



CITY OF TSHWANE

"we are the same"

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

*Annual Financial Statements
for the year ended 30 June 2011*

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Legal form of entity	Municipality (MFMA)
Mayoral committee	
Executive Mayor	Ramokgopa, Kgositso
	Mosupyoe, Morakane (Speaker)
	Mabona, Jabu (Chief Whip)
Councillors	Pillay, Subesh (MMC: Economic Development & Planning)
	Ngonyama, Joshua (MMC: Housing and Sustainable Human Settlement)
	Malapane, Nkele (Ms) (MMC: Agriculture and Environment)
	Mashego, Terence (MMC: Safety and Security)
	Mabiletsa, Dorothey (Ms) (MMC: Finance)
	Kgaditse, Faith (Ms) (MMC: Sport, Recreation, Arts and Culture)
	Matjila, George (MMC: Roads & Transport)
	Zitha, Percy (MMC: Public Works and Infrastructure)
	Moselelane, Sibongile (Ms) (MMC: Health and Social Development)
	Mmoko, Thembi (Ms) (MMC: Corporate and Shared Services)
Grading of local authority	High Capacity (Metro)
Accounting Officer	Nkoane, Dithabe (Acting)
	Telephone: 012-358 4901
	E-mail: oupan@tshwane.gov.za
Chief Finance Officer (CFO)	Dyakala, Andile
	Telephone: 012-358 8100
	E-mail: DyakalaA@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 will be included in the Consolidated Annual Financial Statements:
	Housing Company Tshwane
	Sandspruit Works Association (ODI Water and Waste Water)
	Civirelo Water: Disestablished on 30 June 2010. All assets & liabilities taken over on 1 July 2010.
Entities disestablished/dormant	Tradepoint Pretoria (liquidated)
	Cenbis (final stages of voluntary liquidation)

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Certification by City manager	3
Report of the Chief Financial Officer	4 - 16
Statement of Financial Position	17
Statement of Financial Performance	18
Statement of Changes in Net Assets	19
Cash Flow Statement	20
Accounting Policies	21 - 34
Notes to the Annual Financial Statements	35 - 102

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

Appendix A: Schedule of External loans	103 - 104
Appendix B: Analysis of Property, Plant and Equipment	105 - 106
Appendix C: Segmental analysis of Property, Plant and Equipment	107
Appendix D: Segmental Statement of Financial Performance	108
Appendix E: Actual Operating Revenue & Expenditure vs Budget	109
Appendix F: Segmental Actual Operating Revenue and Expenditure vs Budget	110
Appendix G: Capital Expenditure: Actual versus Budget	111
Appendix H: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	112 - 113

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Certification by City manager

The accounting officer are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent audit opinion on the annual financial statements and are given unrestricted access to all financial records and related data of the municipality.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these annual financial statements, which are set out from page 4, 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.

Dithabe Nkoane
Acting CITY MANAGER

Pretoria

31 August 2011

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

1. INTRODUCTION

The Minister of Finance, in his second Budget Policy Statement to Parliament on 27 October 2010, indicated that the country is slowly moving out of the greatest recession in over 70 years. He further indicated that there are promising signs of economic recovery indicated by the strengthening of the Rand, the decrease in the repot rate as well as the positive trend recorded in the motor trade and manufacturing industry.

The management and leadership of the city had a significant role to play in managing the effect of the economic slowdown while remaining focused on effective service delivery. The application of sound financial management principles is essential and iritic to ensure that the City of Tshwane remained financially viable and that municipal services were provided economically to all communities. The City of Tshwane's business was critically reviewed and reprioritised, so that money is transferred from low- to high priority programs during the 2010/11 MTREF, thereby contributing towards achieving and maintaining sound financial stewardship.

The changed financial outlook of the City of Tshwane indicates that all efforts have paid off. The negative financial outlook granted by Moody's on 7 July 2009 was changed to stable as at 30 November 2010. Moody's indicated the the change in financial outlook reflects the effectiveness of the city's efforts towards fiscal recovery, which has resulted in an improved liquidity position and cash-flows after the fiscal challenges experienced in 2008/09. It is clear that the City of Tshwane's financial recovery is on track, although prudent financial management requires certain constraints regarding expenditure to ensure sound financial management and sustainability over the medium- to long-term.

The main challenges experienced during the 2010/11 financial year can be summarised as follows:

- Ailing bulk electricity infrastructure
- Reprioritising of projects and expenditure within the existing resource envelope
- Tariff increases in bulk purchases from Eskom and Rand Water
- Affordability of accounts for residents - continuous high tariff increases are not sustainable over the long-term as consumers have reached their saturation point in terms of affordability.
- Reprioritised capital projects to ensure affordability

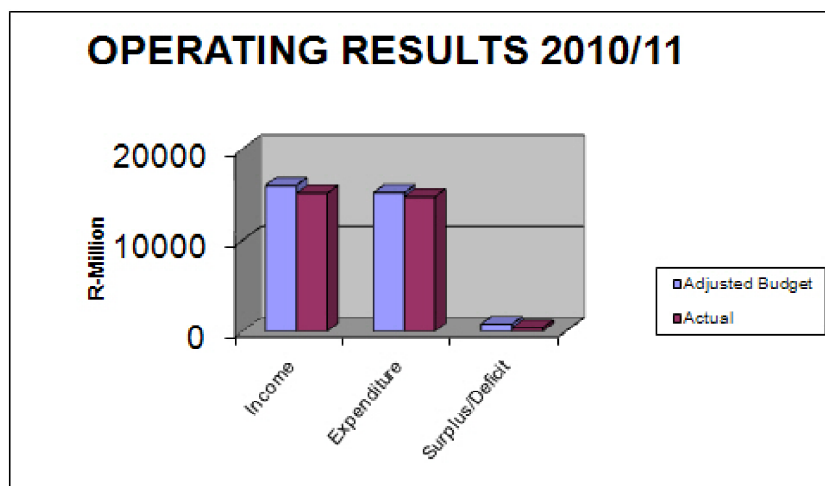
The City of Tshwane does not shy away from adapting to circumstances and will not hesitate to do things differently. During the 2010/11 budget process functions were therefore prioritised to ensure that the basic needs of the community are addressed. The Capital budget was compiled in the view of fast tracking backlogs and maintaining of the municipality's assets.

2. REVIEW OF OPERATING RESULTS

The 2010/11 budget of the City of Tshwane was approved by Council on 27 May 2010 and the Adjustments Budget was approved by Council on 27 January 2011.

2.1 General

Details of the 2010/11 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and Appendix D. Below is a graphical presentation of the operating results:



The overall operating results for the year ending 30 June 2011 are as follows:

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

	Original Budget 2011	Adjusted Budget 2011	Actual 2011	Variance Actual/ Adjusted Budget	Actual 2010 Restated
	Municipality	Municipality	Municipality		Municipality
	R'000	R'000	R'000	%	R'000
REVENUE					
Accumulated surplus: Beginning of year	-	-	1,232,573	-	852,172
Operating revenue for the year	16,377,287	15,947,443	15,119,962	5.19	13,516,774
	16,377,287	15,947,443	16,352,535		14,368,946
EXPENDITURE					
Operating expenditure for the year	14,250,151	15,172,728	14,743,642	2.83	13,056,929
Sundry transfers *	2,127,136	774,715	249,066	-	79,444
Accumulated surplus: End of year	-	-	1,359,828	-	1,232,573
	16,377,287	15,947,443	16,352,536		14,368,946

* 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 reflected an increase of 12.9% while the actual revenue of the Municipality increased by 11.9% since 2009/10. The largest increase in revenue since 2009/10 occurred on assessment rates (6.8%), service charges (19.6%), interest on external investments (13.8%), other income (7.2%), and public contributions (12.6%).

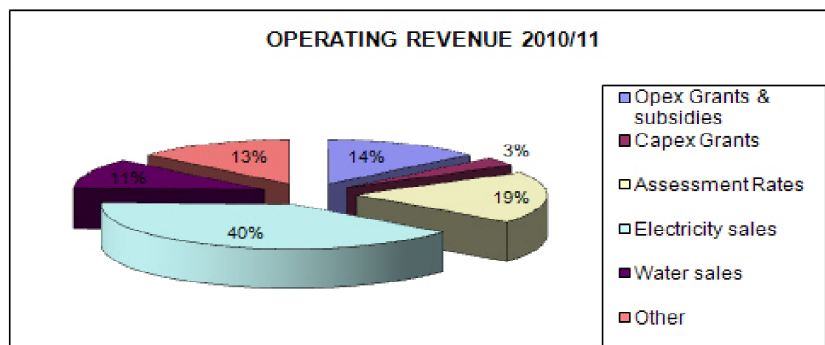
The largest increase in expenditure since the previous financial year occurred on the following items:

Expenditure item	Municipality (increase) %
Remuneration	20.4
Grants and subsidies paid	70.5
General expense	16.9
Interest paid	0.4
Bulk purchases	26.3
Depreciation	4.6

The increase in depreciation was due to the review of useful lives and the purification of the fixed asset register. The increase in general expenditure (refer to note 35) was due to an increase in the post employment benefit provision expense, service providers, project linked housing, etc. The increase in bulk purchases was the result of an increase in customer demand and tariff increased by Eskom and Rand Water.

2.2 Operating Revenue

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



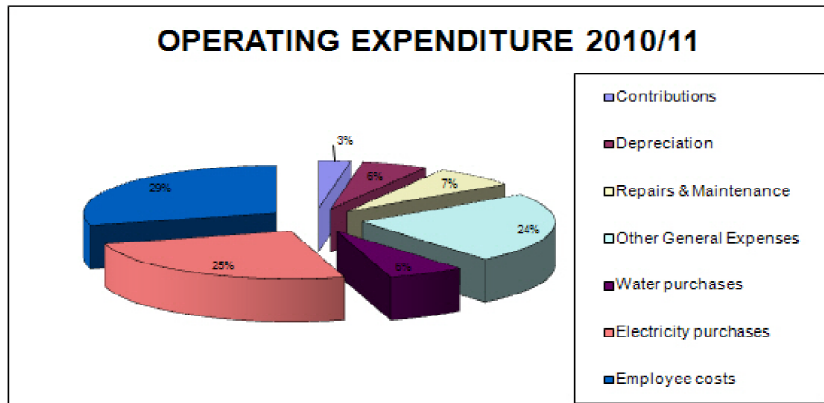
City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

2.3 Operating expenditure

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



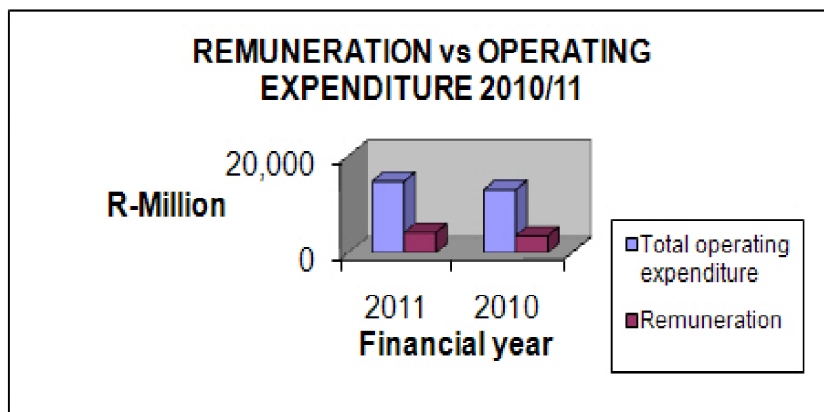
Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure increased from 27.0% to 28.7% since 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 while others are more labour intensive. In terms of the Restructuring Grant, the target for remuneration as a percentage of revenue is 33.0%.

Description

Description	2011	2010 Restated
Total operating expenditure	14,743,642	13,056,929
Total operating revenue	15,119,962	13,516,774
Employee remuneration	4,236,902	3,519,361
Ratio: % of total expenditure	28.7 %	27.0 %
Ratio: % of total revenue	28.0 %	26.0 %
% Growth in remuneration expense	20.4 %	16.9 %



2.4 Government grants and subsidies

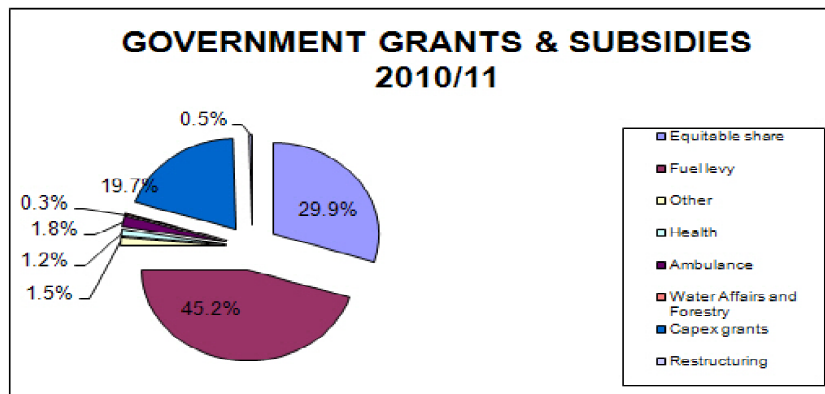
The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Gauteng Provincial Government, which amounts have been included in the total revenue:

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

Description	Actual 2011 R'000	Actual 2010 Restated R'000
Equitable share	717,979	528,547
Equitable share: Fuel levy	1,085,816	969,463
Provincial Health Subsidy	27,271	24,250
Provincial Ambulance Subsidy	44,415	40,713
Capex: grants and donations	473,339	763,239
Opex: grants and donations	123,872	138,079
Finance Management Grant	1,361	1,422
Restructuring Grant	11,243	29,627
Department of Water Affairs and Forestry	6,664	9,103
MSIG	-	498
	2,491,960	2,504,941



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 a decrease of R74.9 million (20.5%). This decrease can mainly be ascribed to a decrease in arrangement debtors (R34.5 million decrease), a decrease in housing debtors (R36.5 million decrease) and a decrease in land sale debtors (R3.9 million decrease).

Consumer debtors:

The consumer debtors increased in total with an amount of R413.9 million (9.7%). The increase in debt per customer classification was made up as follows:

Customer classification	Total R'000	Increase/ (Decrease) R'000
Households	2,980,403	161,963
Industrial/Commercial	1,016,369	168,348
National and Provincial government	15,049	(48,236)
Other	655,066	131,909
	4,666,887	413,984

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

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

Age analysis group	Total R'000	Increase/ (Decrease) R'000
Current (0-30 days)	1,380,088	126,616
31 – 60 days	193,817	23,642
61 – 90 days	89,412	(22,847)
91 + days	3,003,570	286,573
	4,666,887	413,984

Other debtors:

The Municipality's Other Debtors increased with an amount of R62.7 million (7.7% increase). This can mainly be attributed to an increase in housing debtors of R4.3 million, government subsidy (health and ambulance) debtor increased with R24.3 million, waste management debtor increased with R21.4 million, sundry persons increased with R56.8 million, public contribution debtor increased with R31.5 million, RTMC debtor increased with R29.7 million and other current debtors increased with R77.3 million. These increases were counteracted by a decrease in the MIG debtor to the amount of R46.3 and the outstanding housing grant decreasing to zero.

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	2011	2010 Restated
Debits levied : Consumer debtors	11,278,185	9,717,105
Balance on 1 July	4,252,902	3,994,060
Balance on 30 June	4,666,887	4,252,902
Average balance	4,459,895	4,123,148
Turnover: Number of times (levies/average balance)	2.52	2.36
Turnover: Number of days (days in financial year/number of times)	145	155
Days in the financial year	365	365

From the table it is clear that, although the number of days to recover debt decreased from 155 to 145 days since 2009/10 the outstanding consumer debt remained negative. This had serious implications on the cash flow of the Municipality specifically.

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 105.7% (2010 = 105.0%; 2009 = 98.3%; 2007/08 = 99.0% and 2006/07 = 98.3%) was maintained by the Municipality during the 2010/11 financial year.

4. CAPITAL EXPENDITURE AND FINANCING

The Municipality's original approved capital expenditure budget for 2010/11 amounted to R3 194 974 947 and was accepted by National Treasury. The budget was amended to R2 424 280 496 in the adjustments budget approved by Council on 27 January 2011. Unlike in the previous two financial years the capital budget was not reduced in terms of internal funding, but re-aligned to ensure that maximum performance and capacity was achieved. However, the budget was reduced by a total amount of R770 694 451 which mainly related to external funding. A number of transfers between capital projects were also processed during the adjustment budget process.

Actual capital expenditure incurred during the year in respect of property, plant and equipment amounted to R2 159 825 609 or 89.1% of the approved adjusted budget of R2.424 million which resulted in an under spending of R264.5 million or 10.9%. In comparison with the total capital spending of the 2009/10 financial year a negative variance of 2.0% is reflected, which was mainly attributable to non-achievement of the adjusted 2010/11 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
- The non-gazetting by the Gauteng Government of grant allocations

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

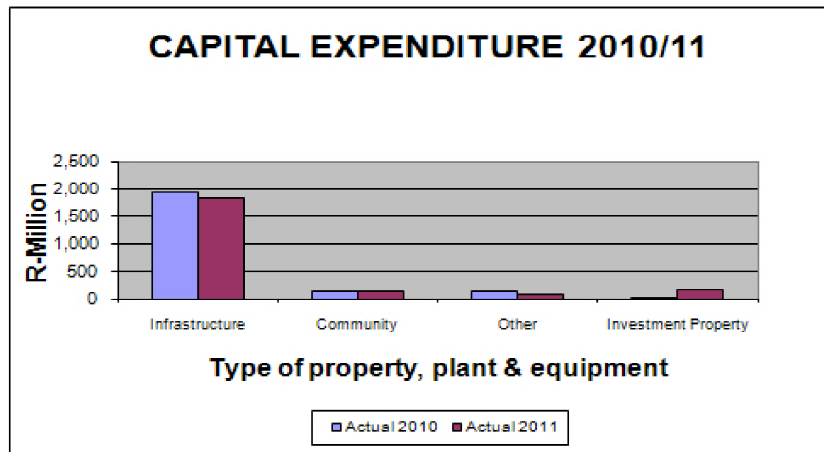
Report of the Chief Financial Officer

The table below depicts capital expenditure per type of asset:

Actual Capital expenditure according to asset class

Type of asset	Actual 2011	Actual 2010 Restated
	R	R
Infrastructure	1,806,283,154	1,921,073,240
Community	118,027,212	132,800,107
Intangibles	441,053	-
Investment properties	152,094,005	13,110,922
Specialised vehicles	-	6,280,884
Other	82,980,184	131,148,450
	2,159,825,608	2,204,413,603

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



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

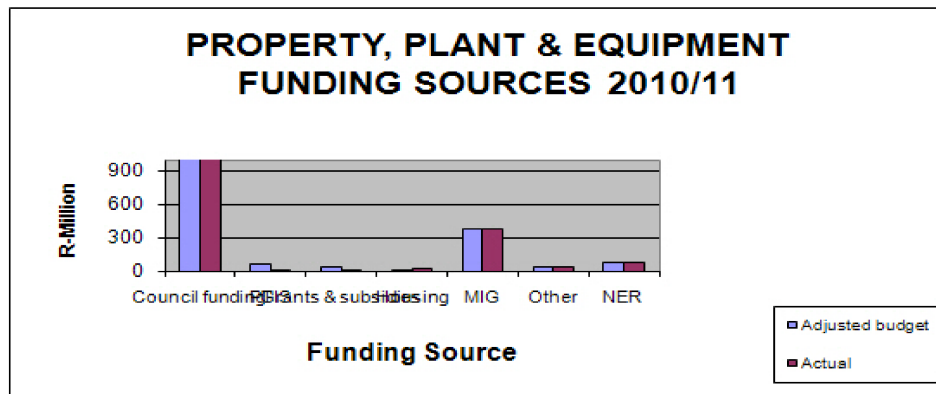
Type of finance	Municipality Original Budget 2011	Municipality Adjusted Budget 2011	Municipality Actual 2011	Municipality Actual as % of Adjusted Budget 2011 %	Municipality Actual 2010 Restated
	R'000	R'000	R'000		R'000
Council funding	1,831,910	1,825,169	1,656,460	91	1,431,696
Public Transport Infrastructure Grant (PTIS)	804,180	61,168	2,196	4	326,889
Provincial Grants and subsidies	46,878	38,521	10,879	28	7,043
Government Housing grant	5,400	6,604	13,938	211	30,174
Municipal Infrastructure Grant(MIG)	380,568	380,568	373,069	98	342,629
National Electricity Regulator (NER)	88,000	78,000	75,082	96	55,921
Other funding	38,039	34,250	28,202	82	10,062
	3,194,975	2,424,280	2,159,826	89	2,204,414

The graph below presents the financing sources:

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer



National Electricity Grant

R10,0 million was reduced against the original budget of the electricity for all project which was funded by DoE owing to under-spending of the grant allocation. This is in line with Sections 17 of the DoRA and 38 of the MFMA (Act 56 of 2003). According to the strategic unit/department this funding has been deferred to the 2011/12 financial year.

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

The original PTIS grant was substantially reduced. the BRT project did not continue in terms of capital works in the 2010/11 financial year. A portion of the allocated funding was removed from the capital budget and allocated to the operating budget for operational related expenditure. The funding was stopped in line with Section 16(3)(a)(i) of the DoRA 2010 due to non-compliance of planned expenditure in terms of the Public Transport Strategy as required by the DoRA framework.

Expanded Public Works Program:

The original allocated funding for the Expanded Public Works Incentive Grant was also removed during the adjustment budget. This was a conditional grant of which allocations were based on the reporting of job opportunities created by the city in terms of labour intensive initiatives on the capital works program. The original allocations were not in line with departmental reporting and some strategic units/departments were not taken into account.

Conclusion:

During the 2009/10 financial year the capital budget funded from loans amounted to R1 081.0 million and an amount of R1 000.0 million was included in the capital budget funded from loans for the 2010/11 financial year. Of the R1 081.0 million only R720.0 million was taken up during 2009/10. The outstanding loan amount of R361.0 was only taken up during November 2010 and the total loan amount for the 2010/11 financial year was therefore increased to R1 361.0 million in the 2010/11 Adjustments Budget. Although the taking up of loans for the next two financial years amounts to R1.0 billion per annum, the issuing of bonds will also be considered for the 2011/12 financial year to ensure prudent financial management.

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 impact significantly on the 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.

The current 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:

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

Description	2011 R'000	2010 Restated R'000
CURRENT ASSETS:		
Cash	359,233	93,218
Inventory	324,768	183,065
Debtors	3,219,947	3,003,986
Non-current assets held for sale	2,227	2,392
Investments (short-term)	496,338	641,037
Short-term portion of long-term debtors	102,835	124,984
	4,505,348	4,048,682
CURRENT LIABILITIES:		
Creditors	3,916,839	3,662,491
Short-term portion of long-term liabilities	494,634	498,570
Short-term portion of finance lease liabilities	106,981	108,537
Deposits	356,856	319,509
Overdrawn bank account	-	12,979
	4,875,310	4,602,086
Net Operating Capital	(370,050)	(553,404)
Current asset Ratio	0.92:1	0.88:1

The ratio increased since 2009/10 from 0.88:1 to 0.92:1. This was due to the fact that the current liabilities increased with only 5.9% whilst the current assets increased with 11.3% and the improved cash and cash equivalents.

The increase in current assets can mainly be ascribed to the increase in debtors, inventory and cash.

The increase in current liabilities mainly arose from the increase in deposits and an increase of 6.9 % in trade creditors.

The private sector norm is a ratio of 1:1. However, a norm for local government is currently not available.

