


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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

MAYORAL COMMITTEE

Executive Mayor

Herman Mashaba (Chairperson)
(10 AUGUST 2016 - 30 JUNE 2017)

Councillors

(10 AUGUST 2016 - 30 JUNE 2017)
Vasco da Gama (Speaker of Council)
Rabelani Dagada (Finance)
Sharon Peetz (Economic Development)
Richard Ngobeni (Development Planning and Urban Management)
Nonhlanhla Helen Makhuba (Transportation)
Nico De Jager (Environment and Infrastructure Services)
Mpho Phalatse (Health and Human Development)
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

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

Ndivhoniswani Lukhwareni

CHIEF FINANCIAL OFFICER

Reggie Boqo (Resigned mid-June)

REGISTERED OFFICE

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

POSTAL ADDRESS

P O Box 1049
Johannesburg
2000

BANKERS

Standard Bank

AUDITORS

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

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City of Johannesburg Metropolitan Municipality

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ABBREVIATIONS

AUC	Assets Under Construction
BESA	Bond Exchange South Africa
CJMM	City of Johannesburg Metropolitan Municipality
WIP	Work In Progress
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DMTN	Domestic Medium Term Note
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
VAT	Value Added Taxation

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Municipal Manager's approval of the Annual Financial Statements

I am responsible for the preparation of the 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 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 of Johannesburg Metropolitan Municipality

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)	2017	2016 Restated*
ASSETS			
Current Assets			
Inventories	3	84 076	119 429
Loans to Municipal Entities	4	1 043 145	968 687
Other financial assets	5	18 576	18 576
Finance lease receivables	6	81 102	72 363
Receivables from exchange transactions	7	4 917 676	3 848 348
Receivables from non-exchange transactions	8	1 002 228	1 337 885
VAT receivable	48	211 173	171 744
Financial assets at fair value	10	1 530 491	356 555
Cash and cash equivalents	11	2 781 090	4 182 055
		11 669 557	11 075 642
Non-Current Assets			
Investment property	12	1 014 946	1 014 946
Property, plant and equipment	13	39 164 875	35 589 941
Intangible assets	14	312 527	461 187
Heritage assets	15	580 284	580 284
Investments in Municipal Entities	16	596 356	542 542
Loans to Municipal Entities	4	6 743 941	7 057 144
Other financial assets	5	40 564	58 656
Finance lease receivables	6	226 716	308 921
Financial assets at fair value	10	2 268 902	3 839 044
		50 949 111	49 452 665
Total Assets		62 618 668	60 528 307

* See Note 43

City of Johannesburg Metropolitan Municipality

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)	2017	2016 Restated*
LIABILITIES			
Current Liabilities			
Loans and Borrowings	18	3 254 963	593 487
Finance lease obligation	19	44 605	51 778
Financial liabilities at fair value	10	150 387	444 674
Trade and other Payables	20	10 091 888	11 064 655
Unspent conditional grants and receipts	21	518 946	409 122
Other financial liabilities at fair value	25	3 740	4 056
		14 064 529	12 567 772
Non-Current Liabilities			
Loans from ME's	54	418 320	412 990
Loans and Borrowings	18	16 840 775	17 458 698
Finance lease obligation	19	150 710	194 971
Financial liabilities at fair value	10	672 074	725 729
Employee benefit obligation	23	1 205 441	1 254 455
Provisions	22	53 994	136 800
Deferred income	24	49 126	46 344
Other financial liabilities at fair value	25	10 320	18 078
Consumer deposits	26	16 479	15 816
		19 417 239	20 263 881
Total Liabilities		33 481 768	32 831 653
Net Assets		29 136 900	27 696 654
NET ASSETS			
Reserves			
Cashflow hedge reserve		(1 386)	(5 370)
Accumulated surplus		29 138 291	27 702 019
Total Net Assets		29 136 905	27 696 649

* See Note 43

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	28	462 683	429 427
Rental of facilities and equipment		129 296	89 725
Agency services		236 778	214 639
Licences and permits		3 648	1 211
Other revenue	30	693 831	1 038 217
Finance Income		1 374 052	1 196 130
Total revenue from exchange transactions		2 900 288	2 969 349
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	7 912 381	8 138 059
Transfer revenue			
Government grants	29	8 986 924	8 599 922
Public contributions, donated and contributed property, plant and equipment		97 578	194 632
Fines, Penalties and Forfeits		239 806	288 830
Total revenue from non-exchange transactions		17 236 689	17 221 443
Total revenue		20 136 977	20 190 792
Expenditure			
Employee related costs	31	(5 632 814)	(5 155 438)
Remuneration of councillors	32	(139 593)	(133 887)
Depreciation and amortisation	33	(1 757 823)	(1 834 054)
Impairment losses	34	(102 312)	(434 643)
Finance costs		(2 449 399)	(1 944 068)
Debt Impairment	35	(713 186)	(713 688)
Contracted services	36	(1 492 165)	(1 781 856)
Transfers and Subsidies	37	(3 874 419)	(3 552 139)
General Expenses	38	(2 904 655)	(3 348 385)
Total expenditure		(19 066 366)	(18 898 158)
Operating surplus		1 070 611	1 292 634
Loss on disposal of assets/business acquisition		(41 277)	(237 625)
Reversal of Impairment	4	29 825	31 315
Fair value adjustments	39	377 116	385 787
		365 664	179 477
Surplus for the year		1 436 275	1 472 111

* See Note 43

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets as at 30 June 2017

Figures in Rand thousand	Hedging reserve	Accumulated surplus	Total net assets
Balance at 01 July 2015	(19 570)	25 982 963	25 963 393
Changes in net assets			
Gain on transfer of functions	-	246 945	246 945
Amount recognise directly in other comprehensive income during the year	14 200	-	14 200
Net income recognised directly in net assets	14 200	246 945	261 145
Surplus for the year	-	1 472 111	1 472 111
Total recognised income and expenses for the year	14 200	1 719 056	1 733 256
Total changes	14 200	1 719 056	1 733 256
Opening balance as previously reported	(5 370)	27 180 292	27 174 922
Adjustments			
Prior year adjustments	-	521 724	521 724
Restated* Balance at 01 July 2016 as restated*	(5 370)	27 702 016	27 696 646
Changes in net assets			
Amount recognise directly in other comprehensive income during the year	3 984	-	3 984
Net income recognised directly in net assets	3 984	-	3 984
Surplus for the year	-	1 436 275	1 436 275
Total recognised income and expenses for the year	3 984	1 436 275	1 440 259
Total changes	3 984	1 436 275	1 440 259
	-	-	-
Balance at 30 June 2017	(1 386)	29 138 291	29 136 905

* See Note 43

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand thousand	Note(s)	2017	2016 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from customers		7 954 334	8 877 538
Grants		9 512 773	8 797 621
Interest income		1 238 704	974 930
		<u>18 705 811</u>	<u>18 650 089</u>
Payments			
Cash paid to suppliers and employees		(15 012 569)	(12 856 587)
Finance costs paid		(2 365 105)	(1 906 087)
		<u>(17 377 674)</u>	<u>(14 762 674)</u>
Net cash flows from operating activities	40	<u>1 328 137</u>	<u>3 887 415</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of capital assets	13	(4 866 501)	(6 514 493)
Net investment in sinking fund	15	400 000	1 100 000
Loans redeemed from municipal entities		1 077 172	1 038 193
Net finance lease receivables		68 432	(75 174)
Investment in Municipal entities		(53 814)	(46 182)
Other financial assets		18 092	-
Loans to Municipal Entities		(1 235 108)	(1 540 568)
Net cash flows from investing activities		<u>(4 591 727)</u>	<u>(6 038 224)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		2 626 000	3 940 000
Repayment of Liabilities from MEs		(3 803)	(6 506)
Repayment of borrowings		(593 484)	(1 564 348)
Finance lease obligation		(51 434)	(104 773)
Repayment of post retirement benefits		(114 655)	(111 497)
Net cash flows from financing activities		<u>1 862 624</u>	<u>2 152 876</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1 400 966)</u>	<u>2 067</u>
Cash and cash equivalents at the beginning of the year		4 182 055	4 179 988
Cash and cash equivalents at the end of the year	11	<u>2 781 089</u>	<u>4 182 055</u>

* See Note 43

City of Johannesburg Metropolitan Municipality

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						
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rendering of Service	432 199	(3 630)	428 569	462 683	34 114	
Rental of facilities and equipment	147 980	2 700	150 680	129 296	(21 384)	
Agency services	238 788	-	238 788	236 778	(2 010)	
Licences and permits	790	6 510	7 300	3 648	(3 652)	
Other income	901 926	40 631	942 557	693 831	(248 726)	
Interest received	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	2 900 288	(220 718)	
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	9 106 225	199 934	9 306 159	8 986 924	(319 235)	
Public contributions and donations	-	1 296	1 296	97 578	96 282	4
Fines, Penalties and Forfeits	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	20 136 977	(1 065 902)	
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	
Allowance for impairment of current receivables	(1 076 679)	177 376	(899 303)	(713 186)	186 117	
Contracted Services	(1 650 261)	(95 443)	(1 745 704)	(1 492 165)	253 539	
Transfers and Subsidies	(3 489 919)	(340 877)	(3 830 796)	(3 874 419)	(43 623)	
General Expenses	(2 927 862)	(2 891)	(2 930 753)	(2 904 655)	26 098	
Total expenditure	(20 140 969)	(108 705)	(20 249 674)	(19 066 366)	1 183 308	
Operating surplus	1 161 004	(207 799)	953 205	1 070 611	117 406	
(Loss) gain on disposal of assets	25 000	-	25 000	(41 277)	(66 277)	
Reversal of Impairment	-	-	-	29 825	29 825	
Fair value adjustments	120 000	-	120 000	377 116	257 116	
	145 000	-	145 000	365 664	220 664	
Surplus before taxation	1 306 004	(207 799)	1 098 205	1 436 275	338 070	

City of Johannesburg Metropolitan Municipality

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

City of Johannesburg Metropolitan Municipality

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

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

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.

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.

Other income

Main contributors to the variance:

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.

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.

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 economic climate. Processes are in progress to renew the expired contracts

Contracted services

Main contributors to the underspending in contracted services:

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 Matereogical Weather - SCM did not approve the CAC report as they argued that the department was attempting to circumvent the SCM policy.
- River cleanup and Waste Recycling projects which formed part of Jozi@work were cancelled in October, this resulted in the department having insufficient time to procure.

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 process.

Reversal of impairment

Reversal of impairment on the loan to Metro bus.

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.

Repairs and maintenance

City of Johannesburg Metropolitan Municipality

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

Joburg Property Company (JPC) is the custodian of the City wide Repairs and maintenance. The entity has experienced various delays relating to SLA conclusions,
Transport – The underspending is due to the delay in appointing the service provider to implement the maintenance of roads for the Rea Vaya bus lanes and the renovation of new office accommodation.

City of Johannesburg Metropolitan Municipality

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
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 %
Investment revenue	1 294 197	58 915	1 353 112	-		1 353 112	1 374 052		20 940	102 %	106 %
Transfers recognised - operational	5 437 171	199 045	5 636 216	-		5 636 216	6 713 778		1 077 562	- %	- %
Other own revenue	2 425 352	(425 609)	1 999 743	-		1 999 743	1 710 300		(289 443)	86 %	71 %
Total revenue (excluding capital transfers and contributions)	17 777 919	(101 279)	17 676 640	-		17 676 640	18 173 194		496 554	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)	(713 186)	-	186 117	79 %	66 %
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)	(4 438 097)	-	238 360	95 %	97 %
Total expenditure	(20 140 969)	(108 705)	(20 249 674)	-	-	(20 249 674)	(19 107 643)	-	1 142 031	94 %	95 %
Surplus/(Deficit)	(2 363 050)	(209 984)	(2 573 034)	-		(2 573 034)	(934 449)		1 638 585	36 %	40 %

City of Johannesburg Metropolitan Municipality

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	1 436 275		338 070	131 %	110 %
Surplus/(Deficit) for the year	1 306 004	(207 799)	1 098 205	-		1 098 205	1 436 275		338 070	131 %	110 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	5 270 607		5 270 607	- %	- %

City of Johannesburg Metropolitan Municipality

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 material. Where the error is immaterial the full effect of the error is accounted for in the current year. 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 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements in conformity with GRAP, management is required to use professional judgment, estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Future actual results 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.

