bus Services (SOC) Ltd	-	-	(29 826)	-
Additional impairment - Pikitup Johannesburg (SOC) Ltd	-	-	57 080	104 982
	-	-	788 721	761 467

Impairment of loan to Pikitup Johannesburg (SOC) 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.

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

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

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
5. OTHER FINANCIAL ASSETS				
At amortised cost				
Housing Selling scheme loans	26 629	26 629	26 629	26 629
Other loans and receivables	32 511	50 603	32 511	50 603
	59 140	77 232	59 140	77 232
Non-current assets				
At amortised cost	40 564	58 656	40 564	58 656
Current assets				
At amortised cost	18 576	18 576	18 576	18 576
6. FINANCE LEASE RECEIVABLES				
Gross investment in the lease due				
- within one year	-	-	97 733	108 274
- in second to fifth year inclusive	-	-	272 614	369 463
- later than five years	-	-	-	1 072
	-	-	370 347	478 809
less: Unearned finance revenue	-	-	(62 529)	(97 525)
Present value of minimum lease payments receivable	-	-	307 818	381 284
	-	-	307 818	381 284
Present value of minimum lease payments due				
- within one year	-	-	81 102	72 363
- in second to fifth year inclusive	-	-	226 716	305 923
- later than five years	-	-	-	2 998
	-	-	307 818	381 284
Non-current assets	-	-	226 716	308 921
Current assets	-	-	81 102	72 363
	-	-	307 818	381 284

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 62 539 (2016: R 97 525). 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	
	2017	2016	2017	2016
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Trade debtors	65 092	100 104	-	-
Prepayments	543 305	122 579	106 777	6 724
Operating lease receivables	19 888	18 579	19 734	18 008
Related party debtors	-	-	3 996 142	3 191 989
Fruitless and wasteful expenditure	5 196	4 474	5 196	4 474
Rental debtors	16 702	14 771	16 702	14 771
Accrued VAT	325 634	224 566	325 634	224 566
Sundry debtors	604 750	569 714	465 057	410 574
Total trade and other receivables	1 580 567	1 054 787	4 935 242	3 871 106
8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
Fines	115 614	200 120	115 614	200 120
Government grants and subsidies	294 620	272 081	294 620	272 081
Levies	245 962	181 894	-	-
	656 196	654 095	410 234	472 201
9. VAT				
Receivable	566 018	253 967	211 173	171 744
Payable	(548 108)	(285 507)	-	-
	17 910	(31 540)	211 173	171 744

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
10. CONSUMER DEBTORS				
Gross balances				
Rates	5 484 909	5 390 955	5 484 909	5 390 955
Electricity	3 904 638	2 594 425	-	-
Water	7 410 630	6 132 233	-	-
Refuse	1 723 273	1 456 262	-	-
	18 523 450	15 573 875	5 484 909	5 390 955
Less: Allowance for impairment				
Rates	(4 869 631)	(4 525 271)	(4 869 631)	(4 525 271)
Electricity	(1 531 786)	(684 902)	-	-
Water	(5 346 627)	(4 391 972)	-	-
Refuse	(759 736)	(641 466)	-	-
	(12 507 780)	(10 243 611)	(4 869 631)	(4 525 271)
Net balance				
Rates	615 278	865 684	615 278	865 684
Electricity	2 372 852	1 909 523	-	-
Water	2 064 003	1 740 261	-	-
Refuse	963 537	814 796	-	-
	6 015 670	5 330 264	615 278	865 684
Included in above is receivables from exchange transactions				
Electricity	2 372 852	1 909 523	-	-
Water	2 064 003	1 740 261	-	-
Refuse	963 537	814 796	-	-
	5 400 392	4 464 580	-	-
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	615 278	865 684	615 278	865 684
	6 015 670	5 330 264	615 278	865 684
Rates				
Current (0 -30 days)	396 568	843 137	396 568	843 137
31 - 60 days	195 652	183 911	195 652	183 911
61 - 90 days	134 980	184 100	134 980	184 100
91 - 120 days	193 349	165 271	193 349	165 271
121 - 365 days	922 756	816 526	922 756	816 526
> 365 days	3 641 604	3 198 010	3 641 604	3 198 010
	5 484 909	5 390 955	5 484 909	5 390 955
Electricity				
Current (0 -30 days)	2 121 965	1 833 776	-	-
31 - 60 days	250 173	269 205	-	-
61 - 90 days	160 667	87 631	-	-
91 - 120 days	239 460	78 088	-	-
121 - 365 days	1 094 736	290 355	-	-
> 365 days	37 637	35 370	-	-
	3 904 638	2 594 425	-	-

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Water				
Current (0 -30 days)	1 480 299	1 197 769	-	-
31 - 60 days	366 775	278 395	-	-
61 - 90 days	259 469	246 310	-	-
91 - 120 days	224 618	255 260	-	-
121 - 365 days	1 291 154	1 113 114	-	-
> 365 days	3 788 315	3 041 385	-	-
	7 410 630	6 132 233	-	-
Refuse				
Current (0 -30 days)	296 479	157 903	-	-
31 - 60 days	47 303	41 718	-	-
61 - 90 days	30 369	44 372	-	-
91 - 120 days	34 450	48 272	-	-
121 - 365 days	1 314 672	1 163 997	-	-
	1 723 273	1 456 262	-	-
Summary of debtors by customer classification				
Residential				
Current (0 - 30 days)	1 787 476	1 933 359	189 911	444 694
31 - 60 days	455 785	367 589	92 625	92 542
61 - 90 days	316 668	288 707	68 656	80 111
91 - 120 days	279 559	274 303	77 090	86 437
121 - 365 days	2 381 877	1 914 727	447 873	345 347
> 365 days	3 737 406	2 476 609	1 628 066	742 753
	8 958 771	7 255 294	2 504 221	1 791 884
Less: Allowance for impairment	(6 467 663)	(4 752 823)	(2 218 185)	(1 386 840)
	2 491 108	2 502 471	286 036	405 044
Residential - Past due and impaired				
Current (0 - 30 days)	236 463	179 743	73 624	119 331
31 - 60 days	168 465	172 449	63 623	80 955
61 - 90 days	161 527	135 608	65 270	70 100
91 - 120 days	261 824	230 492	73 955	79 951
121 - 365 days	2 016 737	1 598 557	427 671	328 971
> 365 days	3 622 647	2 435 974	1 514 042	707 532
	6 467 663	4 752 823	2 218 185	1 386 840
Residential - Past due and not impaired				
Current (0 - 30 days)	1 551 014	1 753 616	116 288	325 363
31 - 60 days	287 321	195 141	29 002	11 588
61 - 90 days	155 141	153 099	3 386	10 011
91 - 120 days	17 735	43 811	3 135	6 486
121 - 365 days	365 140	316 169	20 201	16 376
> 365 days	114 757	40 635	114 024	35 220
	2 491 108	2 502 471	286 036	405 044

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Industrial/ commercial				
Current (0 - 30 days)	2 274 577	2 021 276	197 947	370 413
31 - 60 days	373 775	385 337	95 530	78 012
61 - 90 days	248 955	258 403	61 405	98 371
91 - 120 days	382 756	246 771	108 908	70 675
121 - 365 days	2 084 236	1 341 660	442 374	411 937
> 365 days	3 451 622	3 482 802	1 868 796	2 264 691
	8 815 921	7 736 249	2 774 960	3 294 099
Less: Allowance for impairment	(5 662 256)	(5 045 667)	(2 465 545)	(2 868 798)
	3 153 665	2 690 582	309 415	425 301
Industrial/ commercial - Past due and impaired				
Current (0 - 30 days)	203 661	342 791	76 738	170 071
31 - 60 days	134 299	131 517	65 618	68 333
61 - 90 days	144 600	147 188	58 376	81 683
91 - 120 days	344 407	198 784	104 480	56 529
121 - 365 days	1 520 342	908 974	422 421	386 991
> 365 days	3 314 947	3 316 413	1 737 912	2 105 191
	5 662 256	5 045 667	2 465 545	2 868 798
Industrial/ commercial - Past due and not impaired				
Current (0 - 30 days)	2 070 916	1 678 485	121 208	200 335
31 - 60 days	239 476	253 821	29 912	9 678
61 - 90 days	104 355	111 215	3 029	16 688
91 - 120 days	38 348	47 987	4 429	14 146
121 - 365 days	563 895	432 687	19 953	24 946
> 365 days	136 675	166 387	130 884	159 508
	3 153 665	2 690 582	309 415	425 301

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
National and provincial government				
Current (0 - 30 days)	233 260	77 862	8 711	28 030
31 - 60 days	30 344	20 302	7 497	13 357
61 - 90 days	19 862	15 393	4 919	5 618
91 - 120 days	29 561	25 818	7 351	8 159
121 - 365 days	157 206	127 605	32 509	59 242
> 365 days	278 525	315 351	144 739	190 567
	748 758	582 331	205 726	304 973
Less: Allowance for impairment	(377 860)	(445 120)	(185 899)	(269 633)
	370 898	137 211	19 827	35 340
National and provincial government - Past due and impaired				
Current (0 - 30 days)	4 102	8 217	3 377	7 522
31 - 60 days	5 452	12 050	5 150	11 685
61 - 90 days	5 172	5 490	4 676	4 916
91 - 120 days	15 899	17 343	7 051	7 546
121 - 365 days	79 607	100 080	31 043	56 433
> 365 days	267 628	301 940	134 602	181 531
	377 860	445 120	185 899	269 633
National and provincial government - Past due and not impaired				
Current (0 - 30 days)	229 158	69 644	5 334	20 508
31 - 60 days	24 892	8 252	2 347	1 673
61 - 90 days	14 690	9 903	243	702
91 - 120 days	13 662	8 475	299	612
121 - 365 days	77 599	27 525	1 467	2 809
> 365 days	10 897	13 412	10 137	9 036
	370 898	137 211	19 827	35 340

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Total				
Current (0 -30 days)	4 295 314	4 032 497	396 568	843 137
31 - 60 days	859 904	773 229	195 652	183 911
61 - 90 days	585 485	562 502	134 980	184 100
91 - 120 days	691 876	546 891	193 348	165 271
121 - 365 days	4 623 320	3 383 992	922 756	816 526
> 365 days	7 467 551	6 274 764	3 641 605	3 198 010
	18 523 450	15 573 875	5 484 909	5 390 955
Less: Allowance for impairment	(12 507 780)	(10 243 611)	(4 869 631)	(4 525 271)
	6 015 670	5 330 264	615 278	865 684
Less: Allowance for impairment				
Current (0 -30 days)	444 226	531 286	153 739	296 932
31 - 60 days	308 216	316 016	134 391	160 973
61 - 90 days	311 299	288 285	128 323	156 699
91 - 120 days	622 129	446 618	185 485	144 027
121 - 365 days	3 616 686	2 607 612	881 136	772 395
> 365 days	7 205 224	6 053 794	3 386 557	2 994 245
	12 507 780	10 243 611	4 869 631	4 525 271
Total debtors past due but not impaired				
Current (0 - 30 days)	3 851 088	3 501 745	242 830	546 206
31 - 60 days	551 689	457 214	61 261	22 938
61 - 90 days	274 186	274 217	6 658	27 400
91 - 120 days	69 745	100 273	7 863	21 244
121 - 365 days	1 006 634	776 381	41 621	44 131
> 365 days	262 329	220 434	255 045	203 765
	6 015 671	5 330 264	615 278	865 684
Reconciliation of allowance for impairment				
Balance at beginning of the year	10 243 611	9 706 227	4 525 271	4 429 207
Contributions to allowance	3 618 406	2 510 119	472 027	534 844
Debt impairment written off against allowance	(1 411 848)	(1 972 735)	(127 667)	(438 780)
Reversal of allowance	57 611	-	-	-
Balance at the end of the year	12 507 780	10 243 611	4 869 631	4 525 271

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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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

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	266 523	65 692	266 523	65 692
Bond options	-	19 525	-	19 525
Bond repos	188 081	-	188 081	-
Negotiable Certificate of Deposit	512 155	-	512 155	-
Cash	166 677	47 711	166 677	47 711
Cash collateral	17 485	251	17 485	251
Forward Rate Agreements	3 773	15 702	3 773	15 702
Swaps	29 942	5 100	29 942	5 100
Promissory Notes	-	202 574	-	202 574
Floating rate notes	345 855	-	345 855	-

Current Assets

1 530 491	356 555	1 530 491	356 555
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Other financial assets through profit or loss

Bonds	1 101 618	1 787 397	1 101 618	1 787 397
Floating rate notes	459 505	1 330 024	459 505	1 330 024
Forward rate Agreements	-	3 840	-	3 840
Amortising Swaps	220 778	206 078	220 778	206 078
Swaps	487 001	511 705	487 001	511 705

Non-Current Assets

2 268 902	3 839 044	2 268 902	3 839 044
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3 799 393	4 195 599	3 799 393	4 195 599
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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	2 247 090	2 091 974	2 247 090	2 091 974
Held for trading non-derivative financial assets	1 552 303	2 103 625	1 552 303	2 103 625
3 799 393	4 195 599	3 799 393	4 195 599	

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Cash on hand	558	578	154	129
Bank	510 003	1 255 748	216 329	1 069 816
Call investment deposits	2 585 350	3 113 439	2 564 607	3 112 110
	3 095 911	4 369 765	2 781 090	4 182 055
Call investment deposits				
Call Deposits STD Bank Rating - (F1+)	1 466	1 363	1 466	1 363
Fixed Deposits STD Bank	-	584 300	-	584 300
Fixed Deposits ABSA Rating - (F1+)	-	956 891	-	956 891
Call Deposits ABSA Rating - (F1+)	824 240	134 444	824 240	134 444
Call Deposits RMB Rating - (F1+)	1 100	1 100	1 100	1 100
Call Deposits INVESTEC Rating - (F1)	17 422	-	-	-
	1 130	2 111	1 130	1 108
Fixed Deposits INVESTEC Rating - (F1+)	88 021	384 700	84 700	384 700
Call Deposits NEDBANK Rating - (F1+)	815 599	1 357	815 599	1 031
Fixed Deposit NEDBANK Rating - (F1+)	-	31 077	-	31 077
Call Deposits CITI BANK Rating - (F1)	1 473	1 993	1 473	1 993
Fixed Deposits CITI BANK Rating - (F1)	-	176 400	-	176 400
Call Deposits DEUTSCHE BANK Rating - (F1)	1 000	2 600	1 000	2 600
Call Deposits TCTA Rating - (None)	2 000	2 000	2 000	2 000
Call Deposits LANDBANK Rating - (F1+)	1 230	51 050	1 230	51 050
Stanlib Call Investment Rating - (F1+)	829 975	782 053	829 975	782 053
Argon Fund Invest	477	-	477	-
Sanlam Asset Managers	92	-	92	-
Prescient Investment Management	125	-	125	-
	2 585 350	3 113 439	2 564 607	3 112 110

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Figures in Rand thousand

13. ZOO ANIMALS

GROUP

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	31 008	(4 272)	26 736	28 800	(3 155)	25 645

Reconciliation of zoo animals - GROUP - 2017

	Opening balance	Additions	Adjustments arising from accounting for births and donations	Disposals	Depreciation	Total
Zoo animals	25 645	1 212	2 445	(1 255)	(1 311)	26 736

Reconciliation of zoo animals - GROUP - 2016

	Opening balance	Additions	Adjustments arising from accounting for births and donations	Disposals	Depreciation	Total
Zoo animals	23 741	2 373	3 025	(2 311)	(1 183)	25 645

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

14. INVESTMENT PROPERTY

GROUP	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 015 757	(389)	1 015 368	1 015 757	(366)	1 015 391

CJMM	2017			2016		
	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

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

Reconciliation of investment property - GROUP - 2017

	Opening balance	Transfers	Depreciation	Total
Investment property	1 015 391	-	(23)	1 015 368

