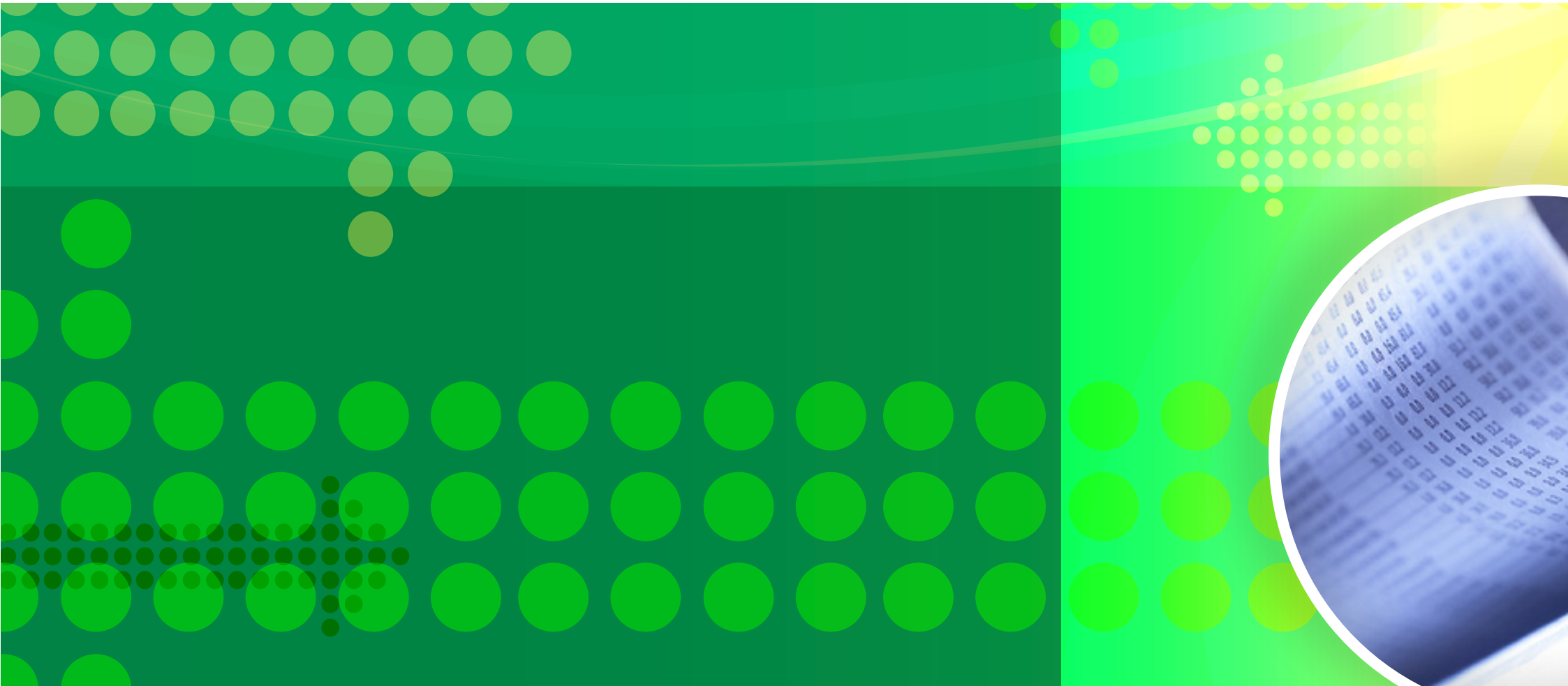




Consolidated Annual Financial Statements

for the year ended 30 June 2009



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Approval Of Consolidated Annual Financial Statements

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 1 to 90 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in Note 25 of these consolidated annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



DR N. LUKHWARENI

Acting CITY MANAGER

30 September 2009

General Information

MEMBERS OF THE COUNCIL:

Ramokgopa, Gwen (Dr)	Executive Mayor
Dau, K J (Khorombi)	Speaker
Skosana, Vusi	Chief Whip
Komane (Ms) Tebogo	MMC: Economic Development
Ditshoke, A M	MMC: Housing (Sustainable Human Settlement Development)
Ernest, T (Ms)	MMC: Agriculture and Environmental Management
Lehobye, Kideledi	MMC: Community Safety and Emergency Services
Mahlangu, B W	MMC: Finance
Masondo, Z L (Ms)	MMC: Sports, Recreation, Arts and Culture
Makoena, Naldo	MMC: City Planning and Development
Pillay, Subesh	MMC: Public Works and Infrastructure Development
Thipe, S S (Ms)	MMC: Health and Social Development
Twala, Gabriel	MMC: Corporate and Shared Services

City Manager

Kekana, Kiba D
Telephone: 012 – 358 4901
E-mail: KibaKe@tshwane.gov.za

Chief Financial Officer

Makhari, Ndanduleni (Ms)
Telephone: 012 – 358 8100
E-mail: NdanduleniM@tshwane.gov.za

Grading of local authority: Metro

Auditors: Auditor-General

Bankers: Standard Bank, Van der Walt Street, PRETORIA

Registered Office: City Manager

9TH Floor, Munitoria,
Van der Walt Street,
PRETORIA 0002

P O Box 440
PRETORIA
0001

Registered Office: Chief Financial Officer

373 Pretorius Street
PRETORIA
0002

P O Box 408
PRETORIA
0001

Legislation governing the municipality's operations:

Local Government: Municipal Finance Management Act (Act 56 of 2003)
Local Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Housing Act (Act 107 of 1997)
Constitution of the Republic of South Africa (Act 108 of 1996)
Property rates Act, 2004 (Act 6 of 2004)
Division of Revenue Act, 2007 (Act 1 of 2007)

ENTITIES CONSOLIDATED

Consistent with the prior financial year the following Municipal Entities were included in the Consolidated Annual Financial Statements:

- Housing Company Tshwane
- Sandspruit Works Association (ODI Water and Waste Water)
- Civirelo Water
- Tradepoint Pretoria (liquidation underway)

ENTITIES DISESTABLISHED

- The Roodeplaat Temba Water Services Trust which was included in the consolidated financial statements of 2007/08 was disestablished on 1 July 2008 and the statement of financial position was incorporated into the records of the City of Tshwane with effect from 1 July 2008.

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying group financial statements of the City of Tshwane Metropolitan Municipality (CoT) which comprise the consolidated and separate statement of financial position as at 30 June 2009, and the consolidated and separate statement of financial performance, the consolidated and separate statement of changes in net assets and the consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 79.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1, *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the CoT in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Property rates and consumer debtors

8. I could not satisfy myself as to the occurrence, completeness and cut off of the amounts (current and corresponding figures) disclosed as property rates of R2, 299 billion (2008: R2, 185 billion) in the statements of financial performance and as to the correct valuation and allocation of consumer debtors of R2, 667 billion (2008: R2, 393 billion) in the statement of financial position, as sufficient and appropriate information could not be provided for audit purposes in respect of the correcting journals processed during the year as well as after year-end, for the correct allocation of revenue to the current and prior financial years.

Qualified opinion

9. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the City of Tshwane Metropolitan Municipality as at 30 June 2009 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with GRAP and in the manner required by the MFMA.

Emphasis of matters

I draw attention to the following matters on which I do not express a qualified opinion:

Going concern/Financial sustainability

10. While the municipality has prepared financial statements on a going concern basis, there are a number of indicators that its financial sustainability is under threat, as indicated in paragraph 8.4 of the chief financial officer's report. These indicators related to the world economic recession as well as the slow repayment of debtors and a substantial increase in the consumer debtors and creditors amounts from the prior year. Subsequent to year-end the municipality has substantially increased its overdraft facility. Furthermore, the CoT required more funds to ensure that the capital replacement reserve and housing development fund had sufficient cash backing as per its accounting policies.
11. One of the CoT's municipal entities, Housing Company Tshwane's rental income has decreased during the year under review, its debtors payments have deteriorated and key senior management personnel have resigned subsequent to year-end. Furthermore, the accounting officer's report of the entity indicated uncertainty with respect to the future cash flows of the entity. These conditions cast significant doubt on the entity's ability to continue as a going concern and the entity has not yet finalised a plan to ensure its future sustainability. The cash flow and other problems of the Housing Company Tshwane, including the unavailability of information and documentation required for audit purposes, led to a disclaimer of the audit opinion on its financial statements.
12. Civirelo Water, a municipal entity of the CoT, incurred a net loss of R17, 6 million during the year ended 30 June 2009

and as at that date the entity's total liabilities exceeded its total assets by R29, 2 million. These conditions, along with other matters set out in the director's report indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Unauthorised expenditure and deviations from supply chain management procedures

13. As disclosed in note 45.1 to the annual financial statements an amount of R75 million of unauthorised expenditure was still awaiting authorisation from the council, as required by section 32(2) of the MFMA.
14. The municipality incurred unauthorised expenditure of R477 million in respect of the late approval of the deviation report (not approved before 31 August) as disclosed in note 45.4 to the annual financial statements.
15. Deviations from the official procurement process during the financial year were approved in terms of the delegations as stipulated in the supply chain management policy and amounted to approximately R351 million as disclosed in note 47 to the annual financial statements.

Other matters

16. I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

17. The supplementary information set out on pages 80 to 90 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly do not express an opinion on them.

Non-compliance with applicable legislation

Municipal Finance Management Act

18. As previously reported, the then council of the CoT in 2001 resolved to provide an official residence to the mayor of the CoT. This provision of an official residence to a mayor does not fall within the framework of the Remuneration of Public Office-Bearers Act, 1998 (Act No. 20 of 1998), which, in turn, results in the transgression of section 167 of the MFMA, which came into effect in 2004 and states that

the municipality may remunerate its members of the political structure only within the framework of the Remuneration of Public Office-Bearers Act, 1998. If it falls outside this, it must be classified as irregular expenditure and the municipality must take appropriate steps as required.

19. The CoT failed to submit electronic and signed returns on their conditional grants spending for the period ended 30 June 2009 in terms of section 74(1) of the MFMA. Furthermore, the CoT also did not sign the section 71 report for the period ended 30 June 2009, as evidence of verification.
20. Invoices were not paid within 30 days of receiving the relevant invoice as required by section 65(e) of the MFMA.
21. Section 64(2)(h) of the MFMA requires that appropriate reconciliations be done at least on a weekly basis for revenue received by the municipality, including revenue received by any collecting agents on its behalf. However, collections by agents/municipality were not appropriately reconciled at least on a weekly basis for transport income, prepaid electricity and licences.
22. No financial statements were received for auditing in terms of section 126(2) of the MFMA for Tshwane Economic Development Agency and Tshwane Centre for Business Information and Support, being municipal entities of the CoT. As such we could not confirm whether these entities had any assets and liabilities that had to be included in the consolidated annual financial statements of the CoT.

Municipal Systems Act

23. Various reconciling differences were identified in the property values on the valuation systems (ProV) and the billing system (SAP), resulting in individual accounts not being billed timeously and accurately. This resulted in non-compliance with section 95(e) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which states that the municipality must ensure that persons liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due.
24. Section 95(e) – (h) of the MSA – Customer Care and Management, requires that the "municipality provide a mechanism to monitor the response time and efficiently in complying with dealing with complaints," as notifications were not always timeously cleared, work was not always performed on notifications created and work orders were closed before actual work was performed.

Governance framework

25. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

26. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. The number listed per component can be followed with the legend below the table. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
8	Property rates and consumer debtors	6				1

Conclusion on the governance framework

27. **The above was mainly due to the following:**

- Insufficient monitoring controls and oversight by senior management over the preparation and completion of financial statements, with specific reference to the reviewing and evaluation of supporting documentation and figures.
- Insufficient guidance/procedures provided to staff regarding the preparation of financial statements.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6

Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

28. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	

No.	Matter	Y	N
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. The audit committee operates in accordance with approved, written terms of reference. The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	✓	
		✓	
		✓	
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. The internal audit function operates in terms of an approved internal audit plan. The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	✓	
		✓	
			✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✓
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c) (i) of the MFMA.		✓
12.	Delegations of responsibility are in place, as set out in 106 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA/Oversight resolutions have been substantially implemented.	N/A	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

Overall reflection on governance framework

29. The municipality has all the required governance structures in place. For deficiencies in this regard, refer to paragraph 27 above.

Investigations

30. Thirty-two cases were received by the forensic audit section of the CoT's internal audit unit for the current financial year, 11 of which were finalised. The nature of cases covered a wide spectrum of activities, including bribery, theft, financial corruption, RDP houses misallocation and tender irregularities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

31. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

32. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the MSA.

The Auditor-General's responsibility

33. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.

34. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

35. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

No mid-year budget and performance assessment

36. No evidence was submitted to verify that the accounting officer of the CoT submitted the monthly budget statements to the mayor of the CoT within 10 working days after the end of each month in terms of section 71(1) of the MFMA.

37. No evidence was submitted to verify that the accounting officer of both Civirelo Water and Sandspruit Works Association (municipal entities of the CoT) submitted to the accounting officer of the CoT the information in respect of the entity's budget in terms of section 87(11) of the MFMA within seven days after the end of each month.

38. No evidence was provided to verify that the accounting officer of Housing Company Tshwane complied with the provisions of both sections 87(11) and 88 of the MFMA in respect of monthly budget statements, mid-year budget and performance assessment.

39. No evidence could be provided to verify that the Housing Company Tshwane complied with the provisions of section 121(4)(d) of the MFMA in respect of performance information.

Usefulness and reliability of reported performance information

40. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria: Reported performance information not relevant

41. The indicator with regard to public transport was not specific in clearly identifying the nature and the required level of performance, as the method used to measure the performance of public transport did not necessarily give an indication of how the municipality has increased the accessibility to public buses. As bus tickets sold was used to determine the number of passengers using buses, this

could result in the same passengers being included more than once in the calculation. This resulted in an incorrect indication of the improvement of bus usage as required by the key performance indicator (KPI).

Reported performance information not reliable

Lack of source documentation

42. Sufficient appropriate audit evidence in relation to the reported performance information for the KPI on housing could not be provided for audit purposes.

Source information not accurate and complete

43. The source information or evidence provided to support the reported performance information with regard to various KPI's did not adequately support the accuracy and completeness of facts. Examples included the following:

- Reported information on crime levels was only for eight months and did not cover the entire period, thus information was incomplete.
- Sufficient appropriate audit evidence with regard to the reported information in respect of the KPIs on roads and storm water could not be obtained as the system used was not appropriate to facilitate the preparation of accurate and complete actual performance information.
- Evidence received in respect of solid waste removal, public transport, water, sanitation and households registered as indigents differed from amounts/ percentages reported.
- Evidence submitted in respect of the disaster risk management plan differed from the actual achievement percentage as reported.

APPRECIATION

44. The assistance rendered by the staff of the City of Tshwane during the audit is sincerely appreciated.

Auditor-General

Pretoria

21 December 2009



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report Of The Chief Financial Officer

1. INTRODUCTION

The 2008/09 financial year posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.

The budget and the City of Tshwane's five-year strategic plan are aligned with the vision and imperatives of national government, which are to address service delivery backlogs.

The following strategic areas were focussed on during the 2008/09 budget:

- The eradication of backlogs and investment in infrastructure for basic services and for growth
- Economic growth and development that is shared and creates sustainable jobs
- Building safer, more secure and more sustainable communities
- The deepening of democracy
- Financial viability and management of resources
- A caring and effective government
- Institutional capacity and transformation

To budget for improved service delivery and then subsequently realising operational efficiency while it is also ensured that the deliverables are attained in a sustainable manner, has been a huge challenge during the 2008/09 financial year. The challenge of addressing unlimited needs within the constraints of limited resources has necessitated a change in the way we do business to ensure that we stretch our resources to the maximum.

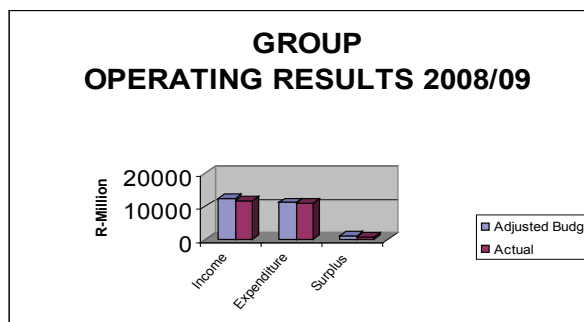
2. REVIEW OF OPERATING RESULTS

The 2008/09 budget of the City of Tshwane was approved by Council on 29 May 2008 and the Adjustments Budget was approved by Council on 29 January 2009.

Figures with regard to the 2008/09 original budget as well as the adjusted budget are included in this report. The budgets of the municipal entities are not included as not all the budgets were available.

1.1 General

Details of the 2008/09 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and appendix D. A graphical presentation of the operating results is shown in the graph below:



The overall operating results for the year ending 30 June 2009 are as follows:

Description	Original Budget 2009 Parent	Adjusted Budget 2009 Parent	Actual 2009 Parent	Actual 2009 Group	Variance Actual/ Adjusted Budget	Actual 2008 Parent	Actual 2008 Group
	R'000	R'000	R'000	R'000	%	R'000	R'000
REVENUE							
Accumulated surplus: Beginning of year			859 522	888 593		864 955	930 812
Operating revenue for the year	12 708 977	12 244 224	11 638 995	11 751 331	4.03	10 187 705	10 468 954
	12 708 977	12 244 224	12 498 517	12 639 924		11 052 660	11 399 766
EXPENDITURE							
Operating expenditure for the year	11 010 559	11 263 553	11 263 553	11 050 592	1.89	9 848 728	10 173 592
Sundry transfers *	1 698 418	1 180 671	217 539	566 815		344 410	337 581
Accumulated surplus: End of year			1 017 425	1 022 517		859 522	888 593
	12 708 977	12 444 224	12 498 517	12 639 924		11 052 660	11 399 766

* Sundry transfers consist of transfers to and from the reserves for example offset depreciation for projects financed from grants and the Capital Replacement Reserve

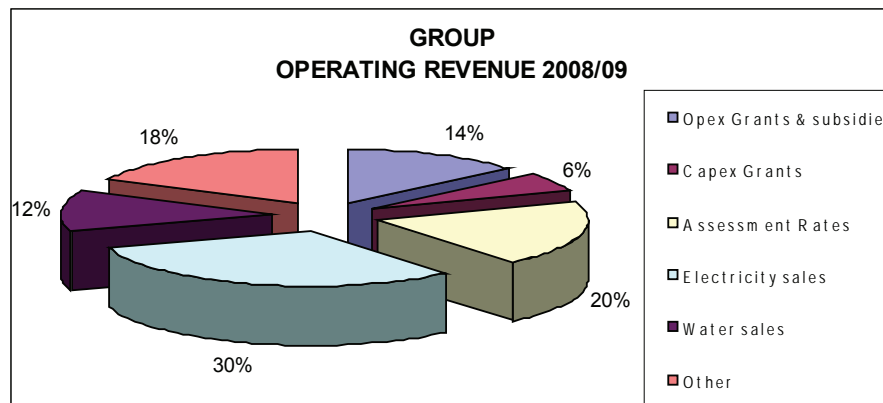
The actual net expenditure of the Municipality reflects an increase of 14.4% (Group increased with 8.6%) while the actual revenue of the Municipality has increased by 14.2% (Group increased with 12.2%) since 2007/08. The largest increase on revenue since 2007/08 occurred on assessment rates, service charges, interest on debtors and government grants and subsidies. The largest increase on expenditure since the previous financial year occurred on the following items:

Expenditure item	Municipality (increase)	Group (increase)
	%	%
Remuneration	14.8	14.9
Remuneration of Councillors	25.2	25.2
Bad debt written off	64.0	93.8
Interest paid	40.3	17.8
Bulk purchases	23.2	28.1
Repair and maintenance	25.8	25.5
Contribution to bad debt provision	17.2	3.8

Interest paid by the Municipality increased with 40.3% since 2007/08 due to the increase in external loans taken up

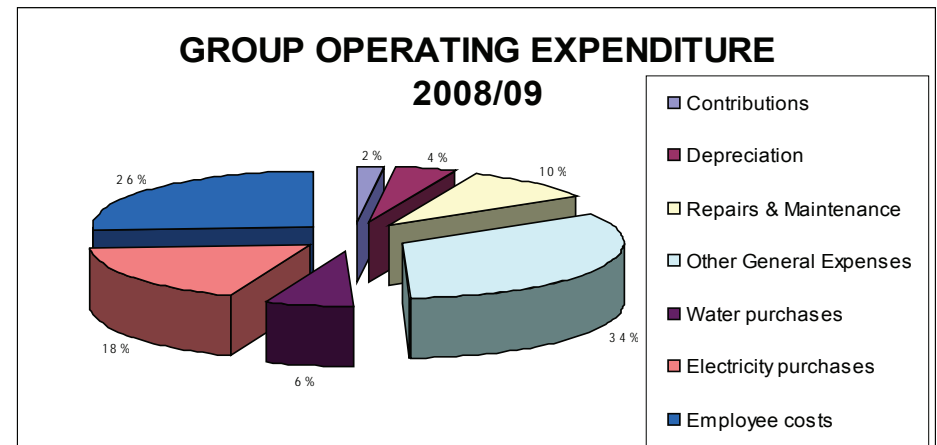
2.2 Operating Revenue

The following graph indicates a break down of the largest categories of revenue.



2.3 Operating expenditure

The graph below indicates the break down per main expenditure group.

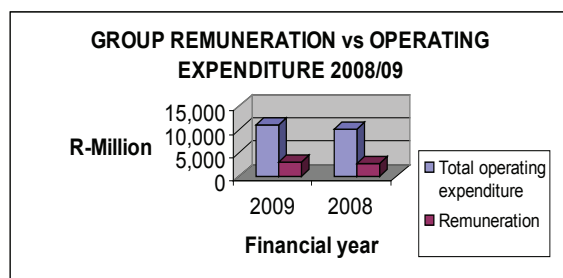


Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a slight increase from 26.6% in 2007/08 to 27.6% in 2008/09. For the Group it increased from 26.2% to 27.7% since 2007/08.

The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive. In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33.0%.

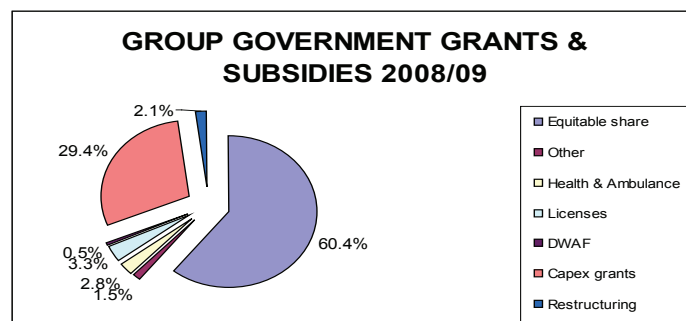
Description	2008/09		2007/08	
	Parent	Group	Parent	Group
Total operating expenditure	10 918 585	11 050 592	9 848 728	10 173 593
Total operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Employee remuneration	3 009 111	3 061 854	2 621 003	2 665 394
Ratio: % of total expenditure	27.6 %	27.7 %	26.6 %	26.2 %
Ratio: % of total revenue	25.8 %	26.1 %	25.7 %	25.5 %
% Growth in remuneration expense	14.8 %	14.9 %	8.7 %	8.9 %



2.4 Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Gauteng Provincial Government, which amounts have been included in the total revenue:

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Equitable share	1 335 550	1 335 550	1 101 416	1 101 416
Provincial Health Subsidy	22 554	22 554	22 669	22 669
Provincial Ambulance Subsidy	38 377	38 377	36 005	36 005
Provincial Motor vehicle licenses refund	71 776	71 776	66 191	66 191
Capex: grants and donations	650 643	650 643	474 450	474 450
Opex: grants and donations	97 075	97 075	154 163	154 163
Finance Management Grant	539	539	699	699
Restructuring Grant	45 680	45 680	52 228	52 228
Department of Water Affairs and Forestry	13 169	12 224	13 962	16 235
MSIG	0	0	2 502	2 502
	2 275 363	2 272 418	1 924 285	1 926 558



2.5 Provision for Employment benefits

In terms of accounting standard IAS 19: Employment benefits a provision had to be created for the liabilities in respect of post-employment benefits. Actuarial valuations and calculations indicated that a liability provision to the total amount of R1,004 billion had to be created for 2008/09. The liability provision for 2007/08 amounted to R838, 893 million and the figures with regard to 2007/08 were therefore restated. The balance of the accumulated surplus was adequate to provide for the total liability. The creation of this provision was debited against general expenses (statement of financial performance) and Post-employment benefit liability on the statement of financial position. This provision need to be adjusted annually at year end and need to be taken up in the annual budget.

3. DEBTORS

Details regarding the debtors are provided in Note 14 (Long-term receivables), Note 16 (Consumer Debtors) and Note 17 (Other Debtors) of the Notes to the Consolidated Annual Financial Statements.

Long-term receivables:

The long-term receivables showed an increase of R52,8 million (15.9%). This increase can mainly be ascribed to an increase in the arrangement consumer debtors (increase of R42,8 million) and an increase in the sale of land (R13,6 million).

Consumer debtors:

The consumer debtors for the group increased in total with an amount of R505.575 million (14.4%). The increase in debt per customer classification is made up as follows:

Customer classification	Parent		Group	
	Total	Increase/ (Decrease)	Total	Increase/ (Decrease)
	R'000	R'000	R'000	R'000
Households	2 686 383	338 320	2 920 854	370 242
Industrial/Commercial	762 949	96 008	762 949	96 008
National and Provincial government	56 217	7 074	56 217	7 074
Other	509 971	64 173	509 971	64 173
Total	4 015 520	505 575	4 249 991	537 497

The increase in consumer debt per ageing analysis is as follows:

Age Analysis Group	Parent		Group	
	Total	Increase/ (Decrease)	Total	Increase/ (Decrease)
	R'000	R'000	R'000	R'000
Curnnet (0-30 days)	1 062 178	24 086	1 296 649	56 007
31 – 60 days	189 344	(7 673)	189 344	(7 673)
61 – 90 days	110 957	8 965	110 957	8 965
91 + days	2 653 041	480 198	2 653 041	480 198
Total	4 015 520	505 575	4 249 991	537 497

Other debtors:

The Other Debtors for the Group in total increased with an amount of R202.3 million (parent = R198.2 million increase). This can mainly be attributed to an increase in housing debtors of R13,7 million (43.9%) for the group and for the parent an increase of R5,3 million.

Other current debtors for the group increased with R395.8 million. For the parent other current debtors increased with R400.1 million which is due to an increase in sundry rentals and sundry year end debtors which include outstanding ambulance subsidies, outstanding health subsidies, waste management-bulk containers and outstanding grants e.g. Housing Grants R125 million and MIG R53 million as well as public contributions to the amount of R143.6 million. The RSC levies debtor decreased with an amount of R200,5 million due to a write back of the debtor against the provision for bad debt as the 3 year period has lapsed.

3.1 Consumer debtors

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
Debits levied : Consumer debtors	7 947 309	8 048 950	7 024 024	7 110 025
Balance on 1 July	3 509 944	3 712 493	3 146 540	3 293 028
Balance on 30 June	4 015 520	4 249 991	3 509 944	3 712 493
Average balance	3 762 732	3 981 242	3 328 242	3 502 761
Turnover: Number of times (levies/average balance)	2.11	2.02	2.11	2.03
Turnover: Number of days (days in financial year/number of times)	173	181	173	180
Days in the financial year	365	365	366	366

From the table it is clear that, although the number of days to recover debt remained unchanged at 173 days since 2007/08 for the parent (and for the group it increased from 180 to 181 days), the outstanding consumer debt still is negative. This high turnover has serious implications on the cash flow of the Municipality specifically.

On 1 July 2008 the Municipality implemented the Municipal Property Rates Act of 2004 and this increased the revenue base with 122 000 Sectional Title Units. This increase in the revenue base had an impact on the increase of the debtor's book even though there was no change in the number of days to recover debt since the previous financial year.

The Municipality has introduced various strategic interventions to collect outstanding consumer debt, for example:

- The Municipality has introduced the blocking of prepaid vending for electricity when the other services are in arrears
- The implementation of section 28 of the Municipal Property Rates Act, where the municipality forces a tenant to pay rent directly to the Municipality when the owner is in arrears with property rates
- The Municipality introduced a process of disconnecting services if property rates are in arrears

On 1 January 2009 the Municipality has appointed a panel of 4 new collection agencies that will further assist with the collection of arrears in line with Chapter VIII of the Magistrate Court Act of 1944. The collection agencies have signed a robust performance agreement that will enhance collection of revenue. The Municipality is currently piloting an outbound debt call for the Top 1 000 business accounts. A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy started producing better results, since an average collection rate of 98.3% (2007/08 = 99.0% and 2006/07 = 98.3%) was maintained by the Municipality during the 2008/09 financial year.

4. CAPITAL EXPENDITURE AND FINANCING (only with regard to Parent)

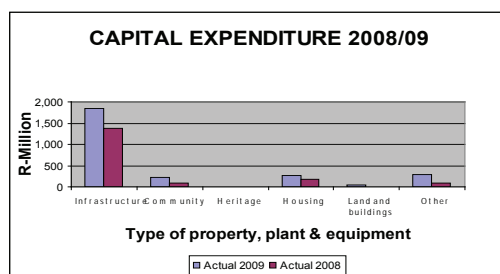
The Municipality's original approved Capital Expenditure Budget for 2008/09 amounted to R3 161 765 000 and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council on 29 January 2009 to R3 050 998 246 in total, as a result of Strategic Units requesting to review the performance of the capital programme. Actual capital expenditure incurred during the year in respect of property, plant and equipment amounted to R2 685 672 601. The actual capital expenditure is 52.8% more than the previous financial year, but only relates to a 88.0% performance against the adjusted budget for 2008/09. The actual expenditure is 11.97% less than the adjusted budget, which can mainly be attributed to non-achieving of the SDBIP targets due to various reasons for example:

- Delays in EIA studies
- Delays in implementation of BRT programme – PTIS funded projects
- Delays in procurement process
- Delays in approval of business plans for MIG funding
- Non-receipt of grant funding or withholding of grant funding – Government Housing and PTIS funded projects
- Workmanship quality and material acquisition problems due to emerging contractors
- Delay in delivery of specialized vehicles

The table below represents the Capital Expenditure per Type of Asset:

Actual Capital expenditure according to asset class		
Type of Asset	Parent Actual 2009	Parent Actual 2008
	R	R
Infrastructure	1 844 867 557	1 384 562 498
Community	229 883 607	94 565 396
Heritage	0	0
Housing	263 141 486	186 983 791
Land and buildings	47 526 719	3 751 441
Other	300 253 232	88 039 174
Total	2 685 672 601	1 757 902 300

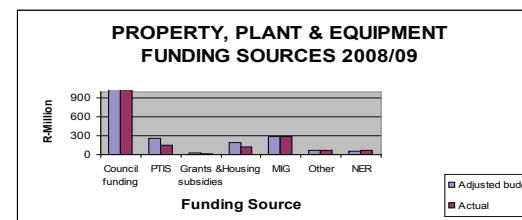
The graph shows the distribution of the property, plant and equipment according to the type.



The above-mentioned property, plant and equipment of the parent were financed from the following sources:

Type of finance	Parent Original Budget 2009	Parent Adjusted Budget 2009	Parent Actual 2009	Parent Actual as % of Adjusted Budget 2009	Parent Actual 2008
	R'000	R'000	R'000	%	R'000
Council funding	2 138 968	2 156 868	1 978 157	91.7	1 289 921
Public Transport Infrastructure and Systems Grant (PTIS)	501 654	262 105	154 943	59.1	0
Provincial Grants and subsidies	26 070	23 021	14 028	60.9	127 299
Government Housing grant	84 322	184 864	129 596	70.1	62 191
Municipal Infrastructure Grant(MIG)	288 935	288 935	286 877	99.3	208 975
National Electricity Regulator (NER)	60 500	60 500	60 416	99.9	52 228
Other funding	61 316	74 705	61 656	82.5	17 288
Total	3 161 765	3 050 998	2 685 673	88.0	1 757 902

The following is a graphic presentation according to financing sources:



Government Housing Programme

The original approved Capital budget for Government Housing of R84 321 988 was amended with the approved 2008/09 Adjustments Budget to R184 864 035 of which an amount of R129 596 252 was spent to 30 June 2009, resulting in an under spending on Government Housing projects of R55 267 783 in total. The amount budgeted for the Winterveldt Land Management Project was withheld by Gauteng Province as they indicated that they appointed their own contractors. The budget could not be amended owing to the late notification by Gauteng Province. An amount of R92 872 744 was claimed from the Gauteng Provincial Department of Housing (GPDoH) for Services and R115 875 956.05 for Top Structures. To date no transfers were received from the GPDoH for the claims submitted. An amount of R5 537 200 was claimed from the North West Provincial Government of Housing (NWPDoh) for Top Structures. To date no transfers were received from the NWPDoh for the claims submitted.

Public Transport, Infrastructure and Systems (PTIS) Grant funded projects

The original approved Capital Budget for the PTIS funded projects, which are SWC 2010 and BRT related projects, in the amount of R501 654 000 was amended with the approved 2008/09 Adjustments Budget to R262 104 892 of which an amount of R159 307 204 was spent to 30 June 2009, resulting in an under spending of R102 797 688 in total. The approved 2008/09 Operating Budget for PTIS funded projects of R73 728 330 was funded from the 2007/08 unspent allocations brought forward. An amount of R8 771 576 was spent and recognized on operating PTIS funded projects. The total amount of R260 million was received from the original DoRA allocation of R510 169 000, which was reduced to only R260 million during the year, owing to the Transferring Authority via the National Treasury informing the Municipality that an amount of R380,1 million of the 2008/09 allocation is being withheld owing to under spending. Subsequent correspondence between the Municipality and National Treasury regarding the reasons for the delay in implementation of the BRT projects, as well as the revised proposed implementation timeframes and cash-flow projections took place during May and June 2009. An impending meeting between the parties is being arranged to resolve outstanding issues.

Conclusion:

When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources which are primarily the Capital Replacement Reserve and the External Financing Fund (external loans taken up), can largely influence the following aspects:

- Depreciation
- The raising of loans
- The cash flow of the Municipality

5. ACCOUNTING RATIOS

5.1 Current asset ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure. This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets.

The following table shows the calculation of the operating capital ratio:

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
CURRENT ASSETS:				
Cash	89 561	95 850	43 236	214 534
Inventory	241 320	259 899	216 602	232 919
Debtors	3 372 435	3 421 566	2 686 415	2 720 577
Non-current assets held for sale	394	394	0	0
Investments (short-term)	177 605	187 814	235 136	272 462
Short-term portion of long-term debtors	123 833	123 833	103 377	103 377
Total	4 005 148	4 089 356	3 284 766	3 543 869
CURRENT LIABILITIES:				
Creditors	3 241 438	3 342 566	2 188 847	2 293 859
Short-term portion of long-term liabilities	133 693	134 009	172 573	189 530
Short-term portion of finance lease liabilities	175 709	175 709	150 248	150 248
Current provisions	0	917	0	782
Deposits	282 760	285 243	267 979	269 510
Overdrawn bank account	95 417	95 417	106 407	106 679
Total	3 929 017	4 033 861	2 886 054	3 010 608
Net Operating Capital	76 131	55 495	398 712	533 261
Current asset Ratio	1,02 : 1	1,01:1	1,14 : 1	1,18:1
Current asset ratio excluding consumer debt of 90+ days	0,34 : 1	0,36:1	0,38 : 1	0,45:1
Consumer debtors older than 90 days	2 653 041	2 653 041	2 172 843	2 172 843

The ratio decreased slightly since 2007/08 from 1,14:1 to 1,02:1. This is due to the fact that the current liabilities increased with 36.1% (for the Group an increase of 34.0%) whilst the current assets increased with only 21.9% (for the Group an increase of 15.4%). The increase in current assets can mainly be ascribed to the increase in debtors, cash and an increase in inventory; this is counter acted by a decrease in short-term investments.

The increase in current liabilities mainly lies with the increase in deposits and a huge increase in trade creditors.

The private sector sets a ratio of 2:1 as being acceptable, however a norm for local government is currently not available. If the consumer debtors of 90 days and older are excluded from the calculation the ratio decreases considerably (refer to table above) which is a concern.

5.2 Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures that follow reflect the Municipality's quick asset ratio for the following years:

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Current assets	4 005 148	4 089 356	3 284 766	3 543 869
Less: Inventory	241 320	259 899	216 602	232 919
Total	3 763 828	3 829 457	3 068 164	3 310 950
Current liabilities	3 929 017	4 033 861	2 886 054	3 010 608
Quick asset ratio	0,96 : 1	0,95:1	1,06 : 1	1,09:1
Quick asset ratio excluding consumer debt older than 90 days	0,28 : 1	0,29:1	0,31 : 1	0,38:1

If the consumer debtors of 90 days and older are excluded from the calculation the ratio decreases considerably (refer to table above).

5.3 Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency.

The following table shows the calculation of the solvency ratio:

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
TOTAL ASSETS:				
Current assets	4 005 148	4 089 356	3 284 766	3 543 869
Long-term investments	500 346	502 858	425 553	432 411
Long-term receivables	187 100	187 100	189 763	189 763
Leased assets	252 872	252 872	247 781	261 544
Biological assets	17 008	17 008	14 741	14 741
Property, plant and equipment	12 823 004	12 850 580	10 099 164	10 505 279
Total	17 785 478	17 899 774	14 261 768	14 947 607
TOTAL LIABILITIES:				
Current liabilities	3 929 017	4 033 861	2 886 054	3 010 608
Long-term loans	4 203 275	4 207 634	2 705 772	3 211 660
Non-current provisions	204 985	204 985	87 211	87 211
Lease liabilities	86 806	86 806	107 048	133 374
Employment benefit provision	1 004 196	1 004 196	838 893	838 893
Reserves	7 339 775	7 339 775	6 777 267	6 777 267
Total	16 768 054	16 877 257	13 402 245	14 059 013
Solvability Ratio	1,06 : 1	1,06:1	1,06 : 1	1,06:1

The total assets of the Parent Municipality increased with 24.7% (Group increased with 19.8%) while the total liabilities increased with 25.1% (Group liabilities increased with 20.0%). Property, plant and equipment of the parent increased with 27.0% while external loans increased with 55.3% and the accumulated funds increased with 8.3%.

5.4 Total long-term debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio increased from 30.8% to 39.5% since 2007/08. This increase can be ascribed to the fact that the external loans increased with 46.7% (for the Municipality) in relation to the increase of only 14.2% in total revenue.

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Total debt	4 599 483	4 604 157	3 135 642	3 684 813
Total revenue	11 638 995	11 751 331	10 187 705	10 468 954
Ratio	39.52%	38.18%	30.78%	35.20%

5.5 Inventory turnover

Inventory turnover is considered a key measure of management efficiency. It is a measure of how often, during the course of a financial year, a company sells and replaces its inventory. As a general rule, a higher ratio for inventory turnover is better. The standard however varies dramatically from industry to industry. A ratio of 2.5 times per year is considered acceptable for the large municipalities.

June 2009: 2.8 times per year

June 2008: 2.8 times per year

Although the value of inventory increased with R24.7 million since 2007/08, the turnover however, remained unchanged on 2.8 times per year. This can be attributed to the fact that the turnover is an average calculated for all inventory items in all stores.

5.6 Overdraft (cashbook balance) plus short-term loans to total operating revenue

According to credit rating companies, the benchmark is a ratio of less than 5%. As shown in the table below the ratio improved due to a decrease in the short-term portion of external loans (decrease of 22.5%) as well as a decrease in the bank overdraft while the revenue increased with 14.2% since 2007/08.

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Cash book overdraft	95 417	95 417	106 407	106 679
Short-term portion of external loans	133 693	134 009	172 573	189 530
Overdraft plus short-term loans	229 110	229 426	278 980	296 209
Total operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Ratio	1.97%	1.95%	2.74%	2.83%

5.7 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years is as follows:

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Cash generated from operations (Nett cash flow)	1 943 934	1 803 298	1 718 526	1 692 180
Interest paid on external loans	507 584	508 313	361 757	431 490
Ratio	3.83 : 1	3.55:1	4.75 : 1	3.92:1

The ratio shows a deterioration for the Municipality as the interest paid on external loans increased with R145.8 million (40.3%) and the cash generated from operations increased with R225.4 million (13.1%) since 2007/08. This deterioration is a further indication of the cash flow challenges that the Municipality is currently experiencing.

For the Group, the ratio also deteriorated since 2007/08 as the cash generated from operations increased with R111.1 million (6.6%) and the interest paid on external loans increased with R76,8 million (17,8%).

5.8 Capital charges (interest and depreciation) to total annual operating revenue

The ratio indicates to what extent the expenditure in respect of interest paid on external loans and depreciation is covered by operating revenue.

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Total operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Interest paid on external loans	507 584	508 313	361 757	431 490
Depreciation	500 104	502 939	574 907	613 963
Capital charges	1 007 688	1 011 252	936 664	1 045 453
Ratio	11.55 : 1	11.62:1	10,88 : 1	10,01:1

The ratio for the Municipality improved since 2007/08 due to the fact that the capital charges increased with R71.0 million (7.6%) while the operating revenue increased with R1 451.2 million or 14.2%. For the group the ratio improved from 10,01 to 11.62.

5.9 Debt to cash ratio

This ratio indicated below is a yardstick to measure the time (in years) that it will take a local authority to pay off its debt (loans) from cash generated by operating activities. The ratio for the past two financial years is as follows:

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Long-term debt	4 599 483	4 604 157	3 135 642	3 684 813
Cash generated from operations	1 943 934	1 803 298	1 718 526	1 692 180
Ratio	2,37 : 1	2,55:1	1,83 : 1	2,18:1

The ratio for the Municipality deteriorated as the long-term debt increased with R1 463.8 million (46.7%) while the cash generated from operations increased with only R225.4 million (13.1%) since 2007/08. Based on the ratio, it will now take longer to repay loans. For the Group the ratio deteriorated less due to the fact that the loans of Roodeplaat Temba Water Services Trust to the value of R518,1 million was taken over by the Municipality upon disestablishment of the entity on 1 July 2008.

5.10 Financing to capital expenditure ratio

Local authorities normally finance their capital expenditure from external loans. This ratio enables the user to analyse the extent to which external loans are used to finance capital expenditure. The ratio for the past two financial years is as follows:

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Net Increase/(Net Decrease) in long-term loans	1 458 624	940 452	43 749	14 176
Net Increase/(Net Decrease) in finance lease liabilities	5 218	(19 030)	52 470	78 795
	1 463 842	921 422	96 219	92 971
Cash used in capital expenditure	3 326 808	2 839 963	2 211 743	2 221 750
Ratio	0,44 : 1	0,33:1	0,04 : 1	0,04:1

A ratio which is smaller than 1:1 is an indication that more cash was spent on infrastructure (capital expenditure) than was borrowed. If this ratio exceeded 1:1 over several years, it indicates that too much funds are obtained externally which may even mean that loans are used to finance operating expenditure. Compared to 2007/08 the Municipality borrowed more than the previous year (also refer to note 33 to the Consolidated Annual Financial statements).

5.11 Repairs and maintenance to annual operating revenue

The ratio indicates to what extent the expenditure in respect of repairs and maintenance are covered by operating revenue.

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Annual operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Repairs and maintenance	1 125 506	1 127 186	894 629	897 807
Percentage	9.67 %	9.59%	8.78 %	8.58%

The ratio deteriorated as a result of the repairs and maintenance increasing with 25.8% (Group increased with 25.5%) while the operating revenue increased with only 14.2% (Group increased with 12.2%).

5.12 Net debtors to total annual operating revenue

The ratio indicates to what extent the net outstanding debtors are covered by operating revenue.

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Annual operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Net debtors (after provision for bad debt)	3 322 613	3 382 378	2 686 415	2 720 577
Percentage	28.55 %	28.69%	26.37 %	25.99%

The ratio shows a slight deterioration for the Municipality as a result of the net debtors increasing 23.7% while the operating revenue increased with 14.2%.

6. CREDIT RATING (for the Parent)

The firm Moody's Investors Services South Africa (Pty) Ltd performed a credit rating of the Municipality during March 2009 (based on the annual financial statements for the year ending 30 June 2008) and the following rating was awarded to the Municipality (stable rating outlook):

- **Long term Debt Rating (maturities of one year or greater): Aa3**

Defined as high-grade. "Aa" rated are judged to be of a high quality and are subject to very low credit risk.

- Short term Debt Rating (maturities of less than one year): Prime-1
- Defined as the highest quality. A high certainty of timely payment is indicated
- Financial outlook: The grading changed from stable to negative
- The negative outlook factors the weakening of the city's liquidity profile. The administration's strategy to maintain a conservative financial policy, streamline operating expenditure and enhance revenue collection is not likely to produce the desired effect on the city's liquidity position in the short to medium term.

7. MUNICIPAL ENTITIES

7.2 Viable municipal entities

Of the entities evaluated the following were found to be viable:

- Civirelo Water
- Sandspruit Works Association
- Housing Company Tshwane
- Tshwane Economic Development Agency (newly created – not in full operation yet)

7.3 Entities not viable and liquidation process is underway

The following companies are not viable:

- Tradepoint Pretoria
- Tshwane Centre for Business Information and Support (Cenbis)

7.4 Consolidation of municipal entities

Consistent with the prior three financial years separate consolidated financial statements was compiled for City of Tshwane and its operational municipal entities, namely:

- Housing Company Tshwane
- Sandspruit Works Association:
- Civirelo Water
- Tradepoint Pretoria
- Tshwane Centre for Business Information and Support (Cenbis) – no statements were submitted for 2008/09

8. CHALLENGES EXPERIENCED BY THE MUNICIPALITY DURING 2008/09

8.1 Implementation of accounting standards

The City of Tshwane experienced problems with the implementation of certain accounting standards during the compilation of the 2007/08 financial statements and therefore had to make use of the Exemptions granted by National Treasury in Government Gazette No 30013 of 29 June 2007. The City of Tshwane had to comply with the accounting framework as set out in paragraph 1 of the Accounting policies as contained in the Consolidated Annual

Financial Statements of 2008/09. This accounting framework was determined in Directive 5 issued by the Accounting Standards Board on 31 March 2009.

8.2 Compliant fixed asset register

It was a tremendous challenging exercise during the 2007/08 financial year to produce a compliant and purified asset register. During the 2008/09 financial year the Asset Register information from the external systems was loaded on the SAP system. Verification, review of useful lives, impairment, etc was done during the year end process of 2008/09. It however, became evident that most of the requirements of the new accounting standards cannot be maintained within the current SAP system. Most of these requirements will have to be maintained outside the system for financial statement purposes.

8.3 Lease register

Much the same problem existed with the lease register in 2008/09 as in 2007/08, however the lease register, calculations and necessary disclosure requirements were updated on the 2008/09 financial statements. The maintaining of the lease register will also need to be addressed as a matter of urgency during the 2009/10 financial year.

8.4 Economic recession and cash-flow challenges

The world economy is in a worse position than it has been in several decades. Like the rest of the world, the economy of South Africa has equally been affected by this slow down. The most visible signs of this dilemma are experienced through job losses, growth in the unemployment rate and in the number of households classified to be under poverty levels. Owing to the economic climate (job losses, high inflation, interest rates, petrol and food prices, etc) many people are struggling to cover their monthly household expenditures with the result that the municipal account is not high on the consumers' list of priority payments anymore. It should be noted that the municipality is also affected by the mentioned conditions and has to pay more for goods and services.

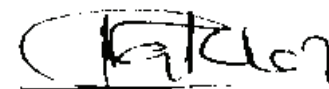
It is evident that the impact of the economic recession on residents, businesses and other institutions in the municipal boundaries of the City of Tshwane appears to be greater than originally anticipated, as the shortfall in the collection of revenue and the concomitant increase in consumer debt, as well as other liabilities (short and

long term debt) has indicated that the Municipality is indeed facing some serious challenges, similar to other municipalities, semi-government institutions and other government institutions.

This challenge would have to be collectively addressed by government on all three spheres in partnership with the private sector to enable the South African Economy to withstand this onslaught, to show sustained growth and development, which in turn will create job opportunities or at least maintain current levels of employment, to ensure the future sustainability of service delivery in a developing economy where demand for services by far exceeds the availability of resources.

9. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Office of the Municipal Manager and Strategic Executive Directors for the support they have given me and my personnel during the 2008/09 financial year. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my Department to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August) as well as the consolidated annual financial statements within the prescribed period of 3 months after year end (i.e. 30 September 2009).



N. MAKHARI
CHIEF FINANCIAL OFFICER

Consolidated Accounting Policies For The Year Ended 30 June 2009

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless otherwise stated.

These financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act 56 of 2003). The reporting framework as prescribed by the Accounting Standards Board in Directive 5 of March 2009 and which are deemed by the Municipality to be applicable on the Municipality are summarised as follows:

GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 7	Financial instruments: Disclosures
IAS 19	Employee benefits
IAS 32	Financial instruments: Presentation
IAS 36	Impairment of assets
IAS 39	Financial instruments: Recognition and measurement
GAMAP 9.29 – 35 & .39 - .54	Revenue (Refer to GRAP 9.45)
IGRAP1	Applying the probability test on initial recognition of exchange revenue

IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

Directives issued and effective as per Directive 5 of March 2009:

Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 3	Transitional Provisions for the Adoptions of Standards of GRAP by High Capacity Municipalities

Approved guidelines in terms of Directive 5 of March 2009:

ASB Guide 1	Guideline on Accounting for Public Private Partnerships
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Effective accrual based IPSAS's in terms of Directive 5 of March 2009:

IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-Cash Generating Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with the hierarchy set out in paragraph 12 of GRAP 3. The principle accounting policies adopted in the preparation of these annual financial statements are set out below. The accounting policies applied are consistent with those used to present the previous year's financial statements, except where the implementation of an accounting standard has resulted in the change of an existing policy. The details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2. BASIS OF CONSOLIDATION

Investments in associates, subsidiaries and joint ventures are carried at cost in the annual financial statements of the Municipality. Separate consolidated financial statements are prepared to account for the Municipality's share of the net assets and post – acquisition results of these investments.

3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and are rounded to the nearest rand.

4. GOING CONCERN ASSUMPTION

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

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

5.1 Fixed assets are stated:

- At historical cost less accumulated depreciation and any write-downs, or
- At fair value (market value) at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure:

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets are measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

The difference between the depreciation based on the revalued carrying amount of the asset charged to the Statement of Financial Performance and the depreciation based on the asset's original cost is transferred from other reserves to the accumulated surplus/deficit.

5.2 Depreciation

Depreciation is recognised on a straight line basis over the estimated useful life of the asset to its residual value from the day that the asset is ready for use. Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Estimated useful lives of assets:

Asset Category	Years	Asset Category	Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	8 – 20
Electricity	20-30	Other vehicles	8
Water	15-20	Office equipment	5 – 8
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	5
Community		Bins and containers	5
Buildings	30	Specialized plant and equipment	10-15
Recreational Facilities	20-30	Other plant and equipment	2-5
Security	5	Landfill sites and quarries	1 – 50
		Books	10

Residual value is what the asset would currently receive if in the condition it would be at the end of its useful life. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The actual useful lives of the assets, residual values and depreciation method are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

5.3 Impairment of property, plant and equipment

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

5.4 Disposal of property, plant and equipment

The gain or loss on 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 of the asset on the date of disposal, and is recognised in the Statement of Financial Performance.

5.5 Heritage assets

These are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite useful life. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

5.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

5.7 Incomplete construction work (Assets under construction)

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

6. INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

7. INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Municipality and have an probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

8. AGRICULTURAL/BIOLOGICAL ASSETS

8.1 Initial recognition

Agricultural/biological assets, which are defined as living animals or plants are recognised on the Statement of Financial Position of the Municipality, when and only when the Municipality:

- Controls the asset as a result of a past event
- Regards the inflow of future economic benefits from the use of the asset to be probable, and
- Is able to measure the fair value of the asset reliably. This implies that an active market has to exist for the agricultural asset.

Agricultural/biological assets are stated at fair value less estimated point of sale costs with any resultant gain or loss recognised in the Statement of Financial Performance.

8.2 Subsequent measurement

Biological assets are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

9. NON-CURRENT ASSETS HELD FOR SALE

9.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Subsequent measurement

Non-current assets held for sale or disposal group are measured at the lower of carrying amount and fair value less cost to sell. A non-current asset is not depreciated while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

10. INVENTORY

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost.

Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

11. RESERVES

The municipality creates and maintains Reserves in terms of specific requirements.

11.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are transferred from the Statement of Financial Performance to the Capital replacement reserve in terms of the implementation guidelines on GAMAP/GRAP. These transfers from the net surplus may only be made if they are backed by cash.

The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation reserve (CR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in the Statement of Financial Performance.

11.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds.

When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

11.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

11.4 Self Insurance Reserve

A Self Insurance Reserve has been established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the Statement of Financial Performance. These premiums do not affect the Self insurance reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in the Statement of Financial Performance.
- Claims received to meet repairs of damages on assets are reflected as income in the Statement of Financial Performance.

The Self Insurance Reserve is based on recognized insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self Insurance Reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self Insurance Reserve.
- The following liabilities are taken into account in determining this surplus capacity:
- Reported known outstanding claims;
- Statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
- Probability and quantification of a catastrophe loss.
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exist based on the assumption that sufficient capacity will be built up to cover that asset through the Self Insurance reserve over an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long Term Insurance Strategy).
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a 5-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a 5-year period.

11.4.1 Self Insurance Future Depreciation Reserve

An amount equal to the carrying value of items of property, plant and equipment that had historically been utilised for the acquisition of property, plant and equipment from the Self Insurance Reserve

have been transferred to a Self Insurance Future Depreciation Reserve instead of the accumulated surplus/(deficit).

The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Self Insurance Future Depreciation Reserve equals the carrying value of the items of property, plant and equipment financed from the former Self Insurance Reserve. When items of property, plant and equipment are depreciated, a transfer is made from the Self Insurance Future Depreciation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Self Insurance Future Depreciation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

11.5 COID Reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the Municipality has established a COID reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve is based on 1 % of the annual remuneration of employees that qualify for COID benefits. All employees earning more than R189 840 per annum are reinsured by what is called a "COID Wrap Around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in the Statement of Financial Performance. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

11.6 Donations and Public Contributions

Revenue received from donations and public contributions may be transferred to the Capital Replacement Reserve (CRR) and utilised via the CRR to finance items of property, plant and equipment.

12. HOUSING DEVELOPMENT FUND

Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The Housing Fund has its own separate bank account/ allocated investments and is backed by cash.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as part of interest earned in the Statement of Financial Performance and can be transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any cash backed surplus/deficit on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

13.1 Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.

13.2 Cleaning up of illegal dumping

Currently the Municipality is cleaning up illegal dumping on an on-going basis as part of maintenance; therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.

13.3 Landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. A provision has been established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation, and is carried at amortised cost.

13.4 Quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52 (2)(d), the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation, and is carried at amortised cost.

14. RETIREMENT BENEFITS

14.1 Pension, Provident and Retirement Funds

The Municipality and its employees contribute to various Pension, Provident and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis.

Current contributions are charged against the operating account of the Municipality at a percentage of the basic salary paid to employees, or allowances in the case of councillors. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred.

The **Tshwane Pension Fund** is a defined benefit plan. The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19 and actuarial valuations are performed at every reporting date. The retirement benefit obligation presented in the statement of financial position represents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised unrecognised actuarial gains or losses, minus any balance of unrecognised past service costs.

Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of IAS 19.

14.2 Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality.

According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. No plan assets exist and any actuarial gains and losses are recognised immediately.

15. LEASES

15.1 The Municipality as Lessee

The City of Tshwane leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases are those leases which do not fall within the scope of the above definition. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

The Municipality will not incur a foreign currency lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

15.2 The Municipality as Lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

16. FINANCIAL INSTRUMENTS

16.1 Financial assets:

The City of Tshwane classifies its financial assets in the following categories:

- Loans and receivables,
- Held to maturity and
- Available-for-sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. With regard to reclassifications of financial assets, the entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The City of Tshwane's loans and receivables comprise "trade receivables and other receivables" and cash and cash equivalents.

(b) Held-to-maturity

Held to maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity. These investments have been normally encumbered and therefore must be held to maturity. The value of the investments is recorded at trade date.

HTM financial instruments originated by the municipality and not held for trading is subsequently recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount and minus any write-down for impairment of uncollectability.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date.

Regular purchase and sales of financial assets are recognised on the trade date – the date on which the City of Tshwane commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the Statement of Financial Performance.

Offsetting of financial assets and liabilities:

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when and only when:

- (a) The City of Tshwane has a legally enforceable right to set off the recognised amount; and
- (b) The City of Tshwane intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the City of Tshwane will not offset the transferred asset and the associated liability.

Derecognition:

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred, and the municipality has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Impairment:

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance. Impairment testing of trade receivables is described in paragraph 16.3 below.

Disposal:

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Counterparty exposure:

The City of Tshwane limits its counterparty exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

Hedging:

Hedging is not applicable to the accounting treatment of financial instruments in the City of Tshwane.

Derivative financial instruments:

Derivative financial instruments, principally interest rate swap contracts, are used by the City of Tshwane in its management of financial risks. Derivative financial instruments are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

Payments and receipts under interest rate swap contracts are recognised in the statement of financial performance on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities. The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued are included in assets and liabilities respectively.

16.2 Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value, net of transaction costs incurred. It should also be added that interest bearing borrowings are classified as non-current and current liabilities. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Interest bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The interest risk is managed by maintaining an appropriate mix between fixed and variable rate borrowings. The Municipality borrows more than 50 % of funds at a fixed rate to reduce the risk of interest fluctuations.

16.3 Accounts receivable**Trade receivables:**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of a provision for bad debt account, and the amount of the loss is recognised in the Statement of Financial Performance. When a trade receivable is uncollectible, it is written off against the provision for bad debt account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Financial Performance.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts with regard to arrangement of consumer debtors are classified as long-term receivables.

16.3.1 Provision for Bad Debt

Provision for bad debt is made by means of an annual contribution of electricity and water levies, debtor's revenue from Fire Brigade Services, Ambulance Services and Rentals excluding the Tshwane Market.

The annual contribution is determined by calculating the estimated non payment by debtors for the financial year. The percentage contribution is calculated during the budget process each year and reviewed at year end.

16.4 Accounts payable

16.4.1 Trade creditors

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

16.4.2 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the Municipality

17. CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

18. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency of the municipality (i.e. SA Rand) using the rate of exchange prevailing on the date of the transaction. Trade Creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

19. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

The percentage of completion method is utilised to recognise revenue on long-term contracts. Management exercises judgement in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment applied to the total expected revenue arising from maintenance and repair contracts.

19.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

19.1.1 Service charges relating to Electricity, Water and Sanitation

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

19.1.2 Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and income is accrued when received. Revenue is recognized at point of sale.

19.1.3 Interest earned on outstanding debtors

Interest on outstanding debtors is recognized on a time proportionate basis.

19.1.4 Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

19.1.5 Housing rental and instalments

Income in respect of housing rental and instalments are accrued monthly in advance. Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

19.1.6 Sale of goods

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

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

19.1.7 Interest earned on investments

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investment.

19.1.8 Collection charges

Collection charges are recognized when such amounts are incurred.

19.2 Revenue from non-exchange transactions

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

19.2.1 Revenue from rates

Revenue from rates is recognized when the legal entitlement to this revenue arises. A site rating system is applied.

In terms of this system assessment rates are levied on the land value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

19.2.2 Fines

Revenue from the issuing of fines shall be recognised when:

- (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality,
- (b) the amount of the revenue can be measured reliably, and
- (c) the stage of completion of the transaction at the reporting date can be measured reliably.

Therefore:

- (i) Income in respect of traffic fines, spot fines and certain licenses is accrued when received, and
- (ii) Revenue from the issuing of summonses is only recognised when notified by the public prosecutor of the amount actually collected.

The accrual is calculated based on past experience of amounts collected on fines and summonses issued. From 1 July 2008 the City of Tshwane was part of the pilot project of the new AARTO fines and act as a issuing authority. The new traffic revenue from traffic fines is recognised on an agency basis.

19.2.4 Donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

19.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

20. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised when the criteria, conditions or obligations have not been met.

21. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance in terms of paragraph 10 of GRAP 5.

22. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

23. SEGMENTAL INFORMATION

The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of income and expenditure.

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D consistent with prior years.

24. GRANTS-IN-AID (EXPENSE)

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1993 (Act 20 of 1998) or in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

27. 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 is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

28. COMPARATIVE INFORMATION

28.1 Current year comparatives

Budgeted amounts have been included in the annual financial statement of performance for the current financial year only.

28.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The comparative figures (2007/08 accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP standards which became effective from 1 July 2008.

29. TAXATION

The City of Tshwane Metropolitan Municipality is exempt from tax in terms of section 10(1)(c)(i)(ff) of the Income Tax Act.

30. ESTIMATES

The preparation of financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the City of Tshwane's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

31. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 - Segment Reporting (Issued March 2005)

GRAP 21 - Impairment of non-cash-generating assets

GRAP 23 - Revenue from Non-exchange transactions (Taxes and Transfers) (Issued February 2008)

GRAP 24 - Presentation of Budget Information in Financial Statements (Issued November 2007)

GRAP 26 - Impairment of cash-generating assets (Issued March 2009)

GRAP 103- Heritage Assets (Issued July 2008)

The impending changes will prove a challenge as systems need to be changed to ensure compliance to the disclosure requirements of these standards. Most of the changes will only pertain to disclosure requirements.

GRAP 18 Segment Reporting will have a major impact on the financial statements as the whole system of reporting will need to be changed before compliance to GRAP 18 will be possible.

