



CITY OF TSHWANE METROPOLITAN MUNICIPALITY
Financial statements
for the period ended 30 June 2013

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

General Information

Legal form of entity	Municipality (MFMA)
Executive Mayor	Ramokgopa, Kgositso
Speaker	Mosupyoe-Lesholo, Morakane
Chief Whip	Mabona, Jabulane
Mayoral committee Councillors	Pillay, Subesh (MMC: Economic Development and Planning) Mashaba, Petunia (MMC: Agriculture and Environmental Management) Mmoko, Thembi (MMC: Corporate and Shared Services) Mabusela, Eulanda (MMC: Health and Social Development) Ngonyama, Joshua (MMC: Housing and Sustainable Human Settlement Development) Masango, Jacob (MMC: Services and Infrastructure) Mashego, Terence (MMC: Community Safety and Emergency Services) Mabiletsa, Dorothy (Ms) (MMC: Finance) Makeke, Nozipho Tyobeka (MMC: Sport and Recreational Services) Matjila, George (MMC: Transport)
Grading of local authority	High Capacity (Metro)
Accounting Officer	Ngobeni, Jason Telephone: 012-358 4901
Chief Finance Officer (CFO)	Dyakala, Andile Telephone: 012-358 8100
Registered office	Isivuno House cnr Madiba Rd and Lillian Ngoyi 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 Tshwane Economic Development Agency (TEDA)
Entities dormant	Metsweding Economic Development Agency (MEDA) - Council decision of 25 August 2011 to disestablish MEDA. All operations were taken over by municipality on 1 July 2011.

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

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

Appendixes:

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Certification by City manager

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and are given unrestricted access to all financial records and related data of the municipality.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places 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 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 financial statements, which are set out from pages 16 to 145, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors, loans made to Councilors, if any, and payments made to Councilors for loss of office, if any, as disclosed in note 29 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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Jason Ngobeni
CITY MANAGER

Pretoria

31 August 2013

City of Tshwane Metropolitan Municipality

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Report of the Chief Financial Officer

1. INTRODUCTION

The 2012/13 financial year marked the beginning of an exciting and dynamic new phase in the growth and development of the municipality. This year has seen the ushering in of a “Game change approach” for the City, which will ensure that residents see the beginning of an efficient and prosperous Capital City. These changes are concentrated in the following areas of development and implementation:

- Launch of Security Revenue
- Inner City regeneration (formerly known as Re Kgabisa Tshwane)
- West Capital Precinct Development
- Bus Rapid Transport System, and
- Smart City Initiative

“In 2055, Tshwane will be a livable, resilient and inclusive city with a cohesive society enjoying a high quality of life, access to social and economic opportunities and partnership in the development and advancement of human rights.” *Tshwane – My City, South Africa’s Capital.*

The following strategic objectives outlined in the IDP inform all the operations of the City of Tshwane:

- Provide sustainable services, infrastructure and human settlement
- Promote shared economic growth and job creation
- Ensure sustainable, safer communities and integrated social development
- Promote good governance and an active citizenry
- Improve financial sustainability
- Continue institutional development, transformation and innovation

The National Treasury Budget Review 2012 noted that the South African economy has demonstrated resilience despite unsettled international economic conditions. It was further indicated by National Treasury that municipal revenues and cash flows are expected to steadily improve during 2012/13, but given the fact that the likely recovery is not guaranteed, municipalities should still adopt a conservative approach when projecting their expected revenues and cash flows.

The domestic outlook remains positive over the medium term, meaning that is now the time to invest in our city. The credit rating agency announced a good credit rating for the municipality and this places the municipality in a competitive advantage as it is now in a position to fund infrastructure capital investment projects at a competitive rate. The 2012/13 financial year also marked the issuing of the municipality’s inaugural municipal bond, “The Tshwane Bond”.

2. Operational and Financial Performance Review

The City of Tshwane, during the State of the City Address, highlighted the need to promote sound and good governance. In our pursuit for a clean audit opinion, the City has institutionalized the concept of Operation Clean Audit (OPCA) to the extent of appointing 28 OPCA Officers from all departments and regional offices within the City.

The slogan of the City, namely “Igniting Excellence” has made huge strides within the 2012/13 financial year and it is with pride that I, as the Chief Financial Officer present the annual financial statements for the year ended 30 June 2013 as part of igniting excellence.

It is our responsibility to ensure that the annual financial statements of the City of Tshwane present the financial position of the City and financial performance and cash flows for the year ended required by South African Standards of Generally Recognised Accounting Practice and the Municipal Finance Management Act 56 of 2003. The management and leadership of the City played a significant role to fulfill this mandate and responsibility, thereby also managing limited resources and economic condition challenges while focusing on effective service delivery.

For the year ended 30 June 2013 the City of Tshwane showed growth in revenue, capital expenditure and uncompromising commitment to the people of Tshwane to support social infrastructure despite the resources being constrained. Indeed the people of Tshwane come first.