Significant judgements include

Allowance for slow moving, damaged and obsolete stock

Management determines an estimate of a 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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market value of other similar instruments, discounted cash flow analysis and option pricing models. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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 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 have an impact on 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

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions, contingent liabilities and contingent assets

Management's judgment is required when recognising and measuring provisions, contingent liabilities and contingent assets. Provisions are raised based on current information available to management.

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.

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 a discount rate. Any changes in these assumptions will impact the carrying amount of post retirement obligations.

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

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

Impairment of receivables

Impairment of receivables represent management's best estimate based on an assessment of the extent to which debtors have defaulted on payments due and 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 judgment 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.

1.2 Investment property

Definition

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

Recognition

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

Initial measurement

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.2 Investment property (continued)

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

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

Subsequent measurement.

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

Investment property comprise of land which is not depreciated.

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

Item	Useful life
Property - Land	Unlimited

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

Derecognition

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

1.3 Property, plant and equipment

Definition

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

Property held for strategic purposes

Land and buildings held for strategic purposes is property that, although not currently used as property plant and equipment, it is likely to be used in the production of or supply of goods and services or for administrative purposes in future because of certain legislation, policies, decisions or plans adopted by the Municipality.

Recognition

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

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

Property, plant and equipment is initially measured at cost.

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

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

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.

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Accounting Policies

1.3 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life (Years)
Buildings	Straight line	30
Plant and Equipment	Straight line	2-15
Furniture and fittings	Straight line	7
Motor vehicles	Straight line	3-5
Office equipment	Straight line	3-5
Dogs and Horses	Straight line	5-7
Infrastructure	Straight line	10-30
Community	Straight line	3-30
Emergency Equipment	Straight line	5-15
Land	Straight line	Indefinite
Bins and containers	Straight line	5-10
Library Books	Straight line	10
Specialised vehicles	Straight line	12-15
Other (Horses and Dogs)	Straight line	4-40

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 a straight line basis over their expected useful lives to their estimate 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 based on the lower of lease term or expected useful life. When it is reasonable certain that ownership will be transferred to the lessee at end of lease term, the leased asset will be depreciated over the useful life of the asset. 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.

The Municipality assesses at each reporting date whether there is any indication that its expectation about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such exists, the Municipality will revise the expected useful life and/or residual value accordingly. The change will be accounted for as a change in an accounting estimate in accordance with the relevant GRAP standard. In assessing whether there is any indication that the expected useful life of an asset has changed, the Municipality considers; the composition of the asset change during the reporting period and the factors influencing the change in the use of the asset. In assessing any indications pertaining to the residual value, the Municipality considers any changes regarding the expected timing of disposal of the asset.

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

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.

Derecognition

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is 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 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.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.4 Intangible assets

Definition

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

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets 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 municipality or from other rights and obligations.

Recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Initial measurement

Intangible assets are initially recognised at cost. 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.

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 life are amortised on the straight-line basis over their useful lives.

Intangible assets with an indefinite useful life are not amortised but will be tested for impairment when there is an indicator. The Municipality reviews the useful life of an intangible asset with an indefinite useful each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

Item	Useful life
Computer software/ Licenses	3-10 years

Derecognition

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

The municipality derecognises intangible assets; on disposal, when there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of intangible assets is the difference between the net disposal proceeds, if any, and the carrying amount of the intangible assets which is recognised in the statement of financial performance.

1.5 Heritage assets

Definition

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

Recognition

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Heritage assets (continued)

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

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

Initial measurement

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

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

Subsequent measurement.

Heritage assets are recognised at cost less accumulated impairment. Due to high residual values and long economic lives, The municipality does not depreciate heritage assets.

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

Heritage assets are not depreciated but the Municipality shall assess at each reporting date whether there is an indication that it 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 derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Investments in Municipal Entities

In the municipality's separate annual financial statements, investments in investments in municipal entities are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in shareholder loans that are accounted for in accordance with the accounting policy on Financial Instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

1.7 Investment in joint ventures

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control

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).

Investment in joint venture is accounted at cost in the separate financial statement of the municipality.

Dividend received from the joint venture is accounted for in the statement of comprehensive income.

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Accounting Policies

1.8 Financial instruments

Classification

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.8 Financial instruments (continued)

FINANCIAL INSTRUMENTS

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 equivalent, 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 is 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 investments in municipal entities. Financial instrument are initially held at cost and subsequently measured at cost less any impairment. Impairment loss is 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 EQUIVALENT

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 TRANSACTIONS

Receivables 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 receivable 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

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Financial instruments (continued)

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

All receivables are on accrual basis except for VAT which is on a cash 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.

PAYABLES FROM EXCHANGE TRANSACTIONS

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

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

HEDGE ACCOUNTING (DERIVATIVES)

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

On initial designation of the derivative as the hedging instrument, the municipality formally documents the relationship between the hedging instrument and hedged item. This includes the risk management objectives and strategy in undertaking the hedge transaction, hedged risk, and the methods that will be used to assess the effectiveness of the hedging relationship. The municipality conducts an assessment at the inception of the hedge relationship and on an ongoing basis, to determine if the hedging instruments are "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. A cash flow hedge pertains to a highly probable transaction where exposure results in variation in cash flows that could ultimately affect reported statement of financial performance.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.8 Financial instruments (continued)

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 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 the 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.

Loans to (from) economic entities

These include loans to and from controlling entities, fellow shareholder loans, shareholder loans, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Held to maturity

Receivables from exchange transactions

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

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.

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.9 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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.

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Accounting Policies

1.9 Leases (continued)

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

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

The 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.

1.10 Inventories

Definition

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

Recognition

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

Initial measurement

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

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

Subsequent measurement

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

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 municipality incurs to acquire the asset on the reporting date.

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

The valuation of inventories is performed using the weighted average method.

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

Derecognition

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Accounting Policies

1.10 Inventories (continued)

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

1.11 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.

If the Municipality designates a non-cash generating unit as cash generating, it will apply the standard of GRAP on impairment of Non-Cash generating assets.

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

At the end of each reporting period, the 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).

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.

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 net 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 limited to the carrying amount had there been 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.

1.12 Internal reserves

Compensation for occupational injuries and diseases (COID) reserve

City of Johannesburg Metropolitan Municipality

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Accounting Policies

1.12 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.

1.13 Budget information

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

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

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

The approved budget covers the fiscal period from 2016-07-01 to 2019-06-30.

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

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

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 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.

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.15 Employee benefits (continued)

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.

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.

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.

Multi-employer plans

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

Under the defined benefit plan, the municipality account 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.

Other post retirement obligations

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

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.15 Employee benefits (continued)

Bonus pensionable service and medical boarding's.

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

1.16 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.

Expense relating to provisions is presented in the statement of financial performance.

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.

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The City will recognise a provision if the definition and recognition criteria are met and if it fails to meet the criteria, a contingent liability will be disclosed.

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.17 Revenue from exchange transactions

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

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

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

Revenue from sale of Bus ticket points

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Revenue from the sale of ticket points are accounted for as a separately identifiable component of a sale for normal points and bonus points. Each point is equivalent to one Rand value. Bonus points are earned by customers only on purchases of points above the value of R50. Any bonus points not redeemed in 36 months (3 years) are subject to expiry thereafter and 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 the fair value for normal points and for bonus points revenue is recognised at fair value which is equivalent to the cost of transferring the points that is the consideration allocated to the bonus points and 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 municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

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

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

Income from agency services

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

Interest revenue

Interest revenue is recognised when:

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

1.18 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 municipality 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 (AARON 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

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

Government grants

Government grants are recognised as revenue when:

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

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 initially 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. 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

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, hence there is no obligation to the municipality.

The municipality recognises asset and 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 are measured at their fair value .

Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier. When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Rates

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

Public contributions and donations including goods in-kind donations

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Inkind 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.

1.22 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 this resulting from necessary investigations, revenue and receivables are recognised. Unauthorised expenditure is disclosed in the notes to the financial statements.

1.23 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 income. 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

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Accounting Policies

1.24 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, 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 and also condoned by the council in terms of MFMA, is only disclosed in the notes to annual financial statements. Irregular expenditure which was incurred and identified during the current financial year but was still waiting condonement by a council at year end, is only disclosed in the note to financial statements.

1.25 Related parties

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

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

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

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

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

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

1.26 Events after 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 municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality 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.

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.27 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.

Operating commitments are amounts committed to acquire day-to-day goods and services required to sustain municipality's business operations.

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016
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2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

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

<u>Name</u>	<u>Effective Date</u>
GRAP 20 - Related Parties	Not yet effective
GRAP 32 - Service Concession arrangements: Grantor	Not yet effective
GRAP 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

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

The municipality applied the principles established in the Standard of GRAP that has been issued, but not yet effective, in developing an appropriate accounting policy dealing with the Related Parties (GRAP 20). Preliminary investigations indicated that, other than additional disclosure, the impact of the new standards on the financial statements will be minimal).

3. INVENTORIES

Consumable stores	82 756	118 109
Housing stock	61 050	61 050
	<hr/>	<hr/>
	143 806	179 159
Inventories write-down (Housing Stock)	(59 730)	(59 730)
	<hr/>	<hr/>
	84 076	119 429

Cost of inventory expense is included under general expenses.

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

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

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016
4. LOANS TO MUNICIPAL ENTITIES (continued)		
Conduit loans		
PIKITUP Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2026	121 055	121 055
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 11.23% Maturity = 30 June 2026	235 986	-
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	93 736
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2018	78 595	148 202
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	129 504	184 449
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	197 694	250 533
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	163 171	194 049
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.31% Maturity = 30 June 2022	254 861	293 131
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.65% Maturity = 30 June 2023	41 654	46 548
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2028	57 080	-
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2017	-	1 303
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	884	1 678
Johannesburg Power (Pty) Ltd Terms and conditions: Rate = 10.,18% Maturity = 30 June 2024	743 086	812 446
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2025	420 342	453 259
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 11.23% Maturity = 30 June 2026	430 283	-
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Jibar less 35bp Maturity = 15 May 2026	36 280	72 560
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	83 541	158 492
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	120 693	171 899
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Rate = 10.9% Maturity = 30 June 2020	193 872	245 689

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Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016
4. LOANS TO MUNICIPAL ENTITIES (continued)		
Johannesburg Water (Pty) Ltd Terms and conditions: Jibar plus 70pb Maturity = 15 May 2026	372 897	414 330
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	163 456	194 387
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.31% Maturity = 30 June 2022	216 269	248 743
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.65% Maturity = 30 June 2023	496 773	555 141
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2024	672 184	734 925
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.15% Maturity = 30 June 2026	628	628
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.42% Maturity = 30 June 2026	2 937	2 937
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	5 785	5 785
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 9% Maturity = 30 June 2026	19 701	19 701
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.2% Maturity = 30 June 2026	30 171	30 171
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 12.21% Maturity = 30 June 2026	14 379	14 379
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 12.21% Maturity = 30 June 2026	7 885	7 885
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 12.21% Maturity = 30 June 2026	19 983	19 983
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 10.78% Maturity = 30 June 2026	14 738	14 738
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 10.4% Maturity = 30 June 2026	15 309	15 309
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 9.31% Maturity = 30 June 2026	22 398	22 398
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 9.65% Maturity = 30 June 2026	27 265	27 265
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate range = 9.88% Maturity = 30 June 2025	581 722	631 058
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate range = 10.2% Maturity = 30 June 2017	-	8 575
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2025	323 541	351 270