Consolidated Statement of Financial Position At 30 June 2009

	Note	MUNICIPALITY		GROUP	
		2009	2008	2009	2008
		R	R	R	R
ASSETS					
Current assets		4 005 148 826	3 284 766 277	4 089 355 726	3 543 869 496
Inventory	15	241 320 519	216 602 418	259 899 193	232 918 709
Consumer debtors	16	2 667 419 972	2 392 902 525	2 686 009 151	2 401 050 206
Other debtors	17	705 015 225	293 512 862	735 556 504	319 527 120
Non-current assets held for sale	12	394 315	0	394 315	0
Current portion of long-term receivables	14	123 832 808	103 377 148	123 832 808	103 377 148
Call investment deposits	13.2	177 605 393	235 135 631	187 814 191	272 462 172
Bank balances and cash	19	89 560 594	43 235 693	95 849 564	214 534 141
Non-current assets		13 780 329 712	10 977 002 065	13 810 417 464	11 403 738 148
Fixed assets:		12 823 003 790	10 099 164 373	12 850 580 403	10 505 278 922
Property, plant and equipment	10.9	12 658 785 881	9 990 558 238	12 676 760 874	10 386 669 547
Investment Property	10.10	8 027 162	10 571 024	17 627 162	20 571 024
Intangible assets	10.11	156 190 747	98 035 111	156 192 367	98 038 351
Leased assets	10.13	252 871 839	247 780 561	252 871 839	261 544 377
Biological Assets: Livestock	11	17 007 999	14 741 255	17 007 999	14 741 255
Investments	13.1	500 346 374	425 553 069	502 857 513	432 410 787
Long-term receivables	14	187 099 710	189 762 807	187 099 710	189 762 807
Total Assets		17 785 478 538	14 261 768 342	17 899 773 190	14 947 607 644
LIABILITIES					
Current liabilities		3 929 017 392	2 886 054 459	4 033 860 826	3 010 608 025
Consumer deposits	6	282 759 977	267 978 963	285 243 276	269 510 010
Creditors	7	2 656 933 299	1 755 705 926	2 741 347 012	1 847 095 150
Unspent conditional grants and receipts	8	419 920 338	328 760 232	433 598 771	333 043 184
VAT		164 585 154	104 380 809	167 620 490	113 720 301
Bank overdraft	19	95 416 694	106 407 370	95 416 694	106 678 519
Provisions	5	0	0	917 255	782 275
Current portion of long-term liabilities	2	133 693 231	172 572 966	134 008 629	189 530 393
Current portion of finance lease liabilities	3.1	175 708 699	150 248 193	175 708 699	150 248 193
Non-current liabilities		5 499 261 633	3 738 924 810	5 503 620 267	4 271 138 722
Long-term liabilities	2	4 203 274 984	2 705 771 524	4 207 633 618	3 211 659 565
Finance lease liabilities	3.1	86 806 115	107 048 837	86 806 115	131 296 586
Deferred operating lease liability	3.2	0	0	0	2 078 122
Post-employment benefit liability	36	1 004 196 000	838 893 000	1 004 196 000	838 893 000
Non-current provisions	4.4	204 984 534	87 211 449	204 984 534	87 211 449
Total Liabilities		9 428 279 025	6 624 979 269	9 537 481 093	7 281 746 747
Net Assets		8 357 199 513	7 636 789 072	8 362 292 097	7 665 860 896
NET ASSETS					
Housing Development Fund and Reserves		7 339 774 689	6 777 266 678	7 339 774 689	6 777 267 878
Accumulated surplus		1 017 424 824	859 522 394	1 022 517 408	888 593 018
Total Net Assets and Liabilities		8 357 199 513	7 636 789 072	8 362 292 097	7 665 860 896

Consolidated Statement of Financial Performance For The Year Ended 30 June 2009

Note	MUNICIPALITY				GROUP				
	2009		2008		2009		2008		
	Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment Budget	
	R	R	R	R	R	R	R	R	
REVENUE									
Property rates	20	2 299 623 948	2 530 500 000	2 185 065 026	2 007 541 000	2 299 523 005	2 530 500 000	2 184 999 728	2 007 541 000
Service charges	21	5 647 685 341	5 948 707 000	4 838 958 770	4 769 479 797	5 749 212 670	5 948 707 000	4 925 025 127	4 769 479 797
Regional Services Levies		0	0	0	20 000 000	0	0	0	20 000 000
Rental of facilities and equipment		87 687 033	71 756 960	84 317 308	74 495 934	98 877 333	71 756 960	90 860 818	74 495 934
Interest earned - external investments		122 499 553	120 441 000	135 554 608	113 303 229	125 804 444	120 441 000	158 014 824	113 303 229
Interest earned - outstanding debtors		279 267 901	173 624 000	179 065 234	160 432 604	298 653 352	173 624 000	194 352 139	160 432 604
Fines		31 241 834	55 160 221	39 354 788	49 433 869	31 241 834	55 160 221	39 354 788	49 433 869
Licences and permits		28 423 732	24 930 991	29 498 520	23 049 903	28 423 732	24 930 991	29 498 520	23 049 903
Government grants and subsidies	22	2 275 363 522	2 667 416 951	1 924 285 012	2 201 857 795	2 274 418 557	2 667 416 951	1 926 558 232	2 201 857 795
Other income	23	612 705 674	672 386 146	541 766 130	619 483 107	590 672 297	672 386 146	690 450 225	619 483 107
Public contributions		226 447 787	138 000 000	221 175 922	155 000 000	226 447 787	138 000 000	221 175 922	155 000 000
Gains on disposal of property, plant and equipment		2 779 292	41 301 938	4 936 900	40 352 144	2 786 173	41 301 938	4 936 900	40 352 144
Gain: Changes in fair value of livestock	11	2 266 744	0	3 726 697	0	2 266 744	0	3 726 697	0
Gain: Disestablishment of municipal entity	42.3	23 002 905	0	0	0	23 002 905	0	0	0
TOTAL REVENUE		11 638 995 266	12 444 225 207	10 187 704 915	10 234 429 382	11 751 330 833	12 444 225 207	10 468 953 920	10 234 429 382
EXPENDITURE									
Employee related costs	24	3 009 111 305	3 281 323 070	2 621 002 843	2 729 726 831	3 061 853 987	3 281 323 070	2 665 393 656	2 729 726 831
Remuneration of Councillors	25	55 350 803	73 992 387	44 201 359	47 914 093	55 350 803	73 992 387	44 201 359	47 914 093
Bad debts: contribution		210 896 373	71 359 812	179 914 390	19 920 755	238 917 368	71 359 812	230 254 392	19 920 755
Bad debts: written off - consumer & sundry debtors		165 228 232	60 414 000	100 732 978	109 100 000	193 630 109	60 414 000	100 732 978	109 100 000
Collection costs		72 511 251	72 780 752	72 224 153	63 178 651	72 511 251	72 780 752	72 224 153	63 178 651
Depreciation	26	500 104 539	862 988 273	574 906 652	728 387 673	502 939 437	862 988 273	613 963 377	728 387 673
Asset impairment		6 901 250	0	0	0	6 901 250	0	0	0
Interest paid	27	507 584 152	411 961 352	361 757 332	382 138 723	508 312 549	411 961 352	431 489 612	382 138 723
Bulk purchases	28	2 718 185 952	2 789 472 300	2 206 818 210	2 232 955 941	2 835 273 617	2 789 472 300	2 214 193 693	2 232 955 941
Repairs and maintenance		1 125 506 266	942 539 899	894 628 918	749 310 022	1 127 185 923	942 539 899	897 807 296	749 310 022
Grants and subsidies paid	29	9 833 837	12 953 000	11 584 679	12 285 250	9 833 837	12 953 000	11 584 679	12 285 250
Loss on disposal of property, plant and equipment		9 069 358	11 000	23 423 391	9 900	9 069 358	11 000	23 423 391	9 900
General expenses	30	2 528 301 508	2 683 757 545	2 757 533 009	2 263 439 651	2 428 812 607	2 683 757 545	2 868 324 787	2 263 439 651
TOTAL EXPENDITURE		10 918 584 826	11 263 553 390	9 848 727 914	9 338 367 490	11 050 592 096	11 263 553 390	10 173 593 373	9 338 367 490
Net Surplus for the year		720 410 440	1 180 671 817	338 977 001	896 061 892	700 738 737	1 180 671 817	295 360 547	896 061 892

Refer to Appendix E for the comparison with the approved budget

Statement of Changes in Net Assets for the year ended 30 June 2009 - Parent

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COID Reserve	Self Insurance Reserve	Self Insurance: FDR	Total Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R	R	R	R	R	R	R
2008										
Balance at 1 July 2007	141 152 353	501 152 806	2 008 028 104	3 506 835 333	62 694 963	65 637 380	332 487	6 285 833 426	761 314 423	7 047 147 849
Prior year adjustments (see Note 43.6)								0	250 664 222	250 664 222
Prior year adjustments: Reserves(see Note 43.6)			139 469 413	7 553 936				147 023 349	(147 023 349)	
Net surplus for the year								0	338 977 001	338 977 001
Asset purification/retirements			(18 537 534)	(85 335 055)				(103 872 589)	103 872 589	0
Property, plant & equipment purchased: Capitalised		(378 715 875)	378 715 875					0	0	0
Capital grants used to purchase PPE (revenue recognised)				467 680 281				467 680 281	(467 680 281)	0
Contribution: Workmens Compensation (from employees)					6 178 310			6 178 310	(6 178 310)	0
Transfer from Housing Development Fund	(12 232 466)							(12 232 466)	12 232 466	0
Transfer from Insurance Reserve						163 313 466		163 313 466	(163 313 466)	0
Transfer to Capital replacement reserve (Tshwane Market)		16 219 136						16 219 136	(16 219 136)	0
Transfer to Capital replacement reserve : General		168 501 412						168 501 412	(168 501 412)	0
Offsetting of depreciation			(267 942 951)	(93 390 852)			(43 844)	(361 377 647)	361 377 647	0
Balance at 30 June 2008	128 919 887	307 157 479	2 239 732 907	3 803 343 643	68 873 273	228 950 846	288 643	6 777 266 678	859 522 394	7 636 789 072
2009										
Net surplus for the year								0	720 410 440	720 410 440
Asset purification/retirements		317 641 199	(326 781 703)	(3 842 084)				(12 982 588)	12 982 588	0
Property, plant & equipment purchased: Capitalised		(441 137 531)	441 137 531					0	0	0
Capital grants used to purchase PPE (revenue recognised)				650 643 403				650 643 403	(650 643 403)	0
Contribution: Workmens Compensation (from employees)					8 355 831			8 355 831	(8 355 831)	0
Transfer from Housing Development Fund	(70 167)							(70 167)	70 167	0
Transfer from Insurance Reserve						(38 264 782)		(38 264 782)	38 264 782	0
Transfer to Capital replacement reserve (Tshwane Market)		25 590 421						25 590 421	(25 590 421)	0
Transfer to Capital replacement reserve (public contributions)		152 002 906						152 002 906	(152 002 906)	0
Offsetting of depreciation			(133 147 993)	(89 590 113)			(28 908)	(222 767 014)	222 767 014	0
Balance at 30 June 2009	128 849 720	361 254 474	2 220 940 742	4 360 554 849	77 229 104	190 686 064	259 735	7 339 774 689	1 017 424 824	8 357 199 513

Note: Capitalisation Reserve

The handling of the Capitalisation Reserve differs from the guidelines of National Treasury as indicated in the specimen financial statements in the sense that:

* The amount used to finance property, plant and equipment from the Capital Replacement Reserve since the implementation of GAMAP is not transferred to the Accumulated surplus, but to the Capitalisation Reserve

The reasons for this deviation are the following:

- * To offset future depreciation charges via a transfer from the reserve to prevent double taxation of ratepayers
- * To prevent distortion of the accumulated surplus which could possibly lead to utilisation other than the offsetting of depreciation
- * An accumulated surplus are not used to finance deficits on future budgets as a result of depreciation charges
- * The financing and offsetting of depreciation of property, plant and equipment financed from the Capital Replacement Reserve should be treated the same as property, plant and equipment financed from the Government Grant Reserve

The effect on the financial statements would be the following if the guidelines of National Treasury were followed:

- * Accumulated surplus will increase with R441 137 531 (2007/08 = R378 715 875 2006/07 = R 94 508 184 and 2005/06 =R302 183 695 and 2004/05 = R 909 806 168)
- * Capitalisation Reserve will decrease with R441 137 531 (2007/08 = R378 715 875 2006/07 = R94 508 184 and 2005/06 = R302 183 695 and 2004/05 = R909 806 168)

Statement of Changes in Net Assets for the year ended 30 June 2009 - Group

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COID reserve	Self Insurance Reserve	Self Insurance: Future Depreciation Reserve	Roodeplaat Temba Water Services Trust: Statutory Donations Fund	Housing Company Tshwane: Grant Reserve	Total Reserves	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R	R	R
2008												
Balance at 1 July 2007	141 152 353	501 152 806	2 008 028 104	3 506 835 333	62 694 963	65 637 380	332 487	1 200	3 053 553	6 288 888 179	827 171 383	7 116 059 562
Net surplus for the year		0								0	295 360 547	295 360 547
Prior year adjustments: Parent (see note 43.6)										0	250 664 222	250 664 222
Prior year adjustments: Reserves (see Note 43.6)			139 469 413	7 553 936						147 023 349	(147 023 349)	
Prior year adjustments: Sandspruit (see note 43.7)										0	70 076	70 076
Prior year adjustments: Housing Company (see note 43.7)									(3 053 553)	(3 053 553)	14 679 980	11 626 427
Prior year adjustments: Roodeplaat Temba (see note 43.7)										0	(7 809 766)	(7 809 766)
Prior year adjustments: Civirelo (see note 43.7)										0	(110 172)	(110 172)
Asset purification/retirements			(18 537 534)	(85 335 055)						(103 872 589)	103 872 589	0
Property, plant & equipment capitalised		(378 715 875)	378 715 875							0	0	0
Capital grants used to purchase PPE (revenue recognised)		0		467 680 281						467 680 281	(467 680 281)	0
Contribution: Workmens Compensation (from employees)		0			6 178 310					6 178 310	(6 178 310)	0
Transfer from Housing Development Fund	(12 232 466)	0								(12 232 466)	12 232 466	0
Transfer from Insurance Reserve		0				163 313 466				163 313 466	(163 313 466)	0
Transfer to Capital replacement reserve (Tshwane Market)		16 219 136								16 219 136	(16 219 136)	0
Transfer to Capital replacement reserve : General		168 501 412								168 501 412	(168 501 412)	0
Offsetting of depreciation		0	(267 942 951)	(93 390 852)			(43 844)			(361 377 647)	361 377 647	0
Balance at 30 June 2008	128 919 887	307 157 479	2 239 732 907	3 803 343 643	68 873 273	228 950 846	288 643	1 200	0	6 777 267 878	888 593 018	7 665 860 896
2009												
Net surplus for the year											700 738 737	700 738 737
Prior year adjustments: Housing Company Tshwane (Note 43)											5 677 531	5 677 531
Prior year adjustments: Civirelo (Note 43)											5 504	5 504
Prior year adjustment: Roodeplaat Temba Water Services Trust (Note 43)											(9 989 370)	(9 989 370)
Property valuation: Housing company Tshwane (note 43)								(1 200)		(1 200)		(1 200)
Asset purification/retirements		317 641 199	(326 781 703)	(3 842 084)						(12 982 588)	12 982 588	0
Property, plant & equipment capitalised		(441 137 531)	441 137 531							0	0	0
Capital grants used to purchase PPE (revenue recognised)				650 643 403						650 643 403	(650 643 403)	0
Contribution: Workmens Compensation (from employees)					8 355 831					8 355 831	(8 355 831)	0
Transfer from Housing Development Fund	(70 167)									(70 167)	70 167	0
Transfer from Insurance Reserve						(38 264 782)				(38 264 782)	38 264 782	0
Transfer to Capital replacement reserve (Tshwane Market)		25 590 421								25 590 421	(25 590 421)	0
Transfer to Capital replacement reserve : General		152 002 906								152 002 906	(152 002 906)	0
Offsetting of depreciation			(133 147 993)	(89 590 113)			(28 906)			(222 767 012)	222 767 012	0
Balance at 30 June 2009	128 849 720	361 254 474	2 220 940 742	4 360 554 849	77 229 104	190 686 064	259 737	0	0	7 339 774 689	1 022 517 408	8 362 292 097

Cash Flow Statement for the year ended 30 June 2009

	Note	MUNICIPALITY		GROUP	
		2009	2008	2009	2008
		R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts:		11 073 714 119	9 996 504 138	11 196 856 593	10 312 482 726
Cash receipts from ratepayers, government and other		10 951 214 566	9 860 949 530	11 071 052 149	10 154 467 902
Interest received		122 499 553	135 554 608	125 804 444	158 014 824
Payments:		(9 129 780 284)	(8 277 978 310)	(9 393 558 407)	(8 620 302 812)
Cash paid to suppliers and employees		(8 622 196 132)	(7 916 220 982)	(8 885 245 858)	(8 188 813 204)
Interest paid		(507 584 152)	(361 757 328)	(508 312 549)	(431 489 608)
NET CASH FROM OPERATING ACTIVITIES	31	1 943 933 835	1 718 525 828	1 803 298 185	1 692 179 914
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(3 326 807 998)	(2 211 743 117)	(2 839 962 695)	(2 221 750 291)
Gain: Change in fair value of livestock		(2 266 744)	(3 726 697)	(2 266 744)	(3 726 697)
Proceeds on disposal of fixed assets		2 779 292	4 936 900	2 786 173	4 936 900
Asset impairment		(6 901 250)	-	(6 901 250)	-
Decrease/(increase) in non-current investments		(74 793 305)	(14 269 160)	(70 446 726)	(14 335 608)
NET CASH FROM INVESTING ACTIVITIES		(3 407 990 005)	(2 224 802 074)	(2 916 791 242)	(2 234 875 696)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings		1 458 623 725	43 749 023	940 452 289	14 176 492
Proceeds from borrowings		1 606 943 775	294 856 326	1 088 876 250	296 143 539
Repayment of borrowings		(148 320 050)	(251 107 303)	(148 423 961)	(281 967 047)
Net lease liabilities		5 217 784	52 469 549	(19 029 965)	78 795 420
Proceeds from lease liabilities		142 287 330	147 884 381	142 287 330	147 884 381
Repayment of lease liabilities		(137 069 546)	(95 414 832)	(161 317 295)	(69 088 961)
NET CASH FROM FINANCING ACTIVITIES		1 463 841 509	96 218 572	921 422 324	92 971 912
NET CASH FLOW		(214 661)	(410 057 674)	(192 070 733)	(449 723 870)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(214 661)	(410 057 674)	(192 070 733)	(449 723 870)
Cash and cash equivalents at the beginning of the year	32	171 963 954	582 021 628	380 317 794	830 041 664
Cash and cash equivalents at the end of the year	32	171 749 293	171 963 954	188 247 061	380 317 794

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
1 HOUSING DEVELOPMENT FUND				
Housing Development Fund	128 849 720	128 919 887	128 849 721	128 919 887
Unappropriated surplus	197 856 184	197 926 350	197 856 184	197 926 350
Loans extinguished by Government on 1 April 1998	69 006 462	69 006 463	69 006 463	69 006 463
The Housing Development Fund is represented by the following assets and liabilities:				
Housing selling scheme loans	66 750 728	108 239 423	66 750 728	108 239 423
Other debtors	17 996 084	12 687 578	17 996 084	12 687 578
Bank and cash	44 102 908	7 992 886	44 102 908	7 992 886
Total Housing Development Fund Assets and Liabilities	128 849 720	128 919 887	128 849 720	128 919 887
2 LONG-TERM LIABILITIES				
Local Registered Stock	278 484 334	318 161 284	278 484 334	318 161 284
Long-term loans:	4 058 483 882	2 560 183 206	4 063 157 914	3 083 028 674
Annuity loans	3 571 456 946	2 073 261 434	3 571 456 946	2 073 261 434
Term loans	487 026 936	486 921 772	491 407 968	1 009 767 240
Interest free loan	0	0	293 000	0
	4 336 968 216	2 878 344 490	4 341 642 248	3 401 189 958
LESS: Current portion transferred to current liabilities	133 693 231	172 572 966	134 008 629	189 530 393
Local Registered Stock	0	42 227 760	0	42 227 760
Annuity loans	133 693 231	101 842 510	133 693 231	101 842 510
Term loans	0	28 502 696	315 398	45 460 123
Total External Loans	4 203 274 985	2 705 771 524	4 207 633 619	3 211 659 565
Refer to Appendix A for more detail on long-term liabilities				
Amount invested specifically for the repayment of long-term liabilities. (See note 33 for more detail.)	598 458 250	568 644 654	598 458 250	568 644 654
Maturity value of amount invested as security for long-term liabilities	788 466 682	815 559 792	788 466 682	815 559 792
Term loans: are secured by:-				
1. A general notarial bond over the movable assets of the Trust. 2. Cession of the Temba Lease Agreement. 3. The Debt Service Reserve Account, the Capital Reserve Account and the Operating Reserve Account. These loans are repayable 6 monthly over 15 years.				
Housing Company Tshwane				
A secured loan bearing interest at 14 % per annum from National Housing Finance Corporation Ltd - repayable in the remaining 177 monthly installments (initially 240 monthly installments). Secured by a mortgage bond over the investment property with a fair value of R9 600 000 (subject to pending valuation results) plus a cession of all banking accounts, debtors books, all risk insurance policies.				
Interest free loan convertible to a grant on meeting certain criteria from the Gauteng Partnership Fund . The book value of the loan amounts to R293 000.				

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
3 LEASE LIABILITIES				
3.1 Finance lease liabilities				
Gross liability	295 412 611	190 233 106	295 412 611	214 480 855
Future finance charges on finance leases	(32 897 797)	67 063 924	(32 897 797)	67 063 924
Total finance lease liability	262 514 814	257 297 030	262 514 814	281 544 779
Non-current portion of finance lease liability				
Gross liability	117 333 687	88 349 912	117 333 687	112 597 661
Future finance charges on finance leases	(30 527 572)	18 698 924	(30 527 572)	18 698 924
	86 806 115	107 048 836	86 806 115	131 296 585
Current portion of finance lease liability				
Gross liability	178 078 924	101 883 194	178 078 924	101 883 194
Future finance charges on finance leases	(2 370 225)	48 365 000	(2 370 225)	48 365 000
	175 708 699	150 248 194	175 708 699	150 248 194
Finance lease liabilities - minimum future lease payments:				
Not later than one year	178 078 924	101 883 194	178 078 924	101 883 194
Later than one year but not later than five years	117 333 687	88 349 912	117 333 687	89 311 594
Later than 5 years	0	0	0	23 286 067
	295 412 611	190 233 106	295 412 611	214 480 855
Future finance charges on finance leases	(32 897 797)	67 063 924	(32 897 797)	67 063 924
Present value of finance lease liabilities	262 514 814	257 297 030	262 514 814	281 544 779
Refer to Appendix A for more detail on finance lease liabilities				
The present value of finance lease liabilities may be analysed as follows:				
No later than one year	175 708 699	153 046 433	175 708 699	153 046 433
Later than one year but not later than five years	86 806 116	104 250 597	86 806 116	104 250 597
	262 514 815	257 297 030	262 514 815	257 297 030
Fair value of loans (amortised cost i.e. PV)	262 514 814	257 297 030	262 514 814	257 297 030
Collateral held in terms of the above lease (Net book amount of leased assets) (See note 10.13)	252 871 839	247 780 561	252 871 839	247 780 561
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default				
3.2 Deferred lease liabilities				
Balance at the beginning of the year (brought in only from 2007/08)			2 078 122	1 873 039
Expense realised			(2 078 122)	205 083
Balance at the end of the year			0	2 078 122
4 NON-CURRENT PROVISIONS				
4.1 CLEARING OF ALIEN VEGETATION				
Opening balance at the beginning of the year	5 789 465	5 263 150	5 789 465	5 263 150
Contributions during the year	7 246 569	3 716 659	7 246 569	3 716 659
Expenditure during the year	(6 667 623)	(3 190 344)	(6 667 623)	(3 190 344)
Closing balance at the end of the year	6 368 411	5 789 465	6 368 411	5 789 465
In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist. The provision will be phased in over a period of time.				

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
4.2 REHABILITATION OF LANDFILL SITES				
The provision for landfill sites have been established from the 2007/08 financial year only.				
Opening balance at the beginning of the year	63 360 000	0	63 360 000	0
Contributions during the year	111 151 962	63 360 000	111 151 962	63 360 000
Expenditure during the year	0	0	0	0
Closing balance at the end of the year	174 511 962	63 360 000	174 511 962	63 360 000
4.3 REHABILITATION OF QUARRIES				
The provision for quarries have been established from the 2007/08 financial year only.				
Opening balance at the beginning of the year	18 061 984	0	18 061 984	0
Contributions during the year	6 042 176	18 061 984	6 042 176	18 061 984
Expenditure during the year	0	0	0	0
Closing balance at the end of the year	24 104 160	18 061 984	24 104 160	18 061 984
4.4 Total non-current provisions				
Opening balance at the beginning of the year	87 211 449	5 263 150	87 211 449	5 263 150
Contributions during the year	124 440 707	85 138 643	124 440 707	85 138 643
Expenditure during the year	(6 667 623)	(3 190 344)	(6 667 623)	(3 190 344)
Closing balance at the end of the year	204 984 533	87 211 449	204 984 533	87 211 449
5 CURRENT PROVISIONS				
Performance bonus			917 255	782 275
			917 255	782 275
5.1 RECONCILIATION OF CURRENT PROVISIONS				
5.1.1 Performance bonus:				
Balance at the beginning of the year			782 275	2 318 467
Contributions to provision			134 980	782 275
Utilisation of provision			0	(2 318 467)
Balance at the end of the year			917 255	782 275
6 CONSUMER DEPOSITS				
Electricity and water	282 759 977	267 978 963	285 243 276	269 510 010
Guarantees held in lieu of Electricity and Water deposits	143 634 350	128 909 639	143 634 350	128 909 639
7 CREDITORS				
Trade creditors	1 685 566 272	982 847 902	1 689 035 425	998 700 860
Payments received in advance	66 841 273	3 873 614	129 656 975	58 127 847
Retentions	142 689 724	96 661 285	142 689 724	103 699 574
Staff Leave accrual	300 893 740	257 311 987	303 847 796	259 776 832
Deposits	13 006 346	17 931 509	15 132 035	20 024 840
Other creditors	447 935 944	397 079 629	460 985 057	406 765 197
Total creditors	2 656 933 299	1 755 705 926	2 741 347 012	1 847 095 150

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
8.1 Conditional Grants from other spheres of Government	410 882 455	318 164 899	410 882 455	318 164 899
Municipal Infrastructure Grant (MIG)	34 572 314	37 952 350	34 572 314	37 952 350
Housing projects	33 941 036	20 301 622	33 941 036	20 301 622
Department of Water Affairs & Forestry (DWAF)	2 332 660	4 827 178	2 332 660	4 827 178
Finance Management Grant (FMG)	1 515 238	1 304 688	1 515 238	1 304 688
Municipal System Improvement Grant (MSIG)	498 400	498 400	498 400	498 400
Restructuring Grant	41 106 512	86 786 106	41 106 512	86 786 106
Department Sport and Recreation	38 279 649	45 242 563	38 279 649	45 242 563
Transportation and Engineering	1 553 167	8 000 000	1 553 167	8 000 000
Department Public Works	0	7 322 068	0	7 322 068
2010 Host Cities	40 000 000	0	40 000 000	0
Transport : World Cup Soccer	207 683 644	105 786 086	207 683 644	105 786 086
Neighbourhood watch development	6 725 126	0	6 725 126	0
ESKOM	0	12 953	0	12 953
Provincial Local Economic Development Projects grant	2 674 709	130 885	2 674 709	130 885
8.2 Other conditional Receipts	9 037 883	10 595 333	22 716 316	14 878 285
National Electrification Fund	4 281 858	4 198 110	4 281 858	4 198 110
Bontle ke Botho	1 563 400	1 457 223	1 563 400	1 457 223
Gauteng Arts and Culture	574 936	0	574 936	0
Gauteng: Agriculture, Conservation & Environment	6 250	440 000	6 250	440 000
Stipends (DBSA)	54 000	0	54 000	0
DPLG: Health	2 342 602	1 500 000	2 342 602	1 500 000
Monument Golf Club	214 837	3 000 000	214 837	3 000 000
Other: Sandspruit	0	0	13 678 433	4 282 952
Total Conditional Grants and Receipts (See Note 22 for reconciliation).	419 920 338	328 760 232	433 598 771	333 043 184
9 VAT				
VAT payable	164 585 154	104 380 809	167 620 490	113 720 301
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS				
10 PROPERTY, PLANT AND EQUIPMENT (Reconciliation of Carrying values)				
10.1 INFRASTRUCTURE				
Carrying value at 1 July	6 737 266 620	5 407 435 097	6 746 027 866	5 415 753 097
Cost	8 888 481 702	7 336 282 784	8 899 904 937	7 346 503 035
Accumulated depreciation: Restatement - Zero value assets	0	71 605 445	0	71 605 445
Accumulated depreciation	(2 151 215 082)	(2 000 453 132)	(2 153 877 071)	(2 002 355 383)

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Acquisitions	2 014 508 787	2 299 852 932	2 014 715 690	2 300 296 178
Additions	1 134 935 184	1 876 235 172	1 136 178 609	1 877 650 290
Additions: Capital under construction	825 183 264	639 207 766	825 183 264	639 207 766
Acquisitions: Roodeplaat Temba Water Services Trust	435 062 480	0	435 062 480	0
Acquisitions: Capital under construction - Roodeplaat Temba Water Services Trust	2 247 888	0	2 247 888	0
Threshold assets transfer - cost	0	(107 017)	0	(107 017)
Depreciation: Threshold assets transfer	0	106 686	0	106 686
Accumulated depreciation: Roodeplaat Temba Water Services trust	(89 588 139)	0	(89 588 139)	0
Depreciation - based on cost	(293 331 890)	(215 589 675)	(294 368 412)	(216 561 547)
Carrying value of purification/transfers	(39 924 063)	(970 021 409)	(39 924 063)	(970 021 409)
Cost	0	(966 379 735)	0	(966 591 869)
Transfer Asset under construction (AUC) to assets	(39 924 063)	0	(39 924 063)	0
Restatement: Transfer asset classes - cost	0	3 010 795	0	3 010 795
Restatement: ICS Register - cost	0	231 937	0	231 937
Restatement: Transfer asset classes - depreciation	0	(424 924)	0	(424 924)
Restatement: ICS Register - depreciation	0	(9 042)	0	(9 042)
Restatement: zero value assets - depreciation correction	0	(8 063 915)	0	(8 063 915)
Accumulated depreciation	0	1 613 475	0	1 825 609
	-	-	-	-
Carrying values at 30 June:	8 711 851 344	6 737 266 620	8 720 819 493	6 746 027 866
Cost	11 245 986 455	8 888 481 702	11 258 653 115	8 899 904 937
Accumulated depreciation	(2 534 135 111)	(2 151 215 082)	(2 537 833 622)	(2 153 877 071)
10.2 COMMUNITY				
Carrying value at 1 July	859 523 650	777 746 173	859 523 650	777 746 173
Cost	1 149 056 085	1 024 618 757	1 149 056 085	1 024 618 757
Accumulated depreciation: Restatement - zero value assets	0	9 424 591	0	9 424 591
Accumulated depreciation	(289 532 435)	(256 297 175)	(289 532 435)	(256 297 175)
Acquisitions	240 859 330	112 882 539	240 859 330	112 882 539
Additions	264 619 289	146 170 690	264 619 289	146 170 690
Capital under construction	19 848 542	8 353 798	19 848 542	8 353 798
Transfer: Threshold assets - cost	0	(200 589)	0	(200 589)
Transfer: Threshold assets - depreciation	0	10 446	0	10 446
Depreciation - based on cost	(43 608 501)	(41 451 806)	(43 608 501)	(41 451 806)
Carrying value of purification/transfers	26 484 153	(31 105 062)	26 484 153	(31 105 062)
Cost	0	(29 901 839)	0	(29 901 839)
Transfer Asset under construction (AUC) to assets	26 484 153	0	26 484 153	0
Restatement: Transfer asset classes - cost	0	(10 334)	0	(10 334)
Restatement: ICS Register - cost	0	25 602	0	25 602
Restatement: Transfer asset classes - depreciation	0	99 019	0	99 019
Restatement: zero value assets - depreciation correction	0	(1 317 510)	0	(1 317 510)

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Carrying values at 30 June:	1 126 867 133	859 523 650	1 126 867 133	859 523 650
Cost	1 460 008 069	1 149 056 085	1 460 008 069	1 149 056 085
Accumulated depreciation	(333 140 936)	(289 532 435)	(333 140 936)	(289 532 435)
10.3 HERITAGE				
Carrying value at 1 July	3 695 147	3 733 422	3 695 147	3 733 422
Cost	3 814 388	3 813 988	3 814 388	3 813 988
Accumulated depreciation	(119 241)	(80 566)	(119 241)	(80 566)
Acquisitions	(38 716)	(38 675)	(38 716)	(38 675)
Additions	0	0	0	0
Depreciation - based on cost	(38 716)	(38 675)	(38 716)	(38 675)
Carrying value of purification/transfers	0	400	0	400
Cost	0	0	0	0
Restatement: Fair market value assets - cost	0	400	0	400
Accumulated depreciation	0	0	0	0
Carrying values at 30 June:	3 656 431	3 695 147	3 656 431	3 695 147
Cost	3 814 388	3 814 388	3 814 388	3 814 388
Accumulated depreciation	(157 957)	(119 241)	(157 957)	(119 241)
10.4 HOUSING				
Carrying value at 1 July	184 570 006	201 740 869	184 570 006	201 740 869
Cost	184 626 436	234 965 906	184 626 436	234 965 906
Accumulated depreciation: Restatement - zero value assets	0	110 474	0	110 474
Accumulated depreciation	(56 430)	(33 335 511)	(56 430)	(33 335 511)
Acquisitions	35 955 311	84 530 648	35 955 311	84 530 648
Additions	36 040 717	81 746 559	36 040 717	81 746 559
Capital under construction	0	6 035 290	0	6 035 290
Depreciation - based on cost	(85 406)	(3 251 201)	(85 406)	(3 251 201)
Carrying value of purification/transfers	(1 571 781)	(101 701 511)	(1 571 781)	(101 701 511)
Cost	0	(132 579 480)	0	(132 579 480)
Transfer Asset under construction (AUC) to assets	(1 571 781)	0	(1 571 781)	0
Restatement: Transfer asset classes - cost	0	(5 541 839)	0	(5 541 839)
Restatement: ICS Register - cost	0	36 429 851	0	36 429 851
Restatement: zero value assets - depreciation correction	0	(10 043)	0	(10 043)
Carrying values at 30 June:	218 953 536	184 570 006	218 953 536	184 570 006
Cost	219 095 372	184 626 436	219 095 372	184 626 436
Accumulated depreciation	(141 836)	(56 430)	(141 836)	(56 430)

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
10.5 STOCK				
Carrying value at 1 July	407 735	1 019 408	407 735	1 019 408
Cost	407 735	1 142 732	407 735	1 142 732
Accumulated depreciation	0	(123 324)	0	(123 324)
Acquisitions	0	0	0	0
Additions	0	0	0	0
Capital under construction	0	0	0	0
Depreciation - based on cost	0	0	0	0
Carrying value of purification/transfers	0	(611 673)	0	(611 673)
Cost	0	123 324	0	123 324
Accumulated depreciation - restatement	0	(734 997)	0	(734 997)
Carrying values at 30 June:	407 735	407 735	407 735	407 735
Cost	407 735	407 735	407 735	407 735
Accumulated depreciation	0	0	0	0
10.6 LAND				
Carrying value at 1 July	1 049 966 212	998 891 764	1 049 966 212	998 891 764
Cost	1 049 966 212	1 140 397 933	1 049 966 212	1 140 397 933
Accumulated depreciation	0	(141 506 169)	0	(141 506 169)
Acquisitions	21 458 188	1 104 434	21 458 188	1 104 434
Additions	21 458 188	1 104 434	21 458 188	1 104 434
Capital under construction	0	0	0	0
Depreciation - based on cost	0	0	0	0
Carrying value of purification/transfers	0	49 970 014	0	49 970 014
Cost	0	0	0	0
Restatement: Transfer asset classes - cost	0	(91 536 155)	0	(91 536 155)
Restatement: Transfer asset classes - depreciation	0	158 704	0	158 704
Accumulated depreciation - write back restatement	0	141 347 465	0	141 347 465
Carrying values at 30 June:	1 071 424 400	1 049 966 212	1 071 424 400	1 049 966 212
Cost	1 071 424 400	1 049 966 212	1 071 424 400	1 049 966 212
Accumulated depreciation	0	0	0	0
10.7 BUILDINGS				
Carrying value at 1 July	459 875 924	464 511 185	466 397 657	469 859 967
Cost	778 864 363	701 317 311	786 390 121	707 455 026
Accumulated depreciation: Restatement - zero value assets	0	47 370 104	0	47 370 104
Accumulated depreciation	(318 988 439)	(284 176 230)	(319 992 464)	(284 965 163)
Acquisitions	47 274 562	6 005 757	47 158 725	7 178 708
Additions	83 458 318	77 379 357	83 691 542	78 724 850
Capital under construction	0	0	0	0
Depreciation - based on cost	(36 183 756)	(71 373 600)	(36 532 817)	(71 546 142)

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Carrying value of purification/transfers	16 341 709	(10 641 018)	16 341 709	(10 641 018)
Cost	0	(67 846)	0	(25 296)
Transfer asset under construction (AUC) to assets	16 341 709	0	16 341 709	0
Restatement/Transfers: Asset classes - cost	0	235 541	0	235 541
Restatement/Transfers: Asset classes - accumulated depreciation	0	(19 493)	0	(19 493)
Restatement: zero value assets - depreciation corrections	0	(10 798 311)	0	(10 798 311)
Accumulated depreciation	0	9 091	0	(33 459)
Carrying values at 30 June:	523 492 195	459 875 924	529 898 091	466 397 657
Cost	878 664 390	778 864 363	886 423 372	786 390 121
Accumulated depreciation	(355 172 195)	(318 988 439)	(356 525 281)	(319 992 464)
10.8 OTHER				
Carrying value at 1 July	695 252 942	408 880 526	698 386 889	820 662 221
Cost	1 248 874 593	808 407 385	1 256 381 359	1 285 958 277
Accumulated depreciation: Restatement - zero value assets	0	201 361	0	201 361
Accumulated depreciation	(553 621 651)	(399 728 220)	(557 994 470)	(465 497 417)
Acquisitions	385 429 067	9 184 029	384 946 395	(20 668 709)
Additions	150 963 101	67 356 442	151 928 127	74 599 765
Additions: Capital under construction	220 203 379	64 752 621	220 203 379	64 752 621
Acquisitions: Roodeplaat Temba Water Services Trust	37 732 103	0	37 732 103	0
Accumulated depreciation: Roodeplaat Temba Water Services trust	(7 790 273)	0	(7 790 273)	0
Transfer: Threshold assets - cost	0	(8 493 291)	0	(8 493 291)
Transfer: Threshold assets - depreciation	0	1 513 405	0	1 513 405
Depreciation	(15 679 243)	(115 945 148)	(17 126 941)	(153 041 209)
Carrying value of purification/transfers/disposals	(78 548 908)	277 188 387	(78 629 596)	276 087 760
Cost	0	(63 108 790)	(72 569)	(64 772 943)
Transfer asset under construction (AUC) to assets	(50 035 394)	0	(50 035 394)	0
Additions: Fair market values for zero value assets	3 720 450	0	3 720 450	0
Restatement/Transfers: Asset classes - cost	0	94 581 337	0	94 581 337
Restatement: ICS Register - cost	0	168 876 032	0	168 876 032
Restatement: Dogs and horses -cost	0	517 600	0	517 600
Restatement: Fair market value assets - cost	0	34 563 273	0	34 563 273
Restatement: Rehabilitation provision assets	0	81 421 984	0	81 421 984
Restatement: Transfer asset classes - depreciation	0	(36 243 793)	0	(36 243 793)
Restatement: Prior year depreciation	0	71 773	0	71 773
Restatement: ICS Register - depreciation	0	(12 519 023)	0	(12 519 023)
Disposals - cost	(41 216 717)	0	(41 216 717)	0
Impairment - cost	(43 246 577)	0	(43 246 577)	0
Year end accrual - cost	(13 552 424)	0	(13 552 424)	0
Disposals - depreciation	28 384 955	0	28 384 955	0
Impairment - depreciation	36 345 327	0	36 345 327	0
Write-up: Depreciation	1 445 787	0	1 445 787	0
Non-current assets held for sale - cost	(1 552 635)	0	(1 552 635)	0
Non-current assets held for sale - depreciation	1 158 320	0	1 158 320	0
Restatement: zero value assets - depreciation correction	0	(33 345)	0	(33 345)
Accumulated depreciation	0	9 061 339	(8 119)	9 624 865

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Carrying values at 30 June:	1 002 133 108	695 252 942	1 004 703 688	1 076 081 272
Cost	1 511 889 879	1 248 874 593	1 520 289 102	1 732 004 655
Accumulated depreciation	(509 756 778)	(553 621 651)	(515 585 414)	(655 923 383)
10.9 TOTAL PROPERTY, PLANT AND EQUIPMENT				
Carrying value at 1 July	9 990 558 237	8 263 958 444	10 009 005 524	8 689 406 921
Cost	13 304 091 515	11 250 946 796	13 331 128 098	11 744 855 654
Accumulated depreciation: Restatement - zero value assets	0	128 711 975	0	128 711 975
Accumulated Depreciation	(3 313 533 278)	(3 115 700 327)	(3 322 122 574)	(3 184 160 708)
Acquisitions	2 745 446 529	2 513 521 664	2 745 054 923	2 485 285 123
Additions	1 691 474 797	2 249 992 654	1 693 916 472	2 259 996 588
Additions: Capital under construction	1 065 235 185	718 349 475	1 065 235 185	718 349 475
Acquisitions: Roodeplaat Temba Water Services Trust	472 794 583	0	472 794 583	0
Acquisitions: Capital under construction - Roodeplaat Temba Water Services Trust	2 247 888	0	2 247 888	0
Accumulated depreciation: Roodeplaat Temba Water Services trust	(97 378 412)	0	(97 378 412)	0
Transfer: Threshold assets - cost	0	(8 800 897)	0	(8 800 897)
Transfer: Threshold assets - depreciation	0	1 630 537	0	1 630 537
Depreciation	(388 927 512)	(447 650 105)	(391 760 793)	(485 890 580)
Carrying value of purification/transfers/disposals	(77 218 887)	(786 921 869)	(77 299 575)	(788 022 496)
Cost	0	(1 192 037 690)	(72 569)	(1 193 871 427)
Additions: Fair market value - zero value assets	3 720 450	0	3 720 450	0
Transfer asset under construction (AUC) to assets	(48 705 376)	0	(48 705 376)	0
Restatement/Transfers: Asset classes - cost	0	4 349	0	4 349
Restatement: ICS Register - cost	0	169 133 571	0	169 133 571
Restatement: Dogs and horses -cost	0	517 600	0	517 600
Restatement: Fair market value assets - cost	0	34 563 673	0	34 563 673
Restatement: Rehabilitation provision assets	0	81 421 984	0	81 421 984
Restatement: Transfer asset classes - depreciation	0	142 912	0	142 912
Restatement: Prior year depreciation	0	(71 773)	0	(71 773)
Restatement: ICS Register - depreciation	0	(12 528 065)	0	(12 528 065)
Disposals - cost	(41 216 717)	0	(41 216 717)	0
Impairment - cost	(43 246 577)	0	(43 246 577)	0
Year end accrual - cost	(13 552 424)	0	(13 552 424)	0
Disposals - depreciation	28 384 958	0	28 384 958	0
Impairment - depreciation	36 345 327	0	36 345 327	0
Write-up: Depreciation	1 445 787	0	1 445 787	0
Non-current assets held for sale - cost	(1 552 635)	0	(1 552 635)	0
Non-current assets held for sale - depreciation	1 158 320	0	1 158 320	0
Accumulated depreciation - cost write back restatement	0	141 470 789	0	141 470 789
Restatement: zero value assets - depreciation correction	0	(20 223 124)	0	(20 223 124)
Accumulated depreciation	0	10 683 905	(8 119)	11 417 015
Carrying values at 30 June:	12 658 785 879	9 990 558 238	12 676 760 872	10 386 669 547
Cost	16 391 290 689	13 304 091 515	16 420 696 378	13 806 170 570
Accumulated depreciation	(3 732 504 810)	(3 313 533 276)	(3 743 935 506)	(3 419 501 022)

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
10.10 INVESTMENT PROPERTY				
Carrying value at 1 July	10 571 024	12 084 663	20 571 024	19 575 320
Cost	44 788 161	44 792 509	54 788 161	52 283 166
Accumulated depreciation: Restatement - zero value assets	0	133 898	0	133 898
Accumulated depreciation	(34 217 137)	(32 841 744)	(34 217 137)	(32 841 744)
Acquisitions	(2 543 863)	(1 497 613)	(2 543 863)	(1 497 613)
Additions	0	0	0	0
Capital under construction	0	0	0	0
Depreciation	(2 543 863)	(1 497 613)	(2 543 863)	(1 497 613)
Carrying value of purification/transfers/disposals	0	(16 026)	(400 000)	2 493 317
Cost	0	0	0	2 509 343
Restatement/Transfers: Asset classes - cost	0	(4 348)	(400 000)	(4 348)
Restatement/Transfers: Asset classes - accumulated depreciation	0	495	(400 000)	495
Restatement: zero value assets - depreciation correction	0	(12 173)	0	(12 173)
Carrying values at 30 June:	8 027 161	10 571 024	17 627 161	20 571 024
Cost	44 788 161	44 788 161	54 388 161	54 788 161
Accumulated depreciation	(36 761 000)	(34 217 137)	(36 761 000)	(34 217 137)
10.11 INTANGIBLE ASSETS				
Carrying value at 1 July	98 035 113	95 359 784	98 038 353	95 359 784
Cost	158 946 436	125 103 123	159 007 576	125 103 123
Accumulated depreciation	(60 911 323)	(29 743 339)	(60 969 223)	(29 743 339)
Acquisitions	9 450 261	2 675 188	9 448 641	2 663 953
Additions	37 045 201	33 843 313	37 045 201	33 846 553
Capital under construction	0	0	0	0
Depreciation	(27 594 940)	(31 168 125)	(27 596 560)	(31 182 600)
Carrying value of purification/transfers/disposals	48 705 375	141	48 705 375	14 616
Cost	48 705 375	0	48 705 375	14 475
Restatement/Transfers: Asset classes - cost	0	0	0	0
Restatement/Transfers: Asset classes - accumulated depreciation	0	141	0	141
Accumulated depreciation	0	0	0	0
Carrying values at 30 June:	156 190 749	98 035 113	156 192 369	98 038 353
Cost	244 697 012	158 946 436	244 758 152	159 007 576
Accumulated depreciation	(88 506 263)	(60 911 323)	(88 565 783)	(60 969 223)
10.12 GRAND TOTAL				
Carrying value at 1 July	10 099 164 376	8 371 402 891	10 127 614 903	8 804 342 025
Cost	13 507 826 112	11 420 842 428	13 544 923 835	11 922 241 943
Accumulated depreciation: Restatement - zero value assets	0	128 845 873	0	128 845 873
Accumulated Depreciation	(3 408 661 736)	(3 178 285 410)	(3 417 308 932)	(3 246 745 791)

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Acquisitions	2 752 352 924	2 514 699 239	2 751 959 698	2 486 451 463
Additions	1 728 519 995	2 275 035 070	1 730 961 670	2 285 042 244
Additions: Capital under construction	1 065 235 185	718 349 475	1 065 235 185	718 349 475
Acquisitions: Roodeplaat Temba Water Services Trust	472 794 583	0	472 794 583	0
Acquisitions: Capital under construction - Roodeplaat Temba Water Services Trust	2 247 888	0	2 247 888	0
Accumulated depreciation: Roodeplaat Temba Water Services trust	(97 378 412)	0	(97 378 412)	0
Depreciation	(419 066 315)	(478 685 306)	(421 901 216)	(516 940 256)
Carrying value of purification/transfers/disposals	(28 513 514)	(786 937 754)	(28 994 202)	(785 514 563)
Cost	0	(1 192 037 690)	(72 569)	(1 191 304 184)
Additions: Fair market value - zero value assets	3 720 450	0	3 720 450	0
Restatement/Transfers: Asset classes - cost	0	0	0	0
Restatement: ICS Register - cost	0	169 133 572	0	169 133 572
Restatement: Dogs and horses -cost	0	517 600	0	517 600
Restatement: Fair market value assets - cost	0	34 563 673	0	34 563 673
Restatement: Rehabilitation provision assets	0	81 421 984	0	81 421 984
Restatement: Transfer asset classes - depreciation	0	143 548	0	143 548
Restatement: Prior year depreciation	0	(71 773)	0	(71 773)
Restatement: ICS Register - depreciation	0	(12 528 065)	0	(12 528 065)
Disposals - cost	(41 216 717)	0	(41 216 717)	0
Impairment - cost	(43 246 577)	0	(43 246 577)	0
Year end accrual - cost	(13 552 424)	0	(13 552 424)	0
Disposals - depreciation	28 384 955	0	28 384 955	0
Impairment - depreciation	36 345 327	0	36 345 327	0
Write-up: Depreciation	1 445 787	0	1 445 787	0
Non-current assets held for sale - cost	(1 552 635)	0	(1 552 635)	0
Non-current assets held for sale - depreciation	1 158 320	0	1 158 320	0
Accumulated depreciation - cost write back restatement	0	141 470 789	0	141 470 789
Restatement: zero value assets - depreciation correction	0	(20 235 297)	0	(20 235 297)
Accumulated depreciation - cost	0	10 683 905	(408 119)	11 373 590
Carrying values at 30 June:	12 823 003 786	10 099 164 373	12 850 580 399	10 505 278 922
Cost	16 677 055 410	13 507 826 109	16 720 242 689	14 019 966 304
Accumulated depreciation - cost	(3 854 051 624)	(3 408 661 736)	(3 869 662 290)	(3 514 687 382)
Refer to Appendix B (for analysis per class) and Appendix C (for segmental analysis)				
USEFUL LIVES	The useful lives of the assets have been reviewed and adjusted to more accurately reflect the actual expected life spans of the assets within the City of Tshwane. In a majority of the cases, the lives of the items have been extended considerably as the City of Tshwane has embarked on a campaign to ensure that assets are not unnecessarily replaced and that those items in use are properly taken care of and safe guarded			
IMPAIRMENT	The City of Tshwane tested the assets falling under the property, plant and equipment category for impairment to ensure that the assets were reflected at a reasonable net book value. In order to do this, the following methodology was applied:			
	<ul style="list-style-type: none"> The assets were grouped into smaller categories and each item was given a fair market value of what the item would cost new as well as what the item would cost on the second hand market. This exercise was done by an external expert. This value was then tested against the existing values of the assets. Where the net book value of the item exceeded the fair market value by a factor of 300 % or more, these items were impaired to reflect the actual recoverable cost. 			

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
10.13 LEASED ASSETS				
Carrying value at 1 July	247 780 561	197 234 792	247 780 561	212 108 487
Cost	375 411 746	267 593 177	375 411 746	285 232 242
Accumulated depreciation - cost	(127 631 185)	(70 358 385)	(127 631 185)	(73 123 755)
Acquisitions	5 091 279	50 545 769	5 091 279	49 743 994
Additions	12 671 545	107 818 569	12 671 545	107 818 569
Capital under construction	0	0	0	0
Redemption: fully depreciated assets	74 903 787		74 903 787	0
Depreciation - based on cost	(82 484 053)	(57 272 800)	(82 484 053)	(58 074 575)
Carrying value of purification/transfers/disposals	0	0	0	(308 104)
Cost	0	0	0	0
Accumulated depreciation - cost	0	0	0	(308 104)
Carrying values at 30 June:	252 871 839	247 780 561	252 871 839	261 544 379
Cost	388 083 291	375 411 746	388 083 291	393 050 813
Accumulated depreciation -cost	(135 211 452)	(127 631 185)	(135 211 452)	(131 506 434)
11 BIOLOGICAL ASSETS: LIVESTOCK				
Carrying amount at the beginning of the year	14 741 255	11 014 558	14 741 255	11 014 558
Gain: changes in fair value due to physical changes and price changes	2 266 744	3 726 697	2 266 744	3 726 697
Carrying amount at the end of the financial year	17 007 999	14 741 255	17 007 999	14 741 255
Biological assets are measured at their fair value less estimated point-of-sale-costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.				
12 NON-CURRENT ASSETS HELD FOR SALE				
Other movable assets - cost	1 552 635	0	1 552 635	0
Other movable assets - depreciation	(1 158 320)	0	(1 158 320)	0
	394 315	0	394 315	0
The abovementioned groups of assets (mostly vehicles, bicycles and other smaller movable assets) have been marked for disposal and are in the auction yard at 30 June 2009				
13 INVESTMENTS				
13.1 HELD-TO-MATURITY INVESTMENTS				
Unlisted:				
Municipal stock	3 033 002	3 033 002	3 033 002	3 033 002
	3 033 002	3 033 002	3 033 002	3 033 002
Financial instruments:				
Fixed deposits	491 311 097	416 767 411	493 822 236	423 625 129
Assurance companies	6 002 276	5 752 656	6 002 276	5 752 656
	497 313 373	422 520 067	499 824 512	429 377 785
Total Held-to-Maturity Investments	500 346 375	425 553 069	502 857 514	432 410 787
13.2 AVAILABLE-FOR-SALE INVESTMENTS				
Short-term deposits and Call deposits	177 605 393	235 135 631	187 814 191	272 462 172
TOTAL INVESTMENTS	677 951 768	660 688 700	690 671 705	704 872 959

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Market value of listed investments, and management's valuation of unlisted investments:				
Unlisted investments	677 951 767	660 688 700	690 671 705	704 872 959
No impairment occurred during the financial year				
Average rate of return on long-term investments :	14.10 %	14.10 %	14.10 %	14.10 %
Average rate of return on short-term investments :	10.44 %	10.43 %	10.44 %	10.43 %
The Municipal Financial Management Act, 2003 (Act 56 of 2003) requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty interest rate to meet commitments.				
14 LONG-TERM RECEIVABLES				
Consumers: Arrangement debtors	245 372 310	202 597 529	245 372 310	202 597 529
Housing loans	57 556 328	59 092 140	57 556 328	59 092 140
Motor car loans	173 915	2 161 952	173 915	2 161 952
Loans to Sports Clubs	1 661 855	1 688 951	1 661 855	1 688 951
Study loans	5 293	13 930	5 293	13 930
Sale of land	79 405 336	65 779 894	79 405 336	65 779 894
	384 175 037	331 334 396	384 175 037	331 334 396
Less: Current portion transferred to current receivables	123 832 808	103 377 148	123 832 808	103 377 148
	260 342 229	227 957 248	260 342 229	227 957 248
Less: Provision for bad debt: Housing loans	23 420 606	38 194 441	23 420 606	38 194 441
Less: Impairment of 0 % interest charged on arrangement debtors	49 821 913		49 821 913	0
Total Long-term receivables (past due not impaired)	187 099 710	189 762 807	187 099 710	189 762 807
RECONCILIATION OF BAD DEBT PROVISION				
Balance at the beginning of the year	38 194 441	36 202 047	38 194 441	36 202 047
Contributions to provision & impairment of 0 % interest	49 821 913	1 992 394	49 821 913	1 992 394
Write back of provision during the year	(14 773 835)	0	(14 773 835)	0
Balance at the end of the year	73 242 519	38 194 441	73 242 519	38 194 441
CONSUMER: ARRANGEMENT DEBTORS				
A policy exists granting consumer debtors an opportunity to make arrangements to pay off their arrear debt over a certain period.				
HOUSING LOANS				
Housing loans are granted to qualifying individuals in terms of the Provincial Administration's Housing Programme. These loans attract interest of 13,5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable.				
MOTOR CAR LOANS				
Senior staff were entitled to motor car loans which attract interest at 8,5 % per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in October 2009.				
LOANS TO SPORT CLUBS				
Sport Clubs that do qualify, sign a 99 year lease hold agreement with the Municipality at a nominal amount and are provided with financial assistance from the Municipality to build or improve a facility of which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.				

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
STUDY LOANS				
Employees were entitled to interest free study loans which were repayable over a period of one year after the completion of their studies. This practice has been terminated in terms of the MFMA. The last payment cannot be determined at present as some of the employees are still studying. Children of employees of the Municipality also qualified for study loans which attracted an interest rate applicable during the period of application as determined by the Municipality at the time of the application and the approval thereof. No more new study loans are issued by the Municipality.				
SALE OF LAND DEBTORS				
Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14 %) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 11 %. Interest is calculated monthly on the outstanding balance of the property.				
15 INVENTORY				
General stores	187 088 025	195 290 338	205 666 699	211 606 629
Quarry	872 549	812 232	872 549	812 232
Coal (power stations)	49 779 922	16 287 079	49 779 922	16 287 079
Plants	101 882	55 127	101 882	55 127
Catering (Premos restaurant)	34 368	38 753	34 368	38 753
Wonderboom Airport	918 239	958 464	918 239	958 464
Bulk water	2 525 534	3 160 425	2 525 534	3 160 425
Net Inventory	241 320 519	216 602 418	259 899 193	232 918 709
16 CONSUMER DEBTORS				
The City of Tshwane (parent) has a consolidated account billing system. The division of debtors per service category is done on a pro rata basis based on the levies. The provision for bad debt is therefore also not available per income group.				
Service debtors	4 015 520 259	3 509 943 906	4 249 990 797	3 712 493 622
Rates	1 029 144 952	873 945 477	1 029 137 853	873 930 315
Electricity	1 679 844 699	1 420 106 081	1 679 792 477	1 420 017 104
Water	838 395 135	767 648 642	1 072 924 994	970 302 497
Sewerage	208 959 853	190 015 285	208 959 853	190 015 285
Refuse removal	259 175 620	258 228 421	259 175 620	258 228 421
Less: Arrangement debtors	245 372 310	202 597 529	245 372 310	202 597 529
	3 770 147 949	3 307 346 377	4 004 618 487	3 509 896 093
Less: Provision for Bad debt	1 102 727 977	914 443 852	1 318 609 336	1 108 845 887
Consumer debtors per statement of financial position	2 667 419 972	2 392 902 525	2 686 009 151	2 401 050 206
An amount of R165 228 232 (R187 730 810 inclusive of VAT) was written off by the parent during 2008/09 (2007/08= R100 732 978) in terms of a Council Resolution dated 29 August 2002 whereby the Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and a Council Resolution dated 31 March 2005 whereby the debt of Indigent households are written off. This amount written off represents 1.33 % (2008: 0.99 %) of the total operating income for the year.				
Ageing: Total				
Current (0 - 30 days)	1 062 178 728	1 038 091 980	1 296 649 266	1 240 641 696
31 - 60 days	189 343 783	197 017 183	189 343 783	197 017 183
61 - 90 days	110 956 911	101 991 952	110 956 911	101 991 952
91 + days	2 653 040 837	2 172 842 791	2 653 040 837	2 172 842 791
	4 015 520 259	3 509 943 906	4 249 990 797	3 712 493 622

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Rates: Ageing				
Current (0 - 30 days)	293 273 775	331 493 536	293 266 676	331 478 374
31 - 60 days	72 523 184	43 852 936	72 523 184	43 852 936
61 - 90 days	35 296 422	30 332 616	35 296 422	30 332 616
91 + days	628 051 572	468 266 389	628 051 572	468 266 389
	1 029 144 953	873 945 477	1 029 137 854	873 930 315
Electricity: Ageing				
Current (0 - 30 days)	442 725 976	378 056 908	442 673 754	377 967 931
31 - 60 days	121 578 451	133 732 668	121 578 451	133 732 668
61 - 90 days	30 793 674	32 478 155	30 793 674	32 478 155
91 + days	1 084 746 598	875 838 350	1 084 746 598	875 838 350
	1 679 844 699	1 420 106 081	1 679 792 477	1 420 017 104
Water: Ageing				
Current (0 - 30 days)	161 462 923	169 801 796	395 992 782	372 455 651
31 - 60 days	50 572 413	53 091 401	50 572 413	53 091 401
61 - 90 days	20 772 038	20 609 103	20 772 038	20 609 103
91 + days	605 587 761	524 146 342	605 587 761	524 146 342
	838 395 135	767 648 642	1 072 924 994	970 302 497
Sanitation: Ageing				
Current (0 - 30 days)	40 505 604	42 146 336	40 505 604	42 146 336
31 - 60 days	12 384 120	12 606 297	12 384 120	12 606 297
61 - 90 days	4 703 221	4 438 100	4 703 221	4 438 100
91 + days	151 366 908	130 824 552	151 366 908	130 824 552
	208 959 853	190 015 285	208 959 853	190 015 285
Solid Waste: Ageing				
Current (0 - 30 days)	27 720 561	46 798 851	27 720 561	46 798 851
31 - 60 days	14 304 273	10 505 708	14 304 273	10 505 708
61 - 90 days	6 485 533	5 771 804	6 485 533	5 771 804
91 + days	210 665 253	195 152 058	210 665 253	195 152 058
	259 175 620	258 228 421	259 175 620	258 228 421
Summary of consumer debtors by customer classification:				
Household	2 686 383 053	2 348 063 234	2 920 853 591	2 550 612 950
Industrial/Commercial	762 948 849	666 940 567	762 948 849	666 940 567
National and Provincial Government	56 217 284	49 142 989	56 217 284	49 142 989
Other	509 971 073	445 797 116	509 971 073	445 797 116
Total consumer debtors by customer classification	4 015 520 259	3 509 943 906	4 249 990 797	3 712 493 622
RECONCILIATION OF BAD DEBT PROVISION				
Balance at the beginning of the year	914 443 852	881 557 955	1 108 845 887	1 025 420 794
Contributions to provision	188 284 125	32 885 897	209 763 449	83 425 093
Balance at the end of the year	1 102 727 977	914 443 852	1 318 609 336	1 108 845 887

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
17 OTHER DEBTORS				
Housing debtors	17 996 084	12 687 579	44 997 445	31 267 286
Government subsidies	6 756 000	13 228 750	6 756 000	13 228 750
RSC levies debtor	0	200 675 211	0	200 675 211
Amounts paid in advance	0	0	0	14 873
Municipal Infrastructure Grant	53 274 515	0	53 274 515	0
Gauteng Province: Housing Grants	125 146 030	0	125 146 030	0
Other Current debtors	534 567 481	312 924 481	552 602 557	335 256 197
	737 740 110	539 516 021	782 776 547	580 442 317
Less: Provision for Bad debt	32 724 885	246 003 159	47 220 043	260 915 197
Total Other Debtors	705 015 225	293 512 862	735 556 504	319 527 120
RECONCILIATION OF BAD DEBT PROVISION				
Balance at the beginning of the year	246 003 159	100 967 058	260 915 197	100 967 058
Contributions to provision	0	145 036 101	0	159 948 139
Write back of provision during the year	(213 278 274)	0	(213 695 154)	0
Balance at the end of the year	32 724 885	246 003 159	47 220 043	260 915 197
18 CALL INVESTMENT DEPOSITS				
Other deposits/call investments				
Other deposits of R677 951 767 (2008 = R425 553 069) are ring-fenced and attributable to the Capital replacement reserve of R361 254 474. Fixed deposits amounting to R598 458 250 (2008 = R568 644 654) have also been ring-fenced for the purposes of repaying long-term liabilities. Refer to Note 33				
	598 458 250	568 644 654	598 458 250	568 644 654
19 BANK, CASH AND OVERDRAFT BALANCES				
The Municipality (parent) has the following bank accounts:-				
19.1 Current Account (Primary Bank account)				
STANDARD - Primary (Account nr 41 080 1453)				
STANDARD - Cashier deposit (Account nr 41 080 1569)				
STANDARD - Wonderboom Airport (Account nr 41 080 1674)				
STANDARD - Collection (Account nr 41 080 1658)				
STANDARD - 2010 (Account nr 410801682)				
ABSA - Main (Account nr 4060 738 263)				
ABSA - SAP collection (Account nr 4061 025 439)				
ABSA - Old Main (Account nr 4053 381 912)				
ABSA - GPMC Collection (Account nr 4048 828 191)				
ABSA - Housing Collection (Account nr 4054 433 297)				
ABSA - Wonderboom Airport (Account nr 4059 414 365)				
FNB Main - Pretoria Branch (Account nr 5142 0107 207)				
FNB - Pretoria Collection (Account nr 5142 0108 130)				
FNB - Centurion Collection (Account nr 6202 7802 869)				
FNB - Akasia Collection (Account nr 6202 7803 023)				
FNB - Housing Collection (Account nr 5142 1127 486)				
FNB - SAP Collection (Account nr 6207 4177 786)				
FNB - Traffic Collection (Account nr 6206 7460 586)				

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
ABSA				
Cash book balance at the beginning of the year	12 781 873	15 413 275	12 781 873	15 413 275
Cash book balance at the end of the year	13 433 453	12 781 873	13 433 453	12 781 873
Bank statement balance at the beginning of the year	37 657 228	17 907 552	37 657 228	17 907 552
Bank statement balance at the end of the year	13 339 211	37 657 228	13 339 211	37 657 228
FNB				
Cash book balance at the beginning of the year	8 630 642	(2 374)	8 630 642	(2 374)
Cash book balance at the end of the year	14 707 560	8 630 642	14 707 560	8 630 642
Bank statement balance at the beginning of the year	9 594 524	10 499 069	9 594 524	10 499 069
Bank statement balance at the end of the year	14 684 609	9 594 524	14 684 609	9 594 524
STANDARD				
Cash book balance at the beginning of the year	(106 407 370)	(45 999 764)	(106 407 370)	(45 999 764)
Cash book balance at the end of the year - (overdrawn)	(95 416 694)	(106 407 370)	(95 416 694)	(106 407 370)
Bank statement balance at the beginning of the year	11 907 106	38 863 430	11 907 106	38 863 430
Bank statement balance at the end of the year	34 003 014	11 907 106	34 003 014	11 907 106
STANDARD (2010 bank account - in use from 1 July 2008)				
Cash book balance at the beginning of the year	0	0	0	0
Cash book balance at the end of the year - (overdrawn)	42 627 751	0	42 627 751	0
Bank statement balance at the beginning of the year	0	0	0	0
Bank statement balance at the end of the year	0	0	0	0
19.2 Insurance Contingency				
ABSA (Account nr: 4062593950)				
Cash book balance at the beginning of the year	7 449 875	41 285 499	7 449 875	41 285 499
Cash book balance at the end of the year	148 524	7 449 875	148 524	7 449 875
Bank statement balance at the beginning of the year	7 449 875	41 285 499	7 449 875	41 285 499
Bank statement balance at the end of the year	148 524	7 449 875	148 524	7 449 875
19.3 Tshwane Market (Primary account)				
First National Bank - Church Square Branch (Account nr: 51421161509)				
Cash book balance at the beginning of the year	14 111 226	12 408 157	14 111 226	12 408 157
Cash book balance at the end of the year	18 370 481	14 111 226	18 370 481	14 111 226
Bank statement balance at the beginning of the year	14 801 812	12 604 882	14 801 812	12 604 882
Bank statement balance at the end of the year	18 813 633	14 801 812	18 813 633	14 801 812
19.4 Petty cash/cashiers floats				
	272 825	262 077	282 547	270 993

