



CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY  
GROUP ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## General Information

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### MAYORAL COMMITTEE

Executive Mayor

Councillors

Herman Mashaba

Vasco da Gama (Speaker of Council)

Richard Ngobeni (Finance)

Leah Knott (Economic Development)

Reuben Masango (Development Planning and Urban Management)

Nonhlanhla Helen Makhuba (Transportation)

Nico De Jager (Environment and Infrastructure Services)

Dr Mpho Phalatse (Health and Social Development)

Dr Valencia Ntombi Khumalo (Corporate and Shared Services)

Michael Sun (Public Safety)

Nonhlanhla Sifumba (Community Development)

Meshack Van Wyk (Housing)

Dr Kevin Wax (Chief Whip)

Alex Christians (Chair of Chairpersons)

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## General Information

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### GRADING OF LOCAL AUTHORITY

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

### CITY MANAGER

Dr Ndivhoniswani Lukhwareni

### ACTING CHIEF FINANCIAL OFFICER

Charity-Ann Wurayayi

### REGISTERED OFFICE

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

### POSTAL ADDRESS

P O Box 1049  
Johannesburg  
2000

### PRIMARY BANKER

Standard Bank

### AUDITORS

The Office of the Auditor-General : Gauteng  
Registered Auditors  
39 Scott Street  
Bramley  
2090  
PO Box 91081  
Auckland Park  
2006

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

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### ABBREVIATIONS

AARTO	Administrative Adjudication of Road Traffic Offences
AUC	Assets Under Construction
CJMM	City of Johannesburg Metropolitan Municipality (CORE)
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
EPWP	Expanded Public Works Program
FRA	Forward Rate Agreement
FRN	Floating Rate Note
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IRS	Interest Rate Swap
JDA	Johannesburg Development Agency
JIBAR	Johannesburg Interbank Average Rate
JPC	Johannesburg Property Company
JFPM	Johannesburg Fresh Produce Market
JRA	Johannesburg Roads Agency
CJMM	City of Johannesburg Metropolitan Municipality
MBUS	Metrobus
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MTC	Metropolitan Trading Company
NPV	Net Present Value
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
RMB	Rand Merchant Bank
SARS	South Africa Revenue Services
SCM	Supply Chain Management
SOC	State Owned Company
SPTN	Single Public Transport Network
STD	Standard Bank
TCTA	Trans-Caledon Tunnel Authority

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

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UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
VAT	Value Added Taxation

# **City of Johannesburg Metropolitan Municipality**

Group Annual Financial Statements for the year ended June 30, 2018

## **City Manager's approval of the Group Annual Financial Statements**

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

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

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**Accounting Officer**  
**Dr Ndivhoniswani Lukhwareni**

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**Date**

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Statement of Financial Position as at June 30, 2018

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2018	2017 Restated*	2018	2017 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	303,474	319,622	78,040	84,334
Loans to Municipal entities	4	-	-	841,658	1,043,145
Other financial assets	5	16,101	18,576	16,101	18,576
Current tax receivable		16,254	19,255	-	-
Finance lease receivables	6	-	-	105,200	81,102
Receivables from exchange transactions	7	1,037,817	1,595,203	6,711,104	5,023,876
Receivables from non-exchange transactions	8	535,507	656,196	352,529	410,234
VAT receivable	9	595,229	322,442	420,702	211,173
Consumer debtors	10	5,866,774	4,483,072	885,984	725,823
Financial assets at fair value - Sinking fund	11	784,006	1,530,491	784,006	1,530,491
Cash and cash equivalents	12	2,239,861	3,095,910	1,821,806	2,781,090
		<b>11,395,023</b>	<b>12,040,767</b>	<b>12,017,130</b>	<b>11,909,844</b>
<b>Non-Current Assets</b>					
Zoo animals	13	26,860	26,736	-	-
Investment property	14	1,000,544	1,015,368	1,000,144	1,014,946
Property, plant and equipment	15	67,995,767	64,760,373	40,837,280	38,790,851
Intangible assets	16	916,732	823,444	480,427	317,744
Heritage assets	17	581,923	581,923	580,330	580,330
Investments in Municipal entities	18	-	-	628,500	596,356
Investment in Joint Ventures	19	24,044	33,087	-	-
Investment in Associate	20	16,240	15,602	-	-
Loans to Municipal entities	4	-	-	6,387,712	6,743,942
Other financial assets	5	68,454	55,768	68,454	55,768
Deferred tax	21	1,105,562	705,388	-	-
Finance lease receivables	6	-	-	132,362	226,716
Financial assets at fair value - Sinking fund	11	2,052,797	2,268,902	2,052,797	2,268,902
		<b>73,788,923</b>	<b>70,286,591</b>	<b>52,168,006</b>	<b>50,595,555</b>
<b>Total Assets</b>		<b>85,183,946</b>	<b>82,327,358</b>	<b>64,185,136</b>	<b>62,505,399</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Statement of Financial Position as at June 30, 2018

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2018	2017 Restated*	2018	2017 Restated*
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Loans and borrowings	22	761,803	3,255,769	760,928	3,254,963
Current tax payable		296,274	516,750	-	-
Finance lease obligations	23	44,102	51,207	38,274	44,605
Financial liabilities at fair value - Sinking fund	29	156,219	150,387	156,219	150,387
Payables from exchange transactions	24	12,339,482	12,142,122	11,010,393	9,944,044
VAT payable	9	444,016	258,677	-	-
Unspent conditional grants and receipts	25	202,486	519,860	201,572	518,946
Provisions	26	285,027	272,378	-	-
Deferred income	28	1,459	4,418	-	-
Other financial liabilities at fair value - Swap	30	-	14,060	-	14,060
Consumer deposits	31	52,541	45,243	-	-
		<b>14,583,409</b>	<b>17,230,871</b>	<b>12,167,386</b>	<b>13,927,005</b>
<b>Non-Current Liabilities</b>					
Loans from Municipal entities	32	-	-	426,338	418,320
Loans and borrowings	22	19,144,526	16,855,880	19,130,295	16,840,775
Finance lease obligations	23	118,733	154,120	113,039	150,710
Financial liabilities at fair value - Sinking fund	29	450,398	672,074	450,398	672,074
Employee benefits obligations	27	1,377,240	1,526,221	1,076,024	1,205,441
Unspent conditional grants and receipts	25	84,669	102,810	-	-
Deferred tax	21	3,068,528	2,469,982	-	-
Provisions	26	742,908	663,145	123,695	112,594
Deferred income	28	64,332	49,126	64,332	49,126
Consumer deposits	31	900,277	840,870	16,748	16,479
		<b>25,951,611</b>	<b>23,334,228</b>	<b>21,400,869</b>	<b>19,465,519</b>
<b>Total Liabilities</b>		<b>40,535,020</b>	<b>40,565,099</b>	<b>33,568,255</b>	<b>33,392,524</b>
<b>Net Assets</b>		<b>44,648,926</b>	<b>41,762,259</b>	<b>30,616,881</b>	<b>29,112,875</b>
Reserves					
Cash flow hedging reserve		-	(1,386)	-	(1,386)
Accumulated surplus		44,648,926	41,763,645	30,616,881	29,114,261
<b>Total Net Assets</b>		<b>44,648,926</b>	<b>41,762,259</b>	<b>30,616,881</b>	<b>29,112,875</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Statement of Financial Performance

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2018	2017 Restated*	2018	2017 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Rendering of services	34	25,430,502	24,681,213	523,237	462,683
Rental of facilities and equipment		307,506	294,181	130,083	129,296
Agency services		658,459	602,035	242,068	236,778
Other revenue	33	783,913	733,570	867,487	693,128
Finance Income		715,421	608,738	1,506,203	1,374,455
Reversal of impairment		1,768	-	29,007	29,825
Fair value adjustments	45	210,257	377,220	210,257	377,116
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	19&20	1,144	158	-	-
<b>Total revenue from exchange transactions</b>		<b>28,108,970</b>	<b>27,297,115</b>	<b>3,508,342</b>	<b>3,303,281</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	35	9,110,560	7,912,381	9,110,560	7,912,381
<b>Transfer revenue</b>					
Government grants and subsidies	36	9,771,313	9,464,674	9,206,115	9,094,055
Levies		296,137	270,384	-	-
Public contributions, donated and contributed property, plant and equipment		421,089	417,174	3,612	97,578
Fines, Penalties and Forfeits		211,547	239,806	211,547	239,806
<b>Total revenue from non-exchange transactions</b>		<b>19,810,646</b>	<b>18,304,419</b>	<b>18,531,834</b>	<b>17,343,820</b>
<b>Total revenue</b>		<b>47,919,616</b>	<b>45,601,534</b>	<b>22,040,176</b>	<b>20,647,101</b>
<b>Expenditure</b>					
Employee related costs	37	(11,031,408)	(10,255,081)	(6,146,101)	(5,632,814)
Remuneration of councillors	38	(156,206)	(139,593)	(156,206)	(139,593)
Depreciation and amortisation	39	(3,150,045)	(2,998,824)	(2,031,792)	(1,882,509)
Impairment losses	40	(34,385)	(48,681)	(67,622)	(102,312)
Finance costs		(2,552,507)	(2,421,815)	(2,631,348)	(2,464,375)
Debt impairment	41	(3,252,433)	(3,892,594)	(866,965)	(1,011,393)
Bulk purchases	42	(15,196,616)	(14,978,933)	-	-
Lease rentals on operating lease		(1,122,002)	(1,228,385)	(262,697)	(308,633)
Grants and subsidies paid	43	(289,336)	(500,747)	(3,684,590)	(3,874,419)
Loss on disposal of assets and liabilities		(306,157)	(74,186)	(292,851)	(41,223)
General expenses	44	(7,686,312)	(7,799,444)	(4,397,384)	(4,140,350)
<b>Total expenditure</b>		<b>(44,777,407)</b>	<b>(44,338,283)</b>	<b>(20,537,556)</b>	<b>(19,597,621)</b>
<b>Surplus before taxation</b>		<b>3,142,209</b>	<b>1,263,251</b>	<b>1,502,620</b>	<b>1,049,480</b>
Taxation	62	(256,928)	109,549	-	-
<b>Surplus for the year</b>		<b>2,885,281</b>	<b>1,372,800</b>	<b>1,502,620</b>	<b>1,049,480</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
<b>GROUP</b>				
<b>Balance at July 1, 2016- Restated</b>		<b>(5,370)</b>	<b>40,390,845</b>	<b>40,385,475</b>
Changes in net assets				
Amount recognised directly in net assets		3,984	-	3,984
Net revenue (expenditure) recognised directly in equity		3,984	-	3,984
Surplus for the year- Restated			1,372,800	1,372,800
Total recognised revenue and expenditure for the year		3,984	1,372,800	1,376,784
Total changes		3,984	1,372,800	1,376,784
<b>Balance at July 1, 2017</b>		<b>(1,386)</b>	<b>41,763,645</b>	<b>41,762,259</b>
Changes in net assets				
Amount recognised directly in net assets		1,386	-	1,386
Net revenue (expenditure) recognised directly in equity		1,386	-	1,386
Surplus for the year			2,885,281	2,885,281
Total recognised revenue and expenditure for the year		1,386	2,885,281	2,886,667
Total changes		1,386	2,885,281	2,886,667
<b>Balance at June 30, 2018</b>			<b>- 44,648,926</b>	<b>44,648,926</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Statement of Changes in Net Assets

	Note(s)	Cashflow hedge reserve	Accumulated surplus	Total equity
Figures in Rand thousand				
<b>CJMM</b>				
<b>Balance at July 1, 2016</b>		<b>(5,370)</b>	<b>28,064,781</b>	<b>28,059,411</b>
Changes in net assets				
Amount recognised directly in net assets		3,984	-	3,984
Net revenue (expenditure) recognised directly in equity		3,984	-	3,984
Surplus for the year			1,049,480	1,049,480
Total recognised revenue and expenditure for the year		3,984	1,049,480	1,053,464
Total changes		3,984	1,049,480	1,053,464
<b>Balance at July 1, 2017</b>		<b>(1,386)</b>	<b>29,114,261</b>	<b>29,112,875</b>
Changes in net assets				
Amount recognised directly in net assets		1,386	-	1,386
Net revenue (expenditure) recognised directly in equity		1,386	-	1,386
Surplus for the year			- 1,502,620	1,502,620
Total recognised revenue and expenditure for the year		1,386	1,502,620	1,504,006
Total changes		1,386	1,502,620	1,504,006
<b>Balance at June 30, 2018</b>		<b>- 30,616,881</b>	<b>30,616,881</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Cash Flow Statement

Figures in Rand thousand	Note(s)	GROUP		CJMM	
		2018	2017 Restated*	2018	2017 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Cash receipts from customers		32,531,214	30,336,286	9,042,069	7,197,873
Grants		9,483,984	9,568,698	8,853,572	8,992,774
Interest income		715,421	624,146	943,110	1,238,704
		<b>42,730,619</b>	<b>40,529,130</b>	<b>18,838,751</b>	<b>17,429,351</b>
<b>Payments</b>					
Cash paid to suppliers and employees		(35,058,605)	(34,565,131)	(14,055,609)	(14,982,297)
Finance costs		(2,428,408)	(2,404,884)	(2,353,710)	(2,365,105)
Taxes on surpluses		(276,031)	15,765	-	-
		<b>(37,763,044)</b>	<b>(36,954,250)</b>	<b>(16,409,319)</b>	<b>(17,347,402)</b>
<b>Net cash flows from operating activities</b>	46	<b>4,967,575</b>	<b>3,574,880</b>	<b>2,429,432</b>	<b>81,949</b>
<b>Cash flows from investing activities</b>					
Purchase of capital assets		(6,381,712)	(7,100,961)	(4,537,047)	(3,620,313)
Cash movements in sinking fund		959,473	400,000	959,473	400,000
Loans redeemed from Municipal entities		-	-	1,077,986	1,077,172
Finance lease receivables		-	-	(69,887)	68,432
Investment in Municipal entities		-	-	(32,144)	(53,814)
Other financial assets		2,475	18,092	2,475	18,092
Loans to Municipal entities		-	-	(416,704)	(1,235,108)
<b>Net cash flows from investing activities</b>		<b>(5,419,764)</b>	<b>(6,682,869)</b>	<b>(3,015,848)</b>	<b>(3,345,539)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		5,998,386	2,626,001	5,998,386	2,626,001
Liabilities from Municipal entities		-	-	(609)	(3,803)
Repayment of borrowings		(6,214,664)	(593,484)	(6,211,059)	(593,484)
Finance lease obligations		(42,492)	(52,765)	(44,002)	(51,434)
Repayment of post-retirement benefits		(145,090)	(145,618)	(115,584)	(114,655)
<b>Net cash flows from financing activities</b>		<b>(403,860)</b>	<b>1,834,134</b>	<b>(372,868)</b>	<b>1,862,625</b>
<b>Net (decrease)/increase cash and cash equivalents</b>		<b>(856,049)</b>	<b>(1,273,855)</b>	<b>(959,284)</b>	<b>(1,400,965)</b>
Cash and cash equivalents at the beginning of the year		3,095,910	4,369,765	2,781,090	4,182,055
<b>Cash and cash equivalents at the end of the year</b>	12	<b>2,239,861</b>	<b>3,095,910</b>	<b>1,821,806</b>	<b>2,781,090</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>GROUP</b>						
<b>Statement of Financial Performance</b>						
<b>REVENUE</b>						
<b>REVENUE BY SOURCE</b>						
Property rates	9,005,517	-	<b>9,005,517</b>	9,110,560	<b>105,043</b>	
Service charges	28,704,449	(926,867)	<b>27,777,582</b>	25,430,502	<b>(2,347,080)</b>	<b>1</b>
Investment revenue	569,511	1,000	<b>570,511</b>	715,427	<b>144,916</b>	<b>2</b>
Transfers recognised - operational	7,125,491	201,746	<b>7,327,237</b>	7,358,103	<b>30,866</b>	
Agency fees	700,502	-	<b>700,502</b>	658,459	<b>(42,043)</b>	
Fines	456,951	-	<b>456,951</b>	211,547	<b>(245,404)</b>	<b>3</b>
Other revenue	2,034,930	(201,952)	<b>1,832,978</b>	1,606,259	<b>(226,719)</b>	<b>4</b>
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>48,597,351</b>	<b>(926,073)</b>	<b>47,671,278</b>	<b>45,090,857</b>	<b>(2,580,421)</b>	
<b>EXPENDITURE BY TYPE</b>						
Employee costs	(11,805,746)	395,002	<b>(11,410,744)</b>	(11,031,408)	<b>379,336</b>	
Remuneration of councillors	(160,691)	-	<b>(160,691)</b>	(156,206)	<b>4,485</b>	
Debt impairment	(3,052,174)	45,634	<b>(3,006,540)</b>	(3,252,433)	<b>(245,893)</b>	
Depreciation & asset impairment	(3,983,224)	45,031	<b>(3,938,193)</b>	(3,184,430)	<b>753,763</b>	<b>5</b>
Finance charges	(2,472,088)	(21)	<b>(2,472,109)</b>	(2,552,507)	<b>(80,398)</b>	
Materials and bulk purchases	(15,380,224)	159,518	<b>(15,220,706)</b>	(15,196,616)	<b>24,090</b>	
Transfers and grants	(226,075)	(210,609)	<b>(436,684)</b>	(289,336)	<b>147,348</b>	
Other expenditure	(10,263,591)	24,583	<b>(10,239,008)</b>	(9,121,155)	<b>1,117,853</b>	<b>6</b>
<b>Total expenditure</b>	<b>(47,343,813)</b>	<b>459,138</b>	<b>(46,884,675)</b>	<b>(44,784,091)</b>	<b>2,100,584</b>	
<b>Deficit</b>	<b>1,253,538</b>	<b>(466,935)</b>	<b>786,603</b>	<b>306,766</b>	<b>(479,837)</b>	
Transfers recognised - capital	3,364,807	(979,281)	<b>2,385,526</b>	2,413,210	<b>27,684</b>	
Contributions recognised - capital & contributed assets	252,428	113,744	<b>366,172</b>	421,089	<b>54,917</b>	
<b>Deficit after capital transfers &amp; contributions</b>	<b>4,870,773</b>	<b>(1,332,472)</b>	<b>3,538,301</b>	<b>3,141,065</b>	<b>(397,236)</b>	
Share of Deficit of associate	-	-	-	1,144	<b>1,144</b>	
Taxation	(396,303)	44,075	<b>(352,228)</b>	(256,928)	<b>95,300</b>	
<b>(Deficit)/Surplus for the year</b>	<b>4,474,470</b>	<b>(1,288,397)</b>	<b>3,186,073</b>	<b>2,885,281</b>	<b>(300,792)</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### **1. Services charges**

#### **1.1 Service Charges - Electricity**

The actual result is under budget by R1, 5 billion (9%).

The under recovery is due to billing exceptions that were not cleared resulting from invoice and billing errors that were not resolved. It was also due to reductions in electricity volumes sold, the residential category and large power users significantly underperformed in the 2017/18 financial year.

#### **1.2 Service charges - Water**

The actual result compared to budget is under by R268 million (4%).

The under performance is attributable to a decrease in volumes of water sold, as a result of consumer's trend of consumption that remain the same at lower levels despite the lifting of water restrictions.

#### **1.3 Surcharges of electricity, refuse and water**

Surcharges of electricity, refuse and water are under budget. The under-performance of surcharges is due to decreased consumer demand for the services.

### **2. Investment revenue**

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

### **3. Fines, Penalties and Forfeits**

The under-performance that occurred is as a result of a decrease in traffic fines revenue collected from motorists and this is mainly attributable to the following:

> The electronic speed enforcement contract (AARTO 3) has not been renewed. Only revenue generated from issuing hand written infringement notices to motorists in terms of (AARTO 1) is recognized.

> Operational challenges experienced with the Service Level Agreement that was signed with the South African Postal Office.

To date the revenue that is currently being recognized, is the revenue generated from issuing hand written infringement notices to motorists in terms of (AARTO 1).

### **4. Other Income**

Under budget attributable to other income is as a result of the following:

Group Finance: Concerns arose with regards to billing of customers' accounts, a resolution was taken to temporarily halt the issuing of pre-termination and final notices.

Housing: Under-recovery of hostel income. This is as a result of units that became vacant due to maintenance.

Municipal portfolio account (Johannesburg Property Company) Registration of Servitudes - Due to lack of appetite from

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

the market as result of their economic standing.

### **5. Depreciation and amortisation**

The under recovery is attributable to delays in completion of certain property, plant and equipment that still remain under-construction and are not ready for use at year-end.

### **6. General expenses**

Group Finance - underspending is attributable to;

i) Legal expenses (ATTCOL), as a result of an initiative put in place by departments to properly review and analyze the related invoices prior to making any payments to contractors.

ii) Postages - South African Post Office invoices that are under dispute with regards to printing and posting of customer statements.

iii) Community Development: Under expenditure relates to municipal services (not yet billed out by the Property Unit due to queries related to the lease agreement between the City and Department of Public Works).

iv) Transportation Department: Underspending on training, guarding of municipal buildings, conference and seminars as well as rental fees that are still to be settled with JRA.



