



CITY OF TSHWANE

"we are the same"

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

*Annual Financial Statements
for the year ended 30 June 2010*

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

General Information

Legal form of entity	Municipality (MFMA)
Mayoral committee	
Executive Mayor	Ramokgopa, Gwen (Dr) Mkhatshwa, S F (Speaker) Mashigo, T (Chief Whip)
Councillors	Pillay, S (MMC: City Planning & Economic Development) Nkwashu, S M (MMC: Housing and Sustainable Human Settlement Development) Ernest, T (MS) (MMC: Agriculture and Environmental Management) Lehobye, D (Ms) (MMC: Community Safety and Emergency Services) Jacobson, E (Dr) (MMC: Finance) Dau, K (MMC: Sport, Recreation, Arts and Culture) Moselelane, E S (Ms) (MMC: Transport and Roads) Huma, S E (MMC: Public Works and Infrastructure Development) Mosupye, A W (Ms) (MMC: Health and Social Development) Mmoko, T E (Ms) (MMC: Corporate and Shared Services)
Grading of local authority	High Capacity (Metro)
Accounting Officer	Nkoane, Oupa (Acting) Telephone: 012-358 4901 E-mail: oupan@tshwane.gov.za
Chief Finance Officer (CFO)	Makhari, Ndanduleni (Ms) Telephone: 012-358 8100 E-mail: NdanduleniM@tshwane.gov.za
Registered office	9th Floor Munitoria Van der Walt Street PRETORIA 0002
Postal address	P O Box 408 PRETORIA 0002
Bankers	Standard Bank
Auditors	Auditor-General South Africa (AGSA)
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 (Act 6 of 2004) Division of Revenue Act (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	Roodeplaat Temba Water Services Trust Disestablished on 1 July 2008 and statement of financial position was incorporated with effect from 1 July 2008

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Certification by City manager

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 106, 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 Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these 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.

Oupa Nkoane
Acting CITY MANAGER

Pretoria

31 August 2010

City of Tshwane Metropolitan Municipality

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Report of the Chief Financial Officer

1. INTRODUCTION

The 2009/10 financial year will be remembered for the tremendous challenges that were encountered and that every community member within the City of Tshwane was confronted with these challenges as a result of the global economic meltdown. Everybody in the City of Tshwane embraced the words "ke nako", meaning "its time". 2009/10 was the year where we needed to scale down on some expenditure that did not have a direct impact on a better life for all - it was time to cut the coat according to the cloth.

The current global economic climate has a paramount effect on governments, big corporations and individuals. In his Budget speech to Parliament on 11 February 2009, the Minister of Finance highlighted the ways in which the current global economic crisis will affect the local economy. Nearly all developed countries are now in recession and the banking section remains under pressure. Credit conditions are deteriorating and demand is in decline, affecting employment as companies adjust to a period of significantly reduced demand.

It became evident that the City of Tshwane was experiencing cash flow shortages as a result of price increases and the inability of the community to honour their monthly municipal accounts. These cash flow challenges were first reported to Council during October 2008. In order to address these cash flow shortages strategies were submitted to Council.

The 2009/10 financial year, as mentioned above, posed many challenges and obstacles which had to be addressed and accommodated by the limited financial resources. The strategic objectives of the City of Tshwane are as follows:

- Provide quality basic services and infrastructure
- Accelerate higher and shared economic growth and development
- Fight poverty, build clean, healthy, safe and sustainable communities
- foster participatory democracy and Batho Pele principles through caring, accessible and accountable services; and
- Ensure good governance, financial viability and optimal institutional transformation with capacity to execute its mandate.

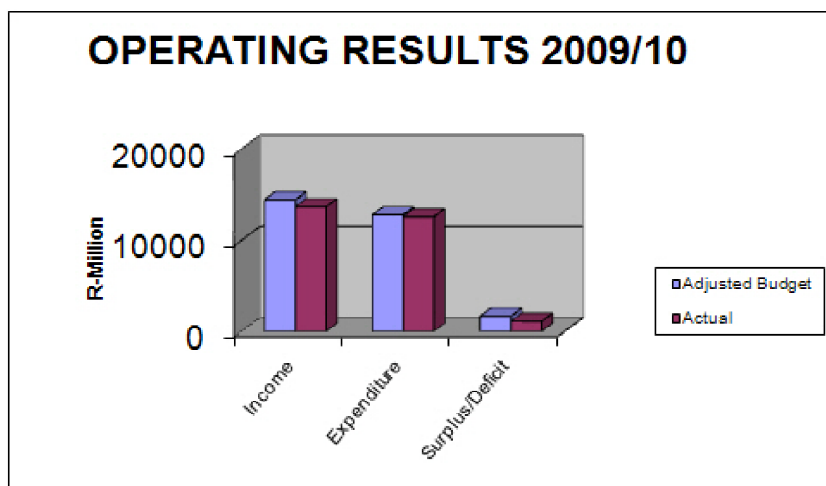
To budget for improved service delivery and then subsequently realising operational efficiency while it is also ensured that the deliverables are attained in a sustainable manner, has been a huge challenge during the 2009/10 financial year. The challenge of addressing unlimited needs within the constraints 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 2009/10 budget of the City of Tshwane was approved by Council on 28 May 2009 and the Adjustments Budget was approved by Council on 28 January 2010.

2.1 General

Details of the 2009/10 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 2010 are as follows:

City of Tshwane Metropolitan Municipality

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Report of the Chief Financial Officer

	Original Budget 2010	Adjusted Budget 2010	Actual 2010	Variance Actual/ Adjusted Budget	Actual 2009
	Municipality	Municipality	Municipality	%	Municipality
	R'000	R'000	R'000		R'000
REVENUE					
Accumulated surplus: Beginning of year	-	-	960,273	-	994,815
Operating revenue for the year	15,498,571	14,440,238	13,684,953	(1.42)	11,797,727
	15,498,571	14,440,238	14,645,226		12,792,542
EXPENDITURE					
Operating expenditure for the year	13,422,835	12,778,754	12,567,992	1.65	11,269,771
Sundry transfers *	2,075,736	1,661,484	64,754	-	562,508
Accumulated surplus: End of year	-	-	2,012,480	-	960,273
	15,498,571	14,440,238	14,645,226		12,792,552

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

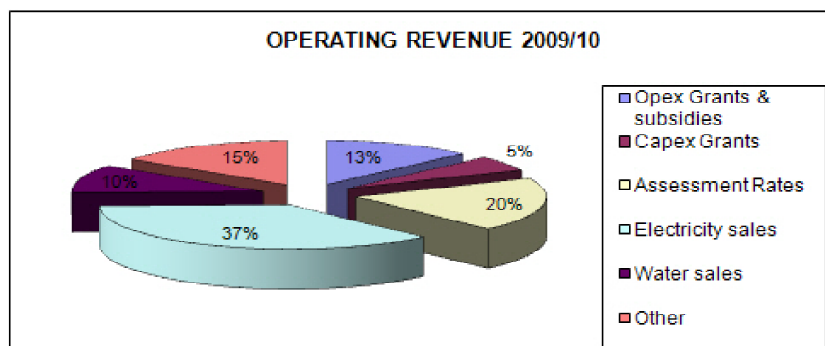
The actual net expenditure of the Municipality reflects an increase of 11.5% while the actual revenue of the Municipality has increased by 16.0% since 2008/09. The largest increase on revenue since 2008/09 occurred on assessment rates (17.3%), service charges (27.2%), and government grants and subsidies (12.8%). The largest increase on expenditure since the previous financial year occurred on the following items:

Expenditure item	Municipality (increase) %
Remuneration	16.9
Impairment loss on property, plant & equipment	219.2
Debt impairment	5.4
Interest paid	15.1
Bulk purchases	33.9
Depreciation	39.7

The high increase in depreciation is due to the review of useful lives and the purification of the fixed asset register. The high increase in the impairment loss on property, plant and equipment is due to the impairment done on Schubart Park and Kruger Park which was based on external and internal impairment indicators which lead to impairment testing being performed (refer to note 11 to the annual financial statements).

2.2 Operating Revenue

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



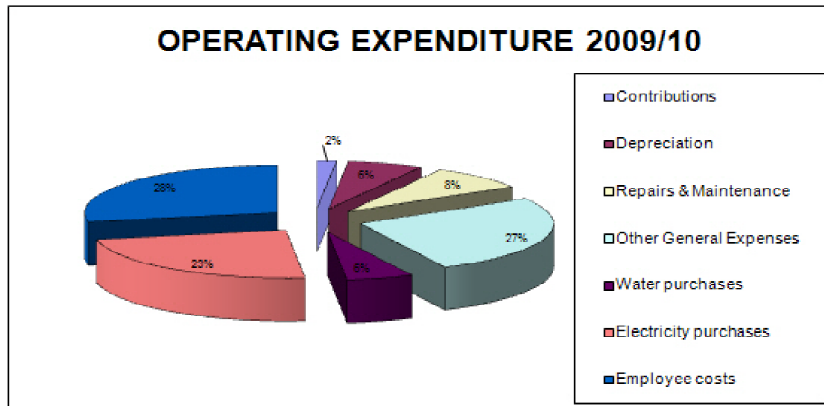
City of Tshwane Metropolitan Municipality

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Report of the Chief Financial Officer

2.3 Operating expenditure

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

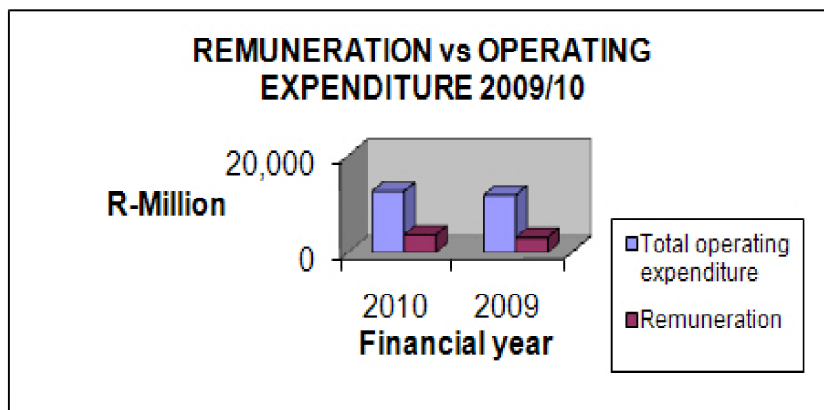


Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows an increase from 26.7% in 2008/09 to 28.0% in 2009/10.

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	2010	2009
Total operating expenditure	12,567,992	11,269,771
Total operating revenue	13,694,953	11,797,737
Employee remuneration	3,516,465	3,009,111
Ratio: % of total expenditure	28.0 %	26.7 %
Ratio: % of total revenue	25.7 %	25.5 %
% Growth in remuneration expense	16.9 %	14.8 %



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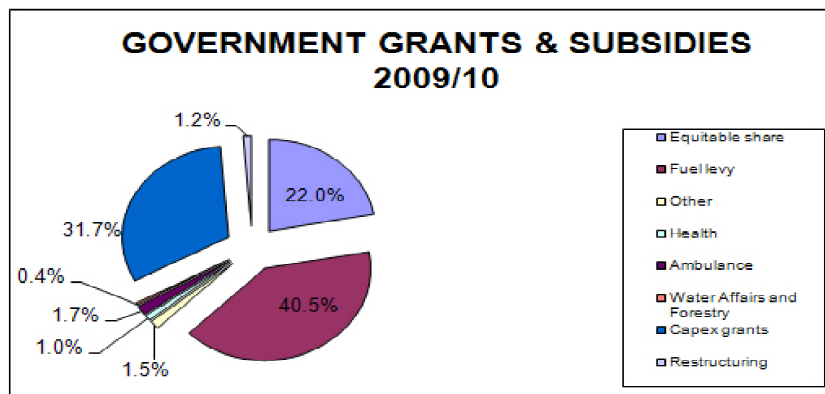
Annual Financial Statements for the year ended 30 June 2010

Report of the Chief Financial Officer

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	Actual 2010 R'000	Actual 2009 R'000
Equitable share	528,547	1,335,550
Equitable share: Fuel levy	969,463	-
Provincial Health Subsidy	24,250	22,554
Provincial Ambulance Subsidy	40,713	38,377
Capex: grants and donations	759,792	650,643
Opex: grants and donations	123,143	97,075
Finance Management Grant	1,422	539
Restructuring Grant	29,185	45,680
Department of Water Affairs and Forestry MSIG	9,103 498	13,169 -
	2,486,116	2,203,587



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 during 2008/09 and the 2007/08 financial year had to be restated. During 2009/10 it became evident that the actuarial valuations of the previous financial years did not take into account the liability in respect of long-service awards. This was corrected during 2009/10 and the 2008/09 financial year was restated with an amount of R306 million.

3. DEBTORS

Details regarding the debtors are provided in Note 18 (Long-term receivables), Note 20 (Consumer Debtors) and Note 21 (Other Debtors) of the Notes to the Annual Financial Statements.

Long-term receivables:

The long-term receivables showed an increase of R3.3 million (0.8%). This increase can mainly be ascribed to an increase in housing debtors (increase of R2.3 million) and an increase in the sale of land (R12.3 million). This was counter acted by a decrease in arrangement debtors (R11.2 million decrease).

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Annual Financial Statements for the year ended 30 June 2010

Report of the Chief Financial Officer

Consumer debtors:

The consumer debtors increased in total with an amount of R270.7 million (6.8%). The increase in debt per customer classification is made up as follows:

Customer classification	Total R'000	Increase/ (Decrease) R'000
Households	2,715,418	38,966
Industrial/Commercial	829,592	66,643
National and Provincial government	64,144	7,927
Other	667,095	157,124
	4,276,249	270,660

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

Age analysis group	Total R'000	Increase/ (Decrease) R'000
Current (0-30 days)	1,165,887	113,640
31 – 60 days	169,508	(19,836)
61 – 90 days	117,207	6,250
91 + days	2,823,647	170,606
	4,276,249	270,660

Other debtors:

The Other Debtors for the Municipality in total increased with an amount of R164.5 million (22.3% increase). This can mainly be attributed to an increase in housing debtors of R6.8 million, other current debtors increased with R94.3 million. These increases can mainly be ascribed to increases in sundry rentals, sundry year end debtors which include outstanding ambulance subsidies, outstanding health subsidies, waste management-bulk containers and Sandspruit Works Association (ME) outstanding credit notes. The MIG debtor increased with R16.1 million and lease debtors increased with R67.6 million due to the first time accounting for lease revenue.

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	2010	2009
Debits levied : Consumer debtors	9,872,642	7,938,410
Balance on 1 July	4,005,589	3,509,944
Balance on 30 June	4,276,249	4,005,589
Average balance	4,140,919	3,757,767
Turnover: Number of times (levies/average balance)	2.38	2.11
Turnover: Number of days (days in financial year/number of times)	153	173
Days in the financial year	365	365

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Report of the Chief Financial Officer

From the table it is clear that, although the number of days to recover debt decreased from 173 to 153 days since 2008/09 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 a noticeable 20 days decrease in 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 August 2009 the City implemented a Debt Reduction Payment Incentive Scheme that continued for 6 months and was revised on 1 March 2010. As at 30 June 2010 the two (2) incentive schemes accumulatively collected R229.6 million.

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 105.0% (200 = 98.3%; 2007/08 = 99.0% and 2006/07 = 98.3%) was maintained by the Municipality during the 2009/10 financial year.

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

The Municipality's original approved Capital Expenditure Budget for 2009/10 amounted to R3 547 508 114 and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council on 28 January 2010 to R2 676 933 096 in total, as a result of the introduction of the cash-flow management interventions and strategy approved by Council, which necessitated a review of the capital programme.

Actual capital expenditure incurred during the year in respect of property, plant and equipment amounted to R2 194 229 740 or 82% of the approved adjusted budget of R2.677 million which results in an under spending of R482.5 million or 18%. In comparison with the total capital spending of the 2008/09 financial year a negative variance of 18.3% is reflected, which is mainly attributed to non-achievement of the adjusted 2009/10 SDBIP targets, owing to various reasons such as:

- Delays in design work due to Park and Ride access routes having to change
- Tender reports referred back by the Bid Adjudication Committee during the financial year delayed capital projects
- Contractual problems being experienced
- The non-gazetting by Province of grant allocations

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

Actual Capital expenditure according to asset class

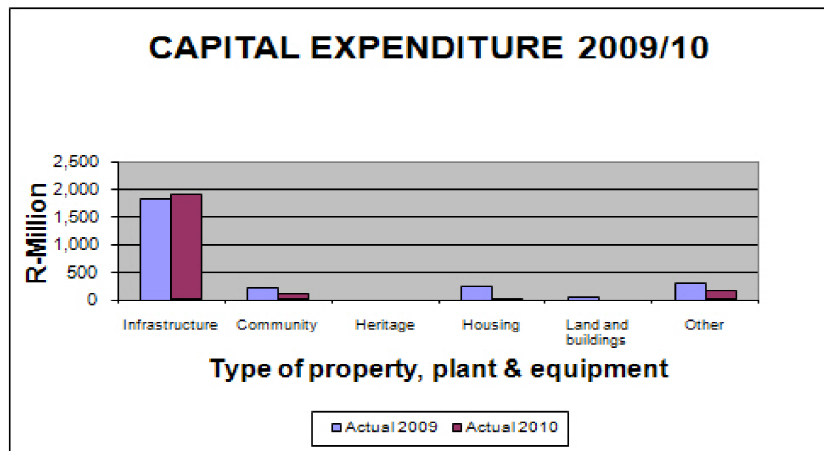
Type of Asset	Actual 2010 R	Actual 2009 R
Infrastructure	1,922,429,355	1,844,867,557
Community	107,022,341	229,883,607
Housing	-	263,141,486
Investment properties	13,110,922	-
Land and buildings	-	47,526,719
Specialised vehicles	12,161,706	-
Other	139,351,560	300,253,232
	2,194,075,884	2,685,672,601

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Report of the Chief Financial Officer

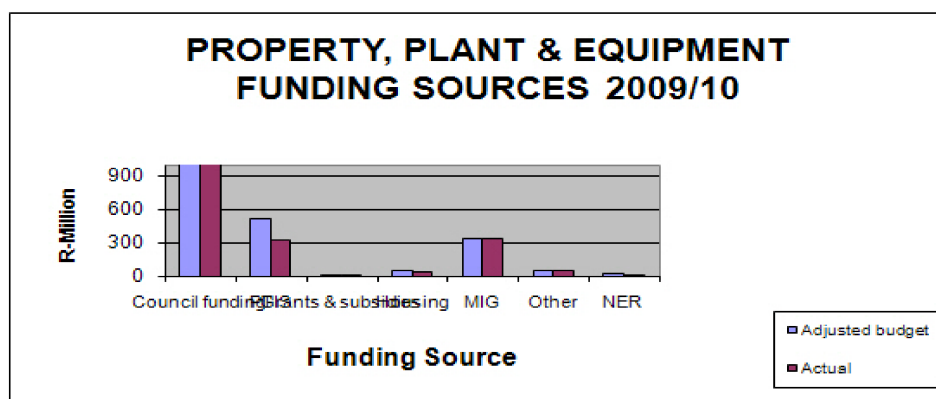
The graph shows the distribution of the property, plant and equipment according to the type.