5.2 Quick asset ratio (Acid test)

The quick asset ratio is a fairly 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 below reflect the Municipality's quick asset ratio per year:

Description	2011 R'000	2010 Restated R'000
Current assets	4,505,348	4,048,682
Less: Inventory	(324,768)	(183,065)
Total	4,180,580	3,865,617
Current liabilities	4,875,398	4,602,086
Quick asset ratio	0.86:1	0.84:1

5.3 Solvability

In the solvency 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:

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

Description	2011 R'000	2010 Restated R'000
TOTAL ASSETS:		
Current assets	4,505,348	4,048,682
Long-term investments	123,852	196,665
Long-term receivables	83,929	197,973
Leased assets	253,752	189,699
Biological assets	12,971	13,322
Property, plant and equipment	16,034,002	14,454,361
	21,013,854	19,100,702
TOTAL LIABILITIES:		
Current liabilities	4,875,398	4,602,086
Long-term loans	5,258,067	4,428,825
Non-current provisions	201,283	156,773
Lease liabilities	154,721	90,782
Employment benefit provision	1,499,219	1,169,261
	11,988,688	10,447,727
Solvability Ratio	1.75:1	1.83:1

The total assets of the Municipality increased with 10.0% while the total liabilities increased with 14.7% resulting in a decrease in the solvency ratio as stated above. Property, plant and equipment increased with 10.9% while external loans increased with 18.7%.

5.4 Total long-term debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio increased from 37.93% to 39.79% since 2009/10. This increase can be ascribed to the fact that the total debt increased with 17.3% in relation to the increase of 11.8% in total revenue.

Description	2011 R'000	2010 Restated R'000
Total debt	6,014,403	5,126,714
Total revenue	15,119,962	13,516,774
Ratio	39.78 %	37.93 %

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 2011:	2.86 times per year
June 2010:	2.77 times per year
June 2009:	2.8 times per year

Although the value of inventory increased with R141.7 million since 2009/10, the turnover however, only slightly increased to 2.86 times per year. This can be attributed to the fact that the turnover is an average calculated for all inventory items in all stores. The increase in the inventory mainly lies in general stores (R74.6 million) and coal inventory at the power stations (R66.5 million). The increase in the stock value in general stores is due to cable needs of the Electricity Department as well as the increase in the cost of material.

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

According to credit rating companies, the benchmark is a ratio of less than 5%. As shown in the table below the ratio improved due to a decrease in the short-term portion of external loans and the overdrawn cash book balance while the revenue increased with 11.8% since 2009/10.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

Description	2011	2010
	R'000	Restated R'000
Cash book overdraft	-	12,979
Short-term portion of external loans	494,634	498,570
Overdraft plus short-term loans	494,634	511,549
Total operating revenue	15,119,962	13,516,774
Ratio	3.27 %	3.78 %

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 was as follows:

Description	2011	2010
	R'000	Restated R'000
Cash generated from operations (Net cash flow)	1,480,116	1,956,124
Interest paid on external loans	602,570	600,358
Ratio	2.45:1	3.26:1

The ratio showed a slight decrease since 2009/10. This could be attributed to the fact that the interest paid on external loans increased with R2.2 million (0.37%) while the cash generated from operations decreased with 24.3% since 2009/10. The cash generated from operations decreased due to an increase in inventory, an increase in debtors and the lower operating surplus realised during 2010/11 as a result of cash paid to suppliers increasing at 17.6% whereas cash received increasing by only 11.3%.

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

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

Description	2011	2010
	R'000	Restated R'000
Total operating revenue	15,119,962	13,516,774
Interest paid on external loans	602,570	600,358
Depreciation	806,378	771,006
Capital charges	1,408,948	1,371,364
Ratio	10.73:1	9.86:1

The ratio improved since 2009/10 as the capital charges increased with only R37.6 million (2.7%) while the Municipality's operating revenue increased with R1 603.2 million or 11.9%.

5.9 Debt to cash ratio

This ratio 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 ratios for the past two financial years were as follows:

Description	2011	2010
	R'000	Restated R'000
Long-term debt	6,014,403	5,126,714
Cash generated from operations	1,480,116	1,956,124
Ratio	4.06:1	2.62:1

The ratio deteriorated as the long-term debt increased with R886.2 million (17.3%) while the cash generated from operations decreased with 24.3% since 2009/10. Based on the ratio, it will take the municipality 4 years to repay its long-term loans from cash generated by operations.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

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 is 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 was as follows:

Description	2011	2010
	R'000	Restated R'000
Net Increase/(Net Decrease) in long-term loans	825,306	590,427
Net Increase/(Net Decrease) in finance lease liabilities	62,383	(71,932)
	<hr/>	<hr/>
	887,689	518,495
Cash used in capital expenditure	2,449,754	2,161,159
Ratio	0,36:1	0,24:1

5.11 Repairs and maintenance to annual operating revenue

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

Description	2011	2010
	R'000	Restated R'000
Annual operating revenue	15,119,962	13,516,774
Repairs and maintenance	1,028,650	1,046,135
Percentage	6.80	7.74

The ratio shows an improvement as a result of the repairs and maintenance decreasing with 1.7% while the operating revenue increased with 11.82%. This means that only 6.80% of repairs and maintenance is covered by operating revenue compared to the 7.74% of 2009/10.

5.12 Net debtors to total annual operating revenue

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

Description	2011	2010
	R'000	Restated R'000
Annual operating revenue	15,119,962	13,516,774
Net debtors (after provision for bad debt)	3,214,980	3,003,986
Percentage	21.30 %	22.22 %

The ratio showed a slight improvement for the Municipality as a result of the net debtors increasing with only 7.2% while the operating revenue increased with 11.9%.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

6. CREDIT RATING

The firm Moody's Investors Services South Africa (Pty) Ltd performed a credit rating of the Municipality during November 2010 (based on the unaudited annual financial statements for the year ending 30 June 2010). The credit rating indicated that the City of Tshwane's relative position reflected an improved liquidity profile, and debt and debt service levels that were higher than the median of its national peers. However, the City of Tshwane compared favourably with other metropolitan municipalities in South Africa in terms of gross operating balances and management accountability. Moody's rated the City of Tshwane a municipality with a stable financial outlook.

- Long term Debt Rating (maturities of one year or greater): Aa3.za, which is defined as a high-grade. An Aa rate is equal to high quality and being subject to very low credit risk.
- Short term Debt Rating (maturities of less than one year): Prime-1.za, which is defined as the highest quality. A high certainty of timely payment is indicated
- Financial outlook: The grading changed from negative to stable: On 30 November 2010, Moody's changed the outlook from negative to stable on the City of Tshwane's Aa3.za rating, reflecting the positive results of the turn-around strategy on the liquidity profile and financial position in general. This showed that the new fiscal discipline was bearing fruit. Specifically in the 2009/10 financial year, the City of Tshwane managed its cash flow effectively by means of the optimum utilisation of cash resources for conservative operating and capital expenditure and due cognizance to sustaining sufficient liquidity levels, coupled with improved revenue collection. Moody's commended management's effort to control operating cost and to keep it within the revenue generation capacity. If continued, the fiscal discipline should enable the City of Tshwane to restore sufficient liquidity buffers for defraying critical operating expenses, such as debt service and commercial obligations.

7. MUNICIPAL ENTITIES

7.1 Viable municipal entities

In the 2010/11 financial year the City of Tshwane had two 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. These were the following:

- 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 was deregistered on 20 February 2009. Closing down financial statements had been compiled and submitted on 20 November 2009. The matter was finalised during the 2009/10 audit.
- Centurion Community Protection Company (CCPC) was deregistered on 17 April 2009. Closing down financial statements had been compiled and were to be submitted on 31 August 2010. The matter was finalised during the 2009/10 audit.
- Roodeplaat Temba Water Services Trust was terminated by the Master of the High Court on 24 August 2010. The closing down financial statements were compiled and were submitted on 31 August 2010. The matter was finalised during the 2009/10 audit.
- Civirelo Water: In terms of Council and Board resolutions, Civirelo Water entered into an agreement with the City of Tshwane to transfer all rights and obligations to the City of Tshwane, after which it was disestablished on 30 June 2010. The dissolution and deregistration is underway and will be finalised in the 2010/11 financial year. All assets and liabilities were transferred to City of Tshwane on 1 July 2010 and close down financial statements will be submitted to the Office of the Auditor-General on 31 August 2011.

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. Closing down financial statements was compiled and were submitted on 31 August 2010. The matter would be finalised once the Auditor-General has finalised the audit.
- Tshwane Economic Development Agency (TEDA)
TEDA is dormant and not operational. The City of Tshwane was about to appoint the board of directors of TEDA. The duly compiled financial statements for the financial years 2006/07, 2007/08, 2008/09 were submitted to the Auditor General for auditing on 24 April 2010, and the financial statements for March 2009 to February 2010 were submitted on 29 April 2010 and those for March 2010 to June 2010 were submitted 30 July 2010.

7.3 Consolidation of municipal entities

Consistent with the previous 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:
- Any other smaller municipal entities which were disestablished and now submitted final financial statements during 2010/11

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Report of the Chief Financial Officer

8. CHALLENGES EXPERIENCED BY THE MUNICIPALITY DURING 2010/11

8.1 CASH FLOW MANAGEMENT INTERVENTION INITIATIVES AND STRATEGY

During the 2009/10 financial year the City of Tshwane implemented various cash flow strategies. To ensure sound financial management and sustainability over the medium to long-term the belt tightening intervention initiatives had to continue in the 2010/11 in the 2010/11 financial year. These intervention initiatives assisted in the implementation of the City of Tshwane's strategy towards reserves cash backing. The positive effect of these strategies can be seen in the positive cash flow of R721 million during 2009/10 compared to low cash and cash equivalents of R172 million from 2008/09. This is also indicated by the improved cash and cash equivalents of R856 million as at 30 June 2011.

Although the cash flow improved, some ratios did not improve accordingly as the cash generated from operations decreased since 2008/09. The cash flow did not have a direct influence on some of the ratios, and the cash flow strategies might take more than one financial year to bear fruit.

8.2 COMPLIANT FIXED ASSET REGISTER AND LEASE REGISTER

Although it was still a challenge to produce a compliant and purified asset register in 2010/11 financial year, the improvement was huge compared to the previous three financial years. A service provider was appointed (during 2009/10) to assist the City of Tshwane for two years with the Asset Register as well as the Asset Management Unit and the transfer of skills. Verification, review of useful lives, impairment, etc were done during the 2010/11 financial year end.

8.3 MERGER

The Gauteng Department of Provincial Government gave notice on 30 June 2010, in Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) of a final amendment of the notice establishing the municipal boundaries of the city of Tshwane Metropolitan Municipality. The incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane will culminate in the greater City of Tshwane being the largest Metropolitan Municipality in South Africa, comprising of an area of 6 368 square kilometre and a population of approximately 2,5 million and the third largest city in the world in terms of area.

The financial affairs of the disestablished municipalities will be taken over by the City of Tshwane with effect from 1 July 2011.

Like the economies of the rest of the world, South Africa's economy was severely affected by the economic recession. The most visible signs of this were the growth in job losses, the unemployment rate and the number of households living in poverty.

The impact of the economic recession on residents, businesses and other institutions within the boundaries of the City of Tshwane appears to have been greater than anticipated. The general economic outlook of the world economy and South Africa in particular is not fully out of the woods yet. Therefore, high unemployment, high cost of goods and services and fluctuating exchange rates will in the foreseeable future still impact on the country and the City of Tshwane's ability to ensure sustainability of service delivery with limited and/or declining cash resources owing to the ability of consumers to pay for services.

9. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Office of the City Manager and Strategic Executive Directors for the support they have given me and my staff during the 2010/11 financial year. A sincere word of appreciation to everybody, and in particular the financial staff, for the hard work, sacrifices and concentrated efforts during the financial year to enable us to finalise and submit the annual financial statements within the prescribed period of two months after year end (i.e. 31 August).

Andile Dyakala
CHIEF FINANCIAL OFFICER

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

	Note(s)	2011 R	2010 Restated R
Assets			
Current Assets			
Inventories	19	324,768,451	183,065,513
Current portion of long-term receivables	18	102,835,275	124,983,630
Other debtors	21	705,984,700	668,193,479
Consumer debtors	20	2,513,961,932	2,335,792,456
Call investment deposits	17	496,337,962	641,037,443
Cash and cash equivalents	23	359,233,479	93,218,328
		4,503,121,799	4,046,290,849
Non-Current Assets			
Biological assets	15	12,970,960	13,322,433
Investment property	12	4,358,705	6,179,586
Property, plant and equipment	11	15,889,881,622	14,338,374,729
Leased assets	14	253,751,962	189,699,335
Intangible assets	13	139,761,485	109,806,439
Investments	17	123,851,341	196,665,005
Long-term receivables	18	83,929,238	197,972,838
		16,508,505,313	15,052,020,365
Non-current assets held for sale and assets of disposal groups	16	2,227,087	2,392,041
Total Assets		21,013,854,199	19,100,703,255
Liabilities			
Current Liabilities			
Long-term liabilities	4	494,634,121	498,569,684
Lease liabilities	5	106,980,596	108,536,960
Trade and other payables from exchange transactions	8	3,256,222,236	3,088,253,963
VAT payable		250,416,758	254,727,362
Consumer deposits	7	356,856,244	319,509,467
Unspent conditional grants and receipts	9	410,287,941	323,638,362
Bank overdraft	23	-	12,979,239
		4,875,397,896	4,606,215,037
Non-Current Liabilities			
Long-term liabilities	4	5,258,066,996	4,428,825,368
Lease liabilities	5	154,721,024	90,781,598
Retirement benefit obligation	43	1,499,218,899	1,169,261,470
Provisions	6	201,283,110	156,773,388
		7,113,290,029	5,845,641,824
Total Liabilities		11,988,687,925	10,451,856,861
Net Assets		9,025,166,274	8,648,846,394
Net Assets			
Accumulated surplus	42	9,025,166,274	8,648,846,394

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

	Note(s)	2011 R	2010 Restated R
Revenue			
Property rates	24	2,884,060,800	2,699,415,433
Service charges	25	8,394,124,065	7,017,689,187
Rental of facilities and equipment		99,546,729	94,349,667
Interest received- outstanding consumer debtors		195,141,732	228,280,276
Public contributions and donations		119,154,209	105,804,290
Fines		7,990,659	24,951,704
Licences and permits		35,988,659	25,261,879
Government grants & subsidies	26	2,491,959,676	2,504,941,188
Gain: Disestablishment of ME		2,716,931	-
Other income	27	771,107,844	719,311,727
Interest received - external investments	32	110,142,589	96,769,021
Total Revenue		15,111,933,893	13,516,774,372
Expenditure			
Personnel	28	(4,236,901,711)	(3,519,361,116)
Remuneration of councillors	29	(61,543,050)	(56,053,750)
Depreciation and amortisation	30	(806,377,686)	(771,006,230)
Impairment loss/ Reversal of impairments		(490,306)	(22,025,456)
Finance costs	31	(602,569,777)	(600,357,772)
Debt impairment	33	(639,687,334)	(1,014,557,168)
Collection costs		(84,702,661)	(87,968,669)
Repairs and maintenance		(1,028,650,495)	(1,046,134,997)
Bulk purchases	34	(4,597,649,244)	(3,641,552,900)
Grants and subsidies paid	35	(21,390,822)	(12,544,162)
General Expenses	36	(2,663,180,666)	(2,278,868,597)
Total Expenditure		(14,743,143,752)	(13,050,430,817)
Gain (loss) on disposal of assets and liabilities		8,028,309	(3,127,136)
Fair value adjustments		(498,573)	(3,371,166)
Surplus for the year		376,319,877	459,845,253

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	8,221,871,206	8,221,871,206
Adjustments		
Prior year adjustments	(32,870,065)	(32,870,065)
Balance at 01 July 2009 as restated	8,189,001,141	8,189,001,141
Changes in net assets		
Surplus for the year	459,845,253	459,845,253
Total changes	459,845,253	459,845,253
Opening balance as previously reported	8,674,081,288	8,674,081,288
Adjustments		
Prior year adjustments	(25,234,891)	(25,234,891)
Balance at 01 July 2010 as restated	8,648,846,397	8,648,846,397
Changes in net assets		
Surplus for the year	376,319,877	376,319,877
Total changes	376,319,877	376,319,877
Balance at 30 June 2011	9,025,166,274	9,025,166,274

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

	Note(s)	2011 R	2010 Restated R
Cash flows from operating activities			
Receipts			
Cash receipts from rate payers, government and other		14,233,505,073	12,793,681,674
Interest income		110,142,589	96,769,021
		<u>14,343,647,662</u>	<u>12,890,450,695</u>
Payments			
Cash paid to suppliers and employees		(12,260,962,211)	(10,333,968,698)
Finance costs (Interest paid)		(602,569,777)	(600,357,772)
		<u>(12,863,531,988)</u>	<u>(10,934,326,470)</u>
Net cash flows from operating activities	37	<u>1,480,115,674</u>	<u>1,956,124,225</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(2,306,499,017)	(2,131,475,354)
Purchase of leased assets	14	(107,061,505)	(29,199,505)
Proceeds from sale of property, plant and equipment	11	8,028,309	(3,127,136)
Purchase of other intangible assets	13	(36,492,991)	(483,999)
Proceeds from sale of financial assets		209,005,619	260,904,494
Purchase of biological assets	15	-	314,406
Asset Impairment		(490,306)	(22,025,456)
Net cash flows from investing activities		<u>(2,233,509,891)</u>	<u>(1,925,092,550)</u>
Cash flows from financing activities			
Proceeds from long-term liabilities		1,361,000,000	720,000,000
Repayment of long-term liabilities		(535,693,935)	(129,573,163)
Finance lease payments		62,383,062	(71,932,605)
Net cash flows from financing activities		<u>887,689,127</u>	<u>518,494,232</u>
Net increase/(decrease) in cash and cash equivalents		134,294,910	549,525,907
Cash and cash equivalents at the beginning of the year		721,276,532	171,750,626
Cash and cash equivalents at the end of the year	23	<u>855,571,442</u>	<u>721,276,533</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Basis of preparation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives 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 is as prescribed by the Accounting Standards Board in Directive 5.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

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

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 results of these investments.

1.2 Presentation currency

The annual financial statements are presented in South African Rand, which is the functional currency of the Municipality and amounts have been 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 were 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	30
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	5 - 20
• Leased assets	3-5

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4 Property, plant and equipment (continued)

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 is 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.

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 might vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance program are taken into account.

Impairment of property, plant and equipment

The municipality tests for impairment where there is an indication that an asset might 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

Heritage assets are assets held for their cultural, environmental or historical significance. Heritage assets are initially recognised at cost and where heritage assets were received as donation or acquired at nominal value, the cost is recorded as nil. Heritage assets are not depreciated as they are regarded as having an infinite useful life. Improvements to heritage assets are considered as sub-assets and the useful life of the improvements is determined with reference to the depreciation charge of the relevant property, plant and equipment category.

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 is 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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that is 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 an probable benefit exceeding the cost beyond one year, are recognised as intangible assets.

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.

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;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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 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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

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 reserve called the Capitalisation Reserve (CR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The capitalisation reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in the statement of financial performance.

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 approach 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 was established and, subject to external insurance where deemed necessary, covers claims that might 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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.10 Internal reserves (continued)

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 and statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
- Probability and quantification of a catastrophic 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 five-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a five-year period.

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 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 R239 172 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 that were 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 must have its own separate bank account/allocated investments and must be backed by cash.
- Any contributions to or from the fund must be shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund must be 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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.12 Provisions and contingencies (continued)

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 54.

- **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**
The Municipality is cleaning up illegal dumping on an ongoing basis as part of maintenance. Therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.
- **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 when incurred.

The Tshwane Pension fund is a defined benefit plan. The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19 and actuarial valuations are performed at 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 associated with the Municipality, a member who joined the organisation under the current conditions of service retires, is entitled to remain a continued member of such medical aid fund on retirement, 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 basis of the projected unit credit method prescribed by IAS 19. Future benefits values 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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.14 Leases (continued)

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 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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.15 Financial instruments (continued)

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, that is, 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 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.

In terms of GRAP 104 (used to formulate an accounting policy) short-term receivables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation. It is common practice for municipalities to allow consumers a period of time, after issuing an invoice, to settle for example, their water and electricity accounts. Specific legislation may also prescribe credit terms for specific types of transactions or entities, which provide an indication of what appropriate credit terms are for certain transactions and events. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material.

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 rates, sanitation, sewerage, electricity and water levies, debtor's revenue from Fire Brigade Services, Ambulance Services, sales, Wonderboom Airport and Rentals excluding the Tshwane Market. The percentage contribution is calculated during the budget process each year.

The annual contribution is reviewed at year end calculating the estimated non-payment (recovery rate) by debtors for the financial year.

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.

In terms of GRAP 104 (used to formulate an accounting policy) payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation. It is common practice to allow municipalities a period of time, after issuing an invoice, to settle their accounts. Specific legislation may also prescribe credit terms for specific types of transactions or entities, which provide an indication of what appropriate credit terms are for certain transactions and events. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material.

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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.15 Financial instruments (continued)

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 are normally encumbered and therefore must be held to maturity. The value of the investments is recorded at trade date.

HTM financial instruments originated by the municipality and not held for trading are 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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.15 Financial instruments (continued)

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.

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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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 prepayment 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 an 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.

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.

Fines

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.

1.18 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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

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.

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.

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 in the appendices consistent with the 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.

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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.25 Irregular expenditure (continued)

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 is 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)(c)(i)(ff) of the Income Tax Act.

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, judgements has to be made as to whether there were 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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.29 Significant judgements and sources of estimation uncertainty (continued)

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.

1.30 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar measures.

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements. Refer to note 61.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

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 2011 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 2013.

The municipality expects to adopt the standard for the first time in the 2014 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 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 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 2012.

The municipality expects to adopt the standard for the first time in the 2013 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, in which case it should 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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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.