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## 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 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
<b>GROUP - 2018</b>											
<b>Financial Performance</b>											
Property rates	9,005,517	-	9,005,517	-	-	9,005,517	9,110,560	-	105,043	101 %	101 %
Service charges	28,704,449	(926,867)	27,777,582	-	-	27,777,582	25,430,502	-	(2,347,080)	92 %	89 %
Rental of facilities and equipment	334,178	-	334,178	-	-	334,178	307,506	-	(26,672)	92 %	92 %
Agency services	700,502	-	700,502	-	-	700,502	658,459	-	(42,043)	94 %	94 %
Other revenue	1,675,752	(201,952)	1,473,800	-	-	1,473,800	790,592	-	(683,208)	54 %	47 %
Finance income	569,511	1,000	570,511	-	-	570,511	715,427	-	144,916	125 %	126 %
Gain on disposal of PPE	25,000	-	25,000	-	-	25,000	-	-	(25,000)	- %	- %
Fair value adjustments	-	-	-	-	-	-	210,257	-	210,257	DIV/0 %	DIV/0 %
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	-	-	-	-	-	-	1,144	-	1,144	DIV/0 %	DIV/0 %
Government grants and subsidies	7,125,491	201,746	7,327,237	-	-	7,327,237	7,358,103	-	30,866	100 %	103 %
Levies	-	-	-	-	-	-	296,137	-	296,137	DIV/0 %	DIV/0 %
Fines, Penalties and forfeits	456,951	-	456,951	-	-	456,951	211,547	-	(245,404)	46 %	46 %
<b>Total revenue</b>	<b>48,597,351</b>	<b>(926,073)</b>	<b>47,671,278</b>	<b>-</b>	<b>-</b>	<b>47,671,278</b>	<b>45,092,002</b>	<b>-</b>	<b>(2,579,276)</b>	<b>95 %</b>	<b>93 %</b>
Employee costs	(11,805,746)	395,002	(11,410,744)	-	-	(11,410,744)	(11,031,408)	-	379,336	97 %	93 %
Remuneration of councillors	(160,691)	-	(160,691)	-	-	(160,691)	(156,206)	-	4,485	97 %	97 %
Depreciation and amortisation	(3,983,224)	45,031	(3,938,193)	-	-	(3,938,193)	(3,184,430)	-	753,763	81 %	80 %
Debt Impairment	(3,052,174)	45,634	(3,006,540)	-	-	(3,006,540)	(3,252,433)	-	(245,893)	108 %	107 %
Finance charges	(2,472,088)	(21)	(2,472,109)	-	-	(2,472,109)	(2,552,507)	-	(80,398)	103 %	103 %
Bulk purchases	(15,380,224)	159,518	(15,220,706)	-	-	(15,220,706)	(15,196,616)	-	24,090	100 %	99 %
Grants and subsidies paid	(226,075)	(210,609)	(436,684)	-	-	(436,684)	(289,336)	-	147,348	66 %	128 %
Loss on disposal of assets and liabilities	-	(100)	(100)	-	-	(100)	(306,157)	-	(306,057)	306,157 %	DIV/0 %
General expenses	(10,263,491)	24,583	(10,238,908)	-	-	(10,238,908)	(8,814,999)	-	1,423,909	86 %	86 %
<b>Total expenditure</b>	<b>(47,343,713)</b>	<b>459,038</b>	<b>(46,884,675)</b>	<b>-</b>	<b>-</b>	<b>(46,884,675)</b>	<b>(44,784,092)</b>	<b>-</b>	<b>2,100,583</b>	<b>96 %</b>	<b>95 %</b>
<b>Surplus/ (Deficit)</b>	<b>1,253,638</b>	<b>(467,035)</b>	<b>786,603</b>	<b>-</b>	<b>-</b>	<b>786,603</b>	<b>307,910</b>	<b>-</b>	<b>(478,693)</b>	<b>39 %</b>	<b>39 %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## 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 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
Capital grants	2,385,526	-	2,385,526	-		2,385,526	2,413,210		27,684	101 %	101 %
Capital contributions	366,172	-	366,172	-		366,172	421,089		54,917	115 %	115 %
<b>Surplus/ (Deficit) after capital contributions</b>	<b>4,005,336</b>	<b>(467,035)</b>	<b>3,538,301</b>	<b>-</b>		<b>3,538,301</b>	<b>3,142,209</b>		<b>(396,092)</b>	<b>89 %</b>	<b>78 %</b>
Taxation	352,228	-	352,228	-		352,228	256,928		(95,300)	73 %	73 %
<b>Surplus/ (Deficit) for the year</b>	<b>3,653,108</b>	<b>(467,035)</b>	<b>3,186,073</b>	<b>-</b>		<b>3,186,073</b>	<b>2,885,281</b>		<b>(300,792)</b>	<b>91 %</b>	<b>79 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	-	-	-	-		-	6,561,465		6,561,465	- %	- %

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## 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
<b>CJMM</b>											
<b>Financial Performance</b>											
Property rates	9,005,517	-	9,005,517	-	-	9,005,517	9,110,560	-	105,043	101 %	101 %
Service charges	655,597	(15,018)	640,579	-	-	640,579	523,237	-	(117,342)	82 %	80 %
Investment revenue	1,516,486	(24,738)	1,491,748	-	-	1,491,748	1,506,203	-	14,455	101 %	99 %
Transfers recognised - operational	7,321,713	-	7,321,713	-	-	7,321,713	7,200,824	-	(120,889)	- %	- %
Other own revenue	2,067,833	(192,788)	1,875,045	-	-	1,875,045	1,690,447	-	(184,598)	90 %	82 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>20,567,146</b>	<b>(232,544)</b>	<b>20,334,602</b>	<b>-</b>	<b>-</b>	<b>20,334,602</b>	<b>20,031,271</b>	<b>-</b>	<b>(303,331)</b>	<b>99 %</b>	<b>97 %</b>
Employee costs	(6,666,905)	240,204	(6,426,701)	-	-	(6,426,701)	(6,146,101)	-	280,600	96 %	92 %
Remuneration of councillors	(160,691)	-	(160,691)	-	-	(160,691)	(156,206)	-	4,485	97 %	97 %
Debt impairment	(812,713)	181,000	(631,713)	-	-	(631,713)	(866,965)	-	(235,252)	137 %	107 %
Depreciation and asset impairment	(2,740,169)	19,450	(2,720,719)	-	-	(2,720,719)	(2,099,414)	-	621,305	77 %	77 %
Finance charges	(2,684,196)	73,991	(2,610,205)	-	-	(2,610,205)	(2,631,348)	-	(21,143)	101 %	98 %
Transfers and grants	(4,065,522)	232,741	(3,832,781)	-	-	(3,832,781)	(3,684,590)	-	148,191	96 %	91 %
Other expenditure	(4,722,454)	(266,460)	(4,988,914)	-	-	(4,988,914)	(4,952,937)	-	35,977	99 %	105 %
<b>Total expenditure</b>	<b>(21,852,650)</b>	<b>480,926</b>	<b>(21,371,724)</b>	<b>-</b>	<b>-</b>	<b>(21,371,724)</b>	<b>(20,537,561)</b>	<b>-</b>	<b>834,163</b>	<b>96 %</b>	<b>94 %</b>
<b>Surplus/(Deficit)</b>	<b>(1,285,504)</b>	<b>248,382</b>	<b>(1,037,122)</b>	<b>-</b>	<b>-</b>	<b>(1,037,122)</b>	<b>(506,290)</b>	<b>-</b>	<b>530,832</b>	<b>49 %</b>	<b>39 %</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## 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 of the MFMA	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2,059,368	-	2,059,368	-		2,059,368	2,005,291		(54,077)	97 %	97 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	-		-	- %	- %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>773,864</b>	<b>248,382</b>	<b>1,022,246</b>	<b>-</b>		<b>1,022,246</b>	<b>1,499,001</b>		<b>476,755</b>	<b>147 %</b>	<b>194 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>773,864</b>	<b>248,382</b>	<b>1,022,246</b>	<b>-</b>		<b>1,022,246</b>	<b>1,499,001</b>		<b>476,755</b>	<b>147 %</b>	<b>194 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	-	-	-	-		-	4,527,700		4,527,700	- %	- %

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 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(s) for material amendments are disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.1 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

### 1.2 Consolidation

#### Basis of consolidation

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

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

Balances, transactions, revenues and expenses between entities within the Group are eliminated in full on consolidation.

### 1.3 Significant judgements and sources of estimation uncertainty

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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

#### Significant judgements include:

##### Impairment of financial assets

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

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

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

##### Fair value estimation

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

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

##### Impairment of property, plant and equipment

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

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

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

##### Provisions, contingent liabilities and contingent assets

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

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

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

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

##### Expected manner of realisation for deferred tax

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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

#### Taxation

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

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

#### Post retirement benefits

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

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

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

#### Impairment of receivables

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

#### Useful life of PPE

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

#### Budget information

For differences between budget and actual amounts management considers the amount and the nature of the difference and makes a judgement as to which differences are regarded as material. All material differences are explained in the notes to the annual financial statements.

### 1.4 Zoo animals

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.4 Zoo animals (continued)

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

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

The longevity of zoo animals has been assessed as follows:

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

### 1.5 Investment property

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

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

#### Subsequent measurement

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

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

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

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

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

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

#### Derecognition

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

### 1.6 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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

#### Subsequent measurement:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 1.7 Intangible assets

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

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

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

#### Subsequent Measurement

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

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

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

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

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

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

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

### 1.8 Heritage assets

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

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.

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

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### 1.8 Heritage assets (continued)

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

#### **Subsequent measurement.**

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

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

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

### 1.9 Investments in Municipal entities

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

### 1.10 Investment in Joint Ventures

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

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

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

The most recent available annual financial statements of the joint ventures are used by the investor in applying the equity method.

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

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### 1.11 Investment in Associate

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

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

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

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

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

The most recent available annual financial statements of the associate are used by the investor in applying the equity method.

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

# City of Johannesburg Metropolitan Municipality

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## Accounting Policies

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### 1.12 Financial instruments

#### Financial instrument

##### Financial Assets

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

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

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

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

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

##### Investments at cost

##### Financial assets at fair value

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

##### Cash and cash equivalents

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

##### Receivables from exchange and non-exchange transactions

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

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

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

##### Financial liabilities

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.

# City of Johannesburg Metropolitan Municipality

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### 1.12 Financial instruments (continued)

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 to/from Municipal entities

Loans to/from municipal entities are classified as assets which are initially recognised at fair value and subsequently measured at amortised cost.

#### Payables from exchange

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

#### Offsetting Financial assets and liabilities

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

#### Hedge accounting (derivatives)

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

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

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

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

#### Cash flow hedges

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

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

### 1.13 Tax

#### Current tax assets and liabilities

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

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## Accounting Policies

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### 1.13 Tax (continued)

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

#### Deferred tax assets and liabilities

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

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

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

#### Tax expenses

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

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

### 1.14 Leases

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

#### Finance leases - lessor

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

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

#### Finance leases - lessee

The Group 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.

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.

#### Operating leases - lessor

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

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

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

#### Operating leases - lessee

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### 1.14 Leases (continued)

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.

### 1.15 Inventories

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

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

#### Subsequent measurement

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

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

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

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

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

#### Derecognition

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



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## Accounting Policies

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### 1.16 Impairment of cash and non-cash generating assets

#### Impairment of cash generating assets

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

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

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

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

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

#### Impairment of non- cash generating assets

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

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

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

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

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

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

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

### 1.17 Internal reserves

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

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### 1.17 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.

### 1.18 Budget information

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

The approved budget covers the fiscal period from 2018 to 2020.

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

### 1.19 Employee benefits

#### Short-term employee benefits

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

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

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

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

The City contributes to defined contribution plan and defined benefit plan

#### Defined contribution plans

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

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### 1.19 Employee benefits (continued)

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.

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

#### Multi-employer plans

The municipality classifies a multi-employer plan either as a defined contribution plan or a defined benefit plan. Under the defined benefit plan, the Municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

### 1.20 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

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### 1.20 Provisions and contingencies (continued)

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

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

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

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

### 1.21 Revenue from exchange transactions

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

#### Revenue from sale of Bus ticket points

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

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

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

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

#### Rendering of services

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

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

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### 1.21 Revenue from exchange transactions (continued)

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

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

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

#### Income from agency services

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

#### Finance income

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

### 1.22 Revenue from non-exchange transactions

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

The group has two types of fines:

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

#### Criminal Procedures Act fines:

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

#### Initial recognition:

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.

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### 1.22 Revenue from non-exchange transactions (continued)

Initial recognition

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

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

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

#### Government grants

Government grants are recognised as revenue when:

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

#### Conditional grants

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

#### Unconditional grants

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

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

#### Rates

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

Group Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.22 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.

### 1.23 In-kind services

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

### 1.24 Unauthorised expenditure

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

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

### 1.25 Fruitless and wasteful expenditure

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

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

### 1.26 Irregular expenditure

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

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.27 Related parties

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.

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

### 1.28 Events after the reporting date

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

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

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

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

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

### 1.29 Commitments

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

Commitments are further split into capital and operating commitments.

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

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



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

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

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

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

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

IGRAP 19 - Liabilities to pay levies

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

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

### 3. INVENTORIES

Consumable stores	99,770	111,813	75,767	82,756
Spare parts	28,353	29,357	-	-
Consumables - Water	86,000	85,972	-	-
Work in progress	4,653	529	-	-
Consumables - Electrical	61,445	70,973	-	-
Consumables - Road	50,791	44,135	-	-
Other Inventories	4,649	4,472	2,273	1,578
	335,661	347,251	78,040	84,334
Provision for inventory write downs	(32,187)	(27,629)	-	-
	<b>303,474</b>	<b>319,622</b>	<b>78,040</b>	<b>84,334</b>

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>4. LOANS TO MUNICIPAL ENTITIES</b>				
<b>Shareholder loans</b>				
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 17.5% Maturity = 30 June 2026	-	-	581,814	581,814
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2026.	-	-	42,979	42,979
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 15% Maturity 30 June 2018.	-	-	-	60,634
Johannesburg Water (SOC) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2018.	-	-	-	4,338
	-	-	<b>624,793</b>	<b>689,765</b>
<b>Concessionary Loans</b>				
The Johannesburg Metro Trading Company(Pty) Ltd Terms and conditions: Rate range = 11.89% Maturity = 30 August 2035	-	-	1,550,508	1,421,132
The loan of R 1 302 551 354 was issued to Metro Trading company on the 1st of September 2015 with a capital and interest payment grace period of three years.				
<b>Conduit loans</b>				
City Power Johannesburg (SOC) Ltd Terms and conditions: Rate range = 9.31% - 12.21% Maturity = 30 June 2019 - 30 June 2027	-	-	2,232,489	2,426,274
Johannesburg Metropolitan Bus Services (SOC) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2025	-	-	295,584	324,425
Johannesburg Water (SOC) Ltd Terms and conditions: Rate range = 9.31% - 12.21% Maturity = 30 June 2019 - 30 June 2027	-	-	2,792,040	3,206,590
Pikitup Johannesburg (SOC) Ltd Terms and conditions: Rate range = 9% - 14.15% Maturity = 30 June 2026 - 30 June 2027	-	-	524,360	464,295
he Johannesburg Fresh Produce (SOC) Ltd Terms and conditions: Rate range = 9% - 10.9% Maturity = 30 June 2019 - 30 June 2022	-	-	28,908	43,327
	-	-	<b>5,873,381</b>	<b>6,464,911</b>
Less impairment of loans to Municipal Entities	-	-	<b>(819,312)</b>	<b>(788,721)</b>
	-	-	<b>5,054,069</b>	<b>5,676,190</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
Non-current assets	-	-	6,387,712	6,743,942
Current assets	-	-	841,658	1,043,145
	-	-	<b>7,229,370</b>	<b>7,787,087</b>

### Reconciliation of provision for impairment of loans to municipal entities

Opening balance	-	-	788,721	761,467
Reversal of impairment - Johannesburg Metropolitan Bus Services (SOC) Ltd	-	-	(28,841)	(29,826)
Additional impairment - Pikitup Johannesburg (SOC) Ltd	-	-	59,432	57,080
	-	-	<b>819,312</b>	<b>788,721</b>

### Impairment of loan to Pikitup Johannesburg (Pty) Ltd

The City had entered into a concession with the entity where it agreed to consistently settle interest that becomes due. Although Pikitup has significantly improved its solvency and liquidity position, the continued existence of the concession implies the existence of risk in defaulting.

### Reversal of impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>5. OTHER FINANCIAL ASSETS</b>				
<b>At amortised cost</b>				
Housing selling scheme loans	41,726	41,833	41,726	41,833
Other loans and receivables	42,829	32,511	42,829	32,511
	<b>84,555</b>	<b>74,344</b>	<b>84,555</b>	<b>74,344</b>
<b>Non-current assets</b>				
At amortised cost	68,454	55,768	68,454	55,768
<b>Current assets</b>				
At amortised cost	16,101	18,576	16,101	18,576
<b>6. FINANCE LEASE RECEIVABLES</b>				
<b>Gross investment in the lease due</b>				
- within one year	-	-	111,702	97,733
- in second to fifth year inclusive	-	-	160,835	272,614
	-	-	272,537	370,347
less: Unearned finance revenue	-	-	(34,975)	(62,529)
Present value of minimum lease payments receivable	-	-	237,562	307,818
	-	-	<b>237,562</b>	<b>307,818</b>
<b>Present value of minimum lease payments due</b>				
- within one year	-	-	105,200	81,102
- in second to fifth year inclusive	-	-	132,362	226,716
	-	-	<b>237,562</b>	<b>307,818</b>
Non-current assets	-	-	132,362	226,716
Current assets	-	-	105,200	81,102
	-	-	<b>237,562</b>	<b>307,818</b>

The City entered into a finance lease on 1 March 2012 with various MEs for specialised vehicles. The interest rate implicit on the agreement is 10%.

The unguaranteed future values of assets leased under finance lease at the end of the reporting period amount to R 67,393 (2017: R 62,539). The fair values were determined at the date of issue of each specialised vehicle to the various MEs.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>7. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>				
Trade debtors	63,774	64,978	-	-
Prepayments	61,785	577,038	3,252	106,777
Operating lease receivables	20,920	19,888	20,902	19,734
Related party debtors	-	-	5,868,622	4,095,371
Fruitless and wasteful expenditure	12,188	5,343	12,188	5,343
Rental debtors	27,554	16,702	27,554	16,702
Accrued VAT	352,616	313,124	352,616	307,680
Sundry debtors	498,980	598,130	425,970	472,269
<b>Total trade and other receivables</b>	<b>1,037,817</b>	<b>1,595,203</b>	<b>6,711,104</b>	<b>5,023,876</b>
<b>8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>				
Fines	106,096	115,614	106,096	115,614
Government grants and subsidies	246,433	294,620	246,433	294,620
Levies	182,978	245,962	-	-
	<b>535,507</b>	<b>656,196</b>	<b>352,529</b>	<b>410,234</b>
<b>9. VAT</b>				
Receivable	595,229	322,442	420,702	211,173
Payable	(444,016)	(258,677)	-	-
	<b>151,213</b>	<b>63,765</b>	<b>420,702</b>	<b>211,173</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>10. CONSUMER DEBTORS</b>				
<b>Gross balances</b>				
Rates	6,123,151	5,437,370	6,123,151	5,437,370
Electricity	4,006,227	3,164,412	-	-
Water	9,584,172	7,548,135	-	-
Refuse	2,221,385	1,712,664	-	-
	<b>21,934,935</b>	<b>17,862,581</b>	<b>6,123,151</b>	<b>5,437,370</b>
<b>Less: Allowance for impairment</b>				
Rates	(5,237,167)	(4,711,547)	(5,237,167)	(4,711,547)
Electricity	(1,912,547)	(1,531,786)	-	-
Water	(7,272,967)	(5,631,180)	-	-
Refuse	(1,645,480)	(1,504,996)	-	-
	<b>(16,068,161)</b>	<b>(13,379,509)</b>	<b>(5,237,167)</b>	<b>(4,711,547)</b>
<b>Net balance</b>				
Rates	885,984	725,823	885,984	725,823
Electricity	2,093,680	1,632,626	-	-
Water	2,311,205	1,916,955	-	-
Refuse	575,905	207,668	-	-
	<b>5,866,774</b>	<b>4,483,072</b>	<b>885,984</b>	<b>725,823</b>
<b>Included in above is receivables from exchange transactions</b>				
Electricity	2,093,680	1,632,626	-	-
Water	2,311,205	1,916,955	-	-
Refuse	575,905	207,668	-	-
	<b>4,980,790</b>	<b>3,757,249</b>	-	-
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>				
Rates	885,984	725,823	885,984	725,823
	<b>5,866,774</b>	<b>4,483,072</b>	<b>885,984</b>	<b>725,823</b>
<b>Rates</b>				
Current (0 -30 days)	646,367	567,116	646,367	567,116
31 - 60 days	472,315	252,983	472,315	252,983
61 - 90 days	94,295	186,594	94,295	186,594
91 - 120 days	230,562	201,315	230,562	201,315
121 - 365 days	1,143,582	1,013,382	1,143,582	1,013,382
> 365 days	3,536,030	3,215,980	3,536,030	3,215,980
	<b>6,123,151</b>	<b>5,437,370</b>	<b>6,123,151</b>	<b>5,437,370</b>
<b>Electricity</b>				
Current (0 -30 days)	2,010,038	1,381,737	-	-
31 - 60 days	392,571	250,174	-	-
61 - 90 days	69,155	160,667	-	-
91 - 120 days	223,874	239,460	-	-
121 - 365 days	1,106,214	1,094,737	-	-
> 365 days	204,375	37,637	-	-
	<b>4,006,227</b>	<b>3,164,412</b>	-	-