City of Tshwane Metropolitan Municipality










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Report of the Chief Financial Officer

A report on a cash-flow turnaround strategy and initiatives was approved by the Mayoral Committee on 7 October 2009 and thereafter it was indicated that the cash-flow strategy and initiatives must remain in force until further notice. In a memorandum – by the City Manager – dated 24 November 2011 strengthened cash flow strategies and initiatives were introduced. In conjunction with these strengthened strategies and initiatives additional austerity measures were implemented during the compilation of the 2012/13 MTREF which together with the role of senior management in budgeting and cash flow management contributed to a positive cash flow position and the maintaining of medium and long-term financial sustainability of the City.

The budget was compiled conservatively, focusing on capital projects for backlog eradication and aiming to do away with expenses on “nice to have” and non-essential activities.

City of Tshwane financial framework:-

Assessment rates and service charges	Grants and subsidies	Other revenue	Total revenue	Total expenditure	Surplus	
Up 11.05% to R 15.645 billion	Up 33.72% to R4.744 billion	Up 5.36 % to R0.656 billion	Up 9.57% to R21.760 billion	Up 11.00% to R19.828 billion	Down 3.23% to R1.932 billion	
Assessment Rates Service Charges			Employee Costs		General Expenditure Bulk Purchases	
Economic infrastructure				Finance cost		
Social infrastructure				Surplus		
				Cash generation		

The City of Tshwane's financial framework is shown to indicate strong operational performance allowing the group to pay its finance costs and interest.

3. ACCOUNTING FRAMEWORK FOR 2011/12

During 2012/13 considerable changes to the accounting framework were implemented as a result of new accounting standards that became effective from 1 July 2012. The following accounting standards became effective from 1 July 2012:

- GRAP 21: Impairment of Non-cash generating assets
- GRAP 23: Non-exchange revenue
- GRAP 24: Budget information
- GRAP 26: Impairment of Cash-generating assets
- GRAP 103: Heritage assets
- GRAP 104: Financial instruments

The impact and effect that the implementation of these 6 new accounting standards had on the financial statements are discussed in detail in the notes to the financial statements, but in most instances the implementation of these standards leads to better and more disclosures.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Report of the Chief Financial Officer

4. FINANCIAL STATISTICS AND FINANCIAL RATIO'S

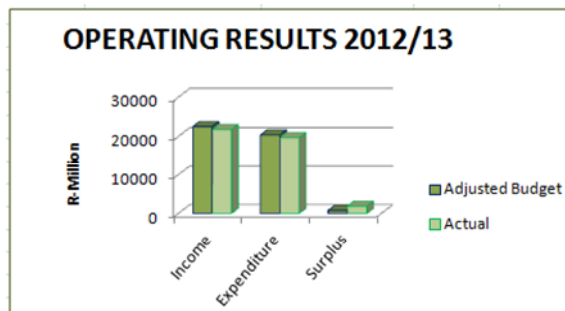
Financial statistics	2012/13	2011/12 Restated
Cash and Investment balances (R)	R1 327 107 979	R1 015 576 641
Growth in total revenue (%)	9.6%	30.7%
Growth in total expenditure (%)	11.0%	24.0%
Growth in grants (%)	33.7%	41.6%
Growth in assessment rates (%)	17.5%	17.5%
Growth in service charges (%)	8.9%	23.9%
Growth in capital expenditure (%)	46.1%	38.9%
Surplus (R)	R1 932 032 636	R1 996 477 001
Growth in total gross debtors (%)	15.8%	18.6%
Growth in total net debtors (%)	10.8%	9.1%
Growth in net consumer debtors (%)	14.5%	8.1%

5. REVIEW OF OPERATING RESULTS

The 2012/13 budget of the City of Tshwane was approved by Council on 31 May 2012 and the Adjustment Budget was approved by Council on 28 February 2013.

5.1 General

Details of the 2012/13 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance. Below is a graphical presentation of the operating results:



The overall operating results for the year ending 30 June 2013 are as follows:

Description	Original Budget 2013 Municipality R'000	Adjusted Budget 2013 Municipality R'000	Actual 2013 Municipality R'000	Variance Actual/ Adjusted Budget %	Actual 2012 Restated Municipality R'000
Accumulated surplus: Beginning of year			11 485 614		2 137 943
Operating revenue for the year	22 043 670	22 507 250	21 760 026	3.32	19 860 114
	22 043 670	22 507 250	33 245 640		21 998 057
Operating expenditure for the year	20 409 060	20 371 062	19 827 994	2.67	17 863 637
Sundry transfers *	1 634 610	2 136 188	(5 535)		(7 351 194)
Accumulated surplus: End of year			13 423 181		11 485 614
	22 043 670	22 507 250	33 245 640		21 998 057

* Sundry transfers consist of transfers from the reserves as the Housing Development Fund and Insurance reserve.

The actual net expenditure of the Municipality reflects an increase of 11.00% while the actual revenue of the Municipality has increased by 9.57% since 2011/12. The largest increase on revenue occurred on Assessment rates (17.49%), service charges (8.97%), government grants and subsidies (33.72%).

City of Tshwane Metropolitan Municipality