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 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

GRAP 26: Impairment of cash-generating assets

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

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programs) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programs established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programs;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

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 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

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

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

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 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the amendment 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 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
3. Housing development fund		
Unappropriated surplus	161,955,652	197,856,183
Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463
Housing development fund	<u>92,950,946</u>	<u>128,849,720</u>
The housing development fund is represented by the following assets and liabilities		
Housing selling scheme loans	20,752,130	59,849,149
Housing debtors	26,963,074	22,659,334
Bank and cash	44,688,011	46,341,237
Housing Development Fund Assets	<u>92,403,215</u>	<u>128,849,720</u>
4. Long-term liabilities		
Summary of Long Term Borrowings:		
Term loan	358,028,158	487,026,936
Local registered stock	97,273,513	279,087,890
Annuity loans	5,297,399,446	4,161,280,226
	<u>5,752,701,117</u>	<u>4,927,395,052</u>
Held at amortised cost		
Term loan		
ABSA Bank Ltd (1-01) Secured structured 15 year loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 Oct 2011. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	227,950,578	227,949,356
Development Bank of South Africa (1-02) Secured 20 year bullet loan, Jibar floating rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 Oct 2019. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	78,331,528	78,331,528
ABSA Bank Ltd (1-04) Secured 10 year bullet loan, Variable interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 June 2011. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	-	84,000,000
INCA (1-05) Secured 11 year bullet loan, fixed interest rate repayable semi-annually, capital redeemed at 30 June 2011 with sinking fund investment which matured on 30 June 2011.	-	45,000,000
Development Bank of South Africa (1-400) Secured 20 year bullet loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 Sept 2018. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	51,746,052	51,746,052
Local registered stock		
First Rand Bank Ltd 1 Secured bond paying fixed interest semi-annually. As security sinking fund investments were made which together with interest capitalised, will be utilised to redeem the loans on 30 June 2011	-	182,484,221
First Rand Bank Ltd 2 Secured bond paying fixed interest semi-annually. As security sinking fund investments were made which together with interest capitalised, will be utilised to redeem on 30 June 2014	97,267,701	96,597,856
Brummers Funeral Unsecured bond paying fixed interest semi-annually.	5,812	5,813
Annuity loans		

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
4. Long-term liabilities (continued)		
Standard Bank (1-1300) Unsecured variable interest rate 15 year loan repayable semi-annually instalments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2026.	1,000,000,000	-
Developement Bank of South Africa (1-1250) Unsecured variable interest rate 15 year loan repayable semi-annually instalments of interest and capital with interest payable on reducing balance until capital is paid off on 01 Dec 2025.	354,740,557	-
Developement Bank of South Africa (1-951) Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.	648,786,396	661,952,221
Developement Bank of South Africa (1-950) Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.	142,305,704	146,280,461
Developement Bank of South Africa (1-851) Unsecured fixed interest 13 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	107,297,726	116,693,761
Developement Bank of South Africa (1-800) Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	191,991,667	195,422,056
Developement Bank of South Africa (1-700) Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	91,382,256	94,222,828
Developement Bank of South Africa (1-701) Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	191,689,206	194,808,569
Developement Bank of South Africa (1-501) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 Dec 2021.	319,587,132	337,762,816
Developement Bank of South Africa (1-500) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 Dec 2021.	74,144,325	79,741,415
Developement Bank of South Africa (1-200) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 Dec 2020.	213,818,951	227,339,154
INCA (1-100) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2020.	171,323,140	183,266,866
Developement Bank of South Africa (1-52) Secured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 Sept 2018.	199,772,612	215,086,496
Developement Bank of South Africa (1-51) Unsecured fixed interest 10 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 Dec 2012.	5,853,131	9,167,516
Developement Bank of South Africa (1-50) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 Dec 2018.	192,840,442	208,770,788
iVuzi Ivestments (1-550) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 12 Dec 2021.	163,951,984	173,194,160

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
4. Long-term liabilities (continued)		
iVuzi Investments (1-450) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2021.	65,608,985	69,127,159
iVuzi Investments (1-300) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 Dec 2020.	79,733,310	84,345,088
iVuzi Investments (1-150) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.	38,695,134	41,119,607
iVuzi Investments (1-0) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2019.	14,499,099	15,584,846
Nedbank (1-1150) Unsecured variable interest rate 10 year loan repayable in semi-annually instalments of interest and capital with interest payable on reducing balance until capital is paid off on 16 June 2020.	338,630,811	361,470,929
Nedbank (1-1100) Unsecured variable interest rate 10 year loan repayable in semi-annually instalments of interest and capital with interest payable on reducing balance until capital is paid off on 18 May 2020.	340,378,960	364,023,360
Nedbank (1-852) Unsecured fixed interest 13 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	142,650,186	155,337,258
ABSA Bank Ltd (1-850) Unsecured fixed interest 13 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	207,717,732	226,562,872
	<u>5,752,701,117</u>	<u>4,927,395,052</u>
Non-current liabilities		
At amortised cost	<u>5,258,066,996</u>	<u>4,428,825,368</u>
Current liabilities		
At amortised cost	<u>494,634,121</u>	<u>498,569,684</u>
	<u>5,752,701,117</u>	<u>4,927,395,052</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
5. Lease liabilities		
Minimum lease payments due		
- within one year	127,547,795	125,173,675
- in second to fifth year inclusive	170,219,610	97,462,555
	<u>297,767,405</u>	<u>222,636,230</u>
less: future finance charges	(36,065,785)	(23,317,672)
Present value of minimum lease payments	<u>261,701,620</u>	<u>199,318,558</u>
 Present value of minimum lease payments due		
- within one year	106,980,596	108,536,960
- in second to fifth year inclusive	154,721,024	90,781,598
	<u>261,701,620</u>	<u>199,318,558</u>
 Non-current liabilities	154,721,024	90,781,598
Current liabilities	106,980,596	108,536,960
	<u>261,701,620</u>	<u>199,318,558</u>
 Collateral held in terms of the above leases (Net book amount of leased assets)	261,701,619	199,318,558
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default	<u>253,751,955</u>	<u>189,943,539</u>

6. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegetation	7,005,253	2,435,386	(2,467,850)	18,546,828	25,519,617
Rehabilitation of landfill sites	135,780,097	17,459,395	(21,558,628)	29,711,803	161,392,667
Rehabilitation of quarries	13,988,038	1,413,974	(445,748)	(585,438)	14,370,826
	<u>156,773,388</u>	<u>21,308,755</u>	<u>(24,472,226)</u>	<u>47,673,193</u>	<u>201,283,110</u>

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegetation	6,368,412	7,542,883	(6,906,042)	-	7,005,253
Rehabilitation of landfill sites	171,619,143	14,159,488	(18,126,656)	(31,871,878)	135,780,097
Rehabilitation of quarries	25,947,671	14,548,906	(560,868)	(25,947,671)	13,988,038
	<u>203,935,226</u>	<u>36,251,277</u>	<u>(25,593,566)</u>	<u>(57,819,549)</u>	<u>156,773,388</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
7. Consumer deposits		
Electricity and water	356,856,244	319,509,467
Guarantees held:		
Electricity and water consumers (who do not have deposits)	150,715,818	147,113,495
Township Development guarantees	299,588,556	316,580,872
	450,304,374	463,694,367
8. Trade and other payables from exchange transactions		
Trade payables	1,710,800,233	1,743,925,058
Payments received in advance	46,279,950	65,956,090
Accrued leave pay	486,557,585	422,169,965
Deposits received	19,637,758	14,283,197
Other creditors	768,441,440	669,586,563
Retention creditors	159,096,715	153,980,649
RTMC: AARTO	53,351,435	10,417,085
Deferred operating lease liability	12,057,120	7,935,356
	3,256,222,236	3,088,253,963
9. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
DoRA: Department Sport & Recreation	-	9,851,876
DoRA: Department Water Affairs & Forestry (DWAf)	1,149,838	2,534,254
DoRA: National Electricity Regulator	4,057,431	1,139,262
DoRA: Finance Management Grant (FMG)	250,575	843,155
DoRA: Restructuring Grant	163,426	11,479,345
Provincial: Housing Projects	46,777,902	(29,132,756)
DoRA: Municipal System Improvement Grant (MSIG)	-	28
DoRA: Municipal Infrastructure Grant (MIG)	-	36,080,486
DoRA: Transport: World Cup Soccer	300,938,165	264,094,990
Provincial: DPLG - Health	303,052	929,728
DoRA: 2010 Host Cities	3,315,961	17,721,573
Monument golf club donation	-	214,837
Neighbourhood Development Programme	381,813	1
Bontle ke Botho award	597,998	880,150
Arts and Culture grant (Libraries)	1,673,147	3,334,231
Agriculture grant	-	102,450
Economic Development grant	8,750,000	1,600,000
Gautrans job creation	1,408,211	1,553,167
EPWP	-	454,357
NDMC reservist grant	-	1,364,650
Gauteng Sport and Recreation	-	(1,407,422)
Blue IQ	39,998,820	-
LG SETA Merit Awards	5,625	-
Sport and Recreation	515,977	-
	410,287,941	323,638,362

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
9. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	323,638,362	344,245,503
Additions during the year	2,549,199,138	2,473,346,920
Transfers between grants	29,410,117	-
Income recognition during the year	(2,491,959,676)	(2,493,954,061)
	410,287,941	323,638,362

The figures above shows: 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. Note must be taken that the unspent portion mostly relates to amounts received in advance and which relate to allocations of the following financial year. See note 26 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

10. Vat

VAT payable	(250,416,758)	(254,727,362)
-------------	---------------	---------------

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 2011

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,099,840,417	-	1,099,840,417	1,105,737,596	-	1,105,737,596
Buildings	1,120,965,240	(431,067,170)	689,898,070	1,114,810,197	(479,816,931)	634,993,266
Infrastructure	14,837,794,787	(3,296,749,999)	11,541,044,788	13,019,716,285	(2,893,811,467)	10,125,904,818
Community	1,733,461,302	(441,484,674)	1,291,976,628	1,645,165,138	(385,847,789)	1,259,317,349
Other property, plant and equipment	1,961,497,364	(990,291,369)	971,205,995	1,683,307,966	(718,224,122)	965,083,844
Housing stock	3,769,730	-	3,769,730	1,142,732	-	1,142,732
Heritage	25,844,496	(235,353)	25,609,143	5,674,856	(196,655)	5,478,201
Housing	266,805,099	(268,248)	266,536,851	240,948,042	(231,119)	240,716,923
Total	21,049,978,435	(5,160,096,813)	15,889,881,622	18,816,502,812	(4,478,128,083)	14,338,374,729

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	1,105,737,596	-	(5,283,697)	(613,482)	-	1,099,840,417
Buildings	634,993,266	64,199,394	-	25,434,786	(34,729,376)	689,898,070
Infrastructure	10,125,904,818	1,834,171,393	(18,598,762)	(2,162,172)	(398,270,489)	11,541,044,788
Community	1,259,317,349	96,261,127	(8,033,112)	(39,183)	(55,529,553)	1,291,976,628
Other property, plant and equipment	965,083,844	268,398,957	(35,556,915)	(40,135,433)	(186,584,458)	971,205,995
Housing stock	1,142,732	-	-	2,626,998	-	3,769,730
Heritage	5,478,201	20,169,639	-	-	(38,697)	25,609,143
Housing	240,716,923	23,298,507	2,558,549	-	(37,128)	266,536,851
Total	14,338,374,729	2,306,499,017	(64,913,937)	(14,888,486)	(675,189,701)	15,889,881,622

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,121,965,681	3,159,000	(19,387,085)	-	-	-	1,105,737,596
Buildings	630,165,910	59,956,756	18,532,034	16,744,475	(73,661,435)	(16,744,474)	634,993,266
Infrastructure	8,691,971,338	1,842,349,103	(47,133,576)	(1,587,865)	(359,694,182)	-	10,125,904,818
Community	1,127,280,563	157,963,195	26,683,166	-	(52,609,575)	-	1,259,317,349
Other property, plant and equipment	1,034,836,479	47,354,945	16,283,028	5,280,983	(133,390,608)	(5,280,983)	965,083,844
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
	12,829,920,115	2,131,475,354	(2,001,249)	20,437,593	(619,431,627)	(22,025,457)	14,338,374,729

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 its property, plant and equipment 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 determined based on the selling price of the items as per previous auctions held taking into consideration its current condition. Where the net book value of the item exceeded the fair market value less the cost to sell, the assets were impaired to reflect the recoverable cost. The impairment loss of these assets were R490 306.
- Broken assets: All assets identified as "broken" including items with a condition that is "poor" were subject to revision of their useful lives, collectively referred to as "scrap" (refer to note 55). Management considered it not be necessary to further impair these broken or poor assets, as their useful lives were adjusted for full write-off in the current financial year.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

12. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	44,270,881	(39,912,176)	4,358,705	44,311,471	(38,131,885)	6,179,586

Reconciliation of investment property - 2011

Investment property	Opening balance	Transfers	Depreciation	Total
	6,179,586	(7,928)	(1,812,953)	4,358,705

Reconciliation of investment property - 2010

Investment property	Opening balance	Depreciation	Total
	8,005,431	(1,825,845)	6,179,586

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

13. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	317,785,781	(178,024,296)	139,761,485	246,279,364	(136,472,925)	109,806,439

Reconciliation of intangible assets - 2011

Computer software, other	Opening balance	Additions	Transfers	Depreciation	Total
	109,806,439	36,492,991	34,955,526	(41,493,471)	139,761,485

Reconciliation of intangible assets - 2010

Computer software, other	Opening balance	Additions	Transfers	Amortisation	Total
	156,190,749	483,999	1,098,352	(47,966,661)	109,806,439

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

14. Leased assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Leased assets	414,973,265	(161,221,303)	253,751,962	307,882,398	(118,183,063)	189,699,335

Reconciliation of leased assets - 2011

Leased assets	Opening balance	Additions	Depreciation	Total
	189,699,335	107,061,505	(43,008,878)	253,751,962

Reconciliation of leased assets - 2010

Leased assets	Opening balance	Additions	Depreciation	Total
	261,788,892	29,199,505	(101,289,062)	189,699,335

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

15. Biological assets

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Livestock (Game)	12,970,960	-	12,970,960	13,322,433	-	13,322,433

Reconciliation of biological assets - 2011

	Opening balance	Gains or losses arising from changes in fair value	Total
Livestock (Game)	13,322,433	(351,473)	12,970,960

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

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 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
16. Non-current assets held for sale		
Non-current assets held for sale		
Non-current assets held for sale	6,410,919	21,862,652
Non-current assets held for sale Accumulated depreciation	(4,183,833)	(19,470,611)
	<u>2,227,086</u>	<u>2,392,041</u>

The abovementioned groups of assets (mostly vehicles, bicycles and other smaller movable assets) have been marked for disposal and were in the auction yard at 30 June 2010.

Non-current assets held for sale also include obsolete inventory to the amount of R791 822 (2010 = R1 094 831 which have been transferred for disposal).

17. Investments

Available-for-sale Investments

Short-term deposits	496,337,962	641,037,443
---------------------	-------------	-------------

Held to maturity investments

Municipal stock	3,033,003	3,033,003
Assurance companies	3,592,836	6,683,304
Fixed deposits	117,225,502	186,948,698

	<u>123,851,341</u>	<u>196,665,005</u>
--	---------------------------	---------------------------

Total other financial assets

	<u>620,189,303</u>	<u>837,702,448</u>
--	---------------------------	---------------------------

Non-current assets

Investments	123,851,341	196,665,005
-------------	-------------	-------------

Current assets

Short-term deposits	496,337,962	641,037,443
---------------------	-------------	-------------

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, 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	638,915,619	701,869,596
----------------------	-------------	-------------

Average rate of return:

Average rate of return on long-term investments:	11.17 %	11.34 %
Average rate of return on short-term investments:	5.36 %	9.24 %

No impairment occurred during the financial year under review.

Impairment of an investment were made during 2008/09 to the amount of R17 619 528 (this was a restatement done during 2009/10).

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
18. Long-term receivables		
Consumers: Arrangement debtors	199,685,823	234,165,866
Housing loans	20,752,130	57,271,605
Loans to sports clubs	1,448,713	1,517,494
Motor car loans	63,748	104,645
Study loans	2,126	3,827
Sale of land	69,135,077	73,006,819
	<u>291,087,617</u>	<u>366,070,256</u>
Short-term portion of Long-term receivables	(102,835,275)	(124,983,630)
	<u>188,252,342</u>	<u>241,086,626</u>
Provision: Debt impairment	(104,323,104)	(43,113,788)
	<u>83,929,238</u>	<u>197,972,838</u>
Reconciliation of provision for bad debt		
Balance at the beginning of year	(43,113,788)	(73,242,519)
Contribution to provision during the year	(28,209,316)	(19,693,182)
Write back impairment of 0 % interest	-	49,821,913
Transfer from sundry debtor provision	(33,000,000)	-
	<u>(104,323,104)</u>	<u>(43,113,788)</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 Program. 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 probably within the next financial year.

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

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
19. Inventories		
General stores	240,367,806	165,694,802
Bulk Water	3,865,476	3,678,464
Catering (Premos restaurant)	19,425	46,718
Wonderboom Airport	1,587,401	1,287,882
Bus tickets	474,372	-
Plants (Nursery)	79,907	146,063
Quarries	380,817	724,787
Coal (power stations)	77,993,247	11,486,797
	324,768,451	183,065,513

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	1,161,625,003	1,080,328,391
Electricity	2,148,985,144	1,893,314,947
Water	876,823,325	814,952,692
Sewerage	221,929,794	212,863,896
Refuse	257,523,284	251,442,553

	4,666,886,550	4,252,902,479
Less: Arrangement debtors	(199,685,823)	(234,165,866)
	4,467,200,727	4,018,736,613

Less: Provision for debt impairment

General: All services	(1,953,238,795)	(1,682,944,157)
-----------------------	-----------------	-----------------

Net balance

Rates	1,161,625,003	1,080,328,391
Electricity	2,148,985,144	1,893,314,947
Water	876,823,325	814,952,692
Sewerage	221,929,794	212,863,896
Refuse	257,523,284	251,442,553
Less: Arrangement debtors	(199,685,823)	(234,165,866)
Less: Provision for bad debt	(1,953,238,795)	(1,682,944,157)
	2,513,961,932	2,335,792,456

An amount of R202 849 828 (R231 248 804 inclusive of VAT) was written off during 2010/11 [2009/10 = R227 288 040 (R259 108 366 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)	274,095,995	291,115,852
31 - 60 days	58,263,533	52,718,811
61 - 90 days	26,861,989	37,835,878
91 + days	802,403,486	698,657,850
	1,161,625,003	1,080,328,391

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
20. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	747,520,535	597,635,055
31 - 60 days	108,339,099	118,394,497
61 - 90 days	30,881,202	31,931,663
91 + days	1,262,244,308	1,145,353,732
	<u>2,148,985,144</u>	<u>1,893,314,947</u>
Water		
Current (0 -30 days)	220,912,337	199,376,021
31 - 60 days	40,217,741	39,647,128
61 - 90 days	19,967,377	20,266,031
91 + days	595,725,870	555,663,512
	<u>876,823,325</u>	<u>814,952,692</u>
Sanitation		
Current (0 -30 days)	54,033,990	55,167,370
31 - 60 days	9,503,238	10,636,555
61 - 90 days	4,396,364	4,564,653
91 + days	153,996,202	142,495,318
	<u>221,929,794</u>	<u>212,863,896</u>
Solid waste		
Current (0 -30 days)	36,951,118	34,477,282
31 - 60 days	10,293,605	11,673,032
61 - 90 days	5,099,540	5,053,899
91 + days	205,179,021	200,238,340
	<u>257,523,284</u>	<u>251,442,553</u>
Ageing: Total		
Current (0 -30 days)	1,380,088,461	1,253,472,580
31 - 60 days	193,816,925	170,175,676
61 - 90 days	89,411,522	112,258,242
91 + days	3,003,569,642	2,716,995,981
	<u>4,666,886,550</u>	<u>4,252,902,479</u>
Summary of debtors by customer classification		
Consumers		
Household	2,980,403,162	2,818,440,140
Industrial/Commercial	1,016,368,590	848,020,382
National and Provincial Government	15,048,763	63,285,103
Other	655,066,035	523,156,854
	<u>4,666,886,550</u>	<u>4,252,902,479</u>
Reconciliation of debt impairment provision		
Balance at beginning of the year	(1,682,944,157)	(1,102,727,977)
Contributions to provision	(327,252,941)	(580,216,180)
Transfer to other provisions	56,958,303	-
	<u>(1,953,238,795)</u>	<u>(1,682,944,157)</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
21. Other debtors		
Municipal Infrastructure Grant	23,072,809	69,329,000
Gauteng Province: Housing grants	-	125,146,030
Housing debtors	26,963,074	22,659,334
Government subsidies	41,595,500	17,327,500
Miscellaneous	274,724,815	197,416,898
Lease revenue	47,326,882	40,025,005
DWAF outstanding grant	4,750,000	4,750,000
Waste management	35,937,602	14,527,830
Sundry rentals	48,302,152	42,915,269
Sundry Persons	186,431,015	129,593,427
Public contributions	157,060,859	125,550,606
Sandspruit	64,993,081	64,993,081
RTMC: AARTO debtor	34,943,480	5,265,354
	<u>946,101,269</u>	<u>878,459,268</u>
Less: Provision For Bad debt	(240,116,569)	(191,305,855)
	<u>705,984,700</u>	<u>668,193,479</u>
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(191,305,855)	(32,724,885)
Contributions to provision	(24,852,411)	(158,580,970)
Transfer from consumer debtor provision	(56,958,303)	-
Transfer to Housing sales provision	33,000,000	-
	<u>(240,116,569)</u>	<u>(191,305,855)</u>
22. Call investment deposits ring-fencing		
Other deposits of R638 915 619 (2010 = R701 869 596 and 2009 = R660 332 240) are ring-fenced and attributable to the Capital Replacement Reserve of R536 779 891 (2010 = R460 173 985 and 2009 = R361 254 474).		
Fixed deposits amounting to R458 973 046 (2010 = R675 797 922 and 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	283,027	275,277
Bank balances	358,950,452	92,943,051
Short-term deposits	496,337,962	641,037,443
Bank overdraft	-	(12,979,239)
	<u>855,571,441</u>	<u>721,276,532</u>
Cash and bank	359,233,479	93,218,328
Call investments deposits	496,337,962	641,037,443
Bank overdraft	-	(12,979,239)
	<u>855,571,441</u>	<u>721,276,532</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011			2010		
	R			Restated R		
23. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
Absa - 4060738263	22,589,302	8,808,030	13,339,211	22,949,006	8,822,546	13,433,453
FNB - 51420107207	9,458,968	4,686,127	14,684,609	9,464,455	4,784,071	8,630,642
Standard - 410801453	249,163,354	66,606,728	34,003,014	303,717,749	47,513,098	(95,416,694)
Standard 2010 Account - 410801682	-	-	-	-	-	42,627,751
Insurance Contingency - Absa - 4062593950	1,985,425	62,724	148,524	1,985,425	62,724	148,524
Tshwane Market - FNB - 51421161509	21,853,817	19,593,055	18,813,633	20,833,817	18,781,373	18,370,481
Nedbank - 1454121963	1,356,360	-	-	-	-	-
Total	<u>306,407,226</u>	<u>99,756,664</u>	<u>80,988,991</u>	<u>358,950,452</u>	<u>79,963,812</u>	<u>(12,205,843)</u>

24. Property rates

Rates received

Property rates	2,899,858,831	2,715,491,794
Less: Interdepartmental charges - assessment rates	(15,798,031)	(16,076,361)
	<u>2,884,060,800</u>	<u>2,699,415,433</u>

Valuations

Residential	222,674,062,806	210,215,234,184
Other	71,245,851,141	80,636,936,657
	<u>293,919,913,947</u>	<u>290,852,170,841</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	6,054,223,934	5,041,715,164
Sale of water	1,685,907,620	1,403,330,701
Solid waste	404,476,313	367,457,947
Sewerage and sanitation charges	434,791,968	374,168,402
Less: Interdepartmental charges	(185,275,770)	(168,983,027)
	<u>8,394,124,065</u>	<u>7,017,689,187</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
26. Government grants and subsidies		
DoRA: Equitable share	717,977,936	528,546,612
Opex: Grants & donations	39,919,454	133,338,194
Provincial ambulance subsidy	44,414,500	40,712,500
DoRA: Equitable Share Fuel Levy	1,085,816,000	969,463,000
DoRA: Finance management Grant	1,361,449	1,422,083
DoRA: Restructuring grant	11,243,136	29,627,167
DoRA: Municipal system improvement grant (MSIG)	-	498,372
DoRA: DWAF grant	6,664,316	9,103,157
Provincial: DACE (operational)	102,450	53,800
Top structure grant	13,294,443	-
Provincial: Health subsidy	27,270,614	24,250,439
Provincial: HIV and AIDS	1,626,676	1,412,874
Provincial: Community library services	6,427,479	3,268,704
DoRA: EPWP (operational)	-	5,000
Capex: Grants and donations	473,339,436	763,239,286
PTIS opex	60,816,322	-
MIG opex	1,685,465	-
	2,491,959,676	2,504,941,188

Equitable Share (DoRA)

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 R251 (2010 = R 223 and 2009 = R 186), which is funded from the grant.

Provincial Health Subsidies

Current-year receipts	19,414,474	24,250,439
Conditions met - transferred to revenue	(27,270,614)	(24,250,439)
Transfers	7,856,140	-
	<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. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy has been used exclusively to fund clinic services included in the Social Development vote in Appendix D). The conditions of the subsidy has been met. The subsidy for the last quarter of 2010/11 have not been paid over to the municipality yet and a debtor was created to the value of R8 956 000.