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>Water</b>				
Current (0 - 30days)	1,614,977	1,334,741	-	-
31 - 60 days	648,766	351,224	-	-
61 - 90 days	107,179	261,394	-	-
91 - 120 days	331,048	226,612	-	-
121 - 365 days	2,303,163	1,289,869	-	-
> 365 days	4,579,039	4,084,295	-	-
	<b>9,584,172</b>	<b>7,548,135</b>	-	-
<b>Refuse</b>				
Current (0 -30 days)	314,052	296,480	-	-
31 - 60 days	98,469	47,303	-	-
61 - 90 days	11,025	30,369	-	-
91 - 120 days	60,577	34,449	-	-
121 - 365 days	193,381	215,399	-	-
> 365 days	1,543,881	1,088,664	-	-
	<b>2,221,385</b>	<b>1,712,664</b>	-	-
<b>Summary of debtors by customer classification</b>				
<b>Residential</b>				
Current (0 - 30 days)	1,878,662	1,300,547	242,335	146,298
31 - 60 days	872,930	472,668	218,442	118,734
61 - 90 days	162,767	316,751	56,840	68,724
91 - 120 days	439,919	286,170	125,344	86,783
121 - 365 days	2,775,354	1,741,660	605,431	519,335
> 365 days	5,366,761	4,394,950	1,548,494	1,378,057
	11,496,393	8,512,746	2,796,886	2,317,931
Less: Allowance for impairment	(8,907,263)	(6,808,171)	(2,393,976)	(2,008,515)
	<b>2,589,130</b>	<b>1,704,575</b>	<b>402,910</b>	<b>309,416</b>
<b>Residential - Past due and impaired</b>				
Current (0 - 30 days)	468,439	439,708	207,425	126,769
31 - 60 days	351,627	207,076	186,974	102,884
61 - 90 days	85,028	154,906	48,652	59,551
91 - 120 days	386,766	259,986	107,287	75,199
121 - 365 days	2,605,754	1,541,587	518,215	450,010
> 365 days	5,009,649	4,204,908	1,325,423	1,194,102
	<b>8,907,263</b>	<b>6,808,171</b>	<b>2,393,976</b>	<b>2,008,515</b>
<b>Residential - Past due and not impaired</b>				
Current (0 - 30 days)	1,410,223	860,839	34,910	19,529
31 - 60 days	521,303	265,592	31,468	15,850
61 - 90 days	77,739	161,845	8,188	9,173
91 - 120 days	53,153	26,184	18,057	11,584
121 - 365 days	169,600	200,073	87,216	69,325
> 365 days	357,112	190,042	223,071	183,955
	<b>2,589,130</b>	<b>1,704,575</b>	<b>402,910</b>	<b>309,416</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>Industrial/ commercial</b>				
Current (0 - 30 days)	2,554,591	2,078,505	398,451	411,058
31 - 60 days	700,006	398,438	240,589	125,817
61 - 90 days	113,550	299,437	36,280	111,023
91 - 120 days	388,990	386,471	99,423	108,726
121 - 365 days	1,876,830	1,732,037	496,303	462,769
> 365 days	4,131,115	3,724,991	1,825,954	1,695,146
	9,765,082	8,619,879	3,097,000	2,914,539
Less: Allowance for impairment	(6,730,900)	(6,186,860)	(2,647,221)	(2,525,483)
	<b>3,034,182</b>	<b>2,433,019</b>	<b>449,779</b>	<b>389,056</b>
<b>Industrial/ commercial - Past due and impaired</b>				
Current (0 - 30 days)	585,757	488,146	340,584	356,187
31 - 60 days	331,694	177,669	205,648	109,022
61 - 90 days	69,179	183,412	31,011	96,202
91 - 120 days	335,158	338,398	84,983	94,212
121 - 365 days	1,672,827	1,539,185	424,225	400,998
> 365 days	3,736,285	3,460,050	1,560,770	1,468,862
	<b>6,730,900</b>	<b>6,186,860</b>	<b>2,647,221</b>	<b>2,525,483</b>
<b>Industrial/ commercial - Past due and not impaired</b>				
Current (0 - 30 days)	1,968,834	1,590,359	57,867	54,871
31 - 60 days	368,312	220,769	34,941	16,795
61 - 90 days	44,371	116,025	5,269	14,821
91 - 120 days	53,832	48,073	14,440	14,514
121 - 365 days	204,003	192,852	72,078	61,771
> 365 days	394,830	264,941	265,184	226,284
	<b>3,034,182</b>	<b>2,433,019</b>	<b>449,779</b>	<b>389,056</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>National and provincial government</b>				
Current (0 - 30 days)	152,179	201,019	5,581	9,760
31 - 60 days	39,183	30,579	13,284	8,433
61 - 90 days	5,334	22,834	1,174	6,847
91 - 120 days	17,153	29,196	5,795	5,806
121 - 365 days	94,158	139,691	41,849	31,278
> 365 days	365,448	306,633	161,584	142,778
	673,455	729,952	229,267	204,902
Less : Provision for bad debts	(429,995)	(384,474)	(195,970)	(177,549)
	<b>243,460</b>	<b>345,478</b>	<b>33,297</b>	<b>27,353</b>
<b>National and provincial government - Past due and impaired</b>				
Current (0 - 30 days)	5,095	9,181	4,771	8,457
31 - 60 days	11,970	7,609	11,355	7,306
61 - 90 days	1,004	6,429	1,004	5,933
91 - 120 days	14,793	15,058	4,953	5,031
121 - 365 days	73,933	73,815	35,771	27,103
> 365 days	323,200	272,382	138,116	123,719
	<b>429,995</b>	<b>384,474</b>	<b>195,970</b>	<b>177,549</b>
<b>National and provincial government - Past due and not impaired</b>				
Current (0 - 30 days)	147,084	191,838	810	1,303
31 - 60 days	27,213	22,970	1,929	1,127
61 - 90 days	4,330	16,405	170	914
91 - 120 days	2,360	14,138	842	775
121 - 365 days	20,225	65,876	6,078	4,175
> 365 days	42,248	34,251	23,468	19,059
	<b>243,460</b>	<b>345,478</b>	<b>33,297</b>	<b>27,353</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>Total</b>				
Current (0 -30 days)	4,585,432	3,580,070	646,367	567,116
31 - 60 days	1,612,119	901,683	472,315	252,983
61 - 90 days	281,651	639,022	94,295	186,594
91 - 120 days	846,062	701,836	230,562	201,315
121 - 365 days	4,746,342	3,613,388	1,143,583	1,013,382
> 365 days	9,863,329	8,426,582	3,536,029	3,215,980
	21,934,935	17,862,581	6,123,151	5,437,370
Less: Allowance for impairment	(16,068,161)	(13,379,509)	(5,237,167)	(4,711,547)
	<b>5,866,774</b>	<b>4,483,072</b>	<b>885,984</b>	<b>725,823</b>
<b>Less: Allowance for impairment</b>				
Current (0 -30 days)	1,059,291	937,036	552,780	491,413
31 - 60 days	695,291	392,354	403,977	219,213
61 - 90 days	155,211	344,747	80,667	161,686
91 - 120 days	736,717	613,442	197,224	174,442
121 - 365 days	4,352,512	3,154,587	978,210	878,108
> 365 days	9,069,139	7,937,343	3,024,309	2,786,685
	<b>16,068,161</b>	<b>13,379,509</b>	<b>5,237,167</b>	<b>4,711,547</b>
<b>Total debtors past due but not impaired</b>				
Current (0 - 30 days)	3,526,141	2,643,036	93,587	75,703
31 - 60 days	916,828	509,331	68,338	33,770
61 - 90 days	126,440	294,275	13,627	24,908
91 - 120 days	109,345	88,395	33,339	26,873
121 - 365 days	393,828	458,801	165,372	135,274
> 365 days	794,192	489,234	511,721	429,295
	<b>5,866,774</b>	<b>4,483,072</b>	<b>885,984</b>	<b>725,823</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	13,379,509	9,844,392	4,711,546	4,126,052
Contributions to allowance	3,166,973	4,653,908	525,621	694,748
Debt impairment written off against allowance	(478,321)	(1,118,791)	-	(109,253)
<b>Balance at the end of the year</b>	<b>16,068,161</b>	<b>13,379,509</b>	<b>5,237,167</b>	<b>4,711,547</b>

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 11. FINANCIAL ASSETS AT FAIR VALUE - SINKING FUND

The Debt redemption fund is a financial solution to assist the City of Johannesburg municipality meet its financial obligations. The City 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. This is part of the risk management framework adopted by the City. The financial liabilities of the fund are disclosed in note 29.

The total investments are pledged as collateral for City long-term liabilities.

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

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

Sinking Fund  
Maturity - 5 June 2023

#### Other financial assets through profit or loss

Bonds	88,681	266,523	88,681	266,523
Bonds repos	-	188,081	-	188,081
Negotiable Certificate of Deposit	-	512,155	-	512,155
Cash	225,965	166,677	225,965	166,677
Cash collateral	-	17,485	-	17,485
Forward Rate Agreements	-	3,773	-	3,773
Swaps	26,498	29,942	26,498	29,942
Floating rate Notes	442,862	345,855	442,862	345,855
<b>Current Assets</b>	<b>784,006</b>	<b>1,530,491</b>	<b>784,006</b>	<b>1,530,491</b>

#### Other financial assets through profit or loss

Bond	1,203,096	1,101,618	1,203,096	1,101,618
Floating rate note	305,882	459,505	305,882	459,505
Amortised swap	188,110	220,778	188,110	220,778
Swaps	355,709	487,001	355,709	487,001
<b>Non-Current Assets</b>	<b>2,052,797</b>	<b>2,268,902</b>	<b>2,052,797</b>	<b>2,268,902</b>

<b>2,836,803</b>	<b>3,799,393</b>	<b>2,836,803</b>	<b>3,799,393</b>
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#### Financial assets carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	1,319,061	2,247,090	1,319,061	2,247,090
Held for trading non-derivative financial assets	1,517,742	1,552,303	1,517,742	1,552,303
<b>2,836,803</b>	<b>3,799,393</b>	<b>2,836,803</b>	<b>3,799,393</b>	

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>12. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of:				
Cash on hand	839	558	252	154
Bank	1,026,424	510,002	623,951	216,329
Call investment deposits	1,212,598	2,585,350	1,197,603	2,564,607
	<b>2,239,861</b>	<b>3,095,910</b>	<b>1,821,806</b>	<b>2,781,090</b>
<b>Call investment deposits</b>				
Call Deposits STD Bank Rating - (F1+)	104,027	1,466	104,027	1,466
Fixed deposits STD Bank Rating - (F1+)	236	3,516	236	3,516
Fixed Deposits ABSA Rating - (F1+)	865,774	820,724	865,774	820,724
Call Deposits RMB Rating - (F1+)	1,100	1,100	1,100	1,100
Call deposits INVESTEC Rating -(F1)	1,718	18,552	1,718	1,130
Fixed deposits INVESTEC Rating -(F1)	96,022	88,021	92,107	84,700
Call Deposits NEDBANK Rating - (F1+)	131,596	815,599	120,516	815,599
Call Deposits CITI BANK Rating - (F1)	1,499	1,473	1,499	1,473
Call Deposits DEUTSCHE BANK Rating - (F1)	1,000	1,000	1,000	1,000
Call Deposits TCTA Rating - (None)	2,000	2,000	2,000	2,000
Call Deposits LANDBANK Rating - (F1+)	1,930	1,230	1,930	1,230
Stanlib Call Investment Rating - (F1+)	5,696	829,975	5,696	829,975
ARGON FUND INVEST	-	477	-	477
Sanlam Asset Managers	-	92	-	92
Prescient Investment Management	-	125	-	125
	<b>1,212,598</b>	<b>2,585,350</b>	<b>1,197,603</b>	<b>2,564,607</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 13. ZOO ANIMALS

GROUP

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	32,144	(5,284)	26,860	31,008	(4,272)	26,736

#### Reconciliation of zoo animals - GROUP - 2018

	Opening balance	Additions	Adjustments due to accounting for births	Disposals	Depreciation	Total
Zoo animals	26,736	1,402	2,306	(2,188)	(1,396)	26,860

#### Reconciliation of zoo animals - GROUP - 2017

	Opening balance	Additions	Adjustments due to accounting for births	Disposals	Depreciation	Total
Zoo animals	25,645	1,212	2,445	(1,255)	(1,311)	26,736

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 14. INVESTMENT PROPERTY

GROUP	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,000,955	(411)	1,000,544	1,015,757	(389)	1,015,368

  

CJMM	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,000,144	-	1,000,144	1,014,946	-	1,014,946

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of investment property - GROUP - 2018

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	1,015,368	(14,801)	-	(23)	1,000,544

### Reconciliation of investment property - GROUP - 2017

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

### Reconciliation of investment property - CJMM - 2018

	Opening balance	Disposals	Transfers	Impairments	Total
Investment property	1,014,946	(14,802)	-	-	1,000,144

### Reconciliation of investment property - CJMM - 2017

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,740,845	-	8,740,845	8,988,899	-	8,988,899
Buildings	16,139,004	(4,939,046)	11,199,958	14,752,840	(4,418,445)	10,334,395
Plant and machinery	19,904,855	(3,976,767)	15,928,088	18,856,641	(3,592,880)	15,263,761
Furniture and fixtures	589,239	(442,844)	146,395	628,695	(450,097)	178,598
Motor vehicles	400,797	(298,831)	101,966	403,344	(282,472)	120,872
Office equipment	1,297,680	(1,005,963)	291,717	1,164,309	(858,625)	305,684
Computer equipment	339,289	(209,658)	129,631	357,695	(218,352)	139,343
Leasehold improvements	30,140	(19,709)	10,431	29,131	(17,000)	12,131
Infrastructure	25,968,160	(6,835,554)	19,132,606	24,138,756	(5,762,569)	18,376,187
Community assets	3,591,857	(1,006,645)	2,585,212	2,527,537	(871,898)	1,655,639
Landfill sites	470,725	(258,262)	212,463	474,680	(288,654)	186,026
Other equipment	67,708	(39,203)	28,505	66,602	(25,158)	41,444
Bins and containers	171,993	(139,145)	32,848	201,024	(169,326)	31,698
Minor plant	206,509	(112,437)	94,072	199,752	(98,246)	101,506
Specialised vehicles	1,972,359	(852,576)	1,119,783	1,993,003	(702,106)	1,290,897
Wastewater network	3,022,957	(264,043)	2,758,914	2,700,996	(235,534)	2,465,462
Water network	6,145,172	(772,290)	5,372,882	5,823,234	(660,048)	5,163,186
Library books	665,476	(600,384)	65,092	657,832	(600,167)	57,665
Emergency equipment.	66,018	(30,770)	35,248	65,878	(25,454)	40,424
Other	17,248	(8,137)	9,111	13,715	(7,159)	6,556
<b>Total</b>	<b>89,808,031</b>	<b>(21,812,264)</b>	<b>67,995,767</b>	<b>84,044,563</b>	<b>(19,284,190)</b>	<b>64,760,373</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

CJMM

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,653,078	-	8,653,078	8,905,402	-	8,905,402
Buildings	14,008,317	(4,126,727)	9,881,590	12,916,234	(3,736,180)	9,180,054
Plant and equipment	339,699	(256,547)	83,152	327,036	(232,880)	94,156
Furniture and fittings	485,011	(380,431)	104,580	523,892	(393,362)	130,530
Motor vehicles	391,395	(290,523)	100,872	391,395	(272,397)	118,998
Office equipment	1,192,384	(929,813)	262,571	1,083,299	(803,871)	279,428
Infrastructure	25,396,095	(6,790,233)	18,605,862	23,580,329	(5,742,462)	17,837,867
Community assets	3,591,857	(1,006,645)	2,585,212	2,527,537	(871,898)	1,655,639
Bins and containers	20,993	(12,842)	8,151	20,994	(10,652)	10,342
Specialised vehicles	838,533	(392,285)	446,248	814,370	(338,024)	476,346
Library books	665,476	(600,384)	65,092	657,832	(600,167)	57,665
Emergency equipment	66,018	(30,770)	35,248	65,878	(25,454)	40,424
Other	7,510	(1,886)	5,624	5,423	(1,423)	4,000
<b>Total</b>	<b>55,656,366</b>	<b>(14,819,086)</b>	<b>40,837,280</b>	<b>51,819,621</b>	<b>(13,028,770)</b>	<b>38,790,851</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - GROUP - 2018

	Opening balance	Additions	Disposals	Transfers	Public contributed network	Depreciation	Impairment loss	Impairment reversal	Total
Land	8,988,899	7,342	(255,396)	-	-	-	-	-	8,740,845
Buildings	10,334,395	1,343,481	(24,164)	1,592	-	(455,340)	(6)	-	11,199,958
Plant and equipment	15,263,761	1,235,796	(4,411)	(1,592)	-	(564,426)	(1,040)	-	15,928,088
Furniture and fittings	178,598	10,468	(359)	-	-	(42,312)	-	-	146,395
Motor vehicles	120,872	332	(688)	-	-	(18,550)	-	-	101,966
Office equipment	305,684	130,888	(457)	-	-	(144,398)	-	-	291,717
Computer equipment	139,343	29,459	(507)	-	-	(38,664)	-	-	129,631
Leasehold improvements	12,131	1,486	-	-	-	(3,186)	-	-	10,431
Infrastructure	18,376,187	1,830,327	-	-	-	(1,066,758)	(7,150)	-	19,132,606
Community assets	1,655,639	1,065,403	(169)	-	-	(135,661)	-	-	2,585,212
Landfill sites	186,026	41,094	-	-	-	(14,657)	-	-	212,463
Other equipment	41,444	1,412	(80)	-	-	(14,271)	-	-	28,505
Bins and containers	31,698	4,911	-	-	-	(3,761)	-	-	32,848
Minor plant	101,506	9,268	(92)	-	-	(16,610)	-	-	94,072
Specialised vehicles	1,290,897	39,479	(7,237)	-	-	(178,935)	(26,189)	1,768	1,119,783
Wastewater network	2,465,462	196,198	-	-	125,914	(28,660)	-	-	2,758,914
Water network	5,163,186	205,621	-	-	116,317	(112,242)	-	-	5,372,882
Library books	57,665	13,767	-	-	-	(6,340)	-	-	65,092
Emergency equipment	40,424	165	(23)	-	-	(5,318)	-	-	35,248
Other	6,556	4,148	(188)	-	-	(1,405)	-	-	9,111
	<b>64,760,373</b>	<b>6,171,045</b>	<b>(293,771)</b>	<b>-</b>	<b>242,231</b>	<b>(2,851,494)</b>	<b>(34,385)</b>	<b>1,768</b>	<b>67,995,767</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - GROUP - 2017

	Opening balance	Additions	Disposals	Transfers	Public contributed network	Depreciation	Impairment loss	Total
Land	8,920,039	103,399	(34,539)	-	-	-	-	8,988,899
Buildings	10,349,226	415,841	(6,443)	(2,544)	-	(419,560)	(2,125)	10,334,395
Plant and machinery	14,270,962	1,563,843	(23,154)	99	-	(547,989)	-	15,263,761
Furniture and fixtures	175,767	54,182	(1,819)	(126)	-	(49,406)	-	178,598
Motor vehicles	134,912	26	(352)	-	-	(13,714)	-	120,872
Office equipment	368,606	83,813	(1,117)	6	-	(145,624)	-	305,684
Computer equipment	122,578	60,841	(1,815)	15	-	(42,276)	-	139,343
Leasehold improvements	12,042	3,255	(58)	-	-	(3,108)	-	12,131
Infrastructure	14,697,508	4,654,339	-	-	-	(932,552)	(43,108)	18,376,187
Community assets	1,756,480	32,569	(258)	-	-	(133,152)	-	1,655,639
Landfill sites	260,199	1,507	(45,049)	-	-	(30,631)	-	186,026
Other equipment	51,934	3,389	-	-	-	(13,879)	-	41,444
Bins and containers	28,044	28,014	(20,550)	-	-	(3,810)	-	31,698
Minor plant	117,531	225	(2)	-	-	(16,248)	-	101,506
Specialised vehicles	1,318,623	173,261	(6,304)	-	-	(191,235)	(3,448)	1,290,897
Wastewater network	2,268,886	138,301	(263)	-	83,681	(25,143)	-	2,465,462
Water network	4,943,829	251,333	(164)	2,544	77,307	(111,663)	-	5,163,186
Library books	54,714	6,123	-	-	-	(3,172)	-	57,665
Emergency equipment	32,198	13,155	(9)	-	-	(4,920)	-	40,424
Other	5,411	2,293	(48)	6	-	(1,106)	-	6,556
	<b>59,889,489</b>	<b>7,589,709</b>	<b>(141,944)</b>	<b>-</b>	<b>160,988</b>	<b>(2,689,188)</b>	<b>(48,681)</b>	<b>64,760,373</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - CJMM - 2018

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	8,905,402	3,072	-	(255,396)	-	-	-	8,653,078
Buildings	9,180,054	1,129,933	-	(22,519)	-	(405,878)	-	9,881,590
Plant and equipment	94,156	15,952	-	(17)	-	(25,899)	(1,040)	83,152
Furniture and fittings	130,530	5,166	-	(99)	-	(31,017)	-	104,580
Motor vehicles	118,998	-	-	-	-	(18,126)	-	100,872
Office equipment	279,428	115,607	-	(382)	-	(132,082)	-	262,571
Infrastructure	17,837,867	1,815,762	-	-	-	(1,040,617)	(7,150)	18,605,862
Community assets	1,655,639	1,065,403	-	(169)	-	(135,661)	-	2,585,212
Bins and containers	10,342	1	-	-	-	(2,192)	-	8,151
Specialised vehicles	476,346	24,163	-	-	-	(54,261)	-	446,248
Library books	57,665	13,767	-	-	-	(6,340)	-	65,092
Emergency equipment	40,424	165	-	(23)	-	(5,318)	-	35,248
Other	4,000	2,087	-	-	-	(463)	-	5,624
	<b>38,790,851</b>	<b>4,191,078</b>	-	<b>(278,605)</b>	-	<b>(1,857,854)</b>	<b>(8,190)</b>	<b>40,837,280</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of property, plant and equipment - CJMM - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	8,836,542	103,399	(34,539)	-	-	8,905,402
Buildings	9,244,198	316,172	(2,557)	(375,635)	(2,124)	9,180,054
Plant and equipment	99,985	20,920	(462)	(26,287)	-	94,156
Furniture and fittings	127,688	45,035	(304)	(41,889)	-	130,530
Motor vehicles	131,330	-	-	(12,332)	-	118,998
Office equipment	338,024	76,168	(582)	(134,182)	-	279,428
Infrastructure	14,164,386	4,623,927	-	(907,338)	(43,108)	17,837,867
Community assets	1,756,480	32,569	(258)	(133,152)	-	1,655,639
Bins and containers	4,252	9,310	(852)	(2,368)	-	10,342
Specialised vehicles	529,716	-	(1,713)	(51,657)	-	476,346
Library books	54,714	6,123	-	(3,172)	-	57,665
Emergency equipment	32,198	13,155	(9)	(4,920)	-	40,424
Other	2,704	2,059	(1)	(762)	-	4,000
	<b>35,322,217</b>	<b>5,248,837</b>	<b>(41,277)</b>	<b>(1,693,694)</b>	<b>(45,232)</b>	<b>38,790,851</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Work in progress breakdown

#### GROUP

	2018	2017
Landfill	9,412	15,785
Building & Improvements	1,251,280	445,111
Plant and machinery	1,793,105	2,532,629
Water network	526,305	660,222
Wastewater network	207,478	232,204
Computer equipment	7,002	45,848
Other	250,852	485,515
Infrastructure	6,726,972	6,277,972
Community assets	1,384,644	354,527
Furniture and fixtures	1,092	924
Work in progress-Office equipment	80,601	380
Buses	2,047	-
Containers	8,369	6,702
<b>Total</b>	<b>12,249,159</b>	<b>11,057,819</b>