Reconciliation of investment property - GROUP - 2016

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

Reconciliation of investment property - CJMM - 2017

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

Reconciliation of investment property - CJMM - 2016

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

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Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 735 896	-	8 735 896	8 667 888	-	8 667 888
Buildings	15 131 684	(4 413 928)	10 717 756	14 766 705	(4 025 380)	10 741 325
Plant and machinery	18 468 900	(3 592 121)	14 876 779	17 372 277	(3 041 786)	14 330 491
Furniture and fixtures	647 090	(451 075)	196 015	615 460	(422 587)	192 873
Motor vehicles	708 769	(470 437)	238 332	712 423	(406 416)	306 007
Office equipment	1 122 128	(850 417)	271 711	1 065 457	(738 538)	326 919
Computer equipment	357 249	(218 349)	138 900	309 765	(187 172)	122 593
Leasehold improvements	29 757	(17 569)	12 188	26 503	(14 461)	12 042
Infrastructure	24 550 159	(5 730 662)	18 819 497	19 883 860	(4 826 152)	15 057 708
Community assets	2 518 882	(849 462)	1 669 420	2 486 870	(728 012)	1 758 858
Landfill sites	474 680	(288 654)	186 026	473 172	(212 973)	260 199
Other equipment	99 371	(58 304)	41 067	96 188	(26 381)	69 807
Bins and containers	200 432	(169 196)	31 236	69 550	(42 016)	27 534
Minor plant	199 752	(98 246)	101 506	201 739	(84 208)	117 531
Specialised vehicles	1 657 825	(514 005)	1 143 820	1 541 264	(423 777)	1 117 487
Wastewater network	2 700 996	(235 534)	2 465 462	2 479 801	(210 915)	2 268 886
Water network	5 823 234	(660 048)	5 163 186	5 496 460	(552 631)	4 943 829
Library books	657 832	(600 167)	57 665	651 709	(596 995)	54 714
Emergency equipment.	72 953	(25 346)	47 607	61 081	(21 768)	39 313
Other	499 372	(7 136)	492 236	11 669	(6 093)	5 576
Total	84 656 961	(19 250 656)	65 406 305	76 989 841	(16 568 261)	60 421 580

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Figures in Rand thousand

CJMM	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 653 231	-	8 653 231	8 584 371	-	8 584 371
Buildings	13 370 279	(3 731 663)	9 638 616	13 040 299	(3 362 293)	9 678 006
Plant and equipment	315 490	(232 121)	83 369	297 632	(208 747)	88 885
Furniture and fittings	542 547	(394 376)	148 171	517 076	(372 060)	145 016
Motor vehicles	360 781	(272 261)	88 520	360 788	(260 073)	100 715
Office equipment	1 041 262	(795 683)	245 579	985 860	(689 545)	296 315
Infrastructure	23 743 615	(5 673 422)	18 070 193	19 106 428	(4 799 007)	14 307 421
Community assets	2 518 882	(849 462)	1 669 420	2 486 870	(728 012)	1 758 858
Bins and containers	20 402	(10 522)	9 880	12 449	(8 707)	3 742
Specialised vehicles	814 370	(338 024)	476 346	816 511	(286 795)	529 716
Library books	657 832	(600 167)	57 665	651 709	(596 995)	54 714
Emergency equipment	72 953	(25 346)	47 607	61 081	(21 768)	39 313
Other	5 565	(1 400)	4 165	3 589	(720)	2 869
Total	52 117 209	(12 924 447)	39 192 762	46 924 663	(11 334 722)	35 589 941

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - GROUP - 2017

	Opening balance	Additions	Disposals	Transfers	Developer funded network	Depreciation	Impairment loss	Total
Land	8 667 888	103 399	(35 371)	(20)	-	-	-	8 735 896
Buildings	10 741 325	393 760	(6 443)	2 816	-	(411 578)	(2 124)	10 717 756
Plant and equipment	14 330 491	1 151 151	(23 154)	(34 179)	-	(547 530)	-	14 876 779
Furniture and fittings	192 873	54 184	(1 819)	(126)	-	(49 097)	-	196 015
Motor vehicles	306 007	4 438	(1 032)	-	-	(71 081)	-	238 332
Office equipment	326 919	83 669	(1 117)	6	-	(137 766)	-	271 711
Computer equipment	122 593	60 396	(1 815)	15	-	(42 289)	-	138 900
Leasehold improvements	12 042	3 254	-	-	-	(3 108)	-	12 188
Infrastructure	15 057 708	4 664 542	(238)	-	-	(859 407)	(43 108)	18 819 497
Community assets	1 758 858	32 569	(258)	-	-	(121 749)	-	1 669 420
Landfill sites	260 199	1 508	(45 049)	-	-	(30 632)	-	186 026
Other equipment	69 807	3 194	(11)	-	-	(31 923)	-	41 067
Bins and containers	27 534	28 014	(20 550)	-	-	(3 762)	-	31 236
Minor plant	117 531	225	(2)	-	-	(16 248)	-	101 506
Specialised vehicles	1 117 487	168 305	(4 792)	-	-	(133 731)	(3 449)	1 143 820
Wastewater network	2 268 886	138 301	(263)	-	83 681	(25 143)	-	2 465 462
Water network	4 943 829	251 333	(164)	2 544	77 307	(111 663)	-	5 163 186
Library books	54 714	6 123	-	-	-	(3 172)	-	57 665
Emergency equipment	39 313	13 155	(9)	-	-	(4 852)	-	47 607
Other	5 576	487 809	(48)	5	-	(1 106)	-	492 236
	60 421 580	7 649 329	(142 135)	(28 939)	160 988	(2 605 837)	(48 681)	65 406 305

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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	8 325 330	391 984	-	(49 454)	28	-	-	-	8 667 888
Buildings	10 117 459	952 635	-	(1 513)	103 107	-	(430 363)	-	10 741 325
Plant and machinery	13 267 660	1 799 060	-	(6 511)	(253 056)	-	(476 662)	-	14 330 491
Furniture and fixtures	217 742	27 045	-	(2 181)	6	-	(49 739)	-	192 873
Motor vehicles	320 884	69 296	-	(20)	(52)	-	(84 101)	-	306 007
Office equipment	319 039	146 881	-	(865)	(6)	-	(138 130)	-	326 919
Computer equipment	113 602	43 377	-	(613)	3 161	-	(36 934)	-	122 593
Leasehold improvements	14 182	937	-	-	-	-	(3 077)	-	12 042
Infrastructure	11 573 288	3 414 724	867 226	-	-	-	(796 061)	(1 469)	15 057 708
Community assets	1 618 479	264 182	-	-	-	-	(123 803)	-	1 758 858
Landfill sites	293 017	18 270	-	(9 718)	-	-	(41 370)	-	260 199
Other equipment	-	96 188	-	-	-	-	(26 381)	-	69 807
Bins and containers	30 528	13 551	-	(14 207)	-	-	(2 338)	-	27 534
Minor plant	44 770	12 148	-	(26)	71 272	-	(10 633)	-	117 531
Specialised vehicles	777 802	454 860	-	(2 448)	(5 000)	-	(106 267)	(1 460)	1 117 487
Wastewater network	2 135 187	60 636	-	-	359	96 506	(23 802)	-	2 268 886
Water network	4 395 780	574 116	-	-	(390)	70 065	(95 742)	-	4 943 829
Library books	57 357	8 796	-	-	-	-	(11 439)	-	54 714
Emergency equipment	39 646	4 144	-	(21)	-	-	(4 456)	-	39 313
Other	6 044	114	-	(24)	-	-	(558)	-	5 576
	53 667 796	8 352 944	867 226	(87 601)	(80 571)	166 571	(2 461 856)	(2 929)	60 421 580

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

Reconciliation of property, plant and equipment - CJMM - 2017

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	8 584 371	103 399	-	(34 539)	-	-	-	8 653 231
Buildings	9 678 006	332 943	-	(2 557)	-	(367 652)	(2 124)	9 638 616
Plant and equipment	88 885	20 920	-	(462)	-	(25 974)	-	83 369
Furniture and fittings	145 016	45 037	-	(304)	-	(41 578)	-	148 171
Motor vehicles	100 715	-	-	-	-	(12 195)	-	88 520
Office equipment	296 315	76 168	-	(582)	-	(126 322)	-	245 579
Infrastructure	14 307 421	4 633 723	-	-	-	(827 843)	(43 108)	18 070 193
Community assets	1 758 858	32 569	-	(258)	-	(121 749)	-	1 669 420
Bins and containers	3 742	9 310	-	(852)	-	(2 320)	-	9 880
Specialised vehicles	529 716	-	-	(1 713)	-	(51 657)	-	476 346
Library books	54 714	6 123	-	-	-	(3 172)	-	57 665
Emergency equipment	39 313	13 155	-	(9)	-	(4 852)	-	47 607
Other	2 869	2 059	-	(1)	-	(762)	-	4 165
	35 589 941	5 275 406	-	(41 277)	-	(1 586 076)	(45 232)	39 192 762

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Figures in Rand thousand

Reconciliation of property, plant and equipment - CJMM - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Depreciation	Total
Land	8 241 841	391 984	-	(49 454)	-	8 584 371
Buildings	9 244 776	823 774	-	-	(390 544)	9 678 006
Plant and equipment	92 195	22 855	-	(51)	(26 114)	88 885
Furniture and fittings	172 110	15 870	-	(313)	(42 651)	145 016
Motor vehicles	98 547	31 611	-	-	(29 443)	100 715
Office equipment	290 095	134 309	-	(534)	(127 555)	296 315
Infrastructure	11 573 288	3 504 518	867 226	(867 226)	(770 385)	14 307 421
Community assets	1 618 479	264 182	-	-	(123 803)	1 758 858
Bins and containers	5 178	75	-	-	(1 511)	3 742
Specialised vehicles	525 196	56 028	-	-	(51 508)	529 716
Library books	57 357	8 796	-	-	(11 439)	54 714
Emergency equipment	39 646	4 144	-	(21)	(4 456)	39 313
Other	2 981	-	-	-	(112)	2 869
	31 961 689	5 258 146	867 226	(917 599)	(1 579 521)	35 589 941

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

Work in progress breakdown

GROUP

	2017			2016		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Landfill	15 784	-	15 784	34 018	-	34 018
Building & Improvements	1 665 614	(2 124)	1 663 490	2 027 365	-	2 027 365
Plant and machinery	2 493 070	-	2 493 070	1 552 126	-	1 552 126
Water network	624 788	-	624 788	565 378	-	565 378
Wastewater network	191 445	-	191 445	130 685	-	130 685
Computer equipment	43 394	-	43 394	23 581	-	23 581
Other	568 923	-	568 923	322 329	-	322 329
Infrastructure	8 803 903	(43 108)	8 760 795	5 284 157	-	5 284 157
Community assets	591 421	-	591 421	608 157	-	608 157
Furniture and fixtures	28 620	-	28 620	-	-	-
Work in progress-Office equipment	60 654	-	60 654	-	-	-
Containers	6 702	-	6 702	6 603	-	6 603
Total	15 094 318	(45 232)	15 049 086	10 554 399	-	10 554 399

CJMM

	2017			2016		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Buildings	1 587 444	(2 124)	1 585 320	1 931 114	-	1 931 114
Community assets	591 421	-	591 421	608 157	-	608 157
Emergency equipment	9 260	-	9 260	-	-	-
Furniture and Fittings	28 620	-	28 620	-	-	-
Infrastructure	8 837 751	(43 108)	8 794 643	5 284 157	-	5 284 157
Office equipment	60 654	-	60 654	-	-	-
Plant and Machinery	8 408	-	8 408	-	-	-
Total	11 123 558	(45 232)	11 078 326	7 823 428	-	7 823 428

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

Expenditure incurred to repair and maintain property, plant and equipment

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

2 874 379	2 743 563	446 559	413 993
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand thousand

16. INTANGIBLE ASSETS

GROUP

	2017			2016		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	235 867	(62 102)	173 765	235 867	(55 635)	180 232
Servitudes	1 727	-	1 727	1 727	-	1 727
Licences and franchises	531	(59)	472	285	(242)	43
Computer software, internally generated	13 832	(883)	12 949	14 581	(1 387)	13 194
Computer software	2 266 355	(1 656 260)	610 095	2 002 561	(1 235 158)	767 403
Intangible assets under development	137 743	(50 506)	87 237	137 743	(22 957)	114 786
Total	2 656 055	(1 769 810)	886 245	2 392 764	(1 315 379)	1 077 385

CJMM

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 673 638	(1 361 111)	312 527	1 485 061	(1 023 874)	461 187

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

Reconciliation of intangible assets - GROUP - 2017

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Additional capacity rights	180 232	-	-	-	(6 467)	173 765
Servitudes	1 727	-	-	-	-	1 727
Licences and franchises	43	532	-	-	(103)	472
Computer software, internally generated	13 194	-	(57)	-	(188)	12 949
Computer software	767 403	78 089	(124)	28 939	(264 212)	610 095
Intangible assets under development	114 786	-	-	-	(27 549)	87 237
	1 077 385	78 621	(181)	28 939	(298 519)	886 245

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	638 300	182 021	188 389	(5 672)	80 571	(316 206)	767 403
Intangible assets under development	-	137 743	-	-	-	(22 957)	114 786
	839 803	320 407	188 389	(5 672)	80 571	(346 113)	1 077 385

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Figures in Rand thousand

Reconciliation of intangible assets - CJMM - 2017

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	461 187	23 087	-	-	(171 747)	-	312 527

Reconciliation of intangible assets - CJMM - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	434 348	93 012	188 389	(29)	-	(254 533)	-	461 187

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

17. HERITAGE ASSETS

GROUP	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	526 316	-	526 316	526 316	-	526 316
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	581 877	-	581 877

CJMM	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	524 723	-	524 723	524 723	-	524 723
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	580 284	-	580 284

Reconciliation of heritage assets - GROUP - 2017

	Opening balance	Total
Art collections, antiques and exhibits	526 316	526 316
Historical monuments	14 457	14 457
Historical buildings	41 104	41 104
	581 877	581 877

Reconciliation of heritage assets GROUP - 2016

	Opening balance	Total
Art collections, antiques and exhibits	526 316	526 316
Historical monuments	14 457	14 457
Historical buildings	41 104	41 104
	581 877	581 877

Reconciliation of heritage assets CJMM - 2017

	Opening balance	Total
Art collections, antiques and exhibits	524 723	524 723
Historical monuments	14 457	14 457
Historical buildings	41 104	41 104
	580 284	580 284

Reconciliation of heritage assets - CJMM - 2016

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
			Opening balance	Total
Art collections, antiques and exhibits			524 723	524 723
Historical monuments			14 457	14 457
Historical buildings			41 104	41 104
			580 284	580 284

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
18. INVESTMENTS IN MUNICIPAL ENTITIES				
Gross investment				
City of Johannesburg Property Company (SOC) Ltd		5 142		5 142
City Power Johannesburg (SOC) Ltd		112 466		112 466
Johannesburg City Parks NPC		29 958		29 958
Johannesburg Development Agency (SOC) Ltd		16 278		16 278
Johannesburg Metropolitan Bus Services (SOC) Ltd		54 774		54 774
Johannesburg Roads Agency (SOC) Ltd		281 441		227 627
Johannesburg Social Housing Company (SOC) Ltd		-		-
Johannesburg Water (SOC) Ltd		-		-
Metropolitan Trading Company (SOC) Ltd		97 972		97 972
Pikitup Johannesburg (SOC) Ltd		31 315		31 315
Johannesburg Civic Theatre (SOC) Ltd		1 784		1 784
The Johannesburg Fresh Produce Market (SOC) Ltd		20 000		20 000
		651 130		597 316
Impairments				
Johannesburg Metropolitan Bus Services (SOC) Ltd		(54 774)		(54 774)
Net investment				
		Carrying amount 2017		Carrying amount 2016
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		281 441		227 627
*Johannesburg Social Housing Company (SOC) Ltd		-		-
*Johannesburg Water (SOC) Ltd		-		-
Metropolitan Trading Company (SOC) Ltd		97 972		97 972
Pikitup Johannesburg (SOC) Ltd		31 315		31 315
The Johannesburg Civic Theatre (SOC) Ltd		1 784		1 784
The Johannesburg Fresh Produce Market (SOC) Ltd		20 000		20 000
		596 356		542 542

* 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.