The percentage of expenditure incurred refunded during the financial year = 15.99% (2010 = 13.41% and 2009 = 16.25 %)

Provincial Ambulance Subsidy

Current-year receipts	21,725,000	40,712,500
Conditions met - transferred to revenue	(44,414,500)	(40,712,500)
Transfers	22,689,500	-
	<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. The purpose of this subsidy is to ensure rapid and effective emergency care. 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 subsidy have been met. The subsidy for the last quarter of 2009/10 and the last 2 quarters of 2010/11 have not been paid over to the municipality yet and a debtor was created to the value of R32 639 500.

The percentage of expenditure incurred refunded during the financial year = 55.49% (2010 = 49.40% and 2009 = 69.51%)

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
26. Government grants and subsidies (continued)		
Gauteng Sport & Recreation (Loftus Upgrade) (DoRA)		
Balance unspent at beginning of year	9,851,876	38,279,649
Current-year receipts	2,270,328	5,737,676
Conditions met - transferred to revenue	(12,122,204)	(34,165,449)
	<u>-</u>	<u>9,851,876</u>
Conditions still to be met - remain liabilities (see note 9)		
This grant was received for the upgrade of sporting facilities during the 2010 Soccer World Cup.		
Department of Water Affairs & Forestry (DoRA)		
Balance unspent at beginning of year	2,534,254	2,332,660
Transfer	(100)	-
Current-year receipts	5,280,000	9,304,750
Conditions met - transferred to revenue	(6,664,316)	(9,103,156)
	<u>1,149,838</u>	<u>2,534,254</u>
Conditions still to be met - remain liabilities (see note 9)		
The balance consist of the allocation received for 2011/12 received in advance.		
The purpose of this grant is to subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department and transfer these schemes to local government. This grant was received for the supply of water services for community upliftment.		
Electricity for All (INEP) and Electricity Demand Side (DoRA) (DoRA)		
Balance unspent at beginning of year	1,139,262	4,281,858
Current-year receipts	78,000,000	52,778,000
Conditions met - transferred to revenue	(75,081,831)	(55,920,596)
	<u>4,057,431</u>	<u>1,139,262</u>
Conditions still to be met - remain liabilities (see note 9)		
Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.		
The purpose of the grant is to implement the Integrated National Electrification Program (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.		
Finance Management Grant (FMG) (DoRA)		
Balance unspent at beginning of year	843,155	1,515,239
Current-year receipts	1,000,000	750,000
Conditions met - transferred to revenue	(1,592,580)	(1,422,084)
	<u>250,575</u>	<u>843,155</u>
Conditions still to be met - remain liabilities (see note 9)		
Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.		

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
26. Government grants and subsidies (continued)		
<p>The purpose of this grant is to promote support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). As part of strengthening financial and asset management in municipalities the grant provides funding for water and energy internship program to graduates in selected ward boards and municipalities. No funds have been withheld.</p>		
Restructuring grant (DoRA)		
Balance unspent at beginning of year	11,479,345	41,106,512
Conditions met - transferred to revenue	(11,315,919)	(29,627,167)
	<u>163,426</u>	<u>11,479,345</u>
<p>Conditions still to be met - remain liabilities (see note 9)</p> <p>Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.</p> <p>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.</p>		
Housing Grants (Provincial)		
Balance unspent at beginning of year	(29,132,756)	33,941,036
Current-year receipts	124,894,000	31,967,422
Conditions met - transferred to revenue	(22,901,151)	(31,125,637)
Transfers	(26,082,191)	(63,915,577)
	<u>46,777,902</u>	<u>(29,132,756)</u>
<p>Conditions still to be met - remain liabilities (see note 9)</p> <p>The balance consist of the allocation for 2011/12 received in advance.</p> <p>Government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approve housing subsidies and projects and provide support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads and in many cases electricity.</p>		
Municipal System Improvement Grant (MSIG) (DoRA)		
Balance unspent at beginning of year	28	498,400
Conditions met - transferred to revenue	(28)	(498,372)
	<u>-</u>	<u>28</u>
<p>Conditions still to be met - remain liabilities (see note 9)</p> <p>The R28 balance of the previous financial year has been recognised as revenue during 2010/11 the balance was due to an administrative error during the previous financial year.</p> <p>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 and related legislation, policies and local government turnaround strategy.</p>		

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
26. Government grants and subsidies (continued)		
Municipal Infrastructure Grant (MIG) (DoRA)		
Balance unspent at beginning of year	36,080,486	34,572,314
Current-year receipts	314,739,000	342,079,000
Conditions met - transferred to revenue	(374,754,167)	(342,629,313)
Transfers	23,934,681	2,058,485
	<u>-</u>	<u>36,080,486</u>

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

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.

Public Transport Infrastructure System Grant (PTIS) (DoRA)

Balance unspent at beginning of year	264,094,990	207,683,644
Current-year receipts	100,000,000	421,054,000
Conditions met - transferred to revenue	(63,012,331)	(364,642,654)
Transfer (correction of incorrect allocation)	(144,494)	-
	<u>300,938,165</u>	<u>264,094,990</u>

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

Request was submitted to National Treasury and Department of Transport for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.

The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.

HIV and AIDS (Provincial Health Department)(Provincial)

Balance unspent at beginning of year	929,728	2,342,602
Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,626,676)	(1,500,000)
Prior year restatements	-	87,126
	<u>303,052</u>	<u>929,728</u>

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

Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.

The purpose of this grant is to sustain and extend coverage of the ward based door to door education program with referrals to local services; to build communities and support and utilise local services appropriately and to support wards structures to address AIDS in the local community.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
26. Government grants and subsidies (continued)		
2010 Host Cities (DoRA)		
Balance unspent at beginning of year	17,721,573	40,000,000
Current-year receipts	10,900,000	37,800,000
Conditions met - transferred to revenue	(25,305,612)	(49,178,427)
Transfers	-	(10,900,000)
	3,315,961	17,721,573
Conditions still to be met - remain liabilities (see note 9)		
The balance is due to payments that could not be affected in time for the year end closure and the payments will be done within the 2011/12 financial year.		
This grant is received for the expenditures of the 2010 World Cup Soccer Host Cities.		
Monument golf club donation		
Balance unspent at beginning of year	214,837	214,837
Transfers	(214,837)	-
	-	214,837
Conditions still to be met - remain liabilities (see note 9)		
The balance of 2009/10 will be utilised during the 2010/11 financial year to finalise the project.		
This amount relates to a donation that was received from the Monument Golf Club to build a golf driving range in Mabopane.		
Neighbourhood Development Programme (DoRA)		
Balance unspent at beginning of year	1	6,725,126
Current-year receipts	11,116,460	-
Conditions met - transferred to revenue	(10,734,648)	(6,725,125)
	381,813	1
Conditions still to be met - remain liabilities (see note 9).		
Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.		
The purpose of this grant is to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development towards improving the quality of life of residents in targeted under served neighbourhoods (townships generally).		
Bontle ke Botho		
Balance unspent at beginning of year	880,150	1,563,400
Current-year receipts	380,000	-
Conditions met - transferred to revenue	(662,152)	(683,250)
	597,998	880,150
Conditions still to be met - remain liabilities (see note 9).		
The unspent portion of this award as at 30 June will normally roll forward for usage in projects during the next financial due to the timing of the receipt of the prize money.		

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R

26. Government grants and subsidies (continued)

The Bontle ke Botho campaign encourages and rewards (with prize money) the efforts of local authorities and schools in cleaning and greening their immediate surroundings. The prize money is funded by the Gauteng Department of Agriculture and Rural Development. At the end of each calendar, schools and wards that have implemented excellent projects addressing the aforementioned themes are awarded prize money. Winners are assisted by the lead Department to utilise the prize money towards sustaining their respective projects.

Community Library Services (Provincial Department of Sport, Arts, Culture and Recreation)

Balance unspent at beginning of year	3,334,231	574,935
Current-year receipts	6,220,000	6,028,000
Conditions met - transferred to revenue	(6,427,479)	(3,268,704)
Other	(1,453,605)	-
	<u>1,673,147</u>	<u>3,334,231</u>

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

Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.

The purpose of the grant is to have transformed urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial and local government level.

DACE (Department Agriculture, Conservation and Environmental) (Provincial)

Balance unspent at beginning of year	102,450	6,250
Current-year receipts	-	150,000
Conditions met - transferred to revenue	(102,450)	(53,800)
	<u>-</u>	<u>102,450</u>

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

The purpose of the grant is to ensure a sustainable environment, equitable agricultural development and an efficient waste management service through innovative use of technologies in partnership with stakeholders.

Local Economic Development (Provincial)

Balance unspent at beginning of year	1,600,000	2,674,709
Current-year receipts	8,750,000	-
Other (corrections and transfers)	(1,600,000)	(1,074,709)
	<u>8,750,000</u>	<u>1,600,000</u>

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

The balance consist of the new allocation for 2011/12 which was received in advance.

The purpose of the grant is to support Tshwane to improve government services in Winterveldt through the Urban Renewal Program for Winterveldt.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
26. Government grants and subsidies (continued)		
Gautrans job creation (DoRA)		
Balance unspent at beginning of year	1,553,167	-
Conditions met - transferred to revenue	(144,956)	-
Other	-	1,553,167
	<u>1,408,211</u>	<u>1,553,167</u>
Conditions still to be met - remain liabilities (see note 9).		
The balance consist of funds from the previous financial year, a request was received from the relevant Department for the rollover of the balance as the projects have already been committed in the next financial year.		
Expanded Public Works Programme(EPWP) (DoRA)		
Balance unspent at beginning of year	454,357	-
Conditions met - transferred to revenue	-	(317,680)
Other (transfers)	(454,357)	772,037
	<u>-</u>	<u>454,357</u>
Conditions still to be met - remain liabilities (see note 9).		
The purpose of this grant is to encourage local authorities and provincial departments to increase job creation efforts in infrastructure, environment and culture programs through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Program guidelines.		
NPMC reservists (Donation)		
Balance unspent at beginning of year	1,364,650	-
Current-year receipts	-	1,600,000
Conditions met - transferred to revenue	(1,364,650)	(235,350)
	<u>-</u>	<u>1,364,650</u>
Conditions still to be met - remain liabilities (see note 9).		
Funding was received for the appointment of 80 reservist fire fighters during the 2010 Soccer World Cup.		
Blue IQ		
Current-year receipts	<u>39,998,820</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 9).		
This amount was received in advance and will be ring-fenced until the project has been finalised.		
This amount was received with the purpose of ring-fencing a contribution towards bulk contributions for electricity infrastructure supply.		
LG SETA Merit awards		
Current-year receipts	24,375	-
Conditions met - transferred to revenue	(24,375)	-
Transfers	5,625	-
	<u>5,625</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 9).		
The balance is due to VAT calculations and could not be spent before the year end on another data projector as the balance is too low and the balance will be carried over as this is an award and not a grant.		

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
26. Government grants and subsidies (continued)		
This money is an award for skills development. The purpose is to strengthen the municipality's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department or to enhance the capacity of the Training Committee.		
Event sponsorship		
Current-year receipts	258,268	-
Other	(258,268)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 9).		
This amount was received as a sponsorship for the Mayoral Lekgotla		
Sport and Recreation		
Current-year receipts	<u>515,977</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 9).		
The amount received could not be utilised in time during the 2010/11 financial year due to the delays in tender processes.		
This amount was received during 2010/11 for the HM Pitje Stadium.		
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 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
27. Other income		
Market fees	90,463,491	87,691,458
Land sales	2,510,040	15,578,827
Reconnection fees	97,390,357	104,078,769
Sewerage: Industrial effluent	32,045,351	26,570,105
Sale of unusable stock	2,360,261	196,300
Drain cleaning fees	1,167,399	1,057,961
Sundry services	-	15,960,507
Interest on property sales	2,683,774	(158,681)
Donated:Assets	8,530,000	7,730,436
Dumping fees	7,301,209	12,124,146
Building plan fees	24,344,682	21,943,483
Income from grave services	5,050,730	4,504,060
Refund: Motor vehicles licences	62,170,777	79,298,689
Training fees recovered	11,258,435	12,630,314
Gain: Review useful life/fair value	64,039,184	3,347,150
Insurance claims	40,830,086	59,617,066
Connection fees: Urban areas	5,246,375	4,289,307
Sundry fees	4,671,854	9,807,465
Airside income	3,467,362	3,457,513
Ambulance fees	4,460,593	6,717,918
Reminder fees	32,456,527	24,824,603
Discount on prompt payments	1,215,931	5,858,788
Approval fees: advertisements	35,093,842	28,809,329
Connection fees	16,789,956	14,092,960
Cemetery fees	4,917,841	5,046,576
Application fees	2,672,975	2,310,114
Income from bulk containers	19,197,750	26,374,866
Sales: Aeroplane fuel	24,668,723	26,633,706
Transport fees	35,503,357	45,142,078
Miscellaneous	128,598,982	63,775,914
	771,107,844	719,311,727

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
28. Employee related costs		
Salaries and wages	2,814,737,909	2,330,164,524
Medical aid contributions	217,848,969	192,948,048
UIF	22,910,482	18,170,362
Pension fund contributions	481,018,778	416,545,219
Travel, motor car, accommodation, subsistence and other allowances	224,086,584	200,649,091
Overtime payments	284,904,149	190,399,644
Long-service awards	8,192,846	8,004,742
Performance bonus	206,917	215,146
Other allowances	161,571,464	138,102,946
Housing benefits and allowances	21,423,613	24,161,394
	4,236,901,711	3,519,361,116
Remuneration of City Manager		
Annual Remuneration	767,432	894,365
Car Allowance	-	128,400
Contributions to UIF, Medical and Pension Funds	38,208	-
Cell phone allowance	9,600	12,000
Non pension allowance	290,692	254,899
	1,105,932	1,289,664
The incumbent was acting for the 2010/11 financial year.		
Remuneration of Chief Financial Officer		
Annual Remuneration	767,424	844,432
Car Allowance	60,000	132,000
Contributions to UIF, Medical and Pension Funds	15,442	14,726
Cell phone allowance	9,600	10,800
Non pension allowance	344,810	108,030
	1,197,276	1,109,988
The position of Chief Financial Officer became vacant since 30 September 2010 and the incumbent was acting since 1 October 2010.		
Remuneration of strategic executive directors		
Annual Remuneration	12,293,081	8,134,484
Car Allowance	2,140,800	1,271,000
Contributions to UIF, Medical and Pension Funds	693,918	368,378
Cell phone allowance	121,200	96,000
Non pension allowance	2,433,685	1,714,395
	17,682,684	11,584,257
Remuneration: Technical services		
Annual Remuneration	2,402,862	223,308
Car Allowance	432,000	54,000
Contributions to UIF, Medical and Pension Funds	129,840	-
Cell phone allowance	37,200	-
Non pension allowance	467,958	41,704
	3,469,860	319,012

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
28. Employee related costs (continued)		
Remuneration: Corporate services		
Annual Remuneration	4,986,635	2,607,538
Car Allowance	1,118,400	573,000
Contributions to UIF, Medical and Pension Funds	61,918	14,726
Cell phone allowances	18,000	20,400
Non pension allowance	956,751	397,356
	7,141,704	3,613,020
Remuneration: Community services		
Annual Remuneration	4,903,584	5,303,638
Car Allowance	590,400	644,000
Contributions to UIF, Medical and Pension Funds	502,160	353,653
Cell phone allowances	66,000	75,600
Non pension allowance	1,008,976	1,275,335
	7,071,120	7,652,226
29. Remuneration of councillors		
Executive Mayor's allowance	977	28,364
Councillors allowances	39,454,784	35,861,846
Councillors' pension contribution	3,339,855	3,504,093
Travelling allowance	15,568,867	13,652,528
Councillor's medical contributions	982,387	1,034,125
Councillor's housing allowance	2,196,180	1,972,794
	61,543,050	56,053,750
In-kind benefits		
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.		
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.		
30. Depreciation and amortisation		
Depreciation: Property, plant & equipment	675,487,408	645,805,107
Depreciation: Leased assets	97,025,016	101,289,062
Depreciation: Rehabilitation assets	33,865,262	23,912,061
	806,377,686	771,006,230
31. Finance costs (Interest paid)		
Long-term liabilities (external loans)	524,395,348	517,286,487
Finance leases	25,162,550	28,661,902
Bank overdraft	5,579,624	23,769,311
Other finance costs (Bank charges, transit banking, etc)	26,123,499	14,994,082
Amortisation: provisions	21,308,756	15,645,990
	602,569,777	600,357,772

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
32. Investment revenue		
Interest revenue (interest received)		
Bank	11,243,243	4,105,331
Investments	2,028,943	987,107
Long-term investments	88,210,251	78,861,628
Contingency insurance	8,660,152	12,814,955
	110,142,589	96,769,021
33. Debt impairment		
Contributions to bad debt provision	385,680,104	728,233,394
Amounts written off	254,007,230	286,323,774
	639,687,334	1,014,557,168
34. Bulk purchases		
Electricity	3,656,840,485	2,933,810,591
Water	940,808,759	707,742,309
	4,597,649,244	3,641,552,900
35. Grants and subsidies paid		
Other subsidies		
Grants-In-Aid: Property Rates	21,390,822	12,544,162
	21,390,822	12,544,162
<p>The grant-in-aid is in respect of the funding of Non-Governmental Organisation involved in empowerment programs 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	244,613,771	270,029,363
Insurance	70,346,549	104,789,608
Implementation: OITPS	52,818,427	59,474,352
Restructuring/Transformation	11,243,136	41,939,843
Leasing of property	133,860,315	142,792,145
Advertising and marketing	11,140,796	7,997,255
Employment benefit provision expense	329,957,429	(141,015,467)
Consultant fees	37,284,646	39,828,436
Private sector labour	71,437,371	57,762,063
Electricity disconnections	63,090,352	56,112,494
Telecommunication	59,932,693	56,215,623
Service providers	107,284,026	89,775,531
Project Linked Housing: Top structures	13,294,443	-
Soccer World Cup 2010 related expenses	579,880	222,018,435
Special projects	42,297,708	40,704,427
Household refuse removal	97,224,053	122,372,986
Prepaid Electricity Commission	5,397,019	5,052,433
Hostel charges	147,271,135	105,685,318
Other expenses	1,164,106,917	997,333,752
	2,663,180,666	2,278,868,597

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
37. Cash generated from operations		
Surplus	376,319,877	459,845,253
Adjustments for:		
Depreciation and amortisation	806,377,686	771,006,230
(Loss) gain on sale of assets and liabilities	(8,028,309)	3,127,136
Fair value adjustments	498,573	3,371,166
Impairment deficit	490,306	22,025,456
Debt impairment	639,687,334	1,014,557,168
Movements in retirement benefit assets and liabilities	329,957,429	(141,015,467)
Movements in provisions	44,509,722	(47,161,838)
Changes in working capital:		
Inventories	(141,702,938)	59,238,699
Other debtors	(37,791,221)	33,719,439
Consumer debtors	(817,856,810)	(688,388,111)
Trade and other payables from exchange transactions	167,968,273	393,742,217
VAT	(4,310,604)	66,901,656
Unspent conditional grants and receipts	86,649,579	(31,594,269)
Consumer deposits	37,346,777	36,749,490
	<u>1,480,115,674</u>	<u>1,956,124,225</u>
38. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	5,752,701,117	4,927,395,052
Used to finance property, plant and equipment	(8,374,369,154)	(6,814,811,397)
	<u>(2,621,668,037)</u>	<u>(1,887,416,345)</u>
Cash set aside for the repayment of long-term liabilities	(458,973,046)	(675,797,922)
	<u>(3,080,641,083)</u>	<u>(2,563,214,267)</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 (2010 = R5 752 701 117; 2009 = R4 927 395 052; 2008 = R3 474 287 272) were temporary advances of R1 441 932 831 (2010 = R1 148 180 881; 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	1,816,320	1,542,659
Amount paid - current year	(1,816,320)	(1,542,659)
	<u>-</u>	<u>-</u>
Audit fees		
Opening balance	2,771,734	2,354,194
Current year audit fee	14,333,412	13,060,947
Amount paid - current year	(15,285,162)	(10,289,213)
Amount paid - previous years	(2,771,734)	(2,354,194)
	<u>(951,750)</u>	<u>2,771,734</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 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
39. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Opening balance	40,221,054	33,748,162
Current year payroll deductions	586,725,257	459,347,376
Amount paid - current year	(535,558,815)	(419,126,322)
Amount paid - previous years	(40,221,054)	(33,748,162)
	51,166,442	40,221,054

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	1,003,253,545	877,169,483
Amount paid - current year	(1,003,253,545)	(877,169,483)
	-	-

VAT

VAT payable	250,416,758	254,727,362
-------------	-------------	-------------

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 2011:

30 June 2011	Without payoff arrangements	With payoff arrangements	Total R
Ledwaba D C	129	-	129
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 and N Y	-	48,148	48,148
Mogashoa B	-	2,126	2,126
Mokgalapa S and B P	-	3,160	3,160
Mthetwa D and M A	-	10,405	10,405
Nel F P	-	9,246	9,246
Nkosi W M S	13,894	-	13,894
Phala M	4,137	-	4,137
Phungwayo Z J and F P	7,201	-	7,201
Pillay S and 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
	62,440	139,618	202,058

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
40. Non-compliance with applicable legislation		
MFMA: Section 65(e) and Section 99(2)(b)		
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.		
Supply Chain Management Regulations		
In terms of Supply Chain Management Regulation 44 awards may not be made to a person who is in service of the state. Awards were made by the municipality to persons who are in the service of the state.		
41. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	2,052,825,852	2,739,046,907
• Community	264,881,350	92,926,000
• Other	381,456,390	138,673,400
• Housing	33,301,000	59,000,000
	<u>2,732,464,592</u>	<u>3,029,646,307</u>
Approved but not yet contracted for		
• Infrastructure	329,090,148	107,780,000
• Community	68,250,000	41,800,000
• Other	40,613,000	10,748,640
• Housing	15,000,000	5,000,000
	<u>452,953,148</u>	<u>165,328,640</u>
	<u>3,185,417,740</u>	<u>3,194,974,947</u>
This expenditure will be financed from:		
Council own funding (external loans and/or Capital replacement reserve)	1,974,850,453	1,869,948,947
Capital replacement reserve	35,986,287	-
Provincial grants	16,000,000	46,878,000
Government housing	-	5,400,000
PTIS	180,000,000	804,180,000
MIG/Urban Settlements Development Grant	887,581,000	380,568,000
National Electrification Fund/INEP	21,000,000	88,000,000
Energy Efficiency Demand Side Management	25,000,000	-
Neighbourhood Development Partnership Grant	45,000,000	-
	<u>3,185,417,740</u>	<u>3,194,974,947</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

42. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2011

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COVID reserve	Housing development fund	Other	Total
Opening balance	222,734,008	1,690,411,195	4,902,333,894	237,439,978	146,257,158	88,247,216	128,849,720	1,272,503,617	8,688,776,786
Prior year corrections	-	(26,814,693)	12,119,195	-	-	-	-	(25,234,891)	(39,930,389)
Net surplus for the year	-	-	-	-	-	-	-	376,319,877	376,319,877
Property, plant and equipment purchases	(25,660,075)	25,660,075	-	-	-	-	-	-	-
Offsetting of depreciation	-	138,326,684	153,396,679	-	-	-	-	(291,723,363)	-
Donated/contributed property, plant and equipment	-	-	473,339,436	-	-	-	-	(473,339,436)	-
Asset Purifications/retirements	14,622,025	(250,544,276)	(320,857,698)	-	-	-	-	556,779,949	-
Transfer to/(from) reserves	-	-	-	87,643,955	(10,665,671)	14,398,680	(35,898,774)	(55,478,190)	-
	211,695,958	1,577,038,985	5,220,331,506	325,083,933	135,591,487	102,645,896	92,950,946	1,359,827,563	9,025,166,274