#### CJMM

	2018	2017
Buildings	1,146,792	319,064
Community assets	1,384,644	354,527
Infrastructure	6,726,972	6,277,972
Office equipment	80,017	-
Plant and Machinery	1,507	-
<b>Total</b>	<b>9,339,932</b>	<b>6,951,563</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>Assets subject to finance lease (Net carrying amounts)</b>				
Plant and machinery	-	9	-	-
Motor vehicles	459	188	-	-
Office equipment	16,050	21,303	3,330	10,100
Leasehold improvements	7,824	10,143	-	-
Specialised vehicles	246,345	352,807	105,489	145,174
	<b>270,678</b>	<b>384,450</b>	<b>108,819</b>	<b>155,274</b>

### 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

	2,825,096	3,054,428	144,974	446,559
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 16. INTANGIBLE ASSETS

#### GROUP

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	232,361	(68,570)	163,791	232,361	(62,102)	170,259
Servitudes	1,727	-	1,727	1,727	-	1,727
Licences and franchises	531	(236)	295	531	(59)	472
Computer software, internally generated	13,840	(908)	12,932	13,832	(883)	12,949
Computer software	2,772,937	(2,059,780)	713,157	2,375,755	(1,784,146)	591,609
Intangible assets under development	85,156	(60,326)	24,830	85,156	(38,728)	46,428
<b>Total</b>	<b>3,106,552</b>	<b>(2,189,820)</b>	<b>916,732</b>	<b>2,709,362</b>	<b>(1,885,918)</b>	<b>823,444</b>

#### CJMM

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,145,268	(1,664,841)	480,427	1,808,665	(1,490,921)	317,744



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### Reconciliation of intangible assets - GROUP - 2018

	Opening balance	Additions	Amortisation	Total
Additional capacity rights	170,259	-	(6,468)	163,791
Servitudes	1,727	-	-	1,727
Licences and franchises	472	-	(177)	295
Computer software, internally generated	12,949	-	(17)	12,932
Computer software	591,609	390,420	(268,872)	713,157
Intangible assets under development	46,428	-	(21,598)	24,830
	<b>823,444</b>	<b>390,420</b>	<b>(297,132)</b>	<b>916,732</b>

### Reconciliation of intangible assets - GROUP - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Additional capacity rights	176,726	-	-	(6,467)	170,259
Servitudes	1,727	-	-	-	1,727
Licences and franchises	43	532	-	(103)	472
Computer software, internally generated	13,194	-	(58)	(187)	12,949
Computer software	793,901	78,088	(124)	(280,256)	591,609
Intangible assets under development	67,717	-	-	(21,289)	46,428
	<b>1,053,308</b>	<b>78,620</b>	<b>(182)</b>	<b>(308,302)</b>	<b>823,444</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

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Figures in Rand thousand

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### Reconciliation of intangible assets - CJMM - 2018

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	317,744	336,621	-	-	(173,938)	-	480,427

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### Reconciliation of intangible assets - CJMM - 2017

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	483,471	23,088	-	-	(188,815)	-	317,744

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# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 17. HERITAGE ASSETS

GROUP	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	526,362	-	526,362	526,362	-	526,362
Historical monuments	14,457	-	14,457	14,457	-	14,457
Historical buildings	41,104	-	41,104	41,104	-	41,104
<b>Total</b>	<b>581,923</b>	<b>-</b>	<b>581,923</b>	<b>581,923</b>	<b>-</b>	<b>581,923</b>

  

CJMM	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	524,769	-	524,769	524,769	-	524,769
Historical monuments	14,457	-	14,457	14,457	-	14,457
Historical buildings	41,104	-	41,104	41,104	-	41,104
<b>Total</b>	<b>580,330</b>	<b>-</b>	<b>580,330</b>	<b>580,330</b>	<b>-</b>	<b>580,330</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### Reconciliation of heritage assets - GROUP - 2018

	Opening balance	Total
Art collections, antiques and exhibits	526,362	526,362
Historical monuments	14,457	14,457
Historical buildings	41,104	41,104
	<b>581,923</b>	<b>581,923</b>

### Reconciliation of heritage assets GROUP - 2017

	Opening balance	Additions	Total
Art collections, antiques and exhibits	526,316	46	526,362
Historical monuments	14,457	-	14,457
Historical buildings	41,104	-	41,104
	<b>581,877</b>	<b>46</b>	<b>581,923</b>

### Reconciliation of heritage assets CJMM - 2018

	Opening balance	Total
Art collections, antiques and exhibits	524,769	524,769
Historical monuments	14,457	14,457
Historical buildings	41,104	41,104
	<b>580,330</b>	<b>580,330</b>

### Reconciliation of heritage assets - CJMM - 2017

	Opening balance	Additions	Total
Art collections, antiques and exhibits	524,723	46	524,769
Historical monuments	14,457	-	14,457
Historical buildings	41,104	-	41,104
	<b>580,284</b>	<b>46</b>	<b>580,330</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>18. INVESTMENTS IN MUNICIPAL ENTITIES</b>				
<b>Gross investment</b>				
City of Johannesburg Property Company (SOC) Ltd			5,141	5,141
City Power Johannesburg (SOC) Ltd			112,466	112,466
Johannesburg City Parks NPC			29,958	29,958
Johannesburg Development Agency (SOC) Ltd			16,278	16,278
Johannesburg Metropolitan Bus Services (SOC) Ltd			54,774	54,774
Johannesburg Roads Agency (SOC) Ltd			313,585	281,441
Johannesburg Social Housing Company (SOC) Ltd			-	-
Johannesburg Water (SOC) Ltd			-	-
Metropolitan Trading Company (SOC) Ltd			97,972	97,972
Pikitup Johannesburg (SOC) Ltd			31,315	31,315
Johannesburg Civic Theatre (SOC) Ltd			1,784	1,784
The Johannesburg Fresh Produce Market (SOC) Ltd			20,000	20,000
			<b>683,273</b>	<b>651,129</b>
<b>Impairments</b>				
Johannesburg Metropolitan Bus Services (SOC) Ltd			(54,774)	(54,774)
<b>Net investment</b>				
			<b>Carrying amount 2018</b>	<b>Carrying amount 2017</b>
City of Johannesburg Property Company (SOC) Ltd			5,142	5,142
City Power Johannesburg (SOC) Ltd			112,466	112,466
Johannesburg City Parks NPC			29,958	29,958
Johannesburg Development Agency (SOC) Ltd			16,278	16,278
Johannesburg Metropolitan Bus Services (SOC) Ltd			-	-
Johannesburg Roads Agency (SOC) Ltd			313,585	281,441
*Johannesburg Social Housing Company (SOC) Ltd			-	-
*Johannesburg Water (SOC) Ltd			-	-
Metropolitan Trading Company (SOC) Ltd			97,972	97,972
Pikitup Johannesburg (SOC) Ltd			31,315	31,315
The Johannesburg Civic Theatre (SOC) Ltd			1,784	1,784
The Johannesburg Fresh Produce Market (SOC) Ltd			20,000	20,000
			<b>628,500</b>	<b>596,356</b>

\* The City has investments in the following ME's that have a carrying amount less than R1 000

Johannesburg Social Housing Company (SOC) Ltd - R120

Johannesburg Water (SOC) Ltd - R 200

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 19. INVESTMENT IN JOINT VENTURES

Golden Triangle Development Company (Pty) Ltd	527	8,949	1	1
Joshco Madulamoho Joint Venture	23,517	24,138	-	-
	<b>24,044</b>	<b>33,087</b>	<b>1</b>	<b>1</b>

#### Principal activities and reporting dates of Joint Ventures

Name of entity	Holding	Reporting date	Period of results included
Golden Triangle Development Company (Pty) Ltd	50%	6/30/2018	01/07/2017 - 30/06/2018
Joshco Madulamoho Joint Venture (JMJV)	55%	6/30/2018	01/07/2017 - 30/06/2018

#### Golden Triangle Development Company (Pty) Ltd

The Golden Triangle is an investment between the CJMM and the Ovenstone Group. The separate annual financial statements of the joint venture are available for inspection at the registered office of the entity. The carrying amount of the investment and summary of assets are disclosed below

Opening balance	8,949	9,097
Share of surplus/(deficit)	578	(148)
Distributions	(9,000)	-
	<b>527</b>	<b>8,949</b>
Total assets	37,341	53,278
Total liabilities	(36,386)	(35,379)
Revenue	54,298	155,389
Surplus/(deficit)	1,156	(297)

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### Madulamoho Joint Venture (JMJV)

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

Opening balance	24,138	24,192
Share of (deficit)/ surplus	(71)	496
Distributions	(550)	(550)
	<b>23,517</b>	<b>24,138</b>
Total assets	49,806	49,403
Total liabilities	(7,049)	(5,515)
Revenue	8,594	8,171
(Deficit)/ surplus	(131)	902

### 20. INVESTMENT IN ASSOCIATE

Name of entity	Carrying amount 2018	Carrying amount 2017		
Friedshelf 128 (Pty) Ltd	16,240	15,602	-	-

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

### Movements in carrying value

Opening balance	15,602	15,791
Share of (deficit)/ surplus	638	(189)
	<b>16,240</b>	<b>15,602</b>

### Principal activities, country of incorporation and voting power

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

### Summary of controlled entity's interest in associate

Total assets	36,887	32,598
Total liabilities	(4,377)	(4,382)
Revenue	1,364	1,138
(Deficit)/ surplus	1,276	(378)

### Associates with different reporting dates

The financial year-end of the associate is the last day of February. Since the year-end dates of the entity and the associate are more than three months apart, the entity made estimates to the accounts of the associate to bring the two year-ends in line with each other. Prior year financial statements amounts of the associate were restated and the impact of that is accounted for in the current year investment in associates amounts recognised in the statement of financial performance.

A resolution was taken to dispose of Pikitup's shareholding in the associate; and as at 30 June 2018, this transaction was not completed.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>21. DEFERRED TAX</b>				
Deferred tax liability	(3,068,528)	(2,469,982)	-	-
Deferred tax asset	1,105,562	705,388	-	-
<b>Total net deferred tax liability</b>	<b>(1,962,966)</b>	<b>(1,764,594)</b>	-	-
<b>Reconciliation of deferred tax asset / (liability)</b>				
At beginning of year	(1,764,594)	(1,908,224)	-	-
(Taxable) / deductible temporary differences	(596,956)	(80,954)	-	-
Arising / (Utilised) assessed losses	398,584	224,584	-	-
	<b>(1,962,966)</b>	<b>(1,764,594)</b>	-	-



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>22. LOANS AND BORROWINGS</b>				
<b>Non-Current portion of loans and borrowings - At amortised cost</b>				
Structured loans	-	3,276	-	3,276
Development Bank of Southern Africa	9,123,575	7,860,528	9,109,344	7,845,423
Listed bonds	6,016,000	6,016,000	6,016,000	6,016,000
Other financial liabilities	4,004,951	2,976,076	4,004,951	2,976,076
	<b>19,144,526</b>	<b>16,855,880</b>	<b>19,130,295</b>	<b>16,840,775</b>
<b>Current portion of loans and borrowings - At amortised cost</b>				
Structured loans	3,275	13,333	3,275	13,333
Development Bank of Southern Africa	289,016	107,698	288,141	106,892
Listed bonds	-	1,724,842	-	1,724,842
Other financial liabilities	469,512	1,409,896	469,512	1,409,896
	<b>761,803</b>	<b>3,255,769</b>	<b>760,928</b>	<b>3,254,963</b>
	<b>19,906,329</b>	<b>20,111,649</b>	<b>19,891,223</b>	<b>20,095,738</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>23. FINANCE LEASE OBLIGATIONS</b>				
<b>Minimum lease payments due</b>				
- within one year	57,834	67,964	50,822	60,792
- in second to fifth year	133,933	181,623	127,664	178,070
	191,767	249,587	178,486	238,862
less: future finance charges	(28,932)	(44,260)	(27,173)	(43,547)
<b>Present value of minimum lease payments</b>	<b>162,835</b>	<b>205,327</b>	<b>151,313</b>	<b>195,315</b>
<b>Present value of minimum lease payments due</b>				
- within one year	44,102	51,207	38,274	44,605
- in second to fifth year inclusive	118,733	154,120	113,039	150,710
	<b>162,835</b>	<b>205,327</b>	<b>151,313</b>	<b>195,315</b>
Non-current liabilities	118,733	154,120	113,039	150,710
Current liabilities	44,102	51,207	38,274	44,605
	<b>162,835</b>	<b>205,327</b>	<b>151,313</b>	<b>195,315</b>

### Office Equipment

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

### Plant and Equipment

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

### Specialised vehicles

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>24. PAYABLES FROM EXCHANGE TRANSACTIONS</b>				
<b>Financial liabilities</b>				
Accrued interest	284,234	160,135	283,913	159,798
Related party creditors	-	-	6,897,297	6,027,882
Credit balances in consumer debtors	1,906,617	1,743,489	873,392	862,882
Engineering fees	109,620	114,828	109,620	114,828
Operating lease payables	17,374	19,094	4,796	4,051
Other creditors	1,318,988	1,930,165	480,506	660,451
Eskom payable	1,352,620	1,285,757	-	-
Retentions	374,223	317,019	60,915	53,197
Trade payables	5,148,275	4,904,435	1,939,441	1,716,777
	<u>10,511,951</u>	<u>10,474,922</u>	<u>10,649,880</u>	<u>9,599,866</u>
<b>Other liabilities</b>				
Accrued bonus	105,889	97,644	-	-
Accrued leave pay	630,952	606,176	346,837	329,815
Payments received in advance	1,090,690	963,380	13,676	14,363
	<u>1,827,531</u>	<u>1,667,200</u>	<u>360,513</u>	<u>344,178</u>
	<u><b>12,339,482</b></u>	<u><b>12,142,122</b></u>	<u><b>11,010,393</b></u>	<u><b>9,944,044</b></u>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>25. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
Provincial grants : Capital projects	55,329	157,646	55,329	157,646
Urban settlements development grant	-	266,825	-	266,825
Provincial grants : Top Structure of houses	79,984	-	79,984	-
Provincial grants : Operating projects	22,925	27,624	22,925	27,624
Gauteng Provincial Grant - JMJV	5,220	-	5,220	-
Public Transport Network Grant (Capital Projects)	20,547	3,852	20,547	3,852
Neighbourhood Development Partnership Grant (NDPG)	2,919	14,618	2,919	14,618
Integrated City Development Grant (ICDG)	12,110	4,762	12,110	4,762
Expanded Public Works Programme (EPWP)	-	4,402	-	4,402
Provincial grant : Jozi Ihlomihle (HIV/ AIDS)	757	384	757	384
Public Transport Network Grant (Operational Projects)	99	38,082	99	38,082
Infrastructure skills development grants	3,214	-	-	-
Public contributions: Service connections	29,265	55,526	-	-
unspent public contributions	54,786	48,949	1,682	751
	<b>287,155</b>	<b>622,670</b>	<b>201,572</b>	<b>518,946</b>
Non-current liabilities	84,669	102,810	-	-
Current liabilities	202,486	519,860	201,572	518,946
	<b>287,155</b>	<b>622,670</b>	<b>201,572</b>	<b>518,946</b>

See note 36 for reconciliation of grants.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 26. PROVISIONS

#### Reconciliation of provisions - GROUP - 2018

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Bonus provision	168,855	151,781	(136,193)	-	184,443
Provision for legal claims	119,365	17,705	(20,159)	-	116,911
Kelvin ash disposal	92,710	9,174	-	-	101,884
Environmental rehabilitation: Closed landfill site	167,674	-	(3,476)	12,453	176,651
Environmental rehabilitation: Open landfill sites	382,877	31,250	-	28,435	442,562
Other provisions	4,042	1,508	(66)	-	5,484
	<b>935,523</b>	<b>211,418</b>	<b>(159,894)</b>	<b>40,888</b>	<b>1,027,935</b>

#### Reconciliation of provisions - GROUP - 2017

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Bonus provision	166,015	158,168	(155,328)	-	168,855
Provision for legal claims	106,275	15,125	(2,035)	-	119,365
Kelvin ash disposal	83,616	9,094	-	-	92,710
Fleet Provision	19,677	-	(19,677)	-	-
Environmental rehabilitation: Closed landfill site	160,550	-	(3,476)	10,600	167,674
Environmental rehabilitation: Open landfill sites	401,423	-	(45,050)	26,504	382,877
Pension fund provision	89,836	4,568	(94,404)	-	-
Other provisions	4,606	-	(564)	-	4,042
	<b>1,031,998</b>	<b>186,955</b>	<b>(320,534)</b>	<b>37,104</b>	<b>935,523</b>

#### Reconciliation of provisions - CJMM - 2018

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Bonus provision	19,994	14,706	(249)	-	34,451
Provision for legal claims	92,600	16,644	(20,000)	-	89,244
	<b>112,594</b>	<b>31,350</b>	<b>(20,249)</b>	<b>-</b>	<b>123,695</b>

#### Reconciliation of provisions - CJMM - 2017

	Opening Balance	Additions	Reversals/ Settlement during the year	Interest	Total
Bonus provision	11,964	13,094	- (5,064)	-	19,994
Provision for legal claims	78,625	14,975	- (1,000)	-	92,600
Pension fund provision	89,836	4,568	- (94,404)	-	-
	<b>180,425</b>	<b>32,637</b>	<b>- (100,468)</b>	<b>-</b>	<b>112,594</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
Non-current liabilities	742,908	663,145	123,695	112,594
Current liabilities	285,027	272,378	-	-
	<b>1,027,935</b>	<b>935,523</b>	<b>123,695</b>	<b>112,594</b>

### Bonus provision

Bonus provision relates to the performance bonus for the section 57 employees. It also relates to performance bonuses of employees of municipal entities that are to be paid if certain conditions are met.

### Provision for legal claims

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

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 rendered for R14 million.

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. The loss is estimated for R1 million and was settled during the 2016/17 financial year.

Harambee provided services in the past to the city, which the City did not settle nor provide for as there were disputes with the services as per the agreement. Harambee then applied to court to force the City to settle which the judgement was past against the City on the 10th of April 2018. The total amount of the settlement is R10 300 000.

Claim by Boffin and Fundi against the City. The parties have entered into settlement negotiations, City prepared to settle at R11 million and Boffin has agreed to settle. The settlement negotiations are ongoing. The City quantified the amount payable through actuarial exercise.

The provision is in respect of properties used for both business and residential but rated for business only. The City was of the view that it can rate the properties as business only which is in line with its rate policy. However, the courts held that the City's rate policy does not take precedence over the Municipal Property Rates Act and the City is obliged to apportion the value of the properties in terms of the Municipal Property Rates Act.

A claim of R10 million instituted against the City for damages for loss of business as a result of the construction of the Grayston Drive flyover across Katherine Street, Sandown. The matter has become dormant for long periods, as the last trial date was October 2012 which did not take place and the matter was further postponed. The plaintiff has not set down the matter for trial since. It has further proven that it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

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

### Kelvin ash disposal

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

### Environmental rehabilitation: landfill sites (closed and open)

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

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

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	2018	2017	2018	2017

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

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

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

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

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

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

### Pension fund provision

The provision is for the settlement of the Soweto Pension Fund which was approved by the Mayoral Committee on the 2nd of December 2010. The Settlement amount should have been paid in cash on or before 30 June 2011, as a result the interest at the rate of 65% of the prime interest has been calculated.

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

The amount was settled in full during the 2016/17 financial year.