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

Type of finance	Parent Original Budget 2010	Parent Adjusted Budget 2010	Parent Actual 2010	Parent Actual as % of Adjusted Budget 2010	Parent Actual 2009
	R'000	R'000	R'000	%	R'000
Council funding	2,158,621	1,699,445	1,425,018	84	1,978,157
Public Transport Infrastructure Grant (PTIS)	693,254	510,245	326,889	64	154,943
Provincial Grants and subsidies	6,825	7,058	7,043	100	14,028
Government Housing grant	255,481	49,377	29,643	60	129,596
Municipal Infrastructure Grant(MIG)	342,079	342,079	342,482	100	286,877
National Electricity Regulator (NER)	52,778	52,778	52,621	100	60,416
Other funding	38,470	15,785	10,535	67	61,656
	3,547,508	2,676,767	2,194,231	82	2,685,673

The following is a graphic presentation according to financing sources:



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Report of the Chief Financial Officer

Government Housing Programme

The original approved capital budget for Government Housing of R255.5 million was amended with the approved 2009/10 Adjustments Budget to R48.4 million, owing to non-gazetting/approval by Gauteng Department of Local Government and Housing (DLG&H) of which an amount of R29.6 million was spent to 30 June 2010, resulting in an under spending on Government Housing projects of R19.7 million. This under spending is the result of the non-receipt of the full allocation.

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 R693.3 million was amended with the approved 2009/10 Adjustments Budget to R510.3 million of which an amount of R326.9 million was spent up to June 2010, resulting in an under spending of R183.4 million in total.

During a meeting between the City of Tshwane, National Treasury and the Department of Transport, in which the performance progress and the reasons for the delays in implementation of the BRT and related transport project was discussed, approval was granted by National Treasury and Department of Transport for the re-allocation of an amount of R174 million to the 2010/11 financial year, being the unspent committed PTIS funding for BRT projects, which will be implemented during the 2010/11 financial year. A further request was submitted to National Treasury and the Department of Transport for the re-allocation of an additional amount of R26 million with regards to unspent committed SWC 2010 transport operational projects, which will be finalised in the 2010/11 financial year.

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	2010 R'000	2009 R'000
CURRENT ASSETS:		
Cash	92,872	89,561
Inventory	184,160	242,304
Debtors	3,607,517	3,395,799
Non-current assets held for sale	1,297	394
Investments (short-term)	641,037	177,605
Short-term portion of long-term debtors	126,282	123,833
	4,653,165	4,029,496
CURRENT LIABILITIES:		
Creditors	3,562,588	3,227,631
Short-term portion of long-term liabilities	498,570	133,693
Short-term portion of finance lease liabilities	121,947	172,477
Deposits	319,509	282,760
Overdrawn bank account	12,979	95,417
	4,515,593	3,911,978
Net Operating Capital	137,572	117,518
Current asset Ratio	1.03:1	1.03:1
Current asset ratio excluding consumer debt of 90+ days	0.44:1	0.35:1
Consumer debtors older than 90 days	2,633,598	2,653,041

The ratio remained unchanged since 2008/09 on 1.03:1. This is due to the fact that the current liabilities increased with 15.4% whilst the current assets increased with 15.5%.

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Report of the Chief Financial Officer

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

The increase in current liabilities mainly lies with the increase in deposits, an increase in trade creditors and an increase in the short-term portion of external loans.

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	2010 R'000	2009 R'000
Current assets	4,653,165	4,029,496
Less: Inventory	(184,160)	(242,304)
Total	<u>4,469,005</u>	<u>3,787,192</u>
Current liabilities	<u>4,515,593</u>	<u>3,911,978</u>
Quick asset ratio	0,99:1	1,06:1
Quick asset ratio excluding consumer debt older than 90 days	0,41:1	0,29:1

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	2010 R'000	2009 R'000
TOTAL ASSETS:		
Current assets	4,653,165	4,029,496
Long-term investments	214,285	500,346
Long-term receivables	240,113	187,099
Leased assets	191,155	257,123
Biological assets	13,322	17,008
Property, plant and equipment	14,450,654	13,035,549
	<u>19,762,694</u>	<u>18,026,621</u>
TOTAL LIABILITIES:		
Current liabilities	4,515,593	3,911,978
Long-term loans	4,428,825	4,203,275
Non-current provisions	156,773	208,848
Lease liabilities	78,178	95,144
Employment benefit provision	1,169,261	1,310,277
Reserves	7,401,583	7,336,830
	<u>17,750,213</u>	<u>17,066,352</u>
Solvability Ratio	1,11:1	1,06:1

The total assets of the Municipality increased with 9.6% while the total liabilities increased with 4.0% resulting in an increase in the solvability ratio as stated above. Property, plant and equipment increased with 10.9% while external loans increased with 5.4% and the accumulated funds increased with only 0.8%.

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 decreased from 39.03% to 37.47% since 2008/09. This decrease can be ascribed to the fact that the external loans increased with only 5.4% in relation to the increase of 16.0% in total revenue.

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Report of the Chief Financial Officer

Description	2010 R'000	2009 R'000
Total debt	5,127,520	4,604,589
Total revenue	13,684,953	11,797,737
Ratio	37.47 %	39.03 %

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, but 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 2010: 2.77 times per year
June 2009: 2.8 times per year

Although the value of inventory decreased with R58.1 million since 2008/09, the turnover however, only slightly decreased to 2.77 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 deteriorated due to an increase in the short-term portion of external loans while the revenue increased with 16.0% since 2008/09. The increase in the short-term portion of external loans is due to the fact that a number of loans is redeemable within the next 12 months.

Description	2010 R'000	2009 R'000
Cash book overdraft	12,979	95,417
Short-term portion of external loans	498,570	133,693
Overdraft plus short-term loans	511,549	229,110
Total operating revenue	13,684,953	11,797,737
Ratio	3.74 %	1.94 %

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	2010 R'000	2009 R'000
Cash generated from operations (Net cash flow)	1,963,781	2,161,303
Interest paid on external loans	582,921	506,471
Ratio	3,37:1	4,27:1

The ratio shows a deterioration since 2008/09. This can be attributed to the fact that the interest paid on external loans increased with R76.5 million (15.1%) while the cash generated from operations decreased with 9.1% since 2008/09. This deterioration is an indication that the cash flow challenges which the Municipality faced is not yet fully delivering the required results. Due to the fact that the municipality were in overdraft for the entire financial year the interest were high.

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.

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Report of the Chief Financial Officer

Description	2010 R'000	2009 R'000
Total operating revenue	13,684,953	11,797,737
Interest paid on external loans	582,921	506,471
Depreciation	793,253	567,885
Capital charges	1,376,174	1,074,356
Ratio	9,94:1	10,97:1

The ratio deteriorated since 2008/09 as the capital charges increased with R300.7 million (27.9%) while the operating revenue increased with R1 887.2 million or 16.0%.

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	2010 R'000	2009 R'000
Long-term debt	5,127,520	4,604,589
Cash generated from operations	1,963,781	2,161,303
Ratio	2,61:1	2,13:1

The ratio shows a deterioration as the long-term debt increased with R522.9 million (11.4%) while the cash generated from operations decreased with only 9.1% since 2008/09. Based on the ratio, it will now take longer to repay loans.

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. 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 2008/09 the Municipality borrowed less than the previous year.

The ratio for the past two financial years is as follows:

Description	2010 R'000	2009 R'000
Net Increase/(Net Decrease) in long-term loans	590,427	1,458,624
Net Increase/(Net Decrease) in finance lease liabilities	(67,496)	11,265
	522,931	1,469,889
Cash used in capital expenditure	2,143,294	3,525,630
Ratio	0,25:1	0,42:1

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	2010 R'000	2009 R'000
Annual operating revenue	13,684,953	11,797,737
Repairs and maintenance	1,040,012	1,122,359
Percentage	7.60	9.51

The ratio shows a deterioration as a result of the repairs and maintenance decreasing with 7.3% while the operating revenue increased with 16.0%. This means that only 7.60% of repairs and maintenance is covered by operating revenue compared to the 9.51% of 2008/09

5.12 Net debtors to total annual operating revenue

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

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Description	2010 R'000	2009 R'000
Annual operating revenue	13,684,953	11,797,737
Net debtors (after provision for bad debt)	3,607,517	3,395,799
Percentage	26.36 %	28.78 %

The ratio shows an improvement for the Municipality as a result of the net debtors increasing with only 6.2% while the operating revenue increased with 16.0%.

6. CREDIT RATING (for the Parent)

The firm Moody's Investors Services South Africa (Pty) Ltd performed a credit rating of the Municipality during April 2010 (based on the annual financial statements for the year ending 30 June 2009) and although there had been a marginal improvement in the liquidity position and the debtors collection rate according to the City, the results awarded remained unchanged. 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
On 7 July 2009 Moody's changed the financial outlook for the City of Tshwane's credit rating 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. The liquidity position remains under pressure in spite of the marginal improvement. It was mentioned in the report of Moody's that under the present circumstances the results received could have been much worse if consideration is taken that the majority of local authorities and businesses credit ratings had been downgraded due to the past recession.

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7. MUNICIPAL ENTITIES

7.1 Viable municipal entities

In the 2009/10 financial year the City of Tshwane had 3 (three) active municipal entities which were found to be viable and functioning in compliance with the Municipal Finance Management Act and the Local Government Systems Act, the status of which are as follows:

- Civirelo Water: In terms of Council's resolutions as well as a board resolution Civirelo Water entered into a Transfer Agreement with the City of Tshwane to transfer all rights and obligations to the CoT and Civirelo Water was disestablished on 30 June 2010. The dissolution and deregistration process is underway and will be finalised in the 2010/11 financial year.
- Sandspruit Works Association
- Housing Company Tshwane

7.2 Entities not viable and deregistered or in the process of liquidation

7.2.1 Deregistered Municipal Entities

- Tradepoint Pretoria
Tradepoint was deregistered on 20 February 2009. Close down financial statements has been compiled and submitted on 20 November 2009. The matter will be finalised once the Auditor-General has finalised the audit.
- Centurion Community Protection Company (CCPC)
CCPC was deregistered on 17 April 2009. Close down financial statements has been compiled and will be submitted on 31 August 2010. The matter will be finalised once the Auditor-General has finalised the audit.
- Rodeplaait Temba Water Services Trust
The Master of the High Court terminated the trust on 24 August 2010. The close down financial statements has been compiled and will be submitted on 31 August 2010. The matter will be finalised once the Auditor-General has finalised the audit.

7.2.2 Dormant Municipal Entities

- Tshwane Centre for Business Information and Support (Cenbis)
The voluntary liquidation of Cenbis was registered by the Registrar of Companies on 26 July 2010. Cenbis is in the final process of voluntary liquidation. Close down financial statements has been compiled and will be submitted on 31 August 2010. The matter will be finalised once the Auditor-General has finalised the audit.
- Tshwane Economic Development Agency (TEDA)
TEDA is dormant and not operational. The CoT is in the process of appointment of the board of directors of TEDA. The duly compiled financial statements for the financial years 2006/07, 2007/08, 2008/09 was submitted to the Auditor General for auditing on 24 April 2010. The financial statements for March 2009 to February 2010 were also submitted to the Auditor-General for auditing on 29 April 2010. The financial statements for March 2010 to June 2010 were submitted to the Auditor-General on 30 July 2010.

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
- Any other smaller municipal entities which were disestablished and now submitted final financial statements during 2009/10

City of Tshwane Metropolitan Municipality

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Report of the Chief Financial Officer

8. CHALLENGES EXPERIENCED BY THE MUNICIPALITY DURING 2009/10

8.1 CASH FLOW IMPROVEMENT VS RATIO'S

During the 2009/10 financial year the City of Tshwane implemented various cash flow strategies. The positive effect of these strategies can be seen in the cash flow statement which shows a positive cash flow of R549.179 million compared to the R0.214 negative cash flow of 2008/09.

Although the cash flow improved, note must be taken that some of the ratio's did not improve accordingly as the cash generated from operations decreased since 2008/09. The cash flow does not directly link to some of the ratio's and the impact of the cash flow strategies might take more than one financial year before it will show in some of the ratio's

8.2 COMPLIANT FIXED ASSET REGISTER

Although it was still a challenging exercise during the 2009/10 financial year to produce a compliant and purified asset register it was a huge improvement as compared to the previous two (2) financial years. A service provider was appointed to assist the City of Tshwane for a period of two (2) years with the Asset Register as well as the Asset Management Unit and transferring of skills. Verification, review of useful lives, impairment, etc was done during the year end process of 2009/10.

8.3 LEASE REGISTER

Much the same problem existed with the lease register in the 2009/10 as in the 2008/09 and 2007/08 financial year, however the lease register, calculations and necessary disclosure requirements were updated on the 2009/10 financial statements.

During 2009/10 a register for lease revenue where the City of Tshwane is the lessor was also compiled for the first time.

8.4 CONCLUSION: ECONOMIC RECESSION AND CASH-FLOW CHALLENGES

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.

It is evident that the impact of the economic recession residents, businesses's 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 has indicated that the Municipality is indeed facing some serious challenges, similar to other municipalities, semi-government and other government institutions.

The challenges would have to be collectively addressed by the 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, Councilors, Office of the City Manager and Strategic Executive Directors for the support they have given me and my personnel during the 2009/10 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). A special word of appreciation to all the financial staff for their hard work, sacrifices and concentrated efforts during the finalisation and compilation of the financial statements.

N Makhari
CHIEF FINANCIAL OFFICER

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

	Note(s)	2010 R	2009 R
Assets			
Current Assets			
Inventories	19	184,160,344	242,304,212
Current portion of long-term receivables	18	126,281,605	123,832,808
Other debtors	21	778,041,585	738,309,929
Consumer debtors	20	2,829,475,066	2,657,489,183
Call investment deposits	17	641,037,443	177,605,394
Cash and cash equivalents	23	92,871,738	89,561,926
		4,651,867,781	4,029,103,452
Non-Current Assets			
Biological assets	15	13,322,433	17,007,999
Investment property	12	6,201,317	8,027,161
Property, plant and equipment	11	14,334,646,629	12,871,331,116
Leased assets	14	191,155,539	257,123,363
Intangible assets	13	109,806,437	156,190,749
Investments	17	214,284,533	500,346,374
Long-term receivables	18	240,113,093	187,099,710
		15,109,529,981	13,997,126,472
Non-current assets held for sale and assets of disposal groups	16	1,297,210	394,315
		19,762,694,972	18,026,624,239
Total Assets			
Liabilities			
Current Liabilities			
Long-term liabilities	4	498,569,684	133,693,231
Lease liabilities	5	121,947,298	172,477,222
Trade and other payables from exchange transactions	8	2,939,112,195	2,642,490,386
VAT payable	10	215,689,066	164,585,154
Consumer deposits	7	319,509,467	282,759,977
Unspent conditional grants and receipts	9	407,786,572	420,555,629
Bank overdraft	23	12,979,239	95,416,694
		4,515,593,521	3,911,978,293
Non-Current Liabilities			
Long-term liabilities	4	4,428,825,368	4,203,274,984
Lease liabilities	5	78,178,021	95,143,635
Retirement benefit obligation	43	1,169,261,470	1,310,276,937
Provisions	6	156,773,388	208,847,820
		5,833,038,247	5,817,543,376
		10,348,631,768	9,729,521,669
Total Liabilities			
Net Assets			
		9,414,063,204	8,297,102,570
Net Assets			
Accumulated surplus	42	9,414,063,197	8,297,102,563

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

	Note(s)	2010 R	2009 R
Revenue			
Property rates	24	2,687,448,314	2,290,725,159
Service charges	25	7,185,193,293	5,647,685,340
Rental of facilities and equipment		97,724,113	91,660,385
Interest received		225,011,181	279,267,901
Public contributions and donations		126,977,508	202,820,640
Fines		24,951,704	31,241,834
Licences and permits		30,426,009	28,423,731
Government grants & subsidies	26	2,486,115,976	2,203,588,584
Gain: Disestablishment of ME		-	23,018,026
Other income		724,311,986	874,538,731
Interest received - investment	32	96,792,699	122,499,553
Total Revenue		13,684,952,783	11,795,469,884
Expenditure			
Personnel	28	(3,516,465,250)	(3,009,111,306)
Remuneration of councillors	29	(56,002,288)	(55,350,804)
Depreciation and amortisation	30	(793,253,707)	(567,884,749)
Impairment loss/ Reversal of impairments		(22,025,456)	(6,901,250)
Finance costs	31	(582,921,381)	(506,471,317)
Debt impairment	33	(396,537,263)	(376,124,606)
Collection costs		(87,968,669)	(72,511,251)
Repairs and maintenance		(1,040,012,202)	(1,122,358,672)
Bulk purchases	34	(3,639,420,915)	(2,718,185,952)
Grants and subsidies paid	35	(12,544,162)	(9,833,837)
General Expenses	36	(2,414,342,557)	(2,818,746,826)
Total Expenditure		(12,561,493,850)	(11,263,480,570)
Gain or loss on disposal of assets and liabilities		(3,127,136)	(6,290,065)
Fair value adjustments		(3,371,166)	2,266,744
Surplus for the year		1,116,960,631	527,965,993

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2008	7,769,136,570	7,769,136,570
Changes in net assets		
Surplus for the year	527,965,993	527,965,993
Total changes	<u>527,965,993</u>	<u>527,965,993</u>
Balance at 01 July 2009	8,297,102,566	8,297,102,566
Changes in net assets		
Surplus for the year	1,116,960,631	1,116,960,631
Total changes	<u>1,116,960,631</u>	<u>1,116,960,631</u>
Balance at 30 June 2010	<u>9,414,063,197</u>	<u>9,414,063,197</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

	Note(s)	2010 R	2009 R
Cash flows from operating activities			
Receipts			
Cash receipts from rate payers, government and other		13,018,240,138	10,637,530,560
Interest income		96,792,699	122,499,553
		<u>13,115,032,837</u>	<u>10,760,030,113</u>
Payments			
Cash paid to suppliers and employees		(10,568,330,776)	(8,092,254,878)
Finance costs (Interest paid)		(582,921,381)	(506,471,317)
		<u>(11,151,252,157)</u>	<u>(8,598,726,195)</u>
Net cash flows from operating activities	37	<u>1,963,780,680</u>	<u>2,161,303,918</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(2,112,125,069)	(3,475,178,548)
Purchase of leased assets	14	(30,685,071)	(12,671,545)
Proceeds from sale of property, plant and equipment	11	(3,127,136)	(6,290,065)
Purchase of investment property	12	-	(734,997)
Purchase of other intangible assets	13	(483,997)	(37,045,202)
Proceeds from sale of financial assets		230,599,661	(92,585,869)
Purchase of biological assets	15	314,406	-
Asset Impairment		(22,025,456)	(6,901,250)
Net cash flows from investing activities		<u>(1,937,532,662)</u>	<u>(3,631,407,476)</u>
Cash flows from financing activities			
Proceeds from long-term liabilities		720,000,000	1,590,067,525
Repayment of long-term liabilities		(129,573,163)	(131,443,799)
Finance lease payments		(67,495,538)	11,265,173
Net cash flows from financing activities		<u>522,931,299</u>	<u>1,469,888,899</u>
Net increase/(decrease) in cash and cash equivalents		549,179,317	(214,659)
Cash and cash equivalents at the beginning of the year		171,750,626	171,965,285
Cash and cash equivalents at the end of the year	23	<u>720,929,943</u>	<u>171,750,626</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Basis of Preparation of Annual Financial Statements

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:

Standard of GRAP

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	Investment 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: Disclosure
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 Agreement 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
Directive 1	Repeal of Existing transitional provisions in, and Consequential Amendments to Standards of GRAP
Directive 3	Transitional provisions for the adoption of Standards of GRAP by High Capacity Municipalities
ASB Guide 1	Guideline on Accounting for Public Private Partnerships
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 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.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Consolidation

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

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

results of these investments.