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

19. INVESTMENT IN JOINT VENTURES

Name of company				
Golden Triangle Development Company (Pty) Ltd	8 949	9 097	1	1
Joshco Madulamoho Joint Venture (JMJV)	24 138	24 192	-	-
	<u>33 087</u>	<u>33 289</u>	<u>1</u>	<u>1</u>

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%	2017/06/30	01/07/2016 - 30/06/2017
Joshco Madulamoho Joint Venture (JMJV)	55%	2017/06/30	01/07/2016 - 30/06/2017

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	9 097	24 968
Share of surplus/(deficit)	(148)	9 129
Distributions	-	(25 000)
	<u>8 949</u>	<u>9 097</u>

Total assets	53 278	65 152
Total liabilities	(35 379)	(46 956)
Revenue	155 389	125 219
Surplus/(deficit)	(297)	18 258

Madulamoho Joint Venture (JMJV)

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

Opening balance	24 192	24 801
Share of (deficit)/ surplus	496	(59)
Distributions	(550)	(550)
	<u>24 138</u>	<u>24 192</u>

Total assets	49 403	50 191
Total liabilities	(5 515)	(6 205)
Revenue	8 171	7 603

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
(Deficit)/ surplus	902	(106)		

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

20. INVESTMENT IN ASSOCIATE

Name of entity			Carrying amount 2016	
Friedshelf 128 (Pty) Ltd	15 602	15 791	-	-

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	15 791	20 046		
Share of (deficit)/ surplus	(189)	(4 255)		
	<u>15 602</u>	<u>15 791</u>		

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	36 727	36 890		
Total liabilities	(4 382)	(4 376)		
Revenue	1 138	6 436		
(Deficit)/ surplus	(170)	(6 188)		

Associates with different reporting dates

The financial year-end of the associate is the last day of February. Since the year-end dates of the entity and the associate are 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	(2 604 144)	(2 396 114)	-	-
Deferred tax asset	1 335 971	933 401	-	-
Total net deferred tax liability	(1 268 173)	(1 462 713)	-	-

Reconciliation of deferred tax asset / (liability)

At beginning of year	(1 462 713)	(1 245 183)	-	-
Taxable / (deductible) temporary differences	(384 448)	(155 331)	-	-
Arising / (Utilised) assessed losses	578 988	(62 199)	-	-
	<u>(1 268 173)</u>	<u>(1 462 713)</u>	-	-

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Group Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand thousand

22. FINANCIAL ASSETS BY CATEGORY

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

GROUP - 2017

	Cost	At fair value	Total
Current Assets			
Current tax receivable	19 334	-	19 334
Other financial assets	18 576	1 530 491	1 549 067
Receivable from exchange	1 580 567	-	1 580 567
Receivables from non-exchange	656 196	-	656 196
VAT receivable	566 018	-	566 018
Consumer debtors	6 015 670	-	6 015 670
Call investment deposits	2 585 350	-	2 585 350
Bank balances and cash	510 561	-	510 561
Non-Current Assets			
Other financial assets	40 564	2 268 902	2 309 466
	11 992 836	3 799 393	15 792 229

GROUP - 2016

	Cost	At fair value	Total
Current Assets			
Current tax receivable	18 955	-	18 955
Other financial assets	18 576	356 555	375 131
Receivable from exchange	1 054 787	-	1 054 787
Receivables from non-exchange	654 095	-	654 095
VAT receivables	253 967	-	253 967
Consumer debtors	5 330 264	-	5 330 264
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	58 656	3 839 044	3 897 700
	11 759 065	4 195 599	15 954 664

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CJMM - 2017

	Cost	At fair value	Total
Current Assets			
Loans to Municipal Entities	1 043 145	-	1 043 145
Other financial assets	18 576	1 530 491	1 549 067
Finance lease receivable	81 102	-	81 102
Receivable from exchange	4 935 243	-	4 935 243
Receivables from non-exchange	410 234	-	410 234
Consumer debtors	615 278	-	615 278
Vat receivable	211 173	-	211 173
Call investment deposits	2 564 607	-	2 564 607
Bank balances and cash	216 483	-	216 483
Non-Current Assets			
Loans to Municipal Entities	6 743 942	-	6 743 942
Other financial assets	40 564	2 268 902	2 309 466
Investments in Municipal entities	596 356	-	596 356
Finance lease receivable	226 716	-	226 716
	17 703 419	3 799 393	21 502 812

CJMM - 2016

	Cost	At fair value	Total
Current Assets			
Loans to Municipal Entities	968 687	-	968 687
Other financial assets	18 576	356 555	375 131
Finance lease receivables	72 363	-	72 363
Receivable from exchange	3 871 105	-	3 871 105
Receivables from non-exchange	472 201	-	472 201
Consumer debtors	865 684	-	865 684
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	7 057 144	-	7 057 144
Other financial assets	58 656	3 839 044	3 897 700
Investments in Municipal entities	542 542	-	542 542
Finance lease receivables	308 921	-	308 921
	18 589 678	4 195 599	22 785 277

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
23. LOANS AND BORROWINGS				
Non-Current portion of loans and borrowings - At amortised cost				
Structured loans *	3 276	16 609	3 276	16 609
Development Bank of Southern Africa	7 860 528	5 342 227	7 845 423	5 326 316
Listed bonds	6 016 000	7 729 804	6 016 000	7 729 804
Other financial liabilities	2 976 076	4 385 969	2 976 076	4 385 969
	16 855 880	17 474 609	16 840 775	17 458 698
Current portion of loans and borrowings - At amortised cost				
Structured loans *	13 333	13 333	13 333	13 333
Development Bank of Southern Africa	107 698	73 959	106 892	73 217
Listed bonds	1 724 842	166 667	1 724 842	166 667
Other financial liabilities	1 409 896	340 270	1 409 896	340 270
	3 255 769	594 229	3 254 963	593 487
	20 111 649	18 068 838	20 095 738	18 052 185

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

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
24. FINANCE LEASE OBLIGATIONS				
Minimum lease payments due				
- within one year	67 964	83 952	60 792	72 137
- in second to fifth year	181 623	216 082	178 070	211 537
- later than five years	-	27 999	-	27 999
	249 587	328 033	238 862	311 673
less: future finance charges	(44 260)	(66 311)	(43 547)	(64 924)
Present value of minimum lease payments	205 327	261 722	195 315	246 749
Present value of minimum lease payments due				
- within one year	51 207	62 558	44 605	51 778
- in second to fifth year inclusive	154 120	172 486	150 710	168 293
- later than five years	-	26 678	-	26 678
	205 327	261 722	195 315	246 749
Non-current liabilities	154 120	199 164	150 710	194 971
Current liabilities	51 207	62 558	44 605	51 778
	205 327	261 722	195 315	246 749

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

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
25. PAYABLES FROM EXCHANGE TRANSACTIONS				
Financial liabilities				
Accrued interest	160 135	167 883	159 798	167 530
Related party creditors	-	-	5 901 817	6 636 652
Credit balances in consumer debtors	1 880 748	1 697 687	1 105 436	1 057 887
Engineering fees	114 828	102 530	114 828	102 530
Operating lease payables	16 020	18 729	977	1 610
Other creditors	1 966 441	1 546 574	780 721	746 581
Eskom payable	1 285 757	1 369 748	-	-
Retentions	317 019	306 467	53 197	55 695
Trade payables	4 948 872	5 065 444	1 728 343	1 946 281
	<u>10 689 820</u>	<u>10 275 062</u>	<u>9 845 117</u>	<u>10 714 766</u>
Other liabilities				
Accrued bonus	97 644	93 782	-	-
Accrued leave pay	606 176	568 977	329 815	291 941
Payments received in advance	861 922	716 206	14 363	15 051
	<u>1 565 742</u>	<u>1 378 965</u>	<u>344 178</u>	<u>306 992</u>
	<u>12 255 562</u>	<u>11 654 027</u>	<u>10 189 295</u>	<u>11 021 758</u>

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
26. UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Provincial grants : Capital projects	182 774	174 148	157 646	174 148
Urban settlements development grant	266 825	94 985	266 825	94 985
Provincial grants : Operating projects	27 624	31 910	27 624	31 910
Public Transport Network Grant (Capital Projects)	3 852	2 475	3 852	2 475
Neighbourhood Development Partnership Grant (NDPG)	14 618	25 753	14 618	25 753
Integrated City Development Grant (ICDG)	4 762	31 805	4 762	31 805
Expanded Public Works Programme (EPWP)	4 402	910	4 402	910
Provincial grant : Jozi Ihlomihle (HIV/ AIDS)	384	-	384	-
Public Transport Network Grant (Operational Projects)	38 082	45 246	38 082	45 246
Social housing grant	136 532	23 985	-	-
Infrastructure skills development grants	-	6 452	-	-
Unspent public contributions and donations	56 277	31 698	751	1 890
	736 132	469 367	518 946	409 122
Non-current liabilities	216 272	59 331	-	-
Current liabilities	519 860	410 036	518 946	409 122
	736 132	469 367	518 946	409 122

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

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

27. PROVISIONS

Reconciliation of provisions - GROUP - 2017

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Bonus provision	166 014	158 168	(155 328)	-	168 854
Kelvin ash disposal	83 616	9 094	-	-	92 710
Provision for damages claimed	48 650	150	(2 035)	-	46 765
Provision for maintenance contract	14 000	-	-	-	14 000
Fleet Provision	19 677	-	(19 677)	-	-
Environmental rehabilitation: Closed landfill site	160 550	-	(3 476)	10 600	167 674
Environmental rehabilitation: Open landfill sites	401 423	-	(45 050)	26 504	382 877
Pension fund provision	89 836	-	(94 404)	4 568	-
Other provisions	4 606	-	(564)	-	4 042
	988 372	167 412	(320 534)	41 672	876 922

Reconciliation of provisions - GROUP - 2016

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Bonus provision	126 805	142 711	(103 502)	-	166 014
Kelvin ash disposal	75 832	7 784	-	-	83 616
Provision for damages claimed	49 910	3 509	(4 769)	-	48 650
Provision for cleaning services	-	14 000	-	-	14 000
Fleet Provision	19 677	-	-	-	19 677
Environmental rehabilitation: Closed landfill site	151 343	-	-	9 207	160 550
Environmental rehabilitation: Open landfill sites	387 877	-	(9 717)	23 263	401 423
Pension fund provision	84 226	5 610	-	-	89 836
Other provisions	3 179	1 464	(37)	-	4 606
	898 849	175 078	(118 025)	32 470	988 372

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of provisions - CJMM - 2017

	Opening Balance	Additions	Utilised/written back during the year	Interest	Total
Bonus provision	11 964	13 094	(5 064)	-	19 994
Provision for damages claimed	21 000	-	(1 000)	-	20 000
Provision for maintenance contract	14 000	-	-	-	14 000
Pension fund provision	89 836	-	(94 404)	4 568	-
	136 800	13 094	(100 468)	4 568	53 994

Reconciliation of provisions - CJMM - 2016

	Opening Balance	Additions	Utilised/written back during the year	Interest	Total
Bonus provision	11 496	468	-	-	11 964
Provision for damages claimed	20 000	1 000	-	-	21 000
Provision for cleaning services	-	14 000	-	-	14 000
Pension fund provision	84 226	5 610	-	-	89 836
	115 722	21 078	-	-	136 800

Non-current liabilities	604 545	718 450	53 994	136 800
Current liabilities	272 377	269 922	-	-
	876 922	988 372	53 994	136 800

Bonus provision

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

Kelvin ash disposal

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

Provision for Damages Claimed

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

1. 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 million plus interest of R10 million 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.
2. A litigation in progress that is likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity. The Legal claims emanates from supply chain related matters which occurred in the past and the employment related matters from former and current employees against JRA. The legal claims for on-going cases have been reassessed in the current year based on new developments in the cases.

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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Fleet Provision

The provision relates to amounts owed by Pikitup (SOC) Ltd to Fleet Africa for the fleet lease contract that has since expired. A settlement amount was agreed based on negotiations with Fleet Africa. This will be paid once the agreement has been concluded.

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.

The current year additions in the Soweto Pension fund provision relates to interest.

The amount was settled in full during the current financial year

Other Provisions

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.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

28. EMPLOYEE BENEFIT OBLIGATIONS

28.1 Post-retirement liabilities

Post-Retirement Medical Aid Plan	(1 130 587)	(1 179 351)	(1 059 955)	(1 103 327)
Post-Retirement Housing Subsidy Plan	(6 010)	(5 688)	(317)	(301)
Retirement Gratuity Plan	(389 624)	(417 584)	(145 169)	(150 827)
	(1 526 221)	(1 602 623)	(1 205 441)	(1 254 455)

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	1 130 586	1 179 351	1 059 955	1 103 327
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Movements for the year

Opening balance	1 179 351	1 320 453	1 103 327	1 240 425
Benefits paid	(109 160)	(102 929)	(104 428)	(100 369)
Net expense recognised in the statement of financial performance	60 395	(38 173)	61 056	(36 729)
	1 130 586	1 179 351	1 059 955	1 103 327

Net expense recognised in the Statement of financial performance

Current service cost	34	699	-	329
Interest cost	99 979	106 980	93 514	100 371
Actuarial gains	(39 560)	(145 852)	(32 458)	(137 429)
Curtailement or settlement	(58)	-	-	-
	60 395	(38 173)	61 056	(36 729)

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

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	6 009	5 688	317	301
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Movements for the year

Opening balance	5 688	4 450	301	238
Benefits paid	(72)	(85)	(72)	(85)
Net expense recognised in the statement of financial performance	393	1 323	88	148
	6 009	5 688	317	301

Net expense recognised in the Statement of financial performance

Current service cost	1 344	187	-	-
Interest cost	3 148	375	23	18
Actuarial losses/ (gains)	(4 099)	761	65	130
	393	1 323	88	148

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	389 626	417 584	145 169	150 827
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Movements for the year

Opening balance	417 584	439 552	150 827	163 947
Benefits paid	(36 386)	(38 960)	(10 155)	(11 042)
Net expense recognised in the statement of financial performance	8 428	16 992	4 497	(2 078)
	389 626	417 584	145 169	150 827

Net expense recognised in the Statement of financial performance

Interest cost	35 150	35 370	12 685	13 029
Actuarial (gains)/ losses	(26 360)	(18 378)	(8 188)	(15 107)
Curtailement or settlement	(362)	-	-	-
	8 428	16 992	4 497	(2 078)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8.84 %	8.86 %	8.84 %	8.87 %
Health care cost inflation rate	7.14 %	8.01 %	7.15 %	8.01 %
Maximum subsidy inflation rate	4.98 %	5.63 %	4.99 %	5.63 %
Salary inflation	6.64 %	7.51 %	6.65 %	7.11 %
Net discount rate – health care cost inflation (PEMA)	1.58 %	0.79 %	1.57 %	0.79 %
Net discount rate – maximum subsidy inflation (PEMA)	3.68 %	3.06 %	3.67 %	3.06 %
(PEMA) Net discount rate – salary inflation (PEH & Gratuity)	2.06 %	1.26 %	2.05 %	1.26 %

Sensitivity analysis

- - -

GROUP

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		1 130 587	6 010	389 769	1 526 366	
Benefits inflation	+1%	1 158 036	6 746	415 181	1 579 963	4%
	-1%	1 096 552	5 375	366 441	1 468 368	-4%
Discount rate	+1%	1 048 763	5 392	367 094	1 421 249	-7%
	-1%	1 223 159	6 737	414 886	1 644 782	8%
Post-retirement mortality	- 1 Year	1 173 449	6 060	389 769	1 569 278	3%
		-	-	-	-	

CJMM

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		1 059 955	317	145 311	1 205 583	
Benefits inflation	+1%	1 084 864	322	155 197	1 240 383	3%
	-1%	1 029 085	312	136 281	1 165 678	-3%
Discount rate	+1%	984 675	312	136 532	1 121 519	-7%
	-1%	1 146 760	322	155 084	1 302 166	8%
Post-retirement mortality	- 1 Year	1 101 347	320	145 311	1 246 978	3%
		-	-	-	-	

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

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		94 968	818	32 647	128 433	
Benefits inflation	+1%	97 369	929	34 906	133 204	4%
	-1%	91 986	724	30 574	123 284	-4%
Discount rate	+1%	97 752	782	34 093	132 627	3%
	-1%	91 534	857	30 942	123 333	-4%
Post-retirement mortality	- 1 Year	98 832	825	32 647	132 304	3%
		-	-	-	-	

CJMM

	Change	PEMA Subsidy	Housing Subsidy	Retirement Gratuity	Total Liability	% Change
Central assumptions		88 994	25	12 100	101 119	
Benefits inflation	+1%	91 173	25	12 974	104 172	3%
	-1%	86 288	24	11 302	97 614	-3%
Discount rate	+1%	91 667	27	12 608	104 302	3%
	-1%	85 721	22	11 496	97 239	-4%
Post-retirement mortality	-1 year	92 653	25	12 100	104 778	4%
		-	-	-	-	

Five years historical Post retirement obligations

GROUP

	2017	2016	2015	2014	2013
Total	1 526 221	1 602 623	1 764 455	1 842 379	1 865 790
Experience adjustment	2017	2016	2015	2014	2013
Total	23 460	(68 838)	114 354	-	-

CJMM

Post- retirement obligation	2017	2016	2015	2014	2013
Total	1 205 441	1 254 455	1 404 612	1 431 950	1 445 683
	2017	2016	2015	2014	2013
Total	27 220	(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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

29. DEFERRED INCOME

Bond tap

Balance unspent at beginning of year	42 046	45 637	42 046	45 637
Conditions met - transferred to revenue	(3 979)	(3 591)	(3 979)	(3 591)
Conditions still to be met - transferred to liabilities	38 067	42 046	38 067	42 046

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

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

Deferred income related to BRT points system

Balance at beginning of year	4 298	-	4 298	-
Current year receipts	6 761	4 298	6 761	4 298
Conditions still to be met - transferred to liabilities	11 059	4 298	11 059	4 298

Passenger trips received in advance

Balance unspent at beginning of year	3 952	4 264	-	-
Conditions met - transferred to revenue	466	(312)	-	-
Conditions still to be met - transferred to liabilities	4 418	3 952	-	-

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.