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### 27. EMPLOYEE BENEFIT OBLIGATIONS

#### 27.1 Post-retirement liabilities

Post-Retirement Medical Aid Plan	(992,648)	(1,130,586)	(933,760)	(1,059,955)
Post-Retirement Housing Subsidy Plan	(7,684)	(6,009)	(313)	(317)
Retirement Gratuity Plan	(376,908)	(389,626)	(141,951)	(145,169)
	<b>(1,377,240)</b>	<b>(1,526,221)</b>	<b>(1,076,024)</b>	<b>(1,205,441)</b>

#### 27.1.1 Unfunded post-retirement medical aid plan

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

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

Present value of unfunded obligation	992,648	1,130,586	933,760	1,059,955
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#### Movements for the year

Opening balance	1,130,586	1,179,351	1,059,955	1,103,327
Benefits paid	(108,806)	(109,160)	(103,793)	(104,428)
Net expense recognised in the statement of financial performance	(29,132)	60,395	(22,402)	61,056
	<b>992,648</b>	<b>1,130,586</b>	<b>933,760</b>	<b>1,059,955</b>

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

Current service cost	14	34	-	-
Interest cost	94,954	99,979	88,994	93,514
Actuarial gains	(124,100)	(39,618)	(111,396)	(32,458)
	<b>(29,132)</b>	<b>60,395</b>	<b>(22,402)</b>	<b>61,056</b>



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Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>27.1.2 Unfunded post-retirement housing subsidy plan</b>				
The CJMM provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.				
<b>Amounts recognised in the Statement of financial position</b>				
Present value of unfunded obligation in respect of CJMM employees	7,684	6,009	313	317
<b>Movements for the year</b>				
Opening balance	6,009	5,688	317	301
Benefits paid	(70)	(72)	(63)	(72)
Net expense recognised in the statement of financial performance	1,745	393	59	88
	<b>7,684</b>	<b>6,009</b>	<b>313</b>	<b>317</b>
<b>Net expense recognised in the Statement of financial performance</b>				
Current service cost	288	1,344	-	-
Interest cost	530	3,148	25	23
Actuarial losses/ (gains)	927	(4,099)	34	65
	<b>1,745</b>	<b>393</b>	<b>59</b>	<b>88</b>
<b>27.1.3 Unfunded post-retirement gratuity plan</b>				
The CJMM provides gratuities on retirement or death in respect of certain qualifying staff members who have service with the CJMM when they were not members of one of the retirement funds and who meet certain service requirements in terms of the CJMM conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.				
<b>Amounts recognised in the Statement of financial position</b>				
Present value of unfunded obligation in respect of CJMM employees	376,908	389,626	141,951	145,169
<b>Movements for the year</b>				
Opening balance	389,626	417,584	145,169	150,827
Benefits paid	(36,214)	(36,386)	(11,727)	(10,155)
Net expense recognised in the statement of financial performance	23,496	8,428	8,509	4,497
	<b>376,908</b>	<b>389,626</b>	<b>141,951</b>	<b>145,169</b>
<b>Net expense recognised in the Statement of financial performance</b>				
Interest cost	32,647	35,150	12,100	12,685
Actuarial (gains)/ losses	(9,151)	(26,722)	(3,591)	(8,188)
	<b>23,496</b>	<b>8,428</b>	<b>8,509</b>	<b>4,497</b>

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### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8.03 %	8.67 %	8.03 %	8.67 %
Health care cost inflation rate	6.50 %	6.97 %	6.50 %	6.57 %
Normal salary Inflation	6.50 %	6.50 %	6.50 %	6.50 %
Net effective discount rate (PRMA)	1.44 %	1.58 %	1.44 %	1.58 %
Consumer price Inflation	5.50 %	5.47 %	5.50 %	5.47 %

### Sensitivity analysis

#### GROUP- 2018

Accrued Liability- Mortality rate	- 20 % Mortality Rate	Valuation Assumption	+ 20 % Mortality Rate
Post-retirement medical aid	1,075,487	992,648	925,682
Post-retirement Housing subsidies	7,960	7,671	7,457
Post-retirement gratuities	376,585	377,050	377,385
Total	1,460,032	1,377,369	1,310,524

Accrued Liability- Medical/salary inflation	+ 1% in medical /salary inflation	Valuation Assumption	+ 1% in medical /salary inflation
Post-retirement medical aid	971,617	992,648	1,010,249
Post-retirement Housing subsidies	7,365	7,671	7,991
Retirement gratuities	354,909	377,050	401,075
Total	1,333,891	1,377,369	1,419,315

#### CJMM- 2018

Accrued Liability- Mortality rate	- 20% Mortality Rate	Valuation Assumption	+ 20% Mortality Rate
Post-retirement medical aid	1,012,398	933,760	870,278
Post-retirement Housing subsidies	312	300	289
Retirement gratuities	141,906	142,093	142,276
Total	1,154,616	1,076,153	1,012,843

Accrued Liability- Medical/salary inflation	- 1% in medical /salary inflation	Valuation Assumption	+ 1% in medical /salary inflation
Post-retirement medical aid	914,186	933,760	949,294
Post-retirement Housing subsidies	294	300	307
Retirement gratuities	133,563	142,093	151,377
Total	1,048,043	1,076,153	1,100,978

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>28. DEFERRED INCOME</b>				
<b>Bond tap</b>				
Balance unspent at beginning of year	38,067	42,046	38,067	42,046
Conditions met - transferred to revenue	(4,408)	(3,979)	(4,408)	(3,979)
<b>Conditions still to be met - transferred to liabilities</b>	<b>33,659</b>	<b>38,067</b>	<b>33,659</b>	<b>38,067</b>
<p>The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.</p> <p>The Tap was issued on the 9th of December 2008 and is due to mature on the 5th of June 2023. The Tap was issued at a premium of R58,038,692 at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.</p>				
<b>Deferred income related to BRT points system</b>				
Balance at beginning of year	11,059	4,298	11,059	4,298
Current year receipts	19,614	6,761	19,614	6,761
<b>Conditions still to be met - transferred to liabilities</b>	<b>30,673</b>	<b>11,059</b>	<b>30,673</b>	<b>11,059</b>
<p>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.</p>				
<b>Passenger trips received in advance</b>				
Balance unspent at beginning of year	4,418	3,952	-	-
Conditions met - transferred to revenue	(2,959)	466	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>1,459</b>	<b>4,418</b>	<b>-</b>	<b>-</b>
<p>The liability relates to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket according</p>				
	65,791	53,544	64,332	49,126
Current liabilities	1,459	4,418	-	-
Non-current liabilities	64,332	49,126	64,332	49,126
	<b>65,791</b>	<b>53,544</b>	<b>64,332</b>	<b>49,126</b>

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Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 29. FINANCIAL LIABILITIES AT FAIR VALUE - SINKING FUND

The debt redemption fund is a financial solution to assist the City to meet its financial obligations to repay previously issued bonds. The City 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 for the purpose of settling long-term liabilities when they fall due. This is part of the risk management framework adopted by City. The financial assets in the fund are disclosed in note 11

The total investments are pledged as collateral for CJMM Bonds

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

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

#### Sinking Fund Maturity - 5 June 2023

#### Other financial liabilities through profit or loss

Bonds	-	1,151	-	1,151
Bond repos	-	2	-	2
Cash collateral	152,331	109,064	152,331	109,064
Forward Rate Agreements	1,203	9,761	1,203	9,761
Swaps	2,685	30,409	2,685	30,409
<b>Current Liabilities</b>	<b>156,219</b>	<b>150,387</b>	<b>156,219</b>	<b>150,387</b>

#### Other financial liabilities through profit or loss

Bonds	-	184,798	-	184,798
Amortising Swap	15,546	6,615	15,546	6,615
Swaps	434,852	480,661	434,852	480,661
<b>Non-Current Liabilities</b>	<b>450,398</b>	<b>672,074</b>	<b>450,398</b>	<b>672,074</b>

<b>606,617</b>	<b>822,461</b>	<b>606,617</b>	<b>822,461</b>
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#### Financial liabilities carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	454,285	527,447	454,285	527,447
Held for trading non-derivative financial liabilities	152,332	295,014	152,332	295,014
<b>606,617</b>	<b>822,461</b>	<b>606,617</b>	<b>822,461</b>	

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Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 30. OTHER FINANCIAL LIABILITIES AT FAIR VALUE - SWAP

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

#### Swap Details

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

<b>Opening balance</b>	14,060	22,134	14,060	22,134
Net movement	(14,060)	(8,074)	(14,060)	(8,074)
<b>Closing balance</b>	<b>-</b>	<b>14,060</b>	<b>-</b>	<b>14,060</b>

Current liability	-	14,060	-	14,060
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### 31. CONSUMER DEPOSITS

#### Non-Current portion of Consumer deposits

Electricity and water deposits	883,529	824,391	-	-
Other deposits	16,748	16,479	16,748	16,479
	<b>900,277</b>	<b>840,870</b>	<b>16,748</b>	<b>16,479</b>

#### Current portion of Consumer deposits

Other deposits	52,541	45,243	-	-
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Other deposits relate largely to deposits held as part of rental agreements between tenants and JPC Portfolio, Joshco Community Development and the Housing Department.

### 32. LOANS FROM MUNICIPAL ENTITIES

#### Notional Accounts

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

#### Medical Aid Notional loan account

Opening balance	-	-	159,004	149,764
Finance cost	-	-	10,462	11,063
Payments	-	-	(1,835)	(1,823)
	<b>-</b>	<b>-</b>	<b>167,631</b>	<b>159,004</b>

#### Gratuities Notional loan account

Opening balance	-	-	259,316	263,227
Finance cost	-	-	17,062	18,921
Payments	-	-	(17,671)	(22,832)
	<b>-</b>	<b>-</b>	<b>258,707</b>	<b>259,316</b>

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Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>32. LOANS FROM MUNICIPAL ENTITIES (continued)</b>				
Non-current liabilities	-	-	426,338	418,320
Current liabilities	-	-	-	-
	-	-	<b>426,338</b>	<b>418,320</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>33. OTHER REVENUE</b>				
Cut-off fees	16,584	51,062	-	-
Gautrain maintenance fees	6,294	6,040	-	-
Licences and permits	8,202	3,648	8,202	3,648
Internal recoveries - ME's	-	-	412,327	385,686
Cemetery fees	20,664	20,334	-	-
Theatre ticket sales	12,170	7,856	-	-
Recovery of insurance	9,006	6,234	7,693	3,428
Sundry revenue	702,742	625,657	423,496	285,578
Training revenue	8,251	12,739	15,769	14,788
	<b>783,913</b>	<b>733,570</b>	<b>867,487</b>	<b>693,128</b>

### 34. RENDERING OF SERVICES

Other service charges	539,804	483,936	289,992	246,542
Refuse removal	1,439,440	1,314,763	-	-
Sale of electricity	13,589,158	14,485,674	-	-
Sale of water	6,005,511	4,982,844	-	-
Sewerage and sanitation charges	3,623,344	3,197,855	-	-
Surcharges : Electricity	168,684	163,846	168,684	163,846
Surcharges : Refuse	5,406	5,014	5,406	5,014
Surcharges : Water	59,155	47,281	59,155	47,281
	<b>25,430,502</b>	<b>24,681,213</b>	<b>523,237</b>	<b>462,683</b>

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	2018	2017	2018	2017
<b>35. PROPERTY RATES</b>				
<b>Rates received</b>				
Residential	3,392,435	3,114,579	3,392,435	3,114,579
Commercial	5,530,872	4,625,362	5,530,872	4,625,362
State	187,253	172,440	187,253	172,440
	<b>9,110,560</b>	<b>7,912,381</b>	<b>9,110,560</b>	<b>7,912,381</b>
<b>Valuations</b>				
Residential	641,840,252	624,699,254	641,840,252	624,699,254
Commercial	319,549,584	303,906,608	319,549,584	303,906,608
State	31,160,238	34,523,310	31,160,238	34,523,310
	<b>992,550,074</b>	<b>963,129,172</b>	<b>992,550,074</b>	<b>963,129,172</b>



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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>36. GOVERNMENT GRANTS AND SUBSIDIES</b>				
Provincial grants : Capital projects	107,866	107,131	107,866	107,131
Urban settlements development grant	1,577,196	1,605,169	1,169,277	1,364,661
Provincial grants : Top structure of houses	248,785	404,736	248,785	404,736
Provincial grants : Operating projects	17,761	40,325	17,761	40,325
Public Transport Network Grant (Capital Projects)	685,585	807,431	685,585	807,431
Neighbourhood development partnership grant	42,563	46,112	42,563	46,112
Integrated City Development Grant (ICDG)	65,052	54,942	65,052	54,942
Expanded Public Works Programme (EPWP)	17,517	39,040	12,047	30,522
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	21,698	19,926	21,698	19,926
Public Transport Network operations Grant	211,990	206,164	211,990	206,164
Public contributions: Service connections	54,388	-	-	-
Ambulance subsidy	123,187	117,321	123,187	117,321
Equitable share and fuel levy	6,377,585	5,777,859	6,377,585	5,777,859
Provincial health subsidies	121,669	115,875	121,669	115,875
Other Grants	98,471	122,643	1,050	1,050
	<b>9,771,313</b>	<b>9,464,674</b>	<b>9,206,115</b>	<b>9,094,055</b>

### Provincial grants : Capital projects

Balance unspent at beginning of year	157,646	174,148	157,646	174,148
Paid back	-	(16,502)	-	(16,502)
Transferred to Top structure of houses	(68,606)	-	(68,606)	-
Adjustment - Debtors	74,155	107,131	74,155	107,131
Conditions met - transferred to revenue	(107,866)	(107,131)	(107,866)	(107,131)
<b>Conditions still to be met - transferred to liabilities</b>	<b>55,329</b>	<b>157,646</b>	<b>55,329</b>	<b>157,646</b>

### Urban settlements development grant

Balance unspent at beginning of year	266,825	94,985	266,825	94,985
Current year receipts	1,577,196	1,777,009	1,501,731	1,775,808
Paid Back	(266,825)	-	(266,825)	-
Transfers	-	-	(332,454)	(239,307)
Conditions met - transferred to revenue	(1,577,196)	(1,605,169)	(1,169,277)	(1,364,661)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>266,825</b>	<b>-</b>	<b>266,825</b>

This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households. 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.

### Provincial grants : Top structure of houses

Current year receipts	307,946	382,197	307,946	382,197
Transferred from capital projects	68,606	-	68,606	-
Settled against debtors	(47,783)	22,539	(47,783)	22,539
Conditions met - transferred to revenue	(248,785)	(404,736)	(248,785)	(404,736)
<b>Conditions still to be met - transferred to liabilities</b>	<b>79,984</b>	<b>-</b>	<b>79,984</b>	<b>-</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>Provincial grants : Operating projects</b>				
Balance unspent at beginning of year	27,624	31,910	27,624	31,910
Current year receipts	30,921	43,539	30,921	43,539
Paid Back	(17,859)	(7,500)	(17,859)	(7,500)
Conditions met - transferred to revenue	(17,761)	(40,325)	(17,761)	(40,325)
<b>Conditions still to be met - transferred to liabilities</b>	<b>22,925</b>	<b>27,624</b>	<b>22,925</b>	<b>27,624</b>

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	3,852	2,475	3,852	2,475
Current year receipts	706,132	808,808	706,132	808,808
Paid back	(3,852)	-	(3,852)	-
Conditions met - transferred to revenue	(685,585)	(807,431)	(685,585)	(807,431)
<b>Conditions still to be met - transferred to liabilities</b>	<b>20,547</b>	<b>3,852</b>	<b>20,547</b>	<b>3,852</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>Neighbourhood development partnership grant</b>				
Balance unspent at beginning of year	14,618	25,753	14,618	25,753
Current year receipts	45,464	79,172	45,464	79,172
Paid back	(14,600)	(44,195)	(14,600)	(44,195)
Conditions met - transferred to revenue	(42,563)	(46,112)	(42,563)	(46,112)
<b>Conditions still to be met - transferred to liabilities</b>	<b>2,919</b>	<b>14,618</b>	<b>2,919</b>	<b>14,618</b>

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

### Integrated City Development Grant (ICDG)

Balance unspent at beginning of year	4,762	31,805	4,762	31,805
Current year receipts	82,200	59,704	82,200	59,704
Paid back	(9,800)	(31,805)	(9,800)	(31,805)
Conditions met - transferred to revenue	(65,052)	(54,942)	(65,052)	(54,942)
<b>Conditions still to be met - transferred to liabilities</b>	<b>12,110</b>	<b>4,762</b>	<b>12,110</b>	<b>4,762</b>

### Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	4,402	910	4,402	910
Current year receipts	17,515	43,442	17,515	47,613
Paid back	(4,400)	(910)	(4,400)	(910)
Transfers	-	-	(5,470)	(12,689)
Conditions met - transferred to revenue	(17,517)	(39,040)	(12,047)	(30,522)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>4,402</b>	<b>-</b>	<b>4,402</b>

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

### Provincial grant : Jozi Ihlomihle (Hiv/Aids)

Balance unspent at beginning of year	384	-	384	-
Current year receipts	22,071	20,310	22,071	20,310
Conditions met - transferred to revenue	(21,698)	(19,926)	(21,698)	(19,926)
<b>Conditions still to be met - transferred to liabilities</b>	<b>757</b>	<b>384</b>	<b>757</b>	<b>384</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>Public Transport Network Grant (Operational projects)</b>				
Balance unspent at beginning of year	38,082	45,246	38,082	45,246
Current year receipts	212,056	206,700	212,056	206,700
Paid back	(38,049)	(7,700)	(38,049)	(7,700)
Conditions met - transferred to revenue	(211,990)	(206,164)	(211,990)	(206,164)
<b>Conditions still to be met - transferred to liabilities</b>	<b>99</b>	<b>38,082</b>	<b>99</b>	<b>38,082</b>
<b>Public contributions: Service connections</b>				
Balance unspent at beginning of year	55,526	29,808	-	-
Current year receipts	28,127	25,718	-	-
Conditions met - transferred to revenue	(54,388)	-	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>29,265</b>	<b>55,526</b>	<b>-</b>	<b>-</b>
<b>Ambulance subsidy</b>				
Current year receipts	123,187	117,321	123,187	117,321
Conditions met - transferred to revenue	(123,187)	(117,321)	(123,187)	(117,321)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<p>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.</p>				
<b>Equitable share and fuel levy</b>				
Current year receipts	6,030,960	5,682,596	6,030,960	5,682,596
Transfers	346,625	108,663	346,625	108,663
Allocation reduction	-	(13,400)	-	(13,400)
Conditions met - transferred to revenue	(6,377,585)	(5,777,859)	(6,377,585)	(5,777,859)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>Provincial health subsidies</b>				
Current year receipts	121,669	115,875	121,669	115,875
Conditions met - transferred to revenue	(121,669)	(115,875)	(121,669)	(115,875)
<b>Conditions still to be met - transferred to liabilities</b>	-	-	-	-

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>37. EMPLOYEE RELATED COSTS</b>				
Employee related costs : Salaries and wages	7,833,826	7,292,010	4,366,431	4,017,893
Employee related costs : Pension contributions	1,041,580	964,469	620,091	566,616
Employee related costs : Gratuities	20,131	17,253	-	-
Employee related costs : Medical aid contributions	534,706	495,276	375,237	349,962
Employee related costs : Skills development levy	88,896	81,460	53,064	47,524
Housing benefits and allowances	53,751	50,713	38,431	35,801
Overtime payments	445,196	385,712	126,603	87,802
Bonus	507,680	479,656	269,426	242,972
Travel, motor car, accommodation, subsistence and other allowances	455,829	439,590	296,818	284,244
Other employee benefits	49,813	48,942	-	-
	<b>11,031,408</b>	<b>10,255,081</b>	<b>6,146,101</b>	<b>5,632,814</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

### Key management remuneration- 2018

Key management	Annual salary	Car allowance	Social contribution	Bonuses	Leave payments	Other benefits	Total
City manager	2,759	-	49	-	-	-	2,808
Group head: Risk Assurance Services	1,984	77	203	-	-	-	2,264
Executive Director:Economic Development	1,936	88	2	-	-	-	2,026
Executive Director: Community Development	1,553	130	159	-	-	-	1,842
Executive Director: Community Development (Former)	151	9	17	-	-	-	177
Executive Director: Development Planning and Urban development (Former)	570	36	35	-	98	45	784
Executive Director: Development Planning and Urban development	275	50	-	-	-	-	325
Executive Director: EISD	996	49	-	25	120	-	1,190
Executive Director: Housing (vacant from December 2016)	1,617	-	171	-	-	-	1,788
Executive Director: Transportation	2,126	73	321	-	-	-	2,520
Executive Director: Health	2,360	108	2	-	141	-	2,611
Executive Director: Corporate Services	1,739	-	1	-	188	-	1,928
Executive Director: Office of the City Manager	264	-	14	-	93	-	371
Group Head: Urban Management and Citizen Relationship Management	1,839	101	195	-	-	-	2,135
Group Head: Governance	810	48	47	-	65	-	970
Group Head:Communication and Tourism	1,560	-	2	15	-	-	1,577
Group Head : Strategy, Policy Coordination and Relations	1,451	172	2	-	-	-	1,625
Executive Director: Public Safety	1,248	86	1	-	208	2,000	3,543
Executive Director: Social Development	881	61	59	-	137	714	1,852
Remuneration of the Group Head: Legal and Contracts (Current)	1,067	73	124	-	-	-	1,264
Remuneration of the Group Head : Legal and Contracts (Former)	108	7	17	-	-	-	132
<b>CORE TOTAL</b>	<b>27,294</b>	<b>1,168</b>	<b>1,421</b>	<b>40</b>	<b>1,050</b>	<b>2,759</b>	<b>33,732</b>
Accounting officer - JRA (Former)	698	127	104	-	-	-	929
Accounting officer - JRA (Acting)	1,698	311	152	-	-	-	2,161
Accounting Officer - JOSHCO	1,833	-	-	-	-	-	1,833
Accounting Officer - Joburg Theatre	1,673	-	512	218	-	70	2,473
Accounting Officer - City Parks & Zoo (Former)	504	24	23	199	-	-	750
Accounting Officer - City Parks & Zoo (Current)	983	40	65	-	-	-	1,088
Accounting Officer - JPC	2,114	250	25	313	-	-	2,702
Accounting Officer - Joburg Market (Current)	1,415	-	-	-	-	407	1,822
Accounting Officer - Joburg Market (Acting)	212	-	-	-	-	89	301
Accounting Officer - JDA (Former)	301	-	-	-	146	-	447
Accounting Officer - JDA (Current)	277	5	-	-	-	-	282
Accounting Officer - Pikitup	1,915	358	298	-	-	-	2,571
Accounting Officer - Joburg Water	1,817	147	290	-	-	-	2,254
Accounting Officer - City Power (Former)	462	21	-	198	-	43	724
Accounting Officer - City Power (Current)	2,252	111	-	131	-	173	2,667
<b>GROUP TOTAL</b>	<b>45,448</b>	<b>2,562</b>	<b>2,890</b>	<b>1,099</b>	<b>1,196</b>	<b>3,541</b>	<b>56,736</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

### Key management remuneration- 2017

Key management	Annual salary	Car allowance	Social contribution	Bonuses	Leave payment	Other benefits	Total
City manager (current -appointed December 2016)	1,519	28	-	-	-	-	1,547
Group head: Risk Assurance Services (resigned October 2016)	618	100	20	89	-	-	827
Group: Chief Financial officer	2,754	141	2	408	-	1,572	4,877
Executive Director: Economic Development	1,180	-	1	290	179	-	1,650
Executive Director: Community Development	1,699	103	307	173	-	-	2,282
Executive Director: Development Planning and Urban development	2,147	97	48	217	-	120	2,629
Executive Director: EISD	1,873	97	48	271	-	-	2,289
Executive Director: Transportation	2,004	73	302	213	-	-	2,592
Executive Director: Health	2,089	108	2	431	141	-	2,771
Executive Director: Corporate Services	1,554	-	1	-	-	-	1,555
Executive Director: Office of the City Manager	1,496	-	79	170	-	-	1,745
Executive Director: Public Safety	1,174	86	1	89	-	-	1,350
Group Head: Urban Management and Citizen Relationship Management	1,732	101	183	95	-	11	2,122
Group Head: Governance	1,525	96	87	149	-	-	1,857
Executive Director: Social Development	944	69	52	253	-	-	1,318
Group Head: Strategy,Policy Coordination and Relations	1,416	180	2	92	-	-	1,690
Group Head:Communication and Tourism	1,730	-	2	120	-	-	1,852
Group Head:Legal and Contracts(Former)	1,216	87	186	-	-	-	1,489
<b>CORE TOTAL</b>	<b>28,670</b>	<b>1,366</b>	<b>1,323</b>	<b>3,060</b>	<b>320</b>	<b>1,703</b>	<b>36,442</b>
Accounting Officer - JRA (Former)	1,811	372	302	-	-	-	2,485
Accounting Officer - Joshco	584	-	-	-	-	-	584
Accounting Officer - Joburg Theatre	1,558	-	470	212	-	65	2,305
Accounting Officer - City Parks & Zoo	1,880	94	86	201	-	-	2,261
Accounting Officer - JPC	1,982	250	21	295	-	-	2,548
Accounting Officer - Metrobus	1,078	-	8	-	-	1,915	3,001
Accounting Officer - Joburg Market (Acting)	1,475	-	-	92	-	470	2,037
Accounting Officer - JDA (Former)	1,805	-	-	-	-	-	1,805
Accounting Officer - Pikitup	298	60	47	-	-	-	405
Accounting officer - Joburg Water	1,679	299	205	-	-	-	2,183
Accounting Officer - City Power (Former)	2,190	128	-	220	-	638	3,176
	<b>45,010</b>	<b>2,569</b>	<b>2,462</b>	<b>4,791</b>	<b>4,791</b>	<b>4,791</b>	<b>59,232</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 38. REMUNERATION OF COUNCILLORS

Executive Mayor	1,334	1,227	1,334	1,227
Mayoral Committee Members	10,440	9,164	10,440	9,164
Speaker	1,100	1,003	1,100	1,003
Councillors	116,343	103,854	116,343	103,854
Councillors' pension contribution	9,133	9,067	9,133	9,067
Chairpersons	17,856	15,278	17,856	15,278
	<b>156,206</b>	<b>139,593</b>	<b>156,206</b>	<b>139,593</b>

#### Remuneration of the Executive Mayor - Herman Mashaba

Annual Remuneration		1,289	1,084
Car Allowance		41	-
Cell phone Allowance		4	36
		<b>1,334</b>	<b>1,120</b>

Appointment from August 2016.