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Figures in Rand thousand	2017	2016
4. LOANS TO MUNICIPAL ENTITIES (continued)		
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate range = 9.88% Maturity = 30 June 2027	104 982	104 982
The Johannesburg Metro Trading Company(Pty) Ltd Terms and conditions: Rate range = 11.89% Maturity = 30 August 2035	1 421 303	1 302 381
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate range = 10.9% Maturity = 30 June 2018	4 965	9 420
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate range = 9% Maturity = 30 June 2019	5 713	8 207
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate range = 10.4% Maturity = 30 June 2020	7 216	9 164
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate range = 10.4% Maturity = 30 June 2021	7 814	9 312
The Johannesburg Fresh Produce (Pty) Ltd Terms and conditions: Rate range = 9.31% Maturity = 30 June 2022	17 447	20 435
	7 886 042	8 032 538
Less impairment of loans to Municipal Entities	(788 721)	(761 467)
	7 097 321	7 271 071
Non-current assets	6 743 941	7 057 144
Current assets	1 043 145	968 687
	7 787 086	8 025 831
Reconciliation of provision for impairment of loans to municipal entities		
Opening balance	761 467	326 823
Additional impairment - Pikitup Johannesburg (Pty) Ltd	57 080	104 982
Reversal of impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd	(29 826)	329 662
	788 721	761 467

Impairment of loan to Pikitup Johannesburg (Pty) Ltd

The entity has entered into a contractual obligation with the City to repay the amount that was borrowed 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 (Pty) Ltd

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

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	2017	2016
5. OTHER FINANCIAL ASSETS		
At amortised cost		
Housing Selling scheme loans	26 629	26 629
Other loans and receivables	32 511	50 603
	59 140	77 232
Non-current assets		
At amortised cost	40 564	58 656
Current assets		
At amortised cost	18 576	18 576

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	2017	2016
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	226 715	305 923
- later than five years	-	2 998
	307 817	381 284
	307 817	381 284
Non-current assets	226 716	308 921
Current assets	81 102	72 363
	307 818	381 284
	307 818	381 284

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

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 62 539 (2016: R 97 525).

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	2017	2016
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Prepayments	106 777	6 724
Operating lease receivables	19 734	18 008
Sundry debtors	465 057	408 936
Fruitless and wasteful expenditure	5 196	4 474
Accrued VAT	326 005	228 270
Related party debtors	3 978 204	3 167 165
Consumer debtors - Rentals	16 703	14 771
Total trade and other receivables	4 917 676	3 848 348
8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Fines	191 101	200 120
Top Structure Debtors	294 620	272 081
Consumer debtors - Rates	516 507	865 684
	1 002 228	1 337 885
9. CONSUMER DEBTORS DISCLOSURE		
Gross balances		
Consumer debtors - Rates	5 513 805	5 390 955
Consumer debtors - Housing Rentals	469 108	388 705
	5 982 913	5 779 660
Less: Allowance for impairment		
Consumer debtors - Rates	(4 997 298)	(4 525 271)
Consumer debtors - Housing Rentals	(452 405)	(373 934)
	(5 449 703)	(4 899 205)
Net balance		
Consumer debtors - Rates	516 507	865 684
Consumer debtors - Housing Rentals	16 703	14 771
	533 210	880 455
Rates		
Current (0 -30 days)	242 829	616 887
31 - 60 days	61 260	23 028
61 - 90 days	6 656	23 006
91 - 120 days	7 863	12 402
121 - 365 days	41 620	38 718
> 365 days	156 279	151 643
	516 507	865 684
Housing rental		
Current (0 -30 days)	8 650	7 221
31 - 60 days	532	494
61 - 90 days	396	381
91 - 120 days	635	577
121 - 365 days	442	418
> 365 days	6 048	5 680
	16 703	14 771

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Figures in Rand thousand	2017	2016
9. CONSUMER DEBTORS DISCLOSURE (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	205 878	457 924
31 - 60 days	100 509	99 075
61 - 90 days	76 314	86 456
91 - 120 days	84 674	92 722
121 - 365 days	455 375	351 563
> 365 days	2 079 479	1 092 848
	3 002 229	2 180 588
Less: Allowance for impairment	(2 744 063)	(1 760 774)
	258 166	419 814
Industrial/ commercial		
Current (0 -30 days)	197 947	370 413
31 - 60 days	95 530	78 011
61 - 90 days	61 405	98 371
91 - 120 days	108 908	70 675
121 - 365 days	442 374	411 937
> 365 days	1 868 796	2 264 691
	2 774 960	3 294 098
Less: Allowance for impairment	(2 515 845)	(2 868 798)
	259 115	425 300
National and provincial government		
Current (0 -30 days)	8 711	28 030
31 - 60 days	7 497	13 357
61 - 90 days	4 919	5 618
91 - 120 days	7 351	8 159
121 - 365 days	32 510	59 242
> 365 days	144 739	190 568
	205 727	304 974
Less: Allowance for impairment	(189 508)	(269 633)
	16 219	35 341
Total		
Current (0 -30 days)	412 535	856 367
31 - 60 days	203 536	190 444
61 - 90 days	142 637	190 445
91 - 120 days	200 933	171 556
121 - 365 days	930 259	822 742
> 365 days	4 093 014	3 548 106
	5 982 914	5 779 660
Less: Allowance for impairment	(5 449 703)	(4 899 205)
	533 211	880 455
Less: Allowance for impairment		
Current (0 -30 days)	161 055	232 260
31 - 60 days	141 743	166 920
61 - 90 days	135 584	167 059
91 - 120 days	192 434	158 576
121 - 365 days	888 196	783 605
> 365 days	3 930 691	3 390 785

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Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016
9. CONSUMER DEBTORS DISCLOSURE (continued)	5 449 703	4 899 205
Reconciliation of allowance for impairment		
Balance at beginning of the year	(4 899 205)	(4 734 150)
Contributions to allowance	(550 498)	(603 835)
Debt impairment written off against allowance	-	438 780
	(5 449 703)	(4 899 205)

City of Johannesburg Metropolitan Municipality

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10. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

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

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 - 05.06.2023

Other financial assets through profit or loss

Bond	1 101 618	1 787 397
Floating rate note	459 505	1 330 024
Forward rate agreement	-	3 840
Amortising Swap	220 778	206 078
Swaps	487 001	511 705

Non-Current Assets

2 268 902 **3 839 044**

Other financial liabilities through profit or loss

Bond	184 798	-
Floating rate note	-	222 917
Forward rate agreement	-	7 516
Amortising Swap	6 615	15 824
Swaps	480 662	479 472

Non-Current Liabilities

672 075 **725 729**

Other financial assets through profit or loss

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

Current Assets

1 530 491 **356 555**

Other financial liabilities through profit or loss

Bonds	1 151	887
Bond Repos	2	376 139
Bond Options	-	41 045
Cash collateral	109 064	-
Forward Rate Agreements	9 760	18 394
Swaps	30 409	8 209

Current Liabilities

150 386 **444 674**

City of Johannesburg Metropolitan Municipality

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10. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)

	-	-
Financial assets carried at fair value through profit or loss		
Derivatives designated and effective as hedging instruments carried at fair value	2 247 091	2 091 974
Held for trading non-derivative financial assets	1 552 303	2 103 625
	3 799 394	4 195 599
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
Held for trading non-derivative financial liabilities	295 014	377 027
	822 461	1 170 404

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Figures in Rand thousand	2017	2016
11. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	154	129
Bank	216 329	1 069 816
Call investment deposits	2 564 607	3 112 110
	2 781 090	4 182 055
Call investment deposits		
Call Deposits STD Bank Rating - (F1+)	1 466	1 363
Fixed Deposits STD Bank Rating - (F1+)	-	584 300
Fixed Deposits ABSA Rating - (F1+)	-	956 891
Call Deposits ABSA Rating - (F1+)	824 240	134 444
Call Deposits RMB Rating - (F1+)	1 100	1 100
Call Deposits INVESTEC Rating - (F1)	1 130	1 108
Fixed Deposits INVESTEC Rating - (F1+)	84 700	384 700
Call Deposits NEDBANK Rating - (F1+)	815 599	1 031
Fixed Deposit NEDBANK Rating - (F1+)	-	31 077
Call Deposits CITI BANK Rating - (F1)	1 473	1 993
Fixed Deposits CITI BANK Rating - (F1)	-	176 400
Call Deposits DEUTSCHE BANK Rating - (F1)	1 000	2 600
Call Deposits TCTA Rating - (None)	2 000	2 000
Call Deposits LANDBANK Rating - (F1+)	1 230	51 050
Stanlib Call Investment Rating - (F1+)	829 975	782 053
AGON FUND INVEST	477	-
Sanlam Asset Managers	92	-
Prescient Investment Management	125	-
	2 564 607	3 112 110

City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016
11. CASH AND CASH EQUIVALENTS (continued)		
Underwriting of COID reserve	83 200	83 200

City of Johannesburg Metropolitan Municipality

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12. INVESTMENT PROPERTY

	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

Reconciliation of investment property - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	1 014 946	-	-	-	1 014 946

Reconciliation of investment property - 2016

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

Pledged as security

No Asset pledged as security.

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

City of Johannesburg Metropolitan Municipality

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13. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 653 231	-	8 653 231	8 584 371	-	8 584 371
Buildings	11 782 835	(3 729 539)	8 053 296	11 109 185	(3 362 293)	7 746 892
Plant and equipment	307 082	(232 121)	74 961	297 632	(208 747)	88 885
Furniture and fittings	513 927	(394 376)	119 551	500 726	(355 710)	145 016
Motor vehicles	360 781	(272 261)	88 520	360 788	(260 073)	100 715
Office equipment	980 608	(795 683)	184 925	985 860	(689 545)	296 315
Infrastructure	14 905 865	(5 630 314)	9 275 551	13 825 735	(4 802 471)	9 023 264
Community	1 927 459	(849 462)	1 077 997	1 878 393	(728 012)	1 150 381
Other	5 565	(1 400)	4 165	3 589	(720)	2 869
Bins and containers	20 402	(10 522)	9 880	12 449	(8 707)	3 742
Work in progress	11 095 673	(45 232)	11 050 441	7 823 748	-	7 823 748
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	63 692	(25 346)	38 346	61 081	(21 768)	39 313
Total	52 089 322	(12 924 447)	39 164 875	46 911 777	(11 321 836)	35 589 941

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 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	7 746 892	21 774	-	(2 557)	654 839	(367 652)	-	8 053 296
Plant and equipment	88 885	11 399	-	(462)	1 113	(25 974)	-	74 961
Furniture and fittings	145 016	11 375	-	(304)	5 042	(41 578)	-	119 551
Motor vehicles	100 715	-	-	-	-	(12 195)	-	88 520
Office equipment	296 315	15 061	-	(582)	453	(126 322)	-	184 925
Infrastructure	9 023 264	407 982	-	-	672 148	(827 843)	-	9 275 551
Community	1 150 381	13 758	-	(258)	35 865	(121 749)	-	1 077 997
Other	2 869	1 850	-	(1)	209	(762)	-	4 165
Bins and containers	3 742	340	-	(852)	8 970	(2 320)	-	9 880
Work in progress	7 823 748	4 650 722	-	-	(1 378 797)	-	(45 232)	11 050 441
Specialised vehicles	529 716	-	-	(1 713)	-	(51 657)	-	476 346
Library books	54 714	6 123	-	-	-	(3 172)	-	57 665
Emergency equipment	39 313	3 736	-	(9)	158	(4 852)	-	38 346
	35 589 941	5 247 519	-	(41 277)	-	(1 586 076)	(45 232)	39 164 875