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
19.5 BANK ACCOUNTS: MUNICIPAL ENTITIES				
19.5.1 Roodeplaat/Temba Water Services Trust				
Absa - Current account (Account nr 4058159742)				
Cash book balance at the beginning of the year			0	36 772 659
Cash book balance at the end of the year			0	27 932 978
Bank statement balance at the beginning of the year			0	36 772 659
Bank statement balance at the end of the year			0	27 932 978
Absa - Deposit account - Roodeplaat (Account nr 4059250408)				
Cash book balance at the beginning of the year			0	13 150 214
Cash book balance at the end of the year			0	0
Bank statement balance at the beginning of the year			0	13 150 214
Bank statement balance at the end of the year			0	0
Absa - Debt Service Reserve account (Account nr 4058337269)				
Cash book balance at the beginning of the year			0	97 790 718
Cash book balance at the end of the year			0	108 720 424
Bank statement balance at the beginning of the year			0	97 790 718
Bank statement balance at the end of the year			0	108 720 424
Absa - Deposit account - Temba (Account nr 405832325)				
Cash book balance at the beginning of the year			0	5 624 184
Cash book balance at the end of the year			0	0
Bank statement balance at the beginning of the year			0	5 624 184
Bank statement balance at the end of the year			0	0
Absa - Operating Reserve account (Account nr 4058337073)				
Cash book balance at the beginning of the year			0	543 094
Cash book balance at the end of the year			0	603 053
Bank statement balance at the beginning of the year			0	543 094
Bank statement balance at the end of the year			0	603 053
Absa - Capital Reserve account (Account nr 4058337358)				
Cash book balance at the beginning of the year			0	10 841 875
Cash book balance at the end of the year			0	12 052 595
Bank statement balance at the beginning of the year			0	10 841 875
Bank statement balance at the end of the year			0	12 052 595

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
19.5.2 Trade Point Pretoria				
Absa - Current account (Account nr 4054625800)				
Cash book balance at the beginning of the year			50 670	112 278
Cash book balance at the end of the year			58 749	50 670
Bank statement balance at the beginning of the year			50 413	176 645
Bank statement balance at the end of the year			58 749	50 413
19.5.3 Sandspruit Works Waste Water Treatment				
Absa - Current account (Account nr 4051139634)				
Cash book balance at the beginning of the year			482 713	7 030 146
Cash book balance at the end of the year			512 722	482 713
Bank statement balance at the beginning of the year			482 713	6 985 969
Bank statement balance at the end of the year			512 722	482 713
19.5.4 Sandspruit Works ODI Water				
Standard Bank - Current account (Account nr 032250738000)				
Cash book balance at the beginning of the year			9 771 497	5 672 412
Cash book balance at the end of the year			942 177	9 771 497
Bank statement balance at the beginning of the year			10 205 841	0
Bank statement balance at the end of the year			11 864 123	10 205 841
Standard Bank - Current account (Account nr 031906842000)				
Cash book balance at the beginning of the year			(271 149)	44 588
Cash book balance at the end of the year			76 580	(271 149)
Bank statement balance at the beginning of the year			97 226	0
Bank statement balance at the end of the year			76 845	97 226
Standard Bank - Call account (Account nr 738717959001)				
Cash book balance at the beginning of the year			8 685 895	5 923 714
Cash book balance at the end of the year			950 146	8 685 895
Bank statement balance at the beginning of the year			8 685 895	0
Bank statement balance at the end of the year			950 146	8 685 895
19.5.5 Civirelo Water				
Absa - Current account (Account nr 4052561692 & 9078443130)				
Cash book balance at the beginning of the year			2 084 786	4 252 125
Cash book balance at the end of the year			3 543 269	2 084 786
Bank statement balance at the beginning of the year			2 100 787	6 011 060
Bank statement balance at the end of the year			3 543 270	1 849 223

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
19.5.6 Housing Company Tshwane				
Absa - Current account (Account nr 4057481879 and 4065722829)				
Cash book balance at the beginning of the year			849 007	3 999 822
Cash book balance at the end of the year			139 691	849 007
Bank statement balance at the beginning of the year			787 871	3 709 294
Bank statement balance at the end of the year			787 871	787 871
19.5.7 Tshwane Centre for Business Information and Support				
Absa - Current account (Account nr 4050437263)				
Cash book balance at the beginning of the year			94 686	94 686
Cash book balance at the end of the year			55 914	55 914
Bank statement balance at the beginning of the year			71 884	71 884
Bank statement balance at the end of the year			53 375	53 375
20 PROPERTY RATES				
Actual Income: Gross	3 159 872 402	2 185 065 026	3 159 771 459	2 184 999 728
Less: Income foregone	860 248 454	0	860 248 454	0
Net income	2 299 623 948	2 185 065 026	2 299 523 005	2 184 999 728
Site Values as at 1 July:				
Residential	198 721 218 868	12 252 913 893	198 721 218 868	12 252 913 893
Other	85 434 514 445	7 213 092 116	85 434 514 445	7 213 092 116
Total property valuation	284 155 733 313	19 466 006 009	284 155 733 313	19 466 006 009
The site value was changed to market value according to the MPRA that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value anymore.				
No differentiation is made between land value and improvement value and only market value appears on the valuation roll.				
Applicable tariff (with the implementation of the MPRA categories of properties are levied at different tariffs with different rebates applicable				
Persons of 60 years or older, and physically or mentally handicapped persons who can substantiate receipt of a social pension, and persons certified by the Medical Officer of Health as physically or mentally handicapped, can qualify for a rebate, subject to certain other conditions.				
	Various	14.43c/Rand		
21 SERVICE CHARGES				
Sale of electricity	3 666 606 519	3 034 977 097	3 666 240 829	3 033 671 453
Sale of water	1 325 320 612	1 232 886 383	1 427 213 631	1 320 258 384
Refuse removal	318 005 383	267 689 295	318 005 383	267 689 295
Sewerage and sanitation charges	337 752 827	303 405 995	337 752 827	303 405 995
Total service charges	5 647 685 341	4 838 958 770	5 749 212 670	4 925 025 127

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
22 GOVERNMENT GRANTS AND SUBSIDIES				
Equitable share	1 335 550 431	1 101 416 093	1 335 550 431	1 101 416 093
Housing: City of Tshwane Financial assistance	0	0	0	0
Magalies Water	0	0	0	0
Sandspruit: Department Water Affairs & Forestry	0	0	(944 965)	2 273 220
Provincial Health subsidies	22 554 360	22 669 000	22 554 360	22 669 000
Provincial Ambulance subsidy	38 377 250	36 004 533	38 377 250	36 004 533
Provincial motor vehicle licences refund	71 774 940	66 191 344	71 774 940	66 191 344
Opex: grants & donations	97 020 907	28 560 545	97 020 907	28 560 545
Finance Management grant	539 449	698 715	539 449	698 715
Restructuring grant	45 679 594	52 227 861	45 679 594	52 227 861
Municipal Systems Infrastructure grant	0	2 501 600	0	2 501 600
DWAF Grant (parent)	13 169 188	13 962 645	13 169 188	13 962 645
Topstructure grants	0	125 601 978	0	125 601 978
Stipends (DBSA)	54 000	0	54 000	0
Ntsika	0	0	0	0
SEDA	0	0	0	0
Subtotal: Opex Grants and subsidies	1 624 720 119	1 449 834 314	1 623 775 154	1 452 107 534
Capex: grants & donations	650 643 403	474 450 698	650 643 403	474 450 698
Total Government grants and subsidies	2 275 363 522	1 924 285 012	2 274 418 557	1 926 558 232
22.1 Equitable share				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from this grant.				
Total amount of equitable share received	1 335 550 431	1 101 416 093	1 335 550 431	1 101 416 093
Monthly grant received by all registered indigents	173	148	173	148
22.2 Provincial Health Subsidies				
Balance unspent at beginning of year	0	0	0	0
Current year receipts - included in public health vote	22 554 360	22 669 000	22 554 360	22 669 000
Conditions met - transferred to revenue	(22 554 360)	(22 669 000)	(22 554 360)	(22 669 000)
Conditions still to be met - transferred to liabilities (see note 8)	0	0	0	0
The Municipality renders health services on behalf of the Provincial Government. This grant has been used exclusively to fund clinic services (included in the Social Development vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.				
Percentage of expenditure incurred refunded	15.25 %	14.94 %	15.25 %	14.94 %
22.3 Provincial Ambulance Subsidy				
Balance unspent at beginning of year	0	0	0	0
Current year receipts - included in emergency medical services vote	38 377 250	36 004 533	38 377 250	36 004 533
Conditions met - transferred to revenue	(38 377 250)	(36 004 533)	(38 377 250)	(36 004 533)
Conditions still to be met - transferred to liabilities (see note 8)	0	0	0	0
The Municipality renders ambulance services on behalf of the provincial government and is reimbursed. This grant has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.				
Percentage of expenditure incurred refunded	69.51 %	64.08 %	69.51 %	64.08 %

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
22.4 MIG				
Balance unspent at beginning of year	37 952 351	19 794 905	37 952 351	19 794 905
Transfers	(2 960 564)	0	(2 960 564)	0
Current year receipts	286 876 515	236 438 749	286 876 515	236 438 749
Conditions met - transferred to revenue	(287 295 988)	(218 281 303)	(287 295 988)	(218 281 303)
Conditions still to be met - transferred to liabilities (see note 8)	34 572 314	37 952 351	34 572 314	37 952 351
This grant is used to construct roads and sewerage infrastructure as part of the capital expenditure (included in the roads and sewerage votes in Appendix D). No funds have been withheld.				
22.5 FINANCE MANAGEMENT GRANT				
Balance unspent at beginning of year	1 304 687	1 503 403	1 304 687	1 503 403
Current year receipts	750 000	500 000	750 000	500 000
Conditions met - transferred to revenue	(539 449)	(698 716)	(539 449)	(698 716)
Conditions still to be met - transferred to liabilities (see note 8)	1 515 238	1 304 687	1 515 238	1 304 687
This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Financial Management and Budget Reforms, as part of the National Reform program. No funds have been withheld.				
22.6 MUNICIPAL SYSTEM IMPROVEMENT GRANT				
Balance unspent at beginning of year	498 400	3 000 000	498 400	3 000 000
Current year receipts	0	0	0	0
Conditions met - transferred to revenue	0	(2 501 600)	0	(2 501 600)
Conditions still to be met - transferred to liabilities (see note 8)	498 400	498 400	498 400	498 400
This grant is used to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000. No funds have been withheld.				
22.7 RESTRUCTURING GRANT				
Balance unspent at beginning of year	86 786 106	78 921 695	86 786 106	78 921 695
Current year receipts	0	150 000 000	0	150 000 000
Conditions met - transferred to revenue	(45 679 594)	(142 135 589)	(45 679 594)	(142 135 589)
Conditions still to be met - transferred to liabilities (see note 8)	41 106 512	86 786 106	41 106 512	86 786 106
This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Institutional, Financial and Economic restructuring in line with the City Development Strategy, which is aligned to the National Government's Development Strategy. No funds were withheld.				
22.8 DEPARTMENT OF WATER AFFAIRS AND FORESTRY				
Balance unspent at beginning of year	4 827 178	22 391 328	4 827 178	22 391 328
Transfers	(7 326 978)	0	(7 326 978)	0
Current year receipts	20 251 750	21 092 500	20 251 750	21 092 500
Conditions met - transferred to revenue	(15 419 290)	(38 656 650)	(15 419 290)	(38 656 650)
Conditions still to be met - transferred to liabilities (see note 8)	2 332 660	4 827 178	2 332 660	4 827 178
This grant was received for the supply of water services for community upliftment.				
22.9 PUBLIC TRANSPORT INFRASTRUCTURE SYSTEM GRANT				
Balance unspent at beginning of year	115 762 425	0	115 762 425	0
Current year receipts	260 000 000	129 294 495	260 000 000	129 294 495
Conditions met - transferred to revenue	(168 078 781)	(13 532 070)	(168 078 781)	(13 532 070)
Conditions still to be met - transferred to liabilities (see note 8)	207 683 644	115 762 425	207 683 644	115 762 425
This grant was received for infrastructure iro roads and transport for the 2010 Soccer World Cup. R120 million was withheld due to under performance				

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
22.10 CITY OF TSHWANE METROPOLITAN MUNICIPALITY (HOUSING COMPANY)				
Balance unspent at beginning of year			0	0
Current year receipts			8 357 791	117 439
Conditions met - transferred to revenue			(8 357 791)	(117 439)
Conditions still to be met - transferred to liabilities (see note 8)			0	0
This grant was received for the administration and operation of the Housing Company Tshwane as financial assistance.				
22.11 SANDSPRUIT: DEPARTMENT OF WATER AFFAIRS AND FORESTRY				
Balance unspent at beginning of year			0	0
Current year receipts			10 774 749	2 273 220
Conditions met - transferred to revenue			(10 774 749)	(2 273 220)
Conditions still to be met - transferred to liabilities (see note 8)			0	0
This grant was received for the refurbishment at Klipgat and Temba Waste Water Treatment plants.				
22.12 Changes in levels of government grants				
Based on the allocations set out in the Division of Revenue Act (Act 1 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.				
23 OTHER INCOME				
Drain cleaning fees	996 345	1 211 910	996 345	1 211 910
Reconnections fees	101 284 390	64 805 089	101 284 390	64 805 089
Sewerage fees: Industrial effluent	21 555 862	19 763 957	21 555 862	19 763 957
Interest on property sales	4 902 337	5 107 253	4 902 337	5 107 253
Reminder fees	15 284 440	9 400 900	15 284 440	9 400 900
Ambulance fees	3 840 703	5 594 646	3 840 703	5 594 646
Airside income	3 140 399	3 154 100	3 140 399	3 154 100
Connection fees: Urban areas	5 874 720	8 164 438	5 874 720	8 164 438
Cemetery fees	4 710 670	5 016 915	4 710 670	5 016 915
Fees for relaxation of building line	1 270 805	1 641 185	1 270 805	1 641 185
Building plan fees	25 166 701	34 139 148	25 166 701	34 139 148
Restaurant sales	1 041 029	1 164 367	1 041 029	1 164 367
Sundry fees	4 549 985	4 517 334	4 549 985	4 517 334
Sundry services	11 022 117	12 659 014	11 022 117	12 659 014
Income from grave services	3 981 017	4 266 198	3 981 017	4 266 198
Application fees	2 663 426	3 927 229	2 663 426	3 927 229
Connection fees	11 075 821	16 220 728	11 075 821	16 220 728
Approval fees: advertisements	23 322 452	24 761 792	23 322 452	24 761 792
Discount on promp payments	9 171 594	14 195 991	9 171 594	14 195 991
Market fees	79 070 161	70 793 414	79 070 161	70 793 414
Lodging fees	1 178 102	1 145 624	1 178 102	1 145 624
Parking fees: vehicles	2 991 065	2 914 839	2 991 065	2 914 839
Training fees recovered	12 241 123	7 622 163	12 241 123	7 622 163
Dumping fees	11 957 349	13 995 089	11 957 349	13 995 089
Income from bulk containers	28 342 250	24 007 366	28 342 250	24 007 366
Sale of livestock	118 755	2 891	118 755	2 891
Sale of stone	7 529 846	6 685 746	7 529 846	6 685 746
Sale unusable stock	5 188 978	3 953 857	5 188 978	3 953 857
Sales: Aeroplane fuel	30 361 934	29 155 543	30 361 934	29 155 543
Transport fees	55 762 681	45 956 506	55 762 681	45 956 506

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Capital income recovered insurance claims	8 846 911	2 347 901	8 846 911	2 347 901
Claims recovered compensation commissioner	12 735 987	13 553 858	12 735 987	13 553 858
Bad debt recovered	34 953 204	23 248 755	34 953 204	23 248 755
Land sales	13 381 269	3 135 084	13 381 269	3 135 084
Gain: Review useful life/fair value	3 720 450	0	3 720 450	0
Miscellaneous	49 470 796	53 535 300	27 437 419	202 219 395
Total other income	612 705 674	541 766 130	590 672 297	690 450 225
24 EMPLOYEE RELATED COSTS				
Salaries and wages	1 920 131 319	1 672 674 723	1 972 874 001	1 717 065 536
Contributions to UIF, pensions and medical aids	543 012 692	495 024 195	543 012 692	495 024 195
Overtime payments	202 819 639	148 420 027	202 819 639	148 420 027
Long-service awards	7 838 972	7 773 287	7 838 972	7 773 287
Travel allowance	185 224 896	178 255 582	185 224 896	178 255 582
Housing benefits and allowance	29 397 905	24 863 274	29 397 905	24 863 274
Performance bonus	334 149	424 329	334 149	424 329
Other allowances	120 351 733	93 567 426	120 351 733	93 567 426
Total employee related cost	3 009 111 305	2 621 002 843	3 061 853 987	2 665 393 656
REMUNERATION OF THE MUNICIPAL MANAGER				
(The performance bonus paid out in 2008/09 relates to 2006/07)				
Annual remuneration	1 033 104	891 165	1 033 104	891 165
Performance bonuses	17 636	0	17 636	0
Car allowance	128 400	128 400	128 400	128 400
Cell phone allowance	12 000	12 000	12 000	12 000
Medical and pension fund contributions	0	0	0	0
Total	1 191 140	1 031 565	1 191 140	1 031 565
REMUNERATION OF THE CHIEF FINANCIAL OFFICER				
Annual remuneration	848 742	681 561	848 742	681 561
Performance bonuses	0	0	0	0
Car allowance	132 000	132 000	132 000	132 000
Cell phone allowance	10 800	0	10 800	0
Medical and pension fund contributions	18 510	20 316	18 510	20 316
Total	1 010 052	833 877	1 010 052	833 877
REMUNERATION OF STRATEGIC EXECUTIVE DIRECTORS				
Annual remuneration:				
Technical services	825 550	775 056	825 550	775 056
Corporate services	2 947 710	2 610 872	2 947 710	2 610 872
Community services	4 870 670	2 255 382	4 870 670	2 255 382
Performance bonuses:				
Technical services	171 113	0	171 113	0
Corporate services	109 817	0	109 817	0
Community services	0	0	0	0
Car allowance:				
Technical services	102 000	90 000	102 000	90 000
Corporate services	588 000	484 000	588 000	484 000
Community services	514 800	253 914	514 800	253 914

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Cell phone allowance				
Technical services	9 600	9 600	9 600	9 600
Corporate services	30 000	21 600	30 000	21 600
Community services	62 400	56 000	62 400	56 000
Medical and pension fund contributions:				
Technical services	24 878	0	24 878	0
Corporate services	18 510	20 316	18 510	20 316
Community services	201 097	38 272	201 097	38 272
	<u>10 476 145</u>	<u>6 615 012</u>	<u>10 476 145</u>	<u>6 615 012</u>
Total:				
Technical services	1 133 141	874 656	1 133 141	874 656
Corporate services	3 694 037	3 136 788	3 694 037	3 136 788
Community services	5 648 967	2 603 568	5 648 967	2 603 568
Total remuneration of strategic executive directors	<u>10 476 145</u>	<u>6 615 012</u>	<u>10 476 145</u>	<u>6 615 012</u>
25 REMUNERATION OF COUNCILLORS				
Mayor's allowance	28 721	370 044	28 721	370 044
Councillor's allowances	35 393 170	27 806 355	35 393 170	27 806 355
Councillor's pension contributions	3 655 173	2 931 804	3 655 173	2 931 804
Travelling allowance	13 209 916	10 633 608	13 209 916	10 633 608
Councillor's medical contributions	993 645	810 628	993 645	810 628
Councillor's housing allowances	2 070 178	1 648 920	2 070 178	1 648 920
Total remuneration of councillors	<u>55 350 803</u>	<u>44 201 359</u>	<u>55 350 803</u>	<u>44 201 359</u>
In-kind Benefits				
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality. According to the organisational structure of the parent the Sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers.				
26 DEPRECIATION CHARGES				
Depreciation: Property, plant and equipment	400 806 612	511 275 793	403 641 510	550 332 518
Depreciation: Leased assets	82 484 053	63 630 859	82 484 053	63 630 859
Depreciation: Rehabilitation assets	16 813 874	0	16 813 874	0
Total depreciation charges per Statement of Financial Performance	<u>500 104 539</u>	<u>574 906 652</u>	<u>502 939 437</u>	<u>613 963 377</u>
Note: The depreciation per Appendix B includes the accumulated depreciation of Roodeplaat Temba Water Services Trust to the value of R97 378 412 and excludes the depreciation in respect of Leased assets to the value of R82 484 053.				
27 INTEREST PAID				
Long-term liabilities	439 907 189	329 835 287	440 606 509	399 560 180
Leases	36 594 289	29 131 466	36 594 289	29 131 466
Amortisation: provisions	20 566 053	0	20 566 053	0
Bank overdrafts	10 516 621	2 790 579	10 545 698	2 797 966
Total interest paid per Statement of Financial Performance	<u>507 584 152</u>	<u>361 757 332</u>	<u>508 312 549</u>	<u>431 489 612</u>

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
28 BULK PURCHASES				
Electricity	2 099 127 336	1 540 732 190	2 099 493 026	1 541 157 374
Water	619 058 616	666 086 020	735 780 591	673 036 319
Total Bulk Purchases per Statement of Financial Performance	2 718 185 952	2 206 818 210	2 835 273 617	2 214 193 693
29 GRANTS AND SUBSIDIES PAID				
Grants-in-aid	1 000 000	1 094 524	1 000 000	1 094 524
Grants-in-aid: Assessment rates	8 833 837	10 490 155	8 833 837	10 490 155
Total Grants and Subsidies Paid	9 833 837	11 584 679	9 833 837	11 584 679
<p>The grant in aid is in respect of the funding of Non-Governmental Organisations involved in empowerment programmes for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.</p> <p>The Municipality has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in Section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the Municipality in writing, for such grant-in-aid.</p>				
30 GENERAL EXPENSES				
Included in General expenses are the following amounts above R40 million				
Project Linked Housing: Top structures	135 002 463	125 601 978	135 002 463	125 601 978
Soccer World Cup 2010 related expenses	75 386 212	12 141 402	75 386 212	12 141 402
Advertising and marketing	57 956 449	10 967 005	57 956 449	10 967 005
Rental of property, plant and equipment	189 633 002	158 269 883	189 633 002	158 269 883
Household refuse removal	75 545 094	51 225 642	75 545 094	51 225 642
Electricity disconnections	47 994 896	41 664 038	47 994 896	41 664 038
Service providers	100 382 562	74 036 441	100 382 562	74 036 441
Insurance premiums and excesses	96 718 227	50 992 065	96 718 227	50 992 065
Tellecommunication	51 513 464	67 798 767	51 513 464	67 798 767
Private sector labour	56 910 704	89 007 286	56 910 704	89 007 286
Special projects	57 954 081	57 324 522	57 954 081	57 324 522
Restructuring/Transformation	47 334 342	53 088 532	47 334 342	53 088 532
Rental of property	80 009 959	70 359 518	80 009 959	70 359 518
Watchmen services	107 365 634	80 157 450	107 365 634	80 157 450
Implementation: OITPS	42 286 005	43 965 459	42 286 005	43 965 459
Consultant fees	49 726 108	30 712 841	49 726 108	30 712 841
Employment benefit provision expense	165 303 000	838 893 000	165 303 000	838 893 000
Other (individual amounts below R40 million)	1 091 279 306	901 327 180	991 790 405	1 012 118 958
Total general expenses	2 528 301 508	2 757 533 009	2 428 812 607	2 868 324 787

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
31 CASH GENERATED BY OPERATIONS				
Net surplus for the year	720 410 440	338 977 001	700 738 737	295 360 547
Adjustment for:-				
Prior year adjustments	0	(19 652 442)	(4 307 537)	(18 416 182)
Deferred operating lease liability: Roodeplaat Temba on disestablishment	0	0	(2 078 122)	
Depreciation	500 104 539	574 906 652	502 939 437	613 963 377
Asset impairment	6 901 250	0	6 901 250	0
Depreciation corrections	0	0	0	1 425 219
Gain on disposal of property, plant and equipment	(2 779 292)	(4 936 900)	(2 786 173)	(4 936 900)
Contribution to Provision for rehabilitation of quarries	0	18 061 985	0	18 061 985
Contribution to Provision for rehabilitation landfill sites	0	63 360 000	0	63 360 000
Contribution to Provision for Clearing up Alien Vegetation	578 947	526 315	578 947	526 315
Contribution to non-current provisions	117 194 138	0	117 194 138	0
Roodeplaat Temba accumulated depreciation	97 378 452	0	0	0
Employment benefit provision	165 303 000	838 893 000	165 303 000	838 893 000
Adjustment Cashbook balance: prior year Housing Company Tshwane	0	0	0	0
Contribution to bad debt provision	188 284 125	179 914 389	209 763 449	237 195 408
Contribution to bad debt provision - housing	(14 773 835)	0	(14 773 835)	0
Contribution to bad debt provision - other debtors	(163 456 360)	0	(163 873 240)	0
Operating surplus before working capital changes:	1 615 145 404	1 990 050 002	1 515 600 051	2 045 432 769
Decrease/(Increase) in inventories	(24 718 102)	(50 658 223)	(26 980 482)	(23 180 927)
(Increase)/decrease in consumer debtors	(462 801 572)	(381 401 725)	(479 883 593)	(437 463 478)
(Increase)/decrease in other debtors	(198 224 092)	(3 880 029)	(227 807 424)	(14 818 200)
(increase)/decrease in non-current loans (long-term receivables)	(52 840 642)	54 734 651	(52 840 642)	56 240 702
(Decrease)/increase in conditional grants and receipts	91 160 106	117 769 301	100 555 587	122 052 253
Increase/(Decrease) in provisions	0	0	134 980	(1 536 192)
Increase/(decrease) in creditors	901 227 374	(64 654 388)	904 886 253	(118 928 013)
Increase/(decrease) in consumer deposits	14 781 014	10 399 873	15 733 266	11 930 920
Increase/ (Decrease) in VAT	60 204 345	46 166 365	53 900 189	52 450 080
Cash generated from operations	1 943 933 835	1 718 525 827	1 803 298 185	1 692 179 914
32 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position				
Bank balances and cash	89 560 594	43 235 693	95 849 564	214 534 141
Call investment deposits	177 605 393	235 135 631	187 814 191	272 462 172
Bank overdraft	(95 416 694)	(106 407 370)	(95 416 694)	(106 678 519)
Total cash and cash equivalents	171 749 293	171 963 954	188 247 061	380 317 794

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term liabilities (see Note 2)	4 336 968 216	2 878 344 490	4 341 642 248	3 401 189 958
Used to finance property, plant & equipment - at cost	5 832 746 578	3 474 287 272	5 832 746 578	3 474 287 272
Sub Total	(1 495 778 362)	(595 942 782)	(1 491 104 330)	(73 097 314)
Cash set aside for the repayment of long-term liabilities	598 458 250	568 644 654	598 458 250	568 644 654
Cash invested for repayment of long-term liabilities (see Note 18)	(2 094 236 612)	(1 164 587 436)	(2 089 562 580)	(641 741 968)
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.				
Included in the amount used to finance PPE (2009 = R5 832 746 578; 2008 = R3 474 287 272) is temporary advances (2009 = R1 148 180 881; 2008 = R761 199 084) which were temporarily financed out of revenue in expectation of the receipt of external loans over the year end.				
34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
34.1 Contributions to organized local government				
Opening balance	0	78 729	0	78 729
Council subscriptions	1 341 856	1 006 419	1 341 856	1 006 419
Amount paid - current year	(1 341 856)	(1 006 419)	(1 341 856)	(1 006 419)
Amount paid - previous years	0	(78 729)	0	(78 729)
Balance unpaid (included in creditors)	0	0	0	0
34.2 Audit fees				
Opening balance	1 863 140	1 811 162	1 863 140	1 886 162
Current year audit fee	7 700 775	8 381 197	8 871 161	8 693 672
Amount paid - current year	(7 700 775)	(6 518 057)	(8 871 161)	(6 830 532)
Amount paid - previous years	(1 863 140)	(1 811 162)	(1 863 140)	(1 886 162)
Balance unpaid (included in creditors)	0	1 863 140	0	1 863 140
The balance is with regard to the previous financial year and was paid in the next financial year.				
34.3 VAT				
VAT inputs receivables and VAT outputs receivables are shown in note 9				
All VAT returns have been submitted by the due date throughout the financial year.				
34.4 PAYE AND UIF				
Opening balance	29 995 590	28 010 798	30 158 100	28 012 016
Current year payroll deductions	401 350 501	355 353 962	406 825 528	360 353 795
Amount paid - current year	(367 602 339)	(325 358 372)	(372 686 901)	(330 195 695)
Amount paid - previous years	(29 995 590)	(28 010 795)	(30 158 100)	(28 012 013)
Balance unpaid (included in creditors)	33 748 162	29 995 593	34 138 627	30 158 103
34.5 Pension and Medical aid deductions				
Opening balance	0	0	0	0
Current year payroll deductions and council contributions	766 356 276	698 773 018	766 356 276	698 773 018
Amount paid - current year	(766 356 276)	(698 773 018)	(766 356 276)	(698 773 018)
Amount paid - previous years	0	0	0	0
Balance unpaid (included in creditors)	0	0	0	0

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
34.6 Councillor's arrear consumer accounts				
Amounts outstanding for more than 90 days at year end:				
COUNCILLORS WITHOUT PAYOFF ARRANGEMENTS:				
Blaauw M P	624	0	624	0
Buthlezi F K & N L E	11 178	0	11 178	0
Buthlezi M M	0	59 636	0	59 636
Dzumba K Y	0	11 466	0	11 466
Dichabe M M	0	112	0	112
Dlamini S S	0	274	0	274
Engelbrecht J	668	0	668	0
Hoseka N P	0	2 882	0	2 882
Huma S E	0	1 546	0	1 546
Kekana C	227	0	227	0
Kekana M H & M A	2 657	0	2 657	0
Ledwaba D C	0	5 278	0	5 278
Lehobye M J	0	315	0	315
Lesomo N A	748	0	748	0
Linde E	0	921	0	921
Majeng M J	0	288	0	288
Maluleka E M & H W	0	1 295	0	1 295
Mathekgga C M	9 778	0	9 778	0
Moagi T S	0	1 772	0	1 772
Modumaela B E	0	4 342	0	4 342
Mogaladi M J	0	103	0	103
Morudi M S	0	21 936	0	21 936
Naiker S S	0	1 144	0	1 144
Nkwashu C S	0	1 754	0	1 754
Phala P M	210	0	210	0
Segabutla L O	0	112	0	112
Wannenber D G	635	0	635	0
Total	26 725	115 176	26 725	115 176
COUNCILLORS WITH PAYOFF ARRANGEMENTS:				
Buthlezi M M	39 839	0	39 839	0
Gumede K K & D F	5 031	0	5 031	0
Hoseka N P	2 270	0	2 270	0
Kgashane S	17 447	0	17 447	0
Ledwaba D C	2 809	0	2 809	0
Lepati M A	0	9 276	0	9 276
Mamabolo C S	0	5 596	0	5 596
Mogashoa B	1 991	0	1 991	0
Mokgalapa S & B P	0	2 729	0	2 729
Mithetwa D	9 410	10 000	9 410	10 000
Rambau T V	2 492	4 900	2 492	4 900
Seoketsa G	36 953	30 914	36 953	30 914
Swarts A P	0	2 575	0	2 575
Thipe J	0	2 312	0	2 312
Wannenburg B J	4 401	0	4 401	0
Total	122 643	68 302	122 643	68 302

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
TOTAL AMOUNT OUTSTANDING:				
Blaauw M P	624	0	624	0
Buthelezi F K & N L E	11 178	0	11 178	0
Buthelezi M M	39 839	59 636	39 839	59 636
Dlamini S S	0	274	0	274
Dichabe M M	0	112	0	112
Dzumba K Y	0	11 466	0	11 466
Engelbrecht J	668	0	668	0
Gumede K K & D F	5 031	0	5 031	0
Hoseka N P	2 270	2 882	2 270	2 882
Huma S E	0	1 546	0	1 546
Kekana C	227	0	227	0
Kekana M H & M A	2 657	0	2 657	0
Kgashane S	17 447	0	17 447	0
Ledwaba D C	2 809	5 278	2 809	5 278
Lehobye M J	0	315	0	315
Lepati M A	0	9 276	0	9 276
Lesomo N A	748	0	748	0
Linde E	0	921	0	921
Majeng M J	0	288	0	288
Maluleka E M & H W	0	1 295	0	1 295
Mathekga C M	9 778	0	9 778	0
Moagi T S	0	1 772	0	1 772
Modumaela B E	0	4 342	0	4 342
Mogaladi M J	0	103	0	103
Mogashoa B	1 991	0	1 991	0
Morudi M S	0	21 936	0	21 936
Mamabolo C S	0	5 596	0	5 596
Mokgalapa S & B P	0	2 729	0	2 729
Mithewa D	9 410	10 000	9 410	10 000
Naiker S S	0	1 144	0	1 144
Nkwashu C T	0	1 754	0	1 754
Phala P M	210	0	210	0
Rambau T V	2 492	4 900	2 492	4 900
Ramokgopa K D	0	112	0	112
Seoketsa G	36 953	0	36 953	0
Seoketsa G	0	30 914	0	30 914
Swarts A P	0	2 575	0	2 575
Thipe J	0	2 312	0	2 312
Wannenber D G	635	0	635	0
Wannenber B J	4 401	0	4 401	0
Total arrear councillor consumer accounts	149 368	183 478	149 368	183 478

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
34.7 Non-compliance with applicable legislation (MFMA)				
34.7.1 Section 74(1) The Municipality failed to submit electronic and signed returns on Conditional Grants spending for the period ended 30 June 2009 within the timeframes of the act. Furthermore, the Municipality also did not sign off on the verification of the Section 71 Report for the period ended 30 June 2009 within the timeframe of the act.				
34.7.2 Section 167 The provision of housing for the Executive Mayor does not fall within the framework of the Public Office-Bearers Act				
34.7.3 Section 65(e) All invoices are not paid within 30 days as required by section 65(e), although an accrual is done at year end to rectify this transgression				
34.7.4 Section 126(2) No financial statements were submitted to the Office of the Auditor-General by Tshwane Centre for Business Information and Support (CENBIS) a municipal entity of the City of Tshwane. A Council resolution was taken on 25 November 2004 to wind up this entity. The entity has been dormant since 2007.				
34.7.5 Section 62 and 95 The Municipality did not have an effective risk management policy and framework as required. The risk committee was not established during the financial year under review. This resulted in adequate measures not being in place to adequately identify, assess and manage these risks to ensure that it is mitigated.				
35 CAPITAL COMMITMENTS Commitments in respect of capital expenditure (budgeted amounts next financial year):				
- Approved and contracted for	3 460 300 014	2 489 482 188	3 460 300 014	2 489 482 188
Infrastructure	2 905 065 110	2 015 657 358	2 905 065 110	2 015 657 358
Community	152 790 000	253 603 000	152 790 000	253 603 000
Other	211 344 904	147 150 000	211 344 904	147 150 000
Housing	191 100 000	73 071 830	191 100 000	73 071 830
- Approved but not contracted for	87 208 100	672 282 990	87 208 100	672 282 990
Infrastructure	62 727 200	454 306 800	62 727 200	454 306 800
Community	17 980 900	22 045 400	17 980 900	22 045 400
Other	6 500 000	175 930 790	6 500 000	175 930 790
Investment property	0	0	0	0
Housing	0	20 000 000	0	20 000 000
	3 547 508 114	3 161 765 178	3 547 508 114	3 161 765 178
This expenditure will be financed from:				
- Council Own Funding (External loans and/or Capital replacement reserve)	2 158 620 900	2 138 968 400	2 158 620 900	2 138 968 400
- Capital replacement reserve	38 469 778	61 315 790	38 469 778	61 315 790
- Provincial grants	6 825 126	26 070 000	6 825 126	26 070 000
- Government Housing	255 481 230	84 321 988	255 481 230	84 321 988
- PTIS	693 254 080	501 654 000	693 254 080	501 654 000
- MIG	342 079 000	288 935 000	342 079 000	288 935 000
- National Electrification Fund	52 778 000	60 500 000	52 778 000	60 500 000
	3 547 508 114	3 161 765 178	3 547 508 114	3 161 765 178

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
36 RETIREMENT BENEFIT INFORMATION				
36.1 PENSION FUNDS				
Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.				
36.1.1 DEFINED CONTRIBUTION PLANS (AS CLASSIFIED BY THE RELEVANT FUND):				
The Municipality contributes to the following defined contribution plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee related costs, Note 24)				
Tshwane Municipal Provident Fund. 2 584 (21,92 %) of the Municipality's employees are members of this fund.	292 671 010	263 505 343	292 671 010	263 505 343
Pension Fund for Municipal Councillors: The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund . 105 (0,89 %) of the Municipality's employees are members of this fund.	99 739 562	87 684 898	99 739 562	87 684 898
National Fund for Municipal Workers. 3 318 (28,14 %) of the Municipality's employees are members of this fund.	6 894 592	5 531 174	6 894 592	5 531 174
SALA Provident Fund. 89 (0,76 %) of the Municipality's employees are members of this fund.	155 494 094	143 286 240	155 494 094	143 286 240
SAMWU National Pension Fund. 18 (0,15 %) of the Municipality's employees are members of this fund.	1 028 986	990 670	1 028 986	990 670
SAMWU National Provident Fund. 1001 (8,49 %) of the Municipality's employees are members of this fund.	604 816	72 175	604 816	72 175
Germiston Municipal Retirement Fund . 1 (0,00 %) of the Municipality's employees are members of this fund.	27 543 006	24 610 448	27 543 006	24 610 448
Meshawu National Local Authorities Retirement Fund. 56 (0,47 %) of the Municipality's employees are members of this fund.	50 683	63 513	50 683	63 513
	1 315 271	1 266 225	1 315 271	1 266 225
36.1.2 DEFINED BENEFIT PLANS (AS CLASSIFIED BY THE RELEVANT FUNDS):				
TSHWANE MUNICIPAL PENSION FUND				
The Consulting Actuaries reported that the Fund was in a sound financial position with a funding level of 100 % . 401 (3,40%) of the Municipality's employees are members of this fund.				
Included in general expenses are:-				
Current service cost	24 410 000	24 338 000	24 410 000	24 338 000
Interest cost	81 379 000	54 774 000	81 379 000	54 774 000
Expected return on assets	(70 947 000)	(54 645 000)	(70 947 000)	(54 645 000)
Recognised Net (Gain)/Loss	95 968 000	74 846 000	95 968 000	74 846 000
Defined benefit expense	130 810 000	99 313 000	130 810 000	99 313 000
Post-employment benefit liability (funded status)				
Present value of the obligation	(770 600 000)	(740 349 000)	(770 600 000)	(740 349 000)
Fair value of plan assets	521 099 000	605 706 000	521 099 000	605 706 000
Recognised actuarial gains	0	0	0	0
Reecognised past service cost	0	0	0	0
Liability recognised in statement of financial position	(249 501 000)	(134 643 000)	(249 501 000)	(134 643 000)
Reconciliation of defined benefit obligation:				
Present value of obligation at beginning of year	740 349 000	616 031 000	740 349 000	616 031 000
Interest cost	81 379 000	54 774 000	81 379 000	54 774 000
Current service cost	24 410 000	24 338 000	24 410 000	24 338 000
Member contributions	6 367 000	5 992 000	6 367 000	5 992 000
Risk premiums	(2 086 000)	(1 963 000)	(2 086 000)	(1 963 000)
Benefits paid	(24 044 000)	0	(24 044 000)	0
Actuarial (gain)/loss on obligation	(55 775 000)	41 177 000	(55 775 000)	41 177 000
Present value of obligation at end of year	770 600 000	740 349 000	770 600 000	740 349 000

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Reconciliation of plan assets (None of the Municipality's own financial instruments or property are included in the fair value of plan assets)				
Fair value of plan assets at beginning of year	605 706 000	565 687 000	605 706 000	565 687 000
Expected return on plan assets	70 947 000	54 645 000	70 947 000	54 645 000
Contributions	22 319 000	21 006 000	22 319 000	21 006 000
Risk premiums	(2 086 000)	(1 963 000)	(2 086 000)	(1 963 000)
Benefits paid	(24 044 000)	0	(24 044 000)	0
Actuarial (gain)/loss on obligation	(151 743 000)	(33 669 000)	(151 743 000)	(33 669 000)
Fair value of plan assets at end of year	521 099 000	605 706 000	521 099 000	605 706 000
Composition of plan assets:				
Cash	13.71 %	10.17 %	13.71 %	10.17 %
Equity	52.98 %	58.12 %	52.98 %	58.12 %
Bonds	20.60 %	15.94 %	20.60 %	15.94 %
Property	0.08 %	0.00 %	0.08 %	0.00 %
Other	0.00 %	0.00 %	0.00 %	0.00 %
International	12.63 %	15.77 %	12.63 %	15.77 %
Total	100.00 %	100.00 %	100.00 %	100.00 %
Actual return on plan assets	80 796 000	20 976 000	80 796 000	20 976 000
Estimated contributions to be paid to the Tshwane Pension fund in the next financial period	21 650 000	20 233 000	21 650 000	20 233 000
MUNICIPAL GRATUITY FUND				
Actuarial valuations are carried out every 2 years. 1 413 (11.98%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund				
Included in general expenses are:-				
Current service cost	3 005 000	2 830 000	3 005 000	2 830 000
Interest cost	9 171 000	6 467 000	9 171 000	6 467 000
Expected return on assets	0	0	0	0
Recognised Net (Gain)/Loss	(2 345 000)	(240 000)	(2 345 000)	(240 000)
Defined benefit expense	9 831 000	9 057 000	9 831 000	9 057 000
Post-employment benefit liability (funded status)				
Present value of the obligation	(82 304 000)	(73 247 000)	(82 304 000)	(73 247 000)
Net (expense)/income recognised in Statement of financial performance	(9 831 000)	(9 057 000)	(9 831 000)	(9 057 000)
Recognised actuarial gains	0	0	0	0
Unrecognised past service cost	0	0	0	0
Liability recognised in statement of financial position	(92 135 000)	(82 304 000)	(92 135 000)	(82 304 000)
Reconciliation of defined benefit obligation:				
Present value of obligation at beginning of year	82 304 000	73 247 000	82 304 000	73 247 000
Interest cost	9 171 000	6 467 000	9 171 000	6 467 000
Current service cost	3 005 000	2 830 000	3 005 000	2 830 000
Benefits paid	0	0	0	0
Actuarial (gain)/loss on obligation	(2 345 000)	(240 000)	(2 345 000)	(240 000)
Present value of obligation at end of year	92 135 000	82 304 000	92 135 000	82 304 000
Estimated benefit payments to be paid iro Gratuities in the next financial period	16 557 000	0	16 557 000	0

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
36.1.3 MULTI-EMPLOYER FUNDS				
The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee remuneration, Note 24). Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of paragraph 30 of IAS 19. The total contributions are included in Employee related costs, Note 24)				
SALA Pension Fund. The actuarial valuation is carried annually since 1 July 1998. The actuarial valuation performed on 1 July 2004 showed an unfunded liability of R516,62 million (81,9 % funding level). The Municipality's employees make up approximately 5,4 % of the total membership and therefore the Municipality's possible liability with regard to the unfunded liability is calculated at R28 104 128. 911 (7,73 %) of the Municipality's employees are members of this fund.				
The Government Employees Pension Fund. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2004 reported the fund to be in a sound financial position with a funding level of 96,5 %. 14 (0,12 %) of the Municipality's employees are members of this fund.				
Joint Municipal Pension Fund. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 December 2005 reported a funding level of 97,7 % resulting in a shortfall of R44,237 million. The Municipality's employees make up approximately 1,78 % of the total membership. The Municipality's possible liability with regard to unfunded benefits is calculated to be R4 737 363. 54 (0,45 %) of the Municipality's employees are members of this fund.				
Municipal Employees Pension Fund. The actuarial valuation performed on 28 February 2005 reported the fund to be in a sound financial position with a funding level of 106,9 %. 1 823 (15,46%) of the Municipality's employees are members of this fund.				
	78 936 187	76 322 514	78 936 187	76 322 514
	26 961 721	25 698 482	26 961 721	25 698 482
	347 995	5 042 778	347 995	5 042 778
	3 175 481	3 171 218	3 175 481	3 171 218
	48 450 990	42 410 036	48 450 990	42 410 036
36.2 MEDICAL AID FUNDS				
Included in general expenses are:-				
Current service cost	14 321 000	13 078 000	14 321 000	13 078 000
Interest cost	57 523 000	54 012 000	57 523 000	54 012 000
Expected Employer Benefit Payments	(31 230 000)	(28 917 000)	(31 230 000)	(28 917 000)
Recognised Net (Gain)/Loss	0	0	0	0
Defined benefit expense	40 614 000	38 173 000	40 614 000	38 173 000
Post-employment benefit liability (funded status)				
Present value of the unfunded obligation	(621 946 000)	(583 773 000)	(621 946 000)	(583 773 000)
Recognised actuarial gains	(40 614 000)	(38 173 000)	(40 614 000)	(38 173 000)
Unrecognised past service cost	0	0	0	0
Liability recognised in statement of financial position	(662 560 000)	(621 946 000)	(662 560 000)	(621 946 000)
Reconciliation of defined benefit obligation:				
Present value of unfunded obligation at beginning of year	621 946 000	583 773 000	621 946 000	583 773 000
Interest cost	57 523 000	54 012 000	57 523 000	54 012 000
Current service cost	14 321 000	13 078 000	14 321 000	13 078 000
Employer contributions	(31 230 000)	(28 917 000)	(31 230 000)	(28 917 000)
Present value of obligation at end of year	662 560 000	621 946 000	662 560 000	621 946 000
Actuarial (gains)/losses recognised in other comprehensive income:				
Tshwane Pension Fund	95 968 000	74 846 000	95 968 000	74 846 000
Gratuities	(2 345 000)	(240 000)	(2 345 000)	(240 000)
Medical aid funds	0	0	0	0
Total amount of actuarial (gains)/losses recognised	93 623 000	74 606 000	93 623 000	74 606 000
Estimated employer benefit payments to be paid iro Medical aid funds in the next financial period	33 729 000	31 230 000	33 729 000	31 230 000

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
Sensitivity Results				
The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following:				
Subsidy Increase rate:				
Accrued liability 30 June	662 560 000	621 946 000	662 560 000	621 946 000
Decrease of 1 %	596 537 000	562 936 000	596 537 000	562 936 000
% change	(10.0 %)	(9.5 %)	(10.0 %)	(9.5 %)
Increase of 1 %	740 047 000	691 204 000	740 047 000	691 204 000
% change	11.7 %	0	11.7 %	0
Discount rate:				
Accrued liability 30 June	662 560 000	621 946 000	662 560 000	621 946 000
Decrease of 1 %	782 494 000	728 054 000	596 537 000	728 054 000
% change	18.1 %	0	(10.0 %)	0
Increase of 1 %	569 843 000	539 778 000	740 047 000	539 778 000
% change	(14.0 %)	(13.2 %)	11.7 %	(13.2 %)
36.3 ACTUARIAL ASSUMPTIONS				
A summary of the assumptions used in the valuation, together with a short description on each is given below:				
36.3.1 Economic assumptions (pension fund and gratuities):				
Discount rate	9.50 %	10.75 %	9.50 %	10.75 %
Inflation rate	6.00 %	8.00 %	6.00 %	8.00 %
Salary Increase rate	7.00 %	9.00 %	7.00 %	9.00 %
Expected rate of return on assets	10.25 %	11.75 %	10.25 %	11.75 %
Pension increase allowance	5.54 %	6.75 %	5.54 %	6.75 %
Health Care Cost Inflation	8.00 %	8.00 %	8.00 %	8.00 %
Discount rate (pension fund and gratuities):				
The rate to discount post-employment benefit obligations should be determined by reference to market yields at the date of the statement of financial position on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds should be used. In our opinion, there is no deep market in Corporate bonds in South Africa and as such we have set our recommended assumption with reference to the yield on South African Government Bonds of medium duration. This converts into an effective yield of 9.50 % as at 30 June 2009. In terms of the accounting standards, historical yields are less important and we consequently consider it appropriate to use the discount rate 9.50 % per annum.				
Inflation rate (pension fund and gratuities):				
While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 6.00 % per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. This assumption is in line with the SA Government's Monetary Policy target of 3 % to 6 % per annum.				
Salary increase:				
We have assumed that the level of salary increased to be awarded in the long-term will, on average be equal to inflation plus 1.0 % (pension funds) and 1.50 % (gratuities) plus a merit increase based on the age-related table below:				
Age	Merit Increase			
20	13.5 %			
25	9.0 %			
30	5.5 %			
35	3.0 %			
40	1.5 %			
45	1.0 %			

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
<p>Expected return on assets: The Fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions we made use of the asset split as at 30 June 2009. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implies a yield on government bonds of 9.50 % per annum. The expected long-term rate of return on equities was set at a level of 3 % above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 2 % below the bond rate. Adjustments were made to reflect the effect of expenses.</p> <p>Pension rate increase: We have made use of a post-retirement discount rate of 3.75 % per annum which drives the pension increase policy of the Trustees. This implies a pension increase rate of 5.54 % per annum.</p> <p>Health Care Cost Inflation: We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 8.00 % per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 2.00 % per annum over the long-term.</p>				
<p>37 CONTINGENT LIABILITIES</p> <p>37.1 HOUSING LOANS Guarantees for housing loans to employees at financial institutions With the implementation of the MFMA no new guarantees are issued, the liability will therefore decrease in future. The property is used as collateral in cases of default on payments</p>	1 815 627	2 023 797	1 815 627	2 023 797
<p>37.2 INDEMNIFICATION Value of investments ceded to the Workmen's Compensation Commissioner in compliance with the requirements of the Compensation for Occupational Injuries and Diseases Act, 1993. The capitalised value as at 31 December as calculated by the Department of Labour amounted to Consistent with prior years the amendment to the cession will be addressed in the following financial year</p>	41 303 607	32 996 015	41 303 607	32 996 015
<p>37.3 INSURANCE CLAIMS Pending claims against the Municipality in respect of vehicle accidents and Public Liabilities which originated before 30 June. The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R190,686 million (2007/08 = R228,951 million) Civirelo Water has an unresolved legal matter to the value of R500 000. The Municipal Entity's attorneys are still in mediation with the plaintiff's attorneys. It was agreed to enter in a mediation process.</p>	66 342 062	57 139 428	67 904 121	58 525 718
<p>37.4 RETIREMENT OF REDUNDANT EMPLOYEES The retirement of redundant employees resulted in the following estimated long term liabilities (these liabilities are budgeted for annually): *Pension fund contribution with regard to all employees who received packages and who qualify for a monthly pension up to the approved age of retirement. *Sick fund contribution payable to Pretmed with regard to all employees who received packages and who are deemed to be full members of the fund up to the approved age of retirement.</p>	52 309 000	63 603 000	52 309 000	63 603 000
	46 719 000	46 102 000	46 719 000	46 102 000
<p>37.5 GUARANTEES Guarantees issued in favour of Eskom</p>	213 500	213 500	213 500	213 500
<p>38 IN-KIND DONATIONS AND ASSISTANCE The Municipality received the following in-kind donations and assistance Description: Secondment of two (2) representatives from SAICA</p>				

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
39 EVENTS AFTER THE REPORTING PERIOD No material events occurred with respect to the 2008/09 financial year since year end and the date of the Statement of financial position				
39.1 External loans				
DBSA: Loan at 11,315 % over 20 years		200 000 000		200 000 000
DBSA: Loan at 6,25 % over 20 years	None	50 000 000	None	50 000 000
Total		<u>250 000 000</u>		<u>250 000 000</u>
39.2 Investments				
ABSA Call investment @ 11,55 %		49 000 000		49 000 000
Investec Call investment @ 11,50 %		49 000 000		49 000 000
Nedcor Call investment @ 11,65 %		49 000 000		49 000 000
RMB Call investment @ 11,50 % to 11,00 %		49 000 000	None	49 000 000
Stanlib call investment in respect of Contingency Insurance Fund		169 020 600		169 020 600
		<u>365 020 600</u>		<u>365 020 600</u>
39.3 Short-term loan				
ABSA short-term loan @ 13,85 %	None	84 000 000	None	84 000 000
39.4 Roodeplaat/Temba Water Services Trust (RTWST)				
Loans taken over from 1 July 2008 with the disestablishment of the trust	Not applicable	518 067 525	Not applicable	518 067 525
40 COMPARISON WITH THE BUDGET				
The comparison of the actual financial performance with that budgeted is set out in Appendices E, F and G				
41 DIRECTORS EMOLUMENTS				
41.1 Municipal Entities				
Paid by company for services as directors			2 092 208	2 094 162
42 RELATED PARTY DISCLOSURES				
Parent				
The following municipal entities were under the control of the erstwhile/disestablished municipalities. The City of Tshwane Metropolitan Municipality became the parent municipality on 5 December 2000 as a result of the successor in law principle.				
Transactions between related parties are as follows:				
42.1 Civirelo Water:				
Gauteng Housing via CoT (General expenses)	28 917 630	975 800	28 917 630	975 800
Creditors	11 637 757	20 000	11 637 757	20 000
42.2 Housing Company Tshwane:				
Sundry debtors (un-paid reimbursement budgeted amounts)	0	128 604	0	128 604
Received Electricity and Water sales and rates and taxes	466 633	490 482	466 633	490 482
Paid General Expenses	8 357 791	117 439	8 357 791	117 439
Sundry creditors (i.r.o water & electricity & rates)	59 321	104 339	59 321	104 339

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
42.3	Roodeplaats Temba Water Services Trust:			
Paid Water (water sales to CoT)		101 413 208		101 413 208
Beneficiary distribution		0		0
Interest - finance lease		3 283 804		3 283 804
Lease charges		704 630		704 630
Accounts receivable		14 120 965		14 120 965
Accounts payable		0		0
Deferred operating lease liabilities		2 078 122		2 078 122
Finance lease liabilities		25 976 434		25 976 434
This entity was disestablished on 30 June 2008. All transactions, assets and liabilities were taken over by City of Tshwane on 1 July 2008. A summary of the transactions is as follows:				
External loans	(518 067 525)		(518 067 525)	
Interest received	(3 847 947)		(3 847 947)	
Property, plant & equipment - Accumulated depreciation	(97 378 452)		(97 378 452)	
Interest repayment external loans	(13 064)		(13 064)	
Sundry debtor	14 873		14 873	
Cash/bank balance	167 251 450		167 251 450	
Property, plant & equipment - Cost	475 042 472		475 042 472	
Bank charges	1 098		1 098	
Gain on disestablishment (refer to Statement of Financial Performance)	23 002 905		23 002 905	
42.4	Sandspruit Works Association:			
Outstanding payments i.r.o. water & electricity/authority billing	796 501	0	796 501	0
Water purchases from CoT	214 011	88 009	214 011	88 009
Subsidy received from CoT	35 278 819	29 650 262	35 278 819	29 650 262
DWAF subsidy (creditor)	811 205	0	811 205	0
DWAF subsidy paid to Sandspruit (ODI) (creditor)	11 719 714	0	11 719 714	0
Paid Water/Sales to CoT	133 284 870	113 534 868	133 284 870	113 534 868
Waste water (creditor)	5 346 128	0	5 346 128	0
Sanitation operational deficit (debtor)	47 000 805	34 675 380	47 000 805	34 675 380
Operating loss account (creditor)	15 507 901	3 001 199	15 507 901	3 001 199
42.5	Trade Point Pretoria: No related party transactions occurred			
42.6	Tshwane Cenbtre for Business Information and Support (Cenbis) No related party transactions occurred			
	Under liquidation	Under liquidation	Under liquidation	Under liquidation
	Under liquidation	Under liquidation	Under liquidation	Under liquidation
43	PRIOR YEAR ADJUSTMENTS (Refer to Statement of Changes of Parent)			
43.1	Expenditure of the 2006/07 financial year was restated in respect of:			
Reclassification of operating leases to finance leases (first time accounting for leases and restating retrospectively)		(99 848 247)		(99 848 247)
Write back of interest on long-term debtors (as a result of in-duplum rule)		35 821 377		35 821 377
Prepaid electricity sales iro 2006/07 posted in 2007/08		(9 872 540)		(9 872 540)
Depreciation of leased assets (first time accounting for leases and restating retrospectively)		70 358 385		70 358 385
Interest on lease liabilities (first time accounting for leases and restating retrospectively)		37 082 548		37 082 548
Restatement of threshold assets (net of depreciation and reversal of expense to assets)		(7 170 357)		(7 170 357)
Municipal entities: audit adjustments		0		3 776 566
Total prior year adjustment iro 2006/07		26 371 166		30 147 732

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
43.2 Restatement of Statement of financial position of 2006/07 Accounting for lease assets (brought in for first time in 2007/08 but restated 2006/07)		261 396 192		261 396 192
43.3 Restatement of expenditure iro 2007/08 during 2008/09 Grant expenditure (expenditure of 2008/09 accrued incorrectly in 2007/08) Depreciation: ICS register brought in on asset register (ICS Register was formerly not part of Fixed Asset Register) Assets brought in at fair value (assets found during verification process which were not on asset register) ICS Register brought in on asset register - Cost (ICS Register was formerly not part of Fixed Asset Register) Interest on leases (correction of calculation error during 2007/08) Depreciation: Zero value assets (correction)	(5 280) 12 283 419 (35 081 273) (169 133 571) (392 339) 20 235 296		(5 280) 12 283 419 (35 081 273) (169 133 571) (392 339) 20 235 296	
43.4 Restatement of revenue iro 2007/08 during 2008/09 Grant revenue recognised (various grant revenue recognised in 2007/08 which related to 2008/09) Ambulance subsidy (accrual done in 2007/08 was too high) Property rates revenue Revenue i.r.o. rezoning	(6 131 900) (925 250) 4 047 335 55 806 593		(6 131 900) (925 250) 4 047 335 55 806 593	
43.5 Restatement of reserves and provisions iro 2007/08 during 2008/09 Government grant reserve (upload of New Asset Register of 2007/08 on SAP difference corrected between reserve and asset register) Insurance reserve (correction of balance of Insurance Reserve to correspond with Cashbacking investment) Rehabilitation provisions (provision was expensed in stead of capitalised in 2007/08) Employment benefit provision expense and liability created (First time implementation of IAS 19: Employment Benefits) Capitalisation reserve: correction zero value assets Total restatements iro 2007/08 done in 2008/09	56 429 214 398 004 (81 421 984) 838 893 000 14 402 212 867 030 691		56 429 214 398 004 (81 421 984) 838 893 000 14 402 212 867 030 691	
43.6 Restatement of accumulated surplus prior to 2007/08 Amounts reimbursed by IEC incorrectly allocated to public contributions during 2004/05 Write back of accumulated depreciation on land - incorrectly calculation during 2004/05 Write back of accumulated depreciation on undeveloped land - incorrectly calculation during 2004/05 Property rates revenue corrections Depreciation correction: zero value assets Total restatement of accumulated surplus prior to 2007/08	(15 335 500) 141 347 465 123 324 (4 316 941) 128 845 874 250 664 222		(15 335 500) 141 347 465 123 324 (4 316 941) 128 845 874 250 664 222	
43.7 Restatement of reserves prior to 2007/08 during 2008/09 Capitalisation reserve: Write back on zero value assets depreciation Government grant reserve: Write back on zero value assets depreciation Total restatement of reserves prior to 2007/08 during 2008/09	139 469 413 7 553 936 147 023 349		139 469 413 7 553 936 147 023 349	
43.8 Prior year adjustments i.r.o Municipal entities Housing Company Tshwane Civirelo Roodeplaat Temba Water Services Trust Sandspruit Works Association Total restatements iro Municipal Entities			5 677 531 5 502 (9 989 370) 0 (4 306 337)	11 626 427 (110 172) (7 809 766) 70 076 3 776 565

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
44 OPERATING LEASES				
44.1 NON-CANCELLABLE				
Amounts of minimum lease payments under non-cancellable operating leases in respect of photocopier equipment are as follows for:				
* The next year	1 835 793	5 497 215	1 835 793	5 497 215
* Years 2 through 5 combined	1 311 049	3 078 233	1 311 049	3 078 233
* Beyond 5 years	0	0	0	0
Total	3 146 842	8 575 448	3 146 842	8 575 448
44.2 CANCELLABLE				
Amounts of minimum lease payments under cancellable operating leases in respect of photocopier equipment are as follows for:				
* The next year	1 516 364	1 497 586	5 644 991	3 162 353
* Years 2 through 5 combined	957 365	2 440 867	10 742 228	7 001 313
* Beyond 5 years	0	0	0	0
Total	2 473 729	3 938 453	16 387 219	10 163 666
45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE				
45.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance	51 175	0	51 175	0
Unauthorised expenditure in current year	74 962 306	51 175	74 962 306	51 175
Approved by Council/condoned	(36 000)	0	(36 000)	0
Unauthorised expenditure awaiting authorisation	74 977 481	51 175	74 977 481	51 175
2008: Incident 1: Unapproved travelling to Swaziland during November 2007. Disciplinary steps: A report to obtain approval has been submitted to the City Manager				
2008: Incident 2: Insurance claims not reported timeously and repudiated claims not compliant with procedural deadlines Disciplinary steps: Disciplinary actions taken against relevant employee				
2009: Incident 1: R14 012 470 expenditure on Municipal rates & services not budgeted for (costs should have been for tenants account) for Housing & Sustainable Development				
2009: Incident 2: R57 023 820 application for funds transfer in adjustments budget not approved for Economic Development: Bus Service				
2009: Incident 3: R2 800 000 No budget for contract employees from labour brokers (Electricity & Energy Department)				
2009: Incident 4: R589 915 Cable theft combat - expense to be recovered from claims (Electricity & Energy Department)				
2009: Incident 5: End user support (IMD) no authorisation from cost centre owner for debiting of costs (Electricity & Energy Department)				
45.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance	1 242 964	0	1 242 964	0
Fruitless and wasteful expenditure in current year	404 576	1 242 964	404 576	1 242 964
Approved by Council/condoned/repayed/written of	(82 370)	0	(82 370)	0
Fruitless and wasteful expenditure awaiting condonement/repayment	1 565 170	1 242 964	1 565 170	1 242 964
2008: Incident 1: Theft of laptop which an employee failed to register as an insurance claim to the amount of R24 200. Disciplinary steps - Departmental hearing was held on 27 June 2008. Employee signed admission of guilt and amount will be deducted from his salary.				
2008: Incident 2: Petty Cash - late A Baduza to the amount of R756. Awaiting approval of report to Strategic Executive Director to write off this expenditure. Expenditure was written off during 2008/09				
2008: Incident 3: Unauthorised trip to Namibia by Dr M Kruger in the Office of the City Manager. Disciplinary steps - Awaiting authorisation. Authorisation given during 2008/09 (R57 414.00)				
2008: Incident 4: Supply of fuel to contractor by Housing & Sustainable Human Settlement Development. Disciplinary steps - Investigation underway (R1 160 594.00)				
2009: Incident 1: Electricity & Energy Department (R404 576) claims repudiated due to outstanding case numbers from Cost centre. No Disciplinary steps taken				

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
45.3 Irregular expenditure				
Reconciliation of irregular expenditure:				
Opening balance	6 980	0	6 980	0
Irregular expenditure in current year	815 966	6 980	815 966	6 980
Approval/repayment during the current year	(6 980)	0	(6 980)	0
	815 966	6 980	815 966	6 980
Irregular expenditure awaiting condonement				
2008: Incident: Cash shortage at Premos restaurant. Action/Steps: Manager undertook in writing to replace cash shortage (R6 980)				
2009: Incident 1: Corporate & Shared Services - fraudulent payment of salaries. SAPS Case nr 182/10/2008. Reported in October 2008 (R150 336.66)				
2009: Incident 2: Sport, Recreation, Arts & Culture - New year celebration - Implementation of City Manager Report recommendation R553 360.00)				
2009: Incident 3: Electricity & Energy - Issuing of Gas stoves cost centre 109 30.				
45.4 Unauthorised expenditure due to late approval of deviation report (not approved before 31 August)				
General Assessments	277 891 177	212 146 820	277 891 177	212 146 820
Corporate and Shared Services	0	43 028 671	0	43 028 671
Economic Development	0	2 218 079	0	2 218 079
Agriculture and Environmental Management	199 207 792	202 865 365	199 207 792	202 865 365
Total (Refer to Appendix F for reasons for deviations)	477 098 969	460 258 935	477 098 969	460 258 935
45.5 Expenditure not budgeted for due to first time implementation of accounting Standard IAS 19: Employment Benefits				
Employment benefit provision expense	165 303 000	838 893 000	165 303 000	838 893 000
46 PUBLIC PRIVATE PARTNERSHIPS & JOINT VENTURES				
46.1 Public Private partnerships				
The City of Tshwane is involved in the following PPP's (only co-operative relationships) (existing contracts/agreements)				
* Health & Social Development with Foundation for Professional Development iro Multi Sectorial AIDS Management				
* Health & Social Development with City of Delft on Youth development life skills				
* Health Care Service with Elisabeth Glaser Paediatric Aids Foundation - prevention of AIDS transmission from mother to child				
46.2 Joint Ventures				
The City of Tshwane is involved in the following Joint Ventures - the parties however act independently (existing agreements)				
* Health Department with Maasmechelen Municipality for capacity building in respect of Community Structures (Working together as local authorities)				
* Health & Social Development with HSRC iro prevention strategy targeting commercial sex workers				

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009	2008	2009	2008
	R	R	R	R
<p>47 DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT PROCEDURES</p> <p>In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:</p> <ul style="list-style-type: none"> * in an emergency * if such goods or services are produced or available from a single provider only * for the acquisition of special works of art or historical objects where specifications are difficult to compile * acquisition of animals for zoos and/or nature and game reserves * in any other exceptional case where it is impractical or impossible to follow the official procurement processes <p>Deviations from the official procurement process during the financial year was approved in terms of the delegations as stipulated in the Supply Chain Management</p> <p>Policy and amounted to approximately the following: Deviations from tender process (amounts above R200 000 or projects spanning more than one year)</p> <p>Deviations from quotation process (amounts below R200 000)</p>				
	346 346 352	310 823 704	346 346 352	310 823 704
	4 939 171	5 767 340	4 939 171	5 676 340
<p>48 CHANGE IN ESTIMATE</p> <p>The useful lives of certain asset classes have been reviewed and adjusted to more accurately reflect the life spans of the assets. In a majority of the cases the lives of the items have been extended considerably. The effect of this revision has decreased the depreciation charges for the current and future periods by:-</p> <p>Other and infrastructure assets</p>				
	210 451 991	0	210 451 991	0
<p>49 FINANCIAL INSTRUMENTS (ONLY IN RESPECT OF PARENT)</p> <p>49.1 Risks In the course of the Municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.</p> <p>49.1.1 Interest rate risk The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:</p>				

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

Description	Floating rate	Fixed rate			Non-interest bearing		Total
		Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
YEAR ENDED 30 JUNE 2009							
Assets:							
Investments	201 227 196	476 724 571	13.97	13.62			677 951 767
Long-term receivables:							
Housing loans		57 556 328	13.87	30			57 556 328
Motor car loans		173 915	8.66	6			173 915
Loans to sport clubs		1 661 855	11.99	10			1 661 855
Study loans					5 293		5 293
Sale of Land		79 405 336	11.09	5			79 405 336
Arrangement debtors		58 243 480	15		187 128 830		245 372 310
Trade receivables:							
Consumer		2 895 098 051	15.00	1	875 049 898		3 770 147 949
Other					737 740 110		737 740 110
Cash	89 560 594						89 560 594
Total financial assets	290 787 790	3 568 863 536			1 799 924 131		5 659 575 457
Liabilities							
Interest bearing borrowings	162 331 528	3 946 687 331	11.24	15.93			4 109 018 859
Interest rate swaps		227 866 133	20.51	17.79			227 866 133
Lease liabilities	262 514 815						262 514 815
Trade payables:							
Creditors					2 514 243 575	0.08	2 514 243 575
Retention					142 689 724	1	142 689 724
Consumer deposits					282 759 977	0.08	282 759 977
Unspent grants and receipts					419 920 338	0.08	419 920 338
VAT					164 585 154	0.08	164 585 154
Bank overdrafts	95 416 694						95 416 694
Total financial liabilities	520 263 037	4 174 553 464			3 524 198 768		8 219 015 269
	(229 475 247)	(605 689 928)			(1 724 274 637)		(2 559 439 812)
YEAR ENDED 30 JUNE 2008							
Assets:							
Investments	197 926 170	462 762 530	14.21	14.03			660 688 700
Long-term receivables:							
Housing loans		59 092 140	13.87	30			59 092 140
Motor car loans		2 161 952	8.66	6			2 161 952
Loans to sport clubs		1 689 951	11.99	10			1 689 951
Study loans					13 930		13 930
Sale of Land		65 779 894	11.09	5			65 779 894
Arrangement debtors		48 096 653			154 500 876		202 597 529
Trade receivables:							
Consumer		2 423 755 273	14.5	1	883 591 104		3 307 346 377
Other					539 516 021		539 516 021
Cash	43 235 693						43 235 693
Total financial assets	241 161 863	3 063 338 393			1 577 621 931		4 882 122 187
Liabilities							
Interest bearing borrowings	162 331 528	2 488 146 829	11.00	15.48			2 650 478 357
Interest rate swaps		227 866 133	20.51	17.79			227 866 133
Lease liabilities	257 297 030						257 297 030
Trade payables:							
Creditors					1 659 044 641	0.08	1 659 044 641
Retention					96 661 285	1	96 661 285
Consumer deposits					267 978 963	0.08	267 978 963
Unspent grants and receipts					328 760 232	0.08	328 760 232
VAT					104 380 809	0.08	104 380 809
Bank overdrafts	106 407 370						106 407 370
Total financial liabilities	526 035 928	2 716 012 962			2 456 825 930		5 698 874 820
	(284 874 065)	347 325 431			(879 203 999)		(816 752 633)

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

Interest rate swaps

The Municipality has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the Municipality to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements.