Commission received

Balance at beginning of year	-	4 702	-	-
Conditions met - transferred to revenue	-	(4 702)	-	-
Conditions still to be met - transferred to liabilities	-	-	-	-

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.

Current liabilities	4 418	3 952	-	-
Non-current liabilities	49 126	46 344	49 126	46 344
	53 544	50 296	49 126	46 344

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

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	1 151	887	1 151	887
Floating rate note	2	376 139	2	376 139
Bond Options	-	41 045	-	41 045
Cash collateral	109 064	-	109 064	-
Forward Rate Agreement	9 761	18 394	9 761	18 394
Swaps	30 409	8 209	30 409	8 209
Current Liabilities	150 387	444 674	150 387	444 674

Other financial liabilities through profit or loss

Bond	184 798	-	184 798	-
Floating rate note	-	222 917	-	222 917
Forward Rate Agreement	-	7 516	-	7 516
Amortising Swap	6 615	15 824	6 615	15 824
Swaps	480 661	479 472	480 661	479 472
Non-Current Liabilities	672 074	725 729	672 074	725 729

822 461	1 170 403	822 461	1 170 403
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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	527 447	793 377	527 447	793 377
Held for trading non-derivative financial liabilities	295 014	377 026	295 014	377 026
822 461	1 170 403	822 461	1 170 403	

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

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	22 134	45 217	22 134	45 217
Net movement	(8 074)	(23 083)	(8 074)	(23 083)
Closing balance	14 060	22 134	14 060	22 134

Current liability	14 060	4 056	14 060	4 056
Non-Current liability	-	18 078	-	18 078
	14 060	22 134	14 060	22 134

32. CONSUMER DEPOSITS

Non-Current portion of Consumer deposits

Electricity and water deposits	857 032	793 988	-	-
Other deposits	16 479	15 816	16 479	15 816
	873 511	809 804	16 479	15 816

Current portion of Consumer deposits

Other deposits	45 243	37 766	-	-
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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	-	-	418 320	412 990
Current liabilities	-	-	-	-
	-	-	418 320	412 990

Notional Accounts

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

Medical Aid Notional loan account

Opening balance	-	-	149 764	142 069
Finance cost	-	-	11 063	9 330
Payments	-	-	(1 823)	(1 635)
	-	-	159 004	149 764

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
33. LOANS FROM MUNICIPAL ENTITIES (continued)				
Gratuities Notional loan account				
Opening balance	-	-	263 227	269 733
Finance cost	-	-	18 921	17 442
Payments	-	-	(22 832)	(23 948)
	-	-	259 316	263 227
Notional accounts liability	-	-	418 320	412 990

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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 - 2017

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	3 255 769	-	3 255 769
Current tax payable	569 096	-	569 096
Finance lease obligations	51 207	-	51 207
Financial liabilities - Sinking fund	-	150 387	150 387
VAT payable	548 108	-	548 108
Payable from exchange	12 255 568	-	12 255 568
Other financial liabilities- Swap	-	14 060	14 060
Consumer deposits	45 243	-	45 243
Non-Current Liabilities			
Loans and borrowings	-	-	-
Finance lease obligations	16 855 880	-	16 855 880
Financial Liabilities- Sinking fund	154 120	-	154 120
Other financial liabilities - Swap	-	672 074	672 074
Consumer deposits	-	-	-
	873 511	-	873 511
	34 608 502	836 521	35 445 023

GROUP - 2016

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	594 229	-	594 229
Current tax payable	519 029	-	519 029
Finance lease obligations	62 558	-	62 558
Financial liabilities - Sinking fund	-	444 674	444 674
Payables from exchange	11 654 012	-	11 654 012
VAT payable	285 507	-	333 258
Other financial liabilities - Swap	-	4 056	4 056
Consumer deposits	37 766	-	37 766
Non-Current Liabilities			
Loans and borrowings	-	-	-
Finance lease obligations	17 474 609	-	17 474 609
Finance lease obligations	199 164	-	199 164
Financial liabilities - Sinking fund	-	725 729	725 729
Other financial liabilities - Swap	-	18 078	18 078
Consumer deposits	809 804	-	809 804
	31 426 353	1 192 537	32 876 966

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

CJMM - 2017

	Financial liabilities at amortised cost	Financial liabilities at fair value	Total
Current Liabilities			
Loans and borrowings	3 254 963	-	3 254 963
Finance lease obligations	44 605	-	44 605
Financial liabilities - Sinking fund	-	150 387	150 387
Other financial liabilities - Swap	-	3 740	3 740
Payable from exchange	10 189 296	-	10 189 296
Non-Current Liabilities			
Loans to Municipal entities	418 320	-	418 320
Loans and borrowings	16 840 775	-	16 840 775
Finance lease obligations	150 710	-	150 710
Financial liabilities - Sinking fund	-	672 074	672 074
Other financial liabilities - Swap	-	10 320	10 320
Consumer deposits	16 479	-	16 479
	30 915 148	836 521	31 751 669

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	4 056
Payable from exchange	11 021 757	-	11 021 757
Non-Current Liabilities			
Loans from municipal entities	412 990	-	412 990
Loans and borrowings	17 458 698	-	17 458 698
Finance lease obligations	194 971	-	194 971
Financial liabilities - Sinking Fund	-	725 729	725 729
Other financial liabilities - Swap	-	18 078	18 078
Consumer deposits	15 816	-	15 816
	30 237 075	747 863	30 942 034

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
35. OTHER REVENUE				
Bulk contributions received	85 960	136 898	-	-
Commissions received	360 749	378 207	-	-
Cut-off fees	51 062	10 190	-	-
Demand side management levy	140 908	141 577	-	-
Gautrain maintenance fees	6 040	6 724	-	-
Internal recoveries - ME's	-	-	385 688	458 764
Cemetery fees	20 334	20 804	-	-
Theatre ticket sales	7 856	11 931	-	-
Recovery of insurance	4 242	12 409	1 436	2 451
Sundry revenue	509 959	815 091	282 974	559 412
Training revenue	12 739	17 565	14 788	18 089
	1 199 849	1 551 396	684 886	1 038 716
36. RENDERING OF SERVICES				
Other service charges	474 717	459 945	246 542	226 650
Refuse removal	1 314 763	1 217 609	-	-
Sale of electricity	14 813 762	13 893 249	-	-
Sale of water	5 071 323	4 832 002	-	-
Sewerage and sanitation charges	3 201 736	2 722 954	-	-
Surcharges : Electricity	163 846	151 582	163 846	151 582
Surcharges : Refuse	5 014	4 180	5 014	4 180
Surcharges : Water	47 281	47 015	47 281	47 015
	25 092 442	23 328 536	462 683	429 427

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

37. PROPERTY RATES

Rates received

Residential	3 114 579	2 850 375	3 114 579	2 850 375
Commercial	4 625 362	5 114 128	4 625 362	5 114 128
State	172 440	173 556	172 440	173 556
	7 912 381	8 138 059	7 912 381	8 138 059

Valuations

Residential	624 699 254	610 566 592	624 699 254	610 566 592
Commercial	303 906 608	300 732 277	303 906 608	300 732 277
State	34 523 310	33 937 999	34 523 310	33 937 999
	963 129 172	945 236 868	963 129 172	945 236 868

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
38. GOVERNMENT GRANTS AND SUBSIDIES				
Provincial grants : Capital projects	43 760	160 152	-	108 732
Urban settlements development grant	1 604 170	1 636 613	1 364 661	1 386 716
Financial management grant	1 050	1 050	1 050	1 050
Provincial grants : Top structure of houses	404 736	304 531	404 736	304 531
Provincial grants : Operating projects	40 325	20 319	40 325	12 619
Public Transport Network Grant (Capital Projects)	807 431	863 712	807 431	863 712
Neighbourhood development partnership grant	46 112	38 234	46 112	38 234
Integrated City Development Grant (ICDG)	54 942	32 692	54 942	32 692
Expanded Public Works Programme (EPWP)	39 040	35 937	30 522	33 363
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	19 926	19 709	19 926	19 709
Public Transport Network operations Grant	206 164	245 257	206 164	245 257
Social housing grant	914	914	-	-
Ambulance subsidy	117 321	111 416	117 321	111 416
Equitable share and fuel levy	5 777 859	5 331 848	5 777 859	5 331 848
Provincial health subsidies	115 875	110 043	115 875	110 043
Skills Development Grant	3 421	2 618	-	-
Other Grants	18 888	2 380	-	-
	9 301 934	8 917 425	8 986 924	8 599 922

Provincial grants : Capital projects

Balance unspent at beginning of year	174 148	169 383	174 148	167 788
Current year receipts	68 936	164 928	-	109 904
Paid back	(16 550)	(5 199)	(16 502)	-
Adjustment - Debtors	-	5 188	-	5 188
Conditions met - transferred to revenue	(43 760)	(160 152)	-	(108 732)
Conditions still to be met - transferred to liabilities	182 774	174 148	157 646	174 148

Urban settlements development grant

Balance unspent at beginning of year	94 985	2 260	94 985	-
Current year receipts	1 776 010	1 729 338	1 775 808	1 731 221
Transfers	-	-	(239 307)	(249 520)
Conditions met - transferred to revenue	(1 604 170)	(1 636 613)	(1 364 661)	(1 386 716)
Conditions still to be met - transferred to liabilities	266 825	94 985	266 825	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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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Financial management grant				
Current year receipts	1 050	1 050	1 050	1 050
Conditions met - transferred to revenue	(1 050)	(1 050)	(1 050)	(1 050)
Conditions still to be met - transferred to liabilities	-	-	-	-
<p>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.</p>				
Provincial grants : Top structure of houses				
Balance unspent at beginning of year	-	108	-	108
Current year receipts	382 197	348 759	382 197	348 759
Settled against debtors	-	(172 823)	-	(172 823)
Current year claims	22 539	128 487	22 539	128 487
Conditions met - transferred to revenue	(404 736)	(304 531)	(404 736)	(304 531)
Conditions still to be met - transferred to liabilities	-	-	-	-
Provincial grants : Operating projects				
Balance unspent at beginning of year	31 910	9 383	31 910	9 383
Current year receipts	43 539	36 149	43 539	36 149
Paid Back	(7 500)	(1 003)	(7 500)	(1 003)
Adjustments	-	7 700	-	-
Conditions met - transferred to revenue	(40 325)	(20 319)	(40 325)	(12 619)
Conditions still to be met - transferred to liabilities	27 624	31 910	27 624	31 910
<p>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.</p>				
Public Transport Network Grant (Capital Projects)				
Balance unspent at beginning of year	2 475	326 581	2 475	326 581
Current year receipts	808 808	864 368	808 808	864 368
Grants paid back	-	(324 762)	-	(324 762)
Conditions met - transferred to revenue	(807 431)	(863 712)	(807 431)	(863 712)
Conditions still to be met - transferred to liabilities	3 852	2 475	3 852	2 475

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Neighbourhood development partnership grant				
Balance unspent at beginning of year	25 753	9 047	25 753	9 047
Current year receipts	79 172	54 940	79 172	54 940
Paid back	(44 195)	-	(44 195)	-
Conditions met - transferred to revenue	(46 112)	(38 234)	(46 112)	(38 234)
Conditions still to be met - transferred to liabilities	14 618	25 753	14 618	25 753

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	31 805	10 111	31 805	10 111
Current year receipts	59 704	54 386	59 704	54 386
Paid back	(31 805)	-	(31 805)	-
Conditions met - transferred to revenue	(54 942)	(32 692)	(54 942)	(32 692)
Conditions still to be met - transferred to liabilities	4 762	31 805	4 762	31 805

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	910	-	910	-
Current year receipts	43 442	36 847	47 613	38 447
Paid back	(910)	-	(910)	-
Transfers	-	-	(12 689)	(4 174)
Conditions met - transferred to revenue	(39 040)	(35 937)	(30 522)	(33 363)
Conditions still to be met - transferred to liabilities	4 402	910	4 402	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	-	95
Current year receipts	20 310	19 614	20 310	19 614
Conditions met - transferred to revenue	(19 926)	(19 709)	(19 926)	(19 709)
Conditions still to be met - transferred to liabilities	384	-	384	-

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Public Transport Network Grant (Operational projects)				
Balance unspent at beginning of year	45 246	3 502	45 246	3 502
Current year receipts	206 700	287 001	206 700	287 001
Paid	(7 700)	-	(7 700)	-
Conditions met - transferred to revenue	(206 164)	(245 257)	(206 164)	(245 257)
Conditions still to be met - transferred to liabilities	38 082	45 246	38 082	45 246
Social Housing grant				
Balance unspent at beginning of year	23 985	74 857	-	-
Current year receipts/Repayments	79 085	(49 958)	-	-
Adjustments	34 376	-	-	-
Conditions met - transferred to revenue	(914)	(914)	-	-
Conditions still to be met - transferred to liabilities	136 532	23 985	-	-

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	117 321	111 416	117 321	111 416
Conditions met - transferred to revenue	(117 321)	(111 416)	(117 321)	(111 416)
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	5 682 596	5 331 848	5 682 596	5 331 848
Transfers	108 663	-	108 663	-
Allocation reduction	(13 400)	-	(13 400)	-
Conditions met - transferred to revenue	(5 777 859)	(5 331 848)	(5 777 859)	(5 331 848)
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.