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Figures in Rand thousand

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Depreciation	Total
Land	8 241 841	391 984	-	(49 454)	-	-	8 584 371
Buildings	7 845 888	56 518	-	-	235 030	(390 544)	7 746 892
Plant and equipment	91 029	22 855	-	(51)	1 166	(26 114)	88 885
Furniture and fittings	155 760	15 870	-	(313)	16 350	(42 651)	145 016
Motor vehicles	93 452	31 611	-	-	5 095	(29 443)	100 715
Office equipment	278 979	134 309	-	(534)	11 116	(127 555)	296 315
Infrastructure	7 786 355	617 926	867 226	(867 226)	1 392 832	(773 849)	9 023 264
Community	1 041 313	40 900	-	-	191 971	(123 803)	1 150 381
Other	1 058	-	-	-	1 923	(112)	2 869
Bins and containers	5 038	75	-	-	140	(1 511)	3 742
Work in progress	5 799 338	3 880 594	-	-	(1 856 184)	-	7 823 748
Specialised vehicles	525 196	56 028	-	-	-	(51 508)	529 716
Library books	57 357	8 796	-	-	-	(11 439)	54 714
Emergency equipment	37 904	4 144	-	(21)	1 742	(4 456)	39 313
	31 960 508	5 261 610	867 226	(917 599)	1 181	(1 582 985)	35 589 941

Pledged as security

No Asset pledged as security:

City of Johannesburg Metropolitan Municipality

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2017			2016		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Office equipment	67 884	(57 784)	10 100	67 884	(37 792)	30 092
BRT Busses	355 021	(219 947)	135 074	355 021	(212 550)	142 471
Total	422 905	(277 731)	145 174	422 905	(250 342)	172 563

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings	1 578 465	1 931 114
Plant and machinery	8 408	-
Furniture and fittings	28 620	-
Office equipment	60 654	-
Infrastructure	8 792 422	5 108 860
Community	572 612	783 774
Emergency Equipment	9 260	-
	11 050 441	7 823 748

Expenditure incurred to repair and maintain property, plant and equipment

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

General expenses	423 368	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.

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14. INTANGIBLE ASSETS

	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	1 673 450	(1 212 263)	461 187

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14. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	461 187	23 088	-	(171 748)	312 527

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Acquisition of assets through business combination	Disposals	Transfers	Amortisation	Total
Computer software	434 253	281 401	188 389	(188 418)	95	(254 533)	461 187

Pledged as security

No Asset pledged as security.:

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15. HERITAGE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities 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 2017

	Opening balance	Total
Art Collections, antiquities 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 2016

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

Pledged as security

No Asset pledged as security.:

[Insert terms and conditions here where terms and conditions are the same]

City of Johannesburg Metropolitan Municipality

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16. INVESTMENTS IN MUNICIPAL ENTITIES

Gross investment	% holding	% holding	Carrying	Carrying
	2017	2016	amount 2017	amount 2016
City of Johannesburg Property Company (Pty) Ltd	100 %	100 %	5 141	5 141
City Power Johannesburg (Pty) Ltd	100 %	100 %	112 466	112 466
Johannesburg City Parks	100 %	100 %	29 958	29 958
Johannesburg Development Agency (Pty) Ltd	100 %	100 %	16 278	16 278
Johannesburg Metropolitan Bus Services (Pty) Ltd	100 %	100 %	54 774	54 774
Johannesburg Roads Agency (Pty) Ltd	100 %	100 %	281 441	227 627
Johannesburg Social Housing Company (Pty) Ltd	- %	- %	-	-
Johannesburg Water (Pty) Ltd	- %	- %	-	-
Metropolitan Trading Company (Pty) Ltd	100 %	100 %	97 972	97 972
Pikitup Johannesburg (Pty) Ltd	100 %	100 %	31 315	31 315
Johannesburg Civic Theatre	100 %	100 %	1 784	1 784
The Johannesburg Fresh Produce Market (Pty) Ltd	100 %	100 %	20 000	20 000
			651 129	597 315
Impairments			Carrying	Carrying
			amount 2017	amount 2016
Johannesburg Metropolitan Bus Services (Pty) Ltd			(54 774)	(54 774)
Net investment			Carrying	Carrying
			amount 2017	amount 2016
City of Johannesburg Property Company (Pty) Ltd			5 142	5 142
City Power Johannesburg (Pty) Ltd			112 466	112 466
Johannesburg City Parks			29 958	29 958
Johannesburg Development Agency (Pty) Ltd			16 278	16 278
Johannesburg Metropolitan Bus Services (Pty) Ltd			-	-
Johannesburg Roads Agency (Pty) Ltd			281 441	227 627
Johannesburg Social Housing Company (Pty) Ltd			-	-
Johannesburg Water (Pty) Ltd			-	-
Metropolitan Trading Company (Pty) Ltd			97 972	97 972
Pikitup Johannesburg (Pty) Ltd			31 315	31 315
The Johannesburg Civic Theatre (Pty) Ltd			1 784	1 784
The Johannesburg Fresh Produce Market (Pty) Ltd			20 000	20 000
			596 356	542 542

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

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

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

17. INVESTMENTS IN JOINT VENTURES

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

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

City of Johannesburg Metropolitan Municipality

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18. LOANS AND BORROWINGS

Non Current portion of loans and borrowings - At amortised cost

Structured loans *	3 276	16 609
Development Bank South Africa	7 845 423	5 326 316
Listed bonds	6 016 000	7 729 804
Other financial liabilities	2 976 076	4 385 969
	16 840 775	17 458 698

Current portion of loans and borrowings - At amortised cost

Structured loans *	13 333	13 333
Development Bank South Africa	106 892	73 217
Listed bonds	1 724 842	166 667
Other financial liabilities	1 409 896	340 270
	3 254 963	593 487
	20 095 738	18 052 185

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

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19. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	60 792	72 137
- in second to fifth year inclusive	178 070	211 537
- later than five years	-	27 999
	<u>238 862</u>	<u>311 673</u>
less: future finance charges	(43 547)	(64 924)
Present value of minimum lease payments	<u>195 315</u>	<u>246 749</u>
Present value of minimum lease payments due		
- within one year	44 605	51 778
- in second to fifth year inclusive	150 710	168 293
- later than five years	-	26 678
	<u>195 315</u>	<u>246 749</u>
Non-current liabilities	150 710	194 971
Current liabilities	44 605	51 778
	<u>195 315</u>	<u>246 749</u>

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

1. Resultant

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

2 Bus Operating Company

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

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

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand	2017	2016
20. TRADE AND OTHER PAYABLES		
Financial liabilities		
Accrued interest	159 798	167 530
Related party creditor	5 914 738	6 636 652
Credit balances in consumer debtors	1 053 747	1 057 876
Engineering fees	114 828	102 530
Operating lease payables	977	1 610
Other creditors	823 090	786 701
Retentions	53 197	55 695
Trade payables	1 627 335	1 949 069
	<u>9 747 710</u>	<u>10 757 663</u>
Other liabilities		
Accrued leave pay	329 815	291 941
Payments received in advanced	14 363	15 051
	<u>344 178</u>	<u>306 992</u>
	<u>10 091 888</u>	<u>11 064 655</u>

City of Johannesburg Metropolitan Municipality

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21. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Provincial grants : Capital projects	157 646	174 148
Urban settlements development grant	266 825	94 985
Provincial grants : Operational projects	27 624	31 910
Public Transport Network Grant (Capital Projects)	3 852	2 475
Neighbourhood Development Partnership Grant (NDPG)	14 618	25 753
Integrated City Development Grant (ICDG)	4 762	31 805
Expanded Public Works Programme (EPWP)	4 402	910
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	384	-
Public Transport Network Grant (Operational Projects)	38 082	45 246
Unspent public contributions and donations	751	1 890
	518 946	409 122

Revenue received from conditional grants are recognised 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, obligations and other contingencies attaching to government grants or assistance.

See note 29: for reconciliation of grants from National/Provincial Government.

City of Johannesburg Metropolitan Municipality

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22. PROVISIONS

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Amount paid	Total
Bonus provision	11 964	13 094	-	(3 221)	(1 843)	19 994
Provision for Damages claim	20 000	-	-	-	(1 000)	19 000
Provision for Maintenance Contract	14 000	-	-	-	-	14 000
Provision for Security Contract	1 000	-	-	-	-	1 000
Pension fund provisions	89 836	4 568	-	-	(94 404)	-
	136 800	17 662	-	(3 221)	(97 247)	53 994

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Settled during the year	Amount paid	Total
Bonus provision	11 496	-	-	468	-	11 964
Provision for Damages Claim	20 000	-	-	-	-	20 000
Provision for Maintenance Contract	-	14 000	-	-	-	14 000
Provision for Security Contract	-	1 000	-	-	-	1 000
Pension fund provisions	84 226	5 610	-	-	-	89 836
	115 722	20 610	-	468	-	136 800

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.

Provision for Security Contract

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

Bonus provisions

Bonus provision relates to the performance bonus for the section 57 employees.

Provision for Damages Claim

A claim for damages was instituted by the Plaintiff as a result of the construction of the Grayston fly-over for loss of income. The total claim was R10,000,000.00 plus interest of R10,000,000.00 and is not insured. SCA has ruled against the City on the matter of whether the construction amounted to a diversion.

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

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.

City of Johannesburg Metropolitan Municipality

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23. RETIREMENT BENEFIT OBLIGATION

23.1 Post retirement liabilities

Post-Retirement Medical Aid Plan	(1 059 955)	(1 103 327)
Post-Retirement Housing Subsidy Plan	(317)	(301)
Retirement Gratuity Plan	(145 169)	(150 827)
	(1 205 441)	(1 254 455)

City of Johannesburg Metropolitan Municipality

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23. RETIREMENT BENEFIT OBLIGATION (continued)

23.1.1 Post retirement medical aid plan

City of Johannesburg Metropolitan Municipality has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Post-retirement medical aid subsidies are provided to pensioners, in the service of the CJMM as at 1 January 2001, and employees 50 years and older on 1 July 2003 whilst contributory members to either LA Health or Key Health medical schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	1 059 955	1 103 327
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Movements for the year

Opening balance	1 103 328	1 240 425
Benefits paid	(104 428)	(100 369)
Net expense recognised in the statement of financial performance	61 056	(36 728)
	1 059 956	1 103 328

Net expense recognised in the statement of financial performance

Current service cost	-	329
Interest cost	93 514	100 372
Actuarial (gains)	(32 458)	(137 429)
	61 056	(36 728)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8,84 %	8,87 %
Expected increase in salaries	6,65 %	7,51 %

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand 2017 2016

23. RETIREMENT BENEFIT OBLIGATION (continued)

Other assumptions.

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

Sensitivity analysis

Discount Rate

	-1%	0%	1%
Liability	1 146 760	1 059 955	984 675
Percentage change	8%	0%	-7%
	-	-	-

Benefit inflation

	-1%	0%	1%
Liability	1 029 084	1 059 955	1 084 864
Percentage change	-	3%	0
			-3%

23.1.2 Post retirement housing subsidy plan

The City of Johannesburg Metropolitan Municipality provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is based on the subsidy received at the date of valuation. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

The above liability is unfunded. However, City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the City of Johannesburg Metropolitan Municipality was established. The amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of GRAP 25 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	317	301
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The fair value of plan assets includes:

Movements for the year

Opening balance	301	238
Benefits paid	(72)	(85)
Net Income/(expense) recognised in the statement of financial performance	88	148
	317	301

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23. RETIREMENT BENEFIT OBLIGATION (continued)

Net expense recognised in the statement of financial performance

Interest cost	23	18
Actuarial Loss/(gains)	65	130
	88	148

Key assumptions used

Assumptions used for the valuation .