The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the statement of financial position date the Municipality had entered into the following interest rate swaps relating to specific statement of financial position items:

	Date	Fixed rate	Fair value	Estimated fair value gain/ (loss)
		%	R	R
Year ended 30 June 2008	19 January 1994	19	200 000 000	(15 660 192)
			200 000 000	(15 660 192)
Year ended 30 June 2009	19 January 1994	19	200 000 000	(12 329 578)
			200 000 000	(12 329 578)

49.1.2 Currency risk

The Municipality undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. The Municipality, however, manages this risk by entering into contracts where the risk is carried by the service provider.

49.1.3 Credit risk

Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the Municipality to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the Municipality obtains appropriate deposits and guarantees from debtors to mitigate risk. The Municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The Municipality limits its treasury counter-party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The Municipality only deals with financial institutions with a short term credit rating of A+ and long-term credit rating of AA- and higher at an International accredited credit-rating agency. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Municipality's customer base and their dispersion across different industries and geographical areas. The Municipality does not have any significant exposure to any individual customer or counter-party. Accordingly, the Municipality does not consider there to be any significant concentration of credit risk, which had not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

	30 June 2009	30 June 2008
	%	%
Consumer debtors:		
Household	58	59
Industrial/Commercial	17	17
National and Provincial Government	1	1
Other consumer debtors	11	11
Other debtors:		
Housing	0	0
Government subsidies	0	0
RSC levies	0	5
Amounts paid in advance	0	0
Other	13	6
	100	100

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

49.1.4 Liquidity risk

The Municipality manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market:

	30 June 2009	30 June 2010	30 June 2011
	R	R	R
External funding: capital expenditure	822 000 000	800 000 000	650 000 000

49.1.5 Market risk

The Municipality is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The Municipality manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.

Interest rate risk management: The Municipality's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial assets/liabilities:**Trade and other receivables/payables: At a fixed rate of interest.**

Management manages interest rate risk by negotiating beneficial rates on floating rate loans and where possible using fixed rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities

49.2 Fair values

The Municipality's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables, long-term debt and derivative instruments (interest rate swaps).

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading.

The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Financial Performance over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

The fair value of financial liabilities at statement of financial position date are as follows:

Year ended	Fair value	Carrying amount
	R	R
30 June 2009		
<u>Liabilities</u>		
Interest rate swaps	200 000 000	200 000 000
30 June 2008		
<u>Liabilities</u>		
Interest rate swaps	200 000 000	200 000 000

Notes to the Consolidated Annual Financial Statements for the year ended 30 June 2009 (continued)

49.3 Hedging

Hedging is not allowed

49.4 Maturity profile

The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:

	1 Year or less	1 to 5 years	Over 5 years	Total
	R	R	R	R
YEAR ENDED 30 JUNE 2009				
Assets:				
Investments	177 605 394	496 689 319	3 657 054	677 951 767
Long-term receivables:				
Housing loans			57 556 328	57 556 328
Motor car loans	173 915			173 915
Loans to sport clubs			1 661 855	1 661 855
Study loans	5 293			5 293
Sale of Land		79 405 336		79 405 336
Arrangement debtors	118 219 963	127 152 347		245 372 310
Trade receivables:				
Consumer	3 770 147 949			3 770 147 949
Other	737 740 110			737 740 110
Cash	89 560 594			89 560 594
Total financial assets	4 893 453 218	703 247 002	62 875 237	5 659 575 457
Liabilities				
Interest bearing borrowings	5 812	419 554 525	3 689 458 522	4 109 018 859
Interest rate swaps		227 949 356		227 949 356
Lease liabilities	157 392 134	105 122 680		262 514 814
Trade payables:				
Creditors	2 514 243 575			2 514 243 575
Retention	142 689 724			142 689 724
Consumer deposits	282 759 977			282 759 977
Unspent grants and receipts	419 920 338			419 920 338
VAT	164 585 154			164 585 154
Bank overdrafts	95 416 694			95 416 694
Total financial liabilities	3 777 013 408	752 626 561	3 689 458 522	8 219 098 491
YEAR ENDED 30 JUNE 2008				
Assets:				
Investments	235 135 271	354 801 402	70 752 027	660 688 700
Long-term receivables:				
Housing loans			59 092 140	59 092 140
Motor car loans		2 161 952		2 161 952
Loans to sport clubs			1 689 951	1 689 951
Study loans	13 930			13 930
Sale of Land		65 779 894		65 779 894
Arrangement debtors	92 872 599	109 724 930		202 597 529
Trade receivables:				
Consumer	3 307 346 377			3 307 346 377
Other	539 516 021			539 516 021
Cash	43 235 693			43 235 693
Total financial assets	4 218 119 891	532 468 178	131 534 118	4 882 122 187
Liabilities				
Interest bearing borrowings	40 635 125	353 495 677	2 284 213 688	2 678 344 490
Interest rate swaps		200 000 000		200 000 000
Lease liabilities	150 248 193	107 048 837		257 297 030
Trade payables:				
Creditors	1 659 044 641			1 659 044 641
Retention	96 661 285			96 661 285
Consumer deposits	267 978 963			267 978 963
Unspent grants and receipts	328 760 232			328 760 232
VAT	104 380 809			104 380 809
Bank overdrafts	106 407 370			106 407 370
Total financial liabilities	2 754 116 618	660 544 514	2 284 213 688	5 698 874 820

Appendix A: Schedule of External Loans as at 30 June 2009- Parent

				Opening balance	Received during the year	Redeemed during the year	Amortised value	Closing balance	Carrying value of Property, Plant & Equipment
				R	R	R	R	R	R
EXTERNAL LOANS:									
LOCAL REGISTERED STOCK:									
Issued	Loan number	Interest rate (%)	Redeemable						
1997	105	16.65	2014.06.30	95 524 901	0	0	496 349	96 021 250	126 551 756
1993	104	14.15	2008.09.30	40 629 329	0	40 000 000	(629 329)	0	0
1984	43	16.25	2004.04.30	5 812	0	0	0	5 812	7 660
1990	55	16.40	2011.06.30	14 670 620	0	0	(61 478)	14 609 142	19 254 202
1992	62	13.50	2011.06.30	21 414 122	0	0	(273 460)	21 140 662	27 862 457
1993	63	14.00	2011.06.30	36 916 500	0	0	790 967	37 707 467	49 696 772
1997	65	15.75	2011.06.30	50 000 000	0	0	0	50 000 000	65 897 786
2000	66	16.50	2011.06.30	59 000 000	0	0	0	59 000 000	77 759 388
TOTAL LOCAL REGISTERED STOCK				318 161 284	0	40 000 000	323 049	278 484 333	367 030 021
TERM LOANS:									
DBSA: Bullet portion		13.50	2018.04.30	51 724 111	0	0	21 941	51 746 052	68 199 006
DBSA: Floating rate		Variable	2019.10.31	78 331 528	0	0	0	78 331 528	103 237 486
ABSA Bank loan B3		Variable	2011.06.30	84 000 000	0	0	0	84 000 000	110 708 281
INCA loan		17.15	2011.06.30	45 000 000	0	0	0	45 000 000	59 308 008
ABSA Bank Arbitrage		19.13	2011.10.31	227 866 133	0	0	83 223	227 949 356	300 427 159
TOTAL TERM LOANS				486 921 772	0	0	105 164	487 026 936	641 879 939
ANNUITY LOANS:									
DBSA		13.5	2018.04.30	239 307 959	0	10 988 969	(274 584)	228 044 406	300 552 431
DBSA Local Authorities		13.5	2012.12.31	14 628 304	0	2 552 300	0	12 076 004	15 915 639
DBSA (Restructuring)		10.87	2018.12.31	235 954 085	0	12 866 562	0	223 087 523	294 019 478
INCA		11.66	2019.06.30	17 435 996	0	875 935	0	16 560 061	21 825 427
INCA		9.52	2020.03.31	203 496 005	0	9 441 121	(107 605)	193 947 279	255 613 927
INCA		11.01	2020.06.30	45 254 380	0	1 956 705	0	43 297 675	57 064 419
DBSA		9.36	2020.12.31	250 938 884	0	11 260 822	0	239 678 062	315 885 074
INCA		10.92	2020.12.31	92 220 052	0	3 728 357	0	88 491 695	116 628 136
INCA		10.81	2021.06.30	75 143 954	0	2 850 183	0	72 293 771	95 279 989
DBSA		5.0	2021.12.31	90 139 493	0	5 070 687	0	85 068 806	112 116 920
DBSA		9.835	2021.12.31	369 274 910	0	15 000 273	0	354 274 637	466 918 286
Ivuzi		13.5	2021.12.31	189 467 412	0	7 788 818	0	181 678 594	239 444 343
DBSA		6.25	2028.06.30	50 000 000	50 000 000	2 880 175	0	97 119 825	127 999 629
DBSA		12.81	2028.06.30	200 000 000	0	2 435 260	0	197 564 740	260 381 580
DBSA		11.32	2028.06.30	0	200 000 000	1 504 949	0	198 495 051	261 607 689
ABSA Roodeplaat Temba		12.5	2021.03.31	0	234 799 996	7 705 080	7 709 350	234 804 266	309 461 627
DBSA Roodeplaat Temba		11.99	2021.03.31	0	121 842 531	4 170 002	3 854 981	121 527 510	160 167 878
Nedbank Roodeplaat Temba		12.51	2021.03.31	0	161 424 998	5 243 852	5 265 896	161 447 042	212 780 053
DBSA TIP		6.75	2029.06.30	0	150 000 000	0	0	150 000 000	197 693 359
DBSA IIP		10.84	2029.06.30	0	672 000 000	0	0	672 000 000	885 666 248
TOTAL ANNUITY LOANS				2 073 261 434	1 590 067 525	108 320 050	16 448 038	3 571 456 947	2 679 645 280
TOTAL EXTERNAL LOANS				2 878 344 490	1 590 067 525	148 320 050	16 876 251	4 336 968 216	5 715 932 094
FINANCE LEASES:									
ABSA		Variable *		13 515 052	8 480 433	6 558 276	0	15 437 209	14 591 213
AMASONDO		Variable *		73 449 180	8 108 224	33 680 418	0	47 876 986	44 921 910
DATACENTRIX		Variable *		17 678 334	28 500 175	15 635 122	0	30 543 387	28 567 205
DEBIS FLEET MANAGEMENT		Variable *		12 740 356	1 330 128	5 641 137	0	8 429 347	8 134 618
FLEET AFRICA		Variable *		12 940 573	2 414 434	10 848 250	0	4 506 757	4 399 812
IMPERIAL		Variable *		9 173 208	1 119 752	2 682 929	0	7 610 031	7 366 340
MAN FINANCIAL SERVICES		Variable *		0	79 947 995	10 224 362	0	69 723 633	68 976 454
STANDARD BANK		Variable *		28 126 576	3 027 042	9 551 045	0	21 602 573	21 125 518
STANNIC		Variable *		487 470	44 142	465 945	0	65 667	49 348
TSHWANE AUTO LEASING		Variable *		13 989 709	1 637 766	6 403 232	0	9 224 243	9 054 576
VIAMAX		Variable *		65 470 381	6 867 721	30 755 505	0	41 582 597	39 931 008
VUSWA		Variable *		9 726 192	809 518	4 623 325	0	5 912 385	5 753 837
TOTAL FINANCE LEASES				257 297 031	142 287 330	137 069 546	0	262 514 815	252 871 839
* Variable linked to prime rate									

Appendix A: Schedule of External Loans as at 30 June 2009- Group

				Opening balance	Received during the year	Redeemed during the year	Amortised value	Closing balance	Carrying value of Property, Plant & Equipment
				R	R	R	R	R	R
EXTERNAL LOANS:									
LOCAL REGISTERED STOCK:									
Issued	Loan number	Interest rate (%)	Redeemable						
1997	105	16.65	2014.06.30	95 524 901	0		496 349	96 021 250	126 551 756
1993	104	14.15	2008.09.30	40 629 329	0	40 000 000	(629 329)	0	0
1984	43	16.25	2004.04.30	5 812	0	0	0	5 812	7 660
1990	55	16.40	2011.06.30	14 670 620	0	0	(61 478)	14 609 142	19 254 202
1992	62	13.50	2011.06.30	21 414 122	0	0	(273 460)	21 140 662	27 862 457
1993	63	14.00	2011.06.30	36 916 500	0	0	790 967	37 707 467	49 696 772
1997	65	15.75	2011.06.30	50 000 000	0	0	0	50 000 000	65 897 786
2000	66	16.50	2011.06.30	59 000 000	0	0	0	59 000 000	77 759 388
TOTAL LOCAL REGISTERED STOCK				318 161 284	0	40 000 000	323 049	278 484 333	367 030 021
TERM LOANS:									
DBSA: Bullet portion		13.50	2018.04.30	51 724 111	0	0	21 941	51 746 052	68 199 006
DBSA: Floating rate		Variable	2019.10.31	78 331 528	0	0	0	78 331 528	103 237 486
ABSA Bank loan B3		Variable	2011.06.30	84 000 000	0	0	0	84 000 000	110 708 281
National Housing Finance Corp		14.00		4 484 943	0	103 911	0	4 381 032	4 381 032
Gauteng Partnership Fund		0.00		293 000	0	0	0	293 000	293 000
INCA loan		17.15	2011.06.30	45 000 000	0	0	0	45 000 000	59 308 008
ABSA Bank Arbitrage		19.13	2011.10.31	227 866 133	0	0	83 223	227 949 356	300 427 159
TOTAL TERM LOANS				491 699 715	0	103 911	105 164	491 700 968	646 553 972
ANNUITY LOANS:									
DBSA		13.5	2018.04.30	239 307 959	0	10 988 969	(274 584)	228 044 406	300 552 432
DBSA Local Authorities		13.5	2012.12.31	14 628 304	0	2 552 300	0	12 076 004	15 915 639
DBSA (Restructuring)		10.87	2018.12.31	235 954 085	0	12 866 562	0	223 087 523	294 019 478
INCA		11.66	2019.06.30	17 435 996	0	875 935	0	16 560 061	21 825 427
INCA		9.52	2020.03.31	203 496 005	0	9 441 121	(107 605)	193 947 279	255 613 927
INCA		11.01	2020.06.30	45 254 380	0	1 956 705	0	43 297 675	57 064 419
DBSA		9.36	2020.12.31	250 938 884	0	11 260 822	0	239 678 062	315 885 074
INCA		10.92	2020.12.31	92 220 052	0	3 728 357	0	88 491 695	116 628 136
INCA		10.81	2021.06.30	75 143 954	0	2 850 183	0	72 293 771	95 279 989
DBSA		5.0	2021.12.31	90 139 493	0	5 070 687	0	85 068 806	112 116 920
DBSA		9.835	2021.12.31	369 274 910	0	15 000 273	0	354 274 637	466 918 286
lvuzi		13.5	2021.12.31	189 467 412	0	7 788 818	0	181 678 594	239 444 343
DBSA		6.25	2028.06.30	50 000 000	50 000 000	2 880 175	0	97 119 825	127 999 629
DBSA		12.81	2028.06.30	200 000 000	0	2 435 260	0	197 564 740	260 381 580
DBSA		11.32	2028.06.30	0	200 000 000	1 504 949	0	198 495 051	261 607 689
ABSA (Rooedeplaat/Temba Trust)		12.50	2021.03.31	234 799 996	0	7 705 080	7 709 350	234 804 266	309 461 627
DBSA (Rooedeplaat/Temba Trust)		11.99	2021.03.31	121 842 531	0	4 170 002	3 854 981	121 527 510	160 167 878
Nedbank (Rooedeplaat/Temba Trust)		12.51	2021.03.31	161 424 998	0	5 243 852	5 265 896	161 447 042	212 780 053
DBSA TIP		6.75	2029.06.30	0	150 000 000	0	0	150 000 000	197 693 359
DBSA IIP		10.84	2029.06.30	0	672 000 000	0	0	672 000 000	885 666 248
TOTAL ANNUITY LOANS				2 591 328 959	1 072 000 000	108 320 050	16 448 038	3 571 456 947	4 707 022 133
TOTAL EXTERNAL LOANS				3 401 189 958	1 072 000 000	148 423 961	16 876 251	4 341 642 248	5 720 606 126
FINANCE LEASES:									
ABSA		Variable *		13 515 052	8 480 433	6 558 276	0	15 437 209	14 591 213
AMASONDO		Variable *		73 449 180	8 108 224	33 680 418	0	47 876 986	44 921 910
DATA CENTRIX		Variable *		17 678 334	28 500 175	15 635 122	0	30 543 387	28 567 205
DEBIS FLEET MANAGEMENT		Variable *		12 740 356	1 330 128	5 641 137	0	8 429 347	8 134 618
FLEET AFRICA		Variable *		12 940 573	2 414 434	10 848 250	0	4 506 757	4 399 812
IMPERIAL		Variable *		9 173 208	1 119 752	2 682 929	0	7 610 031	7 366 340
MAN FINANCIAL SERVICES		Variable *		0	79 947 995	10 224 362	0	69 723 633	68 976 454
STANDARD BANK		Variable *		28 126 576	3 027 042	9 551 045	0	21 602 573	21 125 518
STANNIC		Variable *		487 470	44 142	465 945	0	65 667	49 348
TSHWANE AUTO LEASING		Variable *		13 989 709	1 637 766	6 403 232	0	9 224 243	9 054 576
VIAMAX		Variable *		65 470 381	6 867 721	30 755 505	0	41 582 597	39 931 008
VUSWA 60 MONTHS		Variable *		9 726 192	809 518	4 623 325	0	5 912 385	5 753 837
LEASE LIABILITY (Rooedeplaat/Temba Trust)				24 247 749	0	24 247 749	0	0	0
TOTAL FINANCE LEASES				281 544 780	142 287 330	161 317 295	0	262 514 815	252 871 839

* Variable linked to prime rate

Appendix B: Analysis of Property, Plant and Equipment as at 30 June 2009- Parent

Asset class	Note	Cost/Revaluation					Accumulated Depreciation				Carrying Value
		Opening balance	Additions	Disposals	Transfers	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
		R	R	R	R	R	R	R	R	R	
INFRASTRUCTURE	10.1										
Assets under construction		1 053 819 662	827 431 152	0	(503 563 002)	1 377 687 812	0	0	0	1 377 687 812	
Electricity		2 352 785 606	309 151 313	0	39 923 441	2 701 860 360	638 326 087	54 341 498	0	2 009 192 775	
General		59 019 883	4 727 163	0	2 579 005	66 326 051	23 875 206	8 061 984	0	34 388 861	
Roads		3 122 029 011	519 629 697	0	124 343 212	3 766 001 920	912 428 632	138 355 186	0	2 715 218 102	
Water and sanitation		2 300 827 540	736 489 490	0	296 793 282	3 334 110 312	576 585 157	182 161 361	0	2 575 363 794	
		8 888 481 702	2 397 428 815	0	(39 924 062)	11 245 986 455	2 151 215 082	382 920 029	0	8 711 851 344	
COMMUNITY ASSETS	10.2										
General		1 134 605 474	264 619 289	0	35 533 476	1 434 758 239	289 532 435	43 608 501	0	1 101 617 303	
Assets under construction		14 450 611	19 848 542	0	(9 049 323)	25 249 830	0	0	0	25 249 830	
		1 149 056 085	284 467 831	0	26 484 153	1 460 008 069	289 532 435	43 608 501	0	1 126 867 133	
HERITAGE ASSETS	10.3										
General		3 814 388	0	0	0	3 814 388	119 241	38 716	0	3 656 431	
		3 814 388	0	0	0	3 814 388	119 241	38 716	0	3 656 431	
HOUSING	10.4										
Housing assets		174 017 709	36 040 716	0	5 370 612	215 429 037	56 430	85 406	0	215 287 201	
Assets under construction		10 608 727	0	0	(6 942 393)	3 666 334	0	0	0	3 666 334	
		184 626 436	36 040 716	0	(1 571 781)	219 095 371	56 430	85 406	0	218 953 535	
STOCK	10.5										
Stock		407 735	0	0	0	407 735	0	0	0	407 735	
		407 735	0	0	0	407 735	0	0	0	407 735	
Land	10.6										
Land		1 049 966 212	21 458 188	0	0	1 071 424 400	0	0	0	1 071 424 400	
		1 049 966 212	21 458 188	0	0	1 071 424 400	0	0	0	1 071 424 400	
BUILDINGS	10.7										
Buildings		778 864 363	83 458 318	0	16 341 709	878 664 390	318 988 439	36 183 756	0	523 492 195	
		778 864 363	83 458 318	0	16 341 709	878 664 390	318 988 439	36 183 756	0	523 492 195	
OTHER	10.8										
General		1 093 878 603	95 787 571	(98 015 719)	7 547 441	1 099 197 896	553 621 649	5 209 854	(64 730 285)	605 096 678	
Rehabilitation assets		81 421 984	96 628 085	0	0	178 050 069	0	16 813 874	0	161 236 195	
Assets under construction		73 574 006	220 203 379	0	(57 582 835)	236 194 550	0	0	0	236 194 550	
Non-current assets held for sale (transfer)		0	0	0	(1 552 635)	(1 552 635)	0	0	(1 158 320)	(394 315)	
		1 248 874 593	412 619 035	(98 015 719)	(51 588 029)	1 511 889 880	553 621 649	22 023 728	(65 888 605)	1 002 133 108	
TOTAL PROPERTY, PLANT AND EQUIPMENT	10.9	13 304 091 514	3 235 472 903	(98 015 719)	(50 258 010)	16 391 290 688	3 313 533 276	484 860 136	(65 888 605)	12 658 785 881	
INVESTMENT PROPERTY	10.10										
Investment assets		44 788 161	0	0	0	44 788 161	34 217 137	2 543 862	0	8 027 162	
		44 788 161	0	0	0	44 788 161	34 217 137	2 543 862	0	8 027 162	
INTANGIBLE ASSETS	10.11										
Computer software		158 946 434	37 045 202	0	48 705 375	244 697 011	60 911 323	27 594 940	0	156 190 748	
		158 946 434	37 045 202	0	48 705 375	244 697 011	60 911 323	27 594 940	0	156 190 748	
TOTAL	10.12	13 507 826 109	3 272 518 105	(98 015 719)	(1 552 635)	16 680 775 860	3 408 661 736	514 998 938	(65 888 605)	12 823 003 790	

Appendix B: Analysis of Property, Plant and Equipment as at 30 June 2009- Group

Asset class	Note	Cost/Revaluation					Accumulated Depreciation				Carrying Value
		Opening balance	Additions	Disposals	Transfers	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
		R	R	R	R	R	R	R	R	R	
INFRASTRUCTURE	10.1										
Assets under construction		1 053 819 662	827 431 152		(503 563 002)	1 377 687 812	0	0	0	0	1 377 687 812
Electricity		2 352 785 606	309 151 313	0	39 923 441	2 701 860 360	638 326 087	54 341 498	0	692 667 585	2 009 192 775
General		59 019 883	4 727 163	0	2 579 005	66 326 051	23 875 206	8 061 984	0	31 937 190	34 388 861
Roads		3 122 029 011	519 629 697	0	124 343 212	3 766 001 920	912 428 632	138 355 186	0	1 050 783 818	2 715 218 102
Water and sanitation		2 300 827 540	736 489 490	0	296 793 282	3 334 110 312	576 585 157	182 161 361	0	758 746 518	2 575 363 794
Sandspruit Works Association		11 423 235	1 243 425	0	0	12 666 660	2 661 989	1 036 522	0	3 698 511	8 968 149
		8 899 904 937	2 398 672 240	0	(39 924 062)	11 258 653 115	2 153 877 071	383 956 551	0	2 537 833 622	8 720 819 493
COMMUNITY ASSETS	10.2										
General		1 134 605 474	264 619 289	0	35 533 476	1 434 758 239	289 532 435	43 608 501	0	333 140 936	1 101 617 303
Assets under construction		14 450 611	19 848 542	0	(9 049 323)	25 249 830	0	0	0	0	25 249 830
		1 149 056 085	284 467 831	0	26 484 153	1 460 008 069	289 532 435	43 608 501	0	333 140 936	1 126 867 133
HERITAGE ASSETS	10.3										
General		3 814 388	0	0	0	3 814 388	119 241	38 716	0	157 957	3 656 431
		3 814 388	0	0	0	3 814 388	119 241	38 716	0	157 957	3 656 431
HOUSING	10.4										
Housing assets		174 017 709	36 040 716	0	5 370 612	215 429 037	56 430	85 406	0	141 836	215 287 201
Assets under construction		10 608 727	0	0	(6 942 393)	3 666 334	0	0	0	0	3 666 334
		184 626 436	36 040 716	0	(1 571 781)	219 095 371	56 430	85 406	0	141 836	218 953 535
STOCK	10.5										
Stock		407 735	0	0	0	407 735	0	0	0	0	407 735
		407 735	0	0	0	407 735	0	0	0	0	407 735
Land	10.6										
Land		1 049 966 212	21 458 188	0	0	1 071 424 400	0	0	0	0	1 071 424 400
		1 049 966 212	21 458 188	0	0	1 071 424 400	0	0	0	0	1 071 424 400
BUILDINGS	10.7										
Buildings		778 864 363	83 458 318	0	16 341 709	878 664 390	318 988 439	36 183 756	0	355 172 195	523 492 195
Sandspruit: Land and buildings		7 525 758	233 224	0	0	7 758 982	1 004 025	349 061	0	1 353 086	6 405 896
		786 390 121	83 691 542	0	16 341 709	886 423 372	319 992 464	36 532 817	0	356 525 281	529 898 091
OTHER	10.8										
General		1 093 878 603	95 787 571	(98 015 719)	7 547 441	1 099 197 896	553 621 649	5 209 854	(64 730 285)	494 101 218	605 096 678
Rehabilitation assets		81 421 984	96 628 085	0	0	178 050 069	0	16 813 874	0	16 813 874	161 236 195
Assets under construction		73 574 006	220 203 379	0	(57 582 835)	236 194 550	0	0	0	0	236 194 550
Non-current assets held for sale (transfer)		0	0	0	(1 552 635)	(1 552 635)	0	0	(1 158 320)	(1 158 320)	(394 315)
Cenbis: Furniture and equipment		580 824				580 824	550 463			550 463	30 361
Housing Company: equipment and furniture		404 193	69 977	0	(83 537)	390 633	224 440	64 554	(10 968)	278 026	112 607
Sandspruit: Other equipment		7 023 960	872 830	0	0	7 896 790	4 116 841	1 369 183	8 119	5 494 143	2 402 647
Civirelo: Office, IT equipment & software		78 613	22 219	0	0	100 832	31 538	13 961	0	45 499	55 333
Rodeplaats Temba: Work in progress		475 042 472			(475 042 472)	0	97 378 450		(97 378 450)	0	0
		1 732 004 655	413 584 061	(98 015 719)	(526 714 038)	1 520 858 959	655 923 381	23 471 426	(1 63 269 904)	516 124 903	1 004 734 056
TOTAL PROPERTY, PLANT AND EQUIPMENT	10.9	13 806 170 569	3 237 914 578	(98 015 719)	(525 384 019)	16 420 685 409	3 419 501 022	487 693 417	(1 63 269 904)	3 743 924 535	12 676 760 874
INVESTMENT PROPERTY	10.10										
Investment assets		44 788 161	0	0	0	44 788 161	34 217 137	2 543 862	0	36 760 999	8 027 162
Housing Company: Investment property		10 000 000	0	0	(400 000)	9 600 000	0	0	0	0	9 600 000
		54 788 161	0	0	(400 000)	54 388 161	34 217 137	2 543 862	0	36 760 999	17 627 162
INTANGIBLE ASSETS	10.11										
Computer software		158 946 434	37 045 202	0	48 705 375	244 697 011	60 911 323	27 594 940	0	88 506 263	156 190 747
Civirelo: Intangible assets		61 140	0	0	0	61 140	57 900	1 620	0	59 520	1 620
		159 007 574	37 045 202	0	48 705 375	244 758 151	60 969 223	27 596 560	0	88 565 783	156 192 367
TOTAL	10.12	14 019 966 304	3 274 959 780	(98 015 719)	(477 078 644)	16 719 831 721	3 514 687 382	517 833 839	(1 63 269 904)	3 869 251 317	12 850 580 403

Appendix C: Segmental Analysis of Property, Plant and Equipment as at 30 June 2009- Parent

Service	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Disposals & adjustments	Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	R
Office of Executive Mayor and Municipal Manager	122 919 362	604 115	(1 948 769)	(9 362)	121 565 346	12 711 686	3 933 373	(1 598 941)	15 046 118	106 519 228
Financial Services	73 499 756	3 899 727	(5 053 684)	(38 861)	72 306 938	32 610 781	2 358 510	(3 933 301)	31 035 990	41 270 948
General Assessments	47 277 352	43 142 929	(13 578 688)	(1 675)	76 839 918	13 964 083	(3 953 224)	(33 847)	9 977 012	66 862 906
Corporate and Shared Services	1 789 090 971	78 693 492	(28 388 938)	(212 810)	1 839 182 715	393 776 591	51 856 709	(20 650 583)	424 982 717	1 414 199 998
Community Safety	361 321 682	40 815 005	(13 571 267)	(146 213)	388 419 207	171 167 171	(7 113 925)	(11 044 813)	153 008 433	235 410 774
Economic Development	282 096 602	41 551 784	(1 265 759)	(615 655)	321 766 972	121 455 580	(17 493 822)	(1 404 694)	102 557 064	219 209 908
Health and Social Development	142 203 629	9 314 485	(3 247 592)	(59 206)	148 211 316	36 575 833	9 596 003	(2 865 229)	43 306 607	104 904 709
City Planning and Regional Services	49 891 473	12 434 603	(3 283 710)	(249 543)	58 792 823	16 710 828	3 603 197	(2 452 936)	17 861 089	40 931 734
Sport and Recreation	1 822 078 071	401 811 894	(5 119 284)	(266 241)	2 218 504 440	197 401 556	58 679 509	(4 319 376)	251 761 689	1 966 742 751
Housing and Sustainable Human Settlement Development	293 937 600	150 640 337	(766 539)	0	443 811 398	19 508 528	25 210 198	(668 058)	44 050 668	399 760 730
Agriculture & Environmental Management	400 840 695	80 672 644	(3 667 552)	0	477 845 787	99 185 319	13 118 854	(2 759 273)	109 544 900	368 300 887
Public Works:	8 122 668 918	2 408 937 091	(18 123 937)	46 931	10 513 529 003	2 293 593 780	375 203 557	(14 157 554)	2 654 639 783	7 858 889 217
Transport	145 270 106	220 472 612	(701 803)	0	365 040 915	19 023 280	4 627 897	(591 752)	23 059 425	341 981 490
Roads and Storm water	2 854 462 708	562 655 823	(1 669 569)	150 810	3 415 599 772	907 148 249	123 354 273	(1 225 383)	1 029 277 139	2 386 322 633
Water and Sanitation	2 434 939 583	1 176 339 977	(2 262 413)	0	3 609 017 147	617 103 216	193 671 617	(1 889 205)	808 885 628	2 800 131 519
Electricity	2 687 996 521	449 468 679	(13 490 152)	(103 879)	3 123 871 169	750 319 035	53 549 770	(10 451 214)	793 417 591	2 330 453 578
TOTAL	13 507 826 109	3 272 518 106	(98 015 719)	(1 552 635)	16 680 775 861	3 408 661 735	514 998 940	(65 888 605)	3 857 772 071	12 823 003 790

Appendix C: Segmental Analysis of Property, Plant and Equipment as at 30 June 2009- Group

Service	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Disposals & adjustments	Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	R
Office of Executive Mayor and Municipal Manager	122 919 362	604 115	(1 948 769)	(9 362)	121 565 346	12 711 686	3 933 373	(1 598 941)	15 046 118	106 519 228
Financial Services	73 499 756	3 899 727	(5 053 684)	(38 861)	72 306 938	32 610 781	2 358 510	(3 933 301)	31 035 990	41 270 948
General Assessments	47 277 352	43 142 929	(13 578 688)	(1 675)	76 839 918	13 964 083	(3 953 224)	(33 847)	9 977 012	66 862 906
Corporate and Shared Services	1 789 090 971	78 693 492	(28 388 938)	(212 810)	1 839 182 715	393 776 591	51 856 709	(20 650 583)	424 982 717	1 414 199 998
Community Safety	361 321 682	40 815 005	(13 571 267)	(146 213)	388 419 207	171 167 171	(7 113 925)	(11 044 813)	153 008 433	235 410 774
Economic Development	282 677 426	41 551 784	(1 265 759)	(615 655)	322 347 796	122 006 043	(17 493 822)	(1 404 694)	103 107 527	219 240 269
Health and Social Development	142 203 629	9 314 485	(3 247 592)	(59 206)	148 211 316	36 575 833	9 596 003	(2 865 229)	43 306 607	104 904 709
City Planning and Regional Services	49 891 473	12 434 603	(3 283 710)	(249 543)	58 792 823	16 710 828	3 603 197	(2 452 936)	17 861 089	40 931 734
Sport and Recreation	1 822 078 071	401 811 894	(5 119 284)	(266 241)	2 218 504 440	197 401 556	58 679 509	(4 319 376)	251 761 689	1 966 742 751
Housing and Sustainable Human Settlement Development	304 341 793	150 710 314	(766 539)	(483 537)	453 802 031	19 732 968	25 274 752	(679 026)	44 328 694	409 473 337
Agriculture & Environmental Management	400 840 695	80 672 644	(3 667 552)	0	477 845 787	99 185 319	13 118 854	(2 759 273)	109 544 900	368 300 887
Public Works:	8 623 824 096	2 411 308 789	(18 123 937)	(474 995 541)	10 542 013 407	2 398 844 523	377 973 903	(111 527 885)	2 665 290 541	7 876 722 863
Transport	145 270 106	220 472 612	(701 803)	0	365 040 915	19 023 280	4 627 897	(591 752)	23 059 425	341 981 490
Roads and Storm water	2 854 462 708	562 655 823	(1 669 569)	150 810	3 415 599 772	907 148 249	123 354 273	(1 225 383)	1 029 277 139	2 386 322 633
Water and Sanitation	2 936 094 761	1 178 711 675	(2 262 413)	(475 042 472)	3 637 501 551	722 353 959	196 441 963	(99 259 536)	819 536 386	2 817 965 165
Electricity	2 687 996 521	449 468 679	(13 490 152)	(103 879)	3 123 871 169	750 319 035	53 549 770	(10 451 214)	793 417 591	2 330 453 578
TOTAL	14 019 966 304	3 274 959 780	(98 015 720)	(477 078 644)	16 719 831 721	3 514 687 382	517 833 841	(163 269 904)	3 869 251 319	12 850 580 403

Appendix D: Consolidated Segmental Statement of Performance as at June 2009

SERVICE	MUNICIPALITY							GROUP						
	2009				2008			2009				2008		
	Actual Income	Actual Expenditure	Surplus/ (Deficit)	Adjustment Budget Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)	Adjustment Budget Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Office of Executive Mayor and Municipal Manager	75 634 682	382 857 503	(307 222 821)	(448 370 013)	21 010 145	213 886 730	(192 876 585)	75 634 682	382 857 503	(307 222 821)	(448 370 013)	21 010 145	213 886 730	(192 876 585)
Corporate and Shared Services	51 222 357	819 496 216	(768 273 859)	(875 630 564)	44 694 749	827 909 982	(783 215 233)	51 222 357	819 496 216	(768 273 859)	(875 630 564)	44 694 749	827 909 982	(783 215 233)
Economic Development	173 765 343	306 701 466	(132 936 123)	(156 788 395)	144 541 237	253 129 203	(108 587 966)	173 774 646	306 702 690	(132 928 044)	(156 788 395)	144 541 237	253 129 203	(108 587 966)
Financial Services	118 197 337	531 061 493	(412 864 156)	(458 577 151)	63 067 055	398 306 087	(335 239 032)	118 197 337	531 061 493	(412 864 156)	(458 577 151)	63 067 055	398 306 087	(335 239 032)
General Assessments	3 987 548 837	474 925 955	3 512 622 882	3 960 028 722	3 837 436 015	1 294 832 825	2 542 603 190	3 987 548 837	474 925 955	3 512 622 882	3 960 028 722	3 837 436 015	1 294 832 825	2 542 603 190
Housing and Sustainable Human Settlement Development	148 132 525	363 521 729	(215 389 204)	(20 424 031)	199 358 970	216 619 281	(17 260 311)	158 993 621	373 284 434	(214 290 813)	(20 424 031)	215 857 142	242 712 254	(26 855 112)
Sport and Recreation	38 456 085	184 798 970	(146 342 885)	(165 067 595)	39 610 992	143 362 724	(103 751 732)	38 456 085	184 798 970	(146 342 885)	(165 067 595)	39 610 992	143 362 724	(103 751 732)
Community Safety	141 428 442	750 413 498	(608 985 056)	(674 703 767)	146 452 724	694 193 962	(547 741 238)	141 428 442	750 413 498	(608 985 056)	(674 703 767)	146 452 724	694 193 962	(547 741 238)
Agriculture and Environmental Management	393 864 150	942 350 479	(548 486 329)	(315 241 095)	338 760 687	852 686 963	(513 926 276)	393 864 150	942 350 479	(548 486 329)	(315 241 095)	338 760 687	852 686 963	(513 926 276)
Health and Social Development	68 136 439	270 428 274	(202 291 835)	(243 318 179)	72 996 348	226 519 386	(153 523 038)	68 136 439	270 428 274	(202 291 835)	(243 318 179)	72 996 348	226 519 386	(153 523 038)
City Planning and Regional Services	154 704 089	161 072 538	(6 368 449)	(42 361 401)	68 470 615	127 837 863	(59 367 248)	154 704 089	161 072 538	(6 368 449)	(42 361 401)	68 470 615	127 837 863	(59 367 248)
Public Works:	6 287 904 980	5 730 956 705	556 948 275	621 125 286	5 211 305 378	4 599 442 908	611 862 470	6 389 370 148	5 853 200 046	536 170 102	621 125 286	5 476 056 211	4 898 215 394	577 840 817
Roads & Stormwater	214 284 187	624 070 329	(409 786 142)	(399 842 104)	199 339 151	467 443 734	(268 104 583)	214 284 187	624 070 329	(409 786 142)	(399 842 104)	199 339 151	467 443 734	(268 104 583)
Transport	111 667 158	107 643 110	4 024 048	82 967 667	54 603 935	94 988 363	(40 384 428)	111 667 158	107 643 110	4 024 048	82 967 667	54 603 935	94 988 363	(40 384 428)
Electricity	3 982 192 620	3 576 396 443	405 796 177	441 037 980	3 191 679 242	2 709 767 919	481 911 323	3 982 192 620	3 576 396 443	405 796 177	441 037 980	3 191 679 242	2 709 767 919	481 911 323
Water and sanitation	1 979 761 015	1 422 846 823	556 914 192	496 961 743	1 765 683 050	1 327 242 892	438 440 158	2 081 226 183	1 545 090 164	536 136 019	496 961 743	2 030 433 883	1 626 015 378	404 418 505
SURPLUS FOR THE YEAR	11 638 995 266	10 918 584 826	720 410 440	1 180 671 817	10 187 704 915	9 848 727 914	338 977 001	11 751 330 833	11 050 592 096	700 738 737	1 180 671 817	10 468 953 920	10 173 593 373	295 360 547

Appendix E: Consolidated Actual Operating Revenue and Expenditure Per Type vs Budget for the year ended 30 June 2009

DESCRIPTION	Actual	Budget	Variance	Variance	Explanation of significant Variances (greater than 10%) versus Budget
	R	R	R	%	
REVENUE					
Property rates	2 299 523 005	2 530 500 000	(230 976 995)	(9.13)	Insufficient budget provision for income foregone actual realised higher than anticipated. Matching between PRO-V and SAP not completed in time
Service Charges	5 749 212 670	5 948 707 000	(199 494 330)	(3.35)	
Rental of facilities and equipment	98 877 333	71 756 960	27 120 373	37.79	Decrease in public demand owing to economic recession
Interest earned – external investments	125 804 444	120 441 000	5 363 444	4.45	
Interest earned – outstanding debtors	298 653 352	173 624 000	125 029 352	72.01	An increase in arrear debtors owing to economic recession, resulting in an increase in levies for interest on arrears
Fines	31 241 834	55 160 221	(23 918 387)	(43.36)	The implementation of AARTO, linked with the recession had a serious impact on income from fines
Licences and permits	28 423 732	24 930 991	3 492 741	14.01	Major contributor is motor vehicles: economic climate indicated a decline in motor sales over the past months
Government grants and subsidies	2 274 418 557	2 667 416 951	(392 998 394)	(14.73)	Deduction of R3,8 m from Healy subsidy for VAT owing to a SARS audit query. Other Opex grants variance of R13,5 m relating to finalising of 2010 SWC rebuilding projects; Top Structure grants R134,5 m budget - no transfer received; PTIS fund (R120 m); report to NT in June with regard to amount withheld and proposed revised project plans for 2009/10 onward (BRT projects) urgent meeting between CoT and NT to finalize issues; NDPG:R7 m withheld by NT owing to non-spending & problems experienced with National Department of Public Works Service Provider; Housing R46 m not spent - funding withdrawn by Gauteng Housing & Mamelodi Hostels R4,5 m under spent
Other income	590 672 297	672 386 146	(81 713 849)	(12.15)	
Public contributions	226 447 787	138 000 000	88 447 787	64.09	
Gains on disposal of property, plant and equipment	2 786 173	41 301 938	(38 515 765)	(93.25)	Uncertain income and dependant on asset cleanup and disposal of obsolete assets
Gain: Change in fair value of livestock	2 266 744	0	2 266 744	100.00	Re-valuation of livestock at year end culminated in a gain
Gain: Disestablishment of municipal entity	23 002 905	0	23 002 905	100.00	Actual realised upon the disestablishment of the Municipal entity Roodeplaat Temba Water Services Trust
Total Revenue	11 751 330 833	12 444 225 207	(692 894 374)	(5.57)	
EXPENDITURE					
Employee related costs	3 061 853 987	3 281 323 070	(219 469 083)	(6.69)	
Remuneration of Councillors	55 350 803	73 992 387	(18 641 584)	(25.19)	Decrease in remuneration package as promulgated - Gazette for Remuneration was not finalized during adjustment budget
Bad debts: contribution	238 917 368	71 359 812	167 557 556	234.81	Conservative amount budgeted. Calculation of provision processed at year end only
Bad debts: written off	193 630 109	60 414 000	133 216 109	220.51	More indigent households were registered which lead to a larger amount being written off
Collection Costs	72 511 251	72 780 752	(269 501)	(0.37)	
Depreciation	502 939 437	862 988 273	(360 048 836)	(41.72)	Decrease due to review of useful lives
Asset impairment	6 901 250	0	6 901 250	100.00	Impairment due to condition assessment of assets
Interest paid	508 312 549	411 961 352	96 351 197	23.39	Increase due to more external loans taken up during the financial year
Bulk purchases	2 835 273 617	2 789 472 300	45 801 317	1.64	
Repairs and maintenance	1 127 185 923	942 539 899	184 646 024	19.59	Insufficient budget provision and an increase in costs in repair of vehicles by Waste Management; increase in the repairs of Electricity Reticulation
Grants and subsidies paid	9 833 837	12 953 000	(3 119 163)	(24.08)	Decrease in applications submitted by ratepayers and organisations
Loss on disposal of property, plant and equipment	9 069 358	11 000	9 058 358	82 348.71	Uncertain expenditure. Only nominal amount budgeted
General expenses – other	2 428 812 607	2 683 757 545	(254 944 938)	(9.50)	
Total Expenditure	11 050 592 096	11 263 553 390	(212 961 294)	(1.89)	
NET SURPLUS FOR THE YEAR	700 738 737	1 180 671 817	(479 933 080)	(40.65)	

Appendix F: Consolidated Segmental Actual Operating Revenue and Expenditure Per Strategic Unit vs Budget for the year ended 30 June 2009

DESCRIPTION	Actual	Budget	Variance	Variance	Explanation of significant Variances (greater than 10%) versus Budget
	R	R	R	%	
REVENUE					
Office of Executive Mayor and Municipal Manager	75 634 682	91 978 327	(16 343 645)	(17.77)	Under recognition of revenue on Opex grants (SWC 010 due to underspending on projects); Decline in revenue from rental & facilities due to economic climate
Corporate and Shared Services	51 222 357	57 160 556	(5 938 199)	(10.39)	Gains on disposal of PPE decreased as auctions were not held by Disposal Management
Economic Development	173 774 646	171 253 875	2 520 771	1.47	
Financial Services	118 197 337	154 282 000	(36 084 663)	(23.39)	Decline in interest earned due to cash flow situation
General Assessments	3 987 548 837	4 157 063 500	(169 514 663)	(4.08)	
Housing and Sustainable Human Settlement Development	158 993 621	354 383 613	(195 389 992)	(55.14)	Topstructure grants not paid over by Gauteng Housing
Sport and Recreation	38 456 085	39 110 820	(654 735)	(1.67)	
Community Safety	141 428 442	153 824 792	(12 396 350)	(8.06)	
Agriculture and Environment Management	393 864 150	427 901 592	(34 037 442)	(7.95)	
Health and Social Development	68 136 439	70 282 183	(2 145 744)	(3.05)	
City Planning and Regional Services	154 704 089	126 335 001	28 369 088	22.46	Withdrawal of NT capex grant; 30-40% less land use & development applications received due to market forces and economic down-turn
Public Works	6 389 370 148	6 640 648 948	(251 278 800)	(3.78)	
Roads & Stormwater	214 284 187	258 567 916	(44 283 729)	(17.13)	Slower rate of township development due to economic down-turn
Transport	111 667 158	244 850 873	(133 183 715)	(54.39)	Capex grants not received (PTIS 2010 related projects) due to revised plans
Electricity	3 982 192 620	4 059 712 501	(77 519 881)	(1.91)	
Water and Sanitation	2 081 226 183	2 077 517 658	3 708 525	0.18	
Total Revenue	11 751 330 833	12 444 225 207	(692 894 374)	(5.57)	
EXPENDITURE					
Office of Executive Mayor and Municipal Manager	382 857 503	540 348 340	(157 490 837)	(29.15)	Savings in remuneration costs
Corporate and Shared Services	819 496 216	932 791 120	(113 294 904)	(12.15)	Due to compulsory saving of 10% in expenditure
Economic Development	306 702 690	328 042 270	(21 339 580)	(6.51)	
Financial Services	531 061 493	612 859 151	(81 797 658)	(13.35)	Due to compulsory saving of 10% in expenditure
General Assessments	474 925 955	197 034 778	277 891 177	141.04	Provision expense for Employment Benefit ito IAS 19 and additional provision for bad debt and interest on finance leases not budgeted for.
Housing and Sustainable Human Settlement Development	373 284 434	374 807 644	(1 523 210)	(0.41)	
Sport and Recreation	184 798 970	204 178 415	(19 379 445)	(9.49)	
Community Safety	750 413 498	828 528 559	(78 115 061)	(9.43)	
Agriculture and Environment Management	942 350 479	743 142 687	199 207 792	26.81	Shortfalls on allocated budgets of vehicles and equipment, sites and grounds; Increasing workload; Absorption of Labour Brokers staff into CoT
Health and Social Development	270 428 274	313 600 362	(43 172 088)	(13.77)	Due to compulsory saving of 10% in expenditure
City Planning and Regional Services	161 072 538	168 696 402	(7 623 864)	(4.52)	
Public Works	5 853 200 046	6 019 523 662	(166 323 616)	(2.76)	
Roads & Stormwater	624 070 329	658 410 020	(34 339 691)	(5.22)	
Transport	107 643 110	161 883 206	(54 240 096)	(33.51)	Due to compulsory saving of 10% in expenditure
Electricity	3 576 396 443	3 618 674 520	(42 278 077)	(1.17)	
Water and sanitation	1 545 090 164	1 580 555 916	(35 465 752)	(2.24)	
Net Expenditure	11 050 592 096	11 263 553 390	(212 961 294)	(1.89)	
NET SURPLUS FOR THE YEAR	700 738 737	1 180 671 817	(479 933 080)	(40.65)	

Appendix G: Actual Capital Expenditure vs Budget for the year ended 30 June 2009 - Parent Only

SERVICE	Actual	Budget	Variance	Variance	Explanation of Significant Variances (greater than 5%) versus Budget
	R	R	R	%	
Office of the Executive Mayor and City Manager	242 411	2 998 201	2 755 790	91.91	Delay in 2010 Soccer World Cup projects - carried over to 2009/10
Corporate and Shared services	79 941 004	127 673 597	48 277 721	37.81	Several IT tenders not approved and insufficient funds for call centre establishment
Economic Development	40 389 808	47 459 230	2 705 143	5.70	Delay in approval of bus project. Delay in upgrading buildings owing to contractor in breach of contract. Savings on projects due to lower tender amounts
Financial Services	11 837 608	21 025 135	9 026 037	42.93	Tender process started late in financial year for upgrading of pay points. Insurance replacement projects are dependant on claims
Housing and Sustainable Human Settlement Development	273 037 435	349 737 035	65 883 576	18.84	Non-implementation of projects due to funds not approved/received from Province. Non-implementation of upgrading of Schubart Park and Kruger Park blocks
Sport and recreation	178 186 940	192 378 000	14 261 827	7.41	Nellmapius Community Centre project could not be implemented - will be re-prioritised in the future years
Community Safety	33 610 923	71 068 805	36 912 751	51.94	Delay in delivery of vehicles
Agriculture and Environmental management	80 396 088	81 578 000	1 181 912	1.45	Dispute resolution regarding the outsourcing of refuse removal emanated in delays
Health and Social development	8 774 561	33 198 826	24 353 558	73.36	Delay in approval of tenders
City Planning and regional services	22 005 521	19 392 100	8 202 60	42.30	Delay in phase 2 - to continue in July 2009
Public Works:	1 957 088 867	2 104 489 317	151 764 729	7.21	
Roads & Stormwater	561 732 384	618 503 392	56 771 008	9.18	Delay in EIA studies
Transport	224 574 667	301 142 600	80 932 212	26.88	Delays in procurement process and MIG funding awaiting business plan approval. Delay in PTIS funded projects (BRT)
Electricity	469 907 238	459 364 171	(10 543 067)	(2.30)	Late posting of reservations caused a variation in contractor payments as a result of escalation in material prices
Water and sanitation	700 874 578	725 479 154	24 604 576	3.39	Consultant used incorrect data to calculate escalation which resulted in lower compensation. Closing of sites. Inefficient management of resources by contractor
Nett Expenditure	2 685 511 166	3 050 998 246	365 325 645	11.97	

Appendix H: Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA (Act 56 of 2003) Grants and Subsidies Received During the Financial year ended 30 June 2009

Name of Grant	Name of Organ of state or municipal entity	Opening balance	Correction of prior years	Transfers	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA	Reason for non-compliance
					Sept	Dec	March	June	Total						
					R	R	R	R	R						
Capital Grants:															
Economic Development	Gauteng: Sport, Recreation	1 115 401	(4 188 662)	5 714 374	0	0	0	1 500 000	1 500 000	1 466 404	2 674 709	None	None	Yes	n/a
National Electricity Fund	National Electricity Regulator	4 198 110	0	0	0	20 000 000	40 500 000	0	60 500 000	60 416 253	4 281 858	None	None	Yes	n/a
Gauteng Project Linked Housing	Gauteng: Housing Department	888 441	(576 492)	23 786 387	576 493	0	1 500 000	134 090 776	136 167 269	129 596 252	30 669 353	R134,5 m Topstructure & R46,0 m other	Under performance	Yes	n/a
North West: Project Linked Housing	North West: Housing	1 922 450	0	(1 922 450)	0	0	0	0	0	0	0	None	None	Yes	n/a
Municipal Infrastructure Grant (MIG)	Department: Provincial and Local Government	35 892 625	2 059 725	(2 960 564)	85 000 000	60 000 000	88 602 000	53 274 516	286 876 516	287 295 989	34 572 313	None	None	Yes	n/a
Gautrans Job Creation	Gautrans	5 000 000	0	(5 000 000)	0	0	0	0	0	0	0	None	None	Yes	n/a
Water & Sanitation	Department Water Affairs and Forestry	0	4 326 978	(6 826 778)	0	0	0	4 750 000	4 750 000	2 250 100	100	None	None	Yes	n/a
Transportation	Gauteng Department Transportation Engineering	3 000 000	0	(3 000 000)	0	0	0	0	0	0	0	None	None	Yes	n/a
ESKOM	ESKOM	12 953	0	(12 953)	0	0	0	0	0	0	0	None	None	Yes	n/a
World Cup Soccer 2010: Roads	Gauteng Department Transportation Engineering	19 714 916	0	22 174 683	132 000 000	0	0	0	132 000 000	98 171 247	75 718 352	R120,0 m PTIS funds	Under performance	Yes	n/a
World Cup Soccer 2010: Transport	Gauteng Department Transportation Engineering	48 431 252	0	(48 431 252)	128 000 000	0	0	0	128 000 000	61 135 957	66 864 043	None	None	Yes	n/a
Restructuring Grant	National Treasury	92 272	0	(92 272)	0	0	0	0	0	0	0	None	None	Yes	n/a
Unforeseen water problems	Gauteng: Department of Public Works	7 322 068	0	(2 482 275)	0	0	2 686 245	0	2 686 245	7 526 038	0	None	None	Yes	n/a
Monument Gholf club	Monument Gholf club	0	0	3 000 000	0	0	0	0	0	2 785 163	214 837	None	None	Yes	n/a
Neighbourhood Watch Development	National Treasury	0	0	0	0	0	0	6 725 126	6 725 126	0	6 725 126	None	None	Yes	n/a
Sandspruit Works Association	Various spheres of Government	4 282 952	0	0	0	0	0	10 340 446	10 340 446	(944 965)	13 678 433	None	None	Yes	n/a
		131 873 440	1 621 549	(16 053 100)	345 576 493	80 000 000	133 288 245	210 680 864	769 545 602	649 698 438	235 399 124				
Operational grants/subsidies:															
Health: HIV/AIDS	National Department of Health	1 500 000	0	0	1 500 000	0	0	1 500 000	3 000 000	2 157 398	2 342 602	None	None	Yes	n/a
Health Subsidy	National Department of Health	0	0	0	5 581 400	5 581 400	5 581 400	5 810 160	22 554 360	22 554 360	0	None	None	Yes	n/a
Ambulance subsidy	Provincial Department of Health	0	0	0	9 475 750	9 475 750	9 475 750	9 950 000	38 377 250	38 377 250	0	None	None	Yes	n/a
Top Structures: Project Linked Housing	North West Housing	13 385 058	1 410 483	(14 795 541)	0	0	0	0	0	0	0	None	None	Yes	n/a
Finance Management Grant	National Treasury	1 304 687	0	0	750 000	0	0	0	750 000	539 449	1 515 238	None	None	Yes	n/a
Restructuring Grant	National Treasury	86 693 834	0	92 272	0	0	0	0	0	45 679 594	41 106 512	None	None	Yes	n/a
Municipal System Improvement Grant	National Treasury	498 400	0	0	0	0	0	0	0	0	498 400	None	None	Yes	n/a
Equitable share	Department: Provincial and Local Government	0	0	0	434 354 708	325 766 031	575 429 692	0	1 335 550 431	1 335 550 431	0	None	None	Yes	n/a
Transportation & Engineering	Department of Transport	0	0	8 000 000	0	0	0	0	0	6 446 833	1 553 167	None	None	Yes	n/a
Refurbishment of Temba Works	Department of Water Affairs and Forestry	0	500 200	(500 200)	502 250	740 250	512 250	380 000	2 134 750	2 082 188	52 562	None	None	Yes	n/a
Department of Water Affairs	Department of Water Affairs and Forestry	0	0	0	3 188 000	2 877 000	5 167 000	2 135 000	13 367 000	11 087 000	2 280 000	None	None	Yes	n/a
Housing Accreditation	Gauteng Housing Department	2 936 807	334 876	0	0	0	0	0	0	0	3 271 683	None	None	Yes	n/a
Bontle Ke Botho	Gauteng: Agriculture, Conservation and Environment	1 457 223	0	0	0	0	500 000	0	500 000	393 823	1 563 400	None	None	Yes	n/a
Arts and Culture	Gauteng: Sport, Recreation	0	0	0	0	4 000 000	0	0	4 000 000	3 425 065	574 935	None	None	Yes	n/a
Loftus Upgrade 2010	Gauteng Department of Transport	48 446 709	(9 976 340)	0	830 473	46 515 253	26 450 969	1 398 796	75 195 491	75 386 212	38 279 648	None	None	Yes	n/a
2010 Host Cities	National Treasury	0	0	0	0	0	0	40 000 000	40 000 000	0	40 000 000	None	None	Yes	n/a
Agriculture	Gauteng Department of Agriculture, Conservation	440 000	0	6 250	0	0	0	0	0	440 000	6 250	None	None	Yes	n/a
Motor vehicle licences refund	Gauteng Department of Transport	0	0	0	0	0	0	71 774 940	71 774 940	71 774 940	0	None	None	Yes	n/a
World Cup Soccer: Roads	Gauteng Department Transportation Engineering	4 238 926	(22 668)	1 091 568	0	0	0	0	0	5 163 330	144 496	None	None	Yes	n/a
World Cup soccer : Transport	Gauteng Department Transportation Engineering	43 400 000	0	25 165 000	0	0	0	0	0	3 608 246	64 956 754	None	None	Yes	n/a
Stipends	DBSA	0	0	0	0	0	0	108 000	108 000	54 000	54 000	None	None	Yes	n/a
Monument Gholf Club	Monument Gholf Club	3 000 000	0	(3 000 000)	0	0	0	0	0	0	0	None	None	Yes	n/a
		207 301 644	(7 753 449)	16 059 349	456 182 581	394 955 684	623 117 061	133 056 896	1 607 312 222	1 624 720 119	198 199 647				
Revenue per Statement of Financial Performance (see note 22)		339 175 084	(6 131 900)							2 274 418 557					
Unspent conditional grants per Statement of Financial Position (see note 8)			333 043 184								433 598 771				



CITY OF TSHWANE

**CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS**

for the year ended

**30 June 2009
(After audit adjustments – 7 December 2009)**

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APPROVAL OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 1 to 85 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in Note 25 of these consolidated annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

DR N. LUKHWARENI
Acting CITY MANAGER

30 September 2009

GENERAL INFORMATION:

MEMBERS OF THE COUNCIL:

Ramokgopa, Gwen (Dr)	Executive Mayor
Dau, K J (Khorombi)	Speaker
Skosana, Vusi	Chief Whip
Komane (Ms) Tebogo	MMC: Economic Development
Ditshoke, A M	MMC: Housing (Sustainable Human Settlement Development)
Ernest, T (Ms)	MMC: Agriculture and Environmental Management
Lehobye, Kideledi	MMC: Community Safety and Emergency Services
Mahlangu, B W	MMC: Finance
Masondo, Z L (Ms)	MMC: Sports, Recreation, Arts and Culture
Makoena, Naldo	MMC: City Planning and Development
Pillay, Subesh	MMC: Public Works and Infrastructure Development
Thipe, S S (Ms)	MMC: Health and Social Development
Twala, Gabriel	MMC: Corporate and Shared Services

City Manager

Kekana, Kiba D
Telephone: 012 – 358 4901
E-mail: KibaKe@tshwane.gov.za

Chief Financial Officer

Makhari, Ndanduleni (Ms)
Telephone: 012 – 358 8100
E-mail: NdanduleniM@tshwane.gov.za

Grading of local authority: Metro

Auditors: Auditor-General

Bankers: Standard Bank, Van der Walt Street, PRETORIA

Registered Office: City Manager

9TH Floor, Munitoria,
Van der Walt Street,
PRETORIA 0002

P O Box 440
PRETORIA
0001

Registered Office: Chief Financial Officer

373 Pretorius Street
PRETORIA
0002

P O Box 408
PRETORIA
0001

Legislation governing the municipality's operations:

Local Government: Municipal Finance Management Act (Act 56 of 2003)
Local Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Housing Act (Act 107 of 1997)
Constitution of the Republic of South Africa (Act 108 of 1996)
Property rates Act, 2004 (Act 6 of 2004)
Division of Revenue Act, 2007 (Act 1 of 2007)

Entities Consolidated

Consistent with the prior financial year the following Municipal Entities were included in the Consolidated Annual Financial Statements:

- Housing Company Tshwane
- Sandspruit Works Association (ODI Water and Waste Water)
- Civirelo Water
- Tradepoint Pretoria (liquidation underway)

Entities disestablished

The Roodeplaat Temba Water Services Trust which was included in the consolidated financial statements of 2007/08 was disestablished on 1 July 2008 and the statement of financial position was incorporated into the records of the City of Tshwane with effect from 1 July 2008.