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	Other	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	885,041,590	8,221,871,206
Prior year adjustments	3,041,591	26,814,693	(12,215,713)	-	-	-	-	(50,510,636)	(32,870,065)
Net surplus for the year	-	-	-	-	-	-	-	459,845,253	459,845,253
Property, plant and equipment purchases	(19,848,304)	19,848,304	-	-	-	-	-	-	-
Offsetting of depreciation	-	(167,692,205)	(135,093,631)	-	-	-	-	302,785,836	-
Capital grants used to purchase property, plant and equipment	-	-	759,791,517	-	-	-	-	(759,791,517)	-
Asset purification/retirements	-	(409,500,339)	(70,799,646)	-	(259,735)	-	-	480,559,720	-
Transfer to/(from) reserves	19,949,474	-	-	98,818,341	(44,428,906)	11,018,112	-	(85,357,021)	-
	222,734,008	1,690,411,195	4,902,333,894	237,439,978	146,257,158	88,247,216	128,849,720	1,232,573,225	8,648,846,394

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
43. Employee benefit obligations		
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. 2 996 (24,34 %) of the Municipality's employees are members of this fund.	148,536,590	123,506,134
Pension Fund for Municipal Councillors: The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 45 (0,37 %) of the Municipality's employees are members of this fund.	6,222,096	6,558,372
National Fund for Municipal Workers. 3 612 (29,35 %) of the Municipality's employees are members of this fund.	208,634,870	180,605,515
SALA Provident Fund. 89 (0,76 %) of the Municipality's employees are members of this fund.	1,079,895	1,041,078
SAMWU National Pension Fund. 17 (0,14 %) of the Municipality's employees are members of this fund.	766,760	689,453
SAMWU National Provident Fund. 1 081 (8,78 %) of the Municipality's employees are members of this fund.	38,743,968	33,114,589
Germiston Municipal Retirement Fund 1 (0,01 %) of the Municipality's employees are a member of this fund.	67,364	58,277
Meshawu National Local Authorities Retirement Fund. 52 (0,42 %) of the Municipality's employees are members of this fund.	1,512,416	1,410,926
	405,563,959	346,984,344
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 an unsound financial position with a funding level of 95% as at 31 December 2009. 356 (2,89%) of the Municipality's employees are members of this fund.		
Included in general expenses are:-		
Current service cost	25,566,160	24,046,000
Interest cost	62,731,461	75,927,000
Expected return on assets	(58,568,112)	(54,522,000)
Recognised Net (Gain)/Loss	(13,436,813)	(144,617,587)
Defined benefit expense	16,292,696	(99,166,587)
Post-employment benefit liability (funded status)		
Present value of the obligation	(721,072,962)	(686,903,774)
Fair value of plan assets	588,125,731	552,529,361
Liability recognised in statement of financial position	(132,947,231)	(134,374,413)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	686,903,774	770,600,000
Interest cost	62,731,461	75,927,000
Current service cost	25,566,160	24,046,000
Member contributions	6,846,464	6,813,000
Risk premiums	(2,242,963)	(2,232,000)
Actuarial (gain)/loss on obligation	(58,731,934)	(188,250,226)
Present value of obligation at end of year	721,072,962	686,903,774

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
43. Employee benefit obligations (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	552,529,361	521,099,000
Expected return on plan assets	58,568,112	53,413,000
Contributions	24,566,342	23,882,000
Risk premiums	(2,242,963)	(2,232,000)
Actuarial (gain)/loss on obligation	(45,295,121)	(43,632,639)
Fair value of plan assets at end of year	588,125,731	552,529,361
Composition of plan assets:		
Cash	8.30 %	8.28 %
Equity	58.20 %	58.20 %
Bonds	21.60 %	21.61 %
Property	0.50 %	0.45 %
Other	0.50 %	0.50 %
International	10.90 %	10.96 %
Total	100.00 %	100.00 %
Actual return on plan assets	16,727,009	9,780,351
Estimated contributions to be paid to the Tshwane Pension fund in the next financial period	24,115,356	22,323,378
Municipal gratuity fund		
Actuarial valuations are carried out every 2 years. 1 379 (11,21%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund. The interim actuarial valuation done at 30 June 2010 indicated that the fund was financially sound as at 30 June 2010.		
Included in general expenses are:-		
Current service cost	3,594,632	3,161,000
Interest cost	6,388,063	8,267,000
Expected return on assets	(4,764,251)	(16,557,000)
Recognised Net (Gain)/Loss	9,512,018	(11,514,396)
Defined benefit expense	14,730,462	(16,643,396)
Post-employment benefit liability (funded status)		
Present value of the obligation	(75,491,604)	(92,135,000)
Net (expense)/income recognised in Statement of financial performance	(14,730,461)	16,643,396
Liability recognised in statement of financial position	(90,222,065)	(75,491,604)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	75,491,604	92,135,000
Interest cost	3,594,632	3,161,000
Current service cost	6,388,063	8,267,000
Benefits paid	(4,764,251)	(16,557,000)
Actuarial (gain)/loss on obligation	9,512,018	(11,514,396)
Present value of obligation at end of year	90,222,066	75,491,604
Estimated benefit payments to be paid iro Gratuities in the next financial period	9,890,260	4,764,251

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
43. Employee benefit obligations (continued)		
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 28). Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of paragraph 30 of IAS 19. The total contributions are included in Employee related costs, Note 28)		
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. 819 (6,65 %) of the Municipality's employees are members of this fund.	33,561,876	28,471,024
The Government Employees Pension Fund.		
Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2008 reported the fund to be in a sound financial position with a funding level of 100%. 8 (0,07 %) of the Municipality's employees are members of this fund.	353,311	400,686
Joint Municipal Pension Fund.		
Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 September 2010 indicated a funding level of 104.9% and the fund was in a sound financial position at the valuation date. 49 (0,40 %) of the Municipality's employees are members of this fund.	3,415,837	3,385,910
Municipal Employees Pension Fund.		
The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial position with a funding level of 100%. 1 817 (14,76 %) of the Municipality's employees are members of this fund.	61,592,917	54,858,523
	98,923,941	87,116,143
Medical aid funds		
Included in general expenses are:-		
Current service cost	12,366,000	15,681,000
Interest cost	57,568,000	61,256,000
Expected Employer Benefit Payments	(31,132,000)	(33,729,000)
Recognised Net (Gain)/Loss	198,686,000	(75,402,000)
Defined benefit expense	237,488,000	(32,194,000)
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(630,366,000)	(662,560,000)
Recognised actuarial gains	(237,488,000)	32,194,000
Liability recognised in statement of financial position	(867,854,000)	(630,366,000)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	630,366,000	662,560,000
Interest cost	57,568,000	61,256,000
Current service cost	12,366,000	15,681,000
Employer contributions	(31,132,000)	(33,729,000)
Actuarial Gains/Losses	198,686,000	(75,402,000)
Present value of obligation at end of year	867,854,000	630,366,000
Actuarial (gains)/losses recognised in other comprehensive income:		
Tshwane Pension Fund	(13,436,813)	(144,617,587)
Gratuities	9,512,018	(11,514,396)
Medical aid funds	198,686,000	(75,402,000)
Total amount of actuarial (gains)/losses recognised	194,761,205	(231,533,983)

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
43. Employee benefit obligations (continued)		
Estimated employer benefit payments to be paid iro Medical aid funds in the next financial period	37,485,000	31,156,000
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	867,854,000	630,366,000
Decrease of 1 %	751,838,000	550,107,000
% change	(13.0)%	(12.7)%
Increase of 1 %	1,011,241,000	729,086,000
% change	17.0 %	15.7 %
Discount rate:		
Accrued liability 30 June	867,854,000	630,366,000
Decrease of 1 %	1,009,564,000	727,218,000
% change	16.3 %	15.4 %
Increase of 1 %	755,680,000	553,269,000
% change	12.9 %	(12.2)%
Long service awards		
Included in general expenses are:-		
Current service cost	31,283,171	29,077,838
Interest cost	28,678,386	26,907,629
Expected Employer Benefit Payments	(30,677,644)	(29,073,829)
Recognised Net (Gain)/Loss	49,882,237	(3,963,122)
Defined benefit expense	79,166,150	22,948,516
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(329,029,453)	(306,080,937)
Recognised actuarial gains	(79,166,150)	(22,948,516)
Liability recognised in statement of financial position	(408,195,603)	(329,029,453)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	329,029,453	306,080,937
Interest cost	28,678,386	26,907,629
Current service cost	31,283,171	29,077,838
Employer contributions	(30,677,644)	(29,073,829)
Actuarial gains/losses	49,882,237	(3,963,122)
Present value of obligation at end of year	408,195,603	329,029,453
Actuarial (gains)/losses recognised in other comprehensive income:		
Long service awards	49,882,237	(3,963,122)
Estimated employer benefit payments to be paid iro Long service awards in the next financial period	(32,112,586)	(30,677,644)
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:		

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
43. Employee benefit obligations (continued)		
Salary Increase rate:		
Accrued liability 30 June	408,195,603	329,029,000
Decrease of 1 %	377,133,000	305,684,000
% change	(8.0)%	(7.1)%
Increase of 1 %	443,460,000	355,347,000
% change	9.0 %	8.0 %
Discount rate:		
Accrued liability 30 June	408,195,603	329,029,453
Decrease of 1 %	444,972,000	356,282,926
% change	9.0 %	8.3 %
Increase of 1 %	376,370,000	305,242,372
% change	(7.8)%	(7.2)%
Post-employment benefit liability:Statement of financial position		
Pension Fund	(132,947,231)	(134,374,413)
Municipal gratuity fund	(90,222,065)	(75,491,604)
Medical aid funds	(867,854,000)	(630,366,000)
Long service awards	(408,195,603)	(329,029,453)
	<u>(1,499,218,899)</u>	<u>(1,169,261,470)</u>

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	8.68 %	44.00 %
Inflation rate	5.44 %	5.46 %
Salary Increase rate	6.44 %	6.46 %
Expected rate of return on assets	10.20 %	10.60 %
Pension increase allowance	4.75 %	5.19 %
Health Care Cost Inflation	7.19 %	7.21 %

Discount rate (pension fund and gratuities):

The rate to discount post-employment benefit obligations should be determined by reference to market expectations at the valuation date for the period over which the liability obligations are to be settled. If the market is not liquid then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 8.68% per annum has been used.

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 5.44 % 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:

Salary increases have historically exceeded CPI inflation by between 1.0% and 1.5% per annum. We have assumed that salaries will exceed the assumed inflation rate by 1 % (pension funds) and 1 % (gratuities) plus a merit increase based on the age-related table below:

Age	Merit Increase
20	13.5 %
25	9.0 %
30	5.5 %
35	3.0 %
40	1.5 %
45	1.0 %

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R

43. Employee benefit obligations (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 a long term asset split as at 30 June 2011. 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 8,68 % 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. Return on overseas equity was assumed at 1% above 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 4.75 % 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 2010/11 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 City of Tshwane to take over all rights and obligations from 1 July 2010. Refer to note 45 for more detail regarding the disestablishment balances.

Merger of Metsweding, Kungwini and Nokeng Tsa Taemane municipalities:

In terms of the amended section 12 Notice (Notice No 3584 of 2005), amended on 15 April 2011, the City of Tshwane becomes the administrator of the 3 municipalities for the period 19 May 2011 to 30 June 2011. The financial, operational and administrative affairs of the 3 municipalities is determined in clause 23A of the section 12 notice, namely that the financial, operational and administrative affairs of the City of Tshwane Metropolitan Municipality and the disestablished municipalities will remain in force until 30 June 2011. In practice this means, that:

- The 3 disestablished municipalities will continue with their operations, financial systems and financial statements up to 30 June 2011 under the administration of City of Tshwane.
- All transactions relating to the 2010/11 financial year must be processed and accounted for in the financial systems, financial records and financial statements of the disestablished municipalities
- The operations and financial records will only be taken over/incorporated with that of City of Tshwane from 1 July 2011

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
45. Related parties		
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.		
Related party balances		
Related party transactions		
Civirelo Water:		
Purchases from/(sales to) City of Tshwane	-	(3,077,315)
Housing Company Tshwane:		
Received rates and taxes	102,949	110,683
Received electricity & water sales and rates and taxes	237,087	342,233
Paid General expenses	8,276	-
Sundry creditors (i.r.o. electricity, water & rates)	-	862,406
Grants received (SDA with City of Tshwane)	15,265,254	-
Sandspruit Works Association:		
Water purchases from City of Tshwane	71,852,790	429,026
Subsidy received from City of Tshwane	77,904,973	58,872,414
DWAF subsidy (creditor)	582,008	1,995,512
City of Tshwane Water accounts	731,455	-
Paid Water sales to City of Tshwane	76,914,102	61,217,177
Waste water (creditor)	2,664,159	5,251,109
Sanitation operational deficit (debtor)	64,993,081	64,993,081
Operating loss account (creditor)	35,934,646	28,062,946
Rand Water paid by City of Tshwane on behalf of Sandspruit (debtor)	49,932,830	31,849,048
DWAF subsidy received	5,977,000	7,898,496
Civirelo Water:		
Disestablishment of municipal entity	2,715,175	-
Civirelo Water a municipal entity was disestablished on 30 June 2010. All transactions, assets and liabilities were taken over by the City of Tshwane on 1 July 2010. A summary of the transactions is as follows:		
Gain on disestablishment consist of:		
Operating loss 2010/11	2,860,672	-
Accumulated surplus 2009/10	(5,575,844)	-
Property, plant & equipment - Cost	136,394	-
Property, plant & equipment - Accumulated Depreciation	(117,022)	-
Creditors	(2,277,442)	-
Sundry debtor	2,611,738	-
Work in progress(asset under construction)	5,416,171	-
Expenditure paid by City of Tshwane during 2010/11	(5,769,842)	-
	<u>(2,715,175)</u>	<u>-</u>

46. Prior period restatements

During 2010/11 various prior period restatements were done. These restatements mainly relate to the following (see detail of amounts below):

Property, plant and equipment were restated due a error in the depreciation of library books done in 2009/10d other depreciation errors which were picked up during 2010/11 financial year end closure.

Leased assets and lease liabilities were corrected due to errors picked up during the financial year end calculations and lease revenue had to be restated due to errors that were picked up. Further restatement on leases were necessary between the lease liability and leased assets due to errors in the previous year calculations.

Rehabilitation assets and provisions were restated due to change in the discount rate, further other revenue and expenditure items where accounting and disclosure errors were picked up during 2010/11.

The correction of the errors resulted in restatement of prior periods as follows:

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
46. Prior period restatements (continued)		
Restatement of expenditure, revenue and Statement of financial position iro 2007/08		
Revenue: Topstructure operational project	-	(6,073,234)
Revenue: Mabopane indoor centre capital project	-	(1,407,422)
Revenue: Interest on landsales	-	7,393,843
Expense: SALA pension fund contributions - interest	-	3,025,857
Expense: SALA pension fund contribution	-	11,852,539
Property rates revenue	-	(11,017,267)
IEC election funds	-	30,000,000
Expense: Lease repayment expense correction	-	7,445,135
Expense: Depreciation on leased assets correction	-	(3,958,579)
Expense: Interest on leased assets correction	-	(3,615,937)
Expense: Depreciation on library books	-	40,848,188
	<u>-</u>	<u>74,493,123</u>
Restatement of reserves and provisions iro 2008/09		
Expense: Depreciation on landfill site rehabilitation asset correction	-	(3,979,713)
Expense: Interest on lease assets correction	-	(3,640,525)
Expense: Depreciation on leased assets correction	-	(706,949)
Expense: Depreciation on library books	-	(348,339)
Revenue: Decrease public contributions for rezoning	-	10,216,220
Revenue: Lease rental income for properties leased	-	465,611
Discounting debtors adjustment	-	8,566,171
Revenue: Property rates	-	(5,261,305)
Expense: SALA pension fund contribution	-	2,741,847
Expense: SALA pension fund contribution - interest	-	5,938,614
Expense: Bulk water purchases	-	1,089,872
Expense: Interest on legal cases	-	348,644
Revenue: Landsales revenue reversed	-	500,000
Revenue: Interest on landsales debtors	-	289,138
Revenue: Topstructure operational project	-	(57,842,342)
	<u>-</u>	<u>(41,623,056)</u>
Restatement of revenue, expenditure, reserves, provisions and statement of financial position of 2009/10		
Revenue: Property rates	-	(16,515,949)
Expense: SALA pension fund contributions	-	2,895,866
Expense: SALA pension fund contribution - interest	-	2,834,213
Expense: Accrual of payments in 2010/11 iro 2009/10	-	30,135,036
Revenue: Property rental/leases	-	7,469,744
Revenue: HIV/AIDS operational project	-	87,126
Expense: Lease repayment correction	-	(5,393,810)
Expense: Interest on leased assets	-	2,442,309
Expense: Depreciation on leased assets	-	4,636,167
Expense: Depreciation on library books	-	(416,124)
Expense: Depreciation on landfill sites	-	(26,960,555)
Reserve: Capital replacement reserve correction	-	26,814,693
Reserve: Capital grants & donations correction	-	(12,119,195)
Revenue: Interest on consumer debtors	-	(1,375,998)
Revenue: Interest on sundry debtors	-	(5,148,622)
Revenue: Interest on land sales debtors	-	2,972,551
Revenue: Ambulance debtors	-	3,420
Revenue: Bursaries repaid	-	19,975
Revenue: Public contributions for rezoning	-	5,579,489
Revenue: Host Cities operational project	-	(10,900,000)
	<u>-</u>	<u>7,060,336</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R
47. Unauthorised expenditure		
Opening balance	611,172,823	538,899,568
Unauthorised expenditure in current year	637,163,858	963,933,018
Less: Approved/Condoned by Council in respect of previous financial year	(611,172,823)	(891,659,763)
Less: Approved/Condoned by Council in respect of 2010/11	(637,163,858)	-
	<u>-</u>	<u>611,172,823</u>

2011:

Unauthorised expenditure as a result of overspending of the budget to the value of R637 163 858. These over expenditure amounts are not recoverable and a deviation served before Council for approval and or condonement in terms of section 28 and 29 of the MFMA, on 25 August 2011.

2010:

Unauthorised expenditure as a result of overspending of the budget to the value of R963 933 018. These over expenditure amounts are not recoverable. The approval of Council was approved after the finalisation of the financial statements of 2009/10.

48. Fruitless and wasteful expenditure

Opening balance	2,165,519	2,059,809
Fruitless and wasteful expenditure in current year	1,295	108,845
Less: Transferred to irregular expenditure	(404,576)	-
Less: Approved by Council/Condoned/repayed/written off	(756)	(3,135)
	<u>1,761,482</u>	<u>2,165,519</u>

2008: Incident 1: Theft of laptop which an employee failed to register as an insurance claim to the amount of R24 200.

Disciplinary steps: Departmental hearing was held on 27 June 2008. Employee signed admission of guilt and amount will be deducted from his salary.

2008: Incident 2: Petty Cash - Late A Baduza to the amount of R756. Awaiting approval of report to Strategic Executive Director to write off this expenditure. Amount was written off.

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)

2008: Incident 4: Supply of fuel to contractor by Housing & Sustainable Human Settlement Development. Disciplinary steps: Investigation underway (R1 160 594)

2009: Incident 1: Electricity & Energy Department (R404 576) claims repudiated due to outstanding case numbers from cost centre. Disciplinary steps: None taken - amount was transferred to Irregular expenditure during 2010/11.

2010: Incident 1: Office of the Executive Mayor - official booked lunch for meeting without approval - SEO condoned as there was no wilful misconduct.

2010: Incident 2: Office of the Executive Mayor - approval of incorrect art work on bill board - SED condoned as there was no wilful misconduct.

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.

2011: Incident 1: Housing & Sustainable Development - Official opening event of Loftus Gardens Clinic - name plate was already made when date was changed. No action taken as there was no wilful misconduct.

49. Irregular expenditure

Opening balance	166,842,709	831,141
Add: Irregular Expenditure - current year	700,826	4,727,983
Add: Irregular expenditure due to deviations from supply chain policies	8,810,118	161,584,434
Less: Approval/repayment during the current year	(393,226)	(300,849)
Less: Irregular expenditure due to deviations approved by Council during 2010/11	(161,584,434)	-
Less: Non-compliance condoned	(3,830,477)	-
	<u>10,545,516</u>	<u>166,842,709</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
49. Irregular expenditure (continued)		
Details of irregular expenditure – current year		
2007: Unapproved travelling to Swaziland		15,175
2009: Corporate & Shared Services - fraudulent payment of salaries		150,337
2009: Sport, Recreation, Arts & Culture - New Year celebration		553,360
2010: Sport Recreation Arts & Culture - procurement procedures not followed SAFA U/19 reception		104,000
2010: Office of the Executive Mayor		10,837
2010 Office		200,863
2011: Health & Social Development - repudiated claims moved from fruitless expenditure to irregular		404,576
2011: Health & Social Development - Spending for Madiba bash		296,250
2010: None disclosure by Cot employees - owning companies that render services to municipality		8,810,118
		<u>10,545,516</u>
Details of irregular expenditure condoned		
2008: Cash shortage at Premos restaurant		6,980
2010: Community Safety - Payment of ESS system		152,617
2010: 2010 Office - Printing of Host Cities brochure		148,232
Deviations not in line with criteria of section 36 of SCM Regulations (refer note 56)		161,584,434
2009: Electricity & Energy Department - Issuing of gas stove cost centre 109 30		112,269
2010: Health & Social Development		92,340
2010: None disclosure by Cot employees - owning companies that render services to municipality		212,120
2010: Misrepresentation by owners/directors of companies who are in service of State		3,618,357
		<u>165,927,349</u>

50. 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

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

			2011		2010		
			R		Restated		R
50. Financial instruments (continued)							
Year ended 30 June 2011							
Description			Fixed rate		Non-interest bearing		Total
	Floating rate	Amount	Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount	Weighted average period until maturity Years	
	R	R			R		R
Assets							
Investments	403,746,642	216,442,661	11.17	13.67			620,189,303
Long-term receivables:							
Housing loans		20,752,130	13.87	30.00			20,752,130
Motor car loans		63,748	8.66	6.00			63,748
Loans to sport clubs		1,448,713	11.99	10.00			1,448,713
Study loans					2,126		2,126
Sale of Land		69,135,077	11.09	5.00			69,135,077
Arrangement debtors		6,548,805	-		193,137,018		199,685,823
Trade receivables:							
Consumer		3,489,889,274	10.00	1.00	977,311,453		4,467,200,727
Other					946,101,269		946,101,269
Cash		359,233,479					359,233,479
Total financial assets	403,746,642	4,163,513,887			2,116,551,866		6,683,812,395
Liabilities							
Interest bearing borrowings	2,760,868,251	2,763,882,288	9.91	15.00			5,524,750,539
Interest rate swaps		227,950,578	20.61	18.00			227,950,578
Lease liabilities		261,701,620					261,701,620
Trade payables:							
Creditors					3,097,125,521		3,097,125,521
Retention					159,096,715		159,096,715
Consumer deposits					356,856,244		356,856,244
Unspent grants and receipts					410,287,941		410,287,941
VAT					250,416,758		250,416,758
Total financial liabilities	2,760,868,251	3,253,534,486			4,273,783,179		10,288,185,916