Discount rates used	8,84 %	8,87 %
Expected increase in salaries	6,65 %	7,51 %

Sensitivity analysis

Discount rate

	-1%	0%	1%
Liability	322	317	312
Percentage change	8%	0	-7%

Benefit inflation

	-1%	0%	1%
Liability	312	317	322
Percentage change	3%	0	-3%

23.1.3 Post retirement gratuity plan

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

The above liability is unfunded. However, the City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the company was established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of GRAP 25 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	145 169	150 827
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City of Johannesburg Metropolitan Municipality

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23. RETIREMENT BENEFIT OBLIGATION (continued)

Movements for the year

Opening balance	150 827	163 947
Benefits paid	(10 155)	(11 042)
Net (expense)/Income recognised in the statement of financial performance	4 497	(2 078)
	145 169	150 827

Net expense recognised in the statement of financial performance

Interest cost	12 685	13 029
Actuarial (gains) losses	(8 188)	(15 107)
	4 497	(2 078)

Key assumptions used

Assumptions used on last valuation on .

The principal actuarial assumptions used were as follows:

Discount rates used	8,84 %	8,87 %
Expected increase in salaries	6,65 %	7,51 %

Sensitivity analysis

Discount rate

	-1%	0%	1%
Liability	155 084	145 311	136 532
Percentage change	8%	0	-7%

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23. RETIREMENT BENEFIT OBLIGATION (continued)

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

City of Johannesburg Pension Fund	43 428	43 050
eJoburg Retirement Fund	191 703	172 714
Municipal Councillors pension Fund	8 728	10 914
National Fund for Municipal Workers	817	784
Sandton Provident Fund	278	291
Municipal Employees Gratuity Fund	10 134	10 197
	255 088	237 950

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

Joint Municipal Pension Fund	1 030	1 064
Municipal Employees Pension Fund	4 250	4 149
	5 280	5 213

City of Johannesburg Metropolitan Municipality

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24. DEFERRED INCOME

Bond tap

Balance unspent at beginning of year	42 046	45 637
Conditions met - transferred to revenue	(3 979)	(3 591)
Conditions still to be met - transferred to liabilities	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 9 December 2008, due to mature on 5 June 2023. The tap was issued at a premium of R58,038,692, at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.

BRT Point system

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

BRT awards bonus points to passengers when they load money into their cards. The deferred income is released as and when the passengers redeem their points .

Total deferred income	49 126	46 344
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City of Johannesburg Metropolitan Municipality

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25. OTHER FINANCIAL LIABILITIES AT FAIR VALUE

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

Swap Details

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

Opening balance	22 134	45 217
Fair value movement-SWAP	(8 074)	(23 083)
Closing balance	14 060	22 134

26. CONSUMER DEPOSITS

Consumer deposits	16 479	15 816
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Consumer deposits relate largely to deposits held in the JPC Portfolio Account (2017: R 14 227 468 and 2016: R 14 193 316) in relation to rental of facilities. The other balance relates to deposits held by Community Development and the Housing Department also for the rental of facilities. All consumer deposits are non-current in nature.

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Figures in Rand thousand	2017	2016
27. PROPERTY RATES		
Rates received		
Residential	3 114 579	2 850 375
Commercial	4 625 362	5 114 128
State	172 440	173 556
	7 912 381	8 138 059
Valuations		
Residential	624 699 254	610 566 592
Business	303 906 608	300 732 277
State	34 523 310	33 937 999
	963 129 172	945 236 868
28. RENDERING OF SERVICES		
Other service charges	120 016	117 932
BRT Revenue	126 526	108 718
Surcharges : Electricity	163 846	151 582
Surcharges : Refuse	5 014	4 180
Surcharges : Water	47 281	47 015
	462 683	429 427

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29. GOVERNMENT GRANTS AND SUBSIDIES		
Provincial grants : Capital projects	-	108 732
Urban settlements development grant	1 364 661	1 386 716
Financial management grant	1 050	1 050
Provincial grants : Top structure of houses	404 736	304 531
Provincial grants : Operating projects	40 325	12 619
Public Transport Network Grant (Capital Projects)	807 431	863 712
Neighbourhood Development Partnership Grant (NDPG)	46 112	38 234
Integrated City Development Grant (ICDG)	54 942	32 692
Expanded Public Works Programme (EPWP)	30 522	33 363
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	19 926	19 709
Public Transport Network operations Grant	206 164	245 257
Ambulance subsidy	117 321	111 416
Equitable share and fuel levy	5 777 859	5 331 848
Provincial health subsidies	115 875	110 043
	8 986 924	8 599 922
Provincial grants : Capital projects		
Balance unspent at beginning of year	174 148	167 788
Current year receipts	-	109 904
Paid Back	(16 502)	-
Adjustment - Debtors	-	5 188
Conditions met - transferred to revenue	-	(108 732)
Conditions still to be met - transferred to liabilities	157 646	174 148

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Figures in Rand thousand	2017	2016
29. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Urban settlements development grant		
Balance unspent at beginning of year	94 985	-
Current year receipts	1 775 808	1 731 221
Paid/Due to MEs	(239 307)	(249 520)
Conditions met - transferred to revenue	(1 364 661)	(1 386 716)
Conditions still to be met - transferred to liabilities	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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29. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Financial management grant

Current year receipts	1 050	1 050
Conditions met - transferred to revenue	(1 050)	(1 050)
Conditions still to be met - transferred to liabilities	-	-

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

Provincial grants : Top structure of houses

Balance unspent at beginning of year	-	108
Current year receipts	382 197	348 759
Settled against debtors	-	(172 823)
Current year claims	22 539	128 487
Conditions met - transferred to revenue	(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
Current year receipts	43 539	36 149
Paid Back	(7 500)	(1 003)
Conditions met - transferred to revenue	(40 325)	(12 619)
Conditions still to be met - transferred to liabilities	27 624	31 910

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

Public Transport Network Grant (Capital Projects)

Balance unspent at beginning of year	2 475	326 581
Current year receipts	808 808	864 368
Amount paid back	-	(324 762)
Conditions met - transferred to revenue	(807 431)	(863 712)
Conditions still to be met - transferred to liabilities	3 852	2 475

This grant is provided to finance Public Transport System.

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29. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Neighbourhood Development Partnership Grant (NDPG)		
Balance unspent at beginning of year	25 753	9 047
Current year receipts	79 172	54 940
Paid Back	(44 195)	-
Conditions met - transferred to revenue	(46 112)	(38 234)
Conditions still to be met - transferred to liabilities	14 618	25 753
<p>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.</p>		
Integrated City Development Grant (ICDG)		
Balance unspent at beginning of year	31 805	10 111
Current year receipts	59 704	54 386
Paid Back	(31 805)	-
Conditions met - transferred to revenue	(54 942)	(32 692)
Conditions still to be met - transferred to liabilities	4 762	31 805
Expanded Public Works Programme (EPWP)		
Balance unspent at beginning of year	910	-
Current year receipts	47 613	38 447
Paid/Due to MOEs	(12 689)	(4 174)
Paid back	(910)	-
Conditions met - transferred to revenue	(30 522)	(33 363)
Conditions still to be met - transferred to liabilities	4 402	910
<p>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.</p>		
Provincial grant : Jozi Ihlomihle (Hiv/Aids)		
Balance unspent at beginning of year	-	95
Current year receipts	20 310	19 614
Conditions met - transferred to revenue	(19 926)	(19 709)
Conditions still to be met - transferred to liabilities	384	-

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Figures in Rand thousand	2017	2016
29. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Public Transport Network Grant (Operational projects)		
Balance unspent at beginning of year	45 246	3 502
Current year receipts	206 700	287 001
Paid Back	(7 700)	-
Conditions met - transferred to revenue	(206 164)	(245 257)
Conditions still to be met - transferred to liabilities	38 082	45 246
Government grant (operating) 14		
Ambulance subsidy		
Current year receipts	117 321	111 416
Conditions met - transferred to revenue	(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	5 000 887
Transfers from other grants	108 663	330 961
Allocation reduction	(13 400)	-
Conditions met - transferred to revenue	(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.		
Provincial health subsidies		
Current year receipts	115 875	110 043
Conditions met - transferred to revenue	(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 with holding of the subsidy.		
30. OTHER REVENUE		
Internal recoveries - ME's	385 688	458 764
Sundry revenue	291 282	556 996
Recovery of insurance	1 436	2 451
Recovery of legal costs	635	1 918
Training revenue	14 788	18 089
	693 829	1 038 218

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31. EMPLOYEE RELATED COSTS		
Employee related costs : Salaries and wages	4 028 455	3 685 518
Employee related costs : Pension contributions	566 616	522 784
Employee related costs : Medical aid contributions	349 962	309 216
Employee related costs : Skills development levy	47 524	43 867
Housing benefits and allowances	35 801	32 218
Overtime payments	87 802	81 572
Bonus	242 972	214 627
Travel, motor car, accommodation, subsistence and other allowances	284 244	277 006
Post Retirement Benefits Movement	(10 562)	(11 370)
	5 632 814	5 155 438

Remuneration of the City Manager (Former)

Annual Remuneration	1 437	2 705
Car Allowance	64	128
Contributions to UIF, Medical and Pension Funds	1	2
Final leave payment	276	-
	1 778	2 835

Contract ended due to change in administration

Remuneration of City Manager (Current)

Annual Remuneration	1 519	-
Contributions to UIF, Medical and Pension Funds	28	-
	1 547	-

Appointment was effective from December 2016

Remuneration of the Group Head : Risk Assurance Services

Annual Remuneration	618	1 653
Car Allowance	100	288
Performance Bonuses	89	-
Contributions to UIF, Medical and Pension Funds	20	48
	827	1 989

The position has been vacant since November 2016. The vacant position was filled by acting roles from November 2016 to June 2017, refer to the post balance sheet note

Remuneration of the Group : Chief Financial Officer

Annual Remuneration	2 754	2 640
Car Allowance	141	144
Performance Bonuses	408	-
Contributions to UIF, Medical and Pension Funds	2	2
Settlement Agreement	1 572	-
	4 877	2 786

The position has been vacant since June 2017. The vacant position was filled by an acting role from June 2017, refer to the post balance sheet note

Remuneration of the Executive Director : Economic Development

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31. EMPLOYEE RELATED COSTS (continued)		
Annual Remuneration	1 180	2 227
Performance Bonuses	290	-
Contributions to UIF, Medical and Pension Funds	1	2
Final leave payment	179	-
	1 650	2 229

The position has been vacant since December 2016. The vacant position was filled by acting roles from January 2017 to June 2017, refer to the post balance sheet note

Remuneration of the Executive Director : Community Development

Annual Remuneration	1 699	1 599
Car Allowance	103	103
Performance Bonuses	307	-
Contributions to UIF, Medical and Pension Funds	173	160
	2 282	1 862

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31. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Executive Director : Development Planning and Urban Development

Annual Remuneration	2 147	2 020
Car Allowance	97	144
Performance Bonuses	217	-
Contributions to UIF, Medical and Pension Funds	48	121
Eminence/Premiums Allowance	120	180
	2 629	2 465

Remuneration of the Executive Director : EISD

Annual Remuneration	1 873	1 759
Car Allowance	97	97
Performance Bonuses	271	-
Contributions to UIF, Medical and Pension Funds	48	48
	2 289	1 904

Remuneration of the Executive Director : Housing

Annual Remuneration	765	1 439
Car Allowance	48	96
Performance Bonuses	155	-
Contributions to UIF, Medical and Pension Funds	77	143
	1 045	1 678

The position has been vacant since December 2016. The vacant position was filled by an acting role from January 2017, refer to the post balance sheet note