1.2 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.

1.3 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.

1.4 Property, plant and equipment

Property, plant and equipment are stated at:

- * historical cost less accumulated depreciation and any write-downs, or
 - * where assets have been acquired by grant or donation the cost is considered to be the fair value of the asset at date of acquisition.
- Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Asset category	Average useful life (Years)
Infrastructure	
• Roads and paving	30
• Pedestrian malls	30
• Electricity	20-30
• Water	15-20
• Sewerage	15-20
• Housing	
Community	
• Buildings	30
• Recreational facilities	20-30
• Security	5
Other	
• Buildings	30
• Specialist vehicles	8-20
• Other vehicles	8
• Office equipment	5-8
• Furniture and fittings	7-10
• Watercraft	5
• Bins and containers	5
• Specialized plant and equipment	10-15
• Other plant and equipment	2-5
• Landfill sites and quarries	1-50
• Books	25
• Leased assets	3-5

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 is 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).

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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.4 Property, plant and equipment (continued)

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 re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

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.

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.

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.

Land

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

Incomplete construction work (Assets under construction)

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

1.5 Investment property

Investment property, is property held to earn rental revenue or for capital appreciation or both.

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

Investment property 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.

1.6 Intangible assets

An intangible asset is recognised when:

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

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 a 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.

1.7 Biological assets

Biological assets are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.7 Biological assets (continued)

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets is included in surplus or deficit for the period in which it arises. 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.

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally 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.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) 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.

1.9 Inventories

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.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

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 the development.

1.10 Internal reserves

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 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 reserved 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.

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Accounting Policies

1.10 Internal reserves (continued)

Capitalisation reserve

On the implementation of GAMAP/GRAP, the balance of 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, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is 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.

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 Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive 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.

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 recognised 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.

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).

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.10 Internal reserves (continued)

the balance of 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).

Compensation for occupational injuries and diseases (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.

Donations and public contributions reserve

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.

1.11 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. Loans from national and provincial government used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development 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 or deficit on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 55.

- **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.
- **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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.12 Provisions and contingencies (continued)

cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.

- **Landfill sites**

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license 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.

- **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 borrow 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.

1.13 Retirement benefits

Pension, Provident and Retirement Funds

The Municipality and its employees contribute to various pension, provident and retirement funds and its councilors contribute to the Pension Fund for Municipal Councilors. 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 as per the requirements of the various funds.

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 councilors. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense then 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 each reporting date. The retirement benefit obligation presented in the statement of financial position presents 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 cost.

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

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.

1.14 Leases

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

Finance leases - 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.

Finance leases - 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 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

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Accounting Policies

1.14 Leases (continued)

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

Operating leases - lessor

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.

Operating leases - lessee

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

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

1.15 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Interest bearing borrowings

Classification depends on the purpose for which the financial instruments were obtained / incurred and management determines the classification at initial recognition. With regard to reclassifications, 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.

Counter party exposure:

The City of Tshwane limits its 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 credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as available-for-sale

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.

Trade and other receivables

Trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate 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

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Accounting Policies

1.15 Financial instruments (continued)

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). 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 effective interest rate computed at initial recognition.

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

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.

Provision for Doubtful Debt

Provision for doubtful 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.

Trade and other payables

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

Liabilities for annual leave (accrued leave pay) 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.

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 overdrafts 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.

Bank overdraft and borrowings

Bank overdrafts and interest bearing borrowings are initially measured 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 rate 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.

Derivatives

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 re-measured 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.

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.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.15 Financial instruments (continued)

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.

Hedging activities

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

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.

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.

Disposal and derecognition

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.

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.

1.16 Translation of foreign currencies

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 expense in the period in which they arise.

Where a 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).

1.17 Revenue from exchange transactions

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 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.

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.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

Measurement

Revenue is measured at 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.

Sale of goods

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

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

Rendering of services

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

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised 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 recognised as revenue in the invoicing period.

Services provided on a prepayment basis

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

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.

Housing rental and installments

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

Collection charges

Collection charges are recognised when such amounts are incurred.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Revenue from rates is recognised 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.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.
- the 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 an issuing authority. The new revenue from traffic fines is recognised on an agency basis.

1.19 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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.21 Value added tax

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.22 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 the Appendices consistent with prior year.

1.23 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.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 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 in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Comparative figures

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 financial year the correction is made retrospectively as far as it is practical 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 it is practical and the prior year comparatives are restated accordingly.

The comparative figures (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.

1.28 Tax

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

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.29 Significant judgements and sources of estimation uncertainty

The preparation of these 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.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 6 - Provisions.

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 43.

Effective interest rate

The municipality used the weighted average interest rate on external borrowings to discount future cash flows

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

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

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
3. Housing development fund		
Unappropriated surplus	197,856,183	197,856,183
Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463
Housing development fund	<u>128,849,720</u>	<u>128,849,720</u>
The housing development fund is represented by the following assets and liabilities		
Housing selling scheme loans	59,849,149	66,750,728
Housing debtors	24,833,704	17,996,084
Bank and cash	44,166,867	44,102,908
Housing Development Fund Assets	<u>128,849,720</u>	<u>128,849,720</u>
4. Long-term liabilities		
Held at amortised cost		
Term loan	487,026,936	487,026,936
Local registered stock	279,087,890	278,484,333
Annuity loans	4,161,280,226	3,571,456,946
	<u>4,927,395,052</u>	<u>4,336,968,215</u>
Non-current liabilities		
At amortised cost	<u>4,428,825,368</u>	<u>4,203,274,984</u>
Current liabilities		
At amortised cost	<u>498,569,684</u>	<u>133,693,231</u>
	<u>4,927,395,052</u>	<u>4,336,968,215</u>
Amount invested specifically for the repayment of long-term liabilities	<u>675,797,922</u>	<u>598,458,250</u>
Maturity value of amount invested as security for long-term liabilities	<u>797,834,192</u>	<u>788,466,682</u>
5. Lease liabilities		
Minimum lease payments due		
- within one year	138,258,905	185,086,074
- in second to fifth year inclusive	89,521,861	114,638,022
	<u>227,780,766</u>	<u>299,724,096</u>
less: future finance charges	(27,655,447)	(32,103,239)
Present value of minimum lease payments	<u>200,125,319</u>	<u>267,620,857</u>
Present value of minimum lease payments due		
- within one year	121,947,298	172,477,222
- in second to fifth year inclusive	78,178,021	95,143,635
	<u>200,125,319</u>	<u>267,620,857</u>
Non-current liabilities	78,178,021	95,143,635
Current liabilities	121,947,298	172,477,222
	<u>200,125,319</u>	<u>267,620,857</u>
Collateral held in terms of the above leases (Net book amount of leased assets)	<u>200,125,319</u>	<u>267,620,856</u>
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default	<u>191,155,533</u>	<u>257,123,356</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

			2010 R	2009 R	
6. Provisions					
Reconciliation of provisions - 2010					
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Clearing of alien vegetation	6,368,412	7,542,883	(6,906,042)	-	7,005,253
Rehabilitation of landfill sites	176,531,737	157,054,348	(21,274,251)	(176,531,737)	135,780,097
Rehabilitation of quarries	25,947,671	14,548,906	(560,868)	(25,947,671)	13,988,038
	208,847,820	179,146,137	(28,741,161)	(202,479,408)	156,773,388
Reconciliation of provisions - 2009					
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Clearing of alien vegetation	5,789,465	7,246,569	(6,667,622)	-	6,368,412
Rehabilitation of landfill sites	68,832,925	111,151,962	-	(3,453,150)	176,531,737
Rehabilitation of quarries	19,743,750	6,042,176	-	161,745	25,947,671
	94,366,140	124,440,707	(6,667,622)	(3,291,405)	208,847,820
7. Consumer deposits					
Electricity and water			<u>319,509,467</u>	<u>282,759,977</u>	
Guarantees held in lieu of electricity and water consumer (who do not have deposits)					
Guarantees held in lieu of Township Development			<u>147,113,495</u>	<u>143,634,350</u>	
			<u>316,580,872</u>	<u>289,916,524</u>	
			<u>463,694,367</u>	<u>433,550,874</u>	

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
8. Trade and other payables from exchange transactions		
Trade payables	1,674,728,081	1,673,027,075
Payments received in advance	60,860,026	66,799,822
Accrued leave pay	422,169,965	300,893,740
Deposits received	14,283,197	13,006,346
Other creditors	613,090,277	446,073,679
Retention creditors	153,980,649	142,689,724
	<u>2,939,112,195</u>	<u>2,642,490,386</u>

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Department Sport & Recreation	9,851,876	38,279,649
Department Water Affairs & Forestry (DWAF)	2,534,254	2,332,660
National Electricity Regulator	4,439,262	4,281,858
Finance Management Grant (FMG)	843,155	1,515,239
Restructuring Grant	11,921,545	41,106,512
Housing Projects	34,782,821	33,941,036
Municipal System Improvement Grant (MSIG)	28	498,400
Municipal Infrastructure Grant (MIG)	36,228,255	34,572,314
Transport: World Cup Soccer	264,317,751	207,683,644
DPLG: Health	842,602	2,342,602
2010 Host Cities	32,476,508	40,000,000
Other unspent grants	9,548,515	14,001,715
	<u>407,786,572</u>	<u>420,555,629</u>

Movement during the year

Balance at the beginning of the year	420,555,628	329,395,523
Additions during the year	2,473,346,920	2,366,523,628
Income recognition during the year	(2,486,115,976)	(2,275,363,522)
	<u>407,786,572</u>	<u>420,555,629</u>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

These amounts are invested in a ring-fenced investment until utilised.

10. VAT payable

VAT refundable/payable	215,689,066	164,585,154
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VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	1,102,578,596	-	1,102,578,596	1,121,965,681	-	1,121,965,681
Buildings	1,114,333,507	(479,361,972)	634,971,535	1,019,100,244	(388,956,064)	630,144,180
Infrastructure	13,009,590,436	(2,893,811,467)	10,115,778,969	11,226,161,957	(2,534,190,619)	8,691,971,338
Community	1,645,165,137	(385,847,789)	1,259,317,348	1,460,518,777	(333,238,214)	1,127,280,563
Other property, plant and equipment	1,683,249,956	(708,587,631)	974,662,325	1,639,321,892	(563,052,682)	1,076,269,210
Housing stock	1,142,732	-	1,142,732	1,142,732	-	1,142,732
Heritage	5,674,856	(196,655)	5,478,201	3,813,988	(157,957)	3,656,031
Housing	240,948,042	(231,119)	240,716,923	219,095,372	(193,991)	218,901,381
Total	18,802,683,262	(4,468,036,633)	14,334,646,629	16,691,120,643	(3,819,789,527)	12,871,331,116

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,121,965,681	-	(19,387,085)	-	-	-	1,102,578,596
Buildings	630,144,180	59,956,756	18,532,034	16,744,474	(73,661,435)	(16,744,474)	634,971,535
Infrastructure	8,691,971,338	1,830,635,389	(47,133,576)	-	(359,694,182)	-	10,115,778,969
Community	1,127,280,563	157,963,195	26,683,165	-	(52,609,575)	-	1,259,317,348
Other property, plant and equipment	1,076,269,210	42,877,374	16,283,028	5,280,983	(160,767,287)	(5,280,983)	974,662,325
Housing stock	1,142,732	-	-	-	-	-	1,142,732
Heritage	3,656,031	1,860,868	-	-	(38,698)	-	5,478,201
Housing	218,901,381	18,831,487	3,021,184	-	(37,129)	-	240,716,923
	12,871,331,116	2,112,125,069	(2,001,250)	22,025,457	(646,808,306)	(22,025,457)	14,334,646,629

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	1,049,966,212	71,999,469	-	-	-	1,121,965,681
Buildings	459,875,924	188,598,246	16,341,709	1,512,057	(36,183,756)	630,144,180
Infrastructure	6,722,008,659	2,439,047,167	(39,924,062)	(46,240,397)	(382,920,029)	8,691,971,338
Community	859,523,650	284,467,831	26,484,153	413,430	(43,608,501)	1,127,280,563
Other property, plant and equipment	796,910,700	455,025,119	14,300,571	(167,943,452)	(22,023,728)	1,076,269,210
Stock	407,735	-	-	734,997	-	1,142,732
Heritage	3,695,147	-	-	(409)	(38,707)	3,656,031
Housing	184,570,006	36,040,716	(1,571,780)	(52,155)	(85,406)	218,901,381
	10,076,958,033	3,475,178,548	15,630,591	(211,575,929)	(484,860,127)	12,871,331,116

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 the lower of the net book value or recoverable amount. Impairment tests were performed on the following group of assets:

- Assets held for sale: Fair values were given based on the selling price of the items as per previous auctions held taking the current condition into consideration. Where the net book value of the item exceeded the fair market value, the items were impaired to reflect the actual recoverable cost. The impairment loss of these assets were R4 362 801.91.
- Broken assets: All assets verified during the 2009/10 financial year, classified as broken assets were impaired based on the difference of 5 % of cost and the current book value. The same methodology used in 2008/09 regarding the factoring of assets based on its condition apply. The impairment loss of these assets were R918 180.06.
- Schubart Park and Kruger Park Flats: Various reports were used, but in particular the Performance Audit Committee Report dated 14 July 2010 and Internal Reports and correspondence including the Chief Valuer inputs dating 1 July 2002 regarding the replacement value of assets. The buildings were impaired by applying the principles contained in IAS 36: Impairment of Assets.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

12. Investment property

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	44,788,161	(38,586,844)	6,201,317	44,788,161	(36,761,000)	8,027,161

Reconciliation of investment property - 2010

Investment property	Opening balance	Depreciation	Total
	8,027,161	(1,825,844)	6,201,317

Reconciliation of investment property - 2009

Investment property	Opening balance	Additions	Other changes, movements	Depreciation	Total
	10,935,992	734,997	(1,099,965)	(2,543,863)	8,027,161

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

13. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	246,279,362	(136,472,925)	109,806,437	244,697,012	(88,506,263)	156,190,749

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Transfers	Depreciation	Total
Computer software, other	156,190,749	483,997	1,098,352	(47,966,661)	109,806,437

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	98,035,114	37,045,202	48,705,373	(27,594,940)	156,190,749

City of Tshwane Metropolitan Municipality

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14. Leased assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Leased assets	309,367,964	(118,212,425)	191,155,539	398,750,844	(141,627,481)	257,123,363

Reconciliation of leased assets - 2010

Leased assets	Opening balance	Additions	Depreciation	Total
	257,123,363	30,685,071	(96,652,895)	191,155,539

Reconciliation of leased assets - 2009

Leased assets	Opening balance	Additions	Other changes	Depreciation	Total
	247,780,560	12,671,545	72,739,282	(76,068,024)	257,123,363

City of Tshwane Metropolitan Municipality

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15. Biological assets

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Livestock (Game)	13,322,433	-	13,322,433	17,007,999	-	17,007,999

Reconciliation of biological assets - 2010

	Opening balance	Additions	Gains or losses arising from changes in fair value	Total
Livestock (Game)	17,007,999	(314,406)	(3,371,160)	13,322,433

Reconciliation of biological assets - 2009

	Opening balance	Gains or losses arising from changes in fair value	Total
Livestock (Game)	14,741,255	2,266,744	17,007,999

Non - Financial information

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 (game) of similar age, breed and genetic merit.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
16. Non-current assets held for sale		
Non-current assets held for sale		
Non-current assets held for sale cost	20,767,821	1,552,635
Non-current assets held for sale Accumulated depreciation	(19,470,611)	(1,158,320)
	<u>1,297,210</u>	<u>394,315</u>

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.

17. Investments

Available-for-sale Investments

Short-term deposits	641,037,443	177,605,394
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Held to maturity investments

Municipal stock	3,033,003	3,033,003
Assurance companies	6,683,304	6,002,275
Fixed deposits	204,568,226	491,311,096

Total other financial assets

	<u>855,321,976</u>	<u>677,951,768</u>
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Non-current assets

Investments	214,284,533	500,346,374
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Current assets

Short-term deposits	641,037,443	177,605,394
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There were no gains or losses realised on the disposal of held to maturity financial assets in 2010 and 2009, as all the financial assets were disposed of at their redemption date.

Market value of listed investments and management's valuation of unlisted investments:

Unlisted investments	719,489,124	677,951,767
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Average rate of return:

Average rate of return on long-term investments:	11.34 %	14.10 %
Average rate of return on short-term investments:	9.24 %	10.44 %

No impairment occurred during the financial year under review

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
18. Long-term receivables		
Consumers: Arrangement debtors	234,165,866	245,372,310
Housing loans	59,849,150	57,556,328
Loans to sports clubs	1,643,401	1,661,855
Motor car loans	104,645	173,915
Study loans	3,827	5,293
Sale of land	91,661,988	79,405,336
	<u>387,425,050</u>	<u>384,175,037</u>
Short-term portion of Long-term receivables	(126,281,605)	(123,832,808)
	<u>261,143,445</u>	<u>260,342,229</u>
Provision for Bad Debt: Housing Debtors	(21,034,179)	(23,420,606)
Impairment: Long-term debtors	-	(49,821,913)
	<u>240,113,093</u>	<u>187,099,710</u>
Reconciliation of provision for bad debt		
Balance at the beginning of year	73,242,519	38,194,441
Contributions to provision & impairment of 0 % interest	-	49,821,913
Write back of provision during the year	(2,386,427)	(14,773,835)
Write back impairment of 0 % interest	(49,821,913)	-
	<u>21,034,179</u>	<u>73,242,519</u>

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

Sports 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

Employee 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

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	2010 R	2009 R
19. Inventories		
General stores	166,789,633	188,071,718
Bulk Water	3,678,464	2,525,534
Catering (Premos restaurant)	46,718	34,368
Wonderboom Airport	1,287,882	918,239
Plants (Nursery)	146,063	101,882
Quarries	724,787	872,549
Coal (power stations)	11,486,797	49,779,922
	184,160,344	242,304,212

20. Consumer debtors

The City of Tshwane 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 also not available per income/service group.