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
Provincial health subsidies				
Current year receipts	115 875	110 043	115 875	110 043
Conditions met - transferred to revenue	(115 875)	(110 043)	(115 875)	(110 043)
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.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
39. EMPLOYEE RELATED COSTS				
Employee related costs : Salaries and wages	6 949 666	6 365 845	3 952 252	3 712 807
Employee related costs : Pension contributions	959 059	897 419	566 616	522 784
Employee related costs : Gratuities	21 026	27 844	-	-
Employee related costs : Medical aid contributions	414 949	368 283	349 962	309 216
Employee related costs : Skills development levy	73 362	66 613	47 524	43 867
Housing benefits and allowances	49 686	49 121	35 801	32 218
Overtime payments	375 453	338 823	87 802	81 572
Bonus	475 363	444 418	242 972	214 627
Travel, motor car, accommodation, subsistence and other allowances	441 411	421 900	284 244	277 006
Post-Retirement Benefits	50 768	(33 809)	65 641	(38 659)
Other employee benefits	46 110	52 881	-	-
	9 856 853	8 999 338	5 632 814	5 155 438

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

2017

Key management	Annual salary	Car allowance	Social contribution	Bonuses	Other benefits	Total
City manager (former - contract ended December 2016)	1 437	64	1	-	276	1 778
City manager (current -appointed December 2016)	1 519	28	-	-	-	1 547
Group head: Risk Assurance Services (resigned October 2016)	618	100	20	89	-	827
Group: Chief Financial officer	2 754	141	2	408	1 572	4 877
Executive Director: Economic Development	1 180	-	1	290	179	1 650
Executive Director: Community Development	1 699	103	307	173	-	2 282
Executive Director: Development Planning and Urban development	2 147	97	48	217	120	2 629
Executive Director: EISD	1 873	97	48	271	-	2 289
Executive Director: Housing (vacant from December 2016)	765	48	77	155	-	1 045
Executive Director: Transportation	2 004	73	302	213	-	2 592
Executive Director: Health	2 089	108	2	431	141	2 771
Executive Director: Corporate Services	1 554	-	1	-	-	1 555
Executive Director: Office of the Manager	1 496	-	79	170	-	1 745
Group Head: Urban Management and Citizen Relationship Management	1 732	101	183	95	11	2 122
Group Head: Governance	1 525	96	87	149	-	1 857
Chief Operations Officer(contract ended March 2016)	2 204	116	131	406	121	2 978
Secretary of Council	1 490	107	86	85	1 665	3 433
Executive Director: Public Safety	1 174	86	1	89	-	1 350
Executive Director: Social Development	944	69	52	253	-	1 318
Core total	30 204	1 434	1 428	3 494	4 085	40 645
Managing Director - JRA	1 811	372	302	-	-	2 485
Managing Director - Joshco	584	-	-	-	-	584
Chief Executive Officer - Joburg Theatre	1 558	-	470	212	65	2 305
Managing Director - City Parks & Zoo	1 880	94	86	201	-	2 261
Chief Executive Officer - JPC	1 982	250	21	295	-	2 548
Ex-Managing Director - Metrobus	1 078	-	8	-	216	1 302
Acting Chief Executive Officer - Joburg Market	1 475	-	-	92	470	2 037
Chief Executive Officer - JDA	1 805	-	-	-	-	1 805
Managing Director - Pikitup	298	58	47	-	-	403
Managing Director - Joburg Water	1 679	299	205	-	-	2 183
Managing Director- City Power	2 190	128	-	220	638	3 176
	46 544	2 635	2 567	4 514	5 474	61 734

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Notes to the Group Annual Financial Statements

2016

Key management	Annual salary	Car allowance	Social contribution	bonuses	Other benefits	Total
City manager (former)	2 705	128	2	-	276	3 111
Group head: Risk Assurance Services	1 653	288	48	-	-	1 989
Group: Chief Financial officer	2 640	144	2	-	-	2 786
Executive Director Economic Development	2 227	-	2	-	-	2 229
Executive Director: Community Development	1 599	103	160	-	-	1 862
Executive Director: Development Planning and Urban development	2 020	144	121	-	180	2 465
Executive Director: EISD	1 759	97	48	-	-	1 904
Executive Director: Housing	1 439	96	143	-	-	1 678
Executive Director: Transportation	1 887	73	285	-	-	2 245
Executive Director: Health	1 965	108	2	-	-	2 075
Executive Director: Corporate Services	1 576	-	2	-	-	1 578
Executive Director: Office of the Manager	1 413	-	73	-	-	1 486
Group Head: Urban Management and Citizen Relationship Management	843	50	58	-	21	972
Group Head: Governance	1 435	96	81	-	-	1 612
Chief Operations Officer	2 567	144	145	177	-	3 033
Secretary of Council	1 681	128	95	-	-	1 904
Executive Director: Public Safety	1 653	128	2	-	-	1 783
Executive Director: Social Development	1 332	104	73	-	-	1 509
Core total	32 394	1 831	1 342	177	477	36 221
Managing Director - JRA	1 096	188	163	141	-	1 588
Managing Director - Joshco	959	-	-	173	-	1 132
Chief Executive Officer - Joburg Theatre	1 470	-	316	201	61	2 048
	1 786	110	79	191	-	2 166
Chief Executive Officer - JPC	1 484	250	29	280	770	2 813
Ex-Managing Director - Metrobus	1 738	-	19	-	-	1 757
Acting Chief Executive Officer - Joburg Market	1 411	-	-	-	506	1 917
Chief Executive Officer - JDA	1 704	-	-	-	-	1 704
Managing Director - Pikitup	1 900	343	164	-	-	2 407
Managing Director - Joburg Water	1 662	358	231	126	-	2 377
Managing Director- City Power	2 457	128	-	-	218	2 803
	50 061	3 208	2 343	1 289	2 032	58 933

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
40. REMUNERATION OF COUNCILLORS				
Executive Mayor	1 227	1 284	1 227	1 284
Mayoral Committee Members	9 164	11 530	9 164	11 530
Speaker	1 003	1 027	1 003	1 027
Councillors	103 854	89 347	103 854	89 347
Councillors' pension contribution	9 067	11 768	9 067	11 768
Chairpersons	15 278	18 931	15 278	18 931
	139 593	133 887	139 593	133 887

Remuneration of the Executive Mayor - Herman Mashaba

Annual Remuneration	1 084	-
Cell phone Allowance	36	-
	1 120	-

New appointment from August 2016.

Remuneration of the Executive Mayor - Parks Tau

Annual Remuneration	80	959
Car Allowance	11	128
Contributions to UIF, Medical and Pension Funds	13	155
Cell phone Allowance	3	42
	107	1 284

Contract terminated September 2016.

In-kind benefits

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

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

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
41. DEPRECIATION AND AMORTISATION				
Property, plant and equipment	2 605 837	2 461 856	1 586 076	1 579 521
Investment property	23	23	-	-
Zoo animals	1 311	1 183	-	-
Intangible assets	298 519	346 113	171 747	254 533
	2 905 690	2 809 175	1 757 823	1 834 054
42. IMPAIRMENT LOSSES				
Impairments				
Property, plant and equipment	48 681	2 929	45 232	-
Loans to Municipal Entities	-	-	57 080	104 982
The Pikitup Johannesburg (SOC) Ltd refer to Note 4				
Loans to Municipal Entities Johannesburg Metro Bus company (SOC) Ltd	-	-	-	329 661
	48 681	2 929	102 312	434 643
Reversal of impairments				
Loans to Municipal Entities Johannesburg Metro Bus Services (SOC) Ltd	-	-	(29 825)	-
Investment in Municipal Entities The Pikitup Johannesburg (SOC) Ltd	-	-	-	(31 315)
	-	-	(29 825)	(31 315)
Total impairment losses recognised (reversed)	48 681	2 929	72 487	403 328
43. DEBT IMPAIRMENT				
Receivables from non-exchange Consumer Debtors	195 893	50 789	195 893	50 789
Receivables from exchange	3 262 451	2 340 891	472 027	534 884
	265 391	91 694	120 752	128 015
	3 723 735	2 483 374	788 672	713 688
Allowance for receivables from non-exchanges relates to the impairment of traffic fines.				
44. BULK PURCHASES				
Electricity	10 696 792	9 871 044	-	-
Water	4 259 064	3 849 698	-	-
Sewer purification	23 077	26 990	-	-
	14 978 933	13 747 732	-	-
The bulk purchases for the year includes electricity distribution losses and water losses.				
Electricity distribution losses				
Technical losses	878 234	906 280	-	-
Non-Technical losses	1 092 712	1 353 834	-	-
	1 970 946	2 260 114	-	-

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

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 13.44% to 11.2%. The non-technical losses are attributable mainly to the following:

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

Water Losses

Physical losses	787 400	645 900	-	-
Commercial losses	306 000	249 600	-	-
	1 093 400	895 500	-	-

The level of physical and commercial losses for the year under review is 26.8%. The level of physical losses for the year under review is 19.3%, (2016: 16.3%). The level of commercial losses for the year under review is 7.5%, (2016: 6.3%).

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 8.8% [R359.0 million], (2016: 4.6% [R182.2 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	175 123	260 497	212 880	260 497
Fleet Services	685 656	639 632	60 827	55 588
Operating Leases	242 846	206 470	242 848	206 765
Specialist Services	887 535	1 168 558	955 320	1 235 911
Other Contractors	330 165	380 546	23 428	23 095
	2 321 325	2 655 703	1 495 303	1 781 856

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
46. GRANTS AND SUBSIDIES PAID				
Grants paid to ME's				
City of Joburg Property Company SOC Limited	-	-	327 568	340 630
Johannesburg City Parks NPC	-	-	688 207	711 957
Johannesburg Development Agency SOC Limited	-	-	26 695	22 382
Johannesburg Metro Bus Services SOC Ltd	-	-	506 354	432 693
Johannesburg Roads Agency SOC Limited	-	-	816 774	746 409
Johannesburg Social Housing Company SOC Limited	-	-	13 100	19 952
Metropolitan Trading Company SOC Limited	-	-	211 158	84 546
Pikitup Johannesburg SOC Limited	-	-	694 762	643 651
Joburg Theatre SOC Limited	-	-	94 072	73 502
	-	-	3 378 690	3 075 722
Other subsidies				
Grant paid : Housing top structures	407 577	322 984	410 559	322 984
Grant paid : Other	93 170	161 433	85 170	153 433
	500 747	484 417	495 729	476 417
	500 747	484 417	3 874 419	3 552 139

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
47. GENERAL EXPENSES				
Advertising	44 966	252 279	11 398	204 617
Auditor's remuneration	55 604	49 573	22 195	19 723
Bank charges	95 508	86 982	86 974	78 511
Billing and meter reading charges	24 390	30 801	-	-
Cut-off fees	40 478	46 158	-	-
Cleaning	37 385	44 777	-	-
Commission paid	49 059	49 123	-	-
Computer expenses	38 786	45 426	-	-
Conferences and seminars	21 607	32 764	16 480	24 099
Consulting and professional fees	341 775	457 009	97 090	111 406
Cost of inventories expensed	346 478	415 313	29 821	20 772
Debt collection	63 754	206 406	63 754	206 406
Free electricity	6 676	6 251	-	-
Hire of equipment and buses	27 972	17 404	27 302	18 076
Incident management fund	40 304	41 273	40 304	41 273
Insurance	226 456	139 953	108 632	135 598
Lease rentals on operating lease	981 471	818 871	61 735	57 587
Marketing	58 272	126 799	27 993	93 392
Motor vehicle expenses	236 943	69 628	-	-
Other expenses	774 280	779 255	617 896	661 620
Postage and printing stationery	109 605	147 483	87 491	127 623
Productions	27 725	42 280	-	-
Repairs and Maintenance	1 867 828	1 808 236	446 559	398 993
Security (Guarding of municipal property)	527 829	509 574	267 029	211 893
Software expenses	239 585	287 814	127 031	257 611
Staff welfare	63 142	26 147	33 701	-
Subscriptions and membership fees	20 050	24 278	15 021	17 541
Telephone and fax	160 222	154 992	57 329	54 141
Training	54 167	59 212	33 463	31 178
Travel - local	11 460	20 545	5 327	13 117
Travel - overseas	3 594	28 285	2 617	24 679
Utilities - Other	284 699	178 481	624 281	515 776
	6 882 070	7 003 372	2 911 423	3 325 632

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

-	3 655	-	3 655
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48. FAIR VALUE ADJUSTMENTS

• Fair value movement on the sinking fund	351 736	365 504	351 736	365 504
• Cash flow hedge (Ineffective portion)	4 018	20 283	4 018	20 283
• Other fair value adjustments	21 466	61	21 362	-
	377 220	385 848	377 116	385 787

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
49. CASH GENERATED FROM OPERATIONS				
Surplus	1 964 371	3 775 269	1 341 938	1 494 863
Adjustments for:				
Depreciation and amortisation	2 905 690	2 809 027	1 757 823	1 834 054
Public contributions, Donated and contributed property	(387 803)	(402 852)	(97 578)	(194 632)
Fair value adjustments	(377 220)	(546 031)	(377 116)	(385 787)
Reversal of Impairment	-	-	(29 825)	(31 315)
Finance costs: liabilities from Municipal entities	-	-	9 240	7 695
Debt impairment	3 723 735	2 483 374	788 672	713 688
loss/gain on sale of Assets	74 389	256 037	41 277	237 593
Impairment losses	48 681	2 929	102 312	434 643
Post-retirement benefits net expenditure	69 216	(19 858)	65 641	(38 658)
Gain/ Loss from equity accounted investments	(158)	(4 816)	-	-
Gain on donated animals	(1 520)	(2 717)	-	-
Changes in working capital:				
Inventories	(564)	(1 584)	35 353	(60 103)
Receivables	(1 342 082)	(1 650 425)	(1 925 704)	(817 242)
Current tax	(50 446)	292 262	-	-
Adjustment of impairment of current receivable	(3 723 735)	(2 483 374)	(788 672)	(713 688)
Payables from exchange transactions	601 556	1 554 116	(832 451)	1 176 893
VAT receivable	(312 051)	113 428	(39 429)	112 592
VAT payable	262 601	(168 895)	-	-
Unspent conditional grants and receipts	109 824	126 610	109 824	189 701
Increase/(Decrease) in Loan to Municipal entities	-	-	-	(91 287)
Increase/(Decrease) in deferred income	2 455	(4 307)	2 782	707
Increase/(Decrease) in Provision	466	81 741	(82 806)	19 169
Increase/(Decrease) in Consumer deposits	7 477	98 638	668	(1 472)
	3 574 882	6 308 572	81 949	3 887 414

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Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

50. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for

• Capital Commitments	5 536 704	6 264 081	1 599 261	2 887 038
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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	161 287	172 079	145 272	106 665
- in second to fifth year inclusive	5 446	66 465	5 419	46 509
	166 733	238 544	150 691	153 174

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	99 244	103 343	7 055	30 100
- in second to fifth year inclusive	93 500	139 306	9 774	2 187
- later than five years	1 071	3 267	1 071	1 742
	193 815	245 916	17 900	34 029

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

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

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	6 495	6 495	6 495
	6 869	6 869	6 869	6 869

Operating leases - as lessee (Equipment)

Minimum lease payments due

-within one year	484 844	474 889	-	-
-In second to fifth year	1 472 209	1 957 055	-	-
	1 957 053	2 431 944	-	-

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

Operating leases – as lessor (income)

Minimum lease payments due

- within one year	17 080	25 152	14 851	15 292
- in second to fifth year inclusive	56 265	61 939	55 818	59 185
- later than five years	159 495	171 151	159 495	170 705
	232 840	258 242	230 164	245 182

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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Notes to the Group Annual Financial Statements

51. CONTINGENCIES

GROUP

Legal Claims by residents/companies

	Name of the company responsible	Estimated Amount in Rands
Claim for breach for allegedly failing to provide sufficient electricity for development after rezoning a property. Claim is defended on the basis that sufficient electricity is available and plaintiff was aware of available supply.	CJMM	6 289 510
A claim relating 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 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 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 cited 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
A claim for damages against the City where the Plaintiff alleges that when the City implemented Rea Vaya system in Soweto, they permanently closed the highway or portions thereof and/or diverted traffic in so doing caused the plaintiff to suffer damages.	CJMM	17 589 910
The applicant has applied for a High Court order against the City and other respondents to comply with AARTO Act in serving infringement notices by registered mail; and that the City should be ordered to refund all monies paid by infringers since the inception of AARTO. There is no basis for claiming refund of monies already paid by infringers. There is a high possibility that the court will dismiss this claim.	CJMM	-
JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with illegal occupants to settle the matter out of court. Progress made since 2012 - Some of the illegal occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left because of inability to meet monthly rental payments will be accommodated by the Department of Housing. Since this, no progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accommodation is found by the JDA and CJMM. The parties are working together to reach agreement without a protracted litigation processes.	Johannesburg 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. The matter is now being handled by CJMM insurer attorneys.	Johannesburg Development Agency (SOC) Ltd	23 500 000
JDA disputed the matter and indicated to the Plaintiff that it was incorrectly cited as a party. The plaintiff has to date not responded to pleadings by JDA. A letter has been addressed by JDA attorneys to the plaintiff to the effect that should the company not receive feedback from the plaintiff, JDA will continue to seek court approval to withdraw the matter.	Johannesburg Development Agency (SOC) Ltd	-
The matter relates to the fiber 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 Fiber 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. The matter is being defended by JDA lawyers.	Johannesburg 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 2016 and a Commissioner appointed by the DOL. The matter is still ongoing.	Johannesburg Development Agency (SOC) Ltd	-