Remuneration of the Executive Director : Transportation

Annual Remuneration	2 004	1 887
Car Allowance	73	73
Performance Bonuses	213	-
Contributions to UIF, Medical and Pension Funds	302	285
	2 592	2 245

Remuneration of the Executive Director : Health

Annual Remuneration	2 089	1 965
Car Allowance	108	108
Performance Bonuses	431	-
Contributions to UIF, Medical and Pension Funds	2	2
Final leave payment	141	-
	2 771	2 075

Remuneration of the Executive Director : Corporate Services

Annual Remuneration	1 554	1 576
Contributions to UIF, Medical and Pension Funds	1	2
	1 555	1 578

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31. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Executive Director : Office of the City Manager

Annual Remuneration	1 496	1 413
Performance Bonuses	170	-
Contributions to UIF, Medical and Pension Funds	79	73
	1 745	1 486

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

Annual Remuneration	1 732	843
Car Allowance	101	50
Performance Bonuses	95	-
Contributions to UIF, Medical and Pension Funds	183	58
IEC Payment	11	21
	2 122	972

Remuneration of the Group Head : Governance

Annual Remuneration	1 525	1 435
Car Allowance	96	96
Performance Bonuses	149	-
Contributions to UIF, Medical and Pension Funds	87	81
	1 857	1 612

Remuneration of the Chief Operations Officer

Annual Remuneration	2 204	2 567
Car Allowance	116	144
Performance Bonuses	406	177
Contributions to UIF, Medical and Pension Funds	131	145
Final Leave Payment	121	-
	2 978	3 033

The position has been vacant since March 2017. The vacant position was filled by an acting role from March 2017, refer to the post balance sheet note

Remuneration of the Council Secretary

Annual Remuneration	1 490	-
Car Allowance	107	-
Performance Bonuses	85	-
Contributions to UIF, Medical and Pension Funds	86	-
Settlement Agreement	1 665	-
	3 433	-

The position has been vacant since April 2017. The vacant position was filled by an acting role from April 2017, refer to post balance sheet note

Remuneration of the Executive Director : Public Safety

Annual Remuneration	1 174	1 653
Car Allowance	86	128
Performance Bonuses	89	-
Contributions to UIF, Medical and Pension Funds	1	2

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31. EMPLOYEE RELATED COSTS (continued)	1 350	1 783

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31. EMPLOYEE RELATED COSTS (continued)

Remuneration of the Executive Director : Social Development

Annual Remuneration	944	1 332
Car Allowance	69	104
Performance Bonuses	253	-
Contributions to UIF, Medical and Pension Funds	52	73
	1 318	1 509

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32. REMUNERATION OF COUNCILLORS

Executive Mayor	1 252	1 246
Mayoral Committee Members	9 139	11 568
Speaker	1 003	1 027
Councillors	103 854	89 347
Councillors' pension contribution	9 067	11 768
Chairpersons	15 278	18 931
	139 593	133 887

Remuneration of the Executive Mayor - Herman Mashaba

Annual Remuneration	1 084	-
Cell 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 Allowance	3	42
	107	1 284

Contract terminated September 2016.

In-kind benefits

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

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

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

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

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33. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	1 586 076	1 579 521
Intangible assets	171 747	254 533
	1 757 823	1 834 054
34. IMPAIRMENT LOSSES		
Impairments		
Property, plant and equipment	(45 232)	-
Pikitup Johannesburg (Pty) Ltd	(57 080)	(104 982)
The Pikitup Johannesburg (Pty) Ltd loan was fully impaired due to the technical insolvency that the entity was facing at year end. For a more detailed description of this impairment, refer to Note 4		
Johannesburg Metro Bus	-	(329 661)
The Johannesburg Metro Bus company is technically insolvent and has liquidity challenges. The entity has put in a place a turn around strategy aimed to improve the liquidity problem in the long term. The current liquidity problem has led to the impairment of the current portion of the loan.		
	(102 312)	(434 643)
35. ALLOWANCE FOR IMPAIRMENT OF CURRENT RECEIVABLES		
Allowance for Impairment - Trade and Other Receivables - Fines	120 407	50 789
Allowance for Impairment - Consumer Debtors	548 498	603 835
Allowance for Impairment - Trade and Other Receivables - Other	44 281	59 064
	713 186	713 688
Allowance for Trade and other receivables includes the impairment Traffic fines and sundry debtors.		
36. CONTRACTED SERVICES		
Fleet Services	60 827	55 588
Information Technology Services	212 880	260 497
Operating Leases	242 848	206 765
Other Contractors	23 428	23 095
Specialist Services	952 182	1 235 911
	1 492 165	1 781 856

Refer to note 41 for future operating lease commitments.

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37. GRANTS AND SUBSIDIES PAID		
Grants paid to ME's		
City of Johannesburg Property Company (Pty) Ltd	327 568	340 630
Johannesburg City Parks	688 207	711 957
Johannesburg Development Agency (Pty) Ltd	26 695	22 382
Johannesburg Metropolitan Bus Services (Pty) Ltd	506 354	432 693
Johannesburg Roads Agency (Pty) Ltd	816 774	746 409
Johannesburg Social Housing Company (Pty) Ltd	13 100	19 952
Metropolitan Trading Company (Pty) Ltd	211 158	84 546
Pikitup Johannesburg (Pty) Ltd	694 762	643 651
The Johannesburg Civic Theatre (Pty) Ltd	94 072	73 502
	3 378 690	3 075 722
Other subsidies		
Grant paid : Housing top structures	410 559	322 984
Grant paid : Other	85 170	153 433
	495 729	476 417
	3 874 419	3 552 139

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

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

38. GENERAL EXPENSES

Advertising	11 398	204 617
Auditors remuneration	22 195	19 723
Bank charges	86 974	78 511
Consulting and professional fees	97 090	134 159
Consumables/Inventory expensed	29 821	20 772
Debt collection	63 754	206 406
Hire	27 302	18 076
Insurance	108 632	135 598
Conferences and seminars	16 480	24 099
Marketing	27 993	93 392
Printing and stationery	87 491	127 623
Security (Guarding of municipal property)	260 262	211 893
Software expenses	127 031	257 611
Staff welfare	33 701	-
Subscriptions and membership fees	15 021	17 541
Telephone and fax	57 329	54 141
Maintenance	446 559	413 993
Training	33 463	31 178
Travel - local	5 327	13 117
Travel - overseas	2 617	24 679
Utilities	624 281	515 776
Lease rentals on operating lease	61 735	57 587
ME - charges	13 040	15 187
Incident management fund	40 304	41 273
Other expenses	604 855	631 433
	2 904 655	3 348 385

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

- 3 655

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39. FAIR VALUE ADJUSTMENTS		
Other financial assets		
• Sinking fund	351 736	365 504
• Interest rate swap	4 018	20 283
• Other financial assets at fair value through profit or loss	21 362	-
	377 116	385 787
40. CASH GENERATED FROM OPERATIONS		
Surplus	1 436 275	1 472 111
Adjustments for:		
Depreciation and amortisation	1 757 823	1 834 054
Public contributions, Donated and contributed property	(97 578)	(194 632)
Fair value adjustments	(377 116)	(385 787)
Reversal of Impairment	(29 825)	(31 315)
Finance costs: liabilities from MEs	9 240	7 695
Allowance for impairment of current receivables	713 186	713 688
Impairment in MOE investments	102 312	434 643
loss/gain on sale of Assets	41 277	237 593
Retirement benefits net expenses	61 959	(38 658)
Changes in working capital:		
Inventories	35 353	(60 103)
Receivables	(733 671)	(794 489)
Adjustment of impairment of current receivable	(713 186)	(713 688)
Trade and other Payables	(972 830)	1 176 893
VAT	(39 429)	112 592
Unspent conditional grants and receipts	109 824	189 701
Increase/(Decrease) in Loan to MEs	-	(91 287)
Increase/(Decrease) in deferred income	2 782	707
Increase/(Decrease) in Provision	21 078	19 169
Increase/(Decrease) in Consumer deposits	663	(1 472)
	1 328 137	3 887 415

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41. COMMITMENTS

Commitments in respect of capital expenditure:

Contracted for

• Capital Commitments	1 601 672	2 889 536
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Operating leases - as lessee (Fleet)

Minimum lease payments due

- within one year	145 272	106 665
- in second to fifth year inclusive	5 419	46 509
	150 691	153 174

Operating leases – as lessee (Buildings)

Minimum lease payments due

- within one year	7 055	30 100
- in second to fifth year inclusive	9 774	2 187
- later than five years	1 489	1 742
	18 318	34 029

Lease payments made throughout the year by respective Departments are included in the Statement of Financial Performance under General Expenses, refer to Note 38.

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

Operating leases – Land (Soccer City)

Minimum lease payments due

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

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42. CONTINGENCIES

Controlling entity

Uninsured claims & litigations

1. Claim for damages for R10 000 000 in respect of relocation of homeless people. The plaintiff sued the City of Johannesburg allegedly because the City of Johannesburg relocated homeless people onto the defendant's property without its consent, making it impossible for him to develop the property.
2. The plaintiff instituted action against the City of Johannesburg for wrongful termination of contract. It sought relief two fold, to uphold the contract, alternatively damages in the sum of R33 150 639. The matter was referred to arbitration; the plaintiff is however refusing to sign the arbitration agreement. The City is prepared to proceed with the arbitration however the plaintiff has not taken any further steps.
3. Claim for breach in the amount of R6 289 510 for allegedly failing to provide sufficient electricity for development after rezoning a property. Claim is defended on the basis that sufficient electricity is available and Plaintiff was aware of available supply.
4. The claim of R 17 000 000 relates to alleged damages for loss of amenity due to COJ approving certain land uses adjacent to the plaintiff's property.
5. Claim against the COJ for an amount of R5 200 000 relating to an overrun of costs emanating from a contract for the upgrade of the Johannesburg Central Library
6. Action against the COJ to repay an amount of R4 581 459 which money was irregular in terms of Supply Chain Management process but was ratified by council. The amount was spent in the launching of the Soweto theatre. A rule 30 application was heard on 5 Aug 2016 and Judgment was reserved. Awaiting the Registrar to give us the date of Judgment.
7. Claim of R 17 830 000 relating to loss of profit as a result of alleged diversion/permanent closure of a road next to the plaintiff's filling station. The City 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.
8. Claim for R 1 401 738 for monies to be paid by City for tickets. The plaintiff is a ticket vendor hence claiming the loss of business. The City does not deny the money for the ticket but has an issue with the claim for loss of business by the plaintiff.
9. The claim of R19 500 000 relates to damages suffered by the plaintiff arising from the COJ not following proper procurement process contract between second defend. The City is required to prove the existence of such contract. The City is awaiting a copy of such contract from Group Head: Revenue.
10. Claim amounting to approximately R3 000 000 for damages arising out of work done but not paid for. Negotiations are on-going.
11. A claim for damages against the City where the Plaintiff alleges that when the City implemented Rea Vaya system in Soweto, they permanently closed caused highway or portions thereof and/or diverted traffic in so doing caused the plaintiff to suffer damages in the amount of R17 589 910.
12. 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. Value: R21 958 709

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42. CONTINGENCIES (continued)

13. Developmentnomics (Pty) Ltd Claim against CoJ for an amount of R2 640 419 Plaintiff claims to have suffered damages to the extent of lost income for the full duration of the agreement concluded with the City.
14. 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.
15. On 12 December 2016 COJ received Notice of Motion instituted by MVS, in terms of which Moving Violations Systems (MVS) is claiming payment of R8 086 770 (VAT inclusive) for services rendered to the COJ. COJ is yet to file its notice to oppose.
16. Fundi Communications claim against COJ for an amount of R952 126 for services rendered
17. Claims for Maintenance of Rea Vaya IT infrastructure of R 11 428 533. Matter is still being defended.3

Contingent assets

1. Claim for R20 000 000 instituted by the COJ and Bus Operating Company and others against an attorney who misappropriated money to be used by the operators to invest in BOC.
2. Claim for R1 698 400 relating to summons issued against Graffiti Impact. The defendant has raised an issue that the City is not entitled to that money and has asked the court to declare that section of the By-Laws to be null and void. A consultation has been scheduled with the junior and senior counsel to prepare a replication.
3. Security cost claim against William James Kirk of R 500 000. The matter is at the pleading stage.