Service debtors:

Rates	1,113,402,705	1,019,214,163
Electricity	1,893,626,384	1,679,844,699
Water	807,427,977	838,395,135
Sewerage	210,746,210	208,959,853
Refuse	251,046,278	259,175,620
	4,276,249,554	4,005,589,470
Less: Arrangement debtors	(234,165,866)	(245,372,310)
	4,042,083,688	3,760,217,160

Less: Provision for debt impairment

Provision for bad debt	(1,212,608,622)	(1,102,727,977)
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Net balance

Rates	1,113,402,705	1,019,214,163
Electricity	1,893,626,384	1,679,844,699
Water	807,427,977	838,395,135
Sewerage	210,746,210	208,959,853
Refuse	251,046,278	259,175,620
Less: Arrangement debtors	(234,165,866)	(245,372,310)
Less: Provision for bad debt	(1,212,608,622)	(1,102,727,977)
	2,829,475,066	2,657,489,183

An amount of R227 288 040 (R259 108 366 inclusive of VAT) was written off during 2009/10 (2008/09 = R165 228 232 (R187 730 810 inclusive of VAT)) in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 whereby the Chief Financial Officer have delegated Powers to write off amounts lower than R3 000 and active accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of Indigent households are written off.

AGEING

Rates

Current (0 -30 days)	324,190,166	283,342,985
31 - 60 days	52,473,013	72,523,184
61 - 90 days	37,785,703	35,296,422
91 + days	698,953,823	628,051,572
	1,113,402,705	1,019,214,163

Electricity

Current (0 -30 days)	507,642,618	442,725,976
31 - 60 days	131,682,457	121,578,451
61 - 90 days	32,193,699	30,793,674
91 + days	1,222,107,610	1,084,746,598
	1,893,626,384	1,679,844,699

City of Tshwane Metropolitan Municipality

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	2010 R	2009 R
20. Consumer debtors (continued)		
Water		
Current (0 -30 days)	165,206,413	161,462,923
31 - 60 days	43,567,849	50,572,413
61 - 90 days	20,343,347	20,772,038
91 + days	578,310,368	605,587,761
	807,427,977	838,395,135
Sanitation		
Current (0 -30 days)	45,830,624	40,505,604
31 - 60 days	11,698,820	12,384,120
61 - 90 days	4,585,600	4,703,221
91 + days	148,631,166	151,366,908
	210,746,210	208,959,853
Solid waste		
Current (0 -30 days)	26,993,203	27,720,561
31 - 60 days	12,715,982	14,304,273
61 - 90 days	5,074,466	6,485,533
91 + days	206,262,627	210,665,253
	251,046,278	259,175,620
Ageing: Total		
Current (0 -30 days)	1,165,887,398	1,052,247,939
31 - 60 days	169,507,334	189,343,783
61 - 90 days	117,207,352	110,956,911
91 + days	2,823,647,470	2,653,040,837
	4,276,249,554	4,005,589,470
Summary of debtors by customer classification		
Consumers		
Household	2,715,418,466	2,676,452,264
Industrial/Commercial	829,592,413	762,948,849
National and Provincial Government	64,143,743	56,217,284
Other	667,094,930	509,971,073
	4,276,249,552	4,005,589,470
Reconciliation of debt impairment provision		
Balance at beginning of the year	(1,102,727,977)	(914,443,852)
Contributions to provision	(109,880,645)	(188,284,125)
	(1,212,608,622)	(1,102,727,977)

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
21. Other debtors		
Municipal Infrastructure Grant	69,329,000	53,274,515
Gauteng Province: Housing grants	125,146,030	125,146,030
Housing debtors	24,833,704	17,996,084
Government subsidies	17,327,500	6,756,000
Miscellaneous	598,069,035	503,767,344
Lease revenue	67,577,202	64,094,841
	<u>902,282,471</u>	<u>737,740,110</u>
Less: Provision For Bad debt	(124,240,886)	(32,724,885)
	<u>778,041,585</u>	<u>738,309,929</u>

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(32,724,885)	(246,003,159)
Contributions to provision	(91,516,001)	-
Write back of provision during the year	-	213,278,274
	<u>(124,240,886)</u>	<u>(32,724,885)</u>

22. Call investment deposits ring-fencing

Other deposits of R719 489 124 (2009 = R677 941 767) are ring-fenced and attributable to the Capital Replacement Reserve of R460 173 985 (2009 = R361 254 474).

Fixed deposits amounting to R675 797 922 (2009 = R598 458 250) have also been ring-fenced for the purposes of repaying long-term liabilities.

23. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	275,277	272,825
Bank balances	92,596,461	89,289,101
Short-term deposits	641,037,443	177,605,394
Bank overdraft	(12,979,239)	(95,416,694)
	<u>720,929,942</u>	<u>171,750,626</u>
Cash and bank	92,871,738	89,561,926
Call investments deposits	641,037,443	177,605,394
Bank overdraft	(12,979,239)	(95,416,694)
	<u>720,929,942</u>	<u>171,750,626</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
Absa - 4060738263	8,808,030	13,339,211	37,657,228	8,822,546	13,433,453	12,781,873
FNB - 51420107207	4,666,127	14,684,609	9,594,524	4,784,071	8,630,642	14,707,560
Standard - 410801453	66,606,728	34,003,014	11,907,106	47,166,509	(95,416,694)	(106,407,370)
Standard 2010 Account - 410801682	-	-	-	-	42,627,751	-
Insurance Contingency - Absa - 4062593950	62,724	148,524	7,449,875	62,724	148,524	7,449,875
Tshwane Market - FNB - 51421161509	19,593,055	18,813,633	14,801,812	18,781,373	18,370,481	14,111,226
Total	<u>99,736,664</u>	<u>80,988,991</u>	<u>81,410,545</u>	<u>79,617,223</u>	<u>(12,205,843)</u>	<u>(57,356,836)</u>

City of Tshwane Metropolitan Municipality

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Notes to the Annual Financial Statements

	2010 R	2009 R
24. Property rates		
Rates received		
Property rates	2,687,448,314	3,150,973,613
Less: Income forgone	-	(860,248,454)
	<u>2,687,448,314</u>	<u>2,290,725,159</u>
Valuations		
Residential	210,215,234,184	198,721,218,868
Other	80,636,936,657	85,434,514,445
	<u>290,852,170,841</u>	<u>284,155,733,313</u>

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.

No difference 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.

25. Service charges

Sale of electricity	5,042,250,727	3,666,606,519
Sale of water	1,401,316,217	1,325,320,612
Solid waste	367,457,947	318,005,383
Sewerage and sanitation charges	374,168,402	337,752,826
	<u>7,185,193,293</u>	<u>5,647,685,340</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
26. Government grants and subsidies		
Equitable share	528,546,612	1,335,550,431
Opex: Grants & donations	118,343,831	97,020,908
Provincial ambulance subsidy	40,712,500	38,377,250
Finance management Grant	1,422,083	539,449
Restructuring grant	29,184,967	45,679,594
Municipal system improvement grant (MSIG)	498,372	-
DWAF grant	9,103,157	13,169,189
Capex: grants and donations	759,791,517	650,643,403
Stipends (DBSA)	-	54,000
Provincial health subsidy	24,250,439	22,554,360
HIV and AIDS	1,500,000	-
Community library services	3,240,698	-
Opex: Grant :EPWP	5,000	-
Equitable share: Fuel levy	969,463,000	-
Government grant (capital) 18	53,800	-
	2,486,115,976	2,203,588,584

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 of R 223 (2009: R 186), which is funded from the grant.

Provincial Health Subsidies

Current-year receipts	24,250,439	22,554,360
Conditions met - transferred to revenue	(24,250,439)	(22,554,360)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 9)

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 has been met. There was no delay or withholding of the subsidy.

The percentage of expenditure incurred refunded during the financial year = 16.25% (2009 = 16.25 %)

Provincial Ambulance Subsidy

Current-year receipts	40,712,500	38,377,250
Conditions met - transferred to revenue	(40,712,500)	(38,377,250)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 9)

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.

The percentage of expenditure incurred refunded during the financial year - 69.51% (2009 = 69.51%)

Gauteng Sport & Recreation (Loftus Upgrade)

Balance unspent at beginning of year	38,279,649	45,242,563
Current-year receipts	5,737,676	75,195,491
Conditions met - transferred to revenue	(34,165,449)	(75,386,212)
Other	-	(6,772,193)
	9,851,876	38,279,649

Conditions still to be met - remain liabilities (see note 9)

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
26. Government grants and subsidies (continued)		
Department of Water Affairs & Forestry		
Balance unspent at beginning of year	2,332,660	4,827,178
Transfer	-	(7,326,978)
Current-year receipts	9,304,750	20,251,750
Conditions met - transferred to revenue	(9,103,156)	(15,419,290)
	<u>2,534,254</u>	<u>2,332,660</u>
Conditions still to be met - remain liabilities (see note 9)		
This grant was received for the supply of water services for community upliftment.		
National Electricity Regulator (NER)		
Balance unspent at beginning of year	4,281,858	4,198,110
Current-year receipts	52,778,000	60,500,000
Conditions met - transferred to revenue	(52,620,596)	(60,416,252)
	<u>4,439,262</u>	<u>4,281,858</u>
Conditions still to be met - remain liabilities (see note 9)		
Finance Management Grant (FMG)		
Balance unspent at beginning of year	1,515,239	1,304,687
Current-year receipts	750,000	750,000
Conditions met - transferred to revenue	(1,422,084)	(539,448)
	<u>843,155</u>	<u>1,515,239</u>
Conditions still to be met - remain liabilities (see note 9)		
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.		
Restructuring grant		
Balance unspent at beginning of year	41,106,512	86,786,106
Conditions met - transferred to revenue	(29,184,967)	(45,679,594)
	<u>11,921,545</u>	<u>41,106,512</u>
Conditions still to be met - remain liabilities (see note 9)		
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.		
Housing Grants		
Balance unspent at beginning of year	33,941,036	20,301,622
Current-year receipts	31,967,422	136,167,269
Conditions met - transferred to revenue	(31,125,637)	(129,596,252)
Other	-	7,068,397
	<u>34,782,821</u>	<u>33,941,036</u>
Conditions still to be met - remain liabilities (see note 9)		

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
26. Government grants and subsidies (continued)		
Municipal System Improvement Grant (MSIG)		
Balance unspent at beginning of year	498,400	498,400
Conditions met - transferred to revenue	(498,372)	-
	<u>28</u>	<u>498,400</u>
Conditions still to be met - remain liabilities (see note 9)		
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.		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	34,572,314	37,952,350
Current-year receipts	342,079,000	286,876,515
Conditions met - transferred to revenue	(342,481,544)	(287,295,988)
Other	2,058,485	(2,960,563)
	<u>36,228,255</u>	<u>34,572,314</u>
Conditions still to be met - remain liabilities (see note 9)		
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.		
Public Transport Infrastructure System Grant (PTIS)		
Balance unspent at beginning of year	207,683,644	105,786,086
Current-year receipts	421,054,000	260,000,000
Conditions met - transferred to revenue	(364,419,893)	(168,078,781)
Other	-	9,976,339
	<u>264,317,751</u>	<u>207,683,644</u>
Conditions still to be met - remain liabilities (see note 9)		
This grant was received for infrastructure in respect of roads for the 2010 Soccer World Cup. R144.1 million (2009 = R120 million) was withheld due to under performance.		
DPLG: Health		
Balance unspent at beginning of year	2,342,602	1,500,000
Current-year receipts	-	3,000,000
Conditions met - transferred to revenue	(1,500,000)	(2,157,398)
	<u>842,602</u>	<u>2,342,602</u>
Conditions still to be met - remain liabilities (see note 9)		
This grant is received for HIV/AIDS campaigns.		

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
26. Government grants and subsidies (continued)		
2010 Host Cities		
Balance unspent at beginning of year	40,000,000	40,000,000
Current-year receipts	37,800,000	-
Conditions met - transferred to revenue	(45,323,492)	-
	32,476,508	40,000,000
Conditions still to be met - remain liabilities (see note 9)		
This grant is received for the expenditures of the 2010 World Cup Soccer Host Cities.		
Other grants		
Balance unspent at beginning of year	14,001,715	20,363,129
Current-year receipts	8,555,037	14,019,371
Conditions met - transferred to revenue	(11,298,236)	(21,070,922)
Other (prior year corrections)	(1,710,001)	690,137
	9,548,515	14,001,715

Conditions still to be met - remain liabilities (see note 9)

Other grants consist of all other grants received but not mentioned separately above e.g. Bontle ke Botho, Neighbourhood Watch Development, Arts and Culture, etc.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
27. Other income		
Market fees	87,691,458	79,070,161
Land sales	15,578,827	13,381,269
Reconnection fees	104,078,769	101,284,390
Sewerage: Industrial effluent	26,570,105	21,555,862
Sale of unusable stock	196,300	5,188,978
Drain cleaning fees	1,057,961	996,345
Sundry services	15,960,507	11,022,117
Interest on property sales	5,362,871	4,902,337
Donated:Assets	7,730,436	-
Dumping fees	12,124,146	11,957,349
Building plan fees	21,943,483	25,166,701
Income from grave services	4,504,060	3,981,017
Refund: Motor vehicles licences	79,298,689	71,774,939
Training fees recovered	12,630,314	12,241,123
Gain: Review useful life/fair value	188,150	193,778,567
Insurance claims	59,617,066	56,536,101
Connection fees: Urban areas	4,289,307	5,874,720
Sundry fees	9,807,465	4,549,985
Airside income	3,457,513	3,140,399
Ambulance fees	6,717,918	3,840,703
Reminder fees	24,824,603	15,284,440
Discount on prompt payments	5,858,788	9,171,594
Approval fees: advertisements	28,809,329	23,322,452
Connection fees	14,092,960	11,075,821
Cemetery fees	5,046,576	4,710,670
Application fees	2,310,114	2,663,426
Income from bulk containers	26,374,866	28,342,250
Sales: Aeroplane fuel	26,633,706	30,361,934
Transport fees	45,142,078	55,762,681
Miscellaneous	66,413,621	63,600,400
	724,311,986	874,538,731

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
28. Employee related costs		
Salaries and wages	2,330,164,524	1,920,131,319
Medical aid contributions	192,948,048	170,146,308
UIF	18,170,362	16,410,499
Pension fund contributions	413,649,353	356,455,885
Travel, motor car, accommodation, subsistence and other allowances	200,649,091	185,224,896
Overtime payments	190,399,644	202,819,639
Long-service awards	8,004,742	7,838,972
Performance bonus	215,146	334,149
Other allowances	138,102,946	120,351,734
Housing benefits and allowances	24,161,394	29,397,905
	<u>3,516,465,250</u>	<u>3,009,111,306</u>
Remuneration of City Manager		
Annual Remuneration	894,365	1,033,104
Car Allowance	128,400	128,400
Performance Bonuses	-	17,636
Cell phone allowance	12,000	12,000
Non pension allowance	254,899	-
	<u>1,289,664</u>	<u>1,191,140</u>
The performance bonus paid out in 2008/09 relates to 2006/07.		
Remuneration of Chief Financial Officer		
Annual Remuneration	844,432	848,742
Car Allowance	132,000	132,000
Contributions to UIF, Medical and Pension Funds	14,726	18,510
Cell phone allowance	10,800	10,800
Non pension allowance	108,030	-
	<u>1,109,988</u>	<u>1,010,052</u>
Remuneration of strategic executive directors		
Annual Remuneration	8,134,484	8,643,930
Car Allowance	1,271,000	1,204,800
Performance Bonuses	-	280,930
Contributions to UIF, Medical and Pension Funds	368,378	244,485
Cell phone allowance	96,000	102,000
Non pension allowance	1,714,395	-
	<u>11,584,257</u>	<u>10,476,145</u>
Remuneration: Technical services		
Annual Remuneration	223,308	825,550
Car Allowance	54,000	102,000
Performance Bonuses	-	171,113
Contributions to UIF, Medical and Pension Funds	-	24,878
Cell phone allowance	-	9,600
Non pension allowance	41,704	-
	<u>319,012</u>	<u>1,133,141</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
28. Employee related costs (continued)		
Remuneration: Corporate services		
Annual Remuneration	2,607,538	2,947,710
Car Allowance	573,000	588,000
Performance Bonuses	-	109,817
Contributions to UIF, Medical and Pension Funds	14,726	18,510
Cell phone allowances	20,400	30,000
Non pension allowance	397,356	-
	3,613,020	3,694,037
Remuneration: Community services		
Annual Remuneration	5,303,638	4,870,670
Car Allowance	644,000	514,800
Contributions to UIF, Medical and Pension Funds	353,653	201,097
Cell phone allowances	75,600	62,400
Non pension allowance	1,275,335	-
	7,652,226	5,648,967
29. Remuneration of councillors		
Executive Mayor's allowance	28,364	28,721
Councillors allowances	35,861,846	35,393,171
Councillors' pension contribution	3,504,093	3,655,173
Travelling allowance	13,615,264	13,209,916
Councillor's medical contributions	1,034,125	993,645
Councillor's housing allowance	1,958,596	2,070,178
	56,002,288	55,350,804
In-kind benefits		
<p>The Executive Mayor, Deputy 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.</p> <p>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.</p>		
30. Depreciation and amortisation		
Depreciation: Property, plant & equipment	645,728,197	439,620,426
Depreciation: Leased assets	96,652,895	87,889,995
Depreciation: Rehabilitation assets	50,872,615	40,374,328
	793,253,707	567,884,749
31. Finance costs (Interest paid)		
Long-term liabilities (external loans)	517,286,487	439,907,189
Finance leases	26,219,593	35,625,264
Bank overdraft	23,769,311	10,516,621
Amortisation: provisions	15,645,990	20,422,243
	582,921,381	506,471,317

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
32. Investment revenue		
Interest revenue (interest received)		
Bank	4,105,331	12,371,360
Investments	1,010,785	8,780,447
Long-term investments	78,861,628	78,491,989
Contingency insurance	12,814,955	22,855,757
	96,792,699	122,499,553
33. Debt impairment		
Contributions to bad debt provision	158,001,611	210,896,373
Amounts written off	238,535,652	165,228,233
	396,537,263	376,124,606
34. Bulk purchases		
Electricity	2,933,810,591	2,099,127,336
Water	705,610,324	619,058,616
	3,639,420,915	2,718,185,952
35. Grants and subsidies paid		
Other subsidies		
Grants-In-Aid	-	1,000,000
Grants-In-Aid: Property Rates	12,544,162	8,833,837
	12,544,162	9,833,837
<p>The grant-in-aid is in respect of the funding of Non-Governmental Organisation 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>		
36. General expenses		
Rental of property, plant and equipment	267,410,693	189,633,002
Insurance	104,745,627	96,718,228
Implementation: OITPS	50,238,027	42,286,005
Restructuring/Transformation	29,627,167	47,334,343
Rental of property	130,047,587	80,009,959
Advertising and marketing	7,997,255	45,417,252
Employment benefit provision expense	(141,015,467)	471,383,937
Consultant fees	39,821,476	52,547,655
Private sector labour	57,407,612	56,910,704
Electricity disconnections	56,112,494	47,994,896
Telecommunication	56,181,766	51,513,464
Service providers	88,932,570	100,382,562
Project Linked Housing: Top structures	-	135,002,463
Soccer World Cup 2010 related expenses	220,763,505	75,386,213
Special projects	40,535,156	57,954,081
Household refuse removal	122,347,036	75,545,094
Prepaid Electricity Commission	5,052,433	-
Hostel charges	100,882,628	107,365,635
Other expenses	1,177,254,992	1,085,361,333
	2,414,342,557	2,818,746,826