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying group financial statements of the City of Tshwane Metropolitan Municipality (CoT) which comprise the consolidated and separate statement of financial position as at 30 June 2009, and the consolidated and separate statement of financial performance, the consolidated and separate statement of changes in net assets and the consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1, *Presentation of Financial Statements* requires that financial reporting by

entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the CoT in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Property rates and consumer debtors

8. I could not satisfy myself as to the occurrence, completeness and cut off of the amounts (current and corresponding figures) disclosed as property rates of R2, 299 billion (2008: R2, 185 billion) in the statements of financial performance and as to the correct valuation and allocation of consumer debtors of R2, 667 billion (2008: R2, 393 billion) in the statement of financial position, as sufficient and appropriate information could not be provided for audit purposes in respect of the correcting journals processed during the year as well as after year-end, for the correct allocation of revenue to the current and prior financial years.

Qualified opinion

9. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the City of Tshwane Metropolitan Municipality as at 30 June 2009 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with GRAP and in the manner required by the MFMA.

Emphasis of matters

I draw attention to the following matters on which I do not express a qualified opinion:

Going concern/Financial sustainability

10. While the municipality has prepared financial statements on a going concern basis, there are a number of indicators that its financial sustainability is under threat, as indicated in paragraph 8.4 of the chief financial officer's report. These indicators related to the world economic recession as well as the slow repayment of debtors and a substantial increase in the consumer debtors and creditors amounts from the prior year. Subsequent to year-end the municipality has substantially increased its overdraft facility. Furthermore, the CoT required more funds to ensure that the capital replacement reserve and housing development fund had sufficient cash backing as per its accounting policies.
11. One of the CoT's municipal entities, Housing Company Tshwane's rental income has decreased during the year under review, its debtors payments have deteriorated and key senior management personnel have resigned subsequent to year-end. Furthermore, the accounting officer's report of the entity indicated uncertainty with respect to the future cash flows of the entity. These conditions cast significant doubt on the entity's ability to continue as a going concern and the entity has not yet finalised a plan to ensure its future sustainability.

The cash flow and other problems of the Housing Company Tshwane, including the unavailability of information and documentation required for audit purposes, led to a disclaimer of the audit opinion on its financial statements.

12. Civirelo Water, a municipal entity of the CoT, incurred a net loss of R17, 6 million during the year ended 30 June 2009 and as at that date the entity's total liabilities exceeded its total assets by R29, 2 million. These conditions, along with other matters set out in the director's report indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Unauthorised expenditure and deviations from supply chain management procedures

13. As disclosed in note 45.1 to the annual financial statements an amount of R75 million of unauthorised expenditure was still awaiting authorisation from the council, as required by section 32(2) of the MFMA.
14. The municipality incurred unauthorised expenditure of R477 million in respect of the late approval of the deviation report (not approved before 31 August) as disclosed in note 45.4 to the annual financial statements.
15. Deviations from the official procurement process during the financial year were approved in terms of the delegations as stipulated in the supply chain management policy and amounted to approximately R351 million as disclosed in note 47 to the annual financial statements.

Other matters

16. I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

17. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly do not express an opinion on them.

Non-compliance with applicable legislation

Municipal Finance Management Act

18. As previously reported, the then council of the CoT in 2001 resolved to provide an official residence to the mayor of the CoT. This provision of an official residence to a mayor does not fall within the framework of the Remuneration of Public Office-Bearers Act, 1998 (Act No. 20 of 1998), which, in turn, results in the transgression of section 167 of the MFMA, which came into effect in 2004 and states that the municipality may remunerate its members of the political structure only within the framework of the Remuneration of Public Office-Bearers Act, 1998. If it falls outside this, it must be classified as irregular expenditure and the municipality must take appropriate steps as required.
19. The CoT failed to submit electronic and signed returns on their conditional grants spending for the period ended 30 June 2009 in terms of section 74(1) of the MFMA. Furthermore, the CoT also did not sign the section 71 report for the period ended 30 June 2009, as evidence of verification.
20. Invoices were not paid within 30 days of receiving the relevant invoice as required by section 65(e) of the MFMA.

21. Section 64(2)(h) of the MFMA requires that appropriate reconciliations be done at least on a weekly basis for revenue received by the municipality, including revenue received by any collecting agents on its behalf. However, collections by agents/municipality were not appropriately reconciled at least on a weekly basis for transport income, prepaid electricity and licences.
22. No financial statements were received for auditing in terms of section 126(2) of the MFMA for Tshwane Economic Development Agency and Tshwane Centre for Business Information and Support, being municipal entities of the CoT. As such we could not confirm whether these entities had any assets and liabilities that had to be included in the consolidated annual financial statements of the CoT.

Municipal Systems Act

23. Various reconciling differences were identified in the property values on the valuation systems (ProV) and the billing system (SAP), resulting in individual accounts not being billed timeously and accurately. This resulted in non-compliance with section 95(e) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which states that the municipality must ensure that persons liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due.
24. Section 95(e) – (h) of the MSA – Customer Care and Management, requires that the "municipality provide a mechanism to monitor the response time and efficiently in complying with dealing with complaints," as notifications were not always timeously cleared, work was not always performed on notifications created and work orders were closed before actual work was performed.

Governance framework

25. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

26. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. The number listed per component can be followed with the legend below the table. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
8	Property rates and consumer debtors	6				1

Conclusion on the governance framework

27. The above was mainly due to the following:

- Insufficient monitoring controls and oversight by senior management over the preparation and completion of financial statements, with specific reference to the reviewing and evaluation of supporting documentation and figures.
- Insufficient guidance/procedures provided to staff regarding the preparation of financial statements.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2

Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3
--	---

Key governance responsibilities

28. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	✓	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	✓	
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	✓	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and		✓

No.	Matter	Y	N
	regulations.		
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✓
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c) (i) of the MFMA.		✓
12.	Delegations of responsibility are in place, as set out in 106 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA/Oversight resolutions have been substantially implemented.	N/A	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

Overall reflection on governance framework

29. The municipality has all the required governance structures in place. For deficiencies in this regard, refer to paragraph 27 above.

Investigations

30. Thirty-two cases were received by the forensic audit section of the CoT's internal audit unit for the current financial year, 11 of which were finalised. The nature of cases covered a wide spectrum of activities, including bribery, theft, financial corruption, RDP houses misallocation and tender irregularities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

31. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

32. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the MSA.

The Auditor-General's responsibility

33. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
34. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
35. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

No mid-year budget and performance assessment

36. No evidence was submitted to verify that the accounting officer of the CoT submitted the monthly budget statements to the mayor of the CoT within 10 working days after the end of each month in terms of section 71(1) of the MFMA.
37. No evidence was submitted to verify that the accounting officer of both Civirelo Water and Sandspruit Works Association (municipal entities of the CoT) submitted to the accounting officer of the CoT the information in respect of the entity's budget in terms of section 87(11) of the MFMA within seven days after the end of each month.
38. No evidence was provided to verify that the accounting officer of Housing Company Tshwane complied with the provisions of both sections 87(11) and 88 of the MFMA in respect of monthly budget statements, mid-year budget and performance assessment.
39. No evidence could be provided to verify that the Housing Company Tshwane complied with the provisions of section 121(4)(d) of the MFMA in respect of performance information.

Usefulness and reliability of reported performance information

40. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:
- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
 - Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
 - Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Reported performance information not relevant

41. The indicator with regard to public transport was not specific in clearly identifying the nature and the required level of performance, as the method used to measure the performance of public transport did not necessarily give an indication of how the municipality has increased the accessibility to public buses. As bus tickets sold was used to determine the number of passengers using buses, this could result in the same passengers being included more than once in the calculation. This resulted in an incorrect indication of the improvement of bus usage as required by the key performance indicator (KPI).

Reported performance information not reliable

Lack of source documentation

42. Sufficient appropriate audit evidence in relation to the reported performance information for the KPI on housing could not be provided for audit purposes.

Source information not accurate and complete

43. The source information or evidence provided to support the reported performance information with regard to various KPI's did not adequately support the accuracy and completeness of facts. Examples included the following:
- Reported information on crime levels was only for eight months and did not cover the entire period, thus information was incomplete.
 - Sufficient appropriate audit evidence with regard to the reported information in respect of the KPIs on roads and storm water could not be obtained as the system used was not appropriate to facilitate the preparation of accurate and complete actual performance information.
 - Evidence received in respect of solid waste removal, public transport, water, sanitation and households registered as indigents differed from amounts/ percentages reported.
 - Evidence submitted in respect of the disaster risk management plan differed from the actual achievement percentage as reported.

APPRECIATION

44. The assistance rendered by the staff of the City of Tshwane during the audit is sincerely appreciated.

Pretoria

21 December 2009



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

The 2008/09 financial year posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.

The budget and the City of Tshwane's five-year strategic plan are aligned with the vision and imperatives of national government, which are to address service delivery backlogs.

The following strategic areas were focussed on during the 2008/09 budget:

- The eradication of backlogs and investment in infrastructure for basic services and for growth
- Economic growth and development that is shared and creates sustainable jobs
- Building safer, more secure and more sustainable communities
- The deepening of democracy
- Financial viability and management of resources
- A caring and effective government
- Institutional capacity and transformation

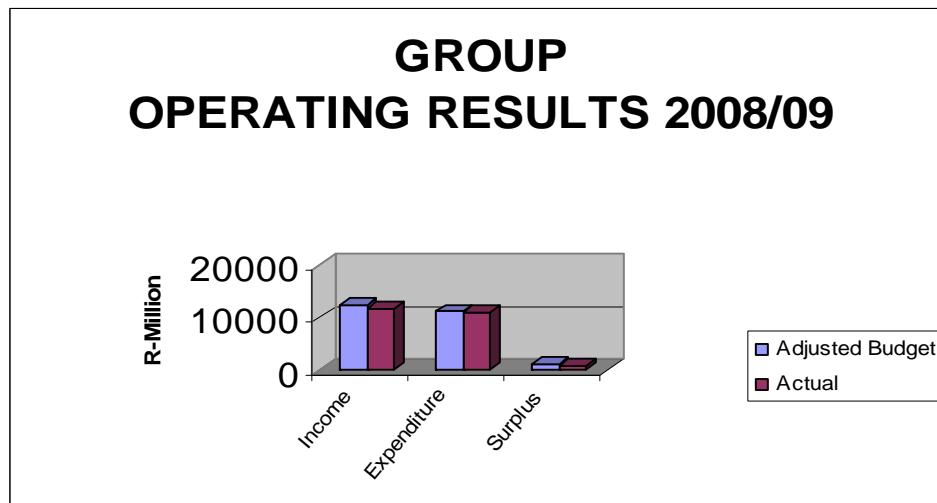
To budget for improved service delivery and then subsequently realising operational efficiency while it is also ensured that the deliverables are attained in a sustainable manner, has been a huge challenge during the 2008/09 financial year. The challenge of addressing unlimited needs within the constraints of limited resources has necessitated a change in the way we do business to ensure that we stretch our resources to the maximum.

2. REVIEW OF OPERATING RESULTS

The 2008/09 budget of the City of Tshwane was approved by Council on 29 May 2008 and the Adjustments Budget was approved by Council on 29 January 2009. Figures with regard to the 2008/09 original budget as well as the adjusted budget are included in this report. The budgets of the municipal entities are not included as not all the budgets were available.

2.1 General

Details of the 2008/09 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and appendix D. A graphical presentation of the operating results is shown in the graph below:



The overall operating results for the year ending 30 June 2009 are as follows:

Description	Original Budget 2009	Adjusted Budget 2009	Actual 2009	Actual 2009	Variance Actual/ Adjusted Budget	Actual 2008	Actual 2008
	Parent	Parent	Parent	Group		Parent	Group
	R'000	R'000	R'000	R'000		%	R'000
REVENUE							
Accumulated surplus: Beginning of year			859 522	888 593		864 955	930 812
Operating revenue for the year	12 708 977	12 244 224	11 638 995	11 751 331	4.03	10 187 705	10 468 954
	12 708 977	12 244 224	12 498 517	12 639 924		11 052 660	11 399 766
EXPENDITURE							
Operating expenditure for the year	11 010 559	11 263 553	11 263 553	11 050 592	1.89	9 848 728	10 173 592
Sundry transfers *	1 698 418	1 180 671	217 539	566 815		344 410	337 581
Accumulated surplus: End of year			1 017 425	1 022 517		859 522	888 593
	12 708 977	12 444 224	12 498 517	12 639 924		11 052 660	10 399 766

* Sundry transfers consist of transfers to and from the reserves for example offset depreciation for projects financed from grants and the Capital Replacement Reserve

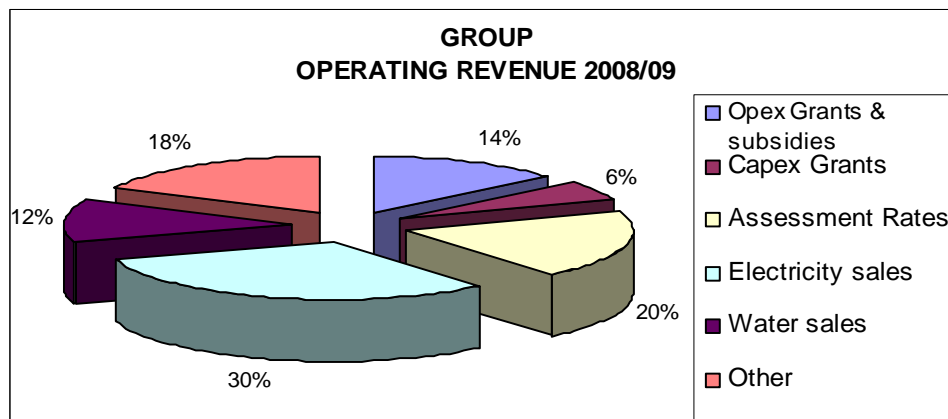
The actual net expenditure of the Municipality reflects an increase of 14.4% (Group increased with 8.6%) while the actual revenue of the Municipality has increased by 14.2% (Group increased with 12.2%) since 2007/08. The largest increase on revenue since 2007/08 occurred on assessment rates, service charges, interest on debtors and government grants and subsidies. The largest increase on expenditure since the previous financial year occurred on the following items:

Expenditure item	Municipality (increase) %	Group (increase) %
Remuneration	14.8	14.9
Remuneration of Councillors	25.2	25.2
Bad debt written off	64.0	93.8
Interest paid	40.3	17.8
Bulk purchases	23.2	28.1
Repair and maintenance	25.8	25.5
Contribution to bad debt provision	17.2	3.8

Interest paid by the Municipality increased with 40.3% since 2007/08 due to the increase in external loans taken up

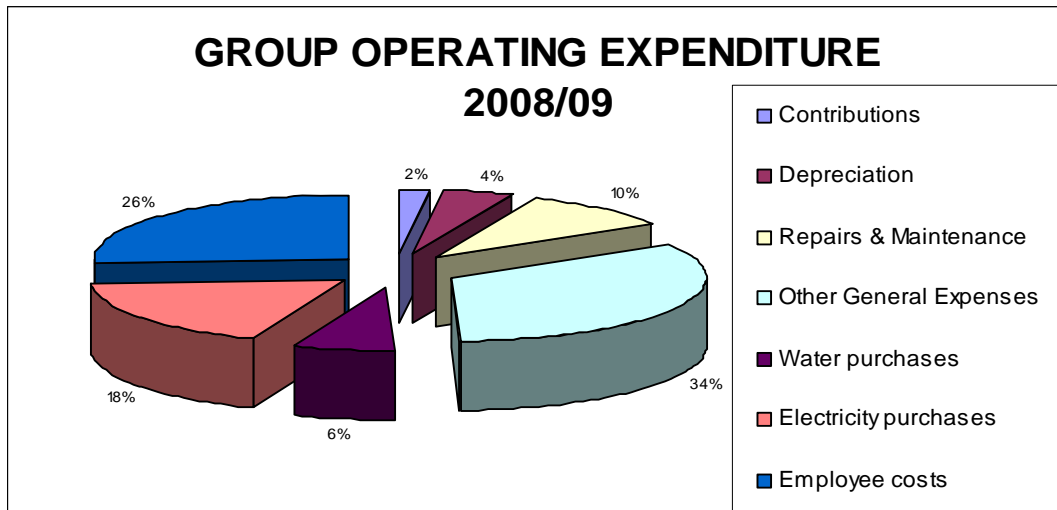
2.2 Operating Revenue

The following graph indicates a break down of the largest categories of revenue.



2.3 Operating expenditure

The graph below indicates the break down per main expenditure group.

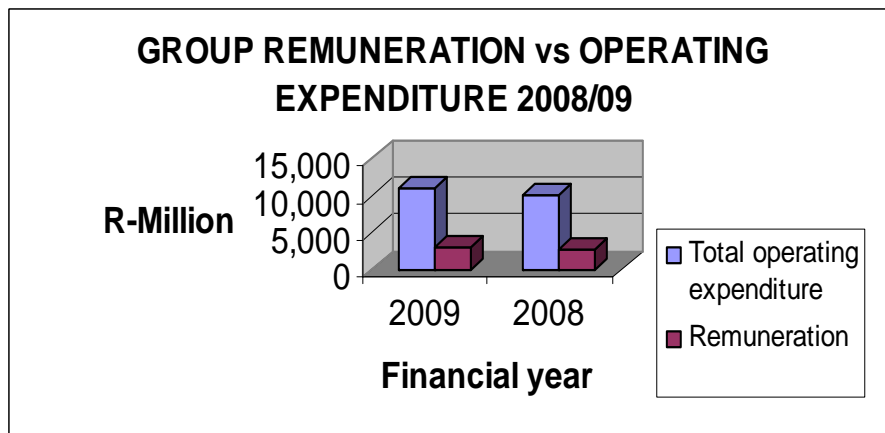


Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a slight increase from 26.6% in 2007/08 to 27.6% in 2008/09. For the Group it increased from 26.2% to 27.7% since 2007/08.

The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive. In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33.0%.

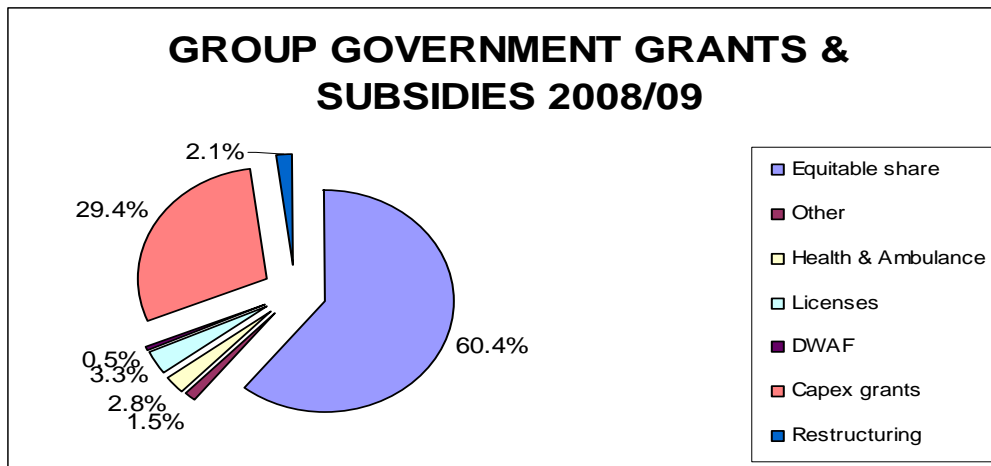
Description	2008/09		2007/08	
	Parent	Group	Parent	Group
Total operating expenditure	10 918 585	11 050 592	9 848 728	10 173 593
Total operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Employee remuneration	3 009 111	3 061 854	2 621 003	2 665 394
Ratio: % of total expenditure	27.6 %	27.7 %	26.6 %	26.2 %
Ratio: % of total revenue	25.8 %	26.1 %	25.7 %	25.5 %
% Growth in remuneration expense	14.8 %	14.9 %	8.7 %	8.9 %



2.4 Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Gauteng Provincial Government, which amounts have been included in the total revenue:

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Equitable share	1 335 550	1 335 550	1 101 416	1 101 416
Provincial Health Subsidy	22 554	22 554	22 669	22 669
Provincial Ambulance Subsidy	38 377	38 377	36 005	36 005
Provincial Motor vehicle licenses refund	71 776	71 776	66 191	66 191
Capex: grants and donations	650 643	650 643	474 450	474 450
Opex: grants and donations	97 075	97 075	154 163	154 163
Finance Management Grant	539	539	699	699
Restructuring Grant	45 680	45 680	52 228	52 228
Department of Water Affairs and Forestry MSIG	13 169	12 224	13 962	16 235
	0	0	2 502	2 502
	2 275 363	2 272 418	1 924 285	1 926 558



2.5 Provision for Employment benefits

In terms of accounting standard IAS 19: Employment benefits a provision had to be created for the liabilities in respect of post-employment benefits. Actuarial valuations and calculations indicated that a liability provision to the total amount of R1,004 billion had to be created for 2008/09. The liability provision for 2007/08 amounted to R838, 893 million and the figures with regard to 2007/08 were therefore restated. The balance of the accumulated surplus was adequate to provide for the total liability. The creation of this provision was debited against general expenses (statement of financial performance) and Post-employment benefit liability on the statement of financial position. This provision need to be adjusted annually at year end and need to be taken up in the annual budget.

3. DEBTORS

Details regarding the debtors are provided in Note 14 (Long-term receivables), Note 16 (Consumer Debtors) and Note 17 (Other Debtors) of the Notes to the Consolidated Annual Financial Statements.

Long-term receivables:

The long-term receivables showed an increase of R52,8 million (15.9%). This increase can mainly be ascribed to an increase in the arrangement consumer debtors (increase of R42,8 million) and an increase in the sale of land (R13,6 million).

Consumer debtors:

The consumer debtors for the group increased in total with an amount of R505.575 million (14.4%). The increase in debt per customer classification is made up as follows:

Customer classification	Parent		Group	
	Total	Increase/ (Decrease)	Total	Increase/ (Decrease)
	R'000	R'000	R'000	R'000
Households	2 686 383	338 320	2 920 854	370 242
Industrial/Commercial	762 949	96 008	762 949	96 008
National and Provincial government	56 217	7 074	56 217	7 074
Other	509 971	64 173	509 971	64 173
Total	4 015 520	505 575	4 249 991	537 497

The increase in consumer debt per ageing analysis is as follows:

Age analysis group	Parent		Group	
	Total	Increase/ (Decrease)	Total	Increase/ (Decrease)
	R'000	R'000	R'000	R'000
Current (0-30 days)	1 062 178	24 086	1 296 649	56 007
31 – 60 days	189 344	(7 673)	189 344	(7 673)
61 – 90 days	110 957	8 965	110 957	8 965
91 + days	2 653 041	480 198	2 653 041	480 198
Total	4 015 520	505 575	4 249 991	537 497

Other debtors:

The Other Debtors for the Group in total increased with an amount of R202.3 million (parent = R198.2 million increase). This can mainly be attributed to an increase in housing debtors of R13,7 million (43.9%) for the group and for the parent an increase of R5,3 million.

Other current debtors for the group increased with R395.8 million. For the parent other current debtors increased with R400.1 million which is due to an increase in sundry rentals and sundry year end debtors which include outstanding ambulance subsidies, outstanding health subsidies, waste management-bulk containers and outstanding grants e.g. Housing Grants R125 million and MIG R53 million as well as public contributions to the amount of R143.6 million. The RSC levies debtor decreased with an amount of R200,5 million due to a write back of the debtor against the provision for bad debt as the 3 year period has lapsed.

3.1 Consumer debtors

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	2008/09		2007/08	
	Parent	Group	Parent	Group
Debits levied : Consumer debtors	7 947 309	8 048 950	7 024 024	7 110 025
Balance on 1 July	3 509 944	3 712 493	3 146 540	3 293 028
Balance on 30 June	4 015 520	4 249 991	3 509 944	3 712 493
Average balance	3 762 732	3 981 242	3 328 242	3 502 761
Turnover: Number of times (levies/average balance)	2.11	2.02	2.11	2.03
Turnover: Number of days (days in financial year/number of times)	173	181	173	180
Days in the financial year	365	365	366	366

From the table it is clear that, although the number of days to recover debt remained unchanged at 173 days since 2007/08 for the parent (and for the group it increased from 180 to 181 days), the outstanding consumer debt still is negative. This high turnover has serious implications on the cash flow of the Municipality specifically.

On 1 July 2008 the Municipality implemented the Municipal Property Rates Act of 2004 and this increased the revenue base with 122 000 Sectional Title Units. This increase in the revenue base had an impact on the increase of the debtor's book even though there was no change in the number of days to recover debt since the previous financial year. The Municipality has introduced various strategic interventions to collect outstanding consumer debt, for example:

- The Municipality has introduced the blocking of prepaid vending for electricity when the other services are in arrears
- The implementation of section 28 of the Municipal Property Rates Act, where the municipality forces a tenant to pay rent directly to the Municipality when the owner is in arrears with property rates
- The Municipality introduced a process of disconnecting services if property rates tax is in arrears

On 1 January 2009 the Municipality has appointed a panel of 4 new collection agencies that will further assist with the collection of arrears in line with Chapter VIII of the Magistrate Court Act of 1944. The collection agencies have signed a robust performance agreement that will enhance collection of revenue. The Municipality is currently piloting an outbound debt call for the Top 1 000 business accounts.

A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy started producing better results, since an average collection rate of 98.3% (2007/08 = 99.0% and 2006/07 = 98.3%) was maintained by the Municipality during the 2008/09 financial year.

4. CAPITAL EXPENDITURE AND FINANCING (only with regard to Parent)

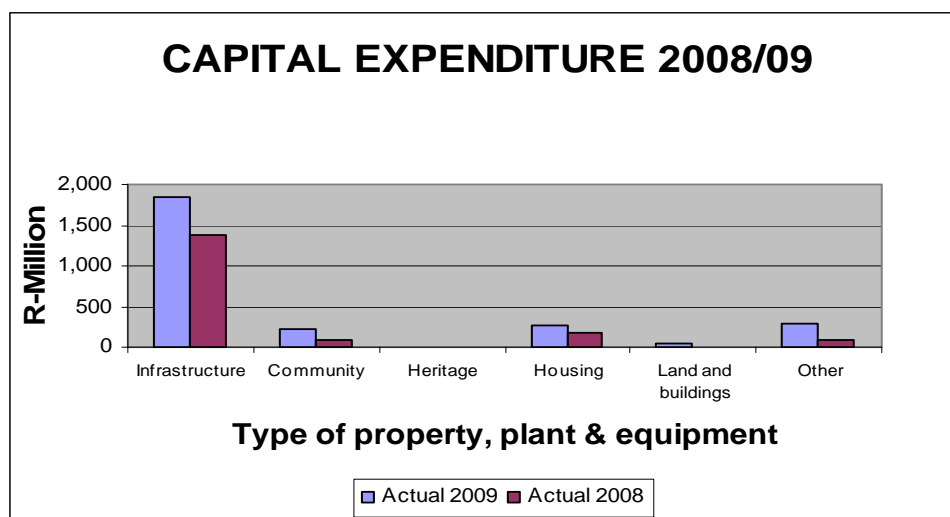
The Municipality's original approved Capital Expenditure Budget for 2008/09 amounted to R3 161 765 000 and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council on 29 January 2009 to R3 050 998 246 in total, as a result of Strategic Units requesting to review the performance of the capital programme. Actual capital expenditure incurred during the year in respect of property, plant and equipment amounted to R2 685 672 601. The actual capital expenditure is 52.8% more than the previous financial year, but only relates to a 88.0% performance against the adjusted budget for 2008/09. The actual expenditure is 11.97% less than the adjusted budget, which can mainly be attributed to non-achieving of the SDBIP targets due to various reasons for example:

- Delays in EIA studies
- Delays in implementation of BRT programme – PTIS funded projects
- Delays in procurement process
- Delays in approval of business plans for MIG funding
- Non-receipt of grant funding or withholding of grant funding – Government Housing and PTIS funded projects
- Workmanship quality and material acquisition problems due to emerging contractors
- Delay in delivery of specialized vehicles

The table below represents the Capital Expenditure per Type of Asset:

Actual Capital expenditure according to asset class		
Type of Asset	Parent Actual 2009 R	Parent Actual 2008 R
Infrastructure	1 844 867 557	1 384 562 498
Community	229 883 607	94 565 396
Heritage	0	0
Housing	263 141 486	186 983 791
Land and buildings	47 526 719	3 751 441
Other	300 253 232	88 039 174
Total	2 685 672 601	1 757 902 300

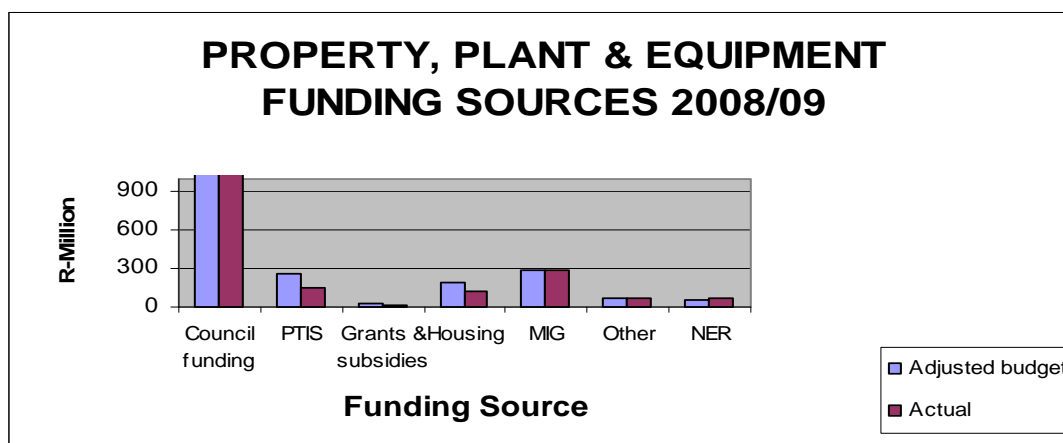
The graph shows the distribution of the property, plant and equipment according to the type.



The above-mentioned property, plant and equipment of the parent were financed from the following sources:

Type of finance	Parent Original Budget 2009 R'000	Parent Adjusted Budget 2009 R'000	Parent Actual 2009 R'000	Parent Actual as % of Adjusted Budget 2009 %	Parent Actual 2008 R'000
Council funding	2 138 968	2 156 868	1 978 157	91.7	1 289 921
Public Transport Infrastructure and Systems Grant (PTIS)	501 654	262 105	154 943	59.1	0
Provincial Grants and subsidies	26 070	23 021	14 028	60.9	127 299
Government Housing grant	84 322	184 864	129 596	70.1	62 191
Municipal Infrastructure Grant(MIG)	288 935	288 935	286 877	99.3	208 975
National Electricity Regulator (NER)	60 500	60 500	60 416	99.9	52 228
Other funding	61 316	74 705	61 656	82.5	17 288
Total	3 161 765	3 050 998	2 685 673	88.0	1 757 902

The following is a graphic presentation according to financing sources:



Government Housing Programme

The original approved Capital budget for Government Housing of R84 321 988 was amended with the approved 2008/09 Adjustments Budget to R184 864 035 of which an amount of R129 596 252 was spent to 30 June 2009, resulting in an under spending on Government Housing projects of R55 267 783 in total.

The amount budgeted for the Winterveldt Land Management Project was withheld by Gauteng Province as they indicated that they appointed their own contractors. The budget could not be amended owing to the late notification by Gauteng Province. An amount of R92 872 744 was claimed from the Gauteng Provincial Department of Housing (GPDoH) for Services and R115 875 956.05 for Top Structures. To date no transfers were received from the GPDoH for the claims submitted.

An amount of R5 537 200 was claimed from the North West Provincial Government of Housing (NWPDoh) for Top Structures. To date no transfers were received from the NWPDoh for the claims submitted.

Public Transport, Infrastructure and Systems (PTIS) Grant funded projects

The original approved Capital Budget for the PTIS funded projects, which are SWC 2010 and BRT related projects, in the amount of R501 654 000 was amended with the approved 2008/09 Adjustments Budget to R262 104 892 of which an amount of R159 307 204 was spent to 30 June 2009, resulting in an under spending of R102 797 688 in total.

The approved 2008/09 Operating Budget for PTIS funded projects of R73 728 330 was funded from the 2007/08 unspent allocations brought forward. An amount of R8 771 576 was spent and recognized on operating PTIS funded projects.

The total amount of R260 million was received from the original DoRA allocation of R510 169 000, which was reduced to only R260 million during the year, owing to the Transferring Authority via the National Treasury informing the Municipality that an amount of R380,1 million of the 2008/09 allocation is being withheld owing to under spending. Subsequent correspondence between the Municipality and National Treasury regarding the reasons for the delay in implementation of the BRT projects, as well as the revised proposed implementation timeframes and cash-flow projections took place during May and June 2009. An impending meeting between the parties is being arranged to resolve outstanding issues.

Conclusion:

When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources which are primarily the Capital Replacement Reserve and the External Financing Fund (external loans taken up), can largely influence the following aspects:

- Depreciation
- The raising of loans
- The cash flow of the Municipality

5. ACCOUNTING RATIOS

5.1 Current asset ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure.

This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The following table shows the calculation of the operating capital ratio:

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
CURRENT ASSETS:				
Cash	89 561	95 850	43 236	214 534
Inventory	241 320	259 899	216 602	232 919
Debtors	3 372 435	3 421 566	2 686 415	2 720 577
Non-current assets held for sale	394	394	0	0
Investments (short-term)	177 605	187 814	235 136	272 462
Short-term portion of long-term debtors	123 833	123 833	103 377	103 377
Total	4 005 148	4 089 356	3 284 766	3 543 869
CURRENT LIABILITIES:				
Creditors	3 241 438	3 342 566	2 188 847	2 293 859
Short-term portion of long-term liabilities	133 693	134 009	172 573	189 530
Short-term portion of finance lease liabilities	175 709	175 709	150 248	150 248
Current provisions	0	917	0	782
Deposits	282 760	285 243	267 979	269 510
Overdrawn bank account	95 417	95 417	106 407	106 679
Total	3 929 017	4 033 861	2 886 054	3 010 608
Net Operating Capital	76 131	55 495	398 712	533 261
Current asset Ratio	1,02 : 1	1,01:1	1,14 : 1	1,18:1
Current asset ratio excluding consumer debt of 90+ days	0,34 : 1	0,36:1	0,38 : 1	0,45:1
Consumer debtors older than 90 days	2 653 041	2 653 041	2 172 843	2 172 843

The ratio decreased slightly since 2007/08 from 1,14:1 to 1,02:1. This is due to the fact that the current liabilities increased with 36.1% (for the Group an increase of 34.0%) whilst the current assets increased with only 21.9% (for the Group an increase of 15.4%).

The increase in current assets can mainly be ascribed to the increase in debtors, cash and an increase in inventory; this is counter acted by a decrease in short-term investments.

The increase in current liabilities mainly lies with the increase in deposits and a huge increase in trade creditors.

The private sector sets a ratio of 2:1 as being acceptable, however a norm for local government is currently not available. If the consumer debtors of 90 days and older are excluded from the calculation the ratio decreases considerably (refer to table above) which is a concern.

5.2 Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures that follow reflect the Municipality's quick asset ratio for the following years:

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Current assets	4 005 148	4 089 356	3 284 766	3 543 869
Less: Inventory	241 320	259 899	216 602	232 919
Total	3 763 828	3 829 457	3 068 164	3 310 950
Current liabilities	3 929 017	4 033 861	2 886 054	3 010 608
Quick asset ratio	0,96 : 1	0,95:1	1,06 : 1	1,09:1
Quick asset ratio excluding consumer debt older than 90 days	0,28 : 1	0,29:1	0,31 : 1	0,38:1

If the consumer debtors of 90 days and older are excluded from the calculation the ratio decreases considerably (refer to table above).

5.3 Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
TOTAL ASSETS:				
Current assets	4 005 148	4 089 356	3 284 766	3 543 869
Long-term investments	500 346	502 858	425 553	432 411
Long-term receivables	187 100	187 100	189 763	189 763
Leased assets	252 872	252 872	247 781	261 544
Biological assets	17 008	17 008	14 741	14 741
Property, plant and equipment	12 823 004	12 850 580	10 099 164	10 505 279
Total	17 785 478	17 899 774	14 261 768	14 947 607
TOTAL LIABILITIES:				
Current liabilities	3 929 017	4 033 861	2 886 054	3 010 608
Long-term loans	4 203 275	4 207 634	2 705 772	3 211 660
Non-current provisions	204 985	204 985	87 211	87 211
Lease liabilities	86 806	86 806	107 048	133 374
Employment benefit provision	1 004 196	1 004 196	838 893	838 893
Reserves	7 339 775	7 339 775	6 777 267	6 777 267
Total	16 768 054	16 877 257	13 402 245	14 059 013
Solvability Ratio	1,06 : 1	1,06:1	1,06 : 1	1,06:1

The total assets of the Parent Municipality increased with 24.7% (Group increased with 19.8%) while the total liabilities increased with 25.1% (Group liabilities increased with 20.0%).

Property, plant and equipment of the parent increased with 27.0% while external loans increased with 55.3% and the accumulated funds increased with 8.3%.

5.4 Total long-term debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio increased from 30.8% to 39.5% since 2007/08. This increase can be ascribed to the fact that the external loans increased with 46.7% (for the Municipality) in relation to the increase of only 14.2% in total revenue.

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Total debt	4 599 483	4 604 157	3 135 642	3 684 813
Total revenue	11 638 995	11 751 331	10 187 705	10 468 954
Ratio	39.52%	38.18%	30.78%	35.20%

5.5 Inventory turnover

Inventory turnover is considered a key measure of management efficiency. It is a measure of how often, during the course of a financial year, a company sells and replaces its inventory. As a general rule, a higher ratio for inventory turnover is better. The standard however varies dramatically from industry to industry. A ratio of 2.5 times per year is considered acceptable for the large municipalities.

June 2009: 2.8 times per year
June 2008: 2.8 times per year

Although the value of inventory increased with R24.7 million since 2007/08, the turnover however, remained unchanged on 2.8 times per year. This can be attributed to the fact that the turnover is an average calculated for all inventory items in all stores.

5.6 Overdraft (cashbook balance) plus short-term loans to total operating revenue

According to credit rating companies, the benchmark is a ratio of less than 5 %. As shown in the table below the ratio improved due to a decrease in the short-term portion of external loans (decrease of 22.5%) as well as a decrease in the bank overdraft while the revenue increased with 14.2% since 2007/08.

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Cash book overdraft	95 417	95 417	106 407	106 679
Short-term portion of external loans	133 693	134 009	172 573	189 530
Overdraft plus short-term loans	229 110	229 426	278 980	296 209
Total operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Ratio	1.97%	1.95%	2.74%	2.83%

5.7 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years is as follows:

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Cash generated from operations (Nett cash flow)	1 943 934	1 803 298	1 718 526	1 692 180
Interest paid on external loans	507 584	508 313	361 757	431 490
Ratio	3.83 : 1	3,55:1	4.75 : 1	3,92:1

The ratio shows a deterioration for the Municipality as the interest paid on external loans increased with R145.8 million (40.3%) and the cash generated from operations increased with R225.4 million (13.1%) since 2007/08. This deterioration is a further indication of the cash flow challenges that the Municipality is currently experiencing.

For the Group, the ratio also deteriorated since 2007/08 as the cash generated from operations increased with R111.1 million (6.6%) and the interest paid on external loans increased with R76,8 million (17,8%).

5.8 Capital charges (interest and depreciation) to total annual operating revenue

The ratio indicates to what extent the expenditure in respect of interest paid on external loans and depreciation is covered by operating revenue.

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Total operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Interest paid on external loans	507 584	508 313	361 757	431 490
Depreciation	500 104	502 939	574 907	613 963
Capital charges	1 007 688	1 011 252	936 664	1 045 453
Ratio	11.55 : 1	11.62:1	10,88 : 1	10,01:1

The ratio for the Municipality improved since 2007/08 due to the fact that the capital charges increased with R71.0 million (7.6%) while the operating revenue increased with R1 451.2 million or 14.2%. For the group the ratio improved from 10,01 to 11.62.

5.9 Debt to cash ratio

This ratio indicated below is a yardstick to measure the time (in years) that it will take a local authority to pay off its debt (loans) from cash generated by operating activities. The ratio for the past two financial years is as follows:

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Long-term debt	4 599 483	4 604 157	3 135 642	3 684 813
Cash generated from operations	1 943 934	1 803 298	1 718 526	1 692 180
Ratio	2,37 : 1	2,55:1	1,83 : 1	2,18:1

The ratio for the Municipality deteriorated as the long-term debt increased with R1 463.8 million (46.7%) while the cash generated from operations increased with only R225.4 million (13.1%) since 2007/08. Based on the ratio, it will now take longer to repay loans. For the Group the ratio deteriorated less due to the fact that the loans of Roodeplaat Temba Water Services Trust to the value of R518,1 million was taken over by the Municipality upon disestablishment of the entity on 1 July 2008.

5.10 Financing to capital expenditure ratio

Local authorities normally finance their capital expenditure from external loans. This ratio enables the user to analyse the extent to which external loans are used to finance capital expenditure. The ratio for the past two financial years is as follows:

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Net Increase/(Net Decrease) in long-term loans	1 458 624	940 452	43 749	14 176
Net Increase/(Net Decrease) in finance lease liabilities	5 218	(19 030)	52 470	78 795
	1 463 842	921 422	96 219	92 971
Cash used in capital expenditure	3 326 808	2 839 963	2 211 743	2 221 750
Ratio	0,44 : 1	0,33:1	0,04 : 1	0,04:1

A ratio which is smaller than 1:1 is an indication that more cash was spent on infrastructure (capital expenditure) than was borrowed. If this ratio exceeded 1:1 over several years, it indicates that too much funds are obtained externally which may even mean that loans are used to finance operating expenditure. Compared to 2007/08 the Municipality borrowed more than the previous year (also refer to note 33 to the Consolidated Annual Financial statements).

5.11 Repairs and maintenance to annual operating revenue

The ratio indicates to what extent the expenditure in respect of repairs and maintenance are covered by operating revenue.

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Annual operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Repairs and maintenance	1 125 506	1 127 186	894 629	897 807
Percentage	9.67 %	9.59%	8.78 %	8.58%

The ratio deteriorated as a result of the repairs and maintenance increasing with 25.8% (Group increased with 25.5%) while the operating revenue increased with only 14.2% (Group increased with 12.2%).

5.12 Net debtors to total annual operating revenue

The ratio indicates to what extent the net outstanding debtors are covered by operating revenue.

Description	2008/09		2007/08	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Annual operating revenue	11 638 995	11 751 331	10 187 705	10 468 954
Net debtors (after provision for bad debt)	3 322 613	3 382 378	2 686 415	2 720 577
Percentage	28.55 %	28.69%	26.37 %	25.99%

The ratio shows a slight deterioration for the Municipality as a result of the net debtors increasing 23.7% while the operating revenue increased with 14.2%.

6. CREDIT RATING (for the Parent)

The firm Moody's Investors Services South Africa (Pty) Ltd performed a credit rating of the Municipality during March 2009 (based on the annual financial statements for the year ending 30 June 2008) and the following rating was awarded to the City of (stable rating outlook):

- **Long term Debt Rating (maturities of one year or greater): Aa3**
Defined as high-grade. "Aa" rated are judged to be of a high quality and are subject to very low credit risk.
- **Short term Debt Rating (maturities of less than one year): Prime-1**
Defined as the highest quality. A high certainty of timely payment is indicated
- **Financial outlook: The grading changed from stable to negative**
The negative outlook factors the weakening of the city's liquidity profile. The administration's strategy to maintain a conservative financial policy, streamline operating expenditure and enhance revenue collection is not likely to produce the desired effect on the city's liquidity position in the short to medium term.

7. MUNICIPAL ENTITIES

7.1 Viable municipal entities

Of the entities evaluated the following were found to be viable:

- Civirelo Water
- Sandspruit Works Association
- Housing Company Tshwane
- Tshwane Economic Development Agency (newly created – not in full operation yet)

7.2 Entities not viable and liquidation process is underway

The following companies are not viable:

- Tradepoint Pretoria

- Tshwane Centre for Business Information and Support (Cenbis)

7.3 Consolidation of municipal entities

Consistent with the prior three financial years separate consolidated financial statements will be compiled for City of Tshwane and its operational municipal entities, namely:

- Housing Company Tshwane
- Sandspruit Works Association:
- Civirelo Water
- Tradepoint Pretoria
- Tshwane Centre for Business Information and Support (Cenbis) – no statements were submitted for 2008/09

8. CHALLENGES EXPERIENCED BY THE MUNICIPALITY DURING 2008/09

8.1 IMPLEMENTATION OF ACCOUNTING STANDARDS

The City of Tshwane experienced problems with the implementation of certain accounting standards during the compilation of the 2007/08 financial statements and therefore had to make use of the Exemptions granted by National Treasury in Government Gazette No 30013 of 29 June 2007.

The City of Tshwane had to comply with the accounting framework as set out in paragraph 1 of the Accounting policies as contained in the Consolidated Annual Financial Statements of 2008/09. This accounting framework was determined in Directive 5 issued by the Accounting Standards Board on 31 March 2009.

8.2 COMPLIANT FIXED ASSET REGISTER

It was a tremendous challenging exercise during the 2007/08 financial year to produce a compliant and purified asset register. During the 2008/09 financial year the Asset Register information from the external systems was loaded on the SAP system. Verification, review of useful lives, impairment, etc was done during the year end process of 2008/09. It however, became evident that most of the requirements of the new accounting standards cannot be maintained within the current SAP system. Most of these requirements will have to be maintained outside the system for financial statement purposes.

8.3 LEASE REGISTER

Much the same problem existed with the lease register in the 2008/09 as in 2007/08, however the lease register, calculations and necessary disclosure requirements were updated on the 2008/09 financial statements. The maintaining of the lease register will also need to be addressed as a matter of urgency during the 2009/10 financial year.

8.4 ECONOMIC RESESSION AND CASH-FLOW CHALLENGES

The world economy is in a worse position than it has been in several decades. Like the rest of the world, the economy of South Africa has equally been affected by this slow down. The most visible signs of this dilemma are experienced through job losses, growth in the unemployment rate and in the number of households classified to be under poverty levels.

Owing to the economic climate (job losses, high inflation, interest rates, petrol and food prices, etc) many people are struggling to cover their monthly household expenditures with the result that the municipal account is not high on the consumers' list of priority payments anymore. It should be noted that the municipality is also affected by the mentioned conditions and has to pay more for goods and services.

It is evident that the impact of the economic recession on residents, businesses and other institutions in the municipal boundaries of the City of Tshwane appears to be greater than originally anticipated, as the shortfall in the collection of revenue and the concomitant increase in consumer debt, as well as other liabilities (short and long term debt) has indicated that the Municipality is indeed facing some serious challenges, similar to other municipalities, semi-government institutions and other government institutions.

This challenge would have to be collectively addressed by government on all three spheres in partnership with the private sector to enable the South African Economy to withstand this onslaught, to show sustained growth and development, which in turn will create job opportunities or at least maintain current levels of employment, to ensure the future sustainability of service delivery in a developing economy where demand for services by far exceeds the availability of resources.

9. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Office of the Municipal Manager and Strategic Executive Directors for the support they have given me and my personnel during the 2008/09 financial year. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my Department to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August) as well as the consolidated annual financial statements within the prescribed period of 3 months after year end (i.e. 30 September 2009).

N. MAKHARI
CHIEF FINANCIAL OFFICER

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless otherwise stated.

These financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act 56 of 2003). The reporting framework as prescribed by the Accounting Standards Board in Directive 5 of March 2009 **and which are deemed by the Municipality to be applicable on the Municipality** are summarised as follows:

GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 7	Financial instruments: Disclosures
IAS 19	Employee benefits
IAS 32	Financial instruments: Presentation
IAS 36	Impairment of assets
IAS 39	Financial instruments: Recognition and measurement
GAMAP 9.29 – 35 & .39 - .54	Revenue (Refer to GRAP 9.45)
IGRAP1	Applying the probability test on initial recognition of exchange revenue
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

Directives issued and effective as per Directive 5 of March 2009:

Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 3	Transitional Provisions for the Adoptions of Standards of GRAP by High Capacity Municipalities

Approved guidelines in terms of Directive 5 of March 2009:

ASB Guide 1	Guideline on Accounting for Public Private Partnerships
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Effective accrual based IPSAS's in terms of Directive 5 of March 2009:

IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-Cash Generating Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with the hierarchy set out in paragraph 12 of GRAP 3. The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

The accounting policies applied are consistent with those used to present the previous year's financial statements, except where the implementation of an accounting standard has resulted in the change of an existing policy. The details of any changes in accounting policies are explained in the relevant policy.

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

2. BASIS OF CONSOLIDATION

Investments in associates, subsidiaries and joint ventures are carried at cost in the annual financial statements of the Municipality. Separate consolidated financial statements are prepared to account for the Municipality's share of the net assets and post – acquisition results of these investments.

3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and are rounded to the nearest rand.

4. GOING CONCERN ASSUMPTION

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

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

5.1 Fixed assets are stated:

- ◆ At historical cost less accumulated depreciation and any write-downs, or
- ◆ At fair value (market value) at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure:

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality.

All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets are measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

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The difference between the depreciation based on the revalued carrying amount of the asset charged to the Statement of Financial Performance and the depreciation based on the asset's original cost is transferred from other reserves to the accumulated surplus/deficit.

5.2 Depreciation

Depreciation is recognised on a straight line basis over the estimated useful life of the asset to its residual value from the day that the asset is ready for use. Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Estimated useful lives of assets:

Asset Category	Years	Asset Category	Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	8 – 20
Electricity	20-30	Other vehicles	8
Water	15-20	Office equipment	5 – 8
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	5
Community		Bins and containers	5
Buildings	30	Specialized plant and equipment	10-15
Recreational Facilities	20-30	Other plant and equipment	2-5
Security	5	Landfill sites and quarries	1 – 50
		Books	10

Residual value is what the asset would currently receive if in the condition it would be at the end of its useful life. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The actual useful lives of the assets, residual values and depreciation method are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

5.3 Impairment of property, plant and equipment

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

5.4 Disposal of property, plant and equipment

The gain or loss on 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 of the asset on the date of disposal, and is recognised in the Statement of Financial Performance.

5.5 Heritage assets

These are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite useful life. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

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5.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

5.7 Incomplete construction work (Assets under construction)

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

6. INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

7. INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Municipality and have an probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

8. AGRICULTURAL/BIOLOGICAL ASSETS

8.1 Initial recognition

Agricultural/biological assets, which are defined as living animals or plants are recognised on the Statement of Financial Position of the Municipality, when and only when the Municipality:

- Controls the asset as a result of a past event
- Regards the inflow of future economic benefits from the use of the asset to be probable, and
- Is able to measure the fair value of the asset reliably. This implies that an active market has to exist for the agricultural asset.

Agricultural/biological assets are stated at fair value less estimated point of sale costs with any resultant gain or loss recognised in the Statement of Financial Performance.

8.2 Subsequent measurement

Biological assets are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

9. NON-CURRENT ASSETS HELD FOR SALE

9.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its

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present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Subsequent measurement

Non-current assets held for sale or disposal group are measured at the lower of carrying amount and fair value less cost to sell. A non-current asset is not depreciated while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

10. INVENTORY

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost.

Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

11. RESERVES

The municipality creates and maintains Reserves in terms of specific requirements.

11.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are transferred from the Statement of Financial Performance to the Capital replacement reserve in terms of the implementation guidelines on GAMAP/GRAP. These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.

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- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation reserve (CR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in the Statement of Financial Performance.

11.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

11.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/ (deficit)

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

11.4 Self Insurance Reserve

A Self Insurance Reserve has been established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

- Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.
- The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the Statement of Financial Performance. These premiums do not affect the Self insurance reserve.

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- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in the Statement of Financial Performance.
- Claims received to meet repairs of damages on assets are reflected as income in the Statement of Financial Performance.

The Self Insurance Reserve is based on recognized insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self Insurance Reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self Insurance Reserve.
The following liabilities are taken into account in determining this surplus capacity:
 - Reported known outstanding claims;
 - Statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
 - Probability and quantification of a catastrophe loss.
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exist based on the assumption that sufficient capacity will be built up to cover that asset through the Self Insurance reserve over an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long Term Insurance Strategy).
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a 5-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a 5-year period.

11.4.1 Self Insurance Future Depreciation Reserve

An amount equal to the carrying value of items of property, plant and equipment that had historically been utilised for the acquisition of property, plant and equipment from the Self Insurance Reserve have been transferred to a Self Insurance Future Depreciation Reserve instead of the accumulated surplus/(deficit).

The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

The balance on the Self Insurance Future Depreciation Reserve equals the carrying value of the items of property, plant and equipment financed from the former Self Insurance Reserve. When items of property, plant and equipment are depreciated, a transfer is made from the Self Insurance Future Depreciation Reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment is disposed, the balance in the Self Insurance Future Depreciation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

11.5 COID Reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the Municipality has established a COID reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve is based on 1 % of the annual remuneration of employees that qualify for COID benefits. All employees earning more than R189 840 per annum are reinsured by what is called a "COID Wrap Around" policy.

Claims are paid as determined by the Compensation Commissioner and are reflected in the Statement of Financial Performance. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

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11.6 Donations and Public Contributions

Revenue received from donations and public contributions may be transferred to the Capital Replacement Reserve (CRR) and utilised via the CRR to finance items of property, plant and equipment.

12. HOUSING DEVELOPMENT FUND

Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, *inter alia*, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The Housing Fund has its own separate bank account/allocated investments and is backed by cash.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as part of interest earned in the Statement of Financial Performance and can be transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any cash backed surplus/deficit on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

13.1 Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.

13.2 Cleaning up of illegal dumping

Currently the Municipality is cleaning up illegal dumping on an ongoing basis as part of maintenance; therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.

13.3 Landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. A provision has been established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation, and is carried at amortised cost.

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13.4 Quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52 (2)(d), the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation, and is carried at amortised cost.

14. RETIREMENT BENEFITS

14.1 Pension, Provident and Retirement Funds

The Municipality and its employees contribute to various Pension, Provident and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis.

Current contributions are charged against the operating account of the Municipality at a percentage of the basic salary paid to employees, or allowances in the case of councillors. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred.

The Tshwane Pension Fund is a defined benefit plan. The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19 and actuarial valuations are performed at every reporting date. The retirement benefit obligation presented in the statement of financial position represents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service costs.

Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of IAS 19.

14.2 Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. No plan assets exist and any actuarial gains and losses are recognised immediately.

15. LEASES

15.1 The Municipality as Lessee

The City of Tshwane leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the

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remaining balances of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases are those leases which do not fall within the scope of the above definition. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

The Municipality will not incur a foreign currency lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

15.2 The Municipality as Lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

16. FINANCIAL INSTRUMENTS

16.1 Financial assets:

The City of Tshwane classifies its financial assets in the following categories:

- Loans and receivables,
- Held to maturity and
- Available-for-sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. With regard to reclassifications of financial assets, the entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The City of Tshwane's loans and receivables comprise "trade receivables and other receivables" and cash and cash equivalents.

(b) Held-to-maturity

Held to maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity. These investments have been normally encumbered and therefore must be held to maturity. The value of the investments is recorded at trade date.

HTM financial instruments originated by the municipality and not held for trading is subsequently recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount and minus any write-down for impairment of uncollectability.

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(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date.

Regular purchase and sales of financial assets are recognised on the trade date – the date on which the City of Tshwane commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the Statement of Financial Performance.

Offsetting of financial assets and liabilities:

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when and only when:

- (a) The City of Tshwane has a legally enforceable right to set off the recognised amount; and
- (b) The City of Tshwane intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the City of Tshwane will not offset the transferred asset and the associated liability.

Derecognition:

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred, and the municipality has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Impairment:

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance. Impairment testing of trade receivables is described in paragraph 16.3 below.

Disposal:

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Counterparty exposure:

The City of Tshwane limits its counterparty exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

Hedging:

Hedging is not applicable to the accounting treatment of financial instruments in the City of Tshwane.

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Derivative financial instruments:

Derivative financial instruments, principally interest rate swap contracts, are used by the City of Tshwane in its management of financial risks. Derivative financial instruments are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates. Payments and receipts under interest rate swap contracts are recognised in the statement of financial performance on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities. The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued are included in assets and liabilities respectively.

16.2 Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value, net of transaction costs incurred. It should also be added that interest bearing borrowings are classified as non-current and current liabilities.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Interest bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The interest risk is managed by maintaining an appropriate mix between fixed and variable rate borrowings. The Municipality borrows more than 50 % of funds at a fixed rate to reduce the risk of interest fluctuations.

16.3 Accounts receivable

Trade receivables:

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for bad debt account, and the amount of the loss is recognised in the Statement of Financial Performance. When a trade receivable is uncollectible, it is written off against the provision for bad debt account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Financial Performance.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts with regard to arrangement of consumer debtors are classified as long-term receivables.

16.3.1 Provision for Bad Debt

Provision for bad debt is made by means of an annual contribution of electricity and water levies, debtor's revenue from Fire Brigade Services, Ambulance Services and Rentals excluding the Tshwane Market.

The annual contribution is determined by calculating the estimated non payment by debtors for the financial year. The percentage contribution is calculated during the budget process each year and reviewed at year end.

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009**

16.4 Accounts payable

16.4.1 Trade creditors

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

16.4.2 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the Municipality

17. CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

18. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency of the municipality (i.e. SA Rand) using the rate of exchange prevailing on the date of the transaction.

Trade Creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

19. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

The percentage of completion method is utilised to recognise revenue on long-term contracts. Management exercises judgement in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment applied to the total expected revenue arising from maintenance and repair contracts.

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009**

19.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

19.1.1 Service charges relating to Electricity, Water and Sanitation

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

19.1.2 Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and income is accrued when received. Revenue is recognized at point of sale.

19.1.3 Interest earned on outstanding debtors

Interest on outstanding debtors is recognized on a time proportionate basis.

19.1.4 Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

19.1.5 Housing rental and instalments

Income in respect of housing rental and instalments are accrued monthly in advance. Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

19.1.6 Sale of goods

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

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

19.1.7 Interest earned on investments

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investment.

19.1.8 Collection charges

Collection charges are recognized when such amounts are incurred.

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009**

19.2 Revenue from non-exchange transactions

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

19.2.1 Revenue from rates

Revenue from rates is recognized when the legal entitlement to this revenue arises. A site rating system is applied. In terms of this system assessment rates are levied on the land value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

19.2.2 Fines

Revenue from the issuing of fines shall be recognised when:

- (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality,
- (b) the amount of the revenue can be measured reliably, and
- (c) the stage of completion of the transaction at the reporting date can be measured reliably.

Therefore:

- (i) Income in respect of traffic fines, spot fines and certain licenses is accrued when received, and
- (ii) Revenue from the issuing of summonses is only recognised when notified by the public prosecutor of the amount actually collected.

The accrual is calculated based on past experience of amounts collected on fines and summonses issued.

From 1 July 2008 the City of Tshwane was part of the pilot project of the new AARTO fines and act as a issuing authority. The new traffic revenue from traffic fines is recognised on an agency basis.

19.2.4 Donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

19.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

20. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised when the criteria, conditions or obligations have not been met.

21. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance in terms of paragraph 10 of GRAP 5.

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009**

22. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

23. SEGMENTAL INFORMATION

The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of income and expenditure.

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D consistent with prior years.

24. GRANTS-IN-AID (EXPENSE)

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1993 (Act 20 of 1998) or in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

27. 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 is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009**

28. COMPARATIVE INFORMATION

28.1 Current year comparatives

Budgeted amounts have been included in the annual financial statement of performance for the current financial year only.

28.2 Prior year comparatives

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

The comparative figures (2007/08 accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP standards which became effective from 1 July 2008.

29. TAXATION

The City of Tshwane Metropolitan Municipality is exempt from tax in terms of section 10(1)cB(i)(ff) of the Income Tax Act.

30. ESTIMATES

The preparation of financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the City of Tshwane's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements were applicable.

31. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 - Segment Reporting (Issued March 2005)
- GRAP 21 - Impairment of non-cash-generating assets
- GRAP 23 - Revenue from Non-exchange transactions (Taxes and Transfers) (Issued February 2008)
- GRAP 24 - Presentation of Budget Information in Financial Statements (Issued November 2007)
- GRAP 26 - Impairment of cash-generating assets (Issued March 2009)
- GRAP 103 - Heritage Assets (Issued July 2008)

The impending changes will prove a challenge as systems need to be changed to ensure compliance to the disclosure requirements of these standards. Most of the changes will only pertain to disclosure requirements.

GRAP 18 Segment Reporting will have a major impact on the financial statements as the whole system of reporting will need to be changed before compliance to GRAP 18 will be possible.