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43. PRIOR PERIOD ERRORS

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

Statement of Financial Position	Note	As previously reported	Reclassification	Correction of errors	Restated
	R '000	R '000	R '000	R '000	R '000
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	(541 687)	3 848 348
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)	-	155 667	(11 064 718)
CJMM - Other		6 832 244	-	(21 027)	6 811 217
CJMM - Accumulated Surplus-2014/15 Opening Balance	-	(28 223 680)	-	264 072	(27 959 608)
		9 281 904	-	(257 652)	9 024 252

Statement of financial performance	Note	As previously reported	Reclassification	Correction of errors	Restated
	R '000	R '000	R '000	R '000	R '000
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	125 078	3 348 448
CJMM - Other		(7 571 110)	-	31 533	(7 539 577)
		(2 756 650)	-	257 652	(2 498 998)

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

Management provides explanations for prior period adjustments which are considered material

Receivable from exchange transactions

The restatement of R370m is as a result of the adjustment of debtors incorrectly accounted for in the prior year resulting in an overstatement. R43m relates to the adjustment of an error resulting from the incorrect data used to calculate the straightlining of operating lease income. R106m relates to the reversal of a provision for bad debts incorrectly accounted for in the previous period

Property plant and equipment

The error in PPE resulted from the capitalisation of a component of vehicles that were not previously capitalised. Intangible assets and General expenses

Intangible assets and General expenses

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

Trade and other payables, Contracted Services

The R34m is as a result of the retrospective adjustment for accruals not accounted for in the previous financial period

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44. 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 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

The Risk Management Framework serve to raise awareness, inform and guide the Group on its approved approach to risk management. The framework, which is reviewed on a continuous basis in line with best market practices, seeks to assist the Group in the effective identification, evaluation and control of financial risks that may impact upon the realization of corporate, mayoral and service delivery objectives and priorities that the Group has set itself to achieve.

Council, through the 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 minimize potential adverse effects on the CJMM's financial performance. The group recognises that an effective risk management function is fundamental to its business. Risk awareness, control and compliance are embedded in Treasury's day-to-day activities.

The CJMM's Treasury unit reports its risk management activities to Mayoral, Council and 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 short term obligations 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 the fall due.

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44. RISK MANAGEMENT (continued)

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

Long-term liquidity risks arising from capital project initiatives are managed through issuance of long-term debt in the form of COJ bonds or long term loans or a combination of the two.

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 March 2017:

Details	Approved Funding R'000	Total Utilised R'000	Available for use R'000
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: i) General Banking Facilities (overdraft) and ii) Commercial Paper Issuance. CJMM's Treasury ensures that all short term facilities utilized within the financial year are paid before the end of the financial year in Compliance 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 spreading liability obligations.

Funding Debt Maturities

The Group funds its coupon, interest and capital payments for all liabilities, other than bonds, from a Contingency Reserve Fund (CRF). Operational surpluses generated by the City are channeled into the CRF. Capital redemptions for bonds are funded from the Sinking Fund. The CJMM's annual budget contains provisions for coupon, interest and capital payments. In line with GRAP 104, the tables below show CJMM's contractual maturity analysis of its interest rate swap and non-derivative financial liability.

Swap Redemption Analysis

Instrument	Maturity date	Due in 2017/18						
INTEREST RATE SWAP R1bn Loan	29-Mar-18	14 584	-	-	-	-	-	-

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

Class	Balance	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Floating Rate Loans		1 114	68 386	65 111	57 528	55 000	14 628
Fixed Rate Loans	1	2 148	490 562	566 912	1 462	658 117	29 109
		-	-	-	-	-	-

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44. RISK MANAGEMENT (continued)

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	2 560	-	-	-	-	-
Short Term Investments	4 983	-	-	-	-	-
	-	-	-	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the CJMM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimising the CJMM's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

Interest rate risk

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

Interest Rate Fair Value Sensitivity Analysis for Floating Rate Liabilities

The fair values of the CJMM's floating rate liability portfolio are sensitive to interest rate changes. The fair values of these liabilities are based on projected cash flows calculated using market projected forward rates. The projected cash flows are then discounted using market implied discount factors. The table below shows how the fair values of floating rate liabilities change on the basis of the following assumptions:

- The base case interest rate is at current levels (0%)
- A range of values between two upward percent and one downward percent movement point in interest rates. Management generally expects interest rates to rise in the future.

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

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	2%
Floating Rate Loans	18 220 511	1 820 511	1 812 799	182 020 51	1 828 152	1 835 724	1 843 228	1 850 666

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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44. RISK MANAGEMENT (continued)

Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	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	
						-	-	-	-	-	-	-	-
						3 197	3 235	3 274	3 312	3 350	3 388	3 426	
						3 121	3 156	3 190	3 225	3 259	3 293	3 327	
						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	
						-	-	-	-	-	-	-	-
						25 881	26 625	27 369	28 113	28 857	29 601	30 344	
						25 465	26 190	26 915	27 639	28 364	29 089	29 813	
						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	37 343	
						-	-	-	-	-	-	-	-
						30 577	31 432	32 288	33 143	33 999	34 854	35 709	
						30 065	30 897	31 728	32 560	33 392	34 224	35 056	
						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 less 0.35%	Floating	9 611	9 657	9 702	9 747	9 792	9 838	9 883	
						-	-	-	-	-	-	-	-
						9 468	9 502	9 536	9 570	9 604	9 638	9 672	
						9 328	9 351	9 373	9 395	9 418	9 440	9 463	
						9 199	9 211	9 222	9 234	9 245	9 257	9 268	
-	-	-	-	-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	

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44. RISK MANAGEMENT (continued)

		-					-	-	-	-	-	-	-
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-17			3 300	3 316	3 333	3 350	3 366	3 383	3 400
		-		31-Mar-18			3 300	3 316	3 333	3 350	3 366	3 383	3 400
		-		30-Jun-18			3 300	3 316	3 333	3 350	3 366	3 383	3 400
		-					-	-	-	-	-	-	-

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44. RISK MANAGEMENT (continued)

Swap Cashflow Sensitivity

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

- The base case interest rate is at current levels (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 Sep17	(6 885)	(6 885)	(6 885)	(6 885)	(6 885)	(6 843)	(6 885)
29-Sep-17	(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 onepercent upward and one percent downward movement in interest rates.

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

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

City of Johannesburg Metropolitan Municipality

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44. RISK MANAGEMENT (continued)

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 Cashflow, 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.

COUNTERPARTY CLASS	Approved Limit	Operational				Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Term Deposits					
Domestic Banks	4 825	1 723 253	4 983	-	-	1 728 234	3 096 764	36 %
International Banks	1 050	2 473	-	-	-	2 473	1 047 527	- %
Public Sector Asset management firms	1 200	3 230	-	-	-	3 230	1 196 770	- %
	4 600	830 668	-	-	-	830 668	3 769 332	18 %
	11 675	2 559 624	4 983	-	-	2 564 605	9 110 393	22 %

Portfolio 2

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44. RISK MANAGEMENT (continued)

Introduction and overview

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

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

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

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

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

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

Risk Management Framework

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

The Fund's investment manager has been given a discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the Fund's risk management framework is monitored quarterly by the Fund's Risk Committee which is chaired by the City Treasurer. Other committee members include senior treasury officials and the investment management team. Overall governance is monitored by the CJMM's 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 counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from derivative financial assets, cash and cash equivalents, balances due from agencies and receivables from reverse repurchase agreements.

Management of credit risk

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

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

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

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

Exposure to credit risk

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44. RISK MANAGEMENT (continued)

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 the following credit quality:

Instrument Type	Fair Value
Bonds	1 182 192
Bond Repos	188 079
FRN	805 360
FRA	(5 987)
Bond options	-
Cash	166 677
Cash Collateral	(91 579)
NCD	512 155
Swaps	5 871
Promisory 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 ALCO. Six months prior to any CJMM upcoming bond redemptions, the liquidity of the Fund is assessed in relation to the required redemption amount and necessary measures to meet the obligations are undertaken if necessary.

Maturity analysis for financial instruments

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

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

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	-	-

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44. RISK MANAGEMENT (continued)

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRA Assets	3 773	3 773	529	-	-	-	-

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
FRA Assets	3 773	3 373	-	-	-	-	-
FRA Liabilities	(9 760)	(9 760)	-	-	-	(9 760)	-
	(5 987)	(6 387)	-	-	-	(9 760)	-

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Swap Assets	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)
	220 032	2 110	34 159	3 068	148 458	(8 171)	40 410

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
Cash collateral assets	17 485	17 484	-	-	-	-	-
Cash Collateral Liabilities	(109 064)	(109 064)	-	-	-	-	-
	(91 579)	(91 580)	-	-	-	-	-

Class	Trade NPV (Today)	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Bond Repos Asset	188 081	188 081	-	-	-	-	-
Bond Repos Liabilities	(1 590)	(1 590)	-	-	-	-	-
	188 081	186 491	-	-	-	-	-

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
NCDs Assets	512 155	-	-	-	-	-	-
	512 155	-	-	-	-	-	-

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44. RISK MANAGEMENT (continued)

Market Risk

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

Management of market risk

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

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

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

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

Interest rate risk sensitivity analysis

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

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

Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000s -1%	R'000s -0.5%	R'000s 0	R'000s 0.5%	R'000s 1%	R'000s 1.5%	R'000s 2%
Bonds	1 182 431	1 212 462	1 182 192	1 152 804	1 121 266	1 096 549	1 096 627
Bonds Repos	188 115	188 093	188 079	188 066	188 052	188 038	188 024
FRN	806 750	805 918	805 360	804 803	804 248	803 694	803 141
FRA	(9 690)	(9 614)	(5 987)	(2 384)	1 196	4 752	8 286
IRS	209 307	254 829	220 034	186 282	153 555	121 808	90 998
ABSA Cal	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.

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44. RISK MANAGEMENT (continued)

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.

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.

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44. RISK MANAGEMENT (continued)

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

30 June 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Bonds	1 182 192	-	-	1 182 192
SBK Collateral	17 485	-	-	17 485
Bond Repos	-	188 080	-	188 080
Floating Rate Notes	-	512 155	-	512 155
Forward Rate Agreements	-	(5 987)	-	(5 987)
Interest Rate Swaps	-	220 034	-	220 034
Nedbank collateral	109 064	-	-	109 064
Current account	166 677	-	-	166 677
	1 475 418	914 282	-	2 389 700

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45. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Opening balance	4 474	2 351
Fruitless and wasteful expenditure current year	869	2 248
Approved by Council or condoned	-	(125)
Transfer to other debtors for verification	5 343	4 474

2017

Interest charged on late payment of Eskom account

Group Corporate and Shared Services - R35 255

Housing - R721 820

Social Development - R106 549

JMPD - R2 274

Interest charged on late payment of Telkom account

JMPD - R2 922

2016

GCSS

An amount of R129 836 is for interest charged on late payment of medical accounts for Compensation of Occupational

Injuries and Diseases claims

Housing Department

An amount of R 28 705 relates to interest charged on Eskom account.

An amount of R 2 998 relates to Interest on Neotel account.

An amount of R 878 is in respect of Interest on Growthpoint Account.

An amount of R2 053 343 is for interest on court judgement granted against the City.