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
37. Cash generated from operations		
Surplus	1,116,960,631	527,965,993
Adjustments for:		
Depreciation and amortisation	793,253,707	567,884,749
Gain on sale of assets and liabilities	3,127,136	6,290,065
Fair value adjustments	3,371,166	(2,266,744)
Impairment deficit	22,025,456	6,901,250
Debt impairment	396,537,263	376,124,606
Movements in retirement benefit assets and liabilities	(141,015,467)	471,383,937
Movements in provisions	(52,074,432)	114,481,680
Roodeplaat Temba accumulated depreciation	-	97,378,452
Changes in working capital:		
Inventories	58,143,868	(25,701,793)
Other debtors	(39,731,656)	(391,848,568)
Consumer debtors	(568,523,146)	(642,108,231)
Trade and other payables from exchange transactions	296,621,809	888,673,056
VAT	51,103,912	60,204,345
Unspent conditional grants and receipts	(12,769,057)	91,160,107
Consumer deposits	36,749,490	14,781,014
	<u>1,963,780,680</u>	<u>2,161,303,918</u>
38. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	4,927,395,052	4,336,968,215
Used to finance property, plant and equipment	(6,814,811,397)	(5,832,746,578)
	(1,887,416,345)	(1,495,778,363)
Cash set aside for the repayment of long-term liabilities	(675,797,922)	(598,458,250)
	<u>(2,563,214,267)</u>	<u>(2,094,236,613)</u>
<p>Long-term liabilities have been utilized 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.</p> <p>Included in the amount used to finance property, plant & equipment (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.</p>		
39. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1,542,659	1,341,856
Amount paid - current year	(1,542,659)	(1,341,856)
	<u>-</u>	<u>-</u>
Audit fees		
Opening balance	2,354,194	1,863,140
Current year audit fee	13,060,947	10,054,969
Amount paid - current year	(10,289,213)	(7,700,775)
Amount paid - previous years	(2,354,194)	(1,863,140)
	<u>2,771,734</u>	<u>2,354,194</u>

The balance of the previous financial year was paid in the following financial year.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
39. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Opening balance	33,748,162	29,995,590
Current year payroll deductions	459,347,376	401,350,501
Amount paid - current year	(419,126,322)	(367,602,339)
Amount paid - previous years	(33,748,162)	(29,995,590)
	40,221,054	33,748,162
Pension and Medical Aid Deductions		
Current year payroll deductions and council contributions	877,169,483	766,356,276
Amount paid - current year	(877,169,483)	(766,356,276)
	-	-
VAT		
VAT payable	215,689,066	164,585,154

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Without payoff arrangements	With payoff arrangements	Total R
Buthelezi F K & N L E	10,947	-	10,947
Buthelezi M M	-	19,625	19,625
Gumede K K & D F	-	2,239	2,239
Kekana C	259	-	259
Kekana M H & M A	-	3,571	3,571
Kgashane S	4,448	1,576	6,024
Ledwaba D C	-	492	492
Mathekga C M	12,835	-	12,835
Matjokana K W & N Y	-	48,148	48,148
Mogashoa B	-	2,126	2,126
Mokgalapa S & B P	-	3,160	3,160
Mthetwa D & M A	-	10,405	10,405
Nel F P	-	9,246	9,246
Nkosi W M S	13,894	-	13,894
Phungwayo Z J & F P	7,201	-	7,201
Pillay S & N	4,122	-	4,122
Segabutla L O	2,263	-	2,263
Seoketsa G	-	39,030	39,030
Thobejane H S	2,334	-	2,334
Phala P M	4,137	-	4,137
	62,440	139,618	202,058

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R	
39. Additional disclosure in terms of Municipal Finance Management Act (continued)			
30 June 2009	Without payoff arrangements	With payoff arrangements	Total R
Blaauw M P	624	-	624
Buthelezi F K & N L E	11,178	-	11,178
Buthelezi M M	-	39,839	39,839
Engelbrecht J	668	-	668
Gumede K K & D F	-	5,031	5,031
Hoseka N P	-	2,270	2,270
Kekana C	227	-	227
Kekana M H & M A	2,657	-	2,657
Kgashane S	-	17,447	17,447
Ledwaba D C	-	2,809	2,809
Lesomo N A	748	-	748
Mathekga C M	9,778	-	9,778
Mogashoa B	-	1,991	1,991
Mthetwa D	-	9,410	9,410
Phala P M	210	-	210
Rambau T V	-	2,492	2,492
Seoketsa G	-	36,953	36,953
Wannenburg B J	-	4,401	4,401
Wannenburg D G	635	-	635
	26,725	122,643	149,368

40. Non-compliance with applicable legislation

Section 167

The provision of housing for the Executive Mayor does not fall within the framework of the Public Office-Bearers Act.

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.

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. The document still need to be signed by the City Manager.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
41. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	2,739,046,907	2,905,065,110
• Community	92,926,000	152,790,000
• Other	138,673,400	211,344,904
• Housing	59,000,000	191,100,000
	<u>3,029,646,307</u>	<u>3,460,300,014</u>
Approved but not yet contracted for		
• Infrastructure	107,780,000	62,727,200
• Community	41,800,000	17,980,900
• Other	10,748,640	6,500,000
• Housing	5,000,000	-
	<u>165,328,640</u>	<u>87,208,100</u>
	<u>3,194,974,947</u>	<u>3,547,508,114</u>
This expenditure will be financed from:		
Council own funding (external loans and/or Capital replacement reserve)	1,869,948,947	2,158,620,900
Capital replacement reserve	-	38,469,778
Provincial grants	46,878,000	6,825,126
Government housing	5,400,000	255,481,230
PTIS	804,180,000	693,254,080
MIG	380,568,000	342,079,000
National Electrification Fund	88,000,000	52,778,000
	<u>3,194,974,947</u>	<u>3,547,508,114</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

42. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2010

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COVID reserve	Housing development fund	Total
Opening balance	219,591,247	2,220,940,742	4,360,651,367	138,621,637	190,945,799	77,229,104	128,849,720	7,336,829,616
Offsetting of depreciation	-	(167,692,205)	(135,088,360)	-	-	-	-	(302,780,565)
Transfer to/(from) reserve	19,949,474	-	-	98,818,341	(44,428,906)	11,018,112	-	85,357,021
Property, plant and equipment purchases	(19,848,304)	19,848,304	-	-	-	-	-	-
Capital grants used to purchase property, plant and equipment	-	-	759,791,517	-	-	-	-	759,791,517
Asset Purifications/retirements	-	(409,500,339)	(70,799,646)	-	(259,735)	-	-	(480,559,720)
Prior year corrections	3,041,591	-	(96,518)	-	-	-	-	2,945,073
	222,734,008	1,663,596,502	4,914,458,360	237,439,978	146,257,158	88,247,216	128,849,720	7,401,582,942

Ring-fenced internal funds and reserves within accumulated surplus - 2009

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COVID reserve	Housing development fund	Total
Opening balance	304,115,888	2,239,732,907	3,803,440,161	-	229,239,489	68,873,273	128,919,887	6,774,321,605
Offsetting of depreciation	-	(133,147,993)	(89,590,113)	-	(28,908)	-	-	(222,767,014)
Transfer to/(from) reserve	38,971,691	-	-	138,621,637	(38,264,782)	8,355,831	-	147,684,377
Property, plant and equipment purchases	(441,137,531)	441,137,531	-	-	-	-	-	-
Capital grants used to purchase property, plant and equipment	-	-	650,643,403	-	-	-	-	650,643,403
Asset purification/retirements	317,641,199	(326,781,703)	(3,842,084)	-	-	-	(70,167)	(13,052,755)
	219,591,247	2,220,940,742	4,360,651,367	138,621,637	190,945,799	77,229,104	128,849,720	7,336,829,616

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
43. Retirement benefit information		
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.		
Defined contribution plan (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. 2 831 (23,37 %) of the Municipality's employees are members of this fund.	123,506,134	6,558,372
Pension Fund for Municipal Councillors: The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 101 (0,83 %) of the Municipality's employees are members of this fund.	6,558,372	6,894,592
National Fund for Municipal Workers. 3 484 (28,76 %) of the Municipality's employees are members of this fund.	180,605,515	155,494,094
SALA Provident Fund. 80 (0,66 %) of the Municipality's employees are members of this fund.	1,041,078	1,028,986
SAMWU National Pension Fund. 18 (0,15 %) of the Municipality's employees are members of this fund.	689,453	604,816
SAMWU National Provident Fund. 1 030 (8,50 %) of the Municipality's employees are members of this fund.	33,114,589	27,543,006
Germiston Municipal Retirement Fund 1 (0,01 %) of the Municipality's employees are a member of this fund.	58,277	50,683
Meshawu National Local Authorities Retirement Fund. 55 (0,45 %) of the Municipality's employees are members of this fund.	1,410,926	1,315,271
	346,984,344	199,489,820
Defined contribution plan (as classified by the relevant funds): Tshwane municipal pension fund		
TSHWANE MUNICIPAL PENSION FUND.		
The Consulting Actuaries reported that the Fund was in a sound financial position with a funding level of 100%. 382 (3.15%) of the Municipality's employees are members of this fund.		
Included in general expenses are:-		
Current service cost	24,046,000	24,410,000
Interest cost	75,927,000	81,379,000
Expected return on assets	(54,522,000)	(70,947,000)
Recognised Net (Gain)/Loss	(144,617,587)	95,968,000
Defined benefit expense	(99,166,587)	130,810,000
Post-employment benefit liability (funded status)		
Present value of the obligation	(686,903,774)	(770,600,000)
Fair value of plan assets	552,529,361	521,099,000
Liability recognised in statement of financial position	(134,374,413)	(249,501,000)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	770,600,000	740,349,000
Interest cost	24,046,000	81,379,000
Current service cost	6,813,000	24,410,000
Member contributions	75,927,000	6,367,000
Risk premiums	(2,232,000)	(2,086,000)
Benefits paid	-	(24,044,000)
Actuarial (gain)/loss on obligation	(188,250,226)	(55,775,000)
Present value of obligation at end of year	686,903,774	770,600,000

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
43. Retirement benefit information (continued)		
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	521,099,000	605,706,000
Expected return on plan assets	53,413,000	70,947,000
Contributions	23,882,000	22,319,000
Risk premiums	(2,232,000)	(2,086,000)
Benefits paid	-	(24,044,000)
Actuarial (gain)/loss on obligation	(43,632,639)	(151,743,000)
Fair value of plan assets at end of year	552,529,361	521,099,000
Composition of plan assets:		
Cash	8.28 %	13.71 %
Equity	58.20 %	52.98 %
Bonds	21.61 %	20.60 %
Property	0.45 %	0.08 %
Other	0.50 %	- %
International	10.96 %	12.63 %
Total	100.00 %	100.00 %
Actual return on plan assets	9,780,351	80,796,000
Estimated contributions to be paid to the Tshwane Pension fund in the next financial period	22,323,378	21,650,000
Municipal gratuity fund		
Actuarial valuations are carried out every 2 years. 1 401 (11.56%) 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	3,161,000	3,005,000
Interest cost	8,267,000	9,171,000
Expected return on assets	(16,557,000)	-
Recognised Net (Gain)/Loss	(11,514,396)	(2,345,000)
Defined benefit expense	(16,643,396)	9,831,000
Post-employment benefit liability (funded status)		
Present value of the obligation	(92,135,000)	(82,304,000)
Net (expense)/income recognised in Statement of financial performance	16,643,396	(9,831,000)
Liability recognised in statement of financial position	(75,491,604)	(92,135,000)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	92,135,000	82,304,000
Interest cost	3,161,000	9,171,000
Current service cost	8,267,000	3,005,000
Benefits paid	(16,557,000)	-
Actuarial (gain)/loss on obligation	(11,514,396)	(2,345,000)
Present value of obligation at end of year	75,491,604	92,135,000
Estimated benefit payments to be paid iro Gratuities in the next financial period	4,764,251	16,557,000
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

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
43. Retirement benefit information (continued)		
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. 856 (7,07 %) of the Municipality's employees are members of this fund.	28,471,024	26,961,721
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 %. 11 (0,09 %) of the Municipality's employees are members of this fund.	400,686	347,995
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. 50 (0,41 %) of the Municipality's employees are members of this fund.	3,385,910	3,175,481
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 %. 1 813 (14,97%) of the Municipality's employees are members of this fund.	54,858,523	48,450,990
	87,116,143	78,936,187
Medical aid funds		
Included in general expenses are:-		
Current service cost	15,681,000	14,321,000
Interest cost	61,256,000	57,523,000
Expected Employer Benefit Payments	(33,729,000)	(31,230,000)
Recognised Net (Gain)/Loss	(75,402,000)	-
Defined benefit expense	(32,194,000)	40,614,000
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(662,560,000)	(621,946,000)
Recognised actuarial gains	32,194,000	(40,614,000)
Liability recognised in statement of financial position	(630,366,000)	(662,560,000)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	662,560,000	621,946,000
Interest cost	61,256,000	57,523,000
Current service cost	15,681,000	14,321,000
Employer contributions	(33,729,000)	(31,230,000)
Actuarial Gains/Losses	(75,402,000)	-
Present value of obligation at end of year	630,366,000	662,560,000
Actuarial (gains)/losses recognised in other comprehensive income:		
Tshwane Pension Fund	(144,617,587)	95,968,000
Gratuities	(11,514,396)	(2,345,000)
Medical aid funds	(75,402,000)	-
Total amount of actuarial (gains)/losses recognised	(231,533,983)	93,623,000
Estimated employer benefit payments to be paid iro Medical aid funds in the next financial period	31,156,000	33,729,000

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	2010 R	2009 R
43. Retirement benefit information (continued)		
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:		
Subsidy Increase rate:		
Accrued liability 30 June	630,366,000	662,560,000
Decrease of 1 %	550,107,000	596,537,000
% change	(12.7)%	(10.0)%
Increase of 1 %	729,086,000	740,047,000
% change	15.7 %	11.7 %
Discount rate:		
Accrued liability 30 June	630,366,000	662,560,000
Decrease of 1 %	727,218,000	596,537,000
% change	15.4 %	18.1 %
Increase of 1 %	553,269,000	569,843,000
% change	(12.2)%	(14.0)%
Long service awards		
Included in general expenses are:-		
Current service cost	29,077,838	27,118,939
Interest cost	26,907,629	32,489,229
Expected Employer Benefit Payments	(29,073,829)	(25,477,639)
Recognised Net (Gain)/Loss	(3,963,122)	(37,767,702)
Defined benefit expense	22,948,516	(3,637,173)
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	306,080,937	309,718,110
Recognised actuarial gains	22,948,516	(3,637,173)
Liability recognised in statement of financial position	329,029,453	306,080,937
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	306,080,937	309,718,110
Interest cost	26,907,629	27,118,939
Current service cost	29,077,838	32,489,229
Employer contributions	(29,073,829)	(25,477,639)
Actuarial gains/losses	(3,963,122)	(37,767,702)
Present value of obligation at end of year	329,029,453	306,080,937
Actuarial (gains)/losses recognised in other comprehensive income:		
Long service awards	(3,963,122)	(37,767,702)
Estimated employer benefit payments to be paid iro Long service awards in the next financial period	(30,677,644)	(29,073,829)
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:		
Salary Increase rate:		
Accrued liability 30 June	329,029,000	306,080,937
Decrease of 1 %	305,684,000	284,339,253
% change	(7.1)%	(7.1)%
Increase of 1 %	355,347,000	330,837,600
% change	8.0 %	- %

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	2010 R	2009 R
43. Retirement benefit information (continued)		
Discount rate:		
Accrued liability 30 June	329,029,453	306,080,937
Decrease of 1 %	356,282,926	326,134,672
% change	8.3 %	- %
Increase of 1 %	305,242,372	288,602,527
% change	(7.2)%	(5.7)%

Actuarial assumptions

A summary of the assumptions used in the valuation, together with a short description on each is given below:

Economic assumptions (pension fund and gratuities):

Discount rate	9.13 %	9.50 %
Inflation rate	5.46 %	6.00 %
Salary Increase rate	6.46 %	7.00 %
Expected rate of return on assets	10.60 %	10.25 %
Pension increase allowance	5.19 %	5.54 %
Health Care Cost Inflation	7.21 %	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 inflation rate (pension funds and gratuities).

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 5.46 % 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 1.0 % (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	6.0 %
40	1.5 %
45	1.0 %

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	2010	2009
	R	R

43. Retirement benefit information (continued)

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 2010. 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 9.13 % 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 5.19 % 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 5.46 % per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 1.75 % per annum over the long-term.

44. Events after the reporting date

No material events occurred with respect to the 2008/09 financial year end after the date of the statement of financial position.

No material events occurred with respect to the 2009/10 financial year end after date of the statement of financial position in respect of loans and investments..

Civirelo Water, a municipal entity was disestablished on 30 June 2010 and a Transfer Agreement was signed with CoT to take over all rights and obligations from 1 July 2010.