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R

50. Financial instruments (continued)

Year ended 30 June 2010

Description			Fixed rate		Non-interest bearing		Total
	Floating rate	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	
Assets							
Investments	139,553,337	698,149,111	14.36	13.62			837,702,448
Long-term receivables:							
Housing loans		57,271,605	13.87	30.00			57,271,605
Motor car loans		104,645	8.66	6.00			104,645
Loans to sport clubs		1,517,494	11.99	10.00			1,517,494
Study loans					3,827		3,827
Sale of Land		73,006,819	11.09	5.00			73,006,819
Arrangement debtors		8,449,253			225,716,613		234,165,866
Trade receivables:							
Consumer		2,939,726,377	10.55	1.00	1,079,010,236		4,018,736,613
Other					878,459,268		878,459,268
Cash	93,218,328						93,218,328
Total financial assets	232,771,665	3,778,225,304			2,183,189,944		6,194,186,913
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		200,804,125					200,804,125
Trade payables:							
Creditors					2,934,273,307	0.08	2,934,273,307
Retention					153,980,649	1.00	153,980,649
Consumer deposits					319,509,467	0.08	319,509,467
Unspent grants and receipts					323,638,362	0.08	323,638,362
VAT					254,727,362	0.08	254,727,362
Bank overdrafts	12,979,239						12,979,239
Total financial assets	192,005,384	4,949,173,033			3,986,129,147		9,127,307,564

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

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010 Restated
	R	R

50. Financial instruments (continued)

	Fair value	Estimated fair value gain/(loss)
	R	R
Year ended 30 June 2011	200,000,000	-
Year ended 30 June 2010	200,000,000	-

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 2011	30 June 2010
Consumer debtors:		
Household	51	52
Industrial/Commercial	17	17
National and Provincial Government	1	1
Other consumer debtors	11	13
Other debtors:		
Other	20	17
	100	100

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

2011	2010
R	Restated R

50. Financial instruments (continued)

Liquidity risk

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

	30 June 2011	30 June 2012	30 June 2013
	R	R	R
External funding: capital expenditure	1,361,000,000	1,500,000,000	1,500,000,000

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.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R

50. Financial instruments (continued)

Derivatives (interest rate swaps)

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

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

Year ended	Fair value	Carrying amount
	R	R
30 June 2011		
Liabilities		
Interest rate swaps	200,000,000	200,000,000
30 June 2010		
Liabilities		
Interest rate swaps	200,000,000	200,000,000

Maturity profile

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

Year ended 30 June 2011

	1 Year or less	1 to 5 years	Over 5 years	Total
	R	R	R	R
Assets				
Investments	496,337,962	123,820,833	30,508	620,189,303
Long-term receivables:				
Housing loans			20,752,130	20,752,130
Motor car loans	63,748			63,748
Loans to sport clubs			1,448,713	1,448,713
Study loans	2,126			2,126
Sale of Land		69,135,077		69,135,077
Arrangement debtors	100,345,675	99,340,148		199,685,823
Trade receivables:				
Consumer	4,467,200,727			4,467,200,727
Other	946,101,269			946,101,269
Cash	359,233,479			359,233,479
Total financial assets	6,369,284,986	292,296,058	22,231,351	6,683,812,395
Liabilities				
Interest bearing borrowings	5,858,943	97,267,701	5,421,623,896	5,524,750,540
Interest rate swaps	227,950,578			227,950,578
Lease liabilities	127,547,795	134,153,825		261,701,620
Trade payables:				
Creditors		3,097,125,521		3,097,125,521
Retention		159,096,715		159,096,715
Consumer deposits		356,856,244		356,856,244
Unspent grants and receipts		410,287,941		410,287,941
VAT		250,416,758		250,416,758
Total financial liabilities	361,357,316	4,505,204,705	5,421,623,896	10,288,185,917

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
50. Financial instruments (continued)		
Year ended 30 June 2010		
	1 Year or less R	1 to 5 years R
	Over 5 years R	Total R
Assets		
Investments	623,417,916	210,282,310
Long-term receivables:		
Housing loans		57,271,605
Motor car loans	104,645	
Loans to sport clubs		1,517,494
Study loans	3,827	
Sale of Land		73,006,819
Arrangement debtors	115,795,021	118,370,845
Trade receivables:		
Consumer	4,018,736,613	
Other	878,459,268	
Cash	93,218,328	
Total financial assets	5,729,735,618	401,659,974
Liabilities		
Interest bearing borrowings	311,490,033	105,765,372
Interest rate swaps		227,949,356
Lease liabilities	200,804,125	
Trade payables:		
Creditors	2,934,273,307	
Retention	153,980,649	
Consumer deposits	319,509,467	
Unspent grants and receipts	323,638,362	
VAT	254,727,362	
Bank overdrafts	12,979,239	
Total financial liabilities	4,511,402,544	333,714,728
Hedging		
Hedging is not applicable in the environment of the Municipality.		
51. In-kind donations and assistance		
The Municipality received the following in-kind- donations and assistance:		
• Secondment of one(1) representatives from SAICA		
52. Operating leases		
The amounts of minimum lease payments under non-cancelable operating leases in respect of photocopier equipment are as follows:		
Non-cancelable		
Payable within a year	2,790,403	6,218,971
Payable within 2 to 5 years	1,293,281	3,856,048
	4,083,684	10,075,019
53. Rental income straightlining		
Gross investment in the lease due		
- within one year	5,406,423	6,303,960
- in second to fifth year inclusive	17,016,887	17,419,599
- later than five years	214,672,635	219,676,346
	237,095,945	243,399,905

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 Restated R
54. Contingencies		
Housing loan guarantees		
Guarantees for housing loans to employees at financial institutions	442,485	464,702
<p>With the implementation of the MFMA no new guarantees are issued, the liability would therefore decrease in future. The property was used as collateral in cases of default of payments.</p>		
Indemnification		
Investments ceded to Workmen's Compensation Commissioner in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	49,229,513	41,303,607
<p>The capitalised value as at 31 December as calculated by the department of Labour amounted to R49 229 513 (2010 = R41 303 607 2009 = R41 303 607. Only R49 229 513 of the R50 630 354 investment is required to be ceded.</p> <p>Consistent with prior years the amendment to the cession will be addressed in the following financial year.</p>		
Guarantees issued		
Guarantees issued in favour of Eskom	213,500	213,500
Retirement of redundant employees		
Pension fund contribution	38,568,000	46,023,000
Medical fund contribution	38,887,000	44,146,000
	77,455,000	90,169,000
<p>The retirement of redundant employees resulted in the abovementioned estimated long-term liabilities (these liabilities are budgeted for annually).</p> <p>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.</p>		
Insurance claims		
Pending claims iro asset-, motor own damage- contractors and electricity claims	821,890	14,907,142
Pending claims iro public liabilities	24,052,072	34,189,660
	24,873,962	49,096,802

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 R134,4 million (2009/10 = R146,3 million and 2008/09 = R190,7 million).

Litigation Matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amounts have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups:

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

2011	2010
R	Restated R

54. Contingencies (continued)

a. General Litigation

City Planning, Development & Regional Services Department

Case 1:

The applicant requested information from the City of Tshwane to enable the applicant to institute proceedings against the respondent. The information was provided as per the granted Court Order. The Applicant then brought an action for damages against the respondent. The City of Tshwane is not involved as the Applicant requested no legal relief against the City of Tshwane. The City of Tshwane however decided to inform the court of our approach on the matter. This matter is being reported as there is a potential for the respondent to sue. The matter is still pending as a trial date and judgement is awaited.

Case 2:

The claimant had entered into agreements in respect of various advertising sites that were allocated to the claimant in terms of a council resolution in 2002. The various agreements were entered into in 2005 and in terms of the agreements; the claimant was to erect advertising structures. These advertising structures were to generate income for the claimant and the City of Tshwane would, in turn, be entitled to monthly payment for the allocation of the sites. In 2007 the City of Tshwane cancelled the agreements because the claimant failed to comply with various terms of the agreements. City of Tshwane already pleaded in this matter. The consolidation of the claims and the counterclaims has been approved by the court. Due to reluctance of the plaintiff to set the matter down for hearing, the City of Tshwane is now in the process to apply for a trial date. Summons were issued against the City of Tshwane for the specific performance of the contracts between the plaintiff and City of Tshwane, alternatively damages to the amount of R15 300 000.

Case 3:

Claimant is suing City of Tshwane R44 000 000 for cancellation of the contract agreement to the build new Munitoria Offices as architectures. During 1997 the former City Council of Pretoria invited entries to a competition for the design of the new Munitoria offices. The winner of the competition would form part of the team to manage the project. The Claimant won the competition and were commissioned as the architects. This agreement was eventually cancelled/or repudiated around 2006 & 2007 by the City of Tshwane hence claimant is suing for breach of contract. A date of cancellation of the agreement was also disputed. The City of Tshwane has filed an amended plea. A trial date was set for 5 August 2011.

Case 4:

An application was received to rectify the deed of sale and the subdivision and consolidation of Portion 1 of Erf 1092, Waterkloof Ridge. The City of Tshwane entered into a deed of sale unfortunately certain errors appeared in the deed of sale that needed to be rectified. City of Tshwane acknowledged that the matter was not handled correctly and must be rectified. Settlement negotiations took place and a settlement agreement was signed and made an order of court. The deed of sale will be rectified and consolidation and subdivision attended to. City of Tshwane is also responsible for the applicant's costs.

Case 5:

The City of Tshwane had previously sold a piece of land to the claimant in an amount of R29 000. Part of the condition of the land sale agreement was that the claimant would apply for street closure and rezoning; and affect all incidental requirements related therefore. The plaintiff was never party to the agreement. However, the plaintiff is of the opinion that they have an interest in the sale agreement as the relevant property sold borders their property. The proposed sale was advertised according to the prescribed procedure and no objections were received. The city of Tshwane awaits the confirmation of the trial date which must be requested by the plaintiff.

Case 6:

The applicant brought an application that the City of Tshwane declared to be ordinary members of the Boskoop Estate Property Owners Association (section 21 company) and that the City of Tshwane be compelled to enforce the conditions of establishment of Wapadrand Extension 44. The application was served on the City of Tshwane on 17 February 2011. In this regard the applicant brought the application against the developer of the estate as well as against the City of Tshwane and request the court to compel the City of Tshwane to enforce the conditions of establishment and to be declared to be in default of enforcing the conditions. If this application succeeds it will force the City of Tshwane to get involved in all section 21 companies which was created through the process of land use applications i.e. rezoning, township establishment and subdivisions. Attorneys were instructed to oppose the matter and opposing affidavit was filed. A trial date is awaited.

Housing and Sustainable Human Settlement Development Department:

Case 1:

In this matter the property was expropriated by the City of Tshwane and compensation was paid. The owners did not agree with the compensation paid and brought action for additional compensation. This is a complicated matter and will have a bearing on other claimant's claims in the area as another expropriation was done in the area to provide low cost housing. The relief sought amounts to: R746 110 (compensation), R43 700 as solatium in terms of the Expropriation Act, payment of interest on R746 110. There is also a potential risk of a flood of claims. The matter was postponed "sine die" and cost reserved. The matter is set down for trial on 6 October 2011.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

2011	2010
R	Restated R

54. Contingencies (continued)

Case 2:

Two actions were lodged, namely for the loss the applicant suffered as the land was sold for less than what it could be sold for if there was no informal settlers on the property. The claim for damages by the original owner is an amount of R4.2 million. This claim is based on the omission of council to remove the squatters on time. The second claim is brought by the new owners to compel City of Tshwane to remove informal settlers as per the undertaking by the City of Tshwane. A settlement was reached in terms of which the City of Tshwane paid R3, 5 million as compensation in respect of the first claim. In respect of the specific compliance action the City of Tshwane undertook to remove the squatters in phases over a period of time. The matter was settled and the Housing Department has to implement the settlement agreement.

Financial Service Department:

Case 1:

Plaintiff claims damages to the amount of R11 461 450 as she maintains that the tender for network maintenance should have been awarded to her. The application brought by the applicant was defective. The City of Tshwane is at present awaiting the amended claim, where after a decision will be taken on the way forward. A notice of exception was served on the applicant's attorneys as the amended particulars of the claim were still excipiable.

Case 2:

Claim against City of Tshwane for fees outstanding for work done in terms of contract to the amount of R207 589,99. The matter is defended as no agreement exists. However the City of Tshwane entered into an agreement with a consortium to do certain work of which the plaintiff was a party. The consortium has been paid for the service rendered. This matter was set down for trial on 10 November 2009 but the plaintiff withdrew the application. The City of Tshwane is awaiting a further report from our attorneys whether the plaintiff is prepared to pay the City of Tshwane's legal costs. Only after this report has become available a discussion will be taken whether an application must be brought to compel the plaintiff to pay the City of Tshwane's legal costs. The Legal Services department is still in a process to recover legal cost from the plaintiff.

Case 3:

In this matter a summons was issued against the City of Tshwane for an amount of R2 622 000 being for services rendered. In this matter the plaintiff claim that a written and oral agreement was concluded with the City of Tshwane in terms of which the applicant would develop a long term financial sustainability plan for the City of Tshwane. The matter was heard by the Court. The City of Tshwane opposed the application for summary judgment as lodged by the applicant as it does not conform to the requirements for a summary judgment in this specific case. The Court granted the City of Tshwane leave to defend and the cost was reserved. In the meantime the applicant has lodged his amended application. This amendment to the application as aforementioned will be opposed by the City of Tshwane. The City of Tshwane awaits a trial date.

Case 5:

The plaintiff issued a summons in which debatement (reconciliation) of two service accounts are requested as the plaintiff avers that these accounts are defective and inadequate in certain respects. The summons was served on the City of Tshwane on 1 March 2011. In this regard the plaintiff avers that two service accounts are not correct and defective. The plaintiff also avers that the plaintiff have requested the City of Tshwane to debate the service accounts which were not done. This is the reason why they issued summons. To defend the action and put the City of Tshwane's version of the history of the two accounts (debit to the amount of R49 636.10 and credit to the amount of R5 000.00), before the Court. The City of Tshwane is proceeding to file an exception to the summons.

Case 6:

The plaintiffs issued a summons against the City of Tshwane in which the plaintiffs request delivery of all accounts and documents that relate to all bulk services contributions claimed in the by the City of Tshwane from subsequent developers that connected to the sewer line erected by the plaintiff which must be refunded to the plaintiffs. The plaintiffs further aver that the City of Tshwane might owe them money. The City of Tshwane is proceeding to file an exception to the summons.

Case 7:

Implementation of the NERSA (electricity regulator) ruling regarding the adjustment and crediting of the applicant's account. The applicant had queried an account on the basis of electricity charges. The applicant questioned the accuracy of the City of Tshwane's meter. As such the applicant approached the Court on an urgent basis to compel the City of Tshwane to refer the dispute to NERSA and not to implement credit control policies pending ruling by NERSA. The matter did eventually go to NERSA and NERSA made a ruling to the effect that the City of Tshwane had to credit the applicant's account with an amount of R42 599,19. Despite this ruling being made in 2009 the Finance Department has not implemented the NERSA decision. It is the view of the Finance Department that the NERSA decision is wrong as it was based on a report which contained wrong calculations.

Corporate and Shared Services Property Management:

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

2011	2010
R	Restated R

54. Contingencies (continued)

Case 1:

City of Tshwane is being sued for nearly R3 200 000 which according to the plaintiff is the loss they suffered as a result of failure by City of Tshwane to give transfer on properties in accordance with sale agreement. The City of Tshwane sold a stand to a third party after a sale agreement with the first party was concluded. The said properties have been transferred to the third party. The result was that the City of Tshwane could not give transfer to the applicant and the City of Tshwane is now being sued for damages. Awaiting a trial date.

Public Works and Infrastructure Development Department: Roads & Storm water:

Case 1:

The plaintiff is suing the City of Tshwane for an amount of R2 616 642 plus interest and costs. This matter stems from three contracts entered into between the then Northern Pretoria Metropolitan Sub-Structure on the one hand and plaintiff as a joint venture. The contractors had to in terms of the agreements construct and complete the work, as defined and remedy any defects therein, in accordance with the provision of the three contracts. The contractor claimed to have constructed and completed the works to the satisfaction of the engineer and the City of Tshwane. The contractor alleges, that due to the non performance on the part of the municipality in not providing them information and the failure to move the existing services (to allow construction to progress), the project suffered serious delays which resulted in time delays and they suffered damages.

Case 2:

The plaintiff was injured in 1996 when she drove through a pothole, lost control of her car and collided into a tree. Summons was issued in 1999 for an amount of R450 000 plus interest for injuries sustained. The matter was defended. A trial date for the adjudication of the quantum is awaited for the settlement.

Agricultural and Environmental Management Department and Social Development

Case 1(Agricultural & Environmental Management):

The plaintiff issued summons for damages for the alleged breach of contract by appointing two new contractors before the expiry of the tender. Relief sought is payment in the amount of R99 689.00 (excluding vat); Interest on the aforesaid amount and at the rate of 15.5% per annum as from 30 June 2009 to date of payment; payment in the amount of R82 696 (excluding vat). Interest on the aforesaid amount at the rate of 15.5% per annum from 31 July 2009; payment in the amount of R97 349.00, Interest on the aforesaid amount at the rate of 15.5% per annum as from 31 August 2009 to date of payment; payment in the amount of R 73 308.50. Interest on the aforesaid amount at the rate of 15.5% per annum as from 30 September 2009 to date of payment.; payment in the amount of R 79 181. Interest on the aforesaid amount at the rate of 15.5% per annum as from 31 October 2009 to date of payment. Cost of the suit. Further and/or alternative relief.

Social Development Department, Sport and Recreation

Case 1:

Application for rescission of judgement taken against the Stadsraad van Centurion for payment of license fees relating to music licenses (music was allegedly piped through the City of Tshwane's systems in public halls). The City of Tshwane is seeking an order setting aside the judgement taken in default by the Southern African Music Rights Organisation for payment of an amount of R14 969, 66 in license fees. The City of Tshwane has launched an application for rescission of judgement. The City of Tshwane contention is that the summons was not properly served. The summons was issued against the Centurion Town Council which no longer exists. The summons was also issued in Johannesburg Magistrates Court while the said court does not have jurisdiction. In addition the amounts claimed have prescribed. Awaiting court date.

b. Court matters for Finance Service Department (Debt Collection):

Urgent applications were also served on the City of Tshwane to obtain a Court order to re-connect disconnected services. Further legal actions, including applications for Contempt of Court, were instituted by the applicants to compel the City of Tshwane to adhere to the orders granted. The cost orders that were granted against the City of Tshwane amounts to a minimum of R20 000 per case. Currently 35 such cases are pending.

c. Labour prosecutions:

The municipality is involved in litigation with certain employees whose employment was terminated as a result of re-organization or dismissals due to disciplinary reasons, disputes in respect of allowances, placing policies, disputes with unions and SALGA, etc. The following is a summary of the cases:

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

2011	2010
R	Restated R

54. Contingencies (continued)

Case 1:

Senior employees of disestablished municipalities e.g. City Council of Pretoria, Centurion, GPMC and Northern Pretoria Metropolitan Sub-structure: These employees are stating that have not been employed in the positions they used to occupy before the disestablishment. It could have a huge financial implication as these employees will have to be paid severance packages. Settlement agreement signed on behalf of SALGA and various municipalities that revolve around the re-employment of former permanent employees on fixed term contracts (commonly known as "section 57 employees"). The case is still to be heard in court. The applicants will in all probability not proceed with their case against the City of Tshwane.

Case 2:

An employee issued summons against Council out of the High Court. Applicant approached Court on the pretext that City of Tshwane breached his sec. 57 contract. Applicant is suing the municipality from all fora available to him. The City of Tshwane could be liable for breach of contract as well as other costs. The Court ordered that the matter be removed from the roll and costs to be awarded against Applicant. The applicant has submitted a request for rescission of the initial award and the Order of 6 December 2010. The City of Tshwane is waiting for the outcome of the matter.

Case 3:

Approximately 43 metro police members: Unfair labour practice relating to promotion. Applicants claimed that they should be promoted to senior superintendents in the Metro Police Division

Case 4:

Unfair dismissal. The employee's services had been terminated after it was discovered that their re-employment to the City of Tshwane had not been in line with the recruitment and selection policy of the City of Tshwane. They approached the SALGBC with a dispute of unfair dismissal. The court order is awaited

Case 5:

Claimant is approaching the High Court to be appointed as a constable in the Metro-Police Division. A notice of opposition was filed. Pleadings have been drafted. A Court date of 13 June has been allocated for motion proceedings. The matter was successfully opposed and dismissed with a cost order against the Applicant.

Case 6:

claimant and 199 other metro-police constables: Applicants lodged an application at the High Court claiming to be accelerated progressed to the rank of sergeants in terms of the grading scheme and on grounds of a legitimate expectation created by the City of Tshwane in this respect. A Notice of Opposition has being filed, a consultation with the Division was held and a bundle of documents is now being compiled in order to draft an opposing affidavit. Senior Counsel will also be involved taking into account the impact of an adverse decision on the City of Tshwane as well as the monetary amount involved. The parties are currently exchanging pleadings

Case 7:

Claimant is taking an award against him on review to Labour Court. Claimant approached an arbitrator and requested that he be promoted to the rank of Director in the Community Safety department (Metro-Police). He complained that he applied for the position but was not short listed nor invited to job interviews. The Arbitrator ruled that he in fact did not apply for the position and dismissed his claim. He is now taking this award on review to Labour Court. A Notice of Opposition was filed. City of Tshwane are awaiting the transcript of the record of the Arbitration where after the parties need to comply with the Rules of the Court before the matter will be set down for hearing.

Case 8:

SATAWU vs Metro Police: Satawu approached the High Court on an urgent basis on 15 April 2011 in order to obtain consent to march through the streets of Pretoria on a Saturday, 16th April 2011. On 15 April 2011 Council successfully opposed with costs the urgent application lodged by Applicant in the Gauteng High Court.

Case 9:

Unfair dismissal - The employee had been dismissed for misconduct at the Disciplinary Tribunal of the City of Tshwane. The employee now challenges the dismissal as being both procedurally and substantively unfair. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

Case 10:

Unfair Labour Practice relating to promotion in terms of the ASD Migration and Placement collective agreement. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process. The Applicant has in the meantime approach City of Tshwane with an offer to resign should an amount of R600 000 be paid to him as settlement. This is the approximate amount he lost would he have been appointed to the position he claimed to be in. Electricity and Energy Division is in favour of this settlement and a report to this effect has been prepared for approval by the Accounting Officer.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R

54. Contingencies (continued)

Case 11:

Solidarity o.b.o. Augusto & 28 others: Claim i.t.o. sec. 77(3) & 77(A) of the B.C.E.A., claim for unpaid salaries, unlawful deductions and their contracts of service. Applicants were employed by a labour broker contracting to the City of Tshwane. The broker deducted certain amounts from the salaries of the employees. The broker then went into liquidation leaving the employees only with a claim against Council as we are held jointly and severally liable with the broker i.t.o. labour legislation. The Department has however withheld certain payments to the broker due to invoices not submitted and the bulk of their claims centered on these outstanding amounts. A settlement was negotiated with the contractors and we are in the process of finalizing the case. Council has done away with hiring workers via labour broking firms. Figures were given through and the City of Tshwane are awaiting a final reply

Case 12:

Unfair Labour Practice relating to promotion. The employee had successfully obtained an arbitration award in his favour against the City of Tshwane at the SALGBC that he be appointed and / or promoted to a senior position. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

Case 13:

Applicant alleges that he was demoted when the structure changed and he now had to report to an official in a higher job level as previously he reported to the Speaker. Applicants' attorney approached the City of Tshwane to investigate the possibility of termination of his contract but that he is paid out for the rest of his fixed term.

d. Litigation matters that have a strategic and financial impact on the management of City of Tshwane:

Case 1:

The applicant referred a claim to the amount of R32 000 000 to arbitration which claim emanates from services the applicant allegedly rendered for the City of Tshwane in terms of a contract to refurbish Loftus Versveld for the 2010 World Cup. In this matter the applicant had a contract with the City of Tshwane to refurbish Loftus Versveld stadium. His contract was cancelled. He now avers that there are monies owed to him. The matter will be referred to arbitration and we expect that an arbitrator will be appointed soon. This matter is still in process.