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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.	Johannesburg Road Agency (SOC) Ltd	-
Applemint 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.	Johannesburg Road Agency (SOC) Ltd	-
Bernard Mew vs COJ/ JRA. The applicant brought an application for an enclosure of alleged COJ land which is used by the public as a thoroughfare and illegal taxi parking. Amount claimed is not quantifiable.	Johannesburg Road Agency (SOC) Ltd	-
Freehold land, buildings and servitudes purchased from The City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement, have not as yet been transferred into the name of Pikitup Johannesburg SOC Ltd. Transfer duties might be payable by the company on the transfer of property. It is not possible to estimate an expected amount.	Pikitup (SOC) Ltd	-
The plaintiff is claiming for damages for injuries allegedly sustained at or near Orange farm garden site. The entity is defending the matter. The matter is set for interlocutory application and the trial is anticipated in the later part of 2018. The likelihood of the recovery of costs should the entity succeed are extremely remote.	Pikitup (SOC) Ltd	400 000
I Nicholson is claiming damages from the entity arising from electrocution from a smart meter installation.	City Power (SOC) Ltd	100 000
Woods (a customer) is claiming delictual damages arising from a loss suffered as a result of an alleged robbery by City Power contractors	City Power (SOC) Ltd	1 271 290
A summons was issued in favour of a customer Dlamini for delictual damages. The matter is defendant by the entity.	City Power (SOC) Ltd	267 600
SBV Services (Pty) Ltd a customer is claiming R800 000 for overstated bills already paid to the City Power entity. The amount is based on the difference in actual meter readings and estimates including all interest which has accrued during the period the funds were in the entity possession is.	City Power (SOC) Ltd	800 000
The entity received a letter of demand from the lawyers of Sarah Elizabeth Bosch after she fell in to the orchestra pit. Bosch's attorneys claim that the incident was caused due to negligence by Joburg Theatre. The matter has not yet gone to court. The amount has not been provided for as this is considered as a potential obligation that may be incurred depending on the outcome of a future event.	Joburg Theatre (SOC) Ltd	9 020 000

Contractual Disputes with service providers

Detail of contingencies	Name of the company responsible	-
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 to be paid by the City. 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
Claim against the COJ for an amount relating to an overrun of costs emanating from a contract for the upgrade of the Johannesburg Central Library.	CJMM	5 200 000
The claim is relating to damages suffered by plaintiff arising from the COJ not following proper procurement processes in a contract between second defendant and COJ. The City is required to prove the existence of such contract.	CJMM	19 500 000
Claim for damages arising out of work done but not paid for. Negotiations are on-going.	CJMM	3 000 000
Developmentnoms (Pty) Ltd Claim against CoJ, The plaintiff claims to have suffered damages to the extent of lost income for the full duration of the agreement concluded with the City.	CJMM	2 640 419
On the 12 December 2016 COJ received Notice of Motion instituted by MVS, in terms of which Moving Violations Systems (MVS) is claiming for services rendered to the COJ. COJ is yet to file its notice to oppose.	CJMM	8 086 770
Fundi Communications claim against COJ for services rendered	CJMM	952 126
Claims for Maintenance of Rea Vaya IT infrastructure Matter is still being defended.	CJMM	11 428 533
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

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A potential claim for the rendering of services. Management is of the view that the appointment was irregular and unlawful and that there is no valid claim for payment.	Metro Bus (SOC) Ltd	3 000 000
The plaintiff is claiming retention payments held by Pikitup for services provided. The total amount claimed is R104 526. The entity is in negotiations with the plaintiff for a settlement. The matter is anticipated to be settled by December 2017. There is no likelihood of recovering the legal costs	Pikitup (SOC) Ltd	104 526
The plaintiff is claiming monies for services rendered which it is alleged Pikitup has not paid. The matter is at discovery stage and it is expected that the trial date will be set for the latter part of 2018. The likelihood of recovering legal costs should the entity succeed are remote.	Pikitup (SOC) Ltd	33 790
The plaintiff is claiming that his former company contracted with the entity and alleges that the entity is in breach of the contract by failing to pay for the equipment purchased by the plaintiff in fulfilment of the contract. The said company is liquidated. The plaintiff in this matter is not acting and therefore the matter has remained dormant. The likelihood of recovering costs should the entity succeed are remote.	Pikitup (SOC) Ltd	10 000 000
Sunayla Trading and Projects is claiming an amount in terms of 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	500 000
Mndhahazi 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
PJ Bezuidenhout a supplier is claiming an amount for services rendered from the entity and other defendants. The matter is at a pleading stage	City Power (SOC) Ltd	35 000 000
Izubuko the Bridge a supplier is claiming an amount in terms of non-payment from the entity for services rendered to the entity. The matter is being defended and settlement negotiations are underway.	City Power (SOC) Ltd	1 366 268
JAR Electrical a supplier is claiming an amount in terms of non-payment from the entity for services rendered. The non-payment of the invoices are due to internal processes and no valid argument can be made regarding the dispute.	City Power (SOC) Ltd	3 000 000
MAC Consulting Pty Ltd a supplier is claiming an amount in terms of non-payment from the entity for services rendered. Summons have been received and the matter is being defended.	City Power (SOC) Ltd	583 217
Divinity Trading a supplier has lodged legal proceedings against the entity. The claim arising from supply chain processes where there was a passing over of bid due to none functional of protective proto type during site visits by Bid Evaluation Committee. The potential liability is the Bid value.	City Power (SOC) Ltd	200 000
Disputes with service provider - Security Consultations & Advanced Implementations "Scai"	Joburg Market (SOC) Ltd	7 717 732
Disputes with service provider - Energy Management	Joburg Market (SOC) Ltd	200 000

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Disputes/legal claims by employees

Detail of contingencies	Name of the company responsible	-
SALA pension fund was the old pension fund for South African Local Authority employees, with the amalgamation of different municipalities to form City of Joburg employees were migrated the new eJoburg pension fund. There is a dispute the members lodged with the City of Joburg subsequent to their transfer to eJoburg pension fund.	CJMM	21 958 709
Mokomela vs JRA. The Applicant referred the matter to the Labour Court for conciliation to the effect that the dismissal was not fair.	Johannesburg Road Agency (SOC) Ltd	-
Liepollo Selatile vs JRA. The employee referred a dispute of unfair dismissal to the South African Local Government Bargaining Council (SALGBC). Amount claimed is not quantifiable	Johannesburg Road Agency (SOC) Ltd	-
F Makhari / JRA - The employee's contract expired and was not renewed and wants to be reinstated.	Johannesburg Road Agency (SOC) Ltd	266 616
4 alleged unfair dismissal cases against Metrobus currently under consideration by the CCMA. Management is confident that awards in this regard will be in favour of Metrobus. However should awards be against Metrobus, the entity may be liable to pay.	Metro Bus (SOC) Ltd	100 000
A case of unfair labour practice is under consideration by the labour court. Management and external lawyers are confident that an award will be made in favour of Metrobus in this regard. However should such award be made in favour of the employee the entity will be liable for back pay.	Metro Bus (SOC) Ltd	814 000
The applicants alleges that they are not paid the same salaries as HR Officers and therefore needs Labour Court to rule in the harmonisation of the said salaries and the entity must pay them similar salaries from their date of employment similar to the employees they are benchmarked with . The directive was provided and parties have filed their heads of argument. The hearing is expected to start in the early part of 2018. The likelihood of recovering the costs from the applicants are minimal.	Pikitup (SOC) Ltd	1 995 151
The entity is reviewing the arbitration award in favour of an employee where CCMA ruled that the employee was unfairly dismissed. The amount to be paid in terms of the arbitration award should the review fail is R 2 838 333. The directive was provided and parties have filed their heads of arguments. The hearing is expected to be in 2018. The likelihood of recovering the costs from the applicants are remote.	Pikitup (SOC) Ltd	2 838 333
An amount of R 1 252 757 is held in a trust account pending the finalisation of accelerated termination of service of an ex-employee. It is anticipated that the matter will be finalised once the court process has been completed.	Pikitup (SOC) Ltd	1 252 757
The entity is involved in three (3) litigious matters with former employees. The directors are of the opinion that the claims can be successfully defended by the company.	Joburg Market (SOC) Ltd	-

Contingent Asset

Detail of contingencies	Name of the company responsible	-
Claim instituted by the COJ and Bus Operating Company and others against an attorney who misappropriated money to be used by the operators to invest in BOC.	CJMM	20 000 000
Claim relating to summons issued against Graffiti Impact. The defendant has raised an issue that the City is not entitled to that money and has asked the court to declare that section of the By-Laws to be null and void. A consultation has been scheduled with the junior and senior counsel to prepare a replication.	CJMM	1 698 400
Security cost claim against William James Kirk. The matter is at the pleading stage.	CJMM	500 000

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JRA vs Nomakhephu - The JRA is suing the defendant for the payment of monies erroneously deposited into the supplier's account. The assessment by JRA legal unit for winning the case is medium.	Johannesburg Road Agency (SOC) Ltd	316 926
The company is currently pursuing claims relating to contractual disputes with the service providers.	Johannesburg City Parks NPC	3 384 000
Johannesburg City Parks and ZOO is a beneficiary to the land donated from a deceased estate. The process is ongoing and the value nor date of transfer is currently unknown.	Johannesburg City Parks NPC	-
Subsequent to the disciplinary hearing in respect of the irregular expenditure disclosed in Note 32 of Joburg Market, civil proceedings have commenced against the employees concerned to recover all amount. According to entity's legal advisors, it is probable that the proceedings will result in the recovery of the full amount	Joburg Market (SOC) Ltd	1 870 107

52. PRIOR-YEAR ADJUSTMENTS

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

Statement of financial position

GROUP

		As previously reported	Reclassification	Correction of error	Restated
Consumer debtors	1	6 177 748	(167 123)	(680 361)	5 330 264
Property, plant and equipment	2	60 572 816	-	(151 236)	60 421 580
Intangible assets	10	1 098 835	-	(21 450)	1 077 385
Deferred Tax Asset	9	514 398	-	419 003	933 401
Receivables from exchange transactions	3	1 933 430	(286 852)	(591 791)	1 054 787
Receivables from non exchange transactions		200 120	453 975	-	654 095
Trade and Other payables	4&7	(12 431 840)	171 697	606 116	(11 654 027)
VAT payables	5	(183 447)	-	(102 060)	(285 507)
Current tax payable		(902)	-	(518 127)	(519 029)
Deferred tax liability		(2 398 950)	-	2 836	(2 396 114)
Provisions	7	(733 060)	(171 697)	(83 615)	(988 372)
Other balance sheet items not listed		(11 618 092)	-	36 776	(11 581 316)
Accumulated surplus		(43 131 056)	-	1 083 909	(42 047 147)
		-	-	-	-

CJMM

		As previously reported	Reclassification	Correction of error	Restated
CJMM - Trade and other receivables		4 847 465	(4 847 465)	-	-
CJMM - Consumer debtors		887 113	(887 113)	-	-
CJMM - Receivables from exchange transactions		-	4 390 035	(518 934)	3 871 101
CJMM - Receivables from non exchange transactions		-	1 344 543	(6 658)	1 337 885
CJMM - Property, plant and equipment		35 662 469	-	(72 528)	35 589 941
CJMM - Intangible assets		496 678	-	(35 491)	461 187
CJMM - Trade and other payables		(11 220 385)	-	198 638	(11 021 747)
CJMM - Other		6 832 244	-	(21 090)	6 811 154
CJMM - Accumulated Surplus		(28 223 680)	-	221 164	(28 002 516)
		9 281 904	-	(234 899)	9 047 005

Statement of financial performance

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Notes to the Group Annual Financial Statements

GROUP

		As previously reported	Reclassification	Correction of error	Restated
Rendering of services	1	23 477 479	-	(148 943)	23 328 536
Rental of facilities and equipment		290 699	-	(44 146)	246 553
City Cleaning levy	6	-	-	111 999	111 999
Debt impairment		(2 492 311)	-	8 937	(2 483 374)
Depreciation and amortisation		(2 794 027)	-	(15 148)	(2 809 175)
Repairs and maintenance	8	(1 282 056)	1 282 056	-	-
General expenditure		(5 565 453)	(1 282 056)	(155 863)	(7 003 372)
Fair value adjustment		546 031	-	(160 183)	385 848
Other		(8 363 171)	-	107 563	(8 255 608)
Surplus (deficit) for the year		3 817 191	-	(295 784)	3 521 407

CJMM

		As previously reported	Reclassification	Correction of error	Restated
CJMM - Rental of facilities and equipment		(133 566)	-	43 841	(89 725)
CJMM - Contracted services		1 724 656	-	57 200	1 781 856
CJMM - Repairs and Maintenance		398 993	(398 993)	-	-
CJMM - Provision		15 000	(15 000)	-	-
CJMM - General Expenses		2 809 377	413 993	102 325	3 325 695
CJMM - Other		(7 571 110)	-	31 533	(7 539 577)
(deficit) Surplus for the year		(2 756 650)	-	234 899	(2 521 751)

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Notes to the Group Annual Financial Statements

Group

Errors

Management provides explanations for prior period adjustments which are considered material.

1. Consumer debtors & rendering of services

The City has recalculated the accrual amount for the revenue for the 2015 and 2016 financial years. This has resulted in a decrease in the consumer debtors' balance.

2. Property, plant and equipment (PPE)

The error on PPE arises from the vehicles that were not previously capitalised. Correction of this error resulted in adjustments of 2016 depreciation and accumulated surplus for previous financial years. Refuse bins were initially accounted for as PPE instead of consumables. Management established that there was no control over these bins. Prior year adjustment was processed to correct this error.

3. Receivables from exchange transactions

The restatement is as a result of an adjustment of debtors which were incorrectly recognised. There was a reversal of provision for doubtful debt which were incorrectly accounted for in the previous financial year.

4. Trade and other payables

Retrospective adjustment for accruals not accounted for in the previous financial period.

5. VAT payables

Sale of electricity to Eskom was misstated in 2016. Restatement of these sales transactions also resulted in adjustment of VAT output

6. City cleaning levy

Income and expenditure line items - including "clean levy" were fair valued and aggregated using SAICA circular 9 , which was later found not to be applicable to municipalities. To correct prior year error, fair value adjustment amount was reversed to all line-items affected by valuation.

7. Provisions

Reclassification of bonus provision which was initially classified as accruals.

8. Repairs and maintenance

Repairs and maintenance was reclassified to general expenditure

9. Deferred Tax Asset

Penalties and interest arising from taxation liability with South African Revenue Services has been accrued in the respective financial years starting in 2015 financial year. The SARS current tax liability has been reclassified from deferred tax liability

10. Intangible asset.

The error on the intangible assets and general expenses relates to previous expenditure incorrectly capitalised as intangible asset.

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Reclassifications

Trade and other receivables, Receivable from exchange non-transactions & Consumer debtors.

The reclassification was to ensure that debtors are classified as either exchange or non-exchange

Consumer debtors were reclassified to receivables from non-exchange transaction.

City cleaning levy was reclassified from consumer debtors to receivables from exchange transactions.

Reclassification 1

Repairs and maintenance and General Expenses

The reclassification was to ensure that the income statement line items are all presented in their nature not function.

Repairs and maintenance has been reclassified into general expenses as it is a function of expenditure rather than nature thereof.

53. RISK MANAGEMENT

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

Portfolio 1 Overview

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

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

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

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

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that CoJ's Credit rating is maintained or improved by ensuring that financial risk ratios fall within required limits.
- Ensuring 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 in close co-operation with operation units, identifies, quantifies and sets up control measures to mitigate financial risks to an acceptable level. Treasury executes its responsibility in line with the approved Treasury and Assets and Liabilities Management (ALM) policies.

Financial Risk Management Framework

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

The CJMM's financial risk exposures are managed by the Treasury Unit. The CJMM's activities expose it to a variety 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 CFO's forum 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.

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 2017:

Details	Approved Funding	Total Utilised	Available for use
Short-Term Borrowings			
Short term Borrowings	2 175 000	1 725 000	675 000
Long-Term Borrowings			
Long term borrowing	2 626 000	2 626 000	-
Total	4 801 000	4 351 000	675 000

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

- General Banking Facilities; and
- Commercial Paper Issuance.

CJMM's Treasury ensures that all short term facilities utilized within the financial year are paid before the end of the financial year in 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

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

Swap Redemption Analysis

Instrument	Maturity date	Due in 2017/18					
Interest Rate Swap	29-Mar-18	-	14 584	-	-	-	-
R1bn Loan							

Capital Redemption Analysis of Non Derivative Liabilities as at 30 June 2017

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		1 114	68 386	65 111	57 528	55 000	14 628
Fixed Rate Loans		2 148	490 562	566 912	1 462	658 117	29 109

Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2017

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	2 480	-	-	-	-	-
Short Term Investments	85	-	-	-	-	-

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; and 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.