45. 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

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Notes to the Annual Financial Statements

	2010 R	2009 R
46. Related parties		
<p>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.</p>		
Related party balances		
Related party transactions		
Civirelo Water:		
Gauteng Housing via CoT (general expense)	-	28,917,630
Creditors	-	11,637,757
Housing Company Tshwane:		
Received electricity & water sales and rates and taxes	463,607	466,633
Paid General expenses	1,653,853	8,357,791
Sundry creditors (i.r.o. electricity, water & rates)	-	59,321
Sandspruit Works Association:		
Outstanding payments i.r.o. water & electricity/authority billing	-	796,501
Water purchases from CoT	-	214,011
Subsidy received from CoT	58,872,414	35,278,819
DWAF subsidy (creditor)	1,995,512	811,205
DWAF subsidy paid to Sandspruit (ODI) (creditor)	-	11,719,714
Paid Water sales to CoT	61,217,177	133,284,870
Waste water (creditor)	5,251,109	5,346,128
Sanitation operational deficit (debtor)	64,993,081	47,000,805
Operating loss account (creditor)	28,062,946	15,507,901
Rand Water paid by CoT on behalf of Sandspruit (debtor)	31,849,048	-
DWAF subsidy received	7,898,496	-
Roodeplaat Temba Water Services Trust:		
Disestablishment of trust	-	23,002,905
<p>Roodeplaat Temba Water Services Trust was disestablished on 30 June 2008. All transactions, assets and liabilities were taken over by the City of Tshwane on 1 July 2008. A summary of the transactions is as follows:</p>		
Gain on disestablishment consist of:		
External long-term loans	-	(518,067,525)
Interest received	-	(3,847,947)
Property, plant & equipment - Cost	-	475,042,472
Property, plant & equipment - Accumulated Depreciation	-	(97,378,452)
Interest payable external long-term loans	-	(13,064)
Sundry debtor	-	14,873
Cash/bank balance	-	167,251,450
Bank charges	-	1,098
	-	23,002,905
47. Prior period restatements		
Restatement of revenue, expenditure & accumulated surplus prior to 2005/06		
Recognised revenue from grant (youth centre) too high	635,291	-
Unclaimed monies incorrectly transferred to revenue	(1,710,000)	-
Expenditure incurred: Cease of CBD Taxi Operations	354,542	-
Revenue gained from Northwest Housing Agency	(224,543)	-
Debit notes on consumer payments not processed	(364,968)	-
	(1,309,678)	-
Restatement of revenue & expenditure i.r.o. 2006/07		
Allocation of property rates adjustments	4,000,565	-
Correction: Unclaimed monies incorrectly transferred to revenue	46,054	-
Transfer incomplete capital projects to operational expenditure	7,280,149	-
	11,326,768	-

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	2010 R	2009 R
47. Prior period restatements (continued)		
Restatement of expenditure, revenue and Statement of financial position iro 2007/08		
Grant expenditure accrued incorrectly in 2007/08	-	(5,280)
Depreciation: ICS register brought in on asset register	-	12,283,419
Assets brought in at fair value (assets found during verification process)	-	(35,081,273)
ICS Register brought in on asset register - Cost	-	(169,133,571)
Interest on leases - correction of calculation error during 2007/08	-	(392,339)
Depreciation: Zero value assets correction	-	20,235,296
Grant revenue recognised in incorrect year	-	(6,131,900)
Ambulance subsidy accrual done in 2007/08 was too high	-	(925,250)
Property rates revenue	-	4,047,335
Revenue i.r.o. rezoning	-	55,806,593
Allocation of property rates adjustments	(2,603,597)	-
Decrease of public contribution for rezoning	6,818,448	-
Lease rental income for properties leased (first time calculation)	(60,121,489)	-
Revenue gained from Tswaing Electricity (ME) disestablishment	(41,450)	-
Correction: Unclaimed monies incorrectly transferred to revenue	56,483	-
Library books capitalised (first time calculation)	(126,568,215)	-
Expense: Constituency allowance paid back	(15,119)	-
Expense: Transfer incomplete capital projects to operational expense	7,977,813	-
Expense: Lease repayment expense correction	(1,311,397)	-
Expense: Depreciation on leased assets correction	1,010,087	-
Expense: Depreciation rehabilitation asset quarries correction	982,488	-
Expense: Interest on leased assets correction	370,050	-
Expense: Interest on landfill sites provision correction	5,472,925	-
Expense: Interest on quarries provision correction	1,681,766	-
Expense: Depreciation on landfill site rehabilitation assets correction	11,250,512	-
Expense: Depreciation on library books (first time calculation)	12,677,461	-
Expense: License expenditure overstated	(1,332)	-
	(142,364,566)	(119,296,970)
Restatement of reserves and provisions iro 2007/08		
Government grant reserve (difference with upload of New Asset Register)	-	56,429
Insurance reserve - correction of balance	-	214,398,004
Rehabilitation provisions (provisions expensed in stead of capitalised)	-	(81,421,984)
Employment benefit provision expenses and liability - first time implementation of IAS 19	-	838,893,000
Capitalisation reserve: correction of zero value assets	-	14,402,212
	-	986,327,661
Restatement of accumulated surplus prior to 2007/08		
Amounts reimbursed by IEC incorrectly allocated to bulk contributions during 2004/05	-	(15,335,500)
Write back of accumulated depreciation on land incorrectly calculated during 2004/05	-	141,347,465
Write back of accumulated depreciation on undeveloped land incorrectly calculated during 2004/05	-	123,324
Property rates revenue correction	-	(4,316,941)
Depreciation correction: zero value assets	-	128,845,874
	-	250,664,222
Restatement of reserves prior to 2007/08 during 2008/09		
Capitalisation reserve: Write back on zero value assets - depreciation	-	139,469,413
Government grant reserve: Write back on zero value assets depreciation	-	7,553,936
	-	147,023,349
Restatement of revenue, expenditure, reserves, provisions and statement of financial position of 2008/09		
Expense: Interest on landfill sites provision correction	(305,556)	-
Expense: Interest on quarry provision correction	161,745	-
Expense: Depreciation on landfill site rehabilitation asset correction	23,184,924	-

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Notes to the Annual Financial Statements

	2010 R	2009 R
47. Prior period restatements (continued)		
Expense: Depreciation on quarry rehabilitation asset correction	375,530	-
Expense: Interest on lease assets correction	(969,025)	-
Expense: Reversal of advertising payment	(12,539,197)	-
Expense: Depreciation on leased assets correction	5,405,942	-
Expense: Transfer incomplete capital projects to operation expense	4,267,771	-
Expense: Depreciation on library books (first time calculation)	5,171,904	-
Expense: Depreciation on Schubart Park (first time calculation)	30,046,680	-
Expense: Depreciation on Kruger Park (first time calculation)	3,595,230	-
Expense: Rehabilitation expense for landfill sites capitalised	(3,147,595)	-
Expense: Library books capitalised (first time calculation)	(2,729,381)	-
Expense: Lease repayment expense correction	(3,651,139)	-
Revenue: Decrease public contributions for rezoning	23,627,147	-
Revenue: Lease rental income for properties leased	(3,973,352)	-
Revenue: Gained from Lebone (ME) disestablishment	(15,121)	-
Revenue: Allocation of property rates adjustments	8,898,789	-
Inventory: Cable stock differences corrected	(983,692)	-
Kruger Park land & building brought into asset register @ depreciated replacement cost	(26,715,475)	-
Schubart Park land & buildings brought into asset register @ depreciated replacement cost	(163,342,643)	-
Reserve: Government grant reserve correction	96,517	-
Reserve: Capital replacement reserve correction	(3,041,591)	-
Provision: Retirement benefit for long service awards (first time calculation)	306,080,937	-
	189,499,349	-
48. Unauthorised expenditure		
Opening balance	75,013,481	51,175
Unauthorised expenditure in current year	220,503	74,962,306
Less: Approved/Condoned by Council	(743,228)	-
	74,490,756	75,013,481
<p>2008: Incident 1: Unapproved travelling to Swaziland during November 2007 Disciplinary steps: A report to obtain approval has been submitted to City Manager.</p> <p>2008: Incident 2: Insurance claims not reported timeously and repudiated claims not compliant with procedural deadlines. Disciplinary steps: disciplinary actions taken against relevant employee.</p> <p>2009: Incident 1: R14 012 470 expenditure on Municipal rates and services not budgeted for (costs should have been for tenants accounts) for Housing & Sustainable Development</p> <p>2009: Incident 2: R57 023 820 application for funds transfer in adjustments budget not approved for Economic Development: Bus Service</p> <p>2009: Incident 3: R2 800 000 No budget for contract employees from labour brokers (Electricity & Energy Department)</p> <p>2009: Incident 4: R589 915 Cable theft combat - expense to be recovered from claims (Electricity & Energy Department)</p> <p>2009: Incident 5: End user support (IMD) - authorisation from cost centre owner for debiting of costs (Electricity & Energy Department)</p> <p>2010: Incident 1: Housing & Sustainable Human Settlement Development - Remuneration of MMC not budgeted for (appointed October 2009) (R778 278)</p> <p>2010: Incident 2: Economic Development Bus Service - Telecommunication expense not provided for (R113 181)</p> <p>2010: Incident 3: 2010 Office - Printing of Host Cities brochure not approved. Condoned on 26 April 2010 (R148 232)</p> <p>2010: Incident 4: Corporate & Shared Services: Human Resources - Over expenditure on remuneration (R72 271)</p>		

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	2010 R	2009 R
48. Unauthorised expenditure (continued)		
Unauthorised expenditure due to late approval of deviation report (not approved before 31 August)		
General Assessments	-	277,891,177
Corporate and Shared Services	14,417,589	-
Economic Development	18,645,482	-
Agriculture and Environmental Management	271,030,255	199,207,792
Housing and Human Settlement Development	53,329,471	-
Community Safety	34,290,279	-
Health and Social Development	5,484,672	-
City Planning and Regional Services	3,568,729	-
Public Works: Electricity and Energy	115,009,685	-
	515,776,162	477,098,969
Expenditure not budgeted for due to first time implementation of Accounting Standards/impairments and other adjustments		
Employment benefit provision expense	-	165,303,000
Impairment of Schubart Park & Kruger Park	22,025,456	-
	22,025,456	165,303,000
49. Fruitless and wasteful expenditure		
Opening balance	2,059,809	1,242,964
Fruitless and wasteful expenditure in current year	108,845	899,215
Less: Approved by Council/Condoned/repayed/written off	(3,135)	(82,370)
	2,165,519	2,059,809
<p>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.</p> <p>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. Report to be written for amount to be written off.</p> <p>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)</p> <p>2008: Incident 4: Supply of fuel to contractor by Housing & Sustainable Human Settlement Development. Disciplinary steps: Investigation underway (R1 160 594)</p> <p>2009: Incident 1: Electricity & Energy Department (R404 576) claims repudiated due to outstanding case numbers from cost centre. Disciplinary steps: None taken.</p> <p>2010: Incident 1: Office of the Executive Mayor - official booked lunch for meeting without approval - SEO condoned as there was no wilful misconduct.</p> <p>2010: Incident 2: Office of the Executive Mayor - approval of incorrect art work on bill board - SED condoned as there was no wilful misconduct.</p> <p>2010: Incident 3: Office of the Executive Mayor - appointment of service provider for distribution of newsletter not approved - SEO condoned as there was no wilful misconduct.</p>		
50. Irregular expenditure		
Opening balance	815,966	6,980
Add: Irregular Expenditure - current year	395,794	815,966
Less: Approval/repayment during the current year	(152,617)	(6,980)
	1,059,143	815,966

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	2010 R	2009 R
50. Irregular expenditure (continued)		
Details of irregular expenditure – current year		
2009: Corporate & Shared Services - fraudulent payment of salaries	Disciplinary steps taken/criminal proceedings Reported in October 2008	150,337
2009: Sport, Recreation, Arts & Culture - New Year celebration	Implementation of City Manager Report recommendation	553,360
2009: Electricity & Energy Department - Issuing of gas stove cost centre 109 30	None	112,269
2010: Sport Recreation Arts & Culture - procurement procedures not followed SAFA U/19 reception	Awaiting outcome of Auditors and Legal Services	140,000
2010: Community Safety - Payment of ESS System at Fire Brigade not approved	City Manager condoned on 26 July 2010	152,617
2010: Office of the Executive Mayor	Purchase of furniture outside official procurement process. Forensic Audit is underway	10,837
2010: Health & Social Development	Detail not declared	92,340
		<u>1,211,760</u>
Details of irregular expenditure condoned		
2008: Cash shortage at Premos restaurant	Condoned by Council/City Manager/SED Manager undertook in writing to replace cash shortage	6,980
2010: Community Safety - Payment of ESS system	City Manager condoned payment on 26 July 2010	152,617
		<u>159,597</u>

51. Financial instruments

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.

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:

City of Tshwane Metropolitan Municipality

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					2010			2009
					R			R
51. Financial instruments (continued)								
Year ended 30 June 2010								
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			
	R	R	%	Years	R	Years	R	
Assets								
Investments	157,172,864	698,149,111	14.36	13.62			855,321,975	
Long-term receivables:								
Housing loans		59,849,150	13.87	30.00			59,849,150	
Motor car loans		104,645	8.66	6.00			104,645	
Loans to sport clubs		1,643,401	11.99	10.00			1,643,401	
Study loans					3,827		3,827	
Sale of Land		91,661,987	11.09	5.00			91,661,987	
Arrangement debtors		8,449,253	-		225,716,613		234,165,866	
Trade receivables:								
Consumer		2,996,967,252	10.50	1.00	1,045,116,436		4,042,083,688	
Other					902,282,471		902,282,471	
Cash	92,871,738	-					92,871,738	
Total financial assets	250,044,602	3,856,824,799			2,173,119,347		6,279,988,748	
Liabilities								
Interest bearing borrowings	179,026,145	4,520,419,552	10.91	14.61			4,699,445,697	
Interest rate swaps		227,949,356	20.61	17.79			227,949,356	
Lease liabilities	200,125,319						200,125,319	
Trade payables:								
Creditors					2,785,131,546	0.08	2,785,131,546	
Retention					153,980,649	1.00	153,980,649	
Consumer deposits					319,509,467	0.08	319,509,467	
Unspent grants and receipts					407,786,572	0.08	407,786,572	
VAT					215,689,066	0.08	215,689,066	
Bank overdrafts	12,979,239						12,979,239	
Total financial liabilities	392,130,703	4,748,368,908			3,882,097,300		9,022,596,911	

City of Tshwane Metropolitan Municipality

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			2010		2009		
			R		R		
51. Financial instruments (continued)							
Year ended 30 June 2009							
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		
	R	R	%	Years	R	Years	R
Assets							
Investments	201,227,196	4,767,245,781	13.97	13.62			4,968,472,977
Long-term receivables:							
Housing loans		57,556,328	13.87	30.00	30		57,556,358
Motor car loans		173,915	8.66	6.00	6		173,921
Loans to sport clubs		1,661,855	11.99	10.00	10		1,661,865
Study loans					5,293		5,293
Sale of Land		79,405,336	11.09	5.00			79,405,336
Arrangement debtors		58,243,480			187,128,830		245,372,310
Trade receivables:							
Consumer		2,885,167,262	15.00	1.00	875,049,898		3,760,217,160
Other					737,740,110		737,740,110
Cash	89,561,926						89,561,926
Total financial assets	290,789,122	7,849,453,957			1,799,924,177		9,940,167,256
Liabilities							
Interest bearing borrowings	162,331,528	3,946,687,331	11.24	15.93	15		4,109,018,874
Interest rate swaps		227,866,133	20.51	17.79			227,866,133
Lease liabilities	267,620,857						267,620,857
Trade payables:							
Creditors					2,499,800,662	0.08	2,499,800,662
Retention					142,689,724	1.00	142,689,724
Consumer deposits					282,759,977	0.08	282,759,977
Unspent grants and receipts					420,555,629	0.08	420,555,629
VAT					164,585,154	0.08	164,585,154
BANK overdrafts	95,416,694						95,416,694
Total financial liabilities	525,369,079	4,174,553,464			3,510,391,161		8,210,313,704

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:

City of Tshwane Metropolitan Municipality

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	2010 R	2009 R
51. Financial instruments (continued)		
	Fair value	Estimated fair value gain/(loss)
	R	R
Year ended 30 June 2010	200,000,000	-
	Fair value	Estimated fair value gain/(loss)
	R	R
Year ended 30 June 2009	200,000,000	(12,329,578)

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.

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 2010 %	30 June 2009 %
Consumer debtors:		
Household	52	58
Industrial/Commercial	17	17
National and Provincial Government	1	1
Other consumer debtors	13	11
Other debtors:		
Other	17	13
	100	100

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

City of Tshwane Metropolitan Municipality

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Notes to the Annual Financial Statements

	2010	2009
	R	R

51. Financial instruments (continued)

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 2010	30 June 2010	30 June 2011
	R	R	R
External funding: capital expenditure	1,081,000,000	1,000,000,000	1,000,000,000

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

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:

City of Tshwane Metropolitan Municipality

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Notes to the Annual Financial Statements

	2010 R	2009 R
51. Financial instruments (continued)		
Year ended	Fair value	Carrying amount
	R	R
30 June 2010		
Liabilities		
Interest rate swaps	<u>200,000,000</u>	<u>200,000,000</u>
30 June 2009		
Liabilities		
Interest rate swaps	<u>200,000,000</u>	<u>200,000,000</u>

City of Tshwane Metropolitan Municipality

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Notes to the Annual Financial Statements

	2010 R	2009 R		
51. Financial instruments (continued)				
Maturity profile				
The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:				
Year ended 30 June 2010				
	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	640,099,026	195,954,484	19,268,465	855,321,975
Long-term receivables:				
Housing loans			59,849,150	59,849,150
Motor car loans	104,645			104,645
Loans to sport clubs			1,643,401	1,643,401
Study loans	3,827			3,827
Sale of Land		91,661,987		91,661,987
Arrangement debtors	115,795,021	118,370,845		234,165,866
Trade receivables:				
Consumer	4,042,083,688			4,042,083,688
Other	902,282,471			902,282,471
Cash	92,871,738			92,871,738
Total financial assets	5,793,240,416	405,987,316	80,761,016	6,279,988,748
Liabilities				
Interest bearing borrowings	311,490,033	122,459,994	4,265,495,673	4,699,445,700
Interest rate swaps		227,949,356		227,949,356
Lease liabilities	121,947,298	78,178,021		200,125,319
Trade payables:				
Creditors	2,785,131,546			2,785,131,546
Retention	153,980,649			153,980,649
Consumer deposits	319,509,467			319,509,467
Unspent grants and receipts	407,786,572			407,786,572
VAT	215,689,066			215,689,066
Bank overdrafts	12,979,239			12,979,239
Total financial liabilities	4,328,513,870	428,587,371	4,265,495,673	9,022,596,914

City of Tshwane Metropolitan Municipality

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Notes to the Annual Financial Statements

	2010 R	2009 R		
51. Financial instruments (continued)				
Year ended 30 June 2009				
	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
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	3,760,217,160			3,760,217,160
Other	737,740,110			737,740,110
Cash	89,561,926			89,561,926
Total financial assets	4,883,523,761	703,247,002	62,875,237	5,649,646,000
Liabilities				
Interest bearing borrowings	5,812	419,554,525	3,689,458,522	4,109,018,859
Interest rate swaps		227,866,133		227,866,133
Lease liabilities	172,477,222	95,143,635		267,620,857
Trade payables:				
Creditors	2,499,800,662			2,499,800,662
Retention	142,689,724			142,689,724
Consumer deposits	282,759,977			282,759,977
Unspent grants and receipts	420,555,629			420,555,629
VAT	164,585,154			164,585,154
Bank overdrafts	95,416,694			95,416,694
Total financial liabilities	3,778,290,874	742,564,293	3,689,458,522	8,210,313,689
Hedging				
Hedging is not applicable in the environment of the Municipality.				
52. In-kind donations and assistance				
The Municipality received the following in-kind- donations and assistance:				
<ul style="list-style-type: none"> • Secondment of one(1) representatives from SAICA 				
53. Operating leases				
The amounts of minimum lease payments under non-cancelable and cancelable operating leases in respect of photocopier equipment are as follows:				
Non-cancelable				
The next year			2,951,541	3,277,189
Years 2 through 5 combined			1,970,482	2,826,219
			4,922,023	6,103,408
Cancelable				
The next year			2,417,335	3,013,227
Years 2 through 5 combined			382,931	2,800,266
			2,800,266	5,813,493

City of Tshwane Metropolitan Municipality

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	2010 R	2009 R
54. Finance lease receivables		
Gross investment in the lease due		
- within one year	6,991,719	7,828,302
- in second to fifth year inclusive	19,570,358	22,421,534
- later than five years	293,274,887	297,415,431
	319,836,964	327,665,267
55. Contingencies		
Housing loan guarantees		
Guarantees for housing loans to employees at financial institutions	464,702	1,815,627
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 of payments.		
Indemnification		
Investments ceded to Workmen's Compensation Commissioner in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	41,303,607	41,303,607
The capitalised value as at 31 December as calculated by the department of Labour amounted to R41 303 607 (2009 = R41 303 607. Only R41,3 million of the R43 398 753 investment is required to be ceded.		
Consistent with prior years the amendment to the cession will be addressed in the following financial year.		
Guarantees issued		
Guarantees issued in favour of Eskom	213,500	213,500
Retirement of redundant employees		
Pension fund contribution	52,309,000	52,309,000
Medical fund contribution	46,719,000	46,719,000
	99,028,000	99,028,000
The retirement of redundant employees resulted in the abovementioned estimated long-term liabilities (these liabilities are budgeted for annually).		
These employees received packages and qualify for a monthly pension and are deemed to be full members of the medical fund up to the approved age of retirement.		
Insurance claims		
Pending claims iro asset-, motor own damage- contractors and electricity claims	14,907,142	66,342,062
Pending claims iro public liabilities	34,189,660	-
	49,096,802	66,342,062
Above mentioned insurance claims 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 R146,3 million (2008/09 = R190,7 million)		
56. Change in estimate		
Property, plant and equipment		
The useful lives of certain asset classes have been reviewed and adjusted to more accurately reflect the life spans of the assets, taking into consideration the condition of the assets where the cost of these assets would have depreciated completely to a zero net book value. The effect of this revision has decreased the depreciation charges for the current and future periods.		