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

Annual Remuneration		-	80
Car Allowance		-	11
Contributions to UIF, Medical and Pension Funds		-	13
Cell phone Allowance		-	3
		-	<b>107</b>

#### Health

R18 016 Scale Digital X 7  
R7 120 Android BP Wall Mounted X 16  
R2 574 Scale electronic 200kg battery backup

#### EISD

Conferences attended through out the financial year valued at R334 334 for Travelling and accommodation

### 39. DEPRECIATION AND AMORTISATION

Property, plant and equipment	2,851,494	2,689,188	1,857,854	1,693,694
Investment property	23	23	-	-
Zoo animals	1,396	1,311	-	-
Intangible assets	297,132	308,302	173,938	188,815
	<b>3,150,045</b>	<b>2,998,824</b>	<b>2,031,792</b>	<b>1,882,509</b>

### 40. IMPAIRMENT LOSSES

#### Impairments

Property, plant and equipment	34,385	48,681	8,190	45,232
Loans to Municipal Entities The Pikitup Johannesburg (SOC) Ltd refer to Note 4	-	-	59,432	57,080
	<b>34,385</b>	<b>48,681</b>	<b>67,622</b>	<b>102,312</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 41. DEBT IMPAIRMENT

Receivables from non-exchange	104,987	195,893	104,987	195,893
Consumer debtors	2,967,571	3,615,519	610,861	773,218
Receivables from exchange	179,875	81,182	151,117	42,282
	<b>3,252,433</b>	<b>3,892,594</b>	<b>866,965</b>	<b>1,011,393</b>

Allowance for receivables from non-exchanges relates to the impairment of traffic fines.

### 42. BULK PURCHASES

Electricity	10,373,302	10,696,792	-	-
Water	4,799,538	4,259,064	-	-
Sewer purification	23,776	23,077	-	-
	<b>15,196,616</b>	<b>14,978,933</b>	-	-

The bulk purchases for the year includes electricity distribution losses and water losses.

Electricity distribution losses

Technical losses	970,859	878,234	-	-
Non-Technical losses	1,537,824	1,092,712	-	-
	<b>2,508,683</b>	<b>1,970,946</b>	-	-

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

The entity's non-technical losses increased from 11.2% to 14.3%. The non-technical losses are attributable mainly to the following:

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

#### Water Losses

Physical losses	878,400	822,000	-	-
Commercial losses	340,800	319,400	-	-
	<b>1,219,200</b>	<b>1,141,400</b>	-	-

The level of physical losses for the year under review is 18.3% [R878,4million], (2017: 19.3% [R822,0 million]). The level of commercial losses for the year under review is 7.1% [R340,8 million],(2017: 7.5% [R319,4 million]).

It is acknowledged and accepted that a certain level of water losses cannot be avoided from a technical perspective and is considered acceptable from an economic perspective. This means the cost of interventions to reduce water losses from a technical perspective are less than the savings that can be realised. The industry norm for water losses is 18%. This norm is exceeded by the company by 7.5% [R360,0 million], (2017: 8.8% [R374,8 million]). The industry norm of 18% applied is 2% more stringent than the benchmark of 20% as published by the South African Water Research Commission.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>43. GRANTS AND SUBSIDIES PAID</b>				
<b>Grants paid to ME's</b>				
City of Joburg Property Company SOC Limited	-	-	368,134	327,568
Johannesburg City Parks NPC	-	-	737,022	688,207
Johannesburg Development Agency SOC Limited	-	-	28,707	26,695
Johannesburg Metro Bus Services SOC Ltd	-	-	504,212	506,354
Johannesburg Roads Agency SOC Limited	-	-	896,443	816,774
Johannesburg Social Housing Company SOC Limited	-	-	14,807	13,100
Metropolitan Trading Company SOC Limited	-	-	143,670	211,158
Pikitup Johannesburg SOC Limited	-	-	617,166	694,762
Joburg Theatre SOC Limited	-	-	104,432	94,072
	-	-	<b>3,414,593</b>	<b>3,378,690</b>
<b>Other subsidies</b>				
Grant paid : Housing top structures	247,645	407,577	247,645	410,559
Grant paid : Other	41,691	93,170	22,352	85,170
	<b>289,336</b>	<b>500,747</b>	<b>269,997</b>	<b>495,729</b>
	<b>289,336</b>	<b>500,747</b>	<b>3,684,590</b>	<b>3,874,419</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>44. GENERAL EXPENSES</b>				
Advertising	40,800	44,966	23,498	11,398
Auditor's remuneration	61,270	55,604	27,478	22,195
Bank charges	153,310	99,899	143,772	91,365
Billing and meter reading charges	20,598	24,390	-	-
Cut-off fees	31,357	40,478	-	-
Cleaning	46,547	37,486	-	-
Commission paid	35,650	49,266	-	-
Conferences and seminars	17,173	21,607	15,111	16,480
Consulting and professional fees	356,292	410,057	176,171	121,180
Cost of inventories expensed	365,999	346,439	13,484	29,821
Debt collection	258,622	63,754	258,622	63,754
Fleet costs	728,700	678,726	54,245	60,827
Free electricity	3,517	6,676	-	-
Hire of equipment and buses	24,831	27,279	24,708	27,302
IT expenses	174,790	219,131	231,217	212,880
Incident management fund	46,977	40,304	46,977	40,304
Insurance	251,366	227,417	120,989	108,632
Marketing	50,296	58,272	28,817	27,993
Motor vehicle expenses	187,812	244,566	-	-
Other expenses	968,696	782,029	762,708	642,503
Specialized services	934,360	882,914	963,098	950,698
Postage and printing stationery	95,481	109,621	74,843	87,491
Productions	17,007	27,725	-	-
Contracted services	25,750	23,428	25,750	23,428
Maintenance services	1,550,769	1,899,524	144,975	446,559
Security (Guarding of municipal property)	573,523	531,321	285,134	267,029
Software expenses	111,864	239,585	57,820	127,031
Staff welfare	41,578	61,935	10,655	33,701
Subscriptions and membership fees	20,093	20,066	14,229	15,021
Telephone and fax	146,726	160,188	54,101	57,329
Training	41,201	55,299	17,708	33,463
Travel - local	7,200	11,367	2,879	5,327
Travel - overseas	3,816	3,594	2,201	2,617
Utilities	292,341	294,531	816,194	614,022
	<b>7,686,312</b>	<b>7,799,444</b>	<b>4,397,384</b>	<b>4,140,350</b>

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

### 45. FAIR VALUE ADJUSTMENTS

• Fair value movement on the sinking fund	212,727	351,736	212,727	351,736
• Cash flow hedge (Ineffective portion)	-	4,018	-	4,018
• Other fair value adjustments	(2,470)	21,362	(2,470)	21,362
	<b>210,257</b>	<b>377,116</b>	<b>210,257</b>	<b>377,116</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>46. CASH GENERATED FROM OPERATIONS</b>				
Surplus	2,885,281	1,589,081	1,502,620	1,049,487
<b>Adjustments for:</b>				
Depreciation and amortisation	3,150,045	2,998,824	2,031,792	1,882,509
Public contributions, Donated and contributed property	(421,089)	(417,174)	(3,612)	(97,578)
Fair value adjustments	(210,257)	(377,220)	(210,257)	(377,116)
Reversal of impairment	(1,768)	-	(29,007)	(29,825)
Finance costs: liabilities from Municipal entities	-	-	8,627	9,240
Debt impairment	3,252,433	3,892,594	866,965	1,011,393
Loss/gain on sale of Assets	306,157	74,186	292,850	41,223
Impairment losses	34,385	48,681	67,622	102,312
Provisions	92,411	466	11,099	(67,831)
Post-retirement benefits net expenditure	(3,891)	69,216	(13,834)	65,641
Gain/Loss from equity accounted investments	1,144	(158)	-	-
deferred tax	198,372	(148,470)	-	-
<b>Changes in working capital:</b>				
Inventories	16,148	(564)	6,294	35,353
Receivables	(705,668)	(1,687,696)	(1,789,724)	(2,103,675)
Current tax receivable	3,001	(50,446)	-	-
Current tax payable	(220,476)	-	-	-
Non-Cash movement in receivables	(3,261,982)	(3,546,980)	(866,929)	(1,011,393)
Payables from exchange transactions	197,347	1,060,234	1,066,354	(501,631)
VAT receivable/payable	(87,448)	(49,450)	(209,529)	(39,429)
Unspent conditional grants and receipts	(335,516)	109,824	(317,374)	109,824
Increase/(Decrease) in Deferred income	12,247	2,455	15,206	2,782
Increase/(Decrease) in Consumer deposits	66,699	7,477	269	663
	<b>4,967,575</b>	<b>3,574,880</b>	<b>2,429,432</b>	<b>81,949</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 47. COMMITMENTS

#### Commitments in respect of capital expenditure:

##### Authorised and contracted for

• Capital Commitments	11,820,054	11,551,642	3,477,449	1,599,261
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This committed expenditure relates to fixed assets and will be financed by government grants, existing cash resources and external loans etc.

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

##### Minimum lease payments due

- within one year	4,818	161,287	762	145,272
- in second to fifth year inclusive	-	5,446	-	5,419
	<b>4,818</b>	<b>166,733</b>	<b>762</b>	<b>150,691</b>

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

#### Operating leases – as lessee (Buildings)

##### Minimum lease payments due

- within one year	130,539	153,241	65,937	61,052
- in second to fifth year inclusive	51,043	166,921	17,258	83,195
	<b>181,582</b>	<b>320,162</b>	<b>83,195</b>	<b>144,247</b>

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### Operating leases – as lessee Land (Soccer City)

#### Minimum lease payments due

- within one year	75	75	75	75
- in second to fifth year inclusive	299	299	299	299
- later than five years	6,495	6,495	6,495	6,495
	<b>6,869</b>	<b>6,869</b>	<b>6,869</b>	<b>6,869</b>

### Operating leases - as lessee (Equipment)

#### Minimum lease payments due

- within one year	640,414	621,243	-	-
- in second to fifth year	1,263,948	1,898,854	-	-
	<b>1,904,362</b>	<b>2,520,097</b>	-	-

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

### Operating leases – as lessor (income)

#### Minimum lease payments due

- within one year	16,811	17,080	16,364	14,851
- in second to fifth year inclusive	70,366	56,265	70,366	55,818
- later than five years	151,102	159,495	151,102	159,495
	<b>238,279</b>	<b>232,840</b>	<b>237,832</b>	<b>230,164</b>

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

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

### 48. CONTINGENCIES

#### GROUP

##### Legal Claims by residents/companies

	Name of the company responsible	Estimated Amount in R'000
Claim of breach for allegedly failing to provide sufficient electricity for development after rezoning a property. Claim is defended on the basis that sufficient electricity is available and Plaintiff was aware of available supply.	CJMM	6,289
Plaintiff brought summons against the City and Johannesburg Municipal Pension Fund for unpaid benefits. The City disputes the claim. The city will enter an exception to the plea. The hearing of the exception has been set down on 21 June 2018. The hearing was not set down due to new development on the case.	CJMM	1,431
Claim by Metropol Consulting Pty Ltd for services rendered	CJMM	266,000
Developmentnomics (Pty) LTD. The Plaintiff claims to have suffered damages to the extent of lost income for the full duration of the agreement concluded with the City. Pleadings have closed and the matter is awaiting set down	CJMM	2,640
Claim by Kenneth Corlette relating to alleged damages for loss of amenity due to City approving certain land uses adjacent to the plaintiff's property. Trial date set for 7 August 2018 in preparation for trial.	CJMM	17,000
There is a dispute the members of SALA Pension Fund lodged with the City of Joburg subsequent to their transfer to eJoburg pension fund. The court decided that if this matter should proceed there should be a joinder by all the affected parties	CJMM	20,951
The Plaintiff sued the City for damages. the Plaintiff alleges arose from the City's non enforcement of the by-laws. The City defended the action and filed its plea. A trial date is being awaited.	CJMM	5,800
Fundi Communications claim against COJ for services rendered.	CJMM	952
Great Life Trading claim for monies to be paid by City for tickets. The plaintiff is a ticket vendor hence claiming the loss of business. No trial date has been provided to the City.	CJMM	1,402
Project Sizwe - WiFi versus The City of Johannesburg. In this application, the action, the Defendant is claiming a certain amount in relation to the signed Sponsorship Agreement. The matter is pending before Arbitrator.	CJMM	60,809
The applicants brought an application for a declaratory order for the payment of travel time. The matter was ventilated at court and judgment was granted against the City ordering the city to pay for travel time. The City is appealing the decision. The attorneys and advocates are preparing application for leave to appeal.	CJMM	2,382
Ubuntu Kraal (Pty) Ltd vs JDA & CJMM - JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road. The matter is now being handled by CJMM insurer attorneys.	Development Agency (SOC) Ltd	23,500
BRT - Thembu Convenience Store: The City was served with a summons by Tembu Convenience Centre CC, trading as a convenience store and Engen Fuel dealership, for loss of income as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. JDA is defending the matter. The matter went for trial on 6 to 8 June 2017, a judgment on the outcome is still outstanding.	Development Agency (SOC) Ltd	17,800
Dark Fibre Africa vs JDA and Easyway Tarmac Pave and Projects CC: The matter relates to the fiber optic cable that was damaged by opening a trench in the road reserve with a TLB Machine along the road carriage way of Orlando east. The plaintiff, Dark Fiber Africa (Pty) Ltd is suing JDA (2nd Defendant) on the basis that JDA used the services of Easyway Tarmac Pave and Projects CC to manage and control the execution of the water pipeline project and to do the drilling and excavation along the road carriage way of Orlando east. The matter is being defended by JDA lawyers	Development Agency (SOC) Ltd	45



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Grayston Pedestrian Bridge scaffolding collapse: The scaffolding work into the Grayston Drive Pedestrian and Cyclist structural bridge collapsed on 14 October 2015 which resulted in the loss of life and other damages. Due to the nature of the incident, the Department of Labour (DOL) has to conduct a formal inquiry to determine the causes for the collapse of the scaffolding works. The inquiry commenced on 7 July 2016 and a Commissioner appointed by the DOL. The matter is still ongoing.	Development Agency (SOC) Ltd	-
Applemint vs JRA. JRA was served a letter of demand to do work on the applicants property which has experienced a sinkhole as a result of the storm-water drain running through his property.	Road Agency (SOC) Ltd	-
Liepollo Selatile vs JRA. The employee referred a dispute of unfair dismissal to the South African Local Government Bargaining Council (SALGBC). Amount claimed is not quantifiable	Road Agency (SOC) Ltd	-
City Power has submitted tax returns with SARS for 2015 and 2016 financial years claiming 100% bad debt allowance. However the South African Revenue Services has approved a deduction of 25% in terms of bad debt allowances. City Power is currently continuing to claim a 100% allowance as it is appealing the decision of the Receiver. Should the appeal be unsuccessful the tax liability for 2015, 2016 and 2017 would increase.	City Power (SOC) Ltd	-
Woods a customer is claiming delictual damages amounting to R1 271 290 from the entity, arising from a loss suffered as a result of an alleged robbery by City Power contractors.	City Power (SOC) Ltd	1,271
I Nicholson is claiming damages from the entity arising from electrocution from a smart meter installation.	City Power (SOC) Ltd	100
A summons was issued in favor of a customer Dlamini for delictual damages. The matter is defendant by the entity.	City Power (SOC) Ltd	268
The entity received a letter of demand from the lawyers of Sarah Elizabeth Bosch after she fell in to the orchestra pit. Bosch's attorneys claim that the incident was caused due to negligence by Joburg Theatre. The matter has not yet gone to court. The amount has not been provided for as this is considered as a potential obligation that may be incurred depending on the outcome of a future event.	Joburg Theatre (SOC) Ltd	9,020
The company is a defendant in various claims relating to contractual disputes with some of the service providers. The matters are still ongoing as at year 30 June 2018	City Parks NPC	5,984
The plaintiff is claiming for damages for injuries allegedly sustained at or near Orange farm garden site. The plaintiff is claiming compensation for pain suffered. The entity is defending the matter. The matter is about to close pleadings. The trial can be anticipated late in 2019 or the beginning of 2020.	Pikitup (SOC) Ltd	400
Gosiame Development-Damage claim for loss of income at Randburg Silkirk for Fence demolishing	Joshco (SOC) Ltd	370
Renaissance Security and Cleaning T/A Topo Security Services	Joshco (SOC) Ltd	28

### Contractual Disputes with service providers

Detail of contingencies	Name of the company responsible	Estimated Amount in R'000
Potential procurement claims: A potential action for legal damages for the award of the tyre contract to over 3 years. Metrobus cancelled the tyre tender process and one of the bidders threatened legal action no claim has been instituted and a number of meetings were held with the bidder.	Metro Bus (SOC) Ltd	20,000
Claim for services rendered: A potential claim for services rendered. A service provider was appointed in an irregular manner and presented an invoice for payment. The invoice was not paid and any claim for payment will be resisted.	Metro Bus (SOC) Ltd	200
The claims excluding legal cost is in respect of disputes with suppliers the entity is of the view that this represents the maximum exposure and the directors are of the opinion that the cases can be successfully defended by the entity.	Joburg Market (SOC) Ltd	7,718
The claims excluding legal cost is in respect of disputes with suppliers the entity is of the view that this represents the maximum exposure and the directors are of the opinion that the cases can be successfully defended by the entity.	Joburg Market (SOC) Ltd	200

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

The claims excluding legal cost is in respect of disputes with suppliers the entity is of the view that this represents the maximum exposure and the directors are of the opinion that the cases can be successfully defended by the entity.	Joburg Market (SOC) Ltd	23,000
The plaintiff is claiming monies for services rendered which it is alleged Pikitup has not paid. The matter is at discovery stage and it is expected that the trial date will be set for the latter part of 2018. The likelihood of recovering legal costs should the entity succeed are remote.	Pikitup (SOC) Ltd	334
The plaintiff is claiming that his former company contracted with the entity and alleges that the entity is in breach of the contract by failing to pay for the equipment purchased by the plaintiff in fulfilment of the contract. The said company is liquidated. The plaintiff in this matter is not acting and therefore the matter has remained dormant. The likelihood of recovering costs should the entity succeed are remote.	Pikitup (SOC) Ltd	10,000
Mndhahvazi Trading Enterprise cc is claiming damages for non-payment from the entity for canteen goods supplied to the entity. The matter is being defended and settlement negotiations are underway.	City Power (SOC) Ltd	383
JAR Electrical a supplier is claiming an amount in terms of non-payment from the entity for services rendered. The non-payment of the invoices are due to internal processes and no valid argument can be made regarding the dispute.	City Power (SOC) Ltd	3,000
Divinity Trading a supplier has lodged legal proceedings against the entity. The claim arising from supply chain processes where there was a passing over of bid due to none functional of protective proto type during site visits by Bid Evaluation Committee. The potential liability is the Bid value	City Power (SOC) Ltd	90,000
Setheo Investment Matter has lodged legal proceedings in respect of the termination of NEC3 contract for the upgrading of the Eldorado Park and Hopefield substation	City Power (SOC) Ltd	69,668
Solidaire Construction (Pty)Ltd-Failure by service provider to perform as per JBCC contract	Joshco (SOC) Ltd	11,000
JEH Properties and Dempster Mckinnon-Breach of Contract	Joshco(SOC) Ltd	7,000
SKN Consulting-Damages suffered claim as results on non-performance	Joshco (SOC) Ltd	13,926

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

### Disputes/legal claims by employees

Detail of contingencies	Name of the company responsible	Estimated Amount in Rands
The entity is reviewing the arbitration award in favor of an employee where CCMA ruled that the employee was unfairly dismissed. The directive was provided and parties have filed their heads of arguments. The hearing is expected to be in 2018. The likelihood of recovering the costs from the applicants are remote.	Pikitup (SOC) Ltd	2,838
Mokomela vs JRA. The Applicant referred the matter to the Labour Court for conciliation to the effect that the dismissal was not fair.	Road Agency (SOC) Ltd	-
F Makhari / JRA - The employee's contract expired and was not renewed and wants to be reinstated.	Road Agency (SOC) Ltd	-
Alleged unfair dismissal: 5 alleged unfair dismissal cases against Metrobus currently under consideration by the CCMA. Management is confident that awards in this regard will be in favor of Metrobus. However should awards be against Metrobus, the entity may be liable for back pay in the region	Metro Bus (SOC) Ltd	100
Claim for defamation: A matter related to an ex-employee filing a defamation claim against three current employees of Metrobus who testified in the disciplinary case which resulted in the ex-employee's dismissal are underway. Management is confident that a judgment will be made in favor of Metrobus and the current employees.	Metro Bus (SOC) Ltd	400
Unfair discrimination: One case of unfair labour practice is under consideration by the labour court. Management and external lawyers are confident that an award will be made in favour of Metrobus in this regard. However should such award be made in favor of the employee Metrobus will be liable for payment in the region	Metro Bus (SOC) Ltd	814
The employee took the entity to SALGBC for unfair dismissal after termination of the employee's services. The matter is part heard and will be going to CCMA on the 24th July 2018. The likelihood of recovering the costs from the applicants are remote.	Pikitup (SOC) Ltd	2,824
The employee took the entity to CCMA for unfair dismissal after termination of the employee's services. The directive was provided and the matter will be heard on the 13th August 2018. The likelihood of recovering the costs from the applicants are remote	Pikitup (SOC) Ltd	2,495
An ex-employee took the entity to court for withholding annual leave and salary payments at the time of termination of service pending other disputes. The matter was settled in July 2018 and payment was made to the ex-employee.	Pikitup (SOC) Ltd	967