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	MUNICIPALITY		GROUP	
		2009	2008	2009	2008
		R	R	R	R
ASSETS					
Current assets		4,005,148,826	3,284,766,277	4,089,355,726	3,543,869,496
Inventory	15	241,320,519	216,602,418	259,899,193	232,918,709
Consumer debtors	16	2,667,419,972	2,392,902,525	2,686,009,151	2,401,050,206
Other debtors	17	705,015,225	293,512,862	735,556,504	319,527,120
Non-current assets held for sale	12	394,315	0	394,315	0
Current portion of long-term receivables	14	123,832,808	103,377,148	123,832,808	103,377,148
Call investment deposits	13.2	177,605,393	235,135,631	187,814,191	272,462,172
Bank balances and cash	19	89,560,594	43,235,693	95,849,564	214,534,141
Non-current assets		13,780,329,712	10,977,002,065	13,810,417,464	11,403,738,148
Fixed assets:		12,823,003,790	10,099,164,373	12,850,580,403	10,505,278,922
Property, plant and equipment	10.9	12,658,785,881	9,990,558,238	12,676,760,874	10,386,669,547
Investment Property	10.10	8,027,162	10,571,024	17,627,162	20,571,024
Intangible assets	10.11	156,190,747	98,035,111	156,192,367	98,038,351
Leased assets	10.13	252,871,839	247,780,561	252,871,839	261,544,377
Biological Assets: Livestock	11	17,007,999	14,741,255	17,007,999	14,741,255
Investments	13.1	500,346,374	425,553,069	502,857,513	432,410,787
Long-term receivables	14	187,099,710	189,762,807	187,099,710	189,762,807
Total Assets		17,785,478,538	14,261,768,342	17,899,773,190	14,947,607,644
LIABILITIES					
Current liabilities		3,929,017,392	2,886,054,459	4,033,860,826	3,010,608,025
Consumer deposits	6	282,759,977	267,978,963	285,243,276	269,510,010
Creditors	7	2,656,933,299	1,755,705,926	2,741,347,012	1,847,095,150
Unspent conditional grants and receipts	8	419,920,338	328,760,232	433,598,771	333,043,184
VAT	9	164,585,154	104,380,809	167,620,490	113,720,301
Bank overdraft	19	95,416,694	106,407,370	95,416,694	106,678,519
Provisions	5	0	0	917,255	782,275
Current portion of long-term liabilities	2	133,693,231	172,572,966	134,008,629	189,530,393
Current portion of finance lease liabilities	3.1	175,708,699	150,248,193	175,708,699	150,248,193
Non-current liabilities		5,499,261,633	3,738,924,810	5,503,620,267	4,271,138,722
Long-term liabilities	2	4,203,274,984	2,705,771,524	4,207,633,618	3,211,659,565
Finance lease liabilities	3.1	86,806,115	107,048,837	86,806,115	131,296,586
Deferred operating lease liability	3.2	0	0	0	2,078,122
Post-employment benefit liability	36	1,004,196,000	838,893,000	1,004,196,000	838,893,000
Non-current provisions	4.4	204,984,534	87,211,449	204,984,534	87,211,449
Total Liabilities		9,428,279,025	6,624,979,269	9,537,481,093	7,281,746,747
Net Assets		8,357,199,513	7,636,789,072	8,362,292,097	7,665,860,896
NET ASSETS					
Housing Development Fund and Reserves		7,339,774,689	6,777,266,678	7,339,774,689	6,777,267,878
Accumulated surplus		1,017,424,824	859,522,394	1,022,517,408	888,593,018
Total Net Assets and Liabilities		8,357,199,513	7,636,789,072	8,362,292,097	7,665,860,896

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	MUNICIPALITY				GROUP			
		2009		2008		2009		2008	
		Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment Budget
		R	R	R	R	R	R	R	R
REVENUE									
Property rates	20	2,299,623,948	2,530,500,000	2,185,065,026	2,007,541,000	2,299,523,005	2,530,500,000	2,184,999,728	2,007,541,000
Service charges	21	5,647,685,341	5,948,707,000	4,838,958,770	4,769,479,797	5,749,212,670	5,948,707,000	4,925,025,127	4,769,479,797
Regional Services Levies		0	0	0	20,000,000	0	0	0	20,000,000
Rental of facilities and equipment		87,687,033	71,756,960	84,317,308	74,495,934	98,877,333	71,756,960	90,860,818	74,495,934
Interest earned - external investments		122,499,553	120,441,000	135,554,608	113,303,229	125,804,444	120,441,000	158,014,824	113,303,229
Interest earned - outstanding debtors		279,267,901	173,624,000	179,065,234	160,432,604	298,653,352	173,624,000	194,352,139	160,432,604
Fines		31,241,834	55,160,221	39,354,788	49,433,869	31,241,834	55,160,221	39,354,788	49,433,869
Licences and permits		28,423,732	24,930,991	29,498,520	23,049,903	28,423,732	24,930,991	29,498,520	23,049,903
Government grants and subsidies	22	2,275,363,522	2,667,416,951	1,924,285,012	2,201,857,795	2,274,418,557	2,667,416,951	1,926,558,232	2,201,857,795
Other income	23	612,705,674	672,386,146	541,766,130	619,483,107	590,672,297	672,386,146	690,450,225	619,483,107
Public contributions		226,447,787	138,000,000	221,175,922	155,000,000	226,447,787	138,000,000	221,175,922	155,000,000
Gains on disposal of property, plant and equipment		2,779,292	41,301,938	4,936,900	40,352,144	2,786,173	41,301,938	4,936,900	40,352,144
Gain: Changes in fair value of livestock	11	2,266,744	0	3,726,697	0	2,266,744	0	3,726,697	0
Gain: Disestablishment of municipal entity	42.3	23,002,905	0	0	0	23,002,905	0	0	0
TOTAL REVENUE		11,638,995,266	12,444,225,207	10,187,704,915	10,234,429,382	11,751,330,833	12,444,225,207	10,468,953,920	10,234,429,382
EXPENDITURE									
Employee related costs	24	3,009,111,305	3,281,323,070	2,621,002,843	2,729,726,831	3,061,853,987	3,281,323,070	2,665,393,656	2,729,726,831
Remuneration of Councillors	25	55,350,803	73,992,387	44,201,359	47,914,093	55,350,803	73,992,387	44,201,359	47,914,093
Bad debts: contribution		210,896,373	71,359,812	179,914,390	19,920,755	238,917,368	71,359,812	230,254,392	19,920,755
Bad debts: written off - consumer & sundry debtors		165,228,232	60,414,000	100,732,978	109,100,000	193,630,109	60,414,000	100,732,978	109,100,000
Collection costs		72,511,251	72,780,752	72,224,153	63,178,651	72,511,251	72,780,752	72,224,153	63,178,651
Depreciation	26	500,104,539	862,988,273	574,906,652	728,387,673	502,939,437	862,988,273	613,963,377	728,387,673
Asset impairment		6,901,250	0	0	0	6,901,250	0	0	0
Interest paid	27	507,584,152	411,961,352	361,757,332	382,138,723	508,312,549	411,961,352	431,489,612	382,138,723
Bulk purchases	28	2,718,185,952	2,789,472,300	2,206,818,210	2,232,955,941	2,835,273,617	2,789,472,300	2,214,193,693	2,232,955,941
Repairs and maintenance		1,125,506,266	942,539,899	894,628,918	749,310,022	1,127,185,923	942,539,899	897,807,296	749,310,022
Grants and subsidies paid	29	9,833,837	12,953,000	11,584,679	12,285,250	9,833,837	12,953,000	11,584,679	12,285,250
Loss on disposal of property, plant and equipment		9,069,358	11,000	23,423,391	9,900	9,069,358	11,000	23,423,391	9,900
General expenses	30	2,528,301,508	2,683,757,545	2,757,533,009	2,263,439,651	2,428,812,607	2,683,757,545	2,868,324,787	2,263,439,651
TOTAL EXPENDITURE		10,918,584,826	11,263,553,390	9,848,727,914	9,338,367,490	11,050,592,096	11,263,553,390	10,173,593,373	9,338,367,490
Net Surplus for the year		720,410,440	1,180,671,817	338,977,001	896,061,892	700,738,737	1,180,671,817	295,360,547	896,061,892
Refer to Appendix E for the comparison with the approved budget									

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009 - PARENT

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COID Reserve	Self Insurance Reserve	Self Insurance: FDR	Total Reserves	Accumulated Surplus/ (Deficit)	Total: Net Assets
	R	R	R	R	R	R	R	R	R	R
2008										
Balance at 1 July 2007	141,152,353	501,152,806	2,008,028,104	3,506,835,333	62,694,963	65,637,380	332,487	6,285,833,426	761,314,423	7,047,147,849
Prior year adjustments (see Note 43.6)								0	250,664,222	250,664,222
Prior year adjustments: Reserves(see Note 43.6)			139,469,413	7,553,936				147,023,349	(147,023,349)	
Net surplus for the year								0	338,977,001	338,977,001
Asset purification/retirements			(18,537,534)	(85,335,055)				(103,872,589)	103,872,589	0
Property, plant & equipment purchased: Capitalised		(378,715,875)	378,715,875					0	0	0
Capital grants used to purchase PPE (revenue recognised)				467,680,281				467,680,281	(467,680,281)	0
Contribution: Workmens Compensation (from employees)					6,178,310			6,178,310	(6,178,310)	0
Transfer from Housing Development Fund	(12,232,466)							(12,232,466)	12,232,466	0
Transfer from Insurance Reserve					0	163,313,466		163,313,466	(163,313,466)	0
Transfer to Capital replacement reserve (Tshwane Market)		16,219,136						16,219,136	(16,219,136)	0
Transfer to Capital replacement reserve : General		168,501,412						168,501,412	(168,501,412)	0
Offsetting of depreciation			(267,942,951)	(93,390,852)		0	(43,844)	(361,377,647)	361,377,647	0
Balance at 30 June 2008	128,919,887	307,157,479	2,239,732,907	3,803,343,643	68,873,273	228,950,846	288,643	6,777,266,678	859,522,394	7,636,789,072
2009										
Net surplus for the year								0	720,410,440	720,410,440
Asset purification/retirements		317,641,199	(326,781,703)	(3,842,084)				(12,982,588)	12,982,588	0
Property, plant & equipment purchased: Capitalised		(441,137,531)	441,137,531					0	0	0
Capital grants used to purchase PPE (revenue recognised)				650,643,403				650,643,403	(650,643,403)	0
Contribution: Workmens Compensation (from employees)					8,355,831			8,355,831	(8,355,831)	0
Transfer from Housing Development Fund	(70,167)							(70,167)	70,167	0
Transfer from Insurance Reserve						(38,264,782)		(38,264,782)	38,264,782	0
Transfer to Capital replacement reserve (Tshwane Market)		25,590,421						25,590,421	(25,590,421)	0
Transfer to Capital replacement reserve (public contributions)		152,002,906						152,002,906	(152,002,906)	0
Offsetting of depreciation			(133,147,993)	(89,590,113)			(28,908)	(222,767,014)	222,767,014	0
Balance at 30 June 2009	128,849,720	361,254,474	2,220,940,742	4,360,554,849	77,229,104	190,686,064	259,735	7,339,774,689	1,017,424,824	8,357,199,513

Note: Capitalisation Reserve

The handling of the Capitalisation Reserve differs from the guidelines of National Treasury as indicated in the specimen financial statements in the sense that:

- * The amount used to finance property, plant and equipment from the Capital Replacement Reserve since the implementation of GAMAP is not transferred to the Accumulated surplus, but to the Capitalisation Reserve

The reasons for this deviation are the following:

- * To offset future depreciation charges via a transfer from the reserve to prevent double taxation of ratepayers
- * To prevent distortion of the accumulated surplus which could possibly lead to utilisation other than the offsetting of depreciation
- * An accumulated surplus are not used to finance deficits on future budgets as a result of depreciation charges
- * The financing and offsetting of depreciation of property, plant and equipment financed from the Capital Replacement Reserve should be treated the same as property, plant and equipment financed from the Government Grant Reserve

The effect on the financial statements would be the following if the guidelines of National Treasury were followed:

- * Accumulated surplus will increase with R441 137 531 (2007/08 = R378 715 875 2006/07 = R 94 508 184 and 2005/06 =R302 183 695 and 2004/05 = R 909 806 168)
- * Capitalisation Reserve will decrease with R441 137 531 (2007/08 = R378 715 875 2006/07 = R94 508 184 and 2005/06 = R302 183 695 and 2004/05 = R909 806 168)

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009 - GROUP

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COID reserve	Self Insurance Reserve	Self Insurance: Future Depreciation Reserve	Roodeplaat Temba Water Services Trust: Statutory Donations Fund	Housing Company Tshwane: Grant Reserve	Total Reserves	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R	R	R
2008												
Balance at 1 July 2007	141,152,353	501,152,806	2,008,028,104	3,506,835,333	62,694,963	65,637,380	332,487	1,200	3,053,553	6,288,888,179	827,171,383	7,116,059,562
Net surplus for the year		0								0	295,360,547	295,360,547
Prior year adjustments: Parent (see note 43.6)										0	250,664,222	250,664,222
Prior year adjustments: Reserves(see Note 43.6)			139,469,413	7,553,936						147,023,349	(147,023,349)	
Prior year adjustments: Sandspruit (see note 43.7)										0	70,076	70,076
Prior year adjustments: Housing Company (see note 43.7)									(3,053,553)	(3,053,553)	14,679,980	11,626,427
Prior year adjustments: Roodeplaat Temba (see note 43.7)										0	(7,809,766)	(7,809,766)
Prior year adjustments: Civirelo (see note 43.7)										0	(110,172)	(110,172)
Asset purification/retirements			(18,537,534)	(85,335,055)						(103,872,589)	103,872,589	0
Property, plant & equipment capitalised		(378,715,875)	378,715,875							0	0	0
Capital grants used to purchase PPE (revenue recognised)		0		467,680,281						467,680,281	(467,680,281)	0
Contribution: Workmens Compensation (from employees)		0			6,178,310		0			6,178,310	(6,178,310)	0
Transfer from Housing Development Fund	(12,232,466)	0								(12,232,466)	12,232,466	0
Transfer from Insurance Reserve		0				163,313,466	0			163,313,466	(163,313,466)	0
Transfer to Capital replacement reserve (Tshwane Market)		16,219,136								16,219,136	(16,219,136)	0
Transfer to Capital replacement reserve : General		168,501,412								168,501,412	(168,501,412)	0
Offsetting of depreciation		0	(267,942,951)	(93,390,852)			(43,844)			(361,377,647)	361,377,647	0
Balance at 30 June 2008	128,919,887	307,157,479	2,239,732,907	3,803,343,643	68,873,273	228,950,846	288,643	1,200	0	6,777,267,878	888,593,018	7,665,860,896
2009												
Net surplus for the year											700,738,737	700,738,737
Prior year adjustments: Housing Company Tshwane (Note 43)											5,677,531	5,677,531
Prior year adjustments: Civirelo (Note 43)											5,504	5,504
Prior year adjustment: Roodeplaat Temba Water Services Trust (Note 43)											(9,989,370)	(9,989,370)
Property valuation: Housing company Tshwane (note 43)								(1,200)	0	(1,200)		(1,200)
Asset purification/retirements			(326,781,703)	(3,842,084)						(12,982,588)	12,982,588	0
Property, plant & equipment capitalised		(441,137,531)	441,137,531							0	0	0
Capital grants used to purchase PPE (revenue recognised)				650,643,403						650,643,403	(650,643,403)	0
Contribution: Workmens Compensation (from employees)					8,355,831					8,355,831	(8,355,831)	0
Transfer from Housing Development Fund	(70,167)									(70,167)	70,167	0
Transfer from Insurance Reserve						(38,264,782)				(38,264,782)	38,264,782	0
Transfer to Capital replacement reserve (Tshwane Market)		25,590,421								25,590,421	(25,590,421)	0
Transfer to Capital replacement reserve : General		152,002,906								152,002,906	(152,002,906)	0
Offsetting of depreciation			(133,147,993)	(89,590,113)			(28,906)			(222,767,012)	222,767,012	0
Balance at 30 June 2009	128,849,720	361,254,474	2,220,940,742	4,360,554,849	77,229,104	190,686,064	259,737	0	0	7,339,774,689	1,022,517,408	8,362,292,097

CITY OF TSHWANE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	MUNICIPALITY		GROUP	
		2009	2008	2009	2008
		R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts:		11,073,714,119	9,996,504,138	11,196,856,593	10,312,482,726
Cash receipts from ratepayers, government and other		10,951,214,566	9,860,949,530	11,071,052,149	10,154,467,902
Interest received		122,499,553	135,554,608	125,804,444	158,014,824
Payments:		(9,129,780,284)	(8,277,978,310)	(9,393,558,407)	(8,620,302,812)
Cash paid to suppliers and employees		(8,622,196,132)	(7,916,220,982)	(8,885,245,858)	(8,188,813,204)
Interest paid		(507,584,152)	(361,757,328)	(508,312,549)	(431,489,608)
NET CASH FROM OPERATING ACTIVITIES	31	1,943,933,835	1,718,525,828	1,803,298,185	1,692,179,914
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(3,326,807,998)	(2,211,743,117)	(2,839,962,695)	(2,221,750,291)
Gain: Change in fair value of livestock		(2,266,744)	(3,726,697)	(2,266,744)	(3,726,697)
Proceeds on disposal of fixed assets		2,779,292	4,936,900	2,786,173	4,936,900
Asset impairment		(6,901,250)	-	(6,901,250)	-
Decrease/(increase) in non-current investments		(74,793,305)	(14,269,160)	(70,446,726)	(14,335,608)
NET CASH FROM INVESTING ACTIVITIES		(3,407,990,005)	(2,224,802,074)	(2,916,791,242)	(2,234,875,696)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings		1,458,623,725	43,749,023	940,452,289	14,176,492
Proceeds from borrowings		1,606,943,775	294,856,326	1,088,876,250	296,143,539
Repayment of borrowings		(148,320,050)	(251,107,303)	(148,423,961)	(281,967,047)
Net lease liabilities		5,217,784	52,469,549	(19,029,965)	78,795,420
Proceeds from lease liabilities		142,287,330	147,884,381	142,287,330	147,884,381
Repayment of lease liabilities		(137,069,546)	(95,414,832)	(161,317,295)	(69,088,961)
NET CASH FROM FINANCING ACTIVITIES		1,463,841,509	96,218,572	921,422,324	92,971,912
NET CASH FLOW		(214,661)	(410,057,674)	(192,070,733)	(449,723,870)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		(214,661)	(410,057,674)	(192,070,733)	(449,723,870)
Cash and cash equivalents at the beginning of the year	32	171,963,954	582,021,628	380,317,794	830,041,664
Cash and cash equivalents at the end of the year	32	171,749,293	171,963,954	188,247,061	380,317,794

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
1	HOUSING DEVELOPMENT FUND				
	Housing Development Fund	128,849,721	128,919,887	128,849,721	128,919,887
	Unappropriated surplus	197,856,184	197,926,350	197,856,184	197,926,350
	Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463	69,006,463	69,006,463
	The Housing Development Fund is represented by the following assets and liabilities:				
	Housing selling scheme loans	66,750,728	108,239,423	66,750,728	108,239,423
	Other debtors	17,996,084	12,687,578	17,996,084	12,687,578
	Bank and cash	44,102,908	7,992,886	44,102,908	7,992,886
	Total Housing Development Fund Assets and Liabilities	128,849,720	128,919,887	128,849,720	128,919,887
2	LONG-TERM LIABILITIES				
	Local Registered Stock	278,484,334	318,161,284	278,484,334	318,161,284
	Long-term loans:	4,058,483,882	2,560,183,206	4,063,157,914	3,083,028,674
	Annuity loans	3,571,456,946	2,073,261,434	3,571,456,946	2,073,261,434
	Term loans	487,026,936	486,921,772	491,407,968	1,009,767,240
	Interest free loan	0	0	293,000	0
		4,336,968,216	2,878,344,490	4,341,642,248	3,401,189,958
	LESS: Current portion transferred to current liabilities	133,693,231	172,572,966	134,008,629	189,530,393
	Local Registered Stock	0	42,227,760	0	42,227,760
	Annuity loans	133,693,231	101,842,510	133,693,231	101,842,510
	Term loans	0	28,502,696	315,398	45,460,123
	Total External Loans	4,203,274,985	2,705,771,524	4,207,633,619	3,211,659,565
	Refer to Appendix A for more detail on long-term liabilities				
	Amount invested specifically for the repayment of long-term liabilities. (See note 33 for more detail.)	598,458,250	568,644,654	598,458,250	568,644,654
	Maturity value of amount invested as security for long-term liabilities	788,466,682	815,559,792	788,466,682	815,559,792
	Term loans: are secured by:-				
	1. A general notarial bond over the movable assets of the Trust. 2. Cession of the Temba Lease Agreement. 3. The Debt Service Reserve Account, the Capital Reserve Account and the Operating Reserve Account. These loans are repayable 6 monthly over 15 years.				
	Housing Company Tshwane				
	A secured loan bearing interest at 14 % per annum from National Housing Finance Corporation Ltd - repayable in the remaining 177 monthly installments (initially 240 monthly installments). Secured by a mortgage bond over the investment property with a fair value of R9 600 000 (subject to pending valuation results) plus a cession of all banking accounts, debtors books, all risk insurance policies.				
	Interest free loan convertible to a grant on meeting certain criteria from the Gauteng Partnership Fund . The book value of the loan amounts to R293 000.				
3	LEASE LIABILITIES				
3.1	Finance lease liabilities				
	Gross liability	295,412,611	190,233,106	295,412,611	214,480,855
	Future finance charges on finance leases	(32,897,797)	67,063,924	(32,897,797)	67,063,924
	Total finance lease liability	262,514,814	257,297,030	262,514,814	281,544,779
	Non-current portion of finance lease liability				
	Gross liability	117,333,687	88,349,912	117,333,687	112,597,661
	Future finance charges on finance leases	(30,527,572)	18,698,924	(30,527,572)	18,698,924
		86,806,115	107,048,836	86,806,115	131,296,585
	Current portion of finance lease liability				
	Gross liability	178,078,924	101,883,194	178,078,924	101,883,194
	Future finance charges on finance leases	(2,370,225)	48,365,000	(2,370,225)	48,365,000
		175,708,699	150,248,194	175,708,699	150,248,194
	Finance lease liabilities - minimum future lease payments:				
	Not later than one year	178,078,924	101,883,194	178,078,924	101,883,194
	Later than one year but not later than five years	117,333,687	88,349,912	117,333,687	89,311,594
	Later than 5 years	0	0	0	23,286,067
		295,412,611	190,233,106	295,412,611	214,480,855
	Future finance charges on finance leases	(32,897,797)	67,063,924	(32,897,797)	67,063,924
	Present value of finance lease liabilities	262,514,814	257,297,030	262,514,814	281,544,779
	Refer to Appendix A for more detail on finance lease liabilities				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
The present value of finance lease liabilities may be analysed as follows:				
No later than one year	175,708,699	153,046,433	175,708,699	153,046,433
Later than one year but not later than five years	86,806,116	104,250,597	86,806,116	104,250,597
	<u>262,514,815</u>	<u>257,297,030</u>	<u>262,514,815</u>	<u>257,297,030</u>
Fair value of loans (amortised cost i.e. PV)	262,514,814	257,297,030	262,514,814	257,297,030
Collateral held in terms of the above lease (Net book amount of leased assets) (See note 10.13)	252,871,839	247,780,561	252,871,839	247,780,561
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default				
3.2 Deferred lease liabilities				
Balance at the beginning of the year (brought in only from 2007/08)			2,078,122	1,873,039
Expense realised			(2,078,122)	205,083
Balance at the end of the year			0	2,078,122
4 NON-CURRENT PROVISIONS				
4.1 CLEARING OF ALIEN VEGATATION				
Opening balance at the beginning of the year	5,789,465	5,263,150	5,789,465	5,263,150
Contributions during the year	7,246,569	3,716,659	7,246,569	3,716,659
Expenditure during the year	(6,667,623)	(3,190,344)	(6,667,623)	(3,190,344)
Closing balance at the end of the year	6,368,411	5,789,465	6,368,411	5,789,465
In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist. The provision will be phased in over a period of time.				
4.2 REHABILITATION OF LANDFILL SITES				
The provision for landfill sites have been established from the 2007/08 financial year only.				
Opening balance at the beginning of the year	63,360,000	0	63,360,000	0
Contributions during the year	111,151,962	63,360,000	111,151,962	63,360,000
Expenditure during the year	0	0	0	0
Closing balance at the end of the year	174,511,962	63,360,000	174,511,962	63,360,000
4.3 REHABILITATION OF QUARRIES				
The provision for quarries have been established from the 2007/08 financial year only.				
Opening balance at the beginning of the year	18,061,984	0	18,061,984	0
Contributions during the year	6,042,176	18,061,984	6,042,176	18,061,984
Expenditure during the year	0	0	0	0
Closing balance at the end of the year	24,104,160	18,061,984	24,104,160	18,061,984
4.4 Total non-current provisions				
Opening balance at the beginning of the year	87,211,449	5,263,150	87,211,449	5,263,150
Contributions during the year	124,440,707	85,138,643	124,440,707	85,138,643
Expenditure during the year	(6,667,623)	(3,190,344)	(6,667,623)	(3,190,344)
Closing balance at the end of the year	204,984,533	87,211,449	204,984,533	87,211,449
5 CURRENT PROVISIONS				
Performance bonus			917,255	782,275
			<u>917,255</u>	<u>782,275</u>
5.1 RECONCILIATION OF CURRENT PROVISIONS				
5.1.1 Performance bonus:				
Balance at the beginning of the year			782,275	2,318,467
Contributions to provision			134,980	782,275
Utilisation of provision			0	(2,318,467)
Balance at the end of the year			917,255	782,275

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
6	CONSUMER DEPOSITS				
	Electricity and water	<u>282,759,977</u>	<u>267,978,963</u>	<u>285,243,276</u>	<u>269,510,010</u>
	Guarantees held in lieu of Electricity and Water deposits	<u>143,634,350</u>	<u>128,909,639</u>	<u>143,634,350</u>	<u>128,909,639</u>
7	CREDITORS				
	Trade creditors	1,685,566,272	982,847,902	1,689,035,425	998,700,860
	Payments received in advance	66,841,273	3,873,614	129,656,975	58,127,847
	Retentions	142,689,724	96,661,285	142,689,724	103,699,574
	Staff Leave accrual	300,893,740	257,311,987	303,847,796	259,776,832
	Deposits	13,006,346	17,931,509	15,132,035	20,024,840
	Other creditors	447,935,944	397,079,629	460,985,057	406,765,197
	Total creditors	<u>2,656,933,299</u>	<u>1,755,705,926</u>	<u>2,741,347,012</u>	<u>1,847,095,150</u>
8	UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
8.1	Conditional Grants from other spheres of Government	410,882,455	318,164,899	410,882,455	318,164,899
	Municipal Infrastructure Grant (MIG)	34,572,314	37,952,350	34,572,314	37,952,350
	Housing projects	33,941,036	20,301,622	33,941,036	20,301,622
	Department of Water Affairs & Forestry (DWAF)	2,332,660	4,827,178	2,332,660	4,827,178
	Finance Management Grant (FMG)	1,515,238	1,304,688	1,515,238	1,304,688
	Municipal System Improvement Grant (MSIG)	498,400	498,400	498,400	498,400
	Restructuring Grant	41,106,512	86,786,106	41,106,512	86,786,106
	Department Sport and Recreation	38,279,649	45,242,563	38,279,649	45,242,563
	Transportation and Engineering	1,553,167	8,000,000	1,553,167	8,000,000
	Department Public Works	0	7,322,068	0	7,322,068
	2010 Host Cities	40,000,000	0	40,000,000	0
	Transport : World Cup Soccer	207,683,644	105,786,086	207,683,644	105,786,086
	Neighbourhood watch development	6,725,126	0	6,725,126	0
	ESKOM	0	12,953	0	12,953
	Provincial Local Economic Development Projects grant	2,674,709	130,885	2,674,709	130,885
8.2	Other conditional Receipts	9,037,883	10,595,333	22,716,316	14,878,285
	National Electrification Fund	4,281,858	4,198,110	4,281,858	4,198,110
	Bontle ke Botho	1,563,400	1,457,223	1,563,400	1,457,223
	Gauteng Arts and Culture	574,936	0	574,936	0
	Gauteng: Agriculture, Conservation & Environment	6,250	440,000	6,250	440,000
	Stipends (DBSA)	54,000	0	54,000	0
	DPLG: Health	2,342,602	1,500,000	2,342,602	1,500,000
	Monument Golf Club	214,837	3,000,000	214,837	3,000,000
	Other: Sandspruit	0	0	13,678,433	4,282,952
	Total Conditional Grants and Receipts (See Note 22 for reconciliation).	<u>419,920,338</u>	<u>328,760,232</u>	<u>433,598,771</u>	<u>333,043,184</u>
9	VAT				
	VAT payable	<u>164,585,154</u>	<u>104,380,809</u>	<u>167,620,490</u>	<u>113,720,301</u>
	VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
10	PROPERTY, PLANT AND EQUIPMENT (Reconciliation of Carrying values)				
10.1	INFRASTRUCTURE				
	Carrying value at 1 July	6,737,266,620	5,407,435,097	6,746,027,866	5,415,753,097
	Cost	8,888,481,702	7,336,282,784	8,899,904,937	7,346,503,035
	Accumulated depreciation: Restatement - Zero value assets	0	71,605,445	0	71,605,445
	Accumulated depreciation	(2,151,215,082)	(2,000,453,132)	(2,153,877,071)	(2,002,355,383)
	Acquisitions	2,014,508,787	2,299,852,932	2,014,715,690	2,300,296,178
	Additions	1,134,935,184	1,876,235,172	1,136,178,609	1,877,650,290
	Additions: Capital under construction	825,183,264	639,207,766	825,183,264	639,207,766
	Acquisitions: Roodeplaat Temba Water Services Trust	435,062,480	0	435,062,480	0
	Acquisitions: Capital under construction - Roodeplaat Temba Water Services Trust	2,247,888	0	2,247,888	0
	Threshold assets transfer - cost	0	(107,017)	0	(107,017)
	Depreciation: Threshold assets transfer	0	106,686	0	106,686
	Accumulated depreciation: Roodeplaat Temba Water Services trust	(89,588,139)	0	(89,588,139)	0
	Depreciation - based on cost	(293,331,890)	(215,589,675)	(294,368,412)	(216,561,547)
	Carrying value of purification/transfers	(39,924,063)	(970,021,409)	(39,924,063)	(970,021,409)
	Cost	0	(966,379,735)	0	(966,591,869)
	Transfer Asset under construction (AUC) to assets	(39,924,063)	0	(39,924,063)	0
	Restatement: Transfer asset classes - cost	0	3,010,795	0	3,010,795
	Restatement: ICS Register - cost	0	231,937	0	231,937
	Restatement: Transfer asset classes - depreciation	0	(424,924)	0	(424,924)
	Restatement: ICS Register - depreciation	0	(9,042)	0	(9,042)
	Restatement: zero value assets - depreciation correction	0	(8,063,915)	0	(8,063,915)
	Accumulated depreciation	0	1,613,475	0	1,825,609
	Carrying values at 30 June:	8,711,851,344	6,737,266,620	8,720,819,493	6,746,027,866
	Cost	11,245,986,455	8,888,481,702	11,258,653,115	8,899,904,937
	Accumulated depreciation	(2,534,135,111)	(2,151,215,082)	(2,537,833,622)	(2,153,877,071)
10.2	COMMUNITY				
	Carrying value at 1 July	859,523,650	777,746,173	859,523,650	777,746,173
	Cost	1,149,056,085	1,024,618,757	1,149,056,085	1,024,618,757
	Accumulated depreciation: Restatement - zero value assets	0	9,424,591	0	9,424,591
	Accumulated depreciation	(289,532,435)	(256,297,175)	(289,532,435)	(256,297,175)
	Acquisitions	240,859,330	112,882,539	240,859,330	112,882,539
	Additions	264,619,289	146,170,690	264,619,289	146,170,690
	Capital under construction	19,848,542	8,353,798	19,848,542	8,353,798
	Transfer: Threshold assets - cost	0	(200,589)	0	(200,589)
	Transfer: Threshold assets - depreciation	0	10,446	0	10,446
	Depreciation - based on cost	(43,608,501)	(41,451,806)	(43,608,501)	(41,451,806)
	Carrying value of purification/transfers	26,484,153	(31,105,062)	26,484,153	(31,105,062)
	Cost	0	(29,901,839)	0	(29,901,839)
	Transfer Asset under construction (AUC) to assets	26,484,153	0	26,484,153	0
	Restatement: Transfer asset classes - cost	0	(10,334)	0	(10,334)
	Restatement: ICS Register - cost	0	25,602	0	25,602
	Restatement: Transfer asset classes - depreciation	0	99,019	0	99,019
	Restatement: zero value assets - depreciation correction	0	(1,317,510)	0	(1,317,510)
	Carrying values at 30 June:	1,126,867,133	859,523,650	1,126,867,133	859,523,650
	Cost	1,460,008,069	1,149,056,085	1,460,008,069	1,149,056,085
	Accumulated depreciation	(333,140,936)	(289,532,435)	(333,140,936)	(289,532,435)

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
10.3 HERITAGE				
Carrying value at 1 July				
Cost	3,695,147	3,733,422	3,695,147	3,733,422
Accumulated depreciation	(119,241)	(80,566)	(119,241)	(80,566)
Acquisitions	(38,716)	(38,675)	(38,716)	(38,675)
Additions	0	0	0	0
Depreciation - based on cost	(38,716)	(38,675)	(38,716)	(38,675)
Carrying value of purification/transfers	0	400	0	400
Cost	0	0	0	0
Restatement: Fair market value assets - cost	0	400	0	400
Accumulated depreciation	0	0	0	0
Carrying values at 30 June:	3,656,431	3,695,147	3,656,431	3,695,147
Cost	3,814,388	3,814,388	3,814,388	3,814,388
Accumulated depreciation	(157,957)	(119,241)	(157,957)	(119,241)
10.4 HOUSING				
Carrying value at 1 July				
Cost	184,570,006	201,740,869	184,570,006	201,740,869
Accumulated depreciation: Restatement - zero value assets	0	110,474	0	110,474
Accumulated depreciation	(56,430)	(33,335,511)	(56,430)	(33,335,511)
Acquisitions	35,955,311	84,530,648	35,955,311	84,530,648
Additions	36,040,717	81,746,559	36,040,717	81,746,559
Capital under construction	0	6,035,290	0	6,035,290
Depreciation - based on cost	(85,406)	(3,251,201)	(85,406)	(3,251,201)
Carrying value of purification/transfers	(1,571,781)	(101,701,511)	(1,571,781)	(101,701,511)
Cost	0	(132,579,480)	0	(132,579,480)
Transfer Asset under construction (AUC) to assets	(1,571,781)	0	(1,571,781)	0
Restatement: Transfer asset classes - cost	0	(5,541,839)	0	(5,541,839)
Restatement: ICS Register - cost	0	36,429,851	0	36,429,851
Restatement: zero value assets - depreciation correction	0	(10,043)	0	(10,043)
Carrying values at 30 June:	218,953,536	184,570,006	218,953,536	184,570,006
Cost	219,095,372	184,626,436	219,095,372	184,626,436
Accumulated depreciation	(141,836)	(56,430)	(141,836)	(56,430)
10.5 STOCK				
Carrying value at 1 July				
Cost	407,735	1,019,408	407,735	1,019,408
Accumulated depreciation	0	(123,324)	0	(123,324)
Acquisitions	0	0	0	0
Additions	0	0	0	0
Capital under construction	0	0	0	0
Depreciation - based on cost	0	0	0	0
Carrying value of purification/transfers	0	(611,673)	0	(611,673)
Cost	0	123,324	0	123,324
Accumulated depreciation - restatement	0	(734,997)	0	(734,997)
Carrying values at 30 June:	407,735	407,735	407,735	407,735
Cost	407,735	407,735	407,735	407,735
Accumulated depreciation	0	0	0	0
10.6 LAND				
Carrying value at 1 July				
Cost	1,049,966,212	998,891,764	1,049,966,212	998,891,764
Accumulated depreciation	0	(141,506,169)	0	(141,506,169)
Acquisitions	21,458,188	1,104,434	21,458,188	1,104,434
Additions	21,458,188	1,104,434	21,458,188	1,104,434
Capital under construction	0	0	0	0
Depreciation - based on cost	0	0	0	0

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
Carrying value of purification/transfers	0	49,970,014	0	49,970,014
Cost	0	0	0	0
Restatement: Transfer asset classes - cost	0	(91,536,155)	0	(91,536,155)
Restatement: Transfer asset classes - depreciation	0	158,704	0	158,704
Accumulated depreciation - write back restatement	0	141,347,465	0	141,347,465
Carrying values at 30 June:	1,071,424,400	1,049,966,212	1,071,424,400	1,049,966,212
Cost	1,071,424,400	1,049,966,212	1,071,424,400	1,049,966,212
Accumulated depreciation	0	0	0	0
10.7 BUILDINGS				
Carrying value at 1 July	459,875,924	464,511,185	466,397,657	469,859,967
Cost	778,864,363	701,317,311	786,390,121	707,455,026
Accumulated depreciation: Restatement - zero value assets	0	47,370,104	0	47,370,104
Accumulated depreciation	(318,988,439)	(284,176,230)	(319,992,464)	(284,965,163)
Acquisitions	47,274,562	6,005,757	47,158,725	7,178,708
Additions	83,458,318	77,379,357	83,691,542	78,724,850
Capital under construction	0	0	0	0
Depreciation - based on cost	(36,183,756)	(71,373,600)	(36,532,817)	(71,546,142)
Carrying value of purification/transfers	16,341,709	(10,641,018)	16,341,709	(10,641,018)
Cost	0	(67,846)	0	(25,296)
Transfer asset under construction (AUC) to assets	16,341,709	0	16,341,709	0
Restatement/Transfers: Asset classes - cost	0	235,541	0	235,541
Restatement/Transfers: Asset classes - accumulated depreciation	0	(19,493)	0	(19,493)
Restatement: zero value assets - depreciation corrections	0	(10,798,311)	0	(10,798,311)
Accumulated depreciation	0	9,091	0	(33,459)
Carrying values at 30 June:	523,492,195	459,875,924	529,898,091	466,397,657
Cost	878,664,390	778,864,363	886,423,372	786,390,121
Accumulated depreciation	(355,172,195)	(318,988,439)	(356,525,281)	(319,992,464)
10.8 OTHER				
Carrying value at 1 July	695,252,942	408,880,526	698,386,889	820,662,221
Cost	1,248,874,593	808,407,385	1,256,381,359	1,285,958,277
Accumulated depreciation: Restatement - zero value assets	0	201,361	0	201,361
Accumulated Depreciation	(553,621,651)	(399,728,220)	(557,994,470)	(465,497,417)
Acquisitions	385,429,067	9,184,029	384,946,395	(20,668,709)
Additions	150,963,101	67,356,442	151,928,127	74,599,765
Additions: Capital under construction	220,203,379	64,752,621	220,203,379	64,752,621
Acquisitions: Roodeplaat Temba Water Services Trust	37,732,103	0	37,732,103	0
Accumulated depreciation: Roodeplaat Temba Water Services trust	(7,790,273)	0	(7,790,273)	0
Transfer: Threshold assets - cost	0	(8,493,291)	0	(8,493,291)
Transfer: Threshold assets - depreciatyon	0	1,513,405	0	1,513,405
Depreciation	(15,679,243)	(115,945,148)	(17,126,941)	(153,041,209)
Carrying value of purification/transfers/disposals	(78,548,908)	277,188,387	(78,629,596)	276,087,760
Cost	0	(63,108,790)	0	(64,772,943)
Transfer asset under construction (AUC) to assets	(50,035,394)	0	(50,035,394)	0
Additions: Fair market values for zero value assets	3,720,450	0	3,720,450	0
Restatement/Transfers: Asset classes - cost	0	94,581,337	0	94,581,337
Restatement: ICS Register - cost	0	168,876,032	0	168,876,032
Restatement: Dogs and horses -cost	0	517,600	0	517,600
Restatement: Fair market value assets - cost	0	34,563,273	0	34,563,273
Restatement: Rehabilitation provision assets	0	81,421,984	0	81,421,984
Restatement: Transfer asset classes - depreciation	0	(36,243,793)	0	(36,243,793)
Restatement: Prior year depreciation	0	71,773	0	71,773
Restatement: ICS Register - depreciation	0	(12,519,023)	0	(12,519,023)
Disposals - cost	(41,216,717)	0	(41,216,717)	0
Impairment - cost	(43,246,577)	0	(43,246,577)	0
Year end accrual - cost	(13,552,424)	0	(13,552,424)	0
Disposals - depreciation	28,384,955	0	28,384,955	0
Impairment - depreciation	36,345,327	0	36,345,327	0
Write-up: Depreciation	1,445,787	0	1,445,787	0
Non-current assets held for sale - cost	(1,552,635)	0	(1,552,635)	0
Non-current assets held for sale - depreciation	1,158,320	0	1,158,320	0
Restatement: zero value assets - depreciation correction	0	(33,345)	0	(33,345)
Accumulated depreciation	0	9,061,339	(8,119)	9,624,865

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
Carrying values at 30 June:	1,002,133,101	695,252,942	1,004,703,688	1,076,081,272
Cost	1,511,889,879	1,248,874,593	1,520,289,102	1,732,004,655
Accumulated depreciation	(509,756,778)	(553,621,651)	(515,585,414)	(655,923,383)
10.9 TOTAL PROPERTY, PLANT AND EQUIPMENT				
Carrying value at 1 July	9,990,558,237	8,263,958,444	10,009,005,524	8,689,406,921
Cost	13,304,091,515	11,250,946,796	13,331,128,098	11,744,855,654
Accumulated depreciation: Restatement - zero value assets	0	128,711,975	0	128,711,975
Accumulated Depreciation	(3,313,533,278)	(3,115,700,327)	(3,322,122,574)	(3,184,160,708)
Acquisitions	2,745,446,529	2,513,521,664	2,745,054,923	2,485,285,123
Additions	1,691,474,797	2,249,992,654	1,693,916,472	2,259,996,588
Additions: Capital under construction	1,065,235,185	718,349,475	1,065,235,185	718,349,475
Acquisitions: Roodeplaat Temba Water Services Trust	472,794,583	0	472,794,583	0
Acquisitions: Capital under construction - Roodeplaat Temba Water Services Trust	2,247,888	0	2,247,888	0
Accumulated depreciation: Roodeplaat Temba Water Services trust	(97,378,412)	0	(97,378,412)	0
Transfer: Threshold assets - cost	0	(8,800,897)	0	(8,800,897)
Transfer: Threshold assets - depreciation	0	1,630,537	0	1,630,537
Depreciation	(388,927,512)	(447,650,105)	(391,760,793)	(485,890,580)
Carrying value of purification/transfers/disposals	(77,218,887)	(786,921,869)	(77,299,575)	(788,022,496)
Cost	0	(1,192,037,690)	(72,569)	(1,193,871,427)
Additions: Fair market value - zero value assets	3,720,450	0	3,720,450	0
Transfer asset under construction (AUC) to assets	(48,705,376)	0	(48,705,376)	0
Restatement/Transfers: Asset classes - cost	0	4,349	0	4,349
Restatement: ICS Register - cost	0	169,133,571	0	169,133,571
Restatement: Dogs and horses -cost	0	517,600	0	517,600
Restatement: Fair market value assets - cost	0	34,563,673	0	34,563,673
Restatement: Rehabilitation provision assets	0	81,421,984	0	81,421,984
Restatement: Transfer asset classes - depreciation	0	142,912	0	142,912
Restatement: Prior year depreciation	0	(71,773)	0	(71,773)
Restatement: ICS Register - depreciation	0	(12,528,065)	0	(12,528,065)
Disposals - cost	(41,216,717)	0	(41,216,717)	0
Impairment - cost	(43,246,577)	0	(43,246,577)	0
Year end accrual - cost	(13,552,424)	0	(13,552,424)	0
Disposals - depreciation	28,384,958	0	28,384,958	0
Impairment - depreciation	36,345,327	0	36,345,327	0
Write-up: Depreciation	1,445,787	0	1,445,787	0
Non-current assets held for sale - cost	(1,552,635)	0	(1,552,635)	0
Non-current assets held for sale - depreciation	1,158,320	0	1,158,320	0
Accumulated depreciation - cost write back restatement	0	141,470,789	0	141,470,789
Restatement: zero value assets - depreciation correction	0	(20,223,124)	0	(20,223,124)
Accumulated depreciation	0	10,683,905	(8,119)	11,417,015
Carrying values at 30 June:	12,658,785,879	9,990,558,238	12,676,760,872	10,386,669,547
Cost	16,391,290,689	13,304,091,515	16,420,696,378	13,806,170,570
Accumulated depreciation	(3,732,504,810)	(3,313,533,276)	(3,743,935,506)	(3,419,501,022)
10.10 INVESTMENT PROPERTY				
Carrying value at 1 July	10,571,024	12,084,663	20,571,024	19,575,320
Cost	44,788,161	44,792,509	54,788,161	52,283,166
Accumulated depreciation: Restatement - zero value assets	0	133,898	0	133,898
Accumulated depreciation	(34,217,137)	(32,841,744)	(34,217,137)	(32,841,744)
Acquisitions	(2,543,863)	(1,497,613)	(2,543,863)	(1,497,613)
Additions	0	0	0	0
Capital under construction	0	0	0	0
Depreciation	(2,543,863)	(1,497,613)	(2,543,863)	(1,497,613)
Carrying value of purification/transfers/disposals	0	(16,026)	(400,000)	2,493,317
Cost	0	0	0	2,509,343
Restatement/Transfers: Asset classes - cost	0	(4,348)	(400,000)	(4,348)
Restatement/Transfers: Asset classes - accumulated depreciation	0	495	0	495
Restatement: zero value assets - depreciation correction	0	(12,173)	0	(12,173)
Carrying values at 30 June:	8,027,161	10,571,024	17,627,161	20,571,024
Cost	44,788,161	44,788,161	54,388,161	54,788,161
Accumulated depreciation	(36,761,000)	(34,217,137)	(36,761,000)	(34,217,137)

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
10.11 INTANGIBLE ASSETS				
Carrying value at 1 July	98,035,113	95,359,784	98,038,353	95,359,784
Cost	158,946,436	125,103,123	159,007,576	125,103,123
Accumulated depreciation	(60,911,323)	(29,743,339)	(60,969,223)	(29,743,339)
Acquisitions	9,450,261	2,675,188	9,448,641	2,663,953
Additions	37,045,201	33,843,313	37,045,201	33,846,553
Capital under construction	0	0	0	0
Depreciation	(27,594,940)	(31,168,125)	(27,596,560)	(31,182,600)
Carrying value of purification/transfers/disposals	48,705,375	141	48,705,375	72,516
Cost	48,705,375	0	48,705,375	14,475
Restatement/Transfers: Asset classes - cost	0	0	0	0
Restatement/Transfers: Asset classes - accumulated depreciation	0	141	0	141
Accumulated depreciation	0	0	0	57,900
Carrying values at 30 June:	156,190,749	98,035,113	156,192,369	98,096,253
Cost	244,697,012	158,946,436	244,758,152	159,007,576
Accumulated depreciation	(88,506,263)	(60,911,323)	(88,565,783)	(60,911,323)
10.12 GRAND TOTAL				
Carrying value at 1 July	10,099,164,376	8,371,402,891	10,127,614,903	8,804,342,025
Cost	13,507,826,112	11,420,842,428	13,544,923,835	11,922,241,943
Accumulated depreciation: Restatement - zero value assets	0	128,845,873	0	128,845,873
Accumulated Depreciation	(3,408,661,736)	(3,178,285,410)	(3,417,308,932)	(3,246,745,791)
Acquisitions	2,752,352,924	2,514,699,239	2,751,959,698	2,486,451,463
Additions	1,728,519,995	2,275,035,070	1,730,961,670	2,285,042,244
Additions: Capital under construction	1,065,235,185	718,349,475	1,065,235,185	718,349,475
Acquisitions: Roodeplaat Temba Water Services Trust	472,794,583	0	472,794,583	0
Acquisitions: Capital under construction - Roodeplaat Temba Water Services Trust	2,247,888	0	2,247,888	0
Accumulated depreciation: Roodeplaat Temba Water Services trust	(97,378,412)	0	(97,378,412)	0
Depreciation	(419,066,315)	(478,685,306)	(421,901,216)	(516,940,256)
Carrying value of purification/transfers/disposals	(28,513,514)	(786,937,754)	(28,994,202)	(785,514,563)
Cost	0	(1,192,037,690)	(72,569)	(1,191,304,184)
Additions: Fair market value - zero value assets	3,720,450	0	3,720,450	0
Restatement/Transfers: Asset classes - cost	0	0	0	0
Restatement: ICS Register - cost	0	169,133,572	0	169,133,572
Restatement: Dogs and horses -cost	0	517,600	0	517,600
Restatement: Fair market value assets - cost	0	34,563,673	0	34,563,673
Restatement: Rehabilitation provision assets	0	81,421,984	0	81,421,984
Restatement: Transfer asset classes - depreciation	0	143,548	0	143,548
Restatement: Prior year depreciation	0	(71,773)	0	(71,773)
Restatement: ICS Register - depreciation	0	(12,528,065)	0	(12,528,065)
Disposals - cost	(41,216,717)	0	(41,216,717)	0
Impairment - cost	(43,246,577)	0	(43,246,577)	0
Year end accrual - cost	(13,552,424)	0	(13,552,424)	0
Disposals - depreciation	28,384,955	0	28,384,955	0
Impairment - depreciation	36,345,327	0	36,345,327	0
Write-up: Depreciation	1,445,787	0	1,445,787	0
Non-current assets held for sale - cost	(1,552,635)	0	(1,552,635)	0
Non-current assets held for sale - depreciation	1,158,320	0	1,158,320	0
Accumulated depreciation - cost write back restatement	0	141,470,789	0	141,470,789
Restatement: zero value assets - depreciation correction	0	(20,235,297)	0	(20,235,297)
Accumulated depreciation - cost	0	10,683,905	(408,119)	11,373,590
Carrying values at 30 June:	12,823,003,786	10,099,164,373	12,850,580,399	10,255,197,557
Cost	16,680,775,860	13,507,826,109	16,720,242,689	14,019,966,304
Accumulated depreciation - cost	(3,857,772,074)	(3,408,661,736)	(3,869,662,290)	(3,764,768,747)
Refer to Appendix B (for analysis per class) and Appendix C (for segmental analysis)				
USEFUL LIVES				
The useful lives of the assets have been reviewed and adjusted to more accurately reflect the actual expected life spans of the assets within the City of Tshwane. In a majority of the cases, the lives of the items have been extended considerably as the City of Tshwane has embarked on a campaign to ensure that assets are not unnecessarily replaced and that those items in use are properly taken care of and safe guarded				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
IMPAIRMENT				
The City of Tshwane tested the assets falling under the property, plant and equipment category for impairment to ensure that the assets were reflected at a reasonable net book value. In order to do this, the following methodology was applied:				
<ul style="list-style-type: none"> ■ The assets were grouped into smaller categories and each item was given a fair market value of what the item would cost new as well as what the item would cost on the second hand market. This exercise was done by an external expert. ■ This value was then tested against the existing values of the assets. Where the net book value of the item exceeded the fair market value by a factor of 300 % or more, these items were impaired to reflect the actual recoverable cost. 				
10.13 LEASED ASSETS				
Carrying value at 1 July				
Cost	247,780,561	197,234,792	247,780,561	212,108,487
Accumulated depreciation - cost	375,411,746 (127,631,185)	267,593,177 (70,358,385)	375,411,746 (127,631,185)	285,232,242 (73,123,755)
Acquisitions	5,091,279	50,545,769	5,091,279	49,743,994
Additions	12,671,545	107,818,569	12,671,545	107,818,569
Capital under construction	0	0	0	0
Redemption: fully depreciated assets	74,903,787		74,903,787	0
Depreciation - based on cost	(82,484,053)	(57,272,800)	(82,484,053)	(58,074,575)
Carrying value of purification/transfers/disposals	0	0	0	(308,104)
Cost	0	0	0	0
Accumulated depreciation - cost	0	0	0	(308,104)
Carrying values at 30 June:	252,871,839	247,780,561	252,871,839	261,544,379
Cost	388,083,291	375,411,746	388,083,291	393,050,813
Accumulated depreciation -cost	(135,211,452)	(127,631,185)	(135,211,452)	(131,506,434)
11 BIOLOGICAL ASSETS: LIVESTOCK				
Carrying amount at the beginning of the year	14,741,255	11,014,558	14,741,255	11,014,558
Gain: changes in fair value due to physical changes and price changes	2,266,744	3,726,697	2,266,744	3,726,697
Carrying amount at the end of the financial year	17,007,999	14,741,255	17,007,999	14,741,255
Biological assets are measured at their fair value less estimated point-of-sale-costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.				
12 NON-CURRENT ASSETS HELD FOR SALE				
Other movable assets - cost	1,552,635	0	1,552,635	0
Other movable assets - depreciation	(1,158,320)	0	(1,158,320)	0
	394,315	0	394,315	0
The abovementioned groups of assets (mostly vehicles, bicycles and other smaller movable assets) have been marked for disposal and are in the auction yard at 30 June 2009				
13 INVESTMENTS				
13.1 HELD-TO-MATURITY INVESTMENTS				
Unlisted:				
Municipal stock	3,033,002	3,033,002	3,033,002	3,033,002
	<u>3,033,002</u>	<u>3,033,002</u>	<u>3,033,002</u>	<u>3,033,002</u>
Financial instruments:				
Fixed deposits	491,311,097	416,767,411	493,822,236	423,625,129
Assurance companies	6,002,276	5,752,656	6,002,276	5,752,656
	<u>497,313,373</u>	<u>422,520,067</u>	<u>499,824,512</u>	<u>429,377,785</u>
Total Held-to-Maturity Investments	500,346,375	425,553,069	502,857,514	432,410,787
13.2 AVAILABLE-FOR-SALE INVESTMENTS				
Short-term deposits and Call deposits	177,605,393	235,135,631	187,814,191	272,462,172
TOTAL INVESTMENTS	677,951,768	660,688,700	690,671,705	704,872,959

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
Market value of listed investments, and management's valuation of unlisted investments:				
Unlisted investments	677,951,767	660,688,700	690,671,705	704,872,959
No impairment occurred during the financial year				
Average rate of return on long-term investments :	14.10 %	14.10 %	14.10 %	14.10 %
Average rate of return on short-term investments :	10.44 %	10.43 %	10.44 %	10.43 %
The Municipal Financial Management Act, 2003 (Act 56 of 2003) requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty interest rate to meet commitments.				
14 LONG-TERM RECEIVABLES				
Consumers: Arrangement debtors	245,372,310	202,597,529	245,372,310	202,597,529
Housing loans	57,556,328	59,092,140	57,556,328	59,092,140
Motor car loans	173,915	2,161,952	173,915	2,161,952
Loans to Sports Clubs	1,661,855	1,688,951	1,661,855	1,688,951
Study loans	5,293	13,930	5,293	13,930
Sale of land	79,405,336	65,779,894	79,405,336	65,779,894
	384,175,037	331,334,396	384,175,037	331,334,396
Less: Current portion transferred to current receivables	123,832,808	103,377,148	123,832,808	103,377,148
	260,342,229	227,957,248	260,342,229	227,957,248
Less: Provision for bad debt: Housing loans	23,420,606	38,194,441	23,420,606	38,194,441
Less: Impairment of 0 % interest charged on arrangement debtors	49,821,913	-	49,821,913	0
Total Long-term receivables (past due not impaired)	187,099,710	189,762,807	187,099,710	189,762,807
RECONCILIATION OF BAD DEBT PROVISION				
Balance at the beginning of the year	38,194,441	36,202,047	38,194,441	36,202,047
Contributions to provision & impairment of 0 % interest	49,821,913	1,992,394	49,821,913	1,992,394
Write back of provision during the year	(14,773,835)	0	(14,773,835)	0
Balance at the end of the year	73,242,519	38,194,441	73,242,519	38,194,441
CONSUMER: ARRANGEMENT DEBTORS				
A policy exists granting consumer debtors an opportunity to make arrangements to pay off their arrear debt over a certain period.				
HOUSING LOANS				
Housing loans are granted to qualifying individuals in terms of the Provincial Administration's Housing Programme. These loans attract interest of 13.5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable.				
MOTOR CAR LOANS				
Senior staff were entitled to motor car loans which attract interest at 8.5 % per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in October 2009.				
LOANS TO SPORT CLUBS				
Sport Clubs that do qualify, sign a 99 year lease hold agreement with the Municipality at a nominal amount and are provided with financial assistance from the Municipality to build or improve a facility of which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.				
STUDY LOANS				
Employees were entitled to interest free study loans which were repayable over a period of one year after the completion of their studies. This practice has been terminated in terms of the MFMA. The last payment cannot be determined at present as some of the employees are still studying.				
Children of employees of the Municipality also qualified for study loans which attracted an interest rate applicable during the period of application as determined by the Municipality at the time of the application and the approval thereof. No more new study loans are issued by the Municipality.				
SALE OF LAND DEBTORS				
Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14 %) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 11 %. Interest is calculated monthly on the outstanding balance of the property.				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
15	INVENTORY				
	General stores	187,088,025	195,290,338	205,666,699	211,606,629
	Quarry	872,549	812,232	872,549	812,232
	Coal (power stations)	49,779,922	16,287,079	49,779,922	16,287,079
	Plants	101,882	55,127	101,882	55,127
	Catering (Premos restaurant)	34,368	38,753	34,368	38,753
	Wonderboom Airport	918,239	958,464	918,239	958,464
	Bulk water	2,525,534	3,160,425	2,525,534	3,160,425
	Net Inventory	241,320,519	216,602,418	259,899,193	232,918,709
16	CONSUMER DEBTORS				
	The City of Tshwane (parent) has a consolidated account billing system. The division of debtors per service category is done on a pro rata basis based on the levies. The provision for bad debt is therefore also not available per income group.				
	Service debtors	4,015,520,259	3,509,943,906	4,249,990,797	3,712,493,622
	Rates	1,029,144,952	873,945,477	1,029,137,853	873,930,315
	Electricity	1,679,844,699	1,420,106,081	1,679,792,477	1,420,017,104
	Water	838,395,135	767,648,642	1,072,924,994	970,302,497
	Sewerage	208,959,853	190,015,285	208,959,853	190,015,285
	Refuse removal	259,175,620	258,228,421	259,175,620	258,228,421
	Less: Arrangement debtors	245,372,310	202,597,529	245,372,310	202,597,529
		3,770,147,949	3,307,346,377	4,004,618,487	3,509,896,093
	Less: Provision for Bad debt	1,102,727,977	914,443,852	1,318,609,336	1,108,845,887
	Consumer debtors per statement of financial position	2,667,419,972	2,392,902,525	2,686,009,151	2,401,050,206
	An amount of R165 228 232 (R187 730 810 inclusive of VAT) was written off by the parent during 2008/09 (2007/08= R100 732 978) in terms of a Council Resolution dated 29 August 2002 whereby the Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and a Council Resolution dated 31 March 2005 whereby the debt of indigent households are written off. This amount written off represents 1.33 % (2008: 0.99 %) of the total operating income for the year.				
	Ageing: Total				
	Current (0 - 30 days)	1,062,178,728	1,038,091,980	1,296,649,266	1,240,641,696
	31 - 60 days	189,343,783	197,017,183	189,343,783	197,017,183
	61 - 90 days	110,956,911	101,991,952	110,956,911	101,991,952
	91 + days	2,653,040,837	2,172,842,791	2,653,040,837	2,172,842,791
		4,015,520,259	3,509,943,906	4,249,990,797	3,712,493,622
	Rates: Ageing				
	Current (0 - 30 days)	293,273,775	331,493,536	293,266,676	331,478,374
	31 - 60 days	72,523,184	43,852,936	72,523,184	43,852,936
	61 - 90 days	35,296,422	30,332,616	35,296,422	30,332,616
	91 + days	628,051,572	468,266,389	628,051,572	468,266,389
		1,029,144,953	873,945,477	1,029,137,854	873,930,315
	Electricity: Ageing				
	Current (0 - 30 days)	442,725,976	378,056,908	442,673,754	377,967,931
	31 - 60 days	121,578,451	133,732,668	121,578,451	133,732,668
	61 - 90 days	30,793,674	32,478,155	30,793,674	32,478,155
	91 + days	1,084,746,598	875,838,350	1,084,746,598	875,838,350
		1,679,844,699	1,420,106,081	1,679,792,477	1,420,017,104
	Water: Ageing				
	Current (0 - 30 days)	161,462,923	169,801,796	395,992,782	372,455,651
	31 - 60 days	50,572,413	53,091,401	50,572,413	53,091,401
	61 - 90 days	20,772,038	20,609,103	20,772,038	20,609,103
	91 + days	605,587,761	524,146,342	605,587,761	524,146,342
		838,395,135	767,648,642	1,072,924,994	970,302,497
	Sanitation: Ageing				
	Current (0 - 30 days)	40,505,604	42,146,336	40,505,604	42,146,336
	31 - 60 days	12,384,120	12,606,297	12,384,120	12,606,297
	61 - 90 days	4,703,221	4,438,100	4,703,221	4,438,100
	91 + days	151,366,908	130,824,552	151,366,908	130,824,552
		208,959,853	190,015,285	208,959,853	190,015,285

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
Solid Waste: Ageing				
Current (0 - 30 days)	27,720,561	46,798,851	27,720,561	46,798,851
31 - 60 days	14,304,273	10,505,708	14,304,273	10,505,708
61 - 90 days	6,485,533	5,771,804	6,485,533	5,771,804
91 + days	210,665,253	195,152,058	210,665,253	195,152,058
	259,175,620	258,228,421	259,175,620	258,228,421
Summary of consumer debtors by customer classification:				
Household	2,686,383,053	2,348,063,234	2,920,853,591	2,550,612,950
Industrial/Commercial	762,948,849	666,940,567	762,948,849	666,940,567
National and Provincial Government	56,217,284	49,142,989	56,217,284	49,142,989
Other	509,971,073	445,797,116	509,971,073	445,797,116
Total consumer debtors by customer classification	4,015,520,259	3,509,943,906	4,249,990,797	3,712,493,622
RECONCILIATION OF BAD DEBT PROVISION				
Balance at the beginning of the year	914,443,852	881,557,955	1,108,845,887	1,025,420,794
Contributions to provision	188,284,125	32,885,897	209,763,449	83,425,093
Balance at the end of the year	1,102,727,977	914,443,852	1,318,609,336	1,108,845,887
17 OTHER DEBTORS				
Housing debtors	17,996,084	12,687,579	44,997,445	31,267,286
Government subsidies	6,756,000	13,228,750	6,756,000	13,228,750
RSC levies debtor	0	200,675,211	0	200,675,211
Amounts paid in advance	0	0	0	14,873
Municipal Infrastructure Grant	53,274,515	0	53,274,515	0
Gauteng Province: Housing Grants	125,146,030	0	125,146,030	0
Other Current debtors	534,567,481	312,924,481	552,602,557	335,256,197
	737,740,110	539,516,021	782,776,547	580,442,317
Less: Provision for Bad debt	32,724,885	246,003,159	47,220,043	260,915,197
Total Other Debtors	705,015,225	293,512,862	735,556,504	319,527,120
RECONCILIATION OF BAD DEBT PROVISION				
Balance at the beginning of the year	246,003,158	100,967,058	260,915,196	100,967,058
Contributions to provision	1	145,036,101	1	159,948,139
Write back of provision during the year	(213,278,274)	0	(213,695,154)	0
Balance at the end of the year	32,724,885	246,003,159	47,220,043	260,915,197
18 CALL INVESTMENT DEPOSITS				
Other deposits/call investments				
Other deposits of R677 951 767 (2008 = R425 553 069) are ring-fenced and attributable to the Capital replacement reserve of R361 254 474. Fixed deposits amounting to R598 458 250 (2008 =R568 644 654) have also been ring-fenced for the purposes of repaying long-term liabilities. Refer to Note 33				
	598,458,250	568,644,654	598,458,250	568,644,654
19 BANK, CASH AND OVERDRAFT BALANCES				
The Municipality (parent) has the following bank accounts:-				
19.1 Current Account (Primary Bank account)				
STANDARD - Primary (Account nr 41 080 1453)				
STANDARD - Cashier deposit (Account nr 41 080 1569)				
STANDARD - Wonderboom Airport (Account nr 41 080 1674)				
STANDARD - Collection (Account nr 41 080 1658)				
STANDARD - 2010 (Account nr 410801682)				
ABSA - Main (Account nr 4060 738 263)				
ABSA - SAP collection (Account nr 4061 025 439)				
ABSA - Old Main (Account nr 4053 381 912)				
ABSA - GPMC Collection (Account nr 4048 828 191)				
ABSA - Housing Collection (Account nr 4054 433 297)				
ABSA - Wonderboom Airport (Account nr 4059 414 365)				
FNB Main - Pretoria Branch (Account nr 5142 0107 207)				
FNB - Pretoria Collection (Account nr 5142 0108 130)				
FNB - Centurion Collection (Account nr 6202 7802 869)				
FNB - Akasia Collection (Account nr 6202 7803 023)				
FNB - Housing Collection (Account nr 5142 1127 486)				
FNB - SAP Collection (Account nr 6207 4177 786)				
FNB - Traffic Collection (Account nr 6206 7460 586)				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
ABSA				
Cash book balance at the beginning of the year	12,781,873	15,413,275	12,781,873	15,413,275
Cash book balance at the end of the year	13,433,453	12,781,873	13,433,453	12,781,873
Bank statement balance at the beginning of the year	37,657,228	17,907,552	37,657,228	17,907,552
Bank statement balance at the end of the year	13,339,211	37,657,228	13,339,211	37,657,228
FNB				
Cash book balance at the beginning of the year	8,630,642	(2,374)	8,630,642	(2,374)
Cash book balance at the end of the year	14,707,560	8,630,642	14,707,560	8,630,642
Bank statement balance at the beginning of the year	9,594,524	10,499,069	9,594,524	10,499,069
Bank statement balance at the end of the year	14,684,609	9,594,524	14,684,609	9,594,524
STANDARD				
Cash book balance at the beginning of the year	(106,407,370)	(45,999,764)	(106,407,370)	(45,999,764)
Cash book balance at the end of the year - (overdrawn)	(95,416,694)	(106,407,370)	(95,416,694)	(106,407,370)
Bank statement balance at the beginning of the year	11,907,106	38,863,430	11,907,106	38,863,430
Bank statement balance at the end of the year	34,003,014	11,907,106	34,003,014	11,907,106
STANDARD (2010 bank account - in use from 1 July 2008)				
Cash book balance at the beginning of the year	0	0	0	0
Cash book balance at the end of the year - (overdrawn)	42,627,751	0	42,627,751	0
Bank statement balance at the beginning of the year	0	0	0	0
Bank statement balance at the end of the year	0	0	0	0
19.2 Insurance Contingency				
ABSA (Account nr: 4062593950)				
Cash book balance at the beginning of the year	7,449,875	41,285,499	7,449,875	41,285,499
Cash book balance at the end of the year	148,524	7,449,875	148,524	7,449,875
Bank statement balance at the beginning of the year	7,449,875	41,285,499	7,449,875	41,285,499
Bank statement balance at the end of the year	148,524	7,449,875	148,524	7,449,875
19.3 Tshwane Market (Primary account)				
First National Bank - Church Square Branch (Account nr: 51421161509)				
Cash book balance at the beginning of the year	14,111,226	12,408,157	14,111,226	12,408,157
Cash book balance at the end of the year	18,370,481	14,111,226	18,370,481	14,111,226
Bank statement balance at the beginning of the year	14,801,812	12,604,882	14,801,812	12,604,882
Bank statement balance at the end of the year	18,813,633	14,801,812	18,813,633	14,801,812
19.4 Petty cash/cashiers floats	272,825	262,077	282,547	270,993