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

	2010 R	2009 R
56. Change in estimate (continued)		
Landfill sites		
The useful lives of landfill sites have been reviewed and adjusted after closure of some sites to more accurately reflect the life spans of the assets. The closure of Valhalla resulted in a decrease of useful life for Garankuwa, Hatherley, Onderstepoort and Soshanguve landfill sites to 15 years. The effect of this revision has decreased the depreciation charges for the current and future periods.		
Effect of change in estimates		
Other and infrastructure assets	22,658,214	210,451,991
Landfill sites	1,222,009	-
	23,880,223	210,451,991

57. Deviation from supply chain management regulations

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 complete
- 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 amount to approximately the following:

Deviation from tender process:

The largest deviations occurred in the following departments:

- Office of the Executive Mayor = R40 439
- City Planning = R20 977
- Corporate and Shared Services = R233 047 443
- Agriculture and Environmental Services = R120 308 306
- Community Safety = R47 141 989
- Financial Services = R15 300 839
- Health & Social Development = R2 625 580
- Housing and Sustainable Human Settlement Development = R387 117 000
- Public Works & Infrastructure Development: Energy and Electricity = R59 816 625
- Public Works & Infrastructure Development: Water and Sanitation = R33 190 960
- Public Works & Infrastructure Development: Roads and Storm water = R624 999
- Sport, Recreation, Arts & Culture = R1 650 000
- Economic Development = R3 000 000

Deviation from quotation process:

Most of the reasons why the deviations were necessary was due to the following:

- * Sole suppliers
- * Emergency
- * Impracticality

Deviation from tender process

Amounts above R200 000 or projects spanning more than one year	965,240,588	346,346,352
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Deviation from quotation process

Amounts below R200 000	2,287,216	4,939,171
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58. 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
- Health & Social Development with Montana Netcare Hospital - placement of sectional nurse 2 x week
- Health & Social Development with SPCA (Tshwane) enforcing Animal Care by-laws and ensuring animal welfare in CoT

City of Tshwane Metropolitan Municipality

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Notes to the Annual Financial Statements

	2010 R	2009 R
58. Public Private Partnerships (continued)		
<ul style="list-style-type: none">• Health & Social Development with Carel du Toit Hearing Centre - conduct audiometric tests targeting hearing acuity for children• Health & Social Development with Znimpilo (NGO) - conduct research project on why males are reluctant to visit PHC clinics in Atteridgeville• Health & Social Development with NAFCI: Establishing youth friendly services in Mamelodi West, Lotus Gardens, Atteridgeville and Saulsville PHC clinics• Agriculture & Environmental Management (Waste Management) with Buyisa-e-Bag a section 21 company - established 3 buy-back centres as a recycling initiative within CoT.		
59. Joint Ventures		
<p>The City of Tshwane is involved in the following Joint Ventures - the parties however act independently (existing agreements)</p> <ul style="list-style-type: none">• 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		
60. Distribution losses: Water		
<p>The management of unaccounted for water (UAW) in a municipal environment is a means of 'managing' commodity and financial losses at acceptable levels. Over the last few years the CoT has initiated and implemented various strategies to manage UAW, for example the Water Conservation and Demand Management Strategy.</p> <p>The composition of UAW can be categorised into real losses (pipe leaks, pipe breakages, pipe bursts, mains flushing, air scouring, scraping and relining etc), and apparent losses (un-metered consumption, illegal connections, faulty meters etc). The bulk supply to authorised (communal supply informal) consumption zones is not metered but estimated based on the number of households within the zones</p> <p>The UAW amounts to 26,6 % (27,6 % for 2008/09) for the 2009/10 financial year. It can be concluded that the UAW level in the CoT is under control and one of the lowest of the Metropolitan Municipalities in South Africa.</p> <p>We are currently at a point where huge amounts of money will be required to achieve any further reductions. Realistically, if funding were made available, the distribution losses can be reduced by a maximum of between 2-3%, at cost in excess of R100 million. To achieve this the CoT will need to provide funding for:</p> <ul style="list-style-type: none">• Large scale meter replacement projects• Installation of complete new water networks to replace informal pipe networks• Implement large pressure reducing systems		
61. Distribution losses: Electricity		
<p>The electricity distribution loss comprises of technical and non-technical losses. Technical losses are losses on the electricity sub-transmission and distribution equipment due to attenuation of the power signal by conductors like copper and aluminium.</p> <p>Non-technical losses are losses due to electricity theft, tampering, faulty meters, etc. The acceptable industry standard for the technical losses is between 5% and 6%, and 9% for non-technical losses.</p> <p>The loss for CoT amounts to 7,65% (6,0% for technical losses and 1,65% for non-technical losses) for the 2009/10 financial year which compares favourably with the standard. Various measures are in place to manage the losses down.</p>		

City of Tshwane Metropolitan Municipality

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Appendix A: Schedule of external loans

Schedule of external loans as at 30 June 2010

Interest Rate (%)	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Amortatised value	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip	
		Rand	Rand	Rand	Rand	Rand	Rand	
LOCAL REGISTERED STOCK :								
Issued								
Loan 105 (Issued 1997)	16.65	2014.06.30	96,021,250	-	-	576,607	96,597,857	111,090,010
Loan 104 (Issued 1993)	14.15	2008.09.30	-	-	-	-	-	-
Loan 43 (Issued 1984)	16.25	2004.04.30	5,812	-	-	-	5,812	6,684
Loan 55 (Issued 1990)	16.40	2011.06.30	14,609,142	-	-	(71,952)	14,537,190	16,718,141
Loan 62 (Issued 1992)	13.50	2011.06.30	21,140,662	-	-	(408,234)	20,732,428	23,842,823
Loan 63 (Issued 1993)	14.00	2011.06.30	37,707,467	-	-	507,136	38,214,603	43,947,772
Loan 65 (Issued 1997)	15.75	2011.06.30	50,000,000	-	-	-	50,000,000	57,501,281
Loan 66 (Issued 2000)	16.50	2011.06.30	59,000,000	-	-	-	59,000,000	67,851,511
			-	-	-	-	-	-
			278,484,333	-	-	603,557	279,087,890	320,958,222
TERM LOANS								
DBSA: bullet portion	13.50	2018.04.30	51,746,052	-	-	-	51,746,052	59,509,285
DBSA: Floating rate	Variable	2019.10.31	78,331,528	-	-	-	78,331,528	90,083,264
ABSA Bank loan B3	Variable	2011.06.30	84,000,000	-	-	-	84,000,000	96,602,152
INCA Loan	17.15	2011.06.30	45,000,000	-	-	-	45,000,000	51,751,153
ABSA Bank Arbitrage	19.13	2011.10.31	227,949,356	-	-	-	227,949,356	262,147,598
			-	-	-	-	-	-
			487,026,936	-	-	-	487,026,936	560,093,452
ANNUITY LOANS:								
DBSA	13.5	2018.04.30	228,044,406	-	12,522,551	(435,359)	215,086,496	247,354,979
DBSA Local Authorities	13.5	2012.12.31	12,076,004	-	2,908,489	-	9,167,515	10,542,877
DBSA (Restructuring)	10.87	2018.12.31	223,087,523	-	14,316,732	-	208,770,791	240,091,757
INCA	11.66	2019.06.30	16,560,061	-	975,215	-	15,584,846	17,922,972
INCA	9.52	2020.03.31	193,947,279	-	10,361,306	(319,108)	183,266,865	210,761,589
INCA	11.01	2020.06.30	43,297,675	-	2,178,068	-	41,119,607	47,288,601
DBSA	9.36	2020.12.31	239,678,062	-	12,338,908	-	227,339,154	261,445,850
INCA	10.92	2020.12.31	88,491,695	-	4,146,608	-	84,345,087	96,999,010
INCA	10.81	2021.06.30	72,293,771	-	3,166,613	-	69,127,158	79,498,002
DBSA	5.0	2021.12.31	85,068,806	-	5,327,391	-	79,741,415	91,704,670
DBSA	9.835	2021.12.31	354,274,637	-	16,511,821	-	337,762,816	388,435,890
Ivuzi	13.5	2021.12.31	181,678,594	-	8,484,434	-	173,194,160	199,177,720
DBSA	6.25	2028.06.30	97,119,825	-	2,780,535	(116,462)	94,222,828	108,358,666
DBSA	12.81	2028.06.30	197,564,740	-	2,756,171	-	194,808,569	224,034,844
DBSA	11.32	2028.06.30	198,495,051	-	3,072,996	-	195,422,055	224,740,369
ABSA Roodeplaat Temba	12.5	2021.03.31	234,804,266	-	8,459,577	218,183	226,562,872	260,553,106
DBSA Roodeplaat Temba	11.99	2021.03.31	121,527,510	-	4,547,726	(286,023)	116,693,761	134,200,814
Nedbank Roodeplaat Temba	12.51	2021.03.31	161,447,042	-	5,815,959	(293,825)	155,337,258	178,641,825
DBSA TIP	6.75	2029.06.30	150,000,000	-	1,788,227	(1,931,312)	146,280,461	168,226,277
DBSA IIP	10.84	2029.06.30	672,000,000	-	4,543,044	(5,504,735)	661,952,221	761,262,009
Nedbank		2020.06.18	-	360,000,000	-	4,023,360	364,023,360	418,636,188
Nedbank		2020.06.18	-	360,000,000	-	1,470,930	361,470,930	415,700,828
			-	-	-	-	-	-
			3,571,456,947	720,000,000	127,002,371	(3,174,351)	4,161,280,225	4,785,578,843
			4,336,968,216	720,000,000	127,002,371	(2,570,794)	4,927,395,051	5,666,630,517

Schedule of external loans as at 30 June 2010

Interest Rate (%)	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Amortatised value	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip
		Rand	Rand	Rand	Rand	Rand	Rand
FINANCE LEASES							
	Variable *	15,437,209	4,918,772	6,685,007	-	13,670,974	12,866,307
	Variable *	48,209,252	2,782,195	50,991,447	-	-	-
	Variable *	30,543,387	5,617,630	19,440,574	-	16,720,443	14,732,377
	Variable *	8,429,347	4,017,475	9,047,823	-	3,398,999	3,370,231
	Variable *	4,955,301	283,427	2,981,409	-	2,257,319	2,180,412
	Variable *	7,610,031	639,074	2,432,314	-	5,816,791	5,720,169
	Variable *	67,603,907	40,332,535	40,845,862	-	67,090,580	63,219,591
	Variable *	1,613,341	141,435	378,439	-	1,376,337	7,876,600
	Variable *	-	8,306,817	394,475	-	7,912,342	1,350,769
	Variable *	28,578,710	1,595,069	17,364,268	-	12,809,511	12,235,151
	Variable *	71,251	920	72,171	-	-	-
	Variable *	13,194,000	42,729,121	14,786,453	-	41,136,668	40,444,054
	Variable *	31,524,864	2,280,931	13,233,141	-	20,572,654	19,966,076
	Variable *	9,850,257	1,151,103	3,638,655	-	7,362,705	7,193,796
		267,620,857	114,796,504	182,292,038	-	200,125,323	191,155,533

City of Tshwane Metropolitan Municipality

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Appendix B: Analysis of property, plant and equipment

City of Tshwane Metropolitan Municipality

Appendix B

June 2010

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Acquisitions	Disposals	Transfers	Additions and adjustments	Closing Balance	Opening Balance	Additions	Impairment	Disposals	Transfers	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Infrastructure													
Assets under construction	1,358,162,089	962,457,878	-	(717,109,778)	(2,260,246)	1,601,249,943	-	-	-	-	-	-	1,601,249,943
Electricity	2,701,896,357	226,408,623	-	165,025,003	12,358	3,093,342,341	(692,695,971)	(63,270,204)	-	-	-	(755,966,175)	2,337,376,166
General	65,941,973	3,083,644	(269,549)	9,809,932	-	78,566,000	(31,948,859)	(9,552,190)	-	73,333	-	(41,427,716)	37,138,284
Roads	3,766,001,920	527,261,704	(1,317,603)	205,643,877	-	4,497,589,898	(1,050,783,810)	(158,248,506)	-	-	-	(1,209,032,316)	3,288,557,582
Water and sanitation	3,334,159,626	115,185,247	-	289,497,390	-	3,738,842,263	(758,761,979)	(128,623,282)	-	-	-	(887,385,261)	2,851,457,002
	11,226,161,965	1,834,397,096	(1,587,152)	(47,133,576)	(2,247,888)	13,009,590,445	(2,534,190,619)	(359,694,182)	-	73,333	-	2,893,811,468	10,115,778,977
Community Assets													
General	1,435,268,948	97,348,384	-	36,549,192	-	1,569,166,524	(333,238,214)	(52,609,575)	-	-	-	(385,847,789)	1,183,318,735
Assets under construction	25,249,829	60,614,811	-	(9,866,026)	-	75,998,614	-	-	-	-	-	-	75,998,614
	1,460,518,777	157,963,195	-	26,683,166	-	1,645,165,138	(333,238,214)	(52,609,575)	-	-	-	(385,847,789)	1,259,317,349
Heritage assets													
General	3,813,988	1,860,868	-	-	-	5,674,856	(157,957)	(38,698)	-	-	-	(196,655)	5,478,201
	3,813,988	1,860,868	-	-	-	5,674,856	(157,957)	(38,698)	-	-	-	(196,655)	5,478,201
Housing													
Housing assets	215,429,038	5,106,389	-	6,687,517	-	227,222,944	(193,991)	(37,129)	-	-	-	(231,120)	226,991,824
Assets under construction	3,666,334	13,725,098	-	(3,666,334)	-	13,725,098	-	-	-	-	-	-	13,725,098
	219,095,372	18,831,487	-	3,021,183	-	240,948,042	(193,991)	(37,129)	-	-	-	(231,120)	240,716,922
Stock													
Stock	1,142,732	-	-	-	-	1,142,732	-	-	-	-	-	-	1,142,732
	1,142,732	-	-	-	-	1,142,732	-	-	-	-	-	-	1,142,732
Land													
Land	1,121,965,681	-	-	(19,387,085)	-	1,102,578,596	-	-	-	-	-	-	1,102,578,596
	1,121,965,681	-	-	(19,387,085)	-	1,102,578,596	-	-	-	-	-	-	1,102,578,596
Buildings													
Buildings	1,019,100,244	76,701,230	-	18,532,034	-	1,114,333,508	(388,956,064)	(73,661,435)	(16,744,474)	-	-	(479,361,973)	634,971,535
	1,019,100,244	76,701,230	-	18,532,034	-	1,114,333,508	(388,956,064)	(73,661,435)	(16,744,474)	-	-	(479,361,973)	634,971,535

City of Tshwane Metropolitan Municipality

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Appendix C: Segmental analysis of property, plant and equipment

City of Tshwane Metropolitan Municipality

Appendix C

June 2010

Segmental analysis of property, plant and equipment as at 30 June 2010 Cost/Revaluation Accumulated Depreciation

	Opening Balance	Additions	Disposals	Transfers	Other changes & movements	Closing Balance	Opening Balance	Additions	Disposals, transfers & adjustments	Impairment deficit	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality												
Office of Executive mayor and Municipal Manager	121,574,709	107,551	(54,874)	(2,868,010)	-	118,759,376	(15,053,926)	(3,815,984)	(26,535)	(260,985)	(19,157,430)	99,601,946
Financial Services	73,727,925	5,149,416	(181,749)	(1,980)	29,159	78,722,771	(31,050,698)	(6,261,910)	91,322	(620,144)	(37,841,430)	40,881,341
General Assessments	73,919,190	-	(152,531)	(19,215,186)	(40,311,303)	14,240,170	(8,818,625)	(4,628,276)	18,344,884	(68,438)	4,829,545	19,069,715
Corporate and Shared Services	1,836,135,722	76,343,146	(859,142)	342,566	75,439	1,912,037,731	(425,012,880)	(86,956,823)	15,512	(844,765)	(512,798,956)	1,399,238,775
Community Safety	384,121,160	70,279,283	(493,730)	4,096,926	376,386	458,380,025	(153,102,394)	(29,915,196)	(514,986)	(1,025,617)	(184,558,193)	273,821,832
City Planning & Economic Development	138,759,281	17,728,329	(141,729)	(726,378)	-	155,619,503	(36,451,549)	(8,716,963)	92,402	(367,642)	(45,443,752)	110,175,751
Health and Social Development	148,270,523	14,263,208	(177,367)	124,911	16,660	162,497,935	(43,358,065)	(10,032,924)	79,770	(247,056)	(53,558,275)	108,939,660
Transport and Roads	4,031,469,936	728,637,434	(1,418,945)	(552,341)	176,776	4,758,312,860	(1,169,048,140)	(151,765,290)	2,774,285	(427,449)	1,318,466,594	3,439,846,266
Sport, Recreation, Arts & Culture	764,986,532	56,977,726	(61,739)	(51,242)	2,913,285	824,764,562	(157,113,125)	(28,441,602)	52,405	(363,551)	(185,865,873)	638,898,689
Housing and Sustainable Human Settlement Development	2,060,846,106	168,672,311	(25,288)	4,608,691	-	2,234,101,820	(174,804,763)	(95,379,683)	(2,734,661)	(16,775,737)	(289,694,844)	1,944,406,976
Agriculture & Environmental management	615,987,455	65,178,534	(826,389)	(3,894,266)	(49,669,738)	626,775,596	(128,900,466)	(28,444,982)	824,430	(344,686)	(156,865,704)	469,909,892
Public Works - Transport	-	-	-	-	-	-	-	-	-	-	-	-
Public Works - Roads and Storm water	-	-	-	-	-	-	-	-	-	-	-	-
Public Works - Water and Sanitation	3,606,844,607	504,220,470	(157,060)	(484,773)	(2,247,889)	4,108,175,355	(808,885,628)	(163,425,464)	51,834	(55,898)	(972,315,156)	3,135,860,199
Public Works - Electricity	3,123,962,688	518,845,455	(850,955)	(594,104)	-	3,641,363,084	(793,456,530)	(78,815,716)	1,535,992	(623,529)	(871,359,783)	2,770,003,301
	16,980,605,834	2,226,402,863	(5,401,498)	(19,215,186)	(88,641,225)	19,093,750,788	(3,945,056,789)	(696,600,813)	20,586,654	(22,025,497)	4,643,096,445	14,450,654,343