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

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	2%
Floating Rate Loans	1 821	1 805	1 813	1 821	1 828	1 836	1 843	1 851

Fair Value Sensitivity Analysis of Variable Rate Liabilities

The fair value sensitivity analysis of variable rate liabilities shows that a 1 percentage point increase in interest rates will increase the fair value of floating rate liabilities by 15.2 million and a 1 percentage point decrease in interest rates will decrease the fair value of floating rate liabilities by R15.2 million. Based on the above analysis, it is notable that the floating rate loans are more sensitive to a downward movement in interest rates.

Interest Rate Cashflow Sensitivity Analysis

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

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

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Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	35 337	31 Mar-02	30-Sep-17	3 months JIBAR + 2.535%	Floating	3 262	3 304	3 345	3 387	3 428	3 469	3 511
				31-Dec-17			3 197	3 235	3 274	3 312	3 350	3 388	3 426
				31-Mar-18			3 121	3 156	3 190	3 225	3 259	3 293	3 327
				30-Jun-18			3 067	3 098	3 130	3 161	3 193	3 224	3 256
DBSA 102761-1	DBSA	325 000	20-Aug-09	31-Dec-17	6 months JIBAR + 2.85%	Floating	26 996	27 783	28 571	29 359	30 146	30 934	31 722
				30-Jun-18			25 881	26 625	27 369	28 113	28 857	29 601	30 344
				30-Dec-18			25 465	26 190	26 915	27 639	28 364	29 089	29 813
				30-Jun-19			24 855	25 537	26 219	26 901	27 582	28 264	28 946
DBSA 103345-1	DBSA	375 000	17-Apr-09	31-Dec-17	6 months JIBAR + 2.96%	Floating	31 899	32 806	33 713	34 621	35 528	36 436	37 434
				30-Jun-18			30 577	31 432	32 288	33 143	33 999	34 854	35 709
				31-Dec-18			30 065	30 897	31 728	32 560	33 392	34 224	35 056
				30-Jun-19			29 324	30 105	30 886	31 667	32 448	33 229	34 010
CALYON	CALYON	45 350	05-Sep-06	30-Sep-17	3 months JIBAR less0.35%	Floating	9 611	9 657	9 702	9 747	9 792	9 838	9 883
				31-Dec-17			9 468	9 502	9 536	9 570	9 604	9 638	9 672
				31-Mar-18			9 328	9 351	9 373	9 395	9 418	9 440	9 463
				30-Jun-18			9 199	9 211	9 222	9 234	9 245	9 257	9 268
NEDBANK 1b	NEDBANK	1 000 000	04-Mar-10	30-Sep-17	3 months JIBAR + 2.8%	Floating	46 149	48 700	51 255	53 813	56 374	58 938	61 505
				31-Mar-18			1 045 045	1 047 582	1 050 121	1 052 663	1 055 209	1 057 757	1 060 309
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
SCMB 200m	SCMB	23 333	19-Sep-03	30-Sep-17	CPI plus Margin	Floating	3 300	3 316	3 333	3 350	3 366	3 383	3 400
				31-Dec-16			3 300	3 316	3 333	3 350	3 366	3 383	3 400

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				31-Mar-17		3 300	3 316	3 333	3 350	3 366	3 383	3 400
				30-Jun-17		3 300	3 316	3 333	3 350	3 366	3 383	3 400

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 (0.00%)
- 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%
29-Sep-17	(6 885)	(6 885)	(6 885)	(6 885)	(6 885)	(6 843)	(6 885)
29-Mar-18	(12 518)	(10 102)	(7 699)	(5 288)	(2 889)	(497)	1 890
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	(19 403)	(16 987)	(14 584)	(12 173)	(9 774)	(7 340)	(4 995)

From the above table we note that a 1 percentage point decrease in interest rates would increase swap Cashflow by R4.8 million. A 1 percentage point increase in interest rates will decrease the swap cash R9.5 million (-46.11%). The cash flow are more sensitive to a rise in the interest rate.

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.

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Instrument	Maturity date	Swap Fair Value Sensitivity						
		Fair value sensitivity to the interest rate shift						
		-1%	-0.50%	0%	0.50%	1%	1.5%	2%
Interest Rate Swap on R1bn loan	29-Mar-18	(18 729)	(16 380)	(14 060)	(11 748)	(9 462)	(7 162)	(4 962)

On the basis of the above assumption, a 1% point increase in interest rates will result in a R4.6 million positive movement in the swap value. While 1% basis point decreases in the interest rates would result in 4.7 million increase in the value of the swap liability.

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, paragraph .118 and .119 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position. The interest rate swap is the only instrument reported at fair value and therefore needs to be classified as per fair value hierarchy.

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

Level 2 Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs.

This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

The Level 2 all-inclusive fair value of the swap stood at -R14 million as at the end of 30 June 2017.

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

Credit/Counterparty Risk

The Group deposits surplus funds with financial institutions to take advantage of potential growth in the market 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 2017 Treasury constantly monitors the percentage limit utilised.

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COUNTERPARTY CLASS	Approved Limit	Operational		Ring-fenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Fixed Deposits	Call Deposits	Term Deposits			
Domestic Banks	4 825 000	1 643 535	84 700	-	-	1 728 234	3 096 764	36 %
International Banks	1 050 000	2 473	-	-	-	2 473	1 047 527	- %
Public Sector	1 200 000	3 230	-	-	-	3 230	1 196 770	- %
Asset management firms	4 600 000	830 669	-	-	-	830 669	3 769 332	18 %
	11 675 000	2 479 907	84 700	-	-	2 564 606	9 110 393	22 %

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 CFO's forum whose primary objective is to manage financial risk emanating from the City's operational and borrowing initiatives.

Credit Risk

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

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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 2017. The Fund was invested in securities with the following credit quality:

Instrument Type	Fair Value
Bonds	1 182 192
Bond Repurchase Agreement	188 079
Floating Rate Note	805 360
Forward Rate Agreements	(5 987)
Bond options	-
Cash	166 677
Cash Collateral	(91 579)
NCD	512 155
Swaps	5 871
Promissory note	-
Amort swaps	214 162

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's CFO forum. Six months prior to any CJMM upcoming bond redemptions, the liquidity of the Fund is assessed in relation to the required redemption amount and necessary measures to meet the obligations are undertaken if necessary.

Maturity analysis for financial instruments

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

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	1 368 140	266 523	87 623	-	92 464	-	921 530
Settled Bond Liabilities	(184 798)	-	-	-	-	-	(184 798)
	1 183 342	266 523	87 623	-	92 464	-	736 732

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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
Unsettled Bond Assets	-	-	-	-	-	-	-
Unsettled Bond Liabilities	(1 151)	(1 151)	-	-	-	(1 151)	-

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRN Assets	805 360	-	345 855	153 424	306 081	-	-
FRA Assets	3 773	3 773	529	-	-	-	-
FRA Liabilities	(9 760)	(9 760)	-	-	-	-	-
Swap Assets	737 721	29 942	38 506	4 109	153 877	-	511 287
Swap Liabilities	(517 689)	(27 832)	(4 347)	(1 041)	(5 419)	(8 171)	(470 877)
Cash Collateral assets	17 485	17 484	-	-	-	-	-
Cash Collateral Liabilities	(109 064)	(109 064)	-	-	-	-	-
Bond Repos Asset	188 081	188 081	-	-	-	-	-
Bond Repos Liabilities	(1 590)	(1 590)	-	-	-	-	-
NCDs Assets	512 155	-	-	-	-	-	-
	1 626 472	91 034	380 543	156 492	454 539	(8 171)	40 410

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 CFO forum.

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

Interest rate risk sensitivity analysis

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

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

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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%
Bond	1 182 431	1 212 462	1 182 192	1 152 804	1 121 266	1 096 549	1 096 627
Bond repos	188 115	188 093	188 079	188 066	188 052	188 038	188 024
Floating Rate Note	806 750	805 918	805 360	804 803	804 248	803 694	803 141
Bonds Repurchase Agreement	(9 690)	(9 614)	(5 987)	(2 384)	1 196	4 752	8 286
Interest Rate Swaps	209 307	254 829	220 034	186 282	153 555	121 808	90 998
ABSA Call	166 677	166 677	166 677	166 677	166 677	166 677	166 677
Reg Sec Collateral	17 485	17 485	17 485	17 485	17 485	17 485	17 485
Nedbank Collateral	(109 064)	(109 046)	(109 064)	(109 046)	(109 046)	(109 046)	(109 046)
NCDs	513 483	512 680	512 155	511 631	511 108	510 587	510 066
Net	2 965 494	3 039 484	2 976 931	2 916 318	2 854 541	2 800 544	2 772 258

Operational risk

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

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

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

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

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

Valuation of financial instruments

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

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.

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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 categorised:

30 June 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Bonds	1 182 192	-	-	1 182 192
SDK Collateral	17 485	-	-	17 485
Bond repos	-	188 080	-	188 080
Floating Rate Notes	-	805 360	-	805 360
Forward Rate Agreement	-	(5 987)	-	(5 987)
Interest Rate Swaps	-	220 034	-	220 034
Nedbank Collateral	(109 064)	-	-	(109 064)
Current Account	166 677	-	-	166 677
NCD's	-	512 155	-	512 155
	1 257 290	1 719 642	-	2 976 932

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
54. FRUITLESS AND WASTEFUL EXPENDITURE				
Reconciliation of fruitless and wasteful expenditure				
Opening balance	45 405	39 005	4 474	2 351
Fruitless and wasteful expenditure current year	147 931	7 441	869	2 248
Fruitless and wasteful expenditure identified in the current year but incurred in prior year	14 796	-	-	-
Approved or condoned by Council	(53)	(162)	-	(125)
Written-off/Condoned by the board	(2 379)	(879)	-	-
	205 700	45 405	5 343	4 474

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 - 2017

Description of the incident	ME/Department	Amount in Rands
Interview travel cost reimbursement - interviews cancelled due to irregularities caused by HR official	JRA	4 450
Interest on late payment of workers contribution - National Fund for Municipal Workers	JRA	43
Interest on late payment of pension fund contributions - Joburg Retirement Fund	JRA	128
Interest on Eskom account due to late allocations of payment remittances by Eskom.	JRA	4 531
Interest on Telkom account due to late allocations of payment remittances by Telkom.	JRA	202
Interest levied on overdue accounts - due to disputes with creditors over contracts and invoices	JPC	42 268
		-
Audit fees - Information systems audit scheduled by the AGSA and MTC Acting CTO was not honoured by MTC Acting CTI	MTC	11 000
VAT penalties - Registration of the entity for e-filing was only concluded in September 2016. This has resulted in penalties being incurred for VAT returns not submitted since the inception of the company	MTC	1 211 000
Interest incurred for late payment of AGSA invoice in December due to the company not having CFO or financial manager.	MTCMTC	3 000
Recruitment costs - recruitment process for executive position halted due to irregularities	MTC	234 000
Rental paid for two buildings from 1 March - 31 May 2017, due to renovations taking place at Braampark offices.	MTC	460 000
The entity is incurring hosting fees for Teraco to host certain Ericsson equipment however the link is not connected due to the Ericsson investigation underway	MTC	131 000
Expenditure incurred on contract JW 12007 for standing time on superbloc 13b covering the Braamfisherville and Tshepisoong where the entity delayed in executing shut downs of water supply to enable the contractor to complete tie-ins on the network.	Joburg Water	2 929 000
Interest paid to eJoburg pension fund as a result of late payments that were made by the entity	Joburg Water	8 000
Compost screens acquired for the treatment works in 2009/2010 which were not taken into use until recently	Joburg Water	338 000
Settlement costs for re-instated employees and associated legal costs	Joburg Market	25 219 982

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Event cancelled at last minute due to City Officials unavailability	Joburg Market	126 800
Fines paid for late renewal of bus licences as well as buses which were out of commission as licenses had to be paid.	Metrobus	316 877
Interest charged on VAT shortfall payment.	City Parks	7 000
Traffic infringement fines paid and not recovered	Pikitup	3 500
Interest charged on late payment of Eskom account	CJMM	865 898
Interest charged on late Telkom account	CJMM	2 922
Interest payable to SARS	City Power	94 681 000
Court settlement was agreed for cell masts installations	City Power	36 127 000
		162 727 601

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City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

55. UNAUTHORISED EXPENDITURE

Reconciliation of unauthorised expenditure

Opening balance	3 581 537	2 725 022	3 581 537	2 725 022
Unauthorised expenditure current year	674 653	856 515	520 726	856 515
	4 256 190	3 581 537	4 102 263	3 581 537

Name of Vote	Amount
Group Forensic Investigation	12 078
Housing Department	138 535
Johannesburg Water	244 797
Johannesburg City Parks and Zoo	19 686
Group Finance	138 971
Metrobus	48 370
Emergency Management Services	72 216
	674 653

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016
56. IRREGULAR EXPENDITURE				
Reconciliation of irregular expenditure				
Opening balance	1 818 048	1 577 399	1 150 022	994 133
Irregular expenditure current year	1 255 569	245 275	705 941	155 889
Approved or condoned by Council	(348)	(757)	-	-
Written-off by the board	-	(3 869)	-	-
	3 073 269	1 818 048	1 855 963	1 150 022

GROUP - 2017

Description of the incident	ME/Department	Amount in Rands
The appointment of a service provider for construction and civil work done outside the normal procurement process	JRA	1 358 500
Non-compliant tax status on award date	JRA	326 551
Possible splitting of tenders	JRA	524 419
Missing documents of unsuccessful bidder	JRA	27 732
Service rendered without a formal purchase order	City Power	250 000
Other irregularities	City Power	10 438 000
The entity incurred services with a sub-contractor (Patterson Park) without a contract	JDA	4 260 658
Appropriate SCM procedures were not followed for the appointment of professional accounting firm to sought opinion on the application and requirements of GRAP 105. The opinion was required within 72 hours in order to meet the deadline for submission of AFS to AGSA.	MTC	77 000
A deviation from normal procurement processes was used in contracting a service provider to supply network infrastructure and install services and software for the completion and refurbishment of the active and passive MTC network. This deviation was justified through the use of regulation 36 of SCM (sole provider). This has been challenged hence the classification as irregular expenditure	MTC	6 661 000
As part of renting new premises MTC required installation of certain infrastructure and did not go out on 14 day tender instead obtained 3 quotes erroneously.	MTC	673 000
A supplier contracted to the entity to perform civil works (new bulilts) performed repairs and maintenance on network breakages which fell outside signed contract.	MTC	2 537 000
Farm operator contract - For continued payments in respect of different types of expenditures (security, installation of water saving cisterns, etc.) relating to operation of the Northern Farm. The contract has since expired in March 2017.	Joburg Water	2 617 000
For the continued payments in respect of the supply and installation of water cisterns, in which the criteria applied in the evaluation and adjudication of the competitive bidding process for the contract differed from the original bid specifications initially approved by the bid specifications committee. This project has since being completed	Joburg Water	16 115 000
For the continued payments in respect of the provision of human resources based security services, in which service providers who were recommended for further evaluation as per the compliance evaluation sheets were not evaluated further based on site visit outcomes which were not properly highlighted as disqualification criterion in the bid documentation	Joburg Water	43 058 000
The entity did not follow the required deviation processes of obtaining the requisite approval from the Accounting Officer for the procurement to restore stolen power cable at the Northern works unit 5 biological reactor aerator	Joburg Water	238 000
Prior year - The farm operator contract was assessed and found to have irregularities which extended beyond the security element as previously reported	Joburg Water	5 848 000
In respect of a bidder who was unfairly eliminated on functionality even though they met minimum requirement for further consideration in the award of the contract.	Joburg Water	5 381 000
In respect of request for quotations not awarded to the bidder with the highest scoring points and reason for disqualification was because the quality of brand name offered was deficient.	Joburg Water	365 000
In respect of goods and services procured by splitting quotations instead of following the tender process and considering that the total value of the transactions with the service provider procured exceeded the R200 000 threshold.	Joburg Water	1 557 000