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
19.5 BANK ACCOUNTS: MUNICIPAL ENTITIES				
19.5.1 Roodeplaat/Temba Water Services Trust				
Absa - Current account (Account nr 4058159742)				
Cash book balance at the beginning of the year			0	36,772,659
Cash book balance at the end of the year			0	27,932,978
Bank statement balance at the beginning of the year			0	36,772,659
Bank statement balance at the end of the year			0	27,932,978
Absa - Deposit account - Roodeplaat (Account nr 4059250408)				
Cash book balance at the beginning of the year			0	13,150,214
Cash book balance at the end of the year			0	0
Bank statement balance at the beginning of the year			0	13,150,214
Bank statement balance at the end of the year			0	0
Absa - Debt Service Reserve account (Account nr 4058337269)				
Cash book balance at the beginning of the year			0	97,790,718
Cash book balance at the end of the year			0	108,720,424
Bank statement balance at the beginning of the year			0	97,790,718
Bank statement balance at the end of the year			0	108,720,424
Absa - Deposit account - Temba (Account nr 405832325)				
Cash book balance at the beginning of the year			0	5,624,184
Cash book balance at the end of the year			0	0
Bank statement balance at the beginning of the year			0	5,624,184
Bank statement balance at the end of the year			0	0
Absa - Operating Reserve account (Account nr 4058337073)				
Cash book balance at the beginning of the year			0	543,094
Cash book balance at the end of the year			0	603,053
Bank statement balance at the beginning of the year			0	543,094
Bank statement balance at the end of the year			0	603,053
Absa - Capital Reserve account (Account nr 4058337358)				
Cash book balance at the beginning of the year			0	10,841,875
Cash book balance at the end of the year			0	12,052,595
Bank statement balance at the beginning of the year			0	10,841,875
Bank statement balance at the end of the year			0	12,052,595
19.5.2 Trade Point Pretoria				
Absa - Current account (Account nr 4054625800)				
Cash book balance at the beginning of the year			50,670	112,278
Cash book balance at the end of the year			58,749	50,670
Bank statement balance at the beginning of the year			50,413	176,645
Bank statement balance at the end of the year			58,749	50,413
19.5.3 Sandspruit Works Waste Water Treatment				
Absa - Current account (Account nr 4051139634)				
Cash book balance at the beginning of the year			482,713	7,030,146
Cash book balance at the end of the year			512,722	482,713
Bank statement balance at the beginning of the year			482,713	6,985,969
Bank statement balance at the end of the year			512,722	482,713
19.5.4 Sandspruit Works ODI Water				
Standard Bank - Current account (Account nr 032250738000)				
Cash book balance at the beginning of the year			9,771,497	5,672,412
Cash book balance at the end of the year			942,177	9,771,497

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
 NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
Bank statement balance at the beginning of the year			10,205,841	0
Bank statement balance at the end of the year			11,864,123	10,205,841
Standard Bank - Current account (Account nr 031906842000)				
Cash book balance at the beginning of the year			(271,149)	44,588
Cash book balance at the end of the year			76,580	(271,149)
Bank statement balance at the beginning of the year			97,226	0
Bank statement balance at the end of the year			76,845	97,226
Standard Bank - Call account (Account nr 738717959001)				
Cash book balance at the beginning of the year			8,685,895	5,923,714
Cash book balance at the end of the year			950,146	8,685,895
Bank statement balance at the beginning of the year			8,685,895	0
Bank statement balance at the end of the year			950,146	8,685,895
19.5.5 Civirelo Water				
Absa - Current account (Account nr 4052561692 & 9078443130)				
Cash book balance at the beginning of the year			2,084,786	4,252,125
Cash book balance at the end of the year			3,543,269	2,084,786
Bank statement balance at the beginning of the year			2,100,787	6,011,060
Bank statement balance at the end of the year			3,543,270	1,849,223
19.5.6 Housing Company Tshwane				
Absa - Current account (Account nr 4057481879 and 4065722829)				
Cash book balance at the beginning of the year			849,007	3,999,822
Cash book balance at the end of the year			139,691	849,007
Bank statement balance at the beginning of the year			787,871	3,709,294
Bank statement balance at the end of the year			787,871	787,871
19.5.7 Tshwane Centre for Business Information and Support				
Absa - Current account (Account nr 4050437263)				
Cash book balance at the beginning of the year			94,686	94,686
Cash book balance at the end of the year			55,914	55,914
Bank statement balance at the beginning of the year			71,884	71,884
Bank statement balance at the end of the year			53,375	53,375
20 PROPERTY RATES				
Actual Income: Gross	3,159,872,402	2,185,065,026	3,159,771,459	2,184,999,728
Less: Income foregone	860,248,454	0	860,248,454	0
Net income	2,299,623,948	2,185,065,026	2,299,523,005	2,184,999,728
Site Values as at 1 July:				
Residential	198,721,218,868	12,252,913,893	198,721,218,868	12,252,913,893
Other	85,434,514,445	7,213,092,116	85,434,514,445	7,213,092,116
Total property valuation	284,155,733,313	19,466,006,009	284,155,733,313	19,466,006,009
The site value was changed to market value according to the MPRA that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value anymore. No differentiation is made between land value and improvement value and only market value appears on the valuation roll.				
Applicable tariff (with the implementation of the MPRA categories of properties are levied at different tariffs with different rebates applicable)	Various	14.43c/Rand		
Persons of 60 years or older, and physically or mentally handicapped persons who can substantiate receipt of a social pension, and persons certified by the Medical Officer of Health as physically or mentally handicapped, can qualify for a rebate, subject to certain other conditions.				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
21 SERVICE CHARGES				
Sale of electricity	3,666,606,519	3,034,977,097	3,666,240,829	3,033,671,453
Sale of water	1,325,320,612	1,232,886,383	1,427,213,631	1,320,258,384
Refuse removal	318,005,383	267,689,295	318,005,383	267,689,295
Sewerage and sanitation charges	337,752,827	303,405,995	337,752,827	303,405,995
Total service charges	5,647,685,341	4,838,958,770	5,749,212,670	4,925,025,127
22 GOVERNMENT GRANTS AND SUBSIDIES				
Equitable share	1,335,550,431	1,101,416,093	1,335,550,431	1,101,416,093
Housing: City of Tshwane Financial assistance	0	0	0	0
Magalies Water	0	0	0	0
Sandspruit: Department Water Affairs & Forestry	0	0	(944,965)	2,273,220
Provincial Health subsidies	22,554,360	22,669,000	22,554,360	22,669,000
Provincial Ambulance subsidy	38,377,250	36,004,533	38,377,250	36,004,533
Provincial motor vehicle licences refund	71,774,940	66,191,344	71,774,940	66,191,344
Opex: grants & donations	97,020,907	28,560,545	97,020,907	28,560,545
Finance Management grant	539,449	698,715	539,449	698,715
Restructuring grant	45,679,594	52,227,861	45,679,594	52,227,861
Municipal Systems Infrastructure grant	0	2,501,600	0	2,501,600
DWAF Grant (parent)	13,169,188	13,962,645	13,169,188	13,962,645
Topstructure grants	0	125,601,978	0	125,601,978
Stipends (DBSA)	54,000	0	54,000	0
Ntsika	0	0	0	0
SEDA	0	0	0	0
Subtotal: Opex Grants and subsidies	1,624,720,119	1,449,834,314	1,623,775,154	1,452,107,534
Capex: grants & donations	650,643,403	474,450,698	650,643,403	474,450,698
Total Government grants and subsidies	2,275,363,522	1,924,285,012	2,274,418,557	1,926,558,232
22.1 Equitable share				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from this grant.				
Total amount of equitable share received	1,335,550,431	1,101,416,093	1,335,550,431	1,101,416,093
Monthly grant received by all registered indigents	173	148	173	148
22.2 Provincial Health Subsidies				
Balance unspent at beginning of year	0	0	0	0
Current year receipts - included in public health vote	22,554,360	22,669,000	22,554,360	22,669,000
Conditions met - transferred to revenue	(22,554,360)	(22,669,000)	(22,554,360)	(22,669,000)
Conditions still to be met - transferred to liabilities (see note 8)	0	0	0	0
The Municipality renders health services on behalf of the Provincial Government. This grant has been used exclusively to fund clinic services (included in the Social Development vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.				
Percentage of expenditure incurred refunded	15.25 %	14.94 %	15.25 %	14.94 %
22.3 Provincial Ambulance Subsidy				
Balance unspent at beginning of year	0	0	0	0
Current year receipts - included in emergency medical services vote	38,377,250	36,004,533	38,377,250	36,004,533
Conditions met - transferred to revenue	(38,377,250)	(36,004,533)	(38,377,250)	(36,004,533)
Conditions still to be met - transferred to liabilities (see note 8)	0	0	0	0
The Municipality renders ambulance services on behalf of the provincial government and is reimbursed. This grant has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.				
Percentage of expenditure incurred refunded	69.51 %	64.08 %	69.51 %	64.08 %

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
22.4 MIG			0	0
Balance unspent at beginning of year	37,952,351	19,794,905	37,952,351	19,794,905
Transfers	(2,960,564)	0	(2,960,564)	0
Current year receipts	286,876,515	236,438,749	286,876,515	236,438,749
Conditions met - transferred to revenue	(287,295,988)	(218,281,303)	(287,295,988)	(218,281,303)
Conditions still to be met - transferred to liabilities (see note 8)	34,572,314	37,952,351	34,572,314	37,952,351
This grant is used to construct roads and sewerage infrastructure as part of the capital expenditure (included in the roads and sewerage votes in Appendix B). No funds have been withheld.				
22.5 FINANCE MANAGEMENT GRANT				
Balance unspent at beginning of year	1,304,687	1,503,403	1,304,687	1,503,403
Current year receipts	750,000	500,000	750,000	500,000
Conditions met - transferred to revenue	(539,449)	(698,716)	(539,449)	(698,716)
Conditions still to be met - transferred to liabilities (see note 8)	1,515,238	1,304,687	1,515,238	1,304,687
This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Financial Management and Budget Reforms, as part of the National Reform program. No funds have been withheld.				
22.6 MUNICIPAL SYSTEM IMPROVEMENT GRANT				
Balance unspent at beginning of year	498,400	3,000,000	498,400	3,000,000
Current year receipts	0	0	0	0
Conditions met - transferred to revenue	0	(2,501,600)	0	(2,501,600)
Conditions still to be met - transferred to liabilities (see note 8)	498,400	498,400	498,400	498,400
This grant is used to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000. No funds have been withheld.				
22.7 RESTRUCTURING GRANT				
Balance unspent at beginning of year	86,786,106	78,921,695	86,786,106	78,921,695
Current year receipts	0	150,000,000	0	150,000,000
Conditions met - transferred to revenue	(45,679,594)	(142,135,589)	(45,679,594)	(142,135,589)
Conditions still to be met - transferred to liabilities (see note 8)	41,106,512	86,786,106	41,106,512	86,786,106
This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Institutional, Financial and Economic restructuring in line with the City Development Strategy, which is aligned to the National Government's Development Strategy. No funds were withheld.				
22.8 DEPARTMENT OF WATER AFFAIRS AND FORESTRY				
Balance unspent at beginning of year	4,827,178	22,391,328	4,827,178	22,391,328
Transfers	(7,326,978)	0	(7,326,978)	0
Current year receipts	20,251,750	21,092,500	20,251,750	21,092,500
Conditions met - transferred to revenue	(15,419,290)	(38,656,650)	(15,419,290)	(38,656,650)
Conditions still to be met - transferred to liabilities (see note 8)	2,332,660	4,827,178	2,332,660	4,827,178
This grant was received for the supply of water services for community upliftment.				
22.9 PUBLIC TRANSPORT INFRASTRUCTURE SYSTEM GRANT				
Balance unspent at beginning of year	115,762,425	0	115,762,425	0
Current year receipts	260,000,000	129,294,495	260,000,000	129,294,495
Conditions met - transferred to revenue	(168,078,781)	(13,532,070)	(168,078,781)	(13,532,070)
Conditions still to be met - transferred to liabilities (see note 8)	207,683,644	115,762,425	207,683,644	115,762,425
This grant was received for infrastructure for roads and transport for the 2010 Soccer World Cup. R120 million was withheld due to under performance				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
22.10 CITY OF TSHWANE METROPOLITAN MUNICIPALITY (HOUSING COMPANY)				
Balance unspent at beginning of year			0	0
Current year receipts			8,357,791	117,439
Conditions met - transferred to revenue			(8,357,791)	(117,439)
Conditions still to be met - transferred to liabilities (see note 8)			0	0
This grant was received for the administration and operation of the Housing Company Tshwane as financial assistance.				
22.11 SANDSPRUIT: DEPARTMENT OF WATER AFFAIRS AND FORESTRY				
Balance unspent at beginning of year			0	0
Current year receipts			10,774,749	2,273,220
Conditions met - transferred to revenue			(10,774,749)	(2,273,220)
Conditions still to be met - transferred to liabilities (see note 8)			0	0
This grant was received for the refurbishment at Klipgat and Temba Waste Water Treatment plants.				
22.12 Changes in levels of government grants				
Based on the allocations set out in the Division of Revenue Act (Act 1 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.				
23 OTHER INCOME				
Drain cleaning fees	996,345	1,211,910	996,345	1,211,910
Reconnections fees	101,284,390	64,805,089	101,284,390	64,805,089
Sewerage fees: Industrial effluent	21,555,862	19,763,957	21,555,862	19,763,957
Interest on property sales	4,902,337	5,107,253	4,902,337	5,107,253
Reminder fees	15,284,440	9,400,900	15,284,440	9,400,900
Ambulance fees	3,840,703	5,594,646	3,840,703	5,594,646
Airside income	3,140,399	3,154,100	3,140,399	3,154,100
Connection fees: Urban areas	5,874,720	8,164,438	5,874,720	8,164,438
Cemetery fees	4,710,670	5,016,915	4,710,670	5,016,915
Fees for relaxation of building line	1,270,805	1,641,185	1,270,805	1,641,185
Building plan fees	25,166,701	34,139,148	25,166,701	34,139,148
Restaurant sales	1,041,029	1,164,367	1,041,029	1,164,367
Sundry fees	4,549,985	4,517,334	4,549,985	4,517,334
Sundry services	11,022,117	12,659,014	11,022,117	12,659,014
Income from grave services	3,981,017	4,266,198	3,981,017	4,266,198
Application fees	2,663,426	3,927,229	2,663,426	3,927,229
Connection fees	11,075,821	16,220,728	11,075,821	16,220,728
Approval fees: advertisements	23,322,452	24,761,792	23,322,452	24,761,792
Discount on prompt payments	9,171,594	14,195,991	9,171,594	14,195,991
Market fees	79,070,161	70,793,414	79,070,161	70,793,414
Lodging fees	1,178,102	1,145,624	1,178,102	1,145,624
Parking fees: vehicles	2,991,065	2,914,839	2,991,065	2,914,839
Training fees recovered	12,241,123	7,622,163	12,241,123	7,622,163
Dumping fees	11,957,349	13,995,089	11,957,349	13,995,089
Income from bulk containers	28,342,250	24,007,366	28,342,250	24,007,366
Sale of livestock	118,755	2,891	118,755	2,891
Sale of stone	7,529,846	6,685,746	7,529,846	6,685,746
Sale unusable stock	5,188,978	3,953,857	5,188,978	3,953,857
Sales: Aeroplane fuel	30,361,934	29,155,543	30,361,934	29,155,543
Transport fees	55,762,681	45,956,506	55,762,681	45,956,506
Capital income recovered insurance claims	8,846,911	2,347,901	8,846,911	2,347,901
Claims recovered compensation commissioner	12,735,987	13,553,858	12,735,987	13,553,858
Bad debt recovered	34,953,204	23,248,755	34,953,204	23,248,755
Land sales	13,381,269	3,135,084	13,381,269	3,135,084
Gain: Review useful life/fair value	3,720,450	0	3,720,450	0
Miscellaneous	49,470,796	53,535,300	27,437,419	202,219,395
Total other income	612,705,674	541,766,130	590,672,297	690,450,225

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

24	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
	EMPLOYEE RELATED COSTS				
	Salaries and wages	1,920,131,319	1,672,674,723	1,972,874,001	1,717,065,536
	Contributions to UIF, pensions and medical aids	543,012,692	495,024,195	543,012,692	495,024,195
	Overtime payments	202,819,639	148,420,027	202,819,639	148,420,027
	Long-service awards	7,838,972	7,773,287	7,838,972	7,773,287
	Travel allowance	185,224,896	178,255,582	185,224,896	178,255,582
	Housing benefits and allowance	29,397,905	24,863,274	29,397,905	24,863,274
	Performance bonus	334,149	424,329	334,149	424,329
	Other allowances	120,351,733	93,567,426	120,351,733	93,567,426
	Total employee related cost	3,009,111,305	2,621,002,843	3,061,853,987	2,665,393,656
	REMUNERATION OF THE MUNICIPAL MANAGER				
	(The performance bonus paid out in 2008/09 relates to 2006/07)				
	Annual remuneration	1,033,104	891,165	1,033,104	891,165
	Performance bonuses	17,636	0	17,636	0
	Car allowance	128,400	128,400	128,400	128,400
	Cell phone allowance	12,000	12,000	12,000	12,000
	Medical and pension fund contributions	0	0	0	0
	Total	1,191,140	1,031,565	1,191,140	1,031,565
	REMUNERATION OF THE CHIEF FINANCIAL OFFICER				
	Annual remuneration	848,742	681,561	848,742	681,561
	Performance bonuses	0	0	0	0
	Car allowance	132,000	132,000	132,000	132,000
	Cell phone allowance	10,800	0	10,800	0
	Medical and pension fund contributions	18,510	20,316	18,510	20,316
	Total	1,010,052	833,877	1,010,052	833,877
	REMUNERATION OF STRATEGIC EXECUTIVE DIRECTORS				
	Annual remuneration:				
	Technical services	825,550	775,056	825,550	775,056
	Corporate services	2,947,710	2,610,872	2,947,710	2,610,872
	Community services	4,870,670	2,255,382	4,870,670	2,255,382
	Performance bonuses:				
	Technical services	171,113	0	171,113	0
	Corporate services	109,817	0	109,817	0
	Community services	0	0	0	0
	Car allowance:				
	Technical services	102,000	90,000	102,000	90,000
	Corporate services	588,000	484,000	588,000	484,000
	Community services	514,800	253,914	514,800	253,914
	Cell phone allowance				
	Technical services	9,600	9,600	9,600	9,600
	Corporate services	30,000	21,600	30,000	21,600
	Community services	62,400	56,000	62,400	56,000
	Medical and pension fund contributions:				
	Technical services	24,878	0	24,878	0
	Corporate services	18,510	20,316	18,510	20,316
	Community services	201,097	38,272	201,097	38,272
		10,476,145	6,615,012	10,476,145	6,615,012
	Total:				
	Technical services	1,133,141	874,656	1,133,141	874,656
	Corporate services	3,694,037	3,136,788	3,694,037	3,136,788
	Community services	5,648,967	2,603,568	5,648,967	2,603,568
	Total remuneration of strategic executive directors	10,476,145	6,615,012	10,476,145	6,615,012

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
25	REMUNERATION OF COUNCILLORS				
	Mayor's allowance	28,721	370,044	28,721	370,044
	Councillor's allowances	35,393,170	27,806,355	35,393,170	27,806,355
	Councillor's pension contributions	3,655,173	2,931,804	3,655,173	2,931,804
	Travelling allowance	13,209,916	10,633,608	13,209,916	10,633,608
	Councillor's medical contributions	993,645	810,628	993,645	810,628
	Councillor's housing allowances	2,070,178	1,648,920	2,070,178	1,648,920
	Total remuneration of councillors	55,350,803	44,201,359	55,350,803	44,201,359
	In-kind Benefits				
	The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality. According to the organisational structure of the parent the Sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers.				
26	DEPRECIATION CHARGES				
	Depreciation: Property, plant and equipment	400,806,612	511,275,793	403,641,510	550,332,518
	Depreciation: Leased assets	82,484,053	63,630,859	82,484,053	63,630,859
	Depreciation: Rehabilitation assets	16,813,874	0	16,813,874	0
	Total depreciation charges per Statement of Financial Performance	500,104,539	574,906,652	502,939,437	613,963,377
	Note: The depreciation per Appendix B includes the accumulated depreciation of Roodeplaat Temba Water Services Trust to the value of R97 378 412 and excludes the depreciation in respect of Leased assets to the value of R82 484 053.				
27	INTEREST PAID				
	Long-term liabilities	439,907,189	329,835,287	440,606,509	399,560,180
	Leases	36,594,289	29,131,466	36,594,289	29,131,466
	Amortisation: provisions	20,566,053	0	20,566,053	0
	Bank overdrafts	10,516,621	2,790,579	10,545,698	2,797,966
	Total Interest paid per Statement of Financial Performance	507,584,152	361,757,332	508,312,549	431,489,612
28	BULK PURCHASES				
	Electricity	2,099,127,336	1,540,732,190	2,099,493,026	1,541,157,374
	Water	619,058,616	666,086,020	735,780,591	673,036,319
	Total Bulk Purchases per Statement of Financial Performance	2,718,185,952	2,206,818,210	2,835,273,617	2,214,193,693
29	GRANTS AND SUBSIDIES PAID				
	Grants-in-aid	1,000,000	1,094,524	1,000,000	1,094,524
	Grants-in-aid: Assessment rates	8,833,837	10,490,155	8,833,837	10,490,155
	Total Grants and Subsidies Paid	9,833,837	11,584,679	9,833,837	11,584,679
	The grant in aid is in respect of the funding of Non-Governmental Organisations involved in empowerment programmes for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.				
	The Municipality has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in Section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the Municipality in writing, for such grant-in-aid.				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
30	GENERAL EXPENSES				
	Included in General expenses are the following amounts above R40 million				
	Project Linked Housing: Top structures	135,002,463	125,601,978	135,002,463	125,601,978
	Soccer World Cup 2010 related expenses	75,386,212	12,141,402	75,386,212	12,141,402
	Advertising and marketing	57,956,449	10,967,005	57,956,449	10,967,005
	Rental of property, plant and equipment	189,633,002	158,269,883	189,633,002	158,269,883
	Household refuse removal	75,545,094	51,225,642	75,545,094	51,225,642
	Electricity disconnections	47,994,896	41,664,038	47,994,896	41,664,038
	Service providers	100,382,562	74,036,441	100,382,562	74,036,441
	Insurance premiums and excesses	96,718,227	50,992,065	96,718,227	50,992,065
	Teltelecommunication	51,513,464	67,798,767	51,513,464	67,798,767
	Private sector labour	56,910,704	89,007,286	56,910,704	89,007,286
	Special projects	57,954,081	57,324,522	57,954,081	57,324,522
	Restructuring/Transformation	47,334,342	53,088,532	47,334,342	53,088,532
	Rental of property	80,009,959	70,359,518	80,009,959	70,359,518
	Watchmen services	107,365,634	80,157,450	107,365,634	80,157,450
	Implementation: OITPS	42,286,005	43,965,459	42,286,005	43,965,459
	Consultant fees	49,726,108	30,712,841	49,726,108	30,712,841
	Employment benefit provision expense	165,303,000	838,893,000	165,303,000	838,893,000
	Other (individual amounts below R40 million)	1,091,279,306	901,327,180	991,790,405	1,012,118,958
	Total general expenses	2,528,301,508	2,757,533,009	2,428,812,607	2,868,324,787
31	CASH GENERATED BY OPERATIONS				
	Net surplus for the year	720,410,440	338,977,001	700,738,737	295,360,547
	Adjustment for:-				
	Prior year adjustments	0	(19,652,442)	(4,307,537)	(18,416,182)
	Deferred operating lease liability: Roodeplaat Temba on disestablishment	0	0	(2,078,122)	0
	Depreciation	500,104,539	574,906,652	502,939,437	613,963,377
	Asset impairment	6,901,250	0	6,901,250	0
	Depreciation corrections	0	0	0	1,425,219
	Gain on disposal of property, plant and equipment	(2,779,292)	(4,936,900)	(2,786,173)	(4,936,900)
	Contribution to Provision for rehabilitation of quarries	0	18,061,985	0	18,061,985
	Contribution to Provision for rehabilitation landfill sites	0	63,360,000	0	63,360,000
	Contribution to Provision for Clearing up Alien Vegetation	578,947	526,315	578,947	526,315
	Contribution to non-current provisions	117,194,138	0	117,194,138	0
	Roodeplaat Temba accumulated depreciation	97,378,452	0	0	0
	Employment benefit provision	165,303,000	838,893,000	165,303,000	838,893,000
	Adjustment Cashbook balance: prior year Housing Company Tshwane	0	0	0	0
	Contribution to bad debt provision	188,284,125	179,914,389	209,763,449	237,195,408
	Contribution to bad debt provision - housing	(14,773,835)	0	(14,773,835)	0
	Contribution to bad debt provision - other debtors	(163,456,360)	0	(163,873,240)	0
	Operating surplus before working capital changes:	1,615,145,404	1,990,050,002	1,515,600,051	2,045,432,769
	Decrease/(Increase) in inventories	(24,718,102)	(50,658,223)	(26,980,482)	(23,180,927)
	(Increase)/decrease in consumer debtors	(462,801,572)	(381,401,725)	(479,883,593)	(437,463,478)
	(Increase)/decrease in other debtors	(198,224,092)	(3,880,029)	(227,807,424)	(14,818,200)
	(increase)/decrease in non-current loans (long-term receivables)	(52,840,642)	54,734,651	(52,840,642)	56,240,702
	(Decrease)/increase in conditional grants and receipts	91,160,106	117,769,301	100,555,587	122,052,253
	Increase/(Decrease) in provisions	0	0	134,980	(1,536,192)
	Increase/(decrease) in creditors	901,227,374	(64,654,388)	904,886,253	(118,928,013)
	Increase/(decrease) in consumer deposits	14,781,014	10,399,873	15,733,266	11,930,920
	Increase/ (Decrease) in VAT	60,204,345	46,166,365	53,900,189	52,450,080
	Cash generated from operations	1,943,933,835	1,718,525,827	1,803,298,185	1,692,179,914

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
32 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position				
Bank balances and cash	89,560,594	43,235,693	95,849,564	214,534,141
Call investment deposits	177,605,393	235,135,631	187,814,191	272,462,172
Bank overdraft	(95,416,694)	(106,407,370)	(95,416,694)	(106,678,519)
Total cash and cash equivalents	171,749,293	171,963,954	188,247,061	380,317,794
33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term liabilities (see Note 2)	4,336,968,216	2,878,344,490	4,341,642,248	3,401,189,958
Used to finance property, plant & equipment - at cost	5,832,746,578	3,474,287,272	5,832,746,578	3,474,287,272
Sub Total	(1,495,778,362)	(595,942,782)	(1,491,104,330)	(73,097,314)
Cash set aside for the repayment of long-term liabilities	598,458,250	568,644,654	598,458,250	568,644,654
Cash invested for repayment of long-term liabilities (see Note 18)	(2,094,236,612)	(1,164,587,436)	(2,089,562,580)	(641,741,968)
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. Included in the amount used to finance PPE (2009 = R5 832 746 578; 2008 = R3 474 287 272) is temporary advances (2009 = R1 148 180 881; 2008 = R761 199 084) which were temporarily financed out of revenue in expectation of the receipt of external loans over the year end.				
34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
34.1 Contributions to organized local government				
Opening balance	0	78,729	0	78,729
Council subscriptions	1,341,856	1,006,419	1,341,856	1,006,419
Amount paid - current year	(1,341,856)	(1,006,419)	(1,341,856)	(1,006,419)
Amount paid - previous years	0	(78,729)	0	(78,729)
Balance unpaid (included in creditors)	0	0	0	0
34.2 Audit fees				
Opening balance	1,863,140	1,811,162	1,863,140	1,886,162
Current year audit fee	7,700,775	8,381,197	8,871,161	8,693,672
Amount paid - current year	(7,700,775)	(6,518,057)	(8,871,161)	(6,830,532)
Amount paid - previous years	(1,863,140)	(1,811,162)	(1,863,140)	(1,886,162)
Balance unpaid (included in creditors)	0	1,863,140	0	1,863,140
The balance is with regard to the previous financial year and was paid in the next financial year.				
34.3 VAT				
VAT inputs receivables and VAT outputs receivables are shown in note 9 All VAT returns have been submitted by the due date throughout the financial year.				
34.4 PAYE AND UIF				
Opening balance	29,995,590	28,010,798	30,158,100	28,012,016
Current year payroll deductions	401,350,501	355,353,962	406,825,528	360,353,795
Amount paid - current year	(367,602,339)	(325,358,372)	(372,686,901)	(330,195,695)
Amount paid - previous years	(29,995,590)	(28,010,795)	(30,158,100)	(28,012,013)
Balance unpaid (included in creditors)	33,748,162	29,995,593	34,138,627	30,158,103
34.5 Pension and Medical aid deductions				
Opening balance	0	0	0	0
Current year payroll deductions and council contributions	766,356,276	698,773,018	766,356,276	698,773,018
Amount paid - current year	(766,356,276)	(698,773,018)	(766,356,276)	(698,773,018)
Amount paid - previous years	0	0	0	0
Balance unpaid (included in creditors)	0	0	0	0

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
34.6 Councillor's arrear consumer accounts				
Amounts outstanding for more than 90 days at year end:				
COUNCILLORS WITHOUT PAYOFF ARRANGEMENTS:				
Blaauw M P	624	0	624	0
Buthelezi F K & N L E	11,178	0	11,178	0
Buthelezi M M	0	59,636	0	59,636
Dzumba K Y	0	11,466	0	11,466
Dichabe M M	0	112	0	112
Dlamini S S	0	274	0	274
Engelbrecht J	668	0	668	0
Hoseka N P	0	2,882	0	2,882
Huma S E	0	1,546	0	1,546
Kekana C	227	0	227	0
Kekana M H & M A	2,657	0	2,657	0
Ledwaba D C	0	5,278	0	5,278
Lehobye M J	0	315	0	315
Lesomo N A	748	0	748	0
Linde E	0	921	0	921
Majeng M J	0	288	0	288
Maluleka E M & H W	0	1,295	0	1,295
Mathekg a C M	9,778	0	9,778	0
Moagi T S	0	1,772	0	1,772
Modumaela B E	0	4,342	0	4,342
Mogaladi M J	0	103	0	103
Morudi M S	0	21,936	0	21,936
Naiker S S	0	1,144	0	1,144
Nkwashu C S	0	1,754	0	1,754
Phala P M	210	0	210	0
Segabutla L O	0	112	0	112
Wannenber g D G	635	0	635	0
Total	26,725	115,176	26,725	115,176
COUNCILLORS WITH PAYOFF ARRANGEMENTS:				
Buthelezi M M	39,839	0	39,839	0
Gumede K K & D F	5,031	0	5,031	0
Hoseka N P	2,270	0	2,270	0
Kgashane S	17,447	0	17,447	0
Ledwaba D C	2,809	0	2,809	0
Lepati M A	0	9,276	0	9,276
Mamabolo C S	0	5,596	0	5,596
Mogashoa B	1,991	0	1,991	0
Mogalapa S & B P	0	2,729	0	2,729
Mthetwa D	9,410	10,000	9,410	10,000
Rambau T V	2,492	4,900	2,492	4,900
Seoketsa G	36,953	30,914	36,953	30,914
Swarts A P	0	2,575	0	2,575
Thipe J	0	2,312	0	2,312
Wannenbur g B J	4,401	0	4,401	0
Total	122,643	68,302	122,643	68,302

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
TOTAL AMOUNT OUTSTANDING:				
Blaauw M P	624	0	624	0
Buthelezi F K & N L E	11,178	0	11,178	0
Buthelezi M M	39,839	59,636	39,839	59,636
Dlamini S S	0	274	0	274
Dichabe M M	0	112	0	112
Dzumba K Y	0	11,466	0	11,466
Engelbrecht J	668	0	668	0
Gumede K K & D F	5,031	0	5,031	0
Hoseka N P	2,270	2,882	2,270	2,882
Huma S E	0	1,546	0	1,546
Kekana C	227	0	227	0
Kekana M H & M A	2,657	0	2,657	0
Kgashane S	17,447	0	17,447	0
Ledwaba D C	2,809	5,278	2,809	5,278
Lehobye M J	0	315	0	315
Lepati M A	0	9,276	0	9,276
Lesomo N A	748	0	748	0
Linde E	0	921	0	921
Majeng M J	0	288	0	288
Maluleka E M & H W	0	1,295	0	1,295
Mathekga C M	9,778	0	9,778	0
Moagi T S	0	1,772	0	1,772
Modumaela B E	0	4,342	0	4,342
Mogaladi M J	0	103	0	103
Mogashoa B	1,991	0	1,991	0
Morudi M S	0	21,936	0	21,936
Mamabolo C S	0	5,596	0	5,596
Mokgalapa S & B P	0	2,729	0	2,729
Mthewa D	9,410	10,000	9,410	10,000
Naiker S S	0	1,144	0	1,144
Nkwashu C T	0	1,754	0	1,754
Phala P M	210	0	210	0
Rambau T V	2,492	4,900	2,492	4,900
Ramokgopa K D	0	112	0	112
Seoketsa G	36,953	0	36,953	0
Seoketsa G	0	30,914	0	30,914
Swarts A P	0	2,575	0	2,575
Thipe J	0	2,312	0	2,312
Wannenber D G	635	0	635	0
Wannenber B J	4,401	0	4,401	0
Total arrear councillor consumer accounts	149,368	183,478	149,368	183,478
34.7 Non-compliance with applicable legislation (MFMA)				
34.7.1 Section 74(1) The Municipality failed to submit electronic and signed returns on Conditional Grants spending for the period ended 30 June 2009 within the timeframes of the act. Furthermore, the Municipality also did not sign off on the verification of the Section 71 Report for the period ended 30 June 2009 within the timeframe of the act.				
34.7.2 Section 167 The provision of housing for the Executive Mayor does not fall within the framework of the Public Office-Bearers Act				
34.7.3 Section 65(e) All invoices are not paid within 30 days as required by section 65(e), although an accrual is done at year end to rectify this transgression				
34.7.4 Section 126(2) No financial statements was submitted to the Office of the Auditor-General by Tshwane Centre for Business Information and Support (CENBIS) a municipal entity of the City of Tshwane. A Council resolution was taken on 25 November 2004 to wind up this entity. The entity has been dormant since 2007.				
34.7.5 Section 62 and 95 The Municipality did not have an effective risk management policy and framework as required. The risk committee was not established during the financial year under review. This resulted in adequate measures not being in place to adequately identify, assess and manage these risks to ensure that it is mitigated.				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
35 CAPITAL COMMITMENTS				
Commitments in respect of capital expenditure (budgeted amounts next financial year):				
- Approved and contracted for	3,460,300,014	2,489,482,188	3,460,300,014	2,489,482,188
Infrastructure	2,905,065,110	2,015,657,358	2,905,065,110	2,015,657,358
Community	152,790,000	253,603,000	152,790,000	253,603,000
Other	211,344,904	147,150,000	211,344,904	147,150,000
Housing	191,100,000	73,071,830	191,100,000	73,071,830
- Approved but not contracted for	87,208,100	672,282,990	87,208,100	672,282,990
Infrastructure	62,727,200	454,306,800	62,727,200	454,306,800
Community	17,980,900	22,045,400	17,980,900	22,045,400
Other	6,500,000	175,930,790	6,500,000	175,930,790
Investment property	0	0	0	0
Housing	0	20,000,000	0	20,000,000
	3,547,508,114	3,161,765,178	3,547,508,114	3,161,765,178
This expenditure will be financed from:				
- Council Own Funding (External loans and/or Capital replacement reserve)	2,158,620,900	2,138,968,400	2,158,620,900	2,138,968,400
- Capital replacement reserve	38,469,778	61,315,790	38,469,778	61,315,790
- Provincial grants	6,825,126	26,070,000	6,825,126	26,070,000
- Government Housing	255,481,230	84,321,988	255,481,230	84,321,988
- PTIS	693,254,080	501,654,000	693,254,080	501,654,000
- MIG	342,079,000	288,935,000	342,079,000	288,935,000
- National Electrification Fund	52,778,000	60,500,000	52,778,000	60,500,000
	3,547,508,114	3,161,765,178	3,547,508,114	3,161,765,178
36 RETIREMENT BENEFIT INFORMATION				
36.1 PENSION FUNDS				
Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.				
36.1.1 DEFINED CONTRIBUTION PLANS (AS CLASSIFIED BY THE RELEVANT FUND):				
The Municipality contributes to the following defined contribution plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee related costs, Note 24)	292,671,010	263,505,343	292,671,010	263,505,343
Tshwane Municipal Provident Fund 2 584 (21,92 %) of the Municipality's employees are members of this fund.	99,739,562	87,684,898	99,739,562	87,684,898
Pension Fund for Municipal Councillors: The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund . 105 (0,89 %) of the Municipality's employees are members of this fund.	6,894,592	5,531,174	6,894,592	5,531,174
National Fund for Municipal Workers. 3 318 (28,14 %) of the Municipality's employees are members of this fund.	155,494,094	143,286,240	155,494,094	143,286,240
SALA Provident Fund. 89 (0,76 %) of the Municipality's employees are members of this fund.	1,028,986	990,670	1,028,986	990,670
SAMWU National Pension Fund 18 (0,15 %) of the Municipality's employees are members of this fund.	604,816	72,175	604,816	72,175
SAMWU National Provident Fund 1001 (8,49 %) of the Municipality's employees are members of this fund.	27,543,006	24,610,448	27,543,006	24,610,448
Germiston Municipal Retirement Fund . 1 (0,00 %) of the Municipality's employees are members of this fund.	50,683	63,513	50,683	63,513
Meshawu National Local Authorities Retirement Fund 56 (0,47 %) of the Municipality's employees are members of this fund.	1,315,271	1,266,225	1,315,271	1,266,225
36.1.2 DEFINED BENEFIT PLANS (AS CLASSIFIED BY THE RELEVANT FUNDS):				
TSHWANE MUNICIPAL PENSION FUND				
The Consulting Actuaries reported that the Fund was in a sound financial position with a funding level of 100 % . 401 (3,40%) of the Municipality's employees are members of this fund.				
Included in general expenses are:-				
Current service cost	24,410,000	24,338,000	24,410,000	24,338,000
Interest cost	81,379,000	54,774,000	81,379,000	54,774,000
Expected return on assets	(70,947,000)	(54,645,000)	(70,947,000)	(54,645,000)
Recognised Net (Gain)/Loss	95,968,000	74,846,000	95,968,000	74,846,000
Defined benefit expense	130,810,000	99,313,000	130,810,000	99,313,000
Post-employment benefit liability (funded status)				
Present value of the obligation	(770,600,000)	(740,349,000)	(770,600,000)	(740,349,000)
Fair value of plan assets	521,099,000	605,706,000	521,099,000	605,706,000
Recognised actuarial gains	0	0	0	0
Recognised past service cost	0	0	0	0
Liability recognised in statement of financial position	(249,501,000)	(134,643,000)	(249,501,000)	(134,643,000)

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
Reconciliation of defined benefit obligation:				
Present value of obligation at beginning of year	740,349,000	616,031,000	740,349,000	616,031,000
Interest cost	81,379,000	54,774,000	81,379,000	54,774,000
Current service cost	24,410,000	24,338,000	24,410,000	24,338,000
Member contributions	6,367,000	5,992,000	6,367,000	5,992,000
Risk premiums	(2,086,000)	(1,963,000)	(2,086,000)	(1,963,000)
Benefits paid	(24,044,000)	0	(24,044,000)	0
Actuarial (gain)/loss on obligation	(55,775,000)	41,177,000	(55,775,000)	41,177,000
Present value of obligation at end of year	770,600,000	740,349,000	770,600,000	740,349,000
Reconciliation of plan assets (None of the Municipality's own financial instruments or property are included in the fair value of plan assets)				
Fair value of plan assets at beginning of year	605,706,000	565,687,000	605,706,000	565,687,000
Expected return on plan assets	70,947,000	54,645,000	70,947,000	54,645,000
Contributions	22,319,000	21,006,000	22,319,000	21,006,000
Risk premiums	(2,086,000)	(1,963,000)	(2,086,000)	(1,963,000)
Benefits paid	(24,044,000)	0	(24,044,000)	0
Actuarial (gain)/loss on obligation	(151,743,000)	(33,669,000)	(151,743,000)	(33,669,000)
Fair value of plan assets at end of year	521,099,000	605,706,000	521,099,000	605,706,000
Composition of plan assets:				
Cash	13.71 %	10.17 %	13.71 %	10.17 %
Equity	52.98 %	58.12 %	52.98 %	58.12 %
Bonds	20.60 %	15.94 %	20.60 %	15.94 %
Property	0.08 %	0.00 %	0.08 %	0.00 %
Other	0.00 %	0.00 %	0.00 %	0.00 %
International	12.63 %	15.77 %	12.63 %	15.77 %
Total	100.00 %	100.00 %	100.00 %	100.00 %
Actual return on plan assets	80,796,000	20,976,000	80,796,000	20,976,000
Estimated contributions to be paid to the Tshwane Pension fund in the next financial period	21,650,000	20,233,000	21,650,000	20,233,000
MUNICIPAL GRATUITY FUND				
Actuarial valuations are carried out every 2 years. 1 413 (11.98%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund				
Included in general expenses are:-				
Current service cost	3,005,000	2,830,000	3,005,000	2,830,000
Interest cost	9,171,000	6,467,000	9,171,000	6,467,000
Expected return on assets	0	0	0	0
Recognised Net (Gain)/Loss	(2,345,000)	(240,000)	(2,345,000)	(240,000)
Defined benefit expense	9,831,000	9,057,000	9,831,000	9,057,000
Post-employment benefit liability (funded status)				
Present value of the obligation	(82,304,000)	(73,247,000)	(82,304,000)	(73,247,000)
Net (expense)/income recognised in Statement of financial performance	(9,831,000)	(9,057,000)	(9,831,000)	(9,057,000)
Recognised actuarial gains	0	0	0	0
Unrecognised past service cost	0	0	0	0
Liability recognised in statement of financial position	(92,135,000)	(82,304,000)	(92,135,000)	(82,304,000)

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
Reconciliation of defined benefit obligation:				
Present value of obligation at beginning of year	82,304,000	73,247,000	82,304,000	73,247,000
Interest cost	9,171,000	6,467,000	9,171,000	6,467,000
Current service cost	3,005,000	2,830,000	3,005,000	2,830,000
Benefits paid	0	0	0	0
Actuarial (gain)/loss on obligation	(2,345,000)	(240,000)	(2,345,000)	(240,000)
Present value of obligation at end of year	92,135,000	82,304,000	92,135,000	82,304,000
Estimated benefit payments to be paid iro Gratuities in the next financial period	16,557,000	0	16,557,000	0
36.1.3 MULTI-EMPLOYER FUNDS				
The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee remuneration, Note 24). Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of paragraph 30 of IAS 19. The total contributions are included in Employee related costs, Note 24)				
	78,936,187	76,322,514	78,936,187	76,322,514
SALA Pension Fund The actuarial valuation is carried annually since 1 July 1998. The actuarial valuation performed on 1 July 2004 showed an unfunded liability of R516,62 million (81,9 % funding level). The Municipality's employees make up approximately 5,4 % of the total membership and therefore the Municipality's possible liability with regard to the unfunded liability is calculated at R28 104 128,911 (7,73 %) of the Municipality's employees are members of this fund.	26,961,721	25,698,482	26,961,721	25,698,482
The Government Employees Pension Fund. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2004 reported the fund to be in a sound financial position with a funding level of 96,5 %. 14 (0,12 %) of the Municipality's employees are members of this fund.	347,995	5,042,778	347,995	5,042,778
Joint Municipal Pension Fund Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 December 2005 reported a funding level of 97,7 % resulting in a shortfall of R44,237 million. The Municipality's employees make up approximately 1,78 % of the total membership. The Municipality's possible liability with regard to unfunded benefits is calculated to be R4 737 363, 54 (0,45 %) of the Municipality's employees are members of this fund.	3,175,481	3,171,218	3,175,481	3,171,218
Municipal Employees Pension Fund. The actuarial valuation performed on 28 February 2005 reported the fund to be in a sound financial position with a funding level of 106,9 %. 1 823 (15,46%) of the Municipality's employees are members of this fund.	48,450,990	42,410,036	48,450,990	42,410,036
36.2 MEDICAL AID FUNDS				
Included in general expenses are:-				
Current service cost	14,321,000	13,078,000	14,321,000	13,078,000
Interest cost	57,523,000	54,012,000	57,523,000	54,012,000
Expected Employer Benefit Payments	(31,230,000)	(28,917,000)	(31,230,000)	(28,917,000)
Recognised Net (Gain)/Loss	0	0	0	0
Defined benefit expense	40,614,000	38,173,000	40,614,000	38,173,000
Post-employment benefit liability (funded status)				
Present value of the unfunded obligation	(621,946,000)	(583,773,000)	(621,946,000)	(583,773,000)
Recognised actuarial gains	(40,614,000)	(38,173,000)	(40,614,000)	(38,173,000)
Unrecognised past service cost	0	0	0	0
Liability recognised in statement of financial position	(662,560,000)	(621,946,000)	(662,560,000)	(621,946,000)
Reconciliation of defined benefit obligation:				
Present value of unfunded obligation at beginning of year	621,946,000	583,773,000	621,946,000	583,773,000
Interest cost	57,523,000	54,012,000	57,523,000	54,012,000
Current service cost	14,321,000	13,078,000	14,321,000	13,078,000
Employer contributions	(31,230,000)	(28,917,000)	(31,230,000)	(28,917,000)
Present value of obligation at end of year	662,560,000	621,946,000	662,560,000	621,946,000
Actuarial (gains)/losses recognised in other comprehensive income:				
Tshwane Pension Fund	95,968,000	74,846,000	95,968,000	74,846,000
Gratuities	(2,345,000)	(240,000)	(2,345,000)	(240,000)
Medical aid funds	0	0	0	0
Total amount of actuarial (gains)/losses recognised	93,623,000	74,606,000	93,623,000	74,606,000
Estimated employer benefit payments to be paid iro Medical aid funds in the next financial period	33,729,000	31,230,000	33,729,000	31,230,000

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
Sensitivity Results				
The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following:				
Subsidy Increase rate:				
Accrued liability 30 June	662,560,000	621,946,000	662,560,000	621,946,000
Decrease of 1 %	596,537,000	562,936,000	596,537,000	562,936,000
% change	(10.0 %)	(9.5 %)	(10.0 %)	(9.5 %)
Increase of 1 %	740,047,000	691,204,000	740,047,000	691,204,000
% change	11.7 %	0	11.7 %	0
Discount rate:				
Accrued liability 30 June	662,560,000	621,946,000	662,560,000	621,946,000
Decrease of 1 %	782,494,000	728,054,000	596,537,000	728,054,000
% change	18.1 %	0	(10.0 %)	0
Increase of 1 %	569,843,000	539,778,000	740,047,000	539,778,000
% change	(14.0 %)	(13.2 %)	11.7 %	(13.2 %)
36.3 ACTUARIAL ASSUMPTIONS				
A summary of the assumptions used in the valuation, together with a short description on each is given below:				
36.3.1 Economic assumptions (pension fund and gratuities):				
Discount rate	9.50 %	10.75 %	9.50 %	10.75 %
Inflation rate	6.00 %	8.00 %	6.00 %	8.00 %
Salary Increase rate	7.00 %	9.00 %	7.00 %	9.00 %
Expected rate of return on assets	10.25 %	11.75 %	10.25 %	11.75 %
Pension increase allowance	5.54 %	6.75 %	5.54 %	6.75 %
Health Care Cost Inflation	8.00 %	8.00 %	8.00 %	8.00 %
Discount rate (pension fund and gratuities):				
The rate to discount post-employment benefit obligations should be determined by reference to market yields at the date of the statement of financial position on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds should be used. In our opinion, there is no deep market in Corporate bonds in South Africa and as such we have set our recommended assumption with reference to the yield on South African Government Bonds of medium duration. This converts into an effective yield of 9.50 % as at 30 June 2009. In terms of the accounting standards, historical yields are less important and we consequently consider it appropriate to use the discount rate 9.50 % per annum.				
Inflation rate (pension fund and gratuities):				
While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 6.00 % per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. This assumption is in line with the SA Government's Monetary Policy target of 3 % to 6 % per annum.				
Salary increase:				
We have assumed that the level of salary increased to be awarded in the long-term will, on average be equal to inflation plus 1.0 % (pension funds) and 1.50 % (gratuities) plus a merit increase based on the age-related table below:				
Age	Merit Increase			
20	13.5 %			
25	9.0 %			
30	5.5 %			
35	3.0 %			
40	1.5 %			
45	1.0 %			
Expected return on assets:				
The Fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions we made use of the asset split as at 30 June 2009. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implies a yield on government bonds of 9.50 % per annum. The expected long-term rate of return on equities was set at a level of 3 % above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 2 % below the bond rate. Adjustments were made to reflect the effect of expenses.				
Pension rate increase:				
We have made use of a post-retirement discount rate of 3.75 % per annum which drives the pension increase policy of the Trustees. This implies a pension increase rate of 5.54 % per annum.				
Health Care Cost Inflation:				
We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 8.00 % per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 2.00 % per annum over the long-term.				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
37	CONTINGENT LIABILITIES				
37.1	HOUSING LOANS				
	Guarantees for housing loans to employees at financial institutions With the implementation of the MFMA no new guarantees are issued, the liability will therefore decrease in future. The property is used as collateral in cases of default on payments	1,815,627	2,023,797	1,815,627	2,023,797
37.2	INDEMNIFICATION				
	Value of investments ceded to the Workmen's Compensation Commissioner in compliance with the requirements of the Compensation for Occupational Injuries and Diseases Act, 1993.	41,303,607	32,996,015	41,303,607	32,996,015
	The capitalised value as at 31 December as calculated by the Department of Labour amounted to Consistent with prior years the amendment to the cession will be addressed in the following financial year	41,303,607	32,996,015	41,303,607	32,996,015
37.3	INSURANCE CLAIMS				
	Pending claims against the Municipality in respect of vehicle accidents and Public Liabilities which originated before 30 June. The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R190,686 million (2007/08 = R228,951 million)	66,342,062	57,139,428	67,904,121	58,525,718
	Civirelo Water has an unresolved legal matter to the value of R500 000. The Municipal Entity's attorneys are still in mediation with the plaintiff's attorneys. It was agreed to enter in a mediation process.				
37.4	RETIREMENT OF REDUNDANT EMPLOYEES				
	The retirement of redundant employees resulted in the following estimated long term liabilities (these liabilities are budgeted for annually):				
	*Pension fund contribution with regard to all employees who received packages and who qualify for a monthly pension up to the approved age of retirement.	52,309,000	63,603,000	52,309,000	63,603,000
	*Sick fund contribution payable to Pretmed with regard to all employees who received packages and who are deemed to be full members of the fund up to the approved age of retirement.	46,719,000	46,102,000	46,719,000	46,102,000
37.5	GUARANTEES				
	Guarantees issued in favour of Eskom	213,500	213,500	213,500	213,500
38	IN-KIND DONATIONS AND ASSISTANCE				
	The Municipality received the following in-kind donations and assistance Description: Secondment of two (2) representatives from SAICA				
39	EVENTS AFTER THE REPORTING PERIOD				
	No material events occurred with respect to the 2008/09 financial year since year end and the date of the Statement of financial position				
39.1	External loans				
	DBSA: Loan at 11,315 % over 20 years		200,000,000		200,000,000
	DBSA: Loan at 6,25 % over 20 years	None	50,000,000	None	50,000,000
	Total		250,000,000		250,000,000
39.2	Investments				
	ABSA Call investment @ 11,55 %		49,000,000		49,000,000
	Investec Call investment @ 11,50 %		49,000,000		49,000,000
	Nedcor Call investment @ 11,65 %		49,000,000		49,000,000
	RMB Call investment @ 11,50 % to 11,00 %		49,000,000	None	49,000,000
	Stanlib call investment in respect of Contingency Insurance Fund		169,020,600		169,020,600
			365,020,600		365,020,600
39.3	Short-term loan				
	ABSA short-term loan @ 13,85 %	None	84,000,000	None	84,000,000
39.4	Roodeplaat/Temba Water Services Trust (RTWST)				
	Loans taken over from 1 July 2008 with the disestablishment of the trust	Not applicable	518,067,525	Not applicable	518,067,525
40	COMPARISON WITH THE BUDGET				
	The comparison of the actual financial performance with that budgeted is set out in Appendices E, F and G				

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
41 DIRECTORS EMOLUMENTS				
41.1 Municipal Entities				
Paid by company for services as directors			2,092,208	2,094,162
42 RELATED PARTY DISCLOSURES				
Parent				
The following municipal entities were under the control of the erstwhile/disestablished municipalities. The City of Tshwane Metropolitan Municipality became the parent municipality on 5 December 2000 as a result of the successor in law principle.				
Transactions between related parties are as follows:				
42.1 Civirelo Water:				
Gauteng Housing via CoT (General expenses)	28,917,630	975,800	28,917,630	975,800
Creditors	11,637,757	20,000	11,637,757	20,000
42.2 Housing Company Tshwane:				
Sundry debtors (un-paid reimbursement budgeted amounts)	0	128,604	0	128,604
Received Electricity and Water sales and rates and taxes	466,633	490,482	466,633	490,482
Paid General Expenses	8,357,791	117,439	8,357,791	117,439
Sundry creditors (i.r.o water & electricity & rates)	59,321	104,339	59,321	104,339
42.3 Roodeplaat Temba Water Services Trust:				
Paid Water (water sales to CoT)		101,413,208		101,413,208
Beneficiary distribution		0		0
Interest - finance lease		3,283,804		3,283,804
Lease charges		704,630		704,630
Accounts receivable		14,120,965		14,120,965
Accounts payable		0		0
Deferred operating lease liabilities		2,078,122		2,078,122
Finance lease liabilities		25,976,434		25,976,434
This entity was disestablished on 30 June 2008. All transactions, assets and liabilities were taken over by City of Tshwane on 1 July 2008. A summary of the transactions is as follows:				
External loans	(518,067,525)		(518,067,525)	
Interest received	(3,847,947)		(3,847,947)	
Property, plant & equipment - Accumulated depreciation	(97,378,452)		(97,378,452)	
Interest repayment external loans	(13,064)		(13,064)	
Sundry debtor	14,873		14,873	
Cash/bank balance	167,251,450		167,251,450	
Property, plant & equipment - Cost	475,042,472		475,042,472	
Bank charges	1,098		1,098	
Gain on disestablishment (refer to Statement of Financial Performance)	23,002,905		23,002,905	
42.4 Sandspruit Works Association:				
Outstanding payments i.r.o. water & electricity/authority billing	796,501	0	796,501	0
Water purchases from CoT	214,011	88,009	214,011	88,009
Subsidy received from CoT	35,278,819	29,650,262	35,278,819	29,650,262
DWAF subsidy (creditor)	811,205	0	811,205	0
DWAF subsidy paid to Sandspruit (ODI) (creditor)	11,719,714	0	11,719,714	0
Paid Water/Sales to CoT	133,284,870	113,534,868	133,284,870	113,534,868
Waste water (creditor)	5,346,128	0	5,346,128	0
Sanitation operational deficit (debtor)	47,000,805	34,675,380	47,000,805	34,675,380
Operating loss account (creditor)	15,507,901	3,001,199	15,507,901	3,001,199
42.5 Trade Point Pretoria: No related party transactions occurred	Under liquidation	Under liquidation	Under liquidation	Under liquidation
42.6 Tshwane Cenbtre for Business Information and Support (Cenbis) No related party transactions occurred	Under liquidation	Under liquidation	Under liquidation	Under liquidation
43 PRIOR YEAR ADJUSTMENTS (Refer to Statement of Changes of Parent)				
43.1 Expenditure of the 2006/07 financial year was restated in respect of:				
Reclassification of operating leases to finance leases (first time accounting for leases and restating retrospectively)		(99,848,247)		(99,848,247)
Write back of interest on long-term debtors (as a result of in-duplum rule)		35,821,377		35,821,377
Prepaid electricity sales iro 2006/07 posted in 2007/08		(9,872,540)		(9,872,540)
Depreciation of leased assets (first time accounting for leases and restating retrospectively)		70,358,385		70,358,385
Interest on lease liabilities (first time accounting for leases and restating retrospectively)		37,082,548		37,082,548
Restatement of threshold assets (net of depreciation and reversal of expense to assets)		(7,170,357)		(7,170,357)
Municipal entities: audit adjustments		0		3,776,566
Total prior year adjustment iro 2006/07		26,371,166		30,147,732

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2009 R	2008 R	2009 R	2008 R
43.2 Restatement of Statement of financial position of 2006/07				
Accounting for lease assets (brought in for first time in 2007/08 but restated 2006/07)		261,396,192		261,396,192
43.3 Restatement of expenditure iro 2007/08 during 2008/09				
Grant expenditure (expenditure of 2008/09 accrued incorrectly in 2007/08)	(5,280)		(5,280)	
Depreciation: ICS register brought in on asset register (ICS Register was formerly not part of Fixed Asset Register)	12,283,419		12,283,419	
Assets brought in at fair value (assets found during verification process which were not on asset register)	(35,081,273)		(35,081,273)	
ICS Register brought in on asset register - Cost (ICS Register was formerly not part of Fixed Asset Register)	(169,133,571)		(169,133,571)	
Interest on leases (correction of calculation error during 2007/08)	(392,339)		(392,339)	
Depreciation: Zero value assets (correction)	20,235,296		20,235,296	
43.4 Restatement of revenue iro 2007/08 during 2008/09				
Grant revenue recognised (various grant revenue recognised in 2007/08 which related to 2008/09)	(6,131,900)		(6,131,900)	
Ambulance subsidy (accrual done in 2007/08 was too high)	(925,250)		(925,250)	
Property rates revenue	4,047,335		4,047,335	
Revenue i.r.o. rezoning	55,806,593		55,806,593	
43.5 Restatement of reserves and provisions iro 2007/08 during 2008/09				
Government grant reserve (upload of New Asset Register of 2007/08 on SAP difference corrected between reserve and asset register)	56,429		56,429	
Insurance reserve (correction of balance of Insurance Reserve to correspond with Cashbacking investment)	214,398,004		214,398,004	
Rehabilitation provisions (provision was expensed in stead of capitalised in 2007/08)	(81,421,984)		(81,421,984)	
Employment benefit provision expense and liability created (First time implementation of IAS 19: Employment Benefits)	838,893,000		838,893,000	
Capitalisation reserve: correction zero value assets	14,402,212		14,402,212	
Total restatements iro 2007/08 done in 2008/09	867,030,691		867,030,691	
43.6 Restatement of accumulated surplus prior to 2007/08				
Amounts reimbursed by IEC incorrectly allocated to public contributions during 2004/05	(15,335,500)		(15,335,500)	
Write back of accumulated depreciation on land - incorrectly calculation during 2004/05	141,347,465		141,347,465	
Write back of accumulated depreciation on undeveloped land - incorrectly calculation during 2004/05	123,324		123,324	
Property rates revenue corrections	(4,316,941)		(4,316,941)	
Depreciation correction: zero value assets	128,845,874		128,845,874	
Total restatement of accumulated surplus prior to 2007/08	250,664,222		250,664,222	
43.7 Restatement of reserves prior to 2007/08 during 2008/09				
Capitalisation reserve: Write back on zero value assets depreciation	139,469,413		139,469,413	
Government grant reserve: Write back on zero value assets depreciation	7,553,936		7,553,936	
Total restatement of reserves prior to 2007/08 during 2008/09	147,023,349		147,023,349	
43.8 Prior year adjustments i.r.o Municipal entities				
Housing Company Tshwane			5,677,531	11,626,427
Civirelo			5,502	(110,172)
Rooideplaas Temba Water Services Trust			(9,989,370)	(7,809,766)
Sandspruit Works Association			0	70,076
Total restatements iro Municipal Entities			(4,306,337)	3,776,565
44 OPERATING LEASES				
44.1 NON-CANCELLABLE				
Amounts of minimum lease payments under non-cancellable operating leases in respect of photocopier equipment are as follows for:				
* The next year	1,835,793	5,497,215	1,835,793	5,497,215
* Years 2 through 5 combined	1,311,049	3,078,233	1,311,049	3,078,233
* Beyond 5 years	0	0	0	0
Total	3,146,842	8,575,448	3,146,842	8,575,448
44.2 CANCELLABLE				
Amounts of minimum lease payments under cancellable operating leases in respect of photocopier equipment are as follows for:				
* The next year	1,516,364	1,497,586	5,644,991	3,162,353
* Years 2 through 5 combined	957,365	2,440,867	10,742,228	7,001,313
* Beyond 5 years	0	0	0	0
Total	2,473,729	3,938,453	16,387,219	10,163,666

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
45	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE				
45.1	Unauthorised expenditure				
	Reconciliation of unauthorised expenditure:				
	Opening balance	51,175	0	51,175	0
	Unauthorised expenditure in current year	74,962,306	51,175	74,962,306	51,175
	Approved by Council/condoned	(36,000)	0	(36,000)	0
	Unauthorised expenditure awaiting authorisation	74,977,481	51,175	74,977,481	51,175
	2008: Incident 1: Unapproved travelling to Swaziland during November 2007. Disciplinary steps: A report to obtain approval has been submitted to the City Manager				
	2008: Incident 2: Insurance claims not reported timeously and repudiated claims not compliant with procedural deadlines Disciplinary steps: Disciplinary actions taken against relevant employee				
	2009: Incident 1: R14 012 470 expenditure on Municipal rates & services not budgeted for (costs should have been for tenants account) for Housing & Sustainable Development				
	2009: Incident 2: R57 023 820 application for funds transfer in adjustments budget not approved for Economic Development: Bus Service				
	2009: Incident 3: R2 800 000 No budget for contract employees from labour brokers (Electricity & Energy Department)				
	2009: Incident 4: R589 915 Cable theft combat - expense to be recovered from claims (Electricity & Energy Department)				
	2009: Incident 5: End user support (IMD) no authorisation from cost centre owner for debiting of costs (Electricity & Energy Department)				
45.2	Fruitless and wasteful expenditure				
	Reconciliation of fruitless and wasteful expenditure:				
	Opening balance	1,242,964	0	1,242,964	0
	Fruitless and wasteful expenditure in current year	404,576	1,242,964	404,576	1,242,964
	Approved by Council/condoned/repayed/written of	(82,370)	0	(82,370)	0
	Fruitless and wasteful expenditure awaiting condonement/repayment	1,565,170	1,242,964	1,565,170	1,242,964
	2008: Incident 1: Theft of laptop which an employee failed to register as an insurance claim to the amount of R24 200. Disciplinary steps - Departmental hearing was held on 27 June 2008. Employee signed admission of guilt and amount will be deducted from his salary.				
	2008: Incident 2: Petty Cash - late A Baduza to the amount of R756. Awaiting approval of report to Strategic Executive Director to write off this expenditure. Expenditure was written off during 2008/09				
	2008: Incident 3: Unauthorised trip to Namibia by Dr M Kruger in the Office of the City Manager. Disciplinary steps - Awaiting authorisation. Authorisation given during 2008/09 (R57 414.00)				
	2008: Incident 4: Supply of fuel to contractor by Housing & Sustainable Human Settlement Development. Disciplinary steps - Investigation underway (R1 160 594.00)				
	2009: Incident 1: Electricity & Energy Department (R404 576) claims repudiated due to outstanding case numbers from Cost centre. No Disciplinary steps taken				
45.3	Irregular expenditure				
	Reconciliation of irregular expenditure:				
	Opening balance	6,980	0	6,980	0
	Irregular expenditure in current year	815,966	6,980	815,966	6,980
	Approval/repayment during the current year	(6,980)	0	(6,980)	0
	Irregular expenditure awaiting condonement	815,966	6,980	815,966	6,980
	2008: Incident: Cash shortage at Premos restaurant. Action/Steps: Manager undertook in writing to replace cash shortage (R6 980)				
	2009: Incident 1: Corporate & Shared Services - fraudulent payment of salaries. SAPS Case nr 182/10/2008. Reported in October 2008 (R150 336.66)				
	2009: Incident 2: Sport, Recreation, Ars & Culture - New year celebration - Implementation of City Manager Report recommendation R553 360.00)				
	2009: Incident 3: Electricity & Energy - Issuing of Gas stoves cost centre 109 30.				
45.4	Unauthorised expenditure due to late approval of deviation report (not approved before 31 August)				
	General Assessments	277,891,177	212,146,820	277,891,177	212,146,820
	Corporate and Shared Services	0	43,028,671	0	43,028,671
	Economic Development	0	2,218,079	0	2,218,079
	Agriculture and Environmental Management	199,207,792	202,865,365	199,207,792	202,865,365
	Total (Refer to Appendix F for reasons for deviations)	477,098,969	460,258,935	477,098,969	460,258,935
45.5	Expenditure not budgeted for due to first time implementation of accounting Standard IAS 19: Employment Benefits				
	Employment benefit provision expense	165,303,000	838,893,000	165,303,000	838,893,000

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	DESCRIPTION	MUNICIPALITY		GROUP	
		2009 R	2008 R	2009 R	2008 R
46	PUBLIC PRIVATE PARTNERSHIPS & JOINT VENTURES				
46.1	Public Private partnerships The City of Tshwane is involved in the following PPP's (only co-operative relationships) (existing contracts/agreements) * Health & Social Development with Foundation for Professional Development iro Multi Sectorial AIDS Management * Health & Social Development with City of Delft on Youth development life skills * Health Care Service with Elisabeth Glaser Paediatric Aids Foundation - prevention of AIDS transmission from mother to child				
46.2	Joint Ventures The City of Tshwane is involved in the following Joint Ventures - the parties however act independently (existing agreements) * Health Department with Maasmechelen Municipality for capacity building in respect of Community Structures (Working together as local authorities) * Health & Social Development with HSRC iro prevention strategy targeting commercial sex workers				
47	DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT PROCEDURES In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances: * in an emergency * if such goods or services are produced or available from a single provider only * for the acquisition of special works of art or historical objects where specifications are difficult to compile * acquisition of animals for zoos and/or nature and game reserves * in any other exceptional case where it is impractical or impossible to follow the official procurement processes Deviations from the official procurement process during the financial year was approved in terms of the delegations as stipulated in the Supply Chain Management Policy and amounted to approximately the following: Deviations from tender process (amounts above R200 000 or projects spanning more than one year) Deviations from quotation process (amounts below R200 000)	346,346,352 4,939,171	310,823,704 5,676,340	346,346,352 4,939,171	310,823,704 5,676,340
48	CHANGE IN ESTIMATE The useful lives of certain asset classes have been reviewed and adjusted to more accurately reflect the life spans of the assets. In a majority of the cases the lives of the items have been extended considerably. The effect of this revision has decreased the depreciation charges for the current and future periods by:- Other and infrastructure assets	210,451,991	0	210,451,991	0

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

49 FINANCIAL INSTRUMENTS (ONLY IN RESPECT OF PARENT)

49.1 Risks

In the course of the Municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

49.1.1 Interest rate risk

The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

Description	Floating rate R	Fixed rate			Non-interest bearing		Total R
		Amount R	Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount R	Weighted average period until maturity Years	
YEAR ENDED 30 JUNE 2009							
Assets:							
Investments	201,227,196	476,724,571	13.97	13.62			677,951,767
Long-term receivables:							
Housing loans		57,556,328	13.87	30			57,556,328
Motor car loans		173,915	8.66	6			173,915
Loans to sport clubs		1,661,855	11.99	10			1,661,855
Study loans					5,293		5,293
Sale of Land		79,405,336	11.09	5			79,405,336
Arrangement debtors		58,243,480	15		187,128,830		245,372,310
Trade receivables:							
Consumer		2,895,098,051	15.00	1	875,049,898		3,770,147,949
Other					737,740,110		737,740,110
Cash	89,560,594						89,560,594
Total financial assets	290,787,790	3,568,863,536			1,799,924,131		5,659,575,457
Liabilities							
Interest bearing borrowings	162,331,528	3,946,687,331	11.24	15.93			4,109,018,859
Interest rate swaps		227,866,133	20.51	17.79			227,866,133
Lease liabilities	262,514,815						262,514,815
Trade payables:							
Creditors					2,514,243,575	0.08	2,514,243,575
Retention					142,689,724	1	142,689,724
Consumer deposits					282,759,977	0.08	282,759,977
Unspent grants and receipts					419,920,338	0.08	419,920,338
VAT					164,585,154	0.08	164,585,154
Bank overdrafts	95,416,694						95,416,694
Total financial liabilities	520,263,037	4,174,553,464			3,524,198,768		8,219,015,269
	(229,475,247)	(605,689,928)			(1,724,274,637)		(2,559,439,812)
YEAR ENDED 30 JUNE 2008							
Assets:							
Investments	197,926,170	462,762,530	14.21	14.03			660,688,700
Long-term receivables:							
Housing loans		59,092,140	13.87	30			59,092,140
Motor car loans		2,161,952	8.66	6			2,161,952
Loans to sport clubs		1,689,951	11.99	10			1,689,951
Study loans					13,930		13,930
Sale of Land		65,779,894	11.09	5			65,779,894
Arrangement debtors		48,096,653			154,500,876		202,597,529
Trade receivables:							
Consumer		2,423,755,273	14.5	1	883,591,104		3,307,346,377
Other					539,516,021		539,516,021
Cash	43,235,693						43,235,693
Total financial assets	241,161,863	3,063,338,393			1,577,621,931		4,882,122,187
Liabilities							
Interest bearing borrowings	162,331,528	2,488,146,829	11.00	15.48			2,650,478,357
Interest rate swaps		227,866,133	20.51	17.79			227,866,133
Lease liabilities	257,297,030						257,297,030
Trade payables:							
Creditors					1,659,044,641	0.08	1,659,044,641
Retention					96,661,285	1	96,661,285
Consumer deposits					267,978,963	0.08	267,978,963
Unspent grants and receipts					328,760,232	0.08	328,760,232
VAT					104,380,809	0.08	104,380,809
Bank overdrafts	106,407,370						106,407,370
Total financial liabilities	526,035,928	2,716,012,962			2,456,825,930		5,698,874,820
	(284,874,065)	347,325,431			(879,203,999)		(816,752,633)

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

Interest rate swaps

The Municipality has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the Municipality to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements.