55. Change in estimate

Property, plant and equipment

The useful lives of all asset classes have been reviewed and adjusted to more accurately reflect the period of economic benefits or service potential derived from these assets. Taking into consideration the condition of the assets where the cost of these assets would have depreciated completely to Rnil at year end or within the following 12 to 24 months. The useful lives were adjusted on the following basis:

- Remaining useful life: less than 12 months:

Condition: Excellent, fair, good	Additional useful life = 24 months
Condition: Scrap	Additional useful life = 12 months
- Remaining useful life: between 12 and 24 months:

Condition: Excellent, fair, good	Additional useful life = 12 months
Condition: Scrap	Additional useful life = 12 months
- The effect of changing the remaining useful lives has decreased the depreciation charge for the current and future periods. The total number of assets affected is 103 246.

The useful lives of library books were revised at the current reporting date from 25 to 8 years on a weighted average basis to more accurately reflect the life spans of the books. The effect of this revision has increased the depreciation charges for the current and future periods.

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	62,938,926	22,658,214
Library books	13,174,320	-
Landfill sites	15,359,594	1,222,009
	<u>91,472,840</u>	<u>23,880,223</u>

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	Restated R

56. 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

Deviation from tender and quotation process:

- * Sole suppliers
- * Emergency
- * Impracticality

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year was approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

Deviation from tender process (amounts above R200 000)

Other deviations: various reasons	435,809,355	754,230,024
Alienation of land: Deviation 24/09/2009	-	90,207,000
Alienation of land: Deviation 34/10/2009	-	24,720,000
Alienation of land: Deviation 60/01/2010	-	5,800,000
Court order: Deviation 49/01/2010	-	22,554,534
Court order: Deviation 30/10/2009	-	12,864,994
Strike action: Deviation 36/11/2009	-	771,053
Strike action: Deviation 68/02/2010	-	17,600,000
Waiting period: Deviation 04/07/2010 Mercedes Benz	-	18,414,672
Waiting period: Deviation 04/07/2010 Fleet Africa	-	18,037,723
Less: Transfer to irregular expenditure (note 49)	-	(161,584,434)
	435,809,355	803,615,566

Deviation from quotation process

Amounts below R200 000	23,386,182	2,287,216
------------------------	------------	-----------

57. Co-operative relationships

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 Care Service with Elisabeth Glaser Paediatric Aids Foundation - prevention of AIDS transmission from mother to child
- Health & Social Development with Carel du Toit Hearing Centre - conduct audiometric tests targeting hearing acuity for children
- Health & Social Development with Foundation for Professional Development - public service to identify epidemiological and community service data that will assist in directing public, private, international and other non-governmental bodies in addressing needs of people affected by HIV
- Health & Social Development with Znimpilo (NGO) - conduct research project on why males are reluctant to visit PHC clinics in Atteridgeville
- Health & Social Development with NAFCl: 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 City of Tshwane.

58. Joint Ventures

The City of Tshwane is involved in the following Joint Ventures - the parties however act independently (existing agreements)

- Health Department with Maasmechelen Municipality for capacity building in respect of Community Structures (Working together as local authorities)
- Health & Social Development with HSRC iro prevention strategy targeting commercial sex workers

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

2011	2010
R	Restated R

59. Distribution losses: Water

Water is supplied to the City of Tshwane from Rand Water and from the City's own water sources. Monthly meter readings of supply are used to monitor the total gross supply and monthly meter readings of water exported to the neighbouring municipalities are used to calculate the net water input into the city.

Water loss management in the city is monitored, managed and controlled by the implementation of the Water Conservation and Water Demand Management Strategies. The primary outcome of these strategies are to reduce:

- * Technical losses (where not all water supplied reached the consumer, and
- * Financial losses (where not all water reaching the consumer is paid for).

These losses are caused by:

- Real losses (physical loss of water from the system), and
- Apparent losses (losses due to meter inaccuracies, meter estimations, non-metering of water and unauthorised consumption - this is water consumed not properly measured, accounted and paid for).

From the above, water losses in the city is determined by calculating the amount of non-revenue water (NRW) which is the difference of the volume of water supplied into the system and the authorised consumption.

At the end of June 2011 the NRW in the city is calculated at 70 167 272 kl (24.41% of the total input into the system). This is a marked improvement of NRW in the city as compared to June 2010 where the NRW was 70 694 257 kl (26.6% of the total input into the system). It must be noted that the "City Target" is to achieve an annual reduction of NRW of 1% up until an acceptable percentage of NRW, within the water sector viz. 15% - 20%, is obtained. The losses in R-value amounts to R255,8 million (2010 = R250,2 million). The calculation is based on the unit tariff per kilolitre on Rand Water purchases and the municipality's production costs from own sources. Although there was a decrease in the NRW from 70 694 257 kl to 70 167 272 kl, the total loss in Rand value is slightly higher than last year, due to the substantial increase in the Rand Water tariff.

60. Distribution losses: Electricity

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.

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.

The loss [difference between the total kWh available for selling i.e. own generation plus purchases, and consumed (billing system)] for City of Tshwane amounts to 9,32% [6.0% for technical losses and 3,32% or 323 577 085 kWh for non-technical losses] for the 2010/11 financial year which compares favourably with the standard. Various measures are in place to reduce the losses. During the 2009/10 financial year the figures were: 7,65% [6.0% for technical losses and 1,65% or 160 222 187 kWh for non-technical losses].

The value of the non-technical loss amounts to R133,9 million (2010 = R53,96 million) based on the cost per unit purchased/generated, namely 41,39 c/kWh (2009/10 = 33,68c/kWh) for the 2010/11 financial year.

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

61. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Property rates	3,021,874,644	3,021,874,644	3,021,874,644	2,884,060,800		137,813,844	95 %	95 %
Service charges	8,450,826,873	8,599,329,932	8,599,329,932	8,394,124,065		205,205,867	98 %	99 %
Investment revenue	120,080,230	104,566,829	104,566,829	110,142,589		(5,575,760)	105 %	92 %
Transfers recognised - operational	1,976,514,000	2,206,008,397	2,206,008,397	1,956,118,453		249,889,944	89 %	99 %
Other own revenue	1,482,964,968	1,450,801,729	1,450,801,729	1,120,520,863		330,280,866	77 %	76 %
Total revenue (excluding capital transfers and contributions)	15,052,260,715	15,382,581,531	15,382,581,531	14,464,966,770		917,614,761	94 %	96 %
Employee costs	(4,146,517,014)	(4,263,534,104)	(4,263,534,104)	(4,236,901,711)	-	(26,632,393)	99 %	102 %
Remuneration of councillors	(66,438,149)	(66,388,149)	(66,388,149)	(61,543,050)	-	(4,845,099)	93 %	93 %
Debt impairment	(432,386,725)	(528,801,158)	(528,801,158)	(639,687,334)	485,756,010	110,886,176	121 %	148 %
Depreciation and asset impairment	(918,124,353)	(750,928,920)	(750,928,920)	(806,867,992)	55,939,072	55,939,072	107 %	88 %
Finance charges	(721,680,720)	(648,008,404)	(648,008,404)	(602,569,777)	-	(45,438,627)	93 %	83 %
Materials and bulk purchases	(4,484,233,131)	(4,519,236,190)	(4,519,236,190)	(4,597,649,244)	83,713,054	78,413,054	102 %	103 %
Transfers and grants	(18,000,001)	(13,798,600)	(13,798,600)	(21,390,822)	7,592,222	7,592,222	155 %	119 %
Other expenditure	(4,074,504,366)	(4,382,032,000)	(4,382,032,000)	(3,777,032,395)	4,163,500	(604,999,605)	86 %	93 %
Total expenditure	(14,861,884,459)	(15,172,727,525)	(15,172,727,525)	(14,743,642,325)	637,163,858	(429,085,200)	97 %	99 %
Surplus/(Deficit)	190,376,256	209,854,006	209,854,006	(278,675,555)		488,529,561	(133)%	(146)%

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

61. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	1,325,026,000	564,861,541	564,861,541	535,841,223		29,020,318	95 %	40 %
Contributions recognised - capital and contributed assets	-	-	-	119,154,209		(119,154,209)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	1,515,402,256	774,715,547	774,715,547	376,319,877		398,395,670	49 %	25 %
Surplus/(Deficit) for the year	1,515,402,256	774,715,547	774,715,547	376,319,877		398,395,670	49 %	25 %

City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

61. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources								
Sources of capital funds								
Transfers recognised - capital	1,325,026,000	564,861,541	564,861,541	763,239,286		(198,377,745)	135 %	58 %
Public contributions and donations	87,700,000	127,131,000	127,131,000	111,383,779		15,747,221	88 %	127 %
Borrowing	1,000,000,000	1,361,000,000	1,361,000,000	-		1,361,000,000	- %	- %
Internally generated funds	782,248,947	371,287,947	371,287,947	-		371,287,947	- %	- %
Total sources of capital funds	3,194,974,947	2,424,280,488	2,424,280,488	874,623,065		1,549,657,423	36 %	27 %
Cash flows								
Net cash from (used) operating	2,757,466,093	1,452,673,280	1,452,673,280	1,480,115,674		(27,442,394)	102 %	54 %
Net cash from (used) investing	(2,664,488,854)	(1,931,070,933)	(1,931,070,933)	(2,233,509,891)		302,438,958	116 %	84 %
Net cash from (used) financing	443,652,177	800,759,944	800,759,944	887,689,127		(86,929,183)	111 %	200 %
Net increase/(decrease) in cash and cash equivalents	536,629,416	322,362,291	322,362,291	134,294,910		188,067,381	42 %	25 %
Cash and cash equivalents at the beginning of the year	762,266,603	720,929,945	720,929,945	721,276,532		(346,587)	100 %	95 %
Cash and cash equivalents at year end	1,298,896,019	1,043,292,236	1,043,292,236	855,571,442		187,720,794	82 %	66 %

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2011

Interest Rate (%)	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2011	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	96,597,857	-	-	669,844	97,267,701	141,595,334
Loan 43 (Issued 1984)	16.25	2004.04.30	5,812	-	-	-	5,812	8,461
Loan 55 (Issued 1990)	16.40	2011.06.30	14,537,190	-	15,000,000	462,810	-	-
Loan 62 (Issued 1992)	16.50	2011.06.30	20,732,428	-	20,000,000	(732,428)	-	-
Loan 63 (Issued 1993)	14.00	2011.06.30	38,214,603	-	30,000,000	(8,214,603)	-	-
Loan 65 (Issued 1997)	15.70	2011.06.30	50,000,000	-	50,000,000	-	-	-
Loan 66 (Issued 2000)	16.50	2011.06.30	59,000,000	-	59,000,000	-	-	-
			-	-	-	-	-	-
			279,087,890	-	174,000,000	(7,814,377)	97,273,513	141,603,795
TERM LOANS								
DBSA: bullet portion	13.50	2018.04.30	51,746,052	-	-	-	51,746,052	75,328,187
DBSA: Floating rate	Variable	2019.10.31	78,331,528	-	-	-	78,331,528	114,029,413
ABSA Bank loan B3	Variable	2011.06.30	84,000,000	-	84,000,000	-	-	-
INCA Loan	17.15	2011.06.30	45,000,000	-	45,000,000	-	-	-
ABSA Bank Arbitrage	19.13	2011.10.31	227,949,356	-	-	1,222	227,950,578	331,834,081
			-	-	-	-	-	-
			487,026,936	-	129,000,000	1,222	358,028,158	521,191,681
ANNUITY LOANS:								
DBSA	13.5	2018.04.30	215,086,496	-	14,269,867	(1,044,017)	199,772,612	290,814,621
DBSA Local Authorities	13.5	2012.12.31	9,167,515	-	3,314,385	-	5,853,130	8,520,567
DBSA (Restructuring)	10.97	2018.12.31	208,770,791	-	15,930,346	-	192,840,445	280,723,266
INCA	11.03	2019.06.30	15,584,846	-	1,085,747	-	14,499,099	21,106,747
INCA	9.52	2020.03.31	183,266,865	-	11,371,179	(572,544)	171,323,142	249,399,926
INCA	11.01	2020.06.30	41,119,607	-	2,424,473	-	38,695,134	56,329,597
DBSA	9.36	2020.12.31	227,339,154	-	13,520,203	-	213,818,951	311,262,273
INCA	10.92	2020.12.31	84,345,087	-	4,611,778	-	79,733,309	116,070,026
INCA	10.81	2021.06.30	69,127,158	-	3,518,174	-	65,608,984	95,508,848
DBSA	5.0	2021.12.31	79,741,415	-	5,597,090	-	74,144,325	107,933,984
DBSA	9.84	2021.12.31	337,762,816	-	18,175,684	-	319,587,132	465,231,995
Ivuzi	8.74	2021.12.31	173,194,160	-	9,242,175	-	163,951,985	238,669,525
DBSA	6.25	2028.06.30	94,222,828	-	2,957,033	116,462	91,382,257	133,027,726
DBSA	12.81	2028.06.30	194,808,569	-	3,119,362	-	191,689,207	279,047,380
DBSA	11.32	2028.06.30	195,422,055	-	3,430,388	-	191,991,667	279,487,681
ABSA Roodeplaas Temba	12.5	2021.03.31	226,562,872	-	16,251,912	(2,593,229)	207,717,731	302,380,555
DBSA Roodeplaate Temba	11.99	2021.03.31	116,693,761	-	8,434,365	(961,670)	107,297,726	156,196,323
Nedbank Roodeplaas Temba	12.51	2021.03.31	155,337,258	-	11,173,027	(1,514,045)	142,650,186	207,659,897
DBSA TIP	6.75	2029.06.30	146,280,461	-	3,974,757	-	142,305,704	207,158,424
DBSA IIP	10.84	2029.06.30	661,952,221	-	13,201,766	35,941	648,786,396	944,456,643
Nedbank	9.27	2020.05.18	364,023,360	-	23,620,555	(23,845)	340,378,960	495,499,245
Nedbank	9.32	2020.06.16	361,470,930	-	23,212,139	372,020	338,630,811	492,954,415
DBSA	10.18	2010.12.01	-	361,000,000	6,259,443	-	354,740,557	516,405,826
Standard Bank	7.72	2026.06.30	-	1,000,000,000	-	-	1,000,000,000	1,455,728,184
			4,161,280,225	1,361,000,000	218,695,848	(6,184,927)	5,297,399,450	7,711,573,674
			4,927,395,051	1,361,000,000	521,695,848	(13,998,082)	5,752,701,121	8,374,369,150

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2011

Interest Rate (%)	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Amortatised value	Balance at 30 June 2011	Carrying Value of Property, Plant & Equip
		Rand	Rand	Rand	Rand	Rand	Rand
FINANCE LEASES							
	Variable *	13,710,574	5,137,273	12,621,133	-	6,226,714	6,173,792
ABSA	Variable *	-	-	-	-	-	-
AMASONDO	Variable *	18,999,403	2,332,001	16,004,347	-	5,327,057	4,436,710
DATA CENTRIX	Variable *	3,437,381	90,030,103	4,073,472	-	89,394,012	88,975,708
DEBIS FLEET MANAGEMENT	Variable *	2,304,164	529,476	2,439,920	-	393,720	391,778
FLEET AFRICA	Variable *	5,823,986	191,569	6,015,555	-	-	-
IMPERIAL /EQSTRA	Variable *	63,760,495	6,759,241	43,879,495	-	26,640,241	23,129,210
MAN FINANCIAL SERVICES	Variable *	-	-	-	-	-	-
McCarthy	Variable *	3,610,996	22,105,864	6,291,695	-	19,425,165	18,933,901
Molpone	Variable *	11,292,619	645,565	11,103,517	-	834,667	952,137
STANDARD BANK	Variable *	-	5,608,700	941,927	-	4,666,773	4,610,088
ZEDA	Variable *	36,100,354	71,460,670	27,603,156	-	79,957,868	78,030,233
TSHWANE AUTO LEASING	Variable *	30,996,996	1,907,434	11,446,971	-	21,457,459	20,892,223
VIAMAX	Variable *	9,281,590	5,903,410	7,807,056	-	7,377,944	7,226,175
VUSWA	Variable *						
		199,318,558	212,611,306	150,228,244	-	261,701,620	253,751,955

City of Tshwane Metropolitan Municipality

Appendix B Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2011

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	1,611,388,142	1,006,850,690	-	(764,524,796)	-	1,853,714,036	-	-	-	-	-	1,853,714,036
Electricity	3,093,329,983	326,767,233	-	190,722,739	-	3,610,819,955	(755,966,174)	(75,336,495)	-	-	(831,302,669)	2,779,517,286
General	78,566,000	4,632,584	-	14,845,100	-	98,043,684	(41,427,716)	(7,874,521)	-	(3,178,584)	(52,480,821)	45,562,863
Roads	4,497,589,898	342,937,330	-	87,368,234	-	4,927,895,462	(1,209,032,316)	(176,499,921)	-	-	(1,385,532,237)	3,542,363,225
Water and sanitation	3,738,842,263	148,281,688	-	455,495,832	4,701,866	4,347,321,649	(887,385,261)	(138,559,552)	-	(1,489,459)	(1,027,434,272)	3,319,887,377
	13,019,716,286	1,829,469,525	-	(16,092,891)	4,701,866	14,837,794,786	(2,893,811,467)	(398,270,489)	-	(4,668,043)	3,296,749,999	11,541,044,787
Community Assets												
General	1,569,012,659	88,494,346	(54,905)	30,841,668	-	1,688,293,768	(385,847,789)	(55,529,553)	-	15,721	(123,054)	1,246,809,093
Assets under construction	76,152,479	7,766,781	-	(38,751,725)	-	45,167,535	-	-	-	-	-	45,167,535
	1,645,165,138	96,261,127	(54,905)	(7,910,057)	-	1,733,461,303	(385,847,789)	(55,529,553)	-	15,721	(123,054)	1,291,976,628
Heritage assets												
General	5,674,856	1,538,008	-	-	18,631,631	25,844,495	(196,655)	(38,698)	-	-	(235,353)	25,609,142
	5,674,856	1,538,008	-	-	18,631,631	25,844,495	(196,655)	(38,698)	-	-	(235,353)	25,609,142
Housing												
Housing assets	227,222,944	23,298,506	-	3,172,726	-	253,694,176	(231,119)	(37,128)	-	-	(268,247)	253,425,929
Assets under construction	13,725,098	-	-	(614,176)	-	13,110,922	-	-	-	-	-	13,110,922
	240,948,042	23,298,506	-	2,558,550	-	266,805,098	(231,119)	(37,128)	-	-	(268,247)	266,536,851
Stock												
Stock	1,142,732	-	-	2,626,998	-	3,769,730	-	-	-	-	-	3,769,730
	1,142,732	-	-	2,626,998	-	3,769,730	-	-	-	-	-	3,769,730
Land												
Land	1,105,737,596	-	(613,482)	(5,283,697)	-	1,099,840,417	-	-	-	-	-	1,099,840,417
	1,105,737,596	-	(613,482)	(5,283,697)	-	1,099,840,417	-	-	-	-	-	1,099,840,417
Buildings												
Buildings	1,114,810,197	64,199,394	-	(58,044,351)	-	1,120,965,240	(479,816,931)	(34,729,376)	-	-	83,479,138	689,898,071
	1,114,810,197	64,199,394	-	(58,044,351)	-	1,120,965,240	(479,816,931)	(34,729,376)	-	-	83,479,138	689,898,071

City of Tshwane Metropolitan Municipality

Appendix B Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2011

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
Other													
General	1,390,538,602	81,720,758	(26,409,981)	187,614,272	66,075,776	1,699,539,427	(665,155,059)	(143,575,740)	(490,306)	22,441,016	(101,290,174)	(888,070,263)	811,469,164
Rehabilitation assets	128,380,331	-	-	-	47,673,192	176,053,523	(72,539,676)	(33,865,262)	-	-	-	(106,404,938)	69,648,585
Assets under construction	185,156,855	45,713,482	-	(140,441,659)	-	90,428,678	-	-	-	-	-	-	90,428,678
Non-current assets held for sale transfer	(20,767,822)	-	16,243,557	-	-	(4,524,265)	19,470,611	-	-	(15,286,780)	-	4,183,831	(340,434)
	1,683,307,966	127,434,240	(10,166,424)	47,172,613	113,748,968	1,961,497,363	(718,224,124)	(177,441,002)	(490,306)	7,154,236	(101,290,174)	(990,291,370)	971,205,993
Total property plant and equipment													
	18,816,502,813	2,142,200,800	(10,834,811)	(34,972,835)	137,082,465	21,049,978,432	(4,478,128,085)	(666,046,246)	(490,306)	7,169,957	(22,602,133)	5,160,096,813	15,889,881,619
Agricultural/Biological assets													
Investment properties													
Investment ASSETS	44,311,471	-	-	(40,590)	-	44,270,881	(38,131,885)	(1,812,953)	-	-	32,661	(39,912,177)	4,358,704
	44,311,471	-	-	(40,590)	-	44,270,881	(38,131,885)	(1,812,953)	-	-	32,661	(39,912,177)	4,358,704
Intangible assets													
computer software	246,279,364	36,435,091	-	35,013,425	57,900	317,785,780	(136,472,925)	(41,493,471)	-	-	(57,900)	(178,024,296)	139,761,484
	246,279,364	36,435,091	-	35,013,425	57,900	317,785,780	(136,472,925)	(41,493,471)	-	-	(57,900)	(178,024,296)	139,761,484
Total													
Land	1,105,737,596	-	(613,482)	(5,283,697)	-	1,099,840,417	-	-	-	-	-	-	1,099,840,417
Infrastructure	13,019,716,286	1,829,469,525	-	(16,092,891)	4,701,866	14,837,794,786	(2,893,811,467)	(398,270,489)	-	-	(4,668,043)	3,296,749,999	11,541,044,787
Community Assets	1,645,165,138	96,261,127	(54,905)	(7,910,057)	-	1,733,461,303	(385,847,789)	(55,529,553)	-	15,721	(123,054)	(441,484,675)	1,291,976,628
Heritage assets	5,674,856	1,538,008	-	-	18,631,631	25,844,495	(196,655)	(38,698)	-	-	-	(235,353)	25,609,142
Housing	240,948,042	23,298,506	-	2,558,550	-	266,805,098	(231,119)	(37,128)	-	-	-	(268,247)	266,536,851
Other	1,683,307,966	127,434,240	(10,166,424)	47,172,613	113,748,968	1,961,497,363	(718,224,124)	(177,441,002)	(490,306)	7,154,236	(101,290,174)	(990,291,370)	971,205,993
Intangible assets	246,279,364	36,435,091	-	35,013,425	57,900	317,785,780	(136,472,925)	(41,493,471)	-	-	(57,900)	(178,024,296)	139,761,484
Investment properties	44,311,471	-	-	(40,590)	-	44,270,881	(38,131,885)	(1,812,953)	-	-	32,661	(39,912,177)	4,358,704
Buildings	1,114,810,197	64,199,394	-	(58,044,351)	-	1,120,965,240	(479,816,931)	(34,729,376)	-	-	83,479,138	(431,067,169)	689,898,071
Stock	1,142,732	-	-	2,626,998	-	3,769,730	-	-	-	-	-	-	3,769,730
	19,107,093,648	2,178,635,891	(10,834,811)	-	137,140,365	21,412,035,093	(4,652,732,895)	(709,352,670)	(490,306)	7,169,957	(22,627,372)	5,378,033,286	16,034,001,807

City of Tshwane Metropolitan Municipality
Appendix C
Supplementary unaudited information

Segmental analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated Depreciation**