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

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Appendix D: Segmental Statement of Financial Performance

City of Tshwane Metropolitan Municipality

Appendix D

June 2010

Segmental Statement of Financial Performance for the year ended

Prior Year

Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
75,634,682	370,318,316	(294,683,634)	Office of Executive Mayor and Municipal Manager	79,638,941	472,678,096	(393,039,155)
55,195,708	819,496,211	(764,300,503)	Corporate and Shared Services	58,134,213	971,188,593	(913,054,380)
173,765,343	306,701,477	(132,936,134)	Economic Development	174,653,871	357,257,486	(182,603,615)
118,197,337	530,077,806	(411,880,469)	Financial Services	131,589,290	560,222,218	(428,632,928)
3,978,665,169	779,384,869	3,199,280,300	General Assessments	4,414,683,344	177,362,429	4,237,320,915
333,144,606	396,715,334	(63,570,728)	Housing and Sustainable Human Settlement Development	70,829,218	301,432,266	(230,603,048)
38,456,085	187,241,487	(148,785,402)	Sport and Recreation	53,719,794	199,218,842	(145,499,048)
141,428,443	751,998,479	(610,570,036)	Community Safety	139,501,591	888,224,287	(748,722,696)
393,864,150	978,790,761	(584,926,611)	Agriculture & Environmental Management	437,809,389	1,222,098,578	(784,289,189)
68,136,439	270,428,265	(202,291,826)	Health and Social Development	76,552,874	321,169,665	(244,616,791)
131,076,942	155,790,736	(24,713,794)	City Planning and Regional Services	108,635,660	179,417,611	(70,781,951)
214,284,187	608,158,701	(393,874,514)	Public Works - Roads and Storm water	320,112,218	664,336,869	(344,224,651)
111,667,158	107,643,074	4,024,084	Public Works - Transport	248,600,483	146,936,383	101,664,100
3,982,192,620	3,576,396,444	405,796,176	Public Works - Electricity	5,337,234,801	4,508,150,290	829,084,511
1,979,761,015	1,424,338,610	555,422,405	Public Works - Water and Sanitation	2,033,257,096	1,598,298,537	434,958,559
11,795,469,884	11,263,480,570	531,989,314		13,684,952,783	12,567,992,150	1,116,960,633

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

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Appendix E: Actual versus Budget (Revenue and Expenditure)

City of Tshwane Metropolitan Municipality

Appendix E

June 2010

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var
Revenue				
Property rates	2,687,448,314	2,789,465,000	(102,016,686)	(3.66) Values used during budget proved too high
Service charges	7,185,193,293	7,253,605,000	(68,411,707)	(0.94)
Rental of facilities and equipment	97,724,113	96,268,913	1,455,200	1.51
Interest received - external investment	96,792,700	125,996,273	(29,203,573)	(23.18) Interest rate realised lower than projected
Interest received - outstanding debtors	225,011,181	305,398,987	(80,387,806)	(26.32) Interest realised lower than pojected
Fines (Traffic fines)	24,951,704	62,611,492	(37,659,788)	(60.15) Culture of non-payment & inability of AARTO system to process volumes efficiently
Licences and permits	30,426,009	31,538,796	(1,112,787)	(3.53) Decrease in applications for drivers & motor vehicle licenses
Government grants & subsidies	2,486,115,976	2,786,333,770	(300,217,794)	(10.77) Grants not received due to non-gazetting by Province
Other income	724,311,985	805,911,723	(81,599,738)	(10.13) Economic slow down affected sale of aeroplane fuel, connection fees and transport fees
Public contributions and donations	126,977,508	155,200,000	(28,222,492)	(18.18) Economic decline
Gains on dispsal of property, plant and equipment	-	27,908,023	(27,908,023)	(100.00) No auctions held during 2009/10
	13,684,952,783	14,440,237,977	(755,285,194)	(5.23)
Expenses				
Employee related costs	(3,516,465,249)	(3,582,615,510)	66,150,261	(1.85) Resignations and lengthy process in filling of vacancies, arbitrations and labour disputes
Remuneration of Councillors	(56,002,287)	(58,050,677)	2,048,390	(3.53) Budget over-projected
Bad debts: contribution	(158,001,611)	(169,128,181)	11,126,570	(6.58) Budget over projected
Bad debts: written off	(238,535,652)	(182,472,531)	(56,063,121)	30.72 Budget under projected
Collection costs	(87,968,669)	(76,617,597)	(11,351,072)	14.82 Remunerated on commission basis on revenue actually collected
Depreciation	(793,253,708)	(723,030,924)	(70,222,784)	9.71 Asset register purifications and review of useful lives
Impairments	(22,025,456)	-	(22,025,456)	100.00 Impairment of Schubart Park and Kruger Park mainly
Finance costs	(582,921,381)	(619,455,237)	36,533,856	(5.90) Interest realised lower than projected
Bulk purchases	(3,639,420,915)	(3,478,171,934)	(161,248,981)	4.64 Increase in consumer demand
Repairs and maintenance - General	(1,040,012,202)	(1,008,163,421)	(31,848,781)	3.16 Vehicles & Electricity reticulation - service delivery related
Grants and subsidies paid	(12,544,162)	(12,564,180)	20,018	(0.16)
General Expenses	(2,414,342,556)	(2,868,483,572)	454,141,016	(15.83) Stringent financia management due to cash flow challenges
	(12,561,493,848)	(12,778,753,764)	217,259,916	(1.70)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(3,127,136)	-	(3,127,136)	- Difficult to budget for - only determined at year end
Fair value adjustments	(3,371,166)	-	(3,371,166)	- Difficult to budget for - only determined at year end
Net surplus/ (deficit) for the year	1,116,960,633	1,661,484,213	(544,523,580)	(32.8)

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary information

Appendix F: Appendix F: Segmental Actual Operating Revenue and Expenditure vs budget

Segmental Actual Operating Revenue and Expenditure vs budget

	Additions Rand	Adjustment Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Revenue					
Office of Executive Mayor and City Manager	79,638,941	89,764,839	10,125,898	11.28	Grant funding not fully utilised
Corporate and Shared Services	58,134,213	66,209,764	8,075,551	12.20	No auctions held for disposal of PPE
Economic Development	174,653,871	192,533,170	17,879,299	9.29	No revenue collected on advertising fees
Financial Services	131,589,290	155,904,145	24,314,855	15.60	Lower interest rate than projected
General Assessments	4,414,683,344	4,559,444,125	144,760,781	3.17	
Housing and Sustainable Human settlement Development	70,829,218	160,590,215	89,760,997	55.89	Non-receipt of committed funds from Province
Sport and Recreation	53,719,794	61,963,440	8,243,646	13.30	Payments did not realised as planned
Community Safety	139,501,591	179,557,002	40,055,411	22.31	Non-payment & inability of AARTO to process volumes efficiently
Agriculture & Environmental management	437,809,389	509,648,819	71,839,430	14.10	Services cancelled as result of strike action
Health and Social Development	76,552,874	72,355,636	(4,197,238)	(5.80)	
City Planning and Regional Services	108,635,660	130,121,729	21,486,069	16.51	Decline in township development contributions
Public Works - Roads and Storm water	320,112,218	347,483,599	27,371,381	7.88	Delays in grant funds
Public Works - Transport	248,600,483	477,595,939	228,995,456	47.95	Delays in grant funds
Public Works - Electricity	5,337,234,801	5,318,501,228	(18,733,573)	(0.35)	
Public Works - Water and Sanitation	2,033,257,096	2,118,564,327	85,307,231	4.03	Lower volumes of water sold
	-	-	-	-	
	13,684,952,783	14,440,237,977	755,285,194	5.23	
Expenditure					
Office of Executive mayor and Municipal Manager	472,678,096	564,838,387	92,160,291	16.32	Implementation of cash flow strategy
Corporate and Shared Services	971,188,593	956,771,004	(14,417,589)	(1.51)	
Economic Development	357,257,486	338,612,004	(18,645,482)	(5.51)	High maintenance of 285 old busses
Financial Services	560,222,218	714,500,701	154,278,483	21.59	Implementation of cash flow strategy e
General Assessments	177,362,429	483,081,279	305,718,850	63.29	Implementation of cash flow strategy
Housing and sustainable human Settlement Development	301,432,266	248,102,795	(53,329,471)	(21.49)	Under budgeting of depreciation costs
Sport and Recreation	199,218,842	230,373,273	31,154,431	13.52	Under expenditure due to late tender approval
Community Safety	888,224,287	853,934,008	(34,290,279)	(4.02)	Remuneration expense due to strike actions
Agriculture & Environmental Management	1,222,098,578	951,068,323	(271,030,255)	(28.50)	Repair & maintenance of vehicles, buildings & fleet
Health and Social Development	321,169,665	315,684,993	(5,484,672)	(1.74)	
City Planning and regional Services	179,417,611	175,848,882	(3,568,729)	(2.03)	
Public Works - Roads and Storm water	664,336,869	712,313,028	47,976,159	6.74	
Public Works - Transport	146,936,383	187,238,258	40,301,875	21.52	Delay in design work due to Park & Ride access route changes
Public Works - Electricity	4,508,150,290	4,393,140,605	(115,009,685)	(2.62)	
Public Works - Water and Sanitation	1,598,298,537	1,653,246,224	54,947,687	3.32	
	12,567,992,150	12,778,753,764	210,761,614	1.65	

City of Tshwane Metropolitan Municipality

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Appendix G: Capital Expenditure Actual versus Budget

Capital Expenditure: Actual vs Budget as at 30 June 2010

	Additions	Original Budget	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	Rand	%	
Municipality						
Office of Executive Mayor and Municipal Manager	43,355	-	50,000	6,645	13.29	Savings realised
Corporate and Shared Services	65,125,546	-	73,864,403	8,738,857	11.83	Spending restricted due to Cash flow strategies
Economic Development	23,708,131	-	28,072,000	4,363,869	15.55	Project completed at lower cost as anticipated
Financial Services	3,719,864	-	15,352,934	11,633,070	75.77	Replacement of assets across Tshwane
Housing and Sustainable Human settlement Development	157,088,679	-	180,560,725	23,472,046	13.00	Grants not gazetted/received could not be spent
Sport and Recreation	56,737,777	-	87,062,900	30,325,123	34.83	Contractual problems experienced
Community Safety	64,861,989	-	80,182,500	15,320,511	19.11	Delivery date of additional vehicles would be past 30 June - could not incur expenditure beforehand
Agriculture & Environmental management	52,524,749	-	58,320,000	5,795,251	9.94	Request for transfer of funds did not materialise
Health and Social Development	13,216,646	-	13,156,489	(60,157)	(0.46)	
City Planning and Regional Services	17,703,335	-	17,755,126	51,791	0.29	Quotations were lower than anticipated
Public Works - Roads and Storm water	524,739,963	-	545,560,264	20,820,301	3.82	Appointment of EIA consultants delayed due to procurement process
Public Works - Transport	194,707,684	-	366,590,632	171,882,948	46.89	Feasibility study had to be completed first - could not spend before year end
Public Works - Electricity	526,207,820	-	565,561,652	39,353,832	6.96	Tender only closed 29 June - remaining funds will not be utilised
Public Works - Water and Sanitation	493,844,204	-	644,843,470	150,999,266	23.42	Contractor delayed by rain & late delivery of material & stoppage of work due to non-compliance with OHS plan
	2,194,229,742	-	2,676,933,095	482,703,353	18.03	

City of Tshwane Metropolitan Municipality

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Appendix H: Grants and subsidies term of MFMA

Appendix H

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2010

Name of Grants	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
					Sep	Dec	Mar	Jun	Total					
Capital Grants:														
Economic development	Gauteng: Sport, Recreation	2,674,709	635,291	(1,710,000)	-	-	-	-	-	-	1,600,000	None	None	Yes
National electricity fund	national Electricity Regulator	4,281,857	-	-	-	15,000,000	37,778,000	-	52,778,000	52,620,595	4,439,262	None	None	Yes
Gauteng Project Linked Housing	Gauteng: Housing Department	30,669,353	-	-	-	13,000,000	11,274,000	7,693,422	31,967,422	30,227,012	32,409,763	None	None	Yes
North West: Project Linked housing	North West: Housing	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Municipal Infrastructure Grant (MIG)	Department: Provincial and Local Government	34,572,313	-	2,058,485	100,000,000	-	172,750,000	69,329,000	342,079,000	342,481,543	36,228,255	None	None	Yes
Gautrans Job Creation Water & Sanitation	Gautrans Department Water Affairs and Forestry	- 100	-	1,553,167	-	-	-	-	-	-	1,553,167 100	None None	None None	Yes Yes
World Cup Soccer 2010: Roads	Gauteng Department Transportation Engineering	75,718,352	-	258,993,821	-	-	215,809,000	205,245,000	421,054,000	154,161,340	83,617,191	R144,m	Under	Yes
World Cup Soccer 2010: Transport	Gauteng Department Transportation Engineering	66,864,043	-	276,020,510	-	-	-	-	-	172,727,195	170,157,358	PTIS funds	Performance	Yes
Monument Golf club	Monument Golf Club	214,837	-	-	-	-	-	-	-	-	214,837	None	None	Yes
Housing Accreditation	Gauteng Housing Department	-	-	531,026	-	-	-	-	-	531,026	-	None	None	Yes
EPWP	Department of Public Works	-	-	772,037	-	-	-	-	-	317,680	454,357	None	None	Yes
Neighbourhood Watch Development	National Treasury	6,725,126	-	-	-	-	-	-	-	6,725,125	1	None	None	Yes
		221,720,690	635,291	20,231,404	100,000,000	28,000,000	437,611,000	282,267,422	847,878,422	759,791,516	330,674,291			

Appendix H
Disclosures of Grants and Subsidies in terms of
Section 123 MFMA, 56 of 2003
June 2010

Name of Grants	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	
					Sep	Dec	Mar	Jun	Total						Jun
Operational grants/subsidies:															
Health: HIV/AIDS	National Department of Health	2,342,602	-	-	-	-	-	-	-	-	1,500,000	842,602	None	None	Yes
Health Subsidy	National Department of Health	-	-	-	-	6,756,000	(470,531)	17,964,970	24,250,439	24,250,439	-	-	None	None	Yes
Ambulance subsidy	Provincial Department of Health	-	-	-	9,950,000	-	9,950,000	20,812,500	40,712,500	40,712,500	-	-	None	None	Yes
Top Structures: Project Linked Housing	North West Housing	-	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Finance Management Grant	National Treasury	1,515,239	-	-	750,000	-	-	-	750,000	1,422,083	843,156	-	None	None	Yes
Restructuring Grant	National Treasury	41,106,512	-	-	-	-	-	-	-	29,184,967	11,921,545	-	None	None	Yes
Municipal System Improvement Grant	National Treasury	498,400	-	-	-	-	-	-	-	498,372	28	-	None	None	Yes
Equitable share	Department: Provincial and Local Government	-	-	-	512,148,313	-	16,398,299	-	528,546,612	528,546,612	-	-	None	None	Yes
Transportation & Engineering	Department of Transport	1,553,167	-	(1,553,167)	-	-	-	-	-	-	-	-	None	None	Yes
Refurbishment of Temba Works	Department of Water Affairs and Forestry	52,561	-	-	380,000	380,000	380,000	266,000	1,406,000	1,423,166	35,395	-	None	None	Yes
Department of Water Affairs	Department of Water Affairs and Forestry	2,280,000	-	-	2,135,000	2,135,000	2,134,750	1,494,000	7,898,750	7,679,991	2,498,759	-	None	None	Yes
Housing Accreditation	Gauteng Housing Department	3,271,683	-	(531,026)	-	-	-	-	-	367,600	2,373,057	-	None	None	Yes
Bontle Ke Botho	Environment	1,563,400	-	-	-	-	-	-	-	666,583	896,817	-	None	None	Yes
Arts and Culture	Gauteng: Sport, Recreation	574,935	-	-	5,500,000	520,000	8,000	-	6,028,000	3,240,698	3,362,237	-	None	None	Yes
Loftus Upgrade 2010	Gauteng Department of Transport	38,279,647	-	-	843,229	507,215	300,330	4,086,901	5,737,675	34,165,449	9,851,873	-	None	None	Yes
2010 Host Cities	National Treasury	40,000,000	-	-	-	15,800,000	-	22,000,000	37,800,000	45,323,492	32,476,508	-	None	None	Yes
Agriculture	Gauteng: Agriculture, Conservation	6,250	-	-	-	-	-	150,000	150,000	53,800	102,450	-	None	None	Yes
World Cup Soccer: Roads	Gauteng: Transportation Engineering	144,496	-	-	-	-	-	-	-	-	144,496	-	None	None	Yes
World Cup Soccer: Transport	Gauteng: Transportation Engineering	64,956,754	-	(17,026,689)	-	-	-	-	-	37,531,357	10,398,708	-	None	None	Yes
Stipends	DBSA	54,000	-	-	-	-	-	-	-	54,000	-	-	None	None	Yes
Equitable Share: Fuel levy	National Treasury	-	-	-	-	195,117,000	774,346,000	-	969,463,000	969,463,000	-	-	None	None	Yes
NDMC Reservists	COGTA	-	-	-	-	-	-	1,600,000	1,600,000	235,350	1,364,650	-	None	None	Yes
EPWP	Department of Public Works	-	-	(772,037)	-	-	777,037	-	777,037	5,000	-	-	None	None	Yes
		198,199,646	-	(19,882,919)	531,706,542	221,215,215	803,823,885	68,374,371	625,120,013	726,324,459	77,112,281				
Revenue per Statement of Financial Performance (see note 26)		419,920,336	635,291							486,115,975					
Unspent conditional grants per Statement of Financial Position (see note 9)			420,555,627)								407,786,572				