The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the statement of financial position date the Municipality had entered into the following interest rate swaps relating to specific statement of financial position items:

	Date	Fixed rate %	Fair value R	Estimated fair value gain/(loss) R
Year ended 30 June 2008	19 January 1994	19	200,000,000	(15,660,192)
			200,000,000	(15,660,192)
Year ended 30 June 2009	19 January 1994	19	200,000,000	(12,329,578)
			200,000,000	(12,329,578)

49.1.2 Currency risk

The Municipality undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. The Municipality, however, manages this risk by entering into contracts where the risk is carried by the service provider.

49.1.3 Credit risk

Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the Municipality to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the Municipality obtains appropriate deposits and guarantees from debtors to mitigate risk. The Municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The Municipality limits its treasury counter-party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The Municipality only deals with financial institutions with a short term credit rating of A+ and long-term credit rating of AA- and higher at an International accredited credit-rating agency. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Municipality's customer base and their dispersion across different industries and geographical areas. The Municipality does not have any significant exposure to any individual customer or counter-party. Accordingly, the Municipality does not consider there to be any significant concentration of credit risk, which had not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

	30 June 2009 %	30 June 2008 %
Consumer debtors:		
Household	58	59
Industrial/Commercial	17	17
National and Provincial Government	1	1
Other consumer debtors	11	11
Other debtors:		
Housing	0	0
Government subsidies	0	0
RSC levies	0	5
Amounts paid in advance	0	0
Other	13	6
	100	100

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

49.1.4 Liquidity risk

The Municipality manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market:

	30 June 2009	30 June 2010	30 June 2011
	R	R	R
External funding: capital expenditure	822,000,000	800,000,000	650,000,000

49.1.5 Market risk

The Municipality is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The Municipality manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.

Interest rate risk management: The Municipality's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial assets/liabilities:

Trade and other receivables/payables: At a fixed rate of interest.

Management manages interest rate risk by negotiating beneficial rates on floating rate loans and where possible using fixed rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities

49.2 Fair values

The Municipality's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables, long-term debt and derivative instruments (interest rate swaps).

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading.

The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Financial Performance over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

The fair value of financial liabilities at statement of financial position date are as follows:

Year ended	Fair value R	Carrying amount R
30 June 2009		
Liabilities		
Interest rate swaps	200,000,000	200,000,000
30 June 2008		
Liabilities		
Interest rate swaps	200,000,000	200,000,000

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

49.3 Maturity profile

The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:

	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
YEAR ENDED 30 JUNE 2009				
Assets:				
Investments	177,605,394	496,689,319	3,657,054	677,951,767
Long-term receivables:				
Housing loans			57,556,328	57,556,328
Motor car loans	173,915			173,915
Loans to sport clubs			1,661,855	1,661,855
Study loans	5,293			5,293
Sale of Land		79,405,336		79,405,336
Arrangement debtors	118,219,963	127,152,347		245,372,310
Trade receivables:				
Consumer	3,770,147,949	0		3,770,147,949
Other	737,740,110			737,740,110
Cash	89,560,594			89,560,594
Total financial assets	4,893,453,218	703,247,002	62,875,237	5,659,575,457
Liabilities				
Interest bearing borrowings	5,812	419,554,525	3,689,458,522	4,109,018,859
Interest rate swaps		227,949,356		227,949,356
Lease liabilities	157,392,134	105,122,680		262,514,814
Trade payables:				
Creditors	2,514,243,575			2,514,243,575
Retention	142,689,724			142,689,724
Consumer deposits	282,759,977			282,759,977
Unspent grants and receipts	419,920,338			419,920,338
VAT	164,585,154			164,585,154
Bank overdrafts	95,416,694			95,416,694
Total financial liabilities	3,777,013,408	752,626,561	3,689,458,522	8,219,098,491
YEAR ENDED 30 JUNE 2008				
Assets:				
Investments	235,135,271	354,801,402	70,752,027	660,688,700
Long-term receivables:				
Housing loans			59,092,140	59,092,140
Motor car loans		2,161,952		2,161,952
Loans to sport clubs			1,689,951	1,689,951
Study loans	13,930			13,930
Sale of Land		65,779,894		65,779,894
Arrangement debtors	92,872,599	109,724,930		202,597,529
Trade receivables:				
Consumer	3,307,346,377	0		3,307,346,377
Other	539,516,021			539,516,021
Cash	43,235,693			43,235,693
Total financial assets	4,218,119,891	532,468,178	131,534,118	4,882,122,187
Liabilities				
Interest bearing borrowings	40,635,125	353,495,677	2,284,213,688	2,678,344,490
Interest rate swaps	0	200,000,000	0	200,000,000
Lease liabilities	150,248,193	107,048,837		257,297,030
Trade payables:				
Creditors	1,659,044,641			1,659,044,641
Retention	96,661,285			96,661,285
Consumer deposits	267,978,963			267,978,963
Unspent grants and receipts	328,760,232			328,760,232
VAT	104,380,809			104,380,809
Bank overdrafts	106,407,370			106,407,370
Total financial liabilities	2,754,116,618	660,544,514	2,284,213,688	5,698,874,820

49.4 Hedging

Hedging is not applicable in the environment of the Municipality.

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009 - PARENT

				Opening balance	Received during the year	Redeemed during the year	Amortised value	Closing balance	Carrying value of Property, Plant & Equipment
				R	R	R	R	R	R
EXTERNAL LOANS:									
LOCAL REGISTERED STOCK:									
Issued	Loan number	Interest rate (%)	Redeemable						
1997	105	16.65	2014.06.30	95,524,901	0	0	496,349	96,021,250	126,551,756
1993	104	14.15	2008.09.30	40,629,329	0	40,000,000	(629,329)	0	0
1984	43	16.25	2004.04.30	5,812	0	0	0	5,812	7,660
1990	55	16.40	2011.06.30	14,670,620	0	0	(61,478)	14,609,142	19,254,202
1992	62	13.50	2011.06.30	21,414,122	0	0	(273,460)	21,140,662	27,862,457
1993	63	14.00	2011.06.30	36,916,500	0	0	790,967	37,707,467	49,696,772
1997	65	15.75	2011.06.30	50,000,000	0	0	0	50,000,000	65,897,786
2000	66	16.50	2011.06.30	59,000,000	0	0	0	59,000,000	77,759,388
TOTAL LOCAL REGISTERED STOCK				318,161,284	0	40,000,000	323,049	278,484,333	367,030,021
TERM LOANS:									
DBSA: Bullet portion		13.50	2018.04.30	51,724,111	0	0	21,941	51,746,052	68,199,006
DBSA: Floating rate		Variable	2019.10.31	78,331,528	0	0	0	78,331,528	103,237,486
ABSA Bank loan B3		Variable	2011.06.30	84,000,000	0	0	0	84,000,000	110,708,281
INCA loan		17.15	2011.06.30	45,000,000	0	0	0	45,000,000	59,308,008
ABSA Bank Arbitrage		19.13	2011.10.31	227,866,133	0	0	83,223	227,949,356	300,427,159
TOTAL TERM LOANS				486,921,772	0	0	105,164	487,026,936	641,879,939
ANNUITY LOANS:									
DBSA		13.5	2018.04.30	239,307,959	0	10,988,969	(274,584)	228,044,406	300,552,431
DBSA Local Authorities		13.5	2012.12.31	14,628,304	0	2,552,300	0	12,076,004	15,915,639
DBSA (Restructuring)		10.87	2018.12.31	235,954,085	0	12,866,562	0	223,087,523	294,019,478
INCA		11.66	2019.06.30	17,435,996	0	875,935	0	16,560,061	21,825,427
INCA		9.52	2020.03.31	203,496,005	0	9,441,121	(107,605)	193,947,279	255,613,927
INCA		11.01	2020.06.30	45,254,380	0	1,956,705	0	43,297,675	57,064,419
DBSA		9.36	2020.12.31	250,938,884	0	11,260,822	0	239,678,062	315,885,074
INCA		10.92	2020.12.31	92,220,052	0	3,728,357	0	88,491,695	116,628,136
INCA		10.81	2021.06.30	75,143,954	0	2,850,183	0	72,293,771	95,279,989
DBSA		5.0	2021.12.31	90,139,493	0	5,070,687	0	85,068,806	112,116,920
DBSA		9.835	2021.12.31	369,274,910	0	15,000,273	0	354,274,637	466,918,286
Ivuzi		13.5	2021.12.31	189,467,412	0	7,788,818	0	181,678,594	239,444,343
DBSA		6.25	2028.06.30	50,000,000	50,000,000	2,880,175	0	97,119,825	127,999,629
DBSA		12.81	2028.06.30	200,000,000	0	2,435,260	0	197,564,740	260,381,580
DBSA		11.32	2028.06.30	0	200,000,000	1,504,949	0	198,495,051	261,607,689
ABSA Roodeplaat Temba		12.5	2021.03.31	0	234,799,996	7,705,080	7,709,350	234,804,266	309,461,627
DBSA Roodeplaat Temba		11.99	2021.03.31	0	121,842,531	4,170,002	3,854,981	121,527,510	160,167,878
Nedbank Roodeplaat Temba		12.51	2021.03.31	0	161,424,998	5,243,852	5,265,896	161,447,042	212,780,053
DBSA TIP		6.75	2029.06.30	0	150,000,000	0	0	150,000,000	197,693,359
DBSA IIP		10.84	2029.06.30	0	672,000,000	0	0	672,000,000	885,666,248
TOTAL ANNUITY LOANS				2,073,261,434	1,590,067,525	108,320,050	16,448,038	3,571,456,947	2,679,645,280
TOTAL EXTERNAL LOANS				2,878,344,490	1,590,067,525	148,320,050	16,876,251	4,336,968,216	5,715,932,094
FINANCE LEASES:									
ABSA		Variable *		13,515,052	8,480,433	6,558,276	0	15,437,209	14,591,213
AMASONDO		Variable *		73,449,180	8,108,224	33,680,418	0	47,876,986	44,921,910
DATACENTRIX		Variable *		17,678,334	28,500,175	15,635,122	0	30,543,387	28,567,205
DEBIS FLEET MANAGEMENT		Variable *		12,740,356	1,330,128	5,641,137	0	8,429,347	8,134,618
FLEET AFRICA		Variable *		12,940,573	2,414,434	10,848,250	0	4,506,757	4,399,812
IMPERIAL		Variable *		9,173,208	1,119,752	2,682,929	0	7,610,031	7,366,340
MAN FINANCIAL SERVICES		Variable *		0	79,947,995	10,224,362	0	69,723,633	68,976,454
STANDARD BANK		Variable *		28,126,576	3,027,042	9,551,045	0	21,602,573	21,125,518
STANNIC		Variable *		487,470	44,142	465,945	0	65,667	49,348
TSHWANE AUTO LEASING		Variable *		13,989,709	1,637,766	6,403,232	0	9,224,243	9,054,576
VIAMAX		Variable *		65,470,381	6,867,721	30,755,505	0	41,582,597	39,931,008
VUSWA		Variable *		9,726,192	809,518	4,623,325	0	5,912,385	5,753,837
TOTAL FINANCE LEASES				257,297,031	142,287,330	137,069,546	0	262,514,815	252,871,839

* Variable linked to prime rate

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009 : GROUP

				Opening balance	Received during the year	Redeemed during the year	Amortised value	Closing balance	Carrying value of Property, Plant & Equipment	
				R	R	R	R	R	R	
EXTERNAL LOANS:										
LOCAL REGISTERED STOCK:										
	Issued	Loan number	Interest rate (%)	Redeemable						
	1997	105	16.65	2014.06.30	95,524,901	0	496,349	96,021,250	126,551,756	
	1993	104	14.15	2008.09.30	40,629,329	0	(629,329)	0	0	
	1984	43	16.25	2004.04.30	5,812	0	0	5,812	7,660	
	1990	55	16.40	2011.06.30	14,670,620	0	(61,478)	14,609,142	19,254,202	
	1992	62	13.50	2011.06.30	21,414,122	0	(273,460)	21,140,662	27,862,457	
	1993	63	14.00	2011.06.30	36,916,500	0	790,967	37,707,467	49,696,772	
	1997	65	15.75	2011.06.30	50,000,000	0	0	50,000,000	65,897,786	
	2000	66	16.50	2011.06.30	59,000,000	0	0	59,000,000	77,759,388	
TOTAL LOCAL REGISTERED STOCK					318,161,284	0	40,000,000	323,049	278,484,333	367,030,021
TERM LOANS:										
	DBSA: Bullet portion		13.50	2018.04.30	51,724,111	0	21,941	51,746,052	68,199,006	
	DBSA: Floating rate		Variable	2019.10.31	78,331,528	0	0	78,331,528	103,237,486	
	ABSA Bank loan B3		Variable	2011.06.30	84,000,000	0	0	84,000,000	110,708,281	
	National Housing Finance Corp		14.00		4,484,943	0	103,911	4,381,032	4,381,032	
	Gauteng Partnership Fund		0.00		293,000	0	0	293,000	293,000	
	INCA loan		17.15	2011.06.30	45,000,000	0	0	45,000,000	59,308,008	
	ABSA Bank Arbitrage		19.13	2011.10.31	227,866,133	0	83,223	227,949,356	300,427,159	
TOTAL TERM LOANS					491,699,715	0	103,911	105,164	491,700,968	646,553,972
ANNUITY LOANS:										
	DBSA		13.5	2018.04.30	239,307,959	0	10,988,969	(274,584)	228,044,406	300,552,432
	DBSA Local Authorities		13.5	2012.12.31	14,628,304	0	2,552,300	0	12,076,004	15,915,639
	DBSA (Restructuring)		10.87	2018.12.31	235,954,085	0	12,866,562	0	223,087,523	294,019,478
	INCA		11.66	2019.06.30	17,435,996	0	875,935	0	16,560,061	21,825,427
	INCA		9.52	2020.03.31	203,496,005	0	9,441,121	(107,605)	193,947,279	255,613,927
	INCA		11.01	2020.06.30	45,254,380	0	1,956,705	0	43,297,675	57,064,419
	DBSA		9.36	2020.12.31	250,938,884	0	11,260,822	0	239,678,062	315,885,074
	INCA		10.92	2020.12.31	92,220,052	0	3,728,357	0	88,491,695	116,628,136
	INCA		10.81	2021.06.30	75,143,954	0	2,850,183	0	72,293,771	95,279,989
	DBSA		5.0	2021.12.31	90,139,493	0	5,070,687	0	85,068,806	112,116,920
	DBSA		9.835	2021.12.31	369,274,910	0	15,000,273	0	354,274,637	466,918,286
	Ivuzi		13.5	2021.12.31	189,467,412	0	7,788,818	0	181,678,594	239,444,343
	DBSA		6.25	2028.06.30	50,000,000	50,000,000	2,880,175	0	97,119,825	127,999,629
	DBSA		12.81	2028.06.30	200,000,000	0	2,435,260	0	197,564,740	260,381,580
	DBSA		11.32	2028.06.30	0	200,000,000	1,504,949	0	198,495,051	261,607,689
	ABSA (Roodeplaat/Temba Trust)		12.50	2021.03.31	234,799,996	0	7,705,080	7,709,350	234,804,266	309,461,627
	DBSA (Roodeplaat/Temba Trust)		11.99	2021.03.31	121,842,531	0	4,170,002	3,854,981	121,527,510	160,167,878
	Nedbank (Roodeplaat/Temba Trust)		12.51	2021.03.31	161,424,998	0	5,243,852	5,265,896	161,447,042	212,780,053
	DBSA TIP		6.75	2029.06.30	0	150,000,000	0	0	150,000,000	197,693,359
	DBSA IIP		10.84	2029.06.30	0	672,000,000	0	0	672,000,000	885,666,248
TOTAL ANNUITY LOANS					2,591,328,959	1,072,000,000	108,320,050	16,448,038	3,571,456,947	4,707,022,133
TOTAL EXTERNAL LOANS					3,401,189,958	1,072,000,000	148,423,961	16,876,251	4,341,642,248	5,720,606,126
FINANCE LEASES:										
	ABSA		Variable *		13,515,052	8,480,433	6,558,276	0	15,437,209	14,591,213
	AMASONDO		Variable *		73,449,180	8,108,224	33,680,418	0	47,876,986	44,921,910
	DATACENTRIX		Variable *		17,678,334	28,500,175	15,635,122	0	30,543,387	28,567,205
	DEBIS FLEET MANAGEMENT		Variable *		12,740,356	1,330,128	5,641,137	0	8,429,347	8,134,618
	FLEET AFRICA		Variable *		12,940,573	2,414,434	10,848,250	0	4,506,757	4,399,812
	IMPERIAL		Variable *		9,173,208	1,119,752	2,682,929	0	7,610,031	7,366,340
	MAN FINANCIAL SERVICES		Variable *		0	79,947,995	10,224,362	0	69,723,633	68,976,454
	STANDARD BANK		Variable *		28,126,576	3,027,042	9,551,045	0	21,602,573	21,125,518
	STANNIC		Variable *		487,470	44,142	465,945	0	65,667	49,348
	TSHWANE AUTO LEASING		Variable *		13,989,709	1,637,766	6,403,232	0	9,224,243	9,054,576
	VIAMAX		Variable *		65,470,381	6,867,721	30,755,505	0	41,582,597	39,931,008
	VUSWA 60 MONTHS		Variable *		9,726,192	809,518	4,623,325	0	5,912,385	5,753,837
	LEASE LIABILITY (Roodeplaat/TembaTrust)				24,247,749	0	24,247,749	0	0	0
TOTAL FINANCE LEASES					281,544,780	142,287,330	161,317,295	0	262,514,815	252,871,839
* Variable linked to prime rate										

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
APPENDIX B**

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009 - PARENT

Asset class	Note	Cost/Revaluation					Accumulated Depreciation				Carrying Value
		Opening balance	Additions	Disposals	Transfers	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
		R	R	R	R	R	R	R	R	R	R
INFRASTRUCTURE	10.1										
Assets under construction		1,053,819,662	827,431,152	0	(503,563,002)	1,377,687,812	0	0	0	0	1,377,687,812
Electricity		2,352,785,606	309,151,313	0	39,923,441	2,701,860,360	638,326,087	54,341,498	0	692,667,585	2,009,192,775
General		59,019,883	4,727,163	0	2,579,005	66,326,051	23,875,206	8,061,984	0	31,937,190	34,388,861
Roads		3,122,029,011	519,629,697	0	124,343,212	3,766,001,920	912,428,632	138,355,186	0	1,050,783,818	2,715,218,102
Water and sanitation		2,300,827,540	736,489,490	0	296,793,282	3,334,110,312	576,585,157	182,161,361	0	758,746,518	2,575,363,794
		8,888,481,702	2,397,428,815	0	(39,924,062)	11,245,986,455	2,151,215,082	382,920,029	0	2,534,135,111	8,711,851,344
COMMUNITY ASSETS	10.2										
General		1,134,605,474	264,619,289	0	35,533,476	1,434,758,239	289,532,435	43,608,501	0	333,140,936	1,101,617,303
Assets under construction		14,450,611	19,848,542	0	(9,049,323)	25,249,830	0	0	0	0	25,249,830
		1,149,056,085	284,467,831	0	26,484,153	1,460,008,069	289,532,435	43,608,501	0	333,140,936	1,126,867,133
HERITAGE ASSETS	10.3										
General		3,814,388	0	0	0	3,814,388	119,241	38,716	0	157,957	3,656,431
		3,814,388	0	0	0	3,814,388	119,241	38,716	0	157,957	3,656,431
HOUSING	10.4										
Housing assets		174,017,709	36,040,716	0	5,370,612	215,429,037	56,430	85,406	0	141,836	215,287,201
Assets under construction		10,608,727	0	0	(6,942,393)	3,666,334	0	0	0	0	3,666,334
		184,626,436	36,040,716	0	(1,571,781)	219,095,371	56,430	85,406	0	141,836	218,953,535
STOCK	10.5										
Stock		407,735	0	0	0	407,735	0	0	0	0	407,735
		407,735	0	0	0	407,735	0	0	0	0	407,735
Land	10.6										
Land		1,049,966,212	21,458,188	0	0	1,071,424,400	0	0	0	0	1,071,424,400
		1,049,966,212	21,458,188	0	0	1,071,424,400	0	0	0	0	1,071,424,400
BUILDINGS	10.7										
Buildings		778,864,363	83,458,318	0	16,341,709	878,664,390	318,988,439	36,183,756	0	355,172,195	523,492,195
		778,864,363	83,458,318	0	16,341,709	878,664,390	318,988,439	36,183,756	0	355,172,195	523,492,195
OTHER	10.8										
General		1,093,878,603	95,787,571	(98,015,719)	7,547,441	1,099,197,896	553,621,649	5,209,854	(64,730,285)	494,101,218	605,096,678
Rehabilitation assets		81,421,984	96,628,085	0	0	178,050,069	0	16,813,874	0	16,813,874	161,236,195
Assets under construction		73,574,006	220,203,379	0	(57,582,835)	236,194,550	0	0	0	0	236,194,550
Non-current assets held for sale (transfer)		0	0	0	(1,552,635)	(1,552,635)	0	0	(1,158,320)	(1,158,320)	(394,315)
		1,248,874,593	412,619,035	(98,015,719)	(51,588,029)	1,511,889,880	553,621,649	22,023,728	(65,888,605)	509,756,772	1,002,133,108
TOTAL PROPERTY, PLANT AND EQUIPMENT	10.9	13,304,091,514	3,235,472,903	(98,015,719)	(50,258,010)	16,391,290,688	3,313,533,276	484,860,136	(65,888,605)	3,732,504,807	12,658,785,881
INVESTMENT PROPERTY	10.10										
Investment assets		44,788,161	0	0	0	44,788,161	34,217,137	2,543,862	0	36,760,999	8,027,162
		44,788,161	0	0	0	44,788,161	34,217,137	2,543,862	0	36,760,999	8,027,162
INTANGIBLE ASSETS	10.11										
Computer software		158,946,434	37,045,202	0	48,705,375	244,697,011	60,911,323	27,594,940	0	88,506,263	156,190,748
		158,946,434	37,045,202	0	48,705,375	244,697,011	60,911,323	27,594,940	0	88,506,263	156,190,748
TOTAL	10.12	13,507,826,109	3,272,518,105	(98,015,719)	(1,552,635)	16,680,775,860	3,408,661,736	514,998,938	(65,888,605)	3,857,772,069	12,823,003,790

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
APPENDIX B**

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009 - GROUP

Asset class	Note	Cost/Revaluation					Accumulated Depreciation				Carrying Value
		Opening balance	Additions	Disposals	Transfers	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
		R	R	R	R	R	R	R	R	R	
INFRASTRUCTURE	10.1										
Assets under construction		1,053,819,662	827,431,152		(503,563,002)	1,377,687,812	0	0	0	1,377,687,812	
Electricity		2,352,785,606	309,151,313	0	39,923,441	2,701,860,360	638,326,087	54,341,498	0	692,667,585	
General		59,019,883	4,727,163	0	2,579,005	66,326,051	23,875,206	8,061,984	0	31,937,190	
Roads		3,122,029,011	519,629,697	0	124,343,212	3,766,001,920	912,428,632	138,355,186	0	1,050,783,818	
Water and sanitation		2,300,827,540	736,489,490	0	296,793,282	3,334,110,312	576,585,157	182,161,361	0	758,746,518	
Sandspruit Works Association		11,423,235	1,243,425	0	0	12,666,660	2,661,989	1,036,522	0	3,698,511	
		8,899,904,937	2,398,672,240	0	(39,924,062)	11,258,653,115	2,153,877,071	383,956,551	0	2,537,833,622	
COMMUNITY ASSETS	10.2										
General		1,134,605,474	264,619,289	0	35,533,476	1,434,758,239	289,532,435	43,608,501	0	333,140,936	
Assets under construction		14,450,611	19,848,542	0	(9,049,323)	25,249,830	0	0	0	25,249,830	
		1,149,056,085	284,467,831	0	26,484,153	1,460,008,069	289,532,435	43,608,501	0	333,140,936	
HERITAGE ASSETS	10.3										
General		3,814,388	0	0	0	3,814,388	119,241	38,716	0	157,957	
		3,814,388	0	0	0	3,814,388	119,241	38,716	0	157,957	
HOUSING	10.4										
Housing assets		174,017,709	36,040,716	0	5,370,612	215,429,037	56,430	85,406	0	141,836	
Assets under construction		10,608,727	0	0	(6,942,393)	3,666,334	0	0	0	3,666,334	
		184,626,436	36,040,716	0	(1,571,781)	219,095,371	56,430	85,406	0	141,836	
STOCK	10.5										
Stock		407,735	0	0	0	407,735	0	0	0	407,735	
		407,735	0	0	0	407,735	0	0	0	407,735	
Land	10.6										
Land		1,049,966,212	21,458,188	0	0	1,071,424,400	0	0	0	1,071,424,400	
		1,049,966,212	21,458,188	0	0	1,071,424,400	0	0	0	1,071,424,400	
BUILDINGS	10.7										
Buildings		778,864,363	83,458,318	0	16,341,709	878,664,390	318,988,439	36,183,756	0	355,172,195	
Sandspruit: Land and buildings		7,525,758	233,224	0	0	7,758,982	1,004,025	349,061	0	1,353,086	
		786,390,121	83,691,542	0	16,341,709	886,423,372	319,992,464	36,532,817	0	356,525,281	
OTHER	10.8										
General		1,093,878,603	95,787,571	(98,015,719)	7,547,441	1,099,197,896	553,621,649	5,209,854	(64,730,285)	494,101,218	
Rehabilitation assets		81,421,984	96,628,085	0	0	178,050,069	0	16,813,874	0	16,813,874	
Assets under construction		73,574,006	220,203,379	0	(57,582,835)	236,194,550	0	0	0	236,194,550	
Non-current assets held for sale (transfer)		0	0	0	(1,552,635)	(1,552,635)	0	0	(1,158,320)	(394,315)	
Cenbis: Furniture and equipment		580,824				580,824	550,463			550,463	
Housing Company: equipment and furniture		404,193	69,977	0	(83,537)	390,633	224,440	64,554	(10,968)	278,026	
Sandspruit: Other equipment		7,023,960	872,830	0	0	7,896,790	4,116,841	1,369,183	8,119	5,494,143	
Civirelo: Office, IT equipment & software		78,613	22,219	0	0	100,832	31,538	13,961	0	45,499	
Roodeplaat Temba: Work in progress		475,042,472			(475,042,472)	0	97,378,450		(97,378,450)	0	
		1,732,004,655	413,584,061	(98,015,719)	(526,714,038)	1,520,858,959	655,923,381	23,471,426	(163,269,904)	516,124,903	
TOTAL PROPERTY, PLANT AND EQUIPMENT	10.9	13,806,170,569	3,237,914,578	(98,015,719)	(525,384,019)	16,420,685,409	3,419,501,022	487,693,417	(163,269,904)	3,743,924,535	
INVESTMENT PROPERTY	10.10										
Investment assets		44,788,161	0	0	0	44,788,161	34,217,137	2,543,862	0	36,760,999	
Housing Company: Investment property		10,000,000	0	0	(400,000)	9,600,000	0	0	0	9,600,000	
		54,788,161	0	0	(400,000)	54,388,161	34,217,137	2,543,862	0	36,760,999	
INTANGIBLE ASSETS	10.11										
Computer software		158,946,434	37,045,202	0	48,705,375	244,697,011	60,911,323	27,594,940	0	88,506,263	
Civirelo: Intangible assets		61,140	0	0	0	61,140	57,900	1,620	0	59,520	
		159,007,574	37,045,202	0	48,705,375	244,758,151	60,969,223	27,596,560	0	88,565,783	
TOTAL	10.12	14,019,966,304	3,274,959,780	(98,015,719)	(477,078,644)	16,719,831,721	3,514,687,382	517,833,839	(163,269,904)	3,869,251,317	

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009 - PARENT

Service	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Disposals & adjustments	Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	R
Office of Executive Mayor and Municipal Manager	122,919,362	604,115	(1,948,769)	(9,362)	121,565,346	12,711,686	3,933,373	(1,598,941)	15,046,118	106,519,228
Financial Services	73,499,756	3,899,727	(5,053,684)	(38,861)	72,306,938	32,610,781	2,358,510	(3,933,301)	31,035,990	41,270,948
General Assessments	47,277,352	43,142,929	(13,578,688)	(1,675)	76,839,918	13,964,083	(3,953,224)	(33,847)	9,977,012	66,862,906
Corporate and Shared Services	1,789,090,971	78,693,492	(28,388,938)	(212,810)	1,839,182,715	393,776,591	51,856,709	(20,650,583)	424,982,717	1,414,199,998
Community Safety	361,321,682	40,815,005	(13,571,267)	(146,213)	388,419,207	171,167,171	(7,113,925)	(11,044,813)	153,008,433	235,410,774
Economic Development	282,096,602	41,551,784	(1,265,759)	(615,655)	321,766,972	121,455,580	(17,493,822)	(1,404,694)	102,557,064	219,209,908
Health and Social Development	142,203,629	9,314,485	(3,247,592)	(59,206)	148,211,316	36,575,833	9,596,003	(2,865,229)	43,306,607	104,904,709
City Planning and Regional Services	49,891,473	12,434,603	(3,283,710)	(249,543)	58,792,823	16,710,828	3,603,197	(2,452,936)	17,861,089	40,931,734
Sport and Recreation	1,822,078,071	401,811,894	(5,119,284)	(266,241)	2,218,504,440	197,401,556	58,679,509	(4,319,376)	251,761,689	1,966,742,751
Housing and Sustainable Human Settlement Development	293,937,600	150,640,337	(766,539)	0	443,811,398	19,508,528	25,210,198	(668,058)	44,050,668	399,760,730
Agriculture & Environmental Management	400,840,695	80,672,644	(3,667,552)	0	477,845,787	99,185,319	13,118,854	(2,759,273)	109,544,900	368,300,887
Public Works:	8,122,668,918	2,408,937,091	(18,123,937)	46,931	10,513,529,003	2,293,593,780	375,203,557	(14,157,554)	2,654,639,783	7,858,889,217
Transport	145,270,106	220,472,612	(701,803)	0	365,040,915	19,023,280	4,627,897	(591,752)	23,059,425	341,981,490
Roads and Storm water	2,854,462,708	562,655,823	(1,669,569)	150,810	3,415,599,772	907,148,249	123,354,273	(1,225,383)	1,029,277,139	2,386,322,633
Water and Sanitation	2,434,939,583	1,176,339,977	(2,262,413)	0	3,609,017,147	617,103,216	193,671,617	(1,889,205)	808,885,628	2,800,131,519
Electricity	2,687,996,521	449,468,679	(13,490,152)	(103,879)	3,123,871,169	750,319,035	53,549,770	(10,451,214)	793,417,591	2,330,453,578
TOTAL	13,507,826,109	3,272,518,106	(98,015,719)	(1,552,635)	16,680,775,861	3,408,661,735	514,998,940	(65,888,605)	3,857,772,071	12,823,003,790

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009 - GROUP

Service	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Disposals & adjustments	Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	R
Office of Executive Mayor and Municipal Manager	122,919,362	604,115	(1,948,769)	(9,362)	121,565,346	12,711,686	3,933,373	(1,598,941)	15,046,118	106,519,228
Financial Services	73,499,756	3,899,727	(5,053,684)	(38,861)	72,306,938	32,610,781	2,358,510	(3,933,301)	31,035,990	41,270,948
General Assessments	47,277,352	43,142,929	(13,578,688)	(1,675)	76,839,918	13,964,083	(3,953,224)	(33,847)	9,977,012	66,862,906
Corporate and Shared Services	1,789,090,971	78,693,492	(28,388,938)	(212,810)	1,839,182,715	393,776,591	51,856,709	(20,650,583)	424,982,717	1,414,199,998
Community Safety	361,321,682	40,815,005	(13,571,267)	(146,213)	388,419,207	171,167,171	(7,113,925)	(11,044,813)	153,008,433	235,410,774
Economic Development	282,677,426	41,551,784	(1,265,759)	(615,655)	322,347,796	122,006,043	(17,493,822)	(1,404,694)	103,107,527	219,240,269
Health and Social Development	142,203,629	9,314,485	(3,247,592)	(59,206)	148,211,316	36,575,833	9,596,003	(2,865,229)	43,306,607	104,904,709
City Planning and Regional Services	49,891,473	12,434,603	(3,283,710)	(249,543)	58,792,823	16,710,828	3,603,197	(2,452,936)	17,861,089	40,931,734
Sport and Recreation	1,822,078,071	401,811,894	(5,119,284)	(266,241)	2,218,504,440	197,401,556	58,679,509	(4,319,376)	251,761,689	1,966,742,751
Housing and Sustainable Human Settlement Development	304,341,793	150,710,314	(766,539)	(483,537)	453,802,031	19,732,968	25,274,752	(679,026)	44,328,694	409,473,337
Agriculture & Environmental Management	400,840,695	80,672,644	(3,667,552)	0	477,845,787	99,185,319	13,118,854	(2,759,273)	109,544,900	368,300,887
Public Works:	8,623,824,096	2,411,308,789	(18,123,937)	(474,995,541)	10,542,013,407	2,398,844,523	377,973,903	(111,527,885)	2,665,290,541	7,876,722,863
Transport	145,270,106	220,472,612	(701,803)	0	365,040,915	19,023,280	4,627,897	(591,752)	23,059,425	341,981,490
Roads and Storm water	2,854,462,708	562,655,823	(1,669,569)	150,810	3,415,599,772	907,148,249	123,354,273	(1,225,383)	1,029,277,139	2,386,322,633
Water and Sanitation	2,936,094,761	1,178,711,675	(2,262,413)	(475,042,472)	3,637,501,551	722,353,959	196,441,963	(99,259,536)	819,536,386	2,817,965,165
Electricity	2,687,996,521	449,468,679	(13,490,152)	(103,879)	3,123,871,169	750,319,035	53,549,770	(10,451,214)	793,417,591	2,330,453,578
TOTAL	14,019,966,304	3,274,959,780	(98,015,720)	(477,078,644)	16,719,831,721	3,514,687,382	517,833,841	(163,269,904)	3,869,251,319	12,850,580,403

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

APPENDIX D

CONSOLIDATED SEGMENTAL STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

SERVICE	MUNICIPALITY								GROUP							
	2009				2008				2009				2008			
	Actual Income	Actual Expenditure	Surplus/(Deficit)	Adjustment Budget Surplus/(Deficit)	Actual Income	Actual Expenditure	Surplus/(Deficit)	Adjustment Budget Surplus/(Deficit)	Actual Income	Actual Expenditure	Surplus/(Deficit)	Adjustment Budget Surplus/(Deficit)	Actual Income	Actual Expenditure	Surplus/(Deficit)	Adjustment Budget Surplus/(Deficit)
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Office of Executive Mayor and Municipal Manager	75,634,682	382,857,503	(307,222,821)	(448,370,013)	21,010,145	213,886,730	(192,876,585)	(448,370,013)	75,634,682	382,857,503	(307,222,821)	(448,370,013)	21,010,145	213,886,730	(192,876,585)	(448,370,013)
Corporate and Shared Services	51,222,357	819,496,216	(768,273,859)	(875,630,564)	44,694,749	827,909,982	(783,215,233)	(875,630,564)	51,222,357	819,496,216	(768,273,859)	(875,630,564)	44,694,749	827,909,982	(783,215,233)	(875,630,564)
Economic Development	173,765,343	306,701,466	(132,936,123)	(156,788,395)	144,541,237	253,129,203	(108,587,966)	(156,788,395)	173,774,646	306,702,690	(132,928,044)	(156,788,395)	144,541,237	253,129,203	(108,587,966)	(156,788,395)
Financial Services	118,197,337	531,061,493	(412,864,156)	(458,577,151)	63,067,055	398,306,087	(335,239,032)	(458,577,151)	118,197,337	531,061,493	(412,864,156)	(458,577,151)	63,067,055	398,306,087	(335,239,032)	(458,577,151)
General Assessments	3,987,548,837	474,925,955	3,512,622,882	3,960,028,722	3,837,436,015	1,294,832,825	2,542,603,190	3,960,028,722	3,987,548,837	474,925,955	3,512,622,882	3,960,028,722	3,837,436,015	1,294,832,825	2,542,603,190	3,960,028,722
Housing and Sustainable Human Settlement Development	148,132,525	363,521,729	(215,389,204)	(20,424,031)	199,358,970	216,619,281	(17,260,311)	(20,424,031)	158,993,621	373,284,434	(214,290,813)	(20,424,031)	215,857,142	242,712,254	(26,855,112)	(20,424,031)
Sport and Recreation	38,456,085	184,798,970	(146,342,885)	(165,067,595)	39,610,992	143,362,724	(103,751,732)	(165,067,595)	38,456,085	184,798,970	(146,342,885)	(165,067,595)	39,610,992	143,362,724	(103,751,732)	(165,067,595)
Community Safety	141,428,442	750,413,498	(608,985,056)	(674,703,767)	146,452,724	694,193,962	(547,741,238)	(674,703,767)	141,428,442	750,413,498	(608,985,056)	(674,703,767)	146,452,724	694,193,962	(547,741,238)	(674,703,767)
Agriculture and Environmental Management	393,864,150	942,350,479	(548,486,329)	(315,241,095)	338,760,687	852,686,963	(513,926,276)	(315,241,095)	393,864,150	942,350,479	(548,486,329)	(315,241,095)	338,760,687	852,686,963	(513,926,276)	(315,241,095)
Health and Social Development	68,136,439	270,428,274	(202,291,835)	(243,318,179)	72,996,348	226,519,386	(153,523,038)	(243,318,179)	68,136,439	270,428,274	(202,291,835)	(243,318,179)	72,996,348	226,519,386	(153,523,038)	(243,318,179)
City Planning and Regional Services	154,704,089	161,072,538	(6,368,449)	(42,361,401)	68,470,615	127,837,863	(59,367,248)	(42,361,401)	154,704,089	161,072,538	(6,368,449)	(42,361,401)	68,470,615	127,837,863	(59,367,248)	(42,361,401)
Public Works:	6,287,904,980	5,730,956,705	556,948,275	621,125,286	5,211,305,378	4,599,442,908	611,862,470	621,125,286	6,389,370,148	5,853,200,046	536,170,102	621,125,286	5,476,056,211	4,898,215,394	577,840,817	621,125,286
Roads & Stormwater	214,284,187	624,070,329	(409,786,142)	(399,842,104)	199,339,151	467,443,734	(268,104,583)	(399,842,104)	214,284,187	624,070,329	(409,786,142)	(399,842,104)	199,339,151	467,443,734	(268,104,583)	(399,842,104)
Transport	111,667,158	107,643,110	4,024,048	82,967,667	54,603,935	94,988,363	(40,384,428)	82,967,667	111,667,158	107,643,110	4,024,048	82,967,667	54,603,935	94,988,363	(40,384,428)	82,967,667
Electricity	3,982,192,620	3,576,396,443	405,796,177	441,037,980	3,191,679,242	2,709,767,919	481,911,323	441,037,980	3,982,192,620	3,576,396,443	405,796,177	441,037,980	3,191,679,242	2,709,767,919	481,911,323	441,037,980
Water and sanitation	1,979,761,015	1,422,846,823	556,914,192	496,961,743	1,765,683,050	1,327,242,892	438,440,158	496,961,743	2,081,226,183	1,545,090,164	536,136,019	496,961,743	2,030,433,883	1,626,015,378	404,418,505	496,961,743
SURPLUS FOR THE YEAR	11,638,995,266	10,918,584,826	720,410,440	1,180,671,817	10,187,704,915	9,846,727,914	338,977,001	1,180,671,817	11,751,330,833	11,050,592,096	700,738,737	1,180,671,817	10,468,953,920	10,173,593,373	295,360,547	1,180,671,817

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
APPENDIX E
CONSOLIDATED ACTUAL OPERATING REVENUE AND EXPENDITURE PER TYPE VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009

DESCRIPTION	Actual R	Budget R	Variance R	Variance %	Explanation of significant Variances (greater than 10%) versus Budget
REVENUE					
Property rates	2,299,523,005	2,530,500,000	(230,976,995)	(9.13)	Insufficient budget provision for income foregone actual realised higher than anticipated. Matching between PRO-V and SAP not completed in time
Service Charges	5,749,212,670	5,948,707,000	(199,494,330)	(3.35)	
Rental of facilities and equipment	98,877,333	71,756,960	27,120,373	37.79	Decrease in public demand owing to economic recession
Interest earned – external investments	125,804,444	120,441,000	5,363,444	4.45	
Interest earned – outstanding debtors	298,653,352	173,624,000	125,029,352	72.01	An increase in arrear debtors owing to economic recession, resulting in an increase in levies for interest on arrears
Fines	31,241,834	55,160,221	(23,918,387)	(43.36)	The implementation of AARTO, linked with the recession had a serious impact on income from fines
Licences and permits	28,423,732	24,930,991	3,492,741	14.01	Major contributor is motor vehicles: economic climate indicated a decline in motor sales over the past months
Government grants and subsidies	2,274,418,557	2,667,416,951	(392,998,394)	(14.73)	Deduction of R3,8 m from Healty subsidy for VAT owing to a SARS audit query. Other Opex grants variance of R13,5 m relating to finalising of 2010 SWC rebuilding projects; Top Structure grants R134,5 m budget - no transfer received; PTIS fund (R120 m); report to NT in June with regard to amount withheld and proposed revised project plans for 2009/10 onward (BRT projects) urgent meeting between CoT and NT to finalize issues; NDPG:R7 m withheld by NT owing to non-spending & problem experienced with National Department of Public Works Service Provider; Housing R46 m not spent - funding withdrawn by Gauteng Housing & Mamelodi Hostels R4,5 m under spent
Other income	590,672,297	672,386,146	(81,713,849)	(12.15)	
Public contributions	226,447,787	138,000,000	88,447,787	64.09	
Gains on disposal of property, plant and equipment	2,786,173	41,301,938	(38,515,765)	(93.25)	Uncertain income and dependant on asset cleanup and disposal of obsolete assets
Gain: Change in fair value of livestock	2,266,744	0	2,266,744	100.00	Re-valuation of livestock at year end culminated in a gain
Gain: Disestablishment of municipal entity	23,002,905	0	23,002,905	100.00	Actual realised upon the disestablishment of the Municipal entity Roodeplaat Temba Water Services Trust
Total Revenue	11,751,330,833	12,444,225,207	(692,894,374)	(5.57)	
EXPENDITURE					
Employee related costs	3,061,853,987	3,281,323,070	(219,469,083)	(6.69)	
Remuneration of Councillors	55,350,803	73,992,387	(18,641,584)	(25.19)	Decrease in remuneration package as promulgated - Gazette for Remuneration was not finalized during adjustment budget
Bad debts: contribution	238,917,368	71,359,812	167,557,556	234.81	Conservative amount budgeted. Calculation of provision processed at year end only
Bad debts: written off	193,630,109	60,414,000	133,216,109	220.51	More indigent households were registered which lead to a larger amount being written off
Collection Costs	72,511,251	72,780,752	(269,501)	(0.37)	
Depreciation	502,939,437	862,988,273	(360,048,836)	(41.72)	Decrease due to review of useful lives
Asset impairment	6,901,250	0	6,901,250	100.00	Impairment due to condition assessment of assets
Interest paid	508,312,549	411,961,352	96,351,197	23.39	Increase due to more external loans taken up during the financial year
Bulk purchases	2,835,273,617	2,789,472,300	45,801,317	1.64	
Repairs and maintenance	1,127,185,923	942,539,899	184,646,024	19.59	Insufficient budget provision and an increase in costs in repair of vehicles by Waste Management; increase in the repairs of Electricity Reticulation
Grants and subsidies paid	9,833,837	12,953,000	(3,119,163)	(24.08)	Decrease in applications submitted by ratepayers and organisations
Loss on disposal of property, plant and equipment	9,069,358	11,000	9,058,358	82,348.71	Uncertain expenditure. Only nominal amount budgeted
General expenses – other	2,428,812,607	2,683,757,545	(254,944,938)	(9.50)	
Total Expenditure	11,050,592,096	11,263,553,390	(212,961,294)	(1.89)	
NET SURPLUS FOR THE YEAR	700,738,737	1,180,671,817	(479,933,080)	(40.65)	

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

APPENDIX F

CONSOLIDATED SEGMENTAL : ACTUAL OPERATING REVENUE AND EXPENDITURE PER STRATEGIC UNIT VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009

DESCRIPTION	Actual R	Budget R	Variance R	Variance %	Explanation of significant Variances (greater than 10%) versus Budget
REVENUE					
Office of Executive Mayor and Municipal Manager	75,634,682	91,978,327	(16,343,645)	(17.77)	Under recognition of revenue on Opex grants (SWC 010 due to underspending on projects); Decline in revenue from rental & facilities due to economic climate
Corporate and Shared Services	51,222,357	57,160,556	(5,938,199)	(10.39)	Gains on disposal of PPE decreased as auctions were not held by Disposal Management
Economic Development	173,774,646	171,253,875	2,520,771	1.47	
Financial Services	118,197,337	154,282,000	(36,084,663)	(23.39)	Decline in interest earned due to cash flow situation
General Assessments	3,987,548,837	4,157,063,500	(169,514,663)	(4.08)	
Housing and Sustainable Human Settlement Development	158,993,621	354,383,613	(195,389,992)	(55.14)	Topstructure grants not paid over by Gauteng Housing
Sport and Recreation	38,456,085	39,110,820	(654,735)	(1.67)	
Community Safety	141,428,442	153,824,792	(12,396,350)	(8.06)	
Agriculture and Environment Management	393,864,150	427,901,592	(34,037,442)	(7.95)	
Health and Social Development	68,136,439	70,282,183	(2,145,744)	(3.05)	
City Planning and Regional Services	154,704,089	126,335,001	28,369,088	22.46	Withdrawal of NT capex grant; 30-40% less land use & development applications received due to market forces and economic down-turn
Public Works	6,389,370,148	6,640,648,948	(251,278,800)	(3.78)	
Roads & Stormwater	214,284,187	258,567,916	(44,283,729)	(17.13)	Slower rate of township development due to economic down-turn
Transport	111,667,158	244,850,873	(133,183,715)	(54.39)	Capex grants not received (PTIS 2010 related projects) due to revised plans
Electricity	3,982,192,620	4,059,712,501	(77,519,881)	(1.91)	
Water and Sanitation	2,081,226,183	2,077,517,658	3,708,525	0.18	
Total Revenue	11,751,330,833	12,444,225,207	(692,894,374)	(5.57)	
EXPENDITURE					
Office of Executive Mayor and Municipal Manager	382,857,503	540,348,340	(157,490,837)	(29.15)	Savings in remuneration costs
Corporate and Shared Services	819,496,216	932,791,120	(113,294,904)	(12.15)	Due to compulsory saving of 10% in expenditure
Economic Development	306,702,690	328,042,270	(21,339,580)	(6.51)	
Financial Services	531,061,493	612,859,151	(81,797,658)	(13.35)	Due to compulsory saving of 10% in expenditure
General Assessments	474,925,955	197,034,778	277,891,177	141.04	Provision expense for Employment Benefit into IAS 19 and additional provision for bad debt and interest on finance leases not budgeted for.
Housing and Sustainable Human Settlement Development	373,284,434	374,807,644	(1,523,210)	(0.41)	
Sport and Recreation	184,798,970	204,178,415	(19,379,445)	(9.49)	
Community Safety	750,413,498	828,528,559	(78,115,061)	(9.43)	
Agriculture and Environment Management	942,350,479	743,142,687	199,207,792	26.81	Shortfalls on allocated budgets of vehicles and equipment, sites and grounds; Increasing workload; Absorption of Labour Brokers staff into CoT
Health and Social Development	270,428,274	313,600,362	(43,172,088)	(13.77)	Due to compulsory saving of 10% in expenditure
City Planning and Regional Services	161,072,538	168,696,402	(7,623,864)	(4.52)	
Public Works	5,853,200,046	6,019,523,662	(166,323,616)	(2.76)	
Roads & Stormwater	624,070,329	658,410,020	(34,339,691)	(5.22)	
Transport	107,643,110	161,883,206	(54,240,096)	(33.51)	Due to compulsory saving of 10% in expenditure
Electricity	3,576,396,443	3,618,674,520	(42,278,077)	(1.17)	
Water and sanitation	1,545,090,164	1,580,555,916	(35,465,752)	(2.24)	
Nett Expenditure	11,050,592,096	11,263,553,390	(212,961,294)	(1.89)	
NET SURPLUS FOR THE YEAR	700,738,737	1,180,671,817	(479,933,080)	(40.65)	

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
APPENDIX G
ACTUAL CAPITAL EXPENDITURE VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009 - PARENT ONLY

SERVICE	Actual R	Budget R	Variance R	Variance %	Explanation of Significant Variances (greater than 5%) versus Budget
Office of the Executive Mayor and City Manager	242,411	2,998,201	2,755,790	91.91	Delay in 2010 Soccer World Cup projects - carried over to 2009/10
Corporate and Shared services	79,395,876	127,673,597	48,277,721	37.81	Several IT tenders not approved and insufficient funds for call centre establishment
Economic Development	44,754,087	47,459,230	2,705,143	5.70	Delay in approval of bus project. Delay in upgrading buildings owing to contractor in breach of contract. Savings on projects due to lower tender amounts
Financial Services	11,999,098	21,025,135	9,026,037	42.93	Tender process started late in financial year for upgrading of pay points. Insurance replacement projects are dependant on claims
Housing and Sustainable Human Settlement Development	283,853,459	349,737,035	65,883,576	18.84	Non-implementation of projects due to funds not approved/received from Province. Non-implementation of upgrading of Schubart Park and Kruger Park blocks
Sport and recreation	178,116,173	192,378,000	14,261,827	7.41	Nellmapius Community Centre project could not be implemented - will be re-prioritised in the future years
Community Safety	34,156,054	71,068,805	36,912,751	51.94	Delay in delivery of vehicles
Agriculture and Environmental management	80,396,088	81,578,000	1,181,912	1.45	Dispute resolution regarding the outsourcing of refuse removal emanated in delays
Health and Social development	8,845,268	33,198,826	24,353,558	73.36	Delay in approval of tenders
City Planning and regional services	11,189,499	19,392,100	8,202,601	42.30	Delay in phase 2 - to continue in July 2009
Public Works:	1,952,724,588	2,104,489,317	151,764,729	7.21	
Roads & Stormwater	561,732,384	618,503,392	56,771,008	9.18	Delay in EIA studies
Transport	220,210,388	301,142,600	80,932,212	26.88	Delays in procurement process and MIG funding awaiting business plan approval. Delay in PTIS funded projects (BRT)
Electricity	469,907,238	459,364,171	-10,543,067	(2.30)	Late posting of reservations caused a variation in contractor payments as a result of escalation in material prices
Water and sanitation	700,874,578	725,479,154	24,604,576	3.39	Consultant used incorrect data to calculate escalation which resulted in lower compensation. Closing of sites. Inefficient management of resources by contractor
Nett Expenditure	2,685,672,601	3,050,998,246	365,325,645	11.97	

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY
APPENDIX H**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA (ACT 56 OF 2003)
GRANTS AND SUBSIDIES RECEIVED DURING THE FINANCIAL YEAR ENDED 30 JUNE 2009**

Name of Grant	Name of Organ of state or municipal entity	Opening balance	Correction of prior years	Transfers	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA	Reason for non compliance
					Sept	Dec	March	June	Total						
		R	R	R	R	R	R	R	R	R	R	July to June			
Capital Grants:															
Economic Development	Gauteng: Sport, Recreation	1,115,401	(4,188,662)	5,714,374	0	0	0	1,500,000	1,500,000	1,466,404	2,674,709	None	None	Yes	n/a
National Electricity Fund	National Electricity Regulator	4,198,110	0	0	0	20,000,000	40,500,000	0	60,500,000	60,416,253	4,281,858	None	None	Yes	n/a
												R134,5 m Topstructure & R46.0 m other	Under performance	Yes	n/a
Gauteng Project Linked Housing	Gauteng: Housing Department	888,441	(576,492)	23,786,387	576,493	0	1,500,000	134,090,776	136,167,269	129,596,252	30,669,353	None	None	Yes	n/a
North West: Project Linked Housing	North West: Housing	1,922,450	0	(1,922,450)	0	0	0	0	0	0	0	None	None	Yes	n/a
Municipal Infrastructure Grant (MIG)	Department: Provincial and Local Government	35,892,625	2,059,725	(2,960,564)	85,000,000	60,000,000	88,602,000	53,274,516	286,876,516	287,295,989	34,572,313	None	None	Yes	n/a
Gautrans Job Creation	Gautrans	5,000,000	0	(5,000,000)	0	0	0	0	0	0	0	None	None	Yes	n/a
Water & Sanitation	Department Water Affairs and Forestry	0	4,326,978	(6,826,778)	0	0	0	4,750,000	4,750,000	2,250,100	100	None	None	Yes	n/a
Transportation	Gauteng Department Transportation	3,000,000	0	(3,000,000)	0	0	0	0	0	0	0	None	None	Yes	n/a
ESKOM	ESKOM	12,953	0	(12,953)	0	0	0	0	0	0	0	None	None	Yes	n/a
World Cup Soccer 2010: Roads	Gauteng Department Transportation	19,714,916	0	22,174,683	132,000,000	0	0	0	132,000,000	98,171,247	75,718,352	None	None	Yes	n/a
World Cup Soccer 2010: Transport	Engineering	48,431,252	0	(48,431,252)	128,000,000	0	0	0	128,000,000	61,135,957	66,864,043	R120,0 m PTIS funds	Under performance	Yes	n/a
Restructuring Grant	National Treasury	92,272	0	(92,272)	0	0	0	0	0	0	0	None	None	Yes	n/a
Unforseen water problems	Gauteng: Department of Public Works	7,322,068	0	(2,482,275)	0	0	2,686,245	0	2,686,245	7,526,038	0	None	None	Yes	n/a
Monument Golf club	Monument Golf club	0	0	3,000,000	0	0	0	0	0	2,785,163	214,837	None	None	Yes	n/a
Neighbourhood Watch Development	National Treasury	0	0	0	0	0	0	6,725,126	6,725,126	0	6,725,126	None	None	Yes	n/a
Sandspruit Works Association	Various spheres of Government	4,282,952	0	0	0	0	10,340,446	10,340,446	(944,965)	13,678,433	0	None	None	Yes	n/a
		131,873,440	1,621,549	(16,053,100)	345,576,493	80,000,000	133,288,245	210,680,864	769,545,602	649,698,438	235,399,124				
Operational grants/subsidies:															
Health: HIV/AIDS	National Department of Health	1,500,000	0	0	1,500,000	0	0	1,500,000	3,000,000	2,157,398	2,342,602	None	None	Yes	n/a
Health Subsidy	National Department of Health	0	0	0	5,581,400	5,581,400	5,581,400	5,810,160	22,554,360	22,554,360	0	None	None	Yes	n/a
Ambulance subsidy	Provincial Department of Health	0	0	0	9,475,750	9,475,750	9,475,750	9,950,000	38,377,250	38,377,250	0	None	None	Yes	n/a
Top Structures: Project Linked Housing	North West Housing	13,385,058	1,410,483	(14,795,541)	0	0	0	0	0	0	0	None	None	Yes	n/a
Finance Management Grant	National Treasury	1,304,687	0	0	750,000	0	0	0	750,000	539,449	1,515,238	None	None	Yes	n/a
Restructuring Grant	National Treasury	86,693,834	0	92,272	0	0	0	0	0	45,679,594	41,106,512	None	None	Yes	n/a
Municipal System Improvement Grant	National Treasury	498,400	0	0	0	0	0	0	0	0	498,400	None	None	Yes	n/a
Equitable share	Department: Provincial and Local Government	0	0	0	434,354,708	325,766,031	575,429,692	0	1,335,550,431	1,335,550,431	0	None	None	Yes	n/a
Transportation & Engineering	Department of Transport	0	0	8,000,000	0	0	0	0	0	6,446,833	1,553,167	None	None	Yes	n/a
Refurbishment of Temba Works	Department of Water Affairs and Forestry	0	500,200	(500,200)	502,250	740,250	512,250	380,000	2,134,750	2,082,188	52,562	None	None	Yes	n/a
Department of Water Affairs	Department of Water Affairs and Forestry	0	0	0	3,188,000	2,877,000	5,167,000	2,135,000	13,367,000	11,087,000	2,280,000	None	None	Yes	n/a
Housing Accreditation	Gauteng Housing Department	2,936,807	334,876	0	0	0	0	0	0	0	3,271,683	None	None	Yes	n/a
Bottle Ke Botho	Environment	1,457,223	0	0	0	0	500,000	0	500,000	393,823	1,563,400	None	None	Yes	n/a
Arts and Culture	Gauteng: Sport, Recreation	0	0	0	0	4,000,000	0	0	4,000,000	3,425,065	574,935	None	None	Yes	n/a
Loftus Upgrade 2010	Gauteng Department of Transport	48,446,709	(9,976,340)	0	830,473	46,515,253	26,450,969	1,398,796	75,195,491	75,386,212	38,279,648	None	None	Yes	n/a
2010 Host Cities	National Treasury	0	0	0	0	0	0	40,000,000	40,000,000	0	40,000,000	None	None	Yes	n/a
Agriculture	Gauteng Department of Agriculture, Conservation and Forestry	440,000	0	6,250	0	0	0	0	0	440,000	6,250	None	None	Yes	n/a
Motor vehicle licences refund	Gauteng Department of Transport	0	0	0	0	0	0	71,774,940	71,774,940	71,774,940	0	None	None	Yes	n/a
World Cup Soccer: Roads	Gauteng Department Transportation	4,238,926	(22,668)	1,091,568	0	0	0	0	0	5,163,330	144,496	None	None	Yes	n/a
World Cup soccer : Transport	Engineering	43,400,000	0	25,165,000	0	0	0	0	0	3,608,246	64,956,754	None	None	Yes	n/a
Stipends	DBSA	0	0	0	0	0	0	108,000	108,000	54,000	54,000	None	None	Yes	n/a
Monument Golf Club	Monument Golf Club	3,000,000	0	(3,000,000)	0	0	0	0	0	0	0	None	None	Yes	n/a
		207,301,644	(7,753,449)	16,059,349	456,182,581	394,955,684	623,117,061	133,056,896	1,607,312,222	1,624,720,119	198,199,647				
Revenue per Statement of Financial Performance (see note 22)		339,175,084	(6,131,900)							2,274,418,557					
Unspent conditional grants per Statement of Financial Position (see note 8)			333,043,184								433,598,771				