	Opening Balance	Additions	Disposals	Classified as held for sale	Transfers	Other changes & movements	Closing Balance	Opening Balance	Additions	Classified as held for sale	Disposals, transfers & adjustments	Impairment deficit	Closing Balance	Carrying Value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality														
Office of Executive mayor and Municipal Manager	176,717,176	665,767	(2,788,883)	(51,163)	-	2,526,353	177,069,250	(62,204,772)	(5,330,041)	50,299	1,787,686	(14,947)	(65,711,775)	111,3
Financial Services	78,160,639	1,825,496	(3,793,121)	(302,452)	511	1,265,518	77,156,591	(37,222,483)	(4,966,048)	296,577	2,816,368	(43,716)	(39,119,302)	38,0
General Assessments	40,220,536	-	(94,793)	(26,836)	(47,451)	9,238	40,060,694	(19,857,279)	(3,224,483)	26,141	79,963	(14,419)	(22,990,077)	17,0
Corporate and Shared Services	1,850,162,632	77,007,021	(3,948,954)	(813,460)	-	5,244,270	1,927,651,509	(468,326,238)	(70,950,556)	806,224	675,182	(66,414)	(537,861,802)	1,389,7
Community Safety	457,354,408	30,495,585	(5,294,502)	(343,781)	305,521	30,915,350	513,432,581	(185,665,186)	(27,542,787)	263,108	(4,531,870)	(38,785)	(217,515,520)	295,9
City Planning & Economic Development	145,026,539	23,729,567	(2,013,170)	(15)	-	1,145,403	167,888,324	(41,591,722)	(6,885,717)	1	1,561,767	-	(46,915,671)	120,9
Health and Social Development	161,684,952	26,127,790	(997,888)	(910,168)	27,740	2,799,217	188,731,643	(53,312,048)	(8,534,243)	861,914	(87,580)	(166,483)	(61,238,440)	127,4
Sport, Recreation, Arts & Culture	824,401,012	16,820,704	(1,925,889)	(128)	(286,321)	26,223,381	865,232,759	(185,450,434)	(80,765,237)	124	348,009	(28)	(265,867,566)	599,3
Housing and Sustainable Human Settlement Development	2,237,229,556	157,294,419	(611,349)	-	-	2,274,506	2,396,187,132	(287,324,211)	(101,824,515)	-	(689,708)	-	(389,838,434)	2,006,3
Agriculture & Environmental management	795,395,244	72,891,055	(1,720,067)	(19,692)	-	52,592,884	919,139,424	(261,081,493)	(32,443,054)	12,891	(307,839)	(5,062)	(293,824,557)	625,3
Transport & Roads: Transport	668,698,717	53,718,086	(158,946)	(36,368)	-	1,295,902	723,517,391	(102,405,705)	(22,181,870)	36,107	(397,699)	(6,564)	(124,955,731)	598,5
Transport & Roads: Roads & Storm water	3,926,097,718	370,392,532	(1,317,619)	(133,022)	-	79,771	4,295,119,380	(1,167,250,883)	(151,939,291)	121,031	997,253	(16,097)	1,318,087,987)	2,977,0
Public Works - Water and Sanitation	4,108,119,468	764,030,460	(266,995)	-	-	6,663,294	4,878,546,227	(920,817,819)	(115,157,345)	-	(2,686,181)	-	1,038,661,345)	3,839,8
Public Works - Electricity	3,658,592,871	583,637,414	(2,146,191)	(857,139)	-	4,105,278	4,243,332,233	(870,549,778)	(86,750,942)	679,375	264,014	(117,791)	(956,475,122)	3,286,8
	19,127,861,468	2,178,635,896	(27,078,367)	(3,494,224)	-	137,140,365	21,413,065,138	(4,663,060,051)	(718,496,129)	3,153,792	(170,635)	(490,306)	5,379,063,329)	16,034,0

City of Tshwane Metropolitan Municipality
Appendix D
Supplementary unaudited information

Segmental Statement of Financial Performance for the year ended

Prior Year (30 June 2010)

30 June 2011

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Strategic Unit						
108,841,742	569,624,147	(460,782,405)	Office of Executive Mayor and Municipal Manager	65,177,854	412,829,290	(347,651,436)
714,187	899,355,434	(898,641,247)	Corporate and Shared Services	59,462,799	962,794,563	(903,331,764)
3,891,453	57,015,401	(53,123,948)	City Planning and Economic Development: Economic Development	2,398,006	58,267,242	(55,869,236)
129,553,434	558,984,517	(429,431,083)	Financial Services	144,121,857	647,522,396	(503,400,539)
4,443,465,568	809,659,272	3,633,806,296	General Assessments	4,851,788,367	765,806,070	4,085,982,297
41,039,081	275,961,832	(234,922,751)	Housing and Sustainable Human Settlement Development	55,788,786	372,728,479	(316,939,693)
38,784,325	185,373,082	(146,588,757)	Sport and Recreation	43,889,143	198,353,582	(154,464,439)
127,477,522	881,979,385	(754,501,863)	Community Safety	138,976,749	1,128,585,065	(989,608,316)
500,415,825	1,213,141,405	(712,725,580)	Agriculture & Environmental Management	625,456,274	1,501,406,780	(875,950,506)
73,550,323	318,112,438	(244,562,115)	Health and Social Development	85,464,550	332,170,924	(246,706,374)
97,327,891	148,533,027	(51,205,136)	City Planning and Economic Development: City Planning	105,653,845	160,956,102	(55,302,257)
316,927,315	664,238,451	(347,311,136)	Transport & Roads: Roads and Storm water	155,847,236	716,579,523	(560,732,287)
305,816,752	394,606,775	(88,790,023)	Transport & Roads: Transport Services	140,498,539	434,066,358	(293,567,819)
5,327,733,400	4,511,704,241	816,029,159	Public Works - Electricity	6,398,338,119	5,372,546,665	1,025,791,454
2,001,235,554	1,568,639,712	432,595,842	Public Works - Water and Sanitation	2,451,318,626	1,883,247,834	568,070,792
13,516,774,372	13,056,929,119	459,845,253		15,324,180,750	14,947,860,873	376,319,877

City of Tshwane Metropolitan Municipality
Appendix E
Supplementary unaudited information

Actual Operating Revenue & Expenditure vs Budget for the year ended 30 June 2011

	Current year 2011 Actual	Current year 2011 Budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var
Revenue				
Property rates	2,884,060,800	3,021,874,644	(137,813,844)	(4.56) Some factors cannot be accurately determined, e.g. growth in properties, re-categorisation of properties, growth in indigent registrations and legislative changes in tariffs
Service charges	8,394,124,063	8,599,329,932	(205,205,869)	(2.39) Water sales lower due to high rainfall; refuse removal revenue lower due to the service not expanding as anticipated.
Rental of facilities and equipment	99,546,729	107,919,173	(8,372,444)	(7.76) Bus rentals realised lower owing to strike action and unavailability of sufficient busses.
Interest received - external investment	110,142,590	104,566,829	5,575,761	5.33 Result of improved cash-flow therefore more interest was earned than anticipated when budgeted.
Interest received - outstanding debtors	195,141,732	274,386,450	(79,244,718)	(28.88) Interest rate is adjusted twice annually. Declining interest rates, the extended incentive scheme and the targeted credit control actions all impacted on arrear balances and write-off of irrecoverable arrears, which in turn impacts on the interest levied.
Fines (Traffic fines)	7,990,659	65,109,438	(57,118,779)	(87.73) Implementation of AARTO Act and subsequent administrative challenges and netting off of amounts owed to and by CoT and RTMC
Licences and permits	35,988,659	34,529,492	1,459,167	4.23 Actual raised realised more than originally projected
Government grants & subsidies	2,491,959,676	2,770,869,938	(278,910,262)	(10.07) Under spending on grant funded projects such as PTIS and NDPG resulted owing to national government non-approval of projects / non-transfer of funds, which halted implementation and hence revenue could not be recognised.
Other income	771,107,842	841,726,176	(70,618,334)	(8.39) Income from Reconnection Fees, Connection Fees, Bulk Containers, Dumping Fees, Sale of Stone, Sale of Aeroplane Fuel, Transport Fees and Land Sales did not realise as originally projected, owing to lower demand.
Public contributions and donations	119,154,209	127,131,000	(7,976,791)	(6.27) Township Development Contributions for Rezoning, Roads & Storm water and Parks did not realise as projected owing to lower demand.
	15,111,933,890	15,947,443,072	(835,509,182)	(5.24)
Expenses				
Employee related costs	(4,236,901,709)	(4,263,534,013)	26,632,304	(0.62) Savings owing to non-filling of vacancies.
Remuneration of Councillors	(61,543,050)	(63,389,149)	1,846,099	(2.91) During budget preparation the determination of councillors remuneration was not yet finalised
Bad debts: contribution	(728,233,394)	(332,618,377)	(395,615,017)	118.94 Additional provision for bad debt due to review at year end
Bad debts: written off	(286,323,774)	(196,182,781)	(90,140,993)	45.95 Small and irrecoverable balances are written off programmatically, hence it is difficult to budget accurately for this item. Write off in respect of Lotus Gardens was not budgeted for
Collection costs	(84,702,661)	(106,528,200)	21,825,539	(20.49) Dependant on the usage and commission of third parties
Depreciation	(806,377,686)	(750,928,920)	(55,448,766)	7.38 Depreciation is calculated in line with the asset verification and purification process.
Impairments	(490,306)	-	(490,306)	100.00 Impairment testing only done at year end cannot provide during budget process.
Finance costs	(602,569,777)	(660,757,004)	58,187,227	(8.81) Lower interest rates and delayed process of borrowing disbursement.
Bulk purchases	(4,597,649,244)	(4,513,936,190)	(83,713,054)	1.85 Electricity purchases was higher due to higher demand
Repairs and maintenance - General	(1,028,650,495)	(1,024,486,995)	(4,163,500)	0.41 Demand marginally higher than projected.
Grants and subsidies paid	(21,390,822)	(13,798,600)	(7,592,222)	55.02 More applications received than anticipated
General Expenses	(2,288,310,832)	(3,246,565,326)	958,254,494	(29.52) Savings realised on Insurance Premiums & Excesses,; Compensation Commissioner payments; coal purchases and lease of vehicles.
	(14,743,143,750)	(15,172,725,555)	429,581,805	(2.83)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	8,028,309	(1,970)	8,030,279	(407,628.4) No auctions were anticipated during budget preparation however auctions of obsolete items realised gains/losses. Disestablishment of municipal entity.
Fair value adjustments	(498,573)	-	(498,573)	- Difficult to budget for - only determined at year end
Net surplus/ (deficit) for the year	376,319,876	774,715,547	(398,395,671)	(51.4)

Appendix F
Supplementary unaudited information

**Segmental Actual Operating Revenue and Expenditure vs Budget for
the year ended 30 June 2011**

	Actual Rand	Adjustment Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Revenue					
Office of Executive Mayor and City Manager	65,177,854	112,281,564	47,103,710	41.95	Unspent operational grants and reduction in capital grants
Corporate and Shared Services	59,462,799	44,170,890	(15,291,909)	(34.62)	Auctions of obsolete items realised gains
Financial Services	144,121,857	138,007,420	(6,114,437)	(4.43)	Interest earned realised higher due to improved cash flow
General Assessments	4,851,788,367	4,934,599,256	82,810,889	1.68	Revenue from property rates due to inaccuracy on amounts estimated
Housing and Sustainable Human Settlement Development	55,788,786	44,208,455	(11,580,331)	(26.19)	Reimbursement of cost by GDLGH could not be included in adjustment budget
Sport and Recreation	43,889,143	14,860,443	(29,028,700)	(195.34)	Review of useful lives of assets could not be budgeted for
Community Safety	138,976,749	162,886,483	23,909,734	14.68	Fines & AARTO commission not realising as anticipated
Agriculture & Environmental Management	625,456,274	651,054,634	25,598,360	3.93	Waste removal service did not expand as anticipated
Health and Social Development	85,464,550	83,318,427	(2,146,123)	(2.58)	Review of useful lives of assets could not be budgeted for
City Planning and Economic Development: City Planning	105,653,845	109,481,613	3,827,768	3.50	Decline in township development contributions: rezoning which is market driven
City Planning and Economic Development: Economic Development	2,398,006	2,970,388	572,382	19.27	
Transport & Roads: Roads & Storm water	155,847,236	228,047,052	72,199,816	31.66	Delays in contractor appointments & procurement process
Transport & Roads: Transport Services	140,498,539	373,526,109	233,027,570	62.39	Under spending on operational grants due to change in Integrated Rapid Public Transport project
Public Works - Electricity	6,398,338,119	6,479,737,289	81,399,170	1.26	Decline in interest on arrear amounts and extended incentive scheme
Public Works - Water and Sanitation	2,451,318,626	2,568,293,049	116,974,423	4.55	Water sales lower than budgeted due to high rainfall
	-	-	-	-	
	15,324,180,750	15,947,443,072	623,262,322	3.91	
Expenditure					
Office of Executive mayor and Municipal Manager	412,829,290	466,893,272	54,063,982	11.58	Expenditure did not materialise on certain grant projects
Corporate and Shared Services	962,794,563	1,011,654,825	48,860,262	4.83	Vacancies not filled
Financial Services	647,522,396	736,252,841	88,730,445	12.05	Savings realised on Insurance premiums
General Assessments	765,806,070	629,612,869	(136,193,201)	(21.63)	Post employment benefit expenditure at year end higher than anticipated
Housing and Sustainable Human Settlement Development	372,728,479	351,026,548	(21,701,931)	(6.18)	Depreciation higher due to purification of asset register
Sport and Recreation	198,353,582	221,907,183	23,553,601	10.61	Savings realised on interest: external loans due to delayed process of borrowing disbursement
Community Safety	1,128,585,065	1,162,340,497	33,755,432	2.90	Depreciation lower due to review of useful lives and asset purification
Agriculture & Environmental Management	1,501,406,780	1,377,699,919	(123,706,861)	(8.98)	Incorporation of labour brokers and industrial action
Health and Social Development	332,170,924	355,801,741	23,630,817	6.64	Vacancies filled in June 2011 and contract workers
City Planning and Economic Development: City Planning	160,956,102	178,925,504	17,969,402	10.04	Vacancies not filled yet
City Planning and Economic Development: Economic Development	58,267,242	66,839,465	8,572,223	12.83	Vacancies not filled yet
Transport & Roads: Roads and Storm water	716,579,523	754,368,195	37,788,672	5.01	Remuneration overspent - demand driven
Transport & Roads: Transport Services	434,066,358	667,121,034	233,054,676	34.93	Delays in PTIS grant projects due to review of BRT project
Public Works - Electricity	5,372,546,665	5,290,485,240	(82,061,425)	(1.55)	Overtime and increase in bulk purchases
Public Works - Water and Sanitation	1,883,247,834	1,901,798,392	18,550,558	0.98	Bulk water purchases higher than expected
	14,947,860,873	15,172,727,525	224,866,652	1.48	
Total	376,319,877	774,715,547	398,395,670	51	

Appendix G**Supplementary unaudited information****Capital Expenditure: Actual vs Budget as at 30 June 2011**

	Actual	Adjustment Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Strategic Unit					
Office of Executive Mayor and Municipal Manager	10,975,966	38,637,000	27,661,034	71.59	Mamelodi/Nellmapius business plan only approved by National Treasury in March 2011
Corporate and Shared Services	76,637,545	95,247,001	18,609,456	19.54	Original tender cancelled & delays in new tender process- replacement/modernization of lifts within council buildings
Financial Services	8,790,999	16,259,002	7,468,003	45.93	Fewer replacement of assets across Tshwane
Housing and Sustainable Human Settlement Development	151,814,743	132,162,465	(19,652,278)	(14.87)	Expenditures incurred during 2009/10 - payment received from GDLGH and recorded
Sport and Recreation	8,294,377	31,000,001	22,705,624	73.24	Late appointment of contractor on Stanza Bopape & Mobopane Libraries
Community Safety	28,249,206	38,610,900	10,361,694	26.84	Acquisition of fire fighting vehicles could not be delivered with stipulated time
Agriculture & Environmental management	73,411,252	80,884,640	7,473,388	9.24	Klip/Kruisfontein cemetery delay in development due to supply chain requirements
Health and Social Development	24,590,852	26,316,000	1,725,148	6.56	Savings on upgrade on Workflow System for Health
City Planning and Economic Development: City Planning	2,892,801	4,523,000	1,630,199	36.04	Savings due to VAT not reflecting
City Planning and Economic Development: Economic Development	9,807,040	10,500,000	692,960	6.60	Savings due to VAT not reflecting
Transport & Roads: Roads and Storm water	370,190,089	457,973,580	87,783,491	19.17	Delay in procurement process iro upgrading of Maunde & Wonderboom Airport access
Transport & Roads: Transport Services	53,485,752	91,380,000	37,894,248	41.47	Tender iro "Facilities Management Program" not approved
Public Works: Electricity	577,246,435	601,800,000	24,553,565	4.08	Delay in finalisation of tenders at Rooiwal Power station refurbishment project
Public Works: Water and Sanitation	763,438,552	798,986,907	35,548,355	4.45	Stoppage of "refurbishing of water network & backlog eradication" project
	2,159,825,609	2,424,280,496	264,454,887	10.91	

**Appendix H
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary
unaudited information)**

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/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total					
Capital Grants:														
Economic development	Gauteng: Sport, Recreation	1,600,000	(1,407,422)	(192,578)	-	-	-	-	-	-	-	None	None	Yes
Electricity for All (INEP)	National Electricity Regulator	1,139,262	-	-	-	12,157,000	42,843,000	-	55,000,000	54,612,989	1,526,273	None	None	Yes
Gauteng Project Linked Housing	Gauteng: Housing Department	32,409,763	-	111,908,547)	-	-	108,567,831	10,252,935	118,820,766	9,400,140	29,921,842	None	None	Yes
Municipal Infrastructure Grant (MIG)	Department: Provincial and Local Government	36,080,486	-	22,249,216	58,693,000	128,022,000	128,024,000	-	314,739,000	373,068,702	-	None	None	Yes
Gautrans Job Creation Water & Sanitation	Gautrans Department Water Affairs and Forestry	1,553,167 100	- -	- (100)	- -	- -	- -	- -	- -	144,956 -	1,408,211 -	None None	None None	Yes Yes
World Cup Soccer 2010: Roads	Gauteng Department Transportation Engineering	83,617,191	-	113,842,642)	100,000,000	-	-	-	100,000,000	2,196,009	67,578,540	None	None	Yes
World Cup Soccer 2010: Transport	Gauteng Department Transportation Engineering	170,157,358	-	170,157,358)	-	-	-	-	-	-	-	None	None	Yes
Monument Golf club	Monument Golf Club	214,837	-	(214,837)	-	-	-	-	-	-	-	None	None	Yes
Housing Accreditation	Gauteng Housing Department	-	-	931,256	-	-	-	-	-	931,256	-	None	None	Yes
EPWP	Department of Public Works	454,357	-	(454,357)	-	-	-	-	-	-	-	None	None	Yes
Sport and Recreation	Department Sport and Recreation	-	-	-	-	-	-	515,977	515,977	-	515,977	None	None	Yes
Electricity Demand Side	National Electricity Regulator	-	-	-	-	18,000,000	5,000,000	-	23,000,000	20,468,842	2,531,158	None	None	Yes
Township Development	Blue IQ	-	-	-	-	-	39,998,820	-	39,998,820	-	39,998,820	None	None	Yes
Economic Development	Gauteng Department Economic Development	-	-	-	-	-	-	8,750,000	8,750,000	-	8,750,000	None	None	Yes
LG SETA Merit awards	Department Local Government	-	-	30,000	-	-	-	-	-	24,375	5,625	None	None	Yes
Libraries	Gauteng Department Arts and Culture	-	-	1,453,605	-	-	-	-	-	1,453,605	-	None	None	Yes
FMG	National Treasury	-	-	231,131	-	-	-	-	-	231,131	-	None	None	Yes
Restructuring grant	National Treasury	-	-	72,784	-	-	-	-	-	72,784	-	None	None	Yes
Neighbourhood Watch Development	National Treasury	1	-	-	-	-	11,116,460	-	11,116,460	10,734,648	381,813	R26.9 m	Partial approval of Business Plan	Yes
		327,226,522	(1,407,422)	371,802,427)	158,693,000	158,179,000	335,550,111	19,518,912	671,941,023	473,339,437	152,618,259			

**Appendix H
Disclosures of Grants and Subsidies in terms of
Section 123 MFMA, 56 of 2003 (Supplementary
unaudited information)**

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/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total					
Operational grants/subsidies:														
Health: HIV/AIDS	National Department of Health	842,602	87,126	-	-	1,000,000	-	-	1,000,000	1,626,676	303,052	None	None	Yes
Health Subsidy	National Department of Health	-	-	-	7,856,140	-	6,471,491	12,942,983	27,270,614	27,270,614	-	None	None	Yes
Ambulance subsidy	Provincial Department of Health	-	-	22,689,500	-	-	-	21,725,000	44,414,500	-	-	None	None	Yes
Top Structures: Project Linked Housing	North West Housing	-	(63,915,576)	86,757,611	-	-	6,073,234	-	6,073,234	13,294,443	15,620,826	None	None	Yes
Finance Management Grant	National Treasury	843,156	-	(231,131)	1,000,000	-	-	-	1,000,000	1,361,449	250,576	None	None	Yes
Restructuring Grant	National Treasury	11,479,345	-	(72,783)	-	-	-	-	-	11,243,136	163,426	None	None	Yes
Municipal System Improvement Grant	National Treasury	28	-	-	-	-	-	-	-	28	-	None	None	Yes
Equitable share	Department: Provincial and Local Government	-	-	-	299,157,473	239,325,979	179,494,484	-	717,977,936	717,977,936	-	None	None	Yes
Department of Water Affairs	Department of Water Affairs and Forestry	2,534,154	-	-	1,760,000	1,760,000	1,760,000	-	5,280,000	6,664,316	1,149,838	None	None	Yes
LG SETA Merit Awards	Department Local Government (SETA)	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Housing Accreditation	Gauteng Housing Department	2,373,057	-	(931,256)	-	-	-	-	-	206,568	1,235,233	None	None	Yes
Bontle Ke Botho	Environment	880,150	-	-	-	380,000	-	-	380,000	662,152	597,998	None	None	Yes
Libraries	Gauteng: Arts and Culture	3,334,231	-	(1,453,605)	-	6,220,000	-	-	6,220,000	6,427,479	1,673,147	None	None	Yes
Loftus Upgrade 2010	Gauteng: Department of Transport	9,851,873	-	-	325,681	747,301	999,655	197,691	2,270,328	12,122,201	-	None	None	Yes
2010 Host Cities	National Treasury	28,621,573	(10,900,000)	-	-	-	10,900,000	-	10,900,000	25,305,612	3,315,961	None	None	Yes
DACE	Gauteng: Agriculture, Conservation	102,450	-	-	-	-	-	-	-	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	10,175,947	-	284,000,000	-	-	-	-	-	60,816,322	233,359,625	None	None	Yes
Stipends	DBSA	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Equitable Share: Fuel levy	National Treasury	-	-	-	-	-	-	085,816,000	085,816,000	1,085,816,000	-	None	None	Yes
NDMC Reservists	COGTA (Donation)	1,364,650	-	-	-	-	-	-	-	1,364,650	-	None	None	Yes
EPWP	Department of Public Works	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Event Sponsorship	Private sponsorship	-	-	-	-	-	-	258,267	258,267	258,267	-	None	None	Yes
		<u>72,547,712</u>	<u>(74,728,450)</u>	<u>390,613,840</u>	<u>310,099,294</u>	<u>249,433,280</u>	<u>205,698,864</u>	<u>120,939,941</u>	<u>886,171,379</u>	<u>2,016,934,799</u>	<u>257,669,682</u>			
Revenue per Statement of Financial Performance (see note 26)		<u>399,774,234</u>	<u>(76,135,872)</u>							<u>490,274,236</u>				
Unspent conditional grants per Statement of Financial Position (see note 9)			<u>323,638,362</u>								<u>410,287,941</u>			