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In respect of goods and services procured via the deviations process which does not meet the deviation requirements as per SCM regulations.	Joburg Water	53 000
In respect of goods and services procured via the deviations process which does not meet the deviation requirements as per SCM regulations.	Joburg Water	5 041 000
The irregular expenditure relates to procurement on the following:		-
Rocker Bins	Market	530 075
washbasins project	Market	1 340 032
Transformers (multi-year)	Market	15 010 341
Non-compliance with SCM Policy - The irregular expenditure relate to proper tender procedures not being followed.	Metrobus	1 278 668
Contract amount exceeded - The expenditure is directly related to unexpected or unplanned bus breakdowns which cannot be foreseen, but which have to be fixed.	Metrobus	5 084 469
Local content criteria not included in the advert for tender process	City Parks	2 500 000
Service provider appointed without tender process - special projects	City Parks	420 000
Awards made on incorrect points	City Parks	661 000
Strike costs incurred by Pikitup during 2015/16 financial year	Pikitup	101 312 467
Provision of risk management	Pikitup	146 000
Consultants	Pikitup	220 688
Occupational Hygiene Surveys at Pikitup depots	Pikitup	141 475
Procurement of fire-fighting equipment and health and safety signage	Pikitup	12 035
Document storage	Pikitup	52 300
Hygiene services	Pikitup	48 004
Provision of yellow plant, operations and maintenance	Pikitup	128 898 901
Environmental education	Pikitup	50 000
Printing	Pikitup	493 076
Training Landfill Engineering Design & Maintenance Workshop.	Pikitup	37 495
Contracts identified as irregular (non-compliance with section 116 and section 62 of the MFMA)	CJMM	654 345 000
Splitting of orders, quotes and invoices	CJMM	60 000
Poor performance, BEE certificate, tax invoice, tax clearance - not submitted, not original or invalid.	CJMM	175 000
Awards to persons in the service of state	CJMM	49 059 000
Non-compliance with SCM policy	CJMM	2 302 000
Expenditure incurred without purchase order	City Power	183 984 000
		1 255 568 886

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 and 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. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Council subscriptions	11 923	11 329	11 923	11 329
Amount paid - current year	(11 923)	(11 329)	(11 923)	(11 329)
	-	-	-	-

Skills development levy

Opening balance	3 672	3 449	3 672	3 449
Current year subscription / fee	67 886	62 786	47 466	44 414
Amount paid - current year	(63 946)	(59 114)	(43 526)	(40 742)
Amount paid - previous years	(3 672)	(3 449)	(3 672)	(3 449)
	3 940	3 672	3 940	3 672

Audit fees

Opening balance	7 058	2 860	2 080	2 291
Current year audit fee	55 633	50 226	22 067	19 700
Amount paid - current year	(50 816)	(45 822)	(23 304)	(19 911)
Amount paid - previous years	-	(206)	-	-
	11 875	7 058	843	2 080

PAYE and UIF

Opening balance	82 483	76 226	65 348	59 659
Current year payroll deductions	1 479 468	1 324 982	872 109	793 473
Amount paid - current year	(1 393 863)	(1 247 407)	(799 703)	(728 125)
Amount paid - previous years	(76 626)	(71 318)	(65 348)	(59 659)
	91 462	82 483	72 406	65 348

Pension and Medical Aid Deductions

Opening balance	444 653	61 025	111 542	60 927
Current year payroll deductions and Council contributions	2 200 588	2 059 145	1 491 126	1 390 188
Amount paid - current year	(2 022 712)	(1 614 492)	(1 369 371)	(1 278 646)
Amount paid - previous years	(111 674)	(61 025)	(111 542)	(60 927)
	510 855	444 653	121 755	111 542

VAT

VAT receivable	566 018	253 967	211 173	171 744
VAT payable	(548 108)	(285 507)	-	-
	17 910	(31 540)	211 173	171 744

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

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

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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2017	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
Bapela C B	2 130	41	2 171
Louw M A	818	2 577	3 395
Pietersen	86	9	95
Zondo V E	1 011	59 828	60 839
Dewes D	1 287	42 217	43 504
Dewes D	8 264	31 245	39 509
Thomo N J	826	1 610	2 436
Zulu M H	407	127	534
Monakale S K	58	8 005	8 063
Dhlamini M T	530	5 288	5 818
Clarke J B and S N M	1 607	1 412	3 019
Madisakoane E and S	998	2 655	3 653
Dewes D S and De Wet C W	7 891	283 482	291 373
Dammie J S	4 875	19 685	24 560
Dammie J S and B H	2 443	558	3 001
Mulauzi M S	681	88	769
Maisha N P	363	148	511
Netnown T and D M	9 409	207 217	216 626
Mofokeng J	380	2 499	2 879
Saohatsi B M	-	3 032	3 032
Abdullah F	2 331	27 362	29 693
Mahlangu G and V	428	6 686	7 114
Tsotetsi E M	2 219	5 203	7 422
Ndlela M C	-	256	256
Molete J	25 852	319 417	345 269
McBason M	751	11 803	12 554
Makamo S S and N M	163	718	881
Saohatsi B M	602	6 677	7 279
Mazibukwana M	255	745	1 000
Mathang F	825	5 390	6 215
Shezi N B	854	9 498	10 352
Nawane T	17 977	21 820	39 797
Ngwenya M L	41 007	49 093	90 100
Xaba N A	575	2 810	3 385
Ngalonkulu J M	21 611	15 847	37 458
	159 514	1 155 048	1 314 562

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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

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Notes to the Group Annual Financial Statements

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

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

Name of the person (Service of the State)	"Name of the person (entity receiving award)"	Capacity in which that person is in the service of the state	Amount in Rands
Moleboge Motsoetla	(RebaHloniPhi Pty Ltd), Oupa Ephraim Motsoetla	Permanent employee- Health Department	158 890
Juliet Simango	Siyakwe General Works (Raul Mosse)	Operational Manager(Supervisor)	69 248
Nyiko Gudhuza	Gudhuza Development Solutions	Spouse works for Eskom but not a member of the CC	300 000
Nyiko Gudhuza	Gudhuza Development Solutions	Spouse works for Eskom but not a member of the CC	808 000
Clive September	GIBB (Pty) Ltd	Daughter employed by Health Infrastructure PWGWC as a State Accountant	656 263
		Another Daughter employed by the City of Cape town as a Project Administrator	
Darren Pillay		Parent employed by the Dept of Education KZN as a data capture	
Jenny Moon		Another parent employed by the Dept of Education as an Educator	
Jo-Anne Stolworthy		Spouse works for the City of Cape Town as Head: Business Continuity	
Lize de Beer		Spouse works for the City of Cape Town as Principle Professional officer	
Mthokozisi Selby Mkhize		Spouse works for Eskom as Chief Engineer	
Neville Randall		Spouse works for the National Department of water Affairs and Forestry as an Accounting Clerk	
Nomasithini Mzayiya		Department of Education as a Senior Educator	
Penny Smith		Spouse works for the Dept of Correctional Services as Correctional Officer	
Rorisang Lekonyana		Partner works for the Department of transport and Public Works as DDG	
Douglas Kiewiet		Spouse work for Department of National Treasury as Deputy Director	
CAJ van Coillie	CSM Consulting Services	Parent works for Department of Water Affairs and Forestry	
CAJ van Coillie	CSM Consulting Services	Brother works for City Engineers as Architect/town Planner	1 700 425
CAJ van Coillie	CSM Consulting Services	Son is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2 053 480
Nokuthula Sedumedi	Delta Built Environment	Wife is employed by DBSA and Sister is employed by SAA	1 839 600

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59. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

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

Details of Deviations

	2017	2016
Sole Supplier - Reg(1)(ii)	421 594 367	23 180 016
Emergency - Reg (1)(i)	56 817 634	195 437 975
Special work of art - Reg (1)(iii)	42 266 404	28 238 850
Acquisition of animals - Reg (1)(iv)	1 493 275	1 931 955-
Other Deviation in terms of - Reg 36(1)(a)(v) and 36(b)	164 954 543	498 827 119
Extension of lease contract	118 988 938	210 021 094
Other contract extension	6 426 048	34 802 329
	<u>812 541 209</u>	<u>152 962 453</u>

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Figures in Rand thousand

60. HEDGING ACTIVITIES

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

Swap Details

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

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

CASH FLOW RESERVE

Opening Balance	5 370	19 570	5 370	19 570
Distribution to profit and loss	(3 984)	(14 200)	(3 983)	(14 200)
	1 386	5 370	1 387	5 370

Interest expense recognised in the statement of financial performance during the financial period	13 977	21 868	13 977	21 868
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Note that the SWAP value represents the clean fair value as at 30 June 2017 (All inclusive price less any SWAP interest accrual outstanding)

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Figures in Rand thousand

61. RELATED PARTIES

Relationships

CORE

Other members of the group

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

Joint ventures

Associates

Members of key management

Related party balances

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

City Power Johannesburg (SOC) Ltd	3 995 692	4 190 326
City of Johannesburg Property Company (SOC) Ltd	324 816	69 494
Johannesburg City Parks NPC	48 141	57 146
Johannesburg Development Agency (SOC) Ltd	321 632	145 327
Johannesburg Metropolitan Bus Services (SOC) Ltd	863 150	799 629
Johannesburg Roads Agency (SOC) Ltd	77 567	82 937
Johannesburg Social Housing Company (SOC) Ltd	33 082	29 976
Johannesburg Water (SOC) Ltd	4 712 898	4 626 541
Metropolitan Trading Company (SOC) Ltd	1 457 559	1 338 346
Pikitup Johannesburg (SOC) Ltd	1 012 677	879 253
The Johannesburg Civic Theatre (SOC) Ltd	933	401
The Johannesburg Fresh Produce Market (SOC) Ltd	59 141	76 537
	12 907 288	12 295 913

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Figures in Rand thousand

61. RELATED PARTIES (continued)

Amounts included in Loans,

Trade and other payables regarding related parties

City Power Johannesburg (SOC) Ltd	702 968	2 394 166
City of Johannesburg Property Company (SOC) Ltd	614 401	139 879
Johannesburg City Parks NPC	668 629	652 479
Johannesburg Development Agency (SOC) Ltd	1 109 294	856 119
Johannesburg Metropolitan Bus Services (SOC) Ltd	49 484	217 487
Johannesburg Roads Agency (SOC) Ltd	1 022 335	840 174
Johannesburg Social Housing Company (SOC) Ltd	248 009	322 356
Johannesburg Water (SOC) Ltd	388 556	581 734
Metropolitan Trading Company (SOC) Ltd	294 313	24 775
Pikitup Johannesburg (SOC) Ltd	1 180 325	914 078
The Johannesburg Civic Theatre (SOC) Ltd	2 168	18 437
The Johannesburg Fresh Produce Market (SOC) Ltd	82 161	65 777
	6 362 643	7 027 461

Related party transactions

Revenue from related parties

City Power Johannesburg (SOC) Ltd	494 140	506 146
City of Johannesburg Property Company (SOC) Ltd	11 225	5 940
Johannesburg City Parks NPC	7 745	16 009
Johannesburg Development Agency (SOC) Ltd	6 482	8 855
Johannesburg Metropolitan Bus Services (SOC) Ltd	74 451	40 042
Johannesburg Roads Agency (SOC) Ltd	8 862	24 037
Johannesburg Social Housing Company (SOC) Ltd	921	1 264
Johannesburg Water (SOC) Ltd	553 143	561 328
Metropolitan Trading Company (SOC) Ltd	118 581	91 287
Pikitup Johannesburg (SOC) Ltd	77 348	68 070
The Johannesburg Civic Theatre (SOC) Ltd	672	412
The Johannesburg Fresh Produce Market (SOC) Ltd	7 305	10 829
	1 360 875	1 334 219

Operating Expenditure

City Power Johannesburg (SOC) Ltd	153 472	203 643
City of Johannesburg Property Company (SOC) Ltd	648 510	425 602
Johannesburg City Parks NPC	753 846	764 118
Johannesburg Development Agency (SOC) Ltd	27 441	22 382
Johannesburg Metropolitan Bus Services (SOC) Ltd	508 824	434 580
Johannesburg Roads Agency (SOC) Ltd	856 785	795 150
Johannesburg Social Housing Company (SOC) Ltd	19 119	23 541
Johannesburg Water (SOC) Ltd	276 986	260 406
Metropolitan Trading Company (SOC) Ltd	265 646	105 931
Pikitup Johannesburg (SOC) Ltd	748 012	703 256
The Johannesburg Civic Theatre (SOC) Ltd	115 944	99 063
The Johannesburg Fresh Produce Market (SOC) Ltd	12 566	18 730
	4 387 151	3 856 402

Commitments

Johannesburg Development Agency (SOC) Ltd	264 046	1 137 800
Johannesburg City Parks & Zoo NPC	49 239	66 899
Johannesburg property Company (SOC) Ltd	-	8 717
Johannesburg Roads Agency (SOC) Ltd	3 263	-
	-	716

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2017

Notes to the Group Annual Financial Statements

Figures in Rand thousand

61. RELATED PARTIES (continued)

316 548 1 214 132

These commitments with related parties are also included in note 43

62. CHANGE IN ESTIMATE

Property, plant and equipment

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

Property rates

During the current reporting period, revenues from property rates and taxes were revised by management. The revision was mainly attributable to; changes in property values, the implementation of an appeal board's decisions, property subdivisions and consolidations and property categories.

The effect of the changes was:

Increase in property rates and taxes revenue of R455 303 820 (2016: R129 114 346).

Traffic fines

A change in accounting estimate is when newer and more reliable information informs the municipality that the previous amounts used to measure fines 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 22 459 678 (2016: R 32 233 380)

63. EVENTS AFTER THE REPORTING PERIOD

Bad debts write-off

As per the delegation given to the Mayor by council, debtors write off can only be processed once they are approved by the Mayor. As at 30 June 2017 there were debtors fully provided that met all the requirements to be written off in accordance with CJMM credit control policy, however the approval process from the Mayor was pending. Subsequent to year end the Mayor approved debtors write off on the 1st of November 2017. The Financial Statements were adjusted accordingly to factor the write off as the approval took place during the subsequent events period, which is the period between year-end and before Financial Statement are authorised for issue.

refer to note 10

City Parks & Zoo

Amount claimed by the Claimant from Johannesburg City Parks & Zoo (JCPZ - Defendant) of R74 400 105.56 (made up of Claim A – R6 330 549.56 and Claim B – R68 069 556.00) Claim B has been withdrawn by the Claimant. Therefore, JCPZ was then defending a claim of only R6 330 549.56. The matter went to Arbitration and the award was made in favour of the Claimant in the amount of R5 032 866.86 plus interest and costs to be determined. The Appeal hearing was held on the 22nd June 2017. The Defendant has been ordered to pay the Claimant R342 492.10 with interest at 15.5% per annum calculated from 13 July 2013. The matter was finalised after the 30th June 2017 and the annual financial statements were adjusted to reflect the amount owed.

Johannesburg Development Agency

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

A litigation matter whereby the CJMM and the JDA were served with a summons by Tembu Convenience Centre CC, for loss income estimated at R17.8 million as a result of BRT construction works has been finalised as a judgement was passed in September 2017. The judgement was in the favour of the JDA and the CJMM and resulted in no financial liability. This was subsequently removed from the contingent liability disclosure which resulted in an adjusting event.

Metrobus

There was an amount of R1.7 million paid to the previous Managing Director as a result of contract litigation. This case was awarded in favour of the previous Managing Director after 30 June 2017 and the amount was paid in August 2017.

64. 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.

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 R 48 117 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 municipality is still embarking on a valuation exercise to confirm the Asset values.

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Figures in Rand thousand	GROUP		CJMM	
	2017	2016	2017	2016

65. TAXATION

Major components of the tax (income) expense

Current

Local income tax - current period	33 923	36 099	-	-
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Deferred

Originating and reversing temporary differences	(194 540)	217 785	-	-
	(160 617)	253 884	-	-

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus	1 964 382	3 775 291	-	-
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Tax at the applicable tax rate of 28% (2016: 28%)	550 027	1 057 081	-	-
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Tax effect of adjustments on taxable income

Non-taxable and non-deductible items	(487 993)	(820 375)	-	-
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(Over)/ under provision of prior years	(210 203)	16 797	-	-
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Tax effect of previously unused tax losses	(12 445)	387	-	-
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	(160 614)	253 890	-	-
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66. CASH MANAGEMENT

Since 2013 financial year, Transport department within City of Johannesburg had cash losses due to alleged fraudulent activities and theft amounting to R24 948 million (2016: R31 194 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.

Heading

Opening Balance	46 858	15 664	46 858	15 664
Current year losses	24 948	31 194	24 946	31 194

	71 806	46 858	71 804	46 858
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