### Contingent Asset

Detail of contingencies	Name of the company responsible	Estimated Amount in Rands
Claim instituted by the COJ and Bus Operating Company and others against an attorney who misappropriated money to be used by the operators to invest in BOC.	CJMM	20,000
Claim relating to summons issued against Graffiti Impact. The defendant has raised an issue that the City is not entitled to that money and has asked the court to declare that section of the By-Laws to be null and void. A consultation has been scheduled with the junior and senior counsel to prepare a replication.	CJMM	1,698
The City submits that it overpaid Questek in another contract. Pleadings are still being exchanged between the parties regarding this matter. Refer to provisions for the details of this case	CJMM	70,000
JRA vs Nomakhephu - The JRA is suing the defendant for the payment of monies erroneously deposited into the supplier's account. The assessment by JRA legal unit for winning the case is medium.	Road Agency (SOC) Ltd	317
Subsequent to the disciplinary hearing in respect of the irregular expenditure referred to in Note 35, civil proceedings will commence against the employee concerned. According to Council's legal advisors, It is probable that the proceedings will result in the recovery of the full amount.	Joburg Market (SOC) Ltd	1,870

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

The entity is currently pursuing claims relating to contractual disputes with the service providers. City Parks NPC	4,105
The entity is also a beneficiary to a land donated from a deceased estate. The land is situated in City Parks France. The process is on-going and neither the value nor the date of transfer is currently known.	-
A claim against a service provider for the unpaid accumulated interest related to the Water Demand Management Credit that was due June 2017. The expected credit on interest receivable was R41,6m whilst only R19,9m was received leaving a shortfall of R21,7m due to Johannesburg Water. Further an additional R2m in interest is also potentially due from July 2017 to June 2018 based on the unpaid R21,7m. The matter should be resolved in the 2018/2019 financial year.	Joburg Water 23,757

### 49. PRIOR-YEAR ADJUSTMENTS

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

#### Statement of financial position

##### GROUP

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	1	1,580,567	14,616	1,595,183
Consumer debtors	10	6,015,670	(1,532,598)	4,483,072
Property, plant and equipment	9	65,406,305	(645,932)	64,760,373
Intangible assets	3	886,245	(62,801)	823,444
Deferred Tax Asset		1,335,971	(630,583)	705,388
Current tax payable	4&7	(569,096)	52,346	(516,750)
Trade and other payables	4	(12,255,562)	113,439	(12,142,123)
VAT payable	5	(548,108)	289,431	(258,677)
Deferred Tax Liability		(2,604,144)	134,162	(2,469,982)
Provisions		(876,922)	(58,601)	(935,523)
Other balance sheet items not listed	7	(14,198,780)	(81,980)	(14,280,760)
Accumulated surpluses		(44,172,146)	2,408,501	(41,763,645)
		-	-	-

##### CJMM

	Note	As previously reported	Correction of error	Restated
CJMM-Trade and other receivables		4,935,242	88,636	5,023,878
CJMM- Provisions		(53,664)	(58,600)	(112,264)
CJMM - Other financial assets		59,140	15,204	74,344
CJMM - Receivables from non exchange transactions		1,025,512	110,545	1,136,057
CJMM - Property, plant and equipment		39,192,762	(401,911)	38,790,851
CJMM - Intangible Assets		312,527	5,217	317,744
CJMM - Trade and other payables		(10,189,296)	245,256	(9,944,040)
CJMM - Other		(6,172,602)	300	(6,172,302)
CJMM - Accumulated Surpluses		(29,109,621)	(4,647)	(29,114,268)
		-	-	-

#### Statement of financial performance

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

### GROUP

	Note	As previously reported	Correction of error	Reclassification	Restated
Rendering of services		25,092,442	(411,229)	-	24,681,213
Rental of facilities and equipment	1	294,181	-	-	294,181
City cleaning levy		129,476	(129,476)	-	-
Debt impairment		(3,723,735)	(168,859)	-	(3,892,594)
Depreciation and amortisation	6	(2,905,690)	(93,134)	-	(2,998,824)
Lease rentals on operating lease		-	-	(1,228,385)	(1,228,385)
General expenses		(6,882,070)	175,566	(1,092,940)	(7,799,444)
Fair value adjustments		(377,220)	377,220	-	-
License and permits	8	3,648	-	(3,648)	-
Contracted services		(2,321,325)	-	2,321,325	-
Government grants and subsidies		9,301,934	162,740	-	9,464,674
Other revenue		1,199,849	(469,927)	3,648	733,570
Finance cost		(2,404,844)	(16,971)	-	(2,421,815)
Other financial performance items		(15,281,647)	(178,129)	-	(15,459,776)
<b>Surplus (deficit) for the year</b>		<b>2,124,999</b>	<b>(752,199)</b>	<b>-</b>	<b>1,372,800</b>

### CJMM

	Note	As previously reported	Correction of error	Reclassification	Restated
CJMM - Finance Income		1,374,052	403	-	1,374,455
CJMM - Licences and permits		3,648	-	(3,648)	-
CJMM - Other Revenue		684,890	4,594	3,648	693,132
CJMM - Depreciation		(1,757,823)	(124,686)	-	(1,882,509)
CJMM - Debt Impairment		(788,672)	(222,721)	-	(1,011,393)
CJMM - Finance Costs		(2,449,399)	(14,976)	-	(2,464,375)
CJMM - Contracted services		(1,495,303)	-	1,495,303	-
CJMM - Grants and subsidies		8,986,924	107,131	-	9,094,055
CJMM - General Expenses		(2,911,422)	(42,256)	(1,495,303)	(4,448,981)
CJMM - Other financial performance items		(304,897)	-	-	(304,897)
<b>Surplus (deficit) for the year</b>		<b>1,341,998</b>	<b>(292,511)</b>	<b>-</b>	<b>1,049,487</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

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### Group

#### GROUP & CJMM

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

#### 1. Consumer Debtors

During the year the entity has recalculated the electricity and water sales accrual for the 2015, 2016 and 2017 financial years. This has resulted in a decrease of in the consumer debtor balance.

The identified error has been corrected in the respective financial period and comparative amounts restated.

#### 2. Receivables from exchange transactions

The error in receivables from exchange transaction relates to an indicator of impairment that was not evaluated in the previous year (Pikitup).

#### 3. Property, Plant and Equipment

This error is partly due to assets which were completed in the previous financial year but only capitalised in the current year. This resulted in the understatement of depreciation and overstatement of PPE.

The accounting of the transfer of function between MTC and the City of Johannesburg Metropolitan Municipality and the valuation of the broadband asset was completed as at 30 June 2018. The corresponding figure was restated to factor in changes in fair value as at 01 September 2015.

#### 5. Provision

The restatement resulted from the adjustment of the interest relating to consumer accounts which were affected by the outcome of the Connaught court case. The interest was not accounted for in the prior year.

#### 6. Rendering of services

Accrual for revenue was recalculated in relation to 2017 financial years.

#### Reclassifications

##### Contracted services

Reclassification of contracted services was as a results of compliance with GRAP standard. ASB recommends that expenses should be disclosed by nature; hence it necessitated the reclassification of contracted services to its respective nature.

## 50. RISK MANAGEMENT

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

### Portfolio 1 Overview

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

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Figures in Rand thousand

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Effective financial risk management is vital 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, 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 CJMM's Credit rating is maintained or improved by ensuring that financial risk ratios fall within required limits.
- Ensuring the sustainable financial viability of COJ by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting CJMM's financial position.
- Providing Council with reasonable assurance that financial risks the CJMM is exposed to are identified and, to the best extent possible, mitigated and controlled.

The City, identifies, quantifies and sets up control measures to mitigate financial risks to an acceptance level.

### Financial Risk Management Framework

The Risk Management Framework serves 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 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 recognizes that an effective risk management function is fundamental to its operations. Risk awareness, control and compliance are embedded in Treasury's day-to-day activities.

### Liquidity and Concentration Risk

Liquidity Risk, refers to the risk that CJMM may not meet its 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.

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

Long-term liquidity risks arising from capital projects initiatives are managed through issuance of long-term debt in the form of CJMM 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 service contract.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

Details	Approved Funding	Total Utilised	Available for use
<b>Short-Term Borrowings</b>			
Short term Borrowings	5,650,000	3,000,000	2,650,000
<b>Long-Term Borrowings</b>			
Long term borrowing	2,998,386	2,998,000	-
<b>Total</b>	<b>8,648,386</b>	<b>5,998,000</b>	<b>2,650,000</b>

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

- General Banking Facilities (overdraft); and
- Commercial Paper Issuance.

CJMM's Treasury ensures that all short term facilities utilized within the financial year are paid before the end of the financial year in 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, If not properly managed, concentration risk can lead to default risk.

### Funding Debt Maturities

- - - - -

### Capital Redemption Analysis of Non Derivative Liabilities as at 31 March 2018

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		-	98,414	65,111	57,528	55,000	397,500
Fixed Rate Loans		-	662,515	741,805	1,636,630	833,013	15,343,709

### Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 31 March 2018

Investment type	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due in four to five years	Due in more than five years
Call Deposits	1,105,496	-	-	-	-	-
Short Term Investments	92,107	-	-	-	-	-

### 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 to be within acceptable risk parameters, while optimizing 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 CJMM.

### Interest rate risk



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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 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	660,673	650,183	655,456	660,673	665,832	670,937	675,987	680,983

### 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 10 million and a 1 percentage point decrease in interest rates will decrease the fair value of floating rate liabilities by R10 million.

### Interest Rate Cashflow Sensitivity Analysis

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

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

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### Cash flow sensitivity analysis

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	25,278	31 Mar-02	30-Sep-18	3 months JIBAR + 2.535%	Floating	2,988	3,017	3,045	3,074	3,074	3,131	3,160
				31-Dec-18			2,943	2,968	2,968	3,019	3,019	3,070	3,095
				31-Mar-19			2,888	2,910	2,932	2,954	2,954	2,997	3,019
				30-Jun-19			2,845	2,864	2,883	2,902	2,902	2,940	2,959
DBSA 102761-1	DBSA	300,000	20-Aug-09	31-Dec-18	6 months JIBAR + 2.85%	Floating	24,743	25,467	26,192	26,917	26,917	28,366	29,096
				30-Jun-19			24,372	25,054	25,736	26,418	26,418	27,782	28,464
				30-Dec-19			24,296	24,958	26,620	26,281	26,281	27,782	28,267
				30-Jun-20			23,830	24,453	25,077	25,700	25,077	25,947	27,570
DBSA 103345-1	DBSA	345,000	17-Apr-09	31-Dec-18	6 months JIBAR + 2.96%	Floating	29,235	30,067	30,899	31,731	31,731	33,394	34,226
				30-Jun-19			28,771	29,552	30,333	31,114	31,114	32,676	33,457
				31-Dec-19			28,648	29,404	30,160	30,917	30,917	32,429	33,185
				30-Jun-20			28,073	28,783	29,494	30,204	30,204	31,626	32,336
SCMB 200m	SCMB	3,275	19-Sep-03	30-Sep-18	CPI plus Margin	Floating	3,243	3,259	3,275	3,292	3,292	3,324	3,341
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
		-					-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
		-					-	-	-	-	-	-	-
							-	-	-	-	-	-	-

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								-	-	-	-	-	-
								-	-	-	-	-	-

### Swap Cashflow Sensitivity

#### SWAP CASHFLOW SENSITIVITY ANALYSIS

	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 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%
		-	-	-	-	-	-	-

### Estimation of Fair Values

The fair value of financial instruments that are not traded in an active market (for example, trading and available for sale securities) is based on quoted market prices at the balance sheet date or determined using valuation techniques.

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

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To determine the fair values of floating rate instruments, the CJMM uses market forward rates to estimate future interest and capital cashflows, and then utilizes market implied discount rates to calculate their present values

### 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.

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

CJMM invests surplus funds with financial institutions for yield enhancement purposes. The credit limit exposure table below depicts all investments with various counterparties as at the 30 June 2018 Treasury

COUNTERPARTY CLASS	Approved Limit	Operational		Ring-fenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits	Fixed Deposits	Call Deposits	Term Deposits			
Domestic Banks	4,825,000	110,534	-	982,602	92,107	1,185,243	3,639,757	25 %
International Banks	1,050,000	2,492	-	-	-	2,492	1,047,508	- %
Public Sector	1,200,000	3,930	-	-	-	3,930	1,196,070	- %
Asset management firms	4,600,000	5,696	-	-	-	5,696	4,594,304	18 %
	<b>11,675,000</b>	<b>122,652</b>	<b>-</b>	<b>982,602</b>	<b>92,107</b>	<b>1,197,361</b>	<b>10,477,639</b>	<b>22 %</b>

### Portfolio 2

#### Introduction and overview

CJMM has established a sinking fund to redeem its long term borrowings including listed bonds and bilateral loans. The fund is currently managed by an external fund manager.

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

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

The fund manager has delegated authority to manage the fund in line with the council approved Portfolio Management Agreement.

#### Risk Management Framework

##### 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. There is also a risk that the fund will not deliver upon its mandate.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

The City has contributed R 700m in 2017/18 financial year and R 400m in the 2016/17 financial year into the fund. The fund was used to redeem debt of R2.7bn in 2017/18 and R166m in the 2016/17 financial years.

### 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	1,291,777	88,681	-	91,706	-	720,732	390,653
Swap Assets	570,317	26,498	2,311	111,213	8,974	109,897	311,424
Swap Liabilities	(453,084)	(2,685)	(380)	(3,875)	(5,231)	(97,297)	(343,616)
FRN Assets	748,745	442,862	305,882	-	-	748,744	-
FRA Liabilities	(1,203)	(1,203)	-	-	-	(1,203)	-
Cash Collateral Liabilities	(152,331)	(152,331)	-	-	-	(152,331)	-
Cash Asset	225,965	225,965	-	-	-	-	-
	<b>2,004,221</b>	<b>627,787</b>	<b>307,813</b>	<b>199,044</b>	<b>3,743</b>	<b>1,328,542</b>	<b>358,461</b>

### 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.

### 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.

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	1,349	1,320	1,292	1,265	1,239	1,214	1,189
FRN	750	749	749	748	748	747	747
FRA	4	1	(1)	(4)	(6)	(8)	(11)
IRS	398	255	117	(15)	(142)	(364)	(381)
Cash	226	226	226	226	226	226	226
Cash Collateral	(152)	(152)	(152)	(152)	(152)	(152)	(152)
<b>Net</b>	<b>2,575</b>	<b>2,399</b>	<b>2,231</b>	<b>2,068</b>	<b>1,913</b>	<b>1,663</b>	<b>1,618</b>

### 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.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

Mechanism to mitigate operational risk include the following:

- appropriate segregation duties between various functions, roles and responsibilities
- 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

### Valuation of financial instruments

The Fund measures fair values using the following fair value hierarchy:

- Level 1: Fair values of financial assets and financial liabilities are traded in active markets are based on quoted prices or dealer prices.
- Level 2: 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 like use only observable market data and require little management, judgement and/traded derivatives exchange and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value as at 30 June 2018

<b>30 June 2017</b>	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Bonds	1,292	-	-	1,292
Floating Rate Notes	-	749	-	749
Forward Rate Agreement	-	(1)	-	(1)
Interest Rate Swaps	-	117	-	117
Nedbank Collateral	(152)	-	-	(152)
Current Account	226	-	-	226
	<b>1,366</b>	<b>865</b>	-	<b>2,231</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>51. FRUITLESS AND WASTEFUL EXPENDITURE</b>				
<b>Reconciliation of fruitless and wasteful expenditure</b>				
Opening balance	188,387	48,601	5,343	4,474
Fruitless and wasteful expenditure current year	51,696	142,218	9,064	869
Prior year Fruitless and wasteful expenditure identified in the current year	347	-	-	-
Written-off	(9)	(2,432)	-	-
	<b>240,421</b>	<b>188,387</b>	<b>14,407</b>	<b>5,343</b>

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

### GROUP - 2018

Description of the incident	ME/Department	Amount in R'000
Penalties and interest - Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2017/18 financial year.	JPC	25
SARS Interest and penalties	JPC	904
SARS Interest and penalties	JRA	494
Expenditure incurred relate to interest charged on electricity account	JRA	3
Expenditure incurred relate to interest charged on telephone account	JRA	3
Interest on late payment of an account	City Parks	5
Re-instatement costs for an employee	JFPM	205
SARS - Tax penalties	MTC	647
Interest payable to SARS - Late payment of taxation by the entity.	City Power	33,848
Interest on late payments	City Power	137
Penalties	City Power	200
SARS - Interest on late payments	MTC	56
Interest on overdue payments	MTC	4
Legal charges	MTC	1
Interest on overdue payments	MTC	2,787
Interest on overdue payments	MTC	2
Restated amount to correct prior year costs	Joburg Water	1,028
Interest paid to eJoburg Pension Fund as a result of late payment.	Joburg Water	4
Interest payable to water account-Interest accrued to water account	Joburg Water	2,030
Interests and penalties on PAYE short payments of settlements and abitrations, retrospective payments of employee settlements,death benefits and gratuity payments	Pikitup	347
The fruitless and wasteful expenditure relates to fines which were levied on the organisation for late renewal of bus licences as well as buses which were out of commission as licences had to be paid.	Metrobus	1
Relates to the cancellation of attendance of a conference in Australia due to the	Civic Theatre	28
Late payment and submission of the prior periods tax returns.	Joshco	220
Deposit for rental of offices never occupied	CJMM-Economic Development	7,700
Expenditure incurred relate to interest charged on telephone account	CJMM-Social Development	1
SARS Interest and penalties	CJMM-GCSS	224
Expenditure incurred relate to interest charged on electricity account	CJMM-Housing	1,086
Expenditure incurred relate to interest charged on electricity and telephone account	CJMM-JMPD	52
		<b>52,043</b>

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Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 52. UNAUTHORISED EXPENDITURE

#### Reconciliation of unauthorised expenditure

Opening balance	4,121,355	3,581,537	4,102,263	3,581,537
Unauthorised expenditure current year	435,476	539,818	304,505	520,726
	<b>4,556,831</b>	<b>4,121,355</b>	<b>4,406,768</b>	<b>4,102,263</b>

Name of Vote	Amount
Housing department	62,178
Group Finance	242,327
JOSHCO	7,850
City Power	123,121
	<b>435,476</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

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

#### Contributions to organised local government

Council subscriptions	9,476	11,923	9,476	11,923
Amount paid - current year	(9,476)	(11,923)	(9,476)	(11,923)
	-	-	-	-

#### Skills development levy

Opening balance	3,975	3,675	3,940	3,672
Current year subscription / fee	77,783	70,275	52,948	47,466
Amount paid - current year	(73,167)	(66,120)	(48,381)	(43,526)
Amount paid - previous years	(3,975)	(3,855)	(3,940)	(3,672)
	<b>4,616</b>	<b>3,975</b>	<b>4,567</b>	<b>3,940</b>

#### Audit fees

Opening balance	1,983	2,793	843	2,080
Current year audit fee	61,331	55,633	27,539	22,067
Amount paid - current year	(61,908)	(56,443)	(27,033)	(23,304)
	<b>1,406</b>	<b>1,983</b>	<b>1,349</b>	<b>843</b>

#### PAYE and UIF

Opening balance	91,472	82,492	72,406	65,348
Current year payroll deductions	1,694,242	1,516,328	997,713	872,109
Amount paid - current year	(1,594,171)	(1,430,542)	(913,674)	(799,703)
Amount paid - previous years	(85,200)	(76,806)	(72,406)	(65,348)
	<b>106,343</b>	<b>91,472</b>	<b>84,039</b>	<b>72,406</b>

#### Pension and Medical Aid Deductions

Opening balance	177,876	111,674	121,755	111,542
Current year payroll deductions and Council contributions	2,350,407	2,221,355	1,556,064	1,491,126
Amount paid - current year	(2,174,520)	(2,039,367)	(1,423,817)	(1,369,371)
Amount paid - previous years	(122,845)	(115,786)	(121,754)	(111,542)
	<b>230,918</b>	<b>177,876</b>	<b>132,248</b>	<b>121,755</b>

#### VAT

VAT receivable	595,229	322,442	420,702	211,173
VAT payable	(444,016)	(258,677)	-	-
	<b>151,213</b>	<b>63,765</b>	<b>420,702</b>	<b>211,173</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2018. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

June 30, 2018	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
Bora E C	2,816	22,380	25,196
Cele D W	1,474	195	1,669
Dewes D S	14,974	64,692	79,666
Dlanjwa	827	3,748	4,575
Khumalo N V	6,773	14,865	21,638
Lekgetho J K	10,943	23,029	33,972
Mabe M J	509	135	644
Mahlangu G T	1,826	8,090	9,916
Maluleke M F	1,114	1,843	2,957
Matongo J	710	245	955
Matsemela R W	7,733	2,214	9,947
Mazibukwana M	269	1,471	1,740
Mcbason	1,635	14,244	15,879
Mofokeng J	941	6,711	7,652
Mokwena	1,395	36,815	38,210
Molete B	4,946	370,708	375,654
Nawane T	7,793	30,601	38,394
Ndlela M C	-	594	594
Netnow D M	22,664	172,798	195,462
Ngalonkulu M J	11,868	56,025	67,893
Pietersen N	6,606	67,594	74,200
Tsotetsi E M	2,719	28,249	30,968
Tsutsa L S	6,189	3,739	9,928
Xazi Z K	865	2,919	3,784
Xezwi M S	1,395	4,939	6,334
Zondo V E	48	20,761	20,809
	<b>119,032</b>	<b>959,604</b>	<b>1,078,636</b>

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## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

June 30, 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
Dlamini 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
Mlauzi M S	681	88	769
Maisa N P	363	148	511
Netnown D M	9,409	207,217	216,626
Mofokeng J	380	2,499	2,879
Sohatsi B M	-	3,032	3,032
Abdullah F	2,331	27,362	29,693
Mahlangu G T	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
	<b>159,514</b>	<b>1,155,048</b>	<b>1,314,562</b>

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## Notes to the Group Annual Financial Statements

### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

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

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

Name of the person (Service of the State)	"Name of the person (entity receiving award)"	Capacity in which that person is in the service of the state	Amount in Rands
Mpho Maputle	(Boarate Events and Catering), Patricia Mbali Sithole	Platoon Commander	45,650
Paruraman Govindsamy	(Defined Printing and statistics), Namoshanie Mariemuthoo	Deputy Director	273,855
Nyiko Gudlhuza	Gudlhuza Development Solutions	Spouse works for Eskom but of not a member of the CC	300
Nyiko Gudlhuza	Gudlhuza Development Solutions	Spouse works for Eskom but of not a member of the CC	808
Darren Pillay	GIBB (Pty) Ltd	Daughter employed by Health Infrastructure PWGWCas a State Accountant and another Daughter employed by the City of Cape town as a ProjectAdministrator	656
Clive September		Parent employed by the Dept of Education KZN as adata capture and Another parent employed by the Dept of Education as an Educator	-
Darren Pillay		Spouse works for the City of Cape Town as Head: Business Continuity	-
Jo-Anne Stolworthy		Spouse works for the City of Cape Town as Principle Professional officer	-
Lize de Beer		Spouse works for Eskom as Chief Engineer	-
Mthokozisi Mkhize		Spouse works for the National Department of water Affairs and Forestry as an Accounting Clerk	-
Penny Smith		Partner works for the Department of transport and Public Works as DDG	-
Rorisang Lekonyana		Spouse work for Department of National Treasury as Deputy Director	-
Douglas Kiewiet		Parent works for Department of Water Affairs and Forestry	-
Feroz Khan	KPMG Services (Pty) Ltd	Spouse works for KPMG	-
CAJ van Coillie		Brother works for City Engineers as Architect/town Planner So is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	1,700
CAJ van Coillie		Son is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2,053
Nokuthula Sedumedi		Wife is employed by DBSA and Sister is employed by SAA	1,840
CAJ van Coillie		Son, Andrew van Collie ,is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2,885
CAJ van Coillie		Son, Andrew van Collie , is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning	2,860
Mrs Msomi		Director	73

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
<b>55. IRREGULAR EXPENDITURE</b>				
<b>Reconciliation of irregular expenditure</b>				
Opening balance	3,092,836	1,818,049	1,855,963	1,150,022
Irregular expenditure current year	1,644,263	1,136,298	868,306	705,941
Prior year Irregular expenditure identified in current year	272,666	138,837	-	-
Written-off	(9,300)	(348)	-	-
	<b>5,000,465</b>	<b>3,092,836</b>	<b>2,724,269</b>	<b>1,855,963</b>

### GROUP - 2018

Description of the incident	ME/Department	Amount in R'000
Payments to MTN after contract expired	City Power	16,443
Payments to Vodacom after contract expired	City Power	6,780
payments to supplier after contract expired	City Power	410
Payment for services rendered on a contract that was subsequently cancelled (Various –Recruitment)	City Power	2,707
Failure to obtain three (3) quotations	City Power	189
Appointment of a supplier who did not meet mandatory requirements	City Power	30
Use of contract after expiry	City Power	166,011
Deviations incorrectly classified as sole provider	City Power	5,565
Awards incorrectly classified as impractical	City Power	33,196
Third party vendors worked without a contract	City Power	3,859
Irregular expenditure not disclosed	City Power	6,448
Technical evaluation points awarded not consistent with evaluation criteria	City Power	1,579
Technical evaluation point awarded not consistent with evaluation criteria	City Power	1,077
Tender advertised for a period less than 30 days	City Power	3,297
Appointment of a supplier who did not meet mandatory requirements	City Power	1,598
Expenditure incurred in relation to a contract that was declared irregular	Joburg Water	54,227
Contract awarded to a contractor whose CIDB grading is below the tender value in contravention of CIDB regulation 25(A)	Joburg Water	23,221
During the period 01/08/2016 to 30/06/2017 there wasn't a valid contract in place. Instead the previous contract that had expired was utilized	Joburg Water	57,769
Expenditure incurred in relation to a contract that was declared irregular	Joburg Water	2,446
Contractor appointed in terms of a deviation- reasons for deviating were not justifiable	Joburg Water	3,927
The sub-contracting regulation was incorrectly applied	Joburg Water	8,330
Contract awarded to a supplier who did not score the highest points as per PPPFA.	Joburg Water	103
Quotations invited and concluded did not comply with the Supply Chain Policy as these were split to remain below the tender threshold	Joburg Water	153
Expenditure incurred without a valid contract.	Joburg Water	70,237
Payments in respect of a contract where a bidder was unfairly eliminated on functionality even though they met minimum requirement for further consideration in the award	Joburg Water	2,860
Additional items added from the RFQ population on splitting where this was reviewed and increased as recommended by the AG In respect of goods and services procured by splitting quotations instead of following the tender process and considering that the total value of the transactions with the service provider procured exceeded the R200 000 threshold	Joburg Water	3,628
Inappropriate application of MFMA Regulation 36(1) for the subscription on legal books. The contract has since expired.	Joburg Water	57

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

An independent investigation which was conducted found that one of the programme did not follow the correct recruitment processes when appointing contractors, and a lack of documentary evidence to substantiate the appointment. The investigation revealed evidence of bribery, corruption and extortion committed by two JW officials who have since resigned from the entity.	Joburg Water	31,115
Contract awarded to a contractor whose CIDB grading is below the tender value in contravention of CIDB regulation 25(A)	Joburg Water	31,314
Procurement process not followed for Repairs and maintenance services rendered by a service provider	MTC	329
Procurement process not followed for Repairs and maintenance services rendered by a service provider	MTC	163
Procurement process not followed for Repairs and maintenance services rendered by a service provider	MTC	506
Procurement process not followed for Repairs and maintenance services rendered by a service provider	MTC	84
These relates to payments made for extension of purchase orders that were awarded irregularly in the prior year	MTC	112
Irregular expenditure relating to camera equipments replacements and service labour fees which were not included in the CCTV maintenance contract	MTC	585
Procurement process not followed for biometrix maintenance cost done for customers and one of the COJ MOE by supplier.	MTC	176
Procurement process not followed for Repairs and maintenance services rendered by a service provider	MTC	39
Only one quotation obtained from stores and material provided by the service provider	MTC	25
Irregular expenditure relating to the amount paid more than the quotations and the approved variation order not obtained	MTC	121
Only one quotations were obtained from the panel for clinic connections and cabling	MTC	4,455
Procurement process not followed for repairs and maintenance	MTC	206
Two purchase orders were created against one RFQ	JRA	190
Expenditure incurred without a valid contract.	JRA	6,675
Expenditure incurred without a valid contract.	JRA	2,794
Expenditure incurred without a valid contract.	JRA	305
Expenditure incurred without a valid contract.	JRA	912
Over spending on contract extension value.	JRA	770
Over spending on contract extension value.	JRA	13,707
Over spending on contract extension value and extension of fleet contract without following proper supply chain regulations.	JRA	28,286
Over spending on contract extension value.	JRA	2,467
Extension of contract without an approval	JFPM	7,050
Rental and maintenance of photocopying machines contract was extended without an approval	JFPM	897
Security contract was extended without an approval	JFPM	10,832
Over spending on contract extension value and extension of fleet contract without following proper supply chain regulations.	JFPM	349
Over spending on contract extension value and extension of fleet contract without following proper supply chain regulations.	JFPM	170
Expenditure incurred without following competitive bidding processes	JFPM	362
Over spending on contract value.	JFPM	313
Non-compliance with SCM Policy: The irregular expenditure relate to proper tender procedures not being followed.	Metrobus	143,923
The irregular expenditure relate to contracts on which the contracted amounts have been exceeded.	Metrobus	1,027
Award made on incorrect point scoring	City Parks	2,063
Local content criteria not included in the advert	City Parks	3,462
Award made without following a competitive bidding process	City Parks	1,308
Irregular expenditure relating to construction of weighbridges	Pikitup	5,774
Irregular expenditure relating to landfill operations and maintenance	Pikitup	7,146

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Irregular expenditure relating to provision of security services	Pikitup	2,650
Irregular expenditure relating to street cleaning for Jozi @ work	Pikitup	36,527
Supply of plant and machinery for cleaning of illegal dumping	Pikitup	8,964
Non-compliance with procurement of training	Pikitup	46
Non-compliance with procurement of research on bin pilot	Pikitup	1,228
Non-compliance with procurement of procurement of use of Cloud space	Pikitup	1
Over spending on contract extension value and extension of fleet contract without following proper supply chain regulations.	Pikitup	24,303
Non-compliance with procurement of fleet - Yellow plant	Pikitup	37,559
Non-compliance with procurement of recruitment	Pikitup	478
Non-compliance with procurement of security services	Pikitup	31,407
Non-compliance with procurement of landfill operations	Pikitup	45,133
Over spending on contract extension value and extension of fleet contract without following proper supply chain regulations.	Pikitup	25,041
Contracts identified as irregular expenditure	CJMM	860,925
Non-Compliance with SCM policies	CJMM	7,380
Over spending on contract extension value and extension of fleet contract without following proper supply chain regulations.	City Parks	38,797
Over spending on contract extension value.	Metrobus	1,026
JDA had incurred services with a sub-contractor without a contract	JDA	784
Expenditure incurred without a valid contract.	JDA	408
Non-compliance with MFMA regulation	Joshco	719
Non-compliance with MFMA regulation	JPC	7,391
		1,916,929

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

The irregular expenditure in the opening balance is being investigated.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

### 56. IN-KIND DONATIONS AND ASSISTANCE

The office of the Mayor received the following in kind donations

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Description of in-kind donations and assistance received	From which organisation	Value if known
20th Century Masters - The Human Figure	French South African chamber of commerce	700
Johannesburg architecture and heritage	French South African chamber of commerce	695
Reddendi London handmade tie	Reddendi - Stefan & Neeraj	1,600
Adcock Notebook	Adcock Ingram event	600
Adcock Notepad	Adcock Ingram event	200
Materman paris Pen	Adcock Ingram event	1,500
Bisquit Cognac X-O	Killarney Golf Club	2,400
Red wine	Big easy by Ernie Els-Killarney	1,500
Branded glasses	MNS Attorneys branded glasses - Jazz by the lake	300
Framed certificate and glow chocolates	Shree Ganesha Prathanay Kootum Buccleuh Temple	180
Kate Sunley luxury alchemist-rose lotion	(Spousal gift) Bridget Steer	300
Starter Kit-pen and doodler print sticks	BCX Disrupt 3D pen-doogle	2,000
Reddendi London	London Business School (Johannesburg event)	980
Handmade beaded fruit bowl	Fieldband Foundation	595
Mamere, Salted Caramel Popcorn	Munaluchi	150
Thandana Leather Passport Cover	Munaluchi	700
Mamere Confections, Macadania Nut	Munaluchi	350
Honey Nougat		
Lindt Lindor Chocolate Truffle	Adcock Ingram	400
KidZania Goodie Bag	KidZania Financial Launch	6,201
Master's Tech Golf Shirt	Southern Africa PGA Tour	350
Johannesburg - The Elusive Metropolis	With University	320
Wixworth Gin	African construction expo	489
2 x Bottles of Whiskey and Brandy	Nelson Mandela: Chairman's Recital - Black Tie Event	3,500
2 x Bottles of Whiskey and Brandy	Nelson Mandela Centenary Dinner: Doors Open at 7 pm	3,500
Scale digital X 7		18,016
Aneroid BP Wall Mounted X 16		7,120
Scale electronic 200kg battery backup		2,574
		<b>57,220</b>



# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

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### 57. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

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

#### Details of Deviations

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017
Emergency - Reg (1)(a)(i)	120,941	56,818	34,637	165
Sole supplier - Reg (1)(a)(ii)	580,296	421,594	411,675	376,613
Special work of art - Reg (1)(a)(iii)	32,377	42,266	-	-
Aquisition of animals - Reg (1)(a)(iv)	1,241	1,493	-	340
Impracticability - Reg (1)(a)(v)	198,373	101,207	-	7,562
Ratification of minor breaches - Reg (1)(b)	312,397	63,747	187,844	100
Other contract extensions	122,670	-	-	-
	<b>1,368,295</b>	<b>687,125</b>	<b>634,156</b>	<b>384,780</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 58. HEDGING ACTIVITIES

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

#### Swap Details

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

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

#### CASH FLOW RESERVE

Opening Balance	1,386	5,370	1,386	5,370
Distribution to profit and loss	(1,386)	(3,984)	(1,386)	(3,984)
	<u>-</u>	<u>1,386</u>	<u>-</u>	<u>1,386</u>
	-	13,977	-	13,977

Note that the SWAP value represents the clean fair value (All inclusive price less any SWAP interest accrual outstanding)

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 59. RELATED PARTIES

#### Relationships

##### CORE

Other members of the group

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

#### Joint ventures

#### Associates

Members of key management

#### Related party balances

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

City Power Johannesburg (SOC) Ltd	5,239,366	3,995,692
City of Johannesburg Property Company (SOC) Ltd	548,200	324,816
Johannesburg City Parks NPC	36,662	48,141
Johannesburg Development Agency (SOC) Ltd	345,003	321,632
Johannesburg Metropolitan Bus Services (SOC) Ltd	857,849	863,150
Johannesburg Roads Agency (SOC) Ltd	114,051	77,567
Johannesburg Social Housing Company (SOC) Ltd	164,264	152,251
Johannesburg Water (SOC) Ltd	4,236,275	4,712,898
Metropolitan Trading Company (SOC) Ltd	1,647,952	1,457,559
Pikitup Johannesburg (SOC) Ltd	1,015,237	1,012,677
The Johannesburg Civic Theatre (SOC) Ltd	817	933
The Johannesburg Fresh Produce Market (SOC) Ltd	65,674	59,141
	<b>14,271,350</b>	<b>13,026,457</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand

### 59. RELATED PARTIES (continued)

#### Amounts included in Loans,

#### Trade and other payables regarding related parties

City Power Johannesburg (SOC) Ltd	1,272,171	702,968
City of Johannesburg Property Company (SOC) Ltd	593,503	614,401
Johannesburg City Parks NPC	688,262	668,629
Johannesburg Development Agency (SOC) Ltd	855,742	1,109,294
Johannesburg Metropolitan Bus Services (SOC) Ltd	40,518	49,484
Johannesburg Roads Agency (SOC) Ltd	945,160	1,022,335
Johannesburg Social Housing Company (SOC) Ltd	340,535	248,009
Johannesburg Water (SOC) Ltd	651,234	388,556
Metropolitan Trading Company (SOC) Ltd	507,493	294,313
Pikitup Johannesburg (SOC) Ltd	1,265,055	1,180,325
The Johannesburg Civic Theatre (SOC) Ltd	9,122	2,168
The Johannesburg Fresh Produce Market (SOC) Ltd	154,308	82,161
	<b>7,323,103</b>	<b>6,362,643</b>

#### Related party transactions

#### Revenue from related parties

City Power Johannesburg (SOC) Ltd	533,868	494,140
City of Johannesburg Property Company (SOC) Ltd	36,960	11,225
Johannesburg City Parks NPC	6,944	7,745
Johannesburg Development Agency (SOC) Ltd	41,112	6,482
Johannesburg Metropolitan Bus Services (SOC) Ltd	70,402	74,451
Johannesburg Roads Agency (SOC) Ltd	9,145	8,862
Johannesburg Social Housing Company (SOC) Ltd	5,381	921
Johannesburg Water (SOC) Ltd	545,115	553,143
Metropolitan Trading Company (SOC) Ltd	129,469	118,581
Pikitup Johannesburg (SOC) Ltd	83,056	77,348
The Johannesburg Civic Theatre (SOC) Ltd	196	672
The Johannesburg Fresh Produce Market (SOC) Ltd	5,105	7,305
	<b>1,466,753</b>	<b>1,360,875</b>

#### Operating Expenditure

City Power Johannesburg (SOC) Ltd	153,149	153,472
City of Johannesburg Property Company (SOC) Ltd	681,951	648,510
Johannesburg City Parks NPC	796,794	753,846
Johannesburg Development Agency (SOC) Ltd	30,345	27,441
Johannesburg Metropolitan Bus Services (SOC) Ltd	506,522	508,824
Johannesburg Roads Agency (SOC) Ltd	940,312	856,785
Johannesburg Social Housing Company (SOC) Ltd	20,601	19,119
Johannesburg Water (SOC) Ltd	404,610	276,986
Metropolitan Trading Company (SOC) Ltd	246,614	265,646
Pikitup Johannesburg (SOC) Ltd	676,446	748,012
The Johannesburg Civic Theatre (SOC) Ltd	124,469	115,944
The Johannesburg Fresh Produce Market (SOC) Ltd	11,455	12,566
	<b>4,593,268</b>	<b>4,387,151</b>

#### Commitments

Johannesburg Development Agency (SOC) Ltd	2,179,787	264,046
Johannesburg City Parks & Zoo NPC	-	49,239
Johannesburg Roads Agency (SOC) Ltd	408,623	3,263
	<b>2,588,410</b>	<b>316,548</b>

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

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Figures in Rand thousand

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### 59. RELATED PARTIES (continued)

These commitments with related parties are also included in note 43

### 60. CHANGE IN ESTIMATE

#### Property, plant and equipment

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

#### Property rates

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

The change in estimate for property Rates and Taxes amounted to R15 388 189 (2017: R-455 302 820)

#### Traffic fines

The amount relates to traffic fines accounted for as invalid in the previous year, this was due to these not being posted to traffic offenders within the prescribed period. These fines were subsequently collected by JMPD in the current year. The change in estimates for fines amounted to R15 496 877.50 (2017: R22 459 678).

### 61. EVENTS AFTER THE REPORTING PERIOD

#### Details of the events

#### CORE

##### Unauthorized, irregular, fruitless and wasteful expenditure

In the current financial year management submitted a motivation for write off of the unauthorized, Irregular and Fruitless and Wasteful expenditure. The requirements of write off were fully met and investigated in the current financial year 2018. The submission for a write off to council was made in the current year ending 30 June 2018; however council approved the write off on the 26th September 2018

##### Other Matters Approved by Council

On 29<sup>th</sup> November 2018, Council granted approval for the City to enter into negotiations to terminate its relationship with the current Sinking Fund Manager via mutual agreement.

#### METROBUS

The following non-adjusting event took place after the reporting date :

- Eight buses with a carrying amount of R97 749 were burned at the Eldorado Park satellite depot on 07 August 2018
- On a separate incident a bus with a carrying amount of R 161 000 was burned down on 28 July 2018 by the community during the protests in Soweto

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### PARKS

On the meeting held on the 26 and 27 September 2018, the council has certified the write off and irrecoverable, of unauthorized, irregular, fruitless and wasteful expenditure totaling R11 158 786. Part of the total include a multi-year contract where expenditure is yet to be incurred.

The annual financial statements have accordingly been adjusted as the investigations were completed at year end pending the final approval by the council.

The adjustments required and processed for 2017/18 financial year are fruitless expenditure of R37 773 and Irregular expenditure of R7 063 000.

### JDA

The construction industry in general has had a significant decline over the last few years and further lower investment by government in infrastructure development in the 2018/19 budget means the sector is set for further decreases. There are a number of factors that have played a part in the industry's decline, among them shrinking margins, increased penalties and non-payment or delayed payment by clients. Post 30 June 2018, two current JDA contractors had filed for business rescue. The overall impact of this to the JDA has been assessed as insignificant and should those contractors be terminated in the 2018/19 year, a new contractor will be appointed to complete the remaining works and the budget allocated for these projects would still be expected to be spent

### PIKITUP

#### Burned building at Central camp depot

On the 30th of August 2018, one of the building at Central camp depot was set alight by former Jozi@work and 2010 employees' protesters. Two mobile scales with an asset value of R28 324 000 were burned and four (4) chairs and fourteen (14) drawers were also burned/damaged. A case with the SAPS was opened and the claim with our insurance company was lodged. An estimated cost of the damage amount to R434 783 based on the lodged claim

#### Absorption of former 2010 and Jozi@work employees

In line with the directive issued by the executive mayor during the 2017/18 financial year for former Jozi@work employees and also the CCMA judgment for former 2010 employees, Pikitup concluded this project during the month of August 2018. The total of 1159 claimants for Jozi@work and 382 for 2010 qualified to be absorbed and started working on the 01September 2018. Those who didn't qualify were also given an opportunity to appeal and this process was also concluded. The entity is in the process of vetting all qualified beneficiaries to authenticate all the submitted documents including the ID documents, payslips, bank statements etc.

#### Friedshelf 128 (Pty) Ltd

The board has taken a decision on the meeting held on the 13 April 2018 to dispose its 50% shareholding in Friedshelf 128 (Pty) Ltd to JOSHCO. The transaction was concluded during the month of August 2018 and the purchase price of R20m was paid into the trust account (attorney's account). This amount has not yet been transferred to Pikitup bank account pending the change of ownership at CIPC. Refer to paragraph 13 of this directors report for more information.

#### Public protector's report.

The public protector report relating to various allegations related to procurement and human resource processes was released on the 30 October 2018. The report made binding recommendations that should be implemented by the Board within 60 days from the date of the report is released. The Board has established an ad-hoc committee to advise the Board on the implementation of these recommendations including determining the amount of fruitless and wasteful expenditure, irregular and unauthorized expenditure that should be recovered.

# City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended June 30, 2018

## Notes to the Group Annual Financial Statements

Figures in Rand thousand	GROUP		CJMM	
	2018	2017	2018	2017

### 62. TAXATION

#### Major components of the tax expense (income)

##### Current

Local income tax - current period	58,556	32,136	-	-
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##### Deferred

Originating and reversing temporary differences	198,372	(141,685)	-	-
	<b>256,928</b>	<b>(109,549)</b>	-	-

#### Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus	3,142,209	1,263,251	-	-
Tax at the applicable tax rate of 28% (2016: 28%)	879,819	353,710	-	-
<b>Tax effect of adjustments on taxable income</b>				
Non-taxable and non-deductible items	(863,513)	(417,076)	-	-
(Over)/ under provision of prior years	239,125	(72,219)	-	-
Tax effect of previously unused tax losses	1,497	26,036	-	-
	<b>256,928</b>	<b>(109,549)</b>	-	-

### 63. CASH MANAGEMENT

Since 2013 financial year, Transport department within City of Johannesburg had cash losses due to alleged fraudulent activities and theft amounting to R15 162 000 (2016: R24 948 000). 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. The loss is included under general expenditure.

Opening Balance	71,806	46,858	71,806	46,858
Current year losses	15,162	24,948	15,162	24,946
	<b>86,968</b>	<b>71,806</b>	<b>86,968</b>	<b>71,804</b>