Social development

An amount R 32 510 relates to Interest charged on Eskom Account.

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46. IRREGULAR EXPENDITURE		
Reconciliation of irregular expenditure		
Opening balance	1 150 022	994 133
Irregular expenditure current year	489 125	155 889
Transfer to receivables for recovery	-	-
	1 639 147	1 150 022
Irregular Expenditure current year movement		
Contracts identified as irregular	485 472	105 255
Splitting of orders, quotes, invoices	60	11 470
MBD forms not submitted	-	10 158
Poor performance, BEE certificate, tax invoice, tax clearance - not submitted, not original or invalid	-	12 249
Non-compliance with section 29(1) of the SCM policy and section 112 of the MFMA, preferential procurement reg 9 and National treasury instructions	-	16 651
Awards to persons in service of state	79	106
Non-Compliance with SCM policies	1 382	-
	486 993	155 889

Non-compliance with section 116 of MFMA: Contracts

Contract was extended without complying with the provisions of section 116 of the MFMA in respect of contract extension.

Non-compliance with Circular 62 of the MFMA: Contracts

In terms of Circular 62, contracts may be expanded or varied by not more than 15% for all other goods and/or services of the original value of the

Splitting of purchase orders:

Goods procured through in an incorrect process by splitting the purchase orders to be below the R30K.

MBD Forms:

Required forms not submitted for awards granted.

BEE certificates, tax invoices:

All these documents were either not submitted, not original or the entity awarded the contract was not in possession of a valid one.

Non-compliance with normal SCM policies:

Goods or services procured without following SCM processes in the form of; not obtaining required authorisation from delegated authority, non-solicitation of required quotes, non/late submission of required documentations.

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Figures in Rand thousand	2017	2016
47. UNAUTHORISED EXPENDITURE		
Reconciliation of unauthorised expenditure		
Opening balance	3 417 609	2 725 022
Unauthorised expenditure current year	119 386	692 587
	3 536 995	3 417 609

2017

2016

The year-to-date expenditure is over budget and is mainly due to the following reasons:

Opex overspending
Group finance - R587 003 000
Health - R31 519 000
Emergency Services - R7 295 000

Capex Overspending
Transportation - R66 770 000

As part of the unauthorised expenditure in the current year relates to non cash item i.e. Depreciation

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48. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Contributions to organised local government		
Council subscriptions	11 923	11 329
Amount paid - current year	(11 923)	(11 329)
	-	-
Skills development levy		
Opening balance	3 672	3 449
Current year subscription / fee	47 466	44 414
Amount paid - current year	(43 526)	(40 742)
Amount paid - previous years	(3 672)	(3 449)
	3 940	3 672
Audit fees		
Opening balance	2 080	2 291
Current year audit fee	22 067	19 700
Amount paid - current year	(23 304)	(19 911)
	843	2 080
PAYE and UIF		
Opening balance	65 348	59 659
Current year payroll deductions	872 109	793 473
Amount paid - current year	(799 703)	(728 125)
Amount paid - previous years	(65 348)	(59 659)
	72 406	65 348
Pension and Medical Aid Deductions		
Opening balance	111 542	60 927
Current year payroll deductions and council contributions	1 538 413	1 390 188
Amount paid - current year	(1 416 658)	(1 278 646)
Amount paid - previous years	(111 542)	(60 927)
	121 755	111 542
VAT		
VAT receivable	211 173	171 744

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

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

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2016

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 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 N	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 S N M	1 607	1 412	3 019
Madisakoane S	998	2 655	3 653
Dewes D	7 891	283 482	291 373
Damme J S	4 875	19 685	24 560
Damme B H	2 443	558	3 001
Mulauzi M S	681	88	769
Maisha N P	363	148	511
Netnown 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 GT	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	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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48. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

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

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

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

Name of the person (Service of the State)	Capacity	Name of the person/company award	Name of company	Amount in Rands
				-
				-
				-
				-
				-
				-
Moleboge Motsoetla	Perm (Health)	Oupa Ephraim Motsoetla	RebaHloniPhi Pty Ttd	158 890
Juliet Simango	Operational Manager(Super visor)	Raul Mosse	Siyakwe General Works	69 248

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2016

50. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Departments	Quotations / Contracts	Approval / Ratifications	Total
Economic Development(DED)	95 760	-	95 760
Housing Department	164 593	-	164 593
Health Department	6 535 280	-	6 535 280
Office of the Speaker	-	100 092	100 092
Group Corporate Shared Services (GCSS)	348 535 139	-	348 535 139
Group Marketing and Communications	4 861 516	-	4 861 516
Group Finance	2 700 000	20 247 009	22 947 009
Johannesburg Metro Police Department (JMPD)	340 000	-	340 000
Group Legal and contracts	1 200 000	-	1 200 000
	364 432 288	20 347 101	384 779 389

Quotation/Contracts

This relates to deviations from normal procurement processes that require at least 3 quotations to be solicited or where a panel exists then quotations from all listed suppliers under the panel should be solicited. Contracts relate to deviations where value exceeds R200 000 and thus requires a contract to be in place, the department or entities deviated from normal procurement processes.

Approvals

This relates to deviations that require ratification where normal procurement processes were followed but issues were experienced elsewhere such as managerial signatures, paperwork, supplier let downs

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51. HEDGING ACTIVITIES

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

Swap Details

Trade Date :	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1 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
Fair value movement - SWAP	(3 984)	(14 200)
	1 386	5 370
Interest expense recognised in the statement of financial performance during the financial period	13 977	21 868

Note that the SWAP value represents the clean fair value as at 30 June 2017 (All inclusive price less any SWAP interest accrual outstanding)

City of Johannesburg Metropolitan Municipality

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52. CHANGE IN ESTIMATE

Property, plant and equipment

Property rates and Taxes

The change in estimate amount included in revenue are due to changes in property values, implementation of appeal board decisions, property subdivisions and consolidation and property categories

The change in estimates for Property Rates and Taxes amounted to R 455 303 (2016: R 129 114)

Traffic Fines

The amount relates to traffic fines previously accounted for as invalid due to them not being posted to the traffic offenders within the prescribed period however subsequently collected by JMPD.

The change in estimates for fines amounted to R 22 458 678 (2016: R 32 233 380)

City of Johannesburg Metropolitan Municipality

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53. RELATED PARTIES

Relationships

Controlling entity	City of Johannesburg Metropolitan Municipality
Other members of the group	Johannesburg City Parks Johannesburg Metropolitan Bus Services (Pty) Ltd Johannesburg Social Housing Company (Pty) Ltd City Power Johannesburg (Pty) Ltd Johannesburg Development Agency (Pty) Ltd Johannesburg Roads Agency (Pty) Ltd Johannesburg Water (Pty) Ltd The Johannesburg Civic Theatre (Pty) Ltd The Johannesburg Fresh Produce Market (Pty) Ltd Pikitup Johannesburg (Pty) Ltd City of Johannesburg Property Company (Pty) Ltd Johannesburg Metro Trading Company (Pty) Ltd Golden Triangle Development Company (Pty) Ltd
Joint ventures	

Related party balances

Amounts included in Loans,

Trade and other receivables regarding related parties

City Power Johannesburg (Pty) Ltd	3 995 692	4 190 326
City of Johannesburg Property Company (Pty) Ltd	345 920	69 494
Johannesburg City Parks	46 320	-
Johannesburg Development Agency (Pty) Ltd	345 868	145 327
Johannesburg Metropolitan Bus Services (Pty) Ltd	863 150	799 629
Johannesburg Roads Agency (Pty) Ltd	77 567	82 937
Johannesburg Social Housing Company (Pty) Ltd	33 082	29 976
Johannesburg Water (Pty) Ltd	4 712 898	4 626 541
Metropolitan Trading Company (Pty) Ltd	1 431 102	1 311 889
Pikitup Johannesburg (Pty) Ltd	1 008 571	879 253
The Johannesburg Civic Theatre (Pty) Ltd	933	401
The Johannesburg Fresh Produce Market (Pty) Ltd	59 141	76 537
	12 920 244	12 212 310

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

53. RELATED PARTIES (continued)

Amounts included in Loans,

Trade and other payables regarding related parties

City Power Johannesburg (Pty) Ltd	682 981	2 394 166
City of Johannesburg Property Company (Pty) Ltd	595 963	139 879
Johannesburg City Parks	698 021	652 479
Johannesburg Development Agency (Pty) Ltd	1 092 046	856 119
Johannesburg Metropolitan Bus Services (Pty) Ltd	49 484	217 487
Johannesburg Roads Agency (Pty) Ltd	987 050	840 174
Johannesburg Social Housing Company (Pty) Ltd	248 009	322 356
Johannesburg Water (Pty) Ltd	357 527	581 734
Metropolitan Trading Company (Pty) Ltd	294 313	24 775
Pikitup Johannesburg (Pty) Ltd	1 184 256	914 078
The Johannesburg Civic Theatre (Pty) Ltd	2 168	18 437
The Johannesburg Fresh Produce Market (Pty) Ltd	82 161	65 777
	6 273 979	7 027 461

Related party transactions

Revenue from related parties

City Power Johannesburg (Pty) Ltd	494 140	506 146
City of Johannesburg Property Company (Pty) Ltd	11 225	5 940
Johannesburg City Parks	7 745	16 009
Johannesburg Development Agency (Pty) Ltd	30 718	8 855
Johannesburg Metropolitan Bus Services (Pty) Ltd	74 451	40 042
Johannesburg Roads Agency (Pty) Ltd	8 862	24 037
Johannesburg Social Housing Company (Pty) Ltd	921	1 264
Johannesburg Water (Pty) Ltd	553 143	237 427
Metropolitan Trading Company (Pty) Ltd	118 581	91 287
Pikitup Johannesburg (Pty) Ltd	77 348	68 070
The Johannesburg Civic Theatre (Pty) Ltd	672	412
The Johannesburg Fresh Produce Market (Pty) Ltd	7 305	10 829
	1 385 111	1 010 318

Operating Expenditure

City Power Johannesburg (Pty) Ltd	153 472	203 643
City of Johannesburg Property Company (Pty) Ltd	648 510	425 602
Johannesburg City Parks	753 755	764 118
Johannesburg Development Agency (Pty) Ltd	27 441	22 382
Johannesburg Metropolitan Bus Services (Pty) Ltd	508 824	434 580
Johannesburg Roads Agency (Pty) Ltd	845 132	795 150
Johannesburg Social Housing Company (Pty) Ltd	19 119	23 541
Johannesburg Water (Pty) Ltd	276 986	260 406
Metropolitan Trading Company (Pty) Ltd	251 933	105 931
Pikitup Johannesburg (Pty) Ltd	748 012	703 256
The Johannesburg Civic Theatre (Pty) Ltd	115 944	99 063
The Johannesburg Fresh Produce Market (Pty) Ltd	12 566	18 730
	4 361 694	3 856 402

Commitments

Johannesburg Development Agency (Pty) Ltd	264 046	1 137 800
Johannesburg City Parks & Zoo	49 239	66 899
Johannesburg property Company (Pty) Ltd	-	8 717
Johannesburg Roads Agency (Pty) Ltd	3 263	-
	-	716
	316 548	1 214 132

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53. RELATED PARTIES (continued)

These commitments with related parties are also included in note 43

54. LOANS FROM ME'S

Non-current liabilities	418 320	412 990
Current liabilities	-	-
	418 320	412 990

Notional Accounts

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

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

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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55. OPERATING LEASE (LESSOR)

Minimum Lease Payments due

Within one year	14 851	15 292
In second to fifth year	55 818	59 185
Later than five years	159 495	170 705
	230 164	245 182

The rental income is in relation to the leasing of properties with an average escalation of 4,4% per annum.

56. 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.

Opening Balance	46 858	15 664
Current year losses	24 948	31 194
	71 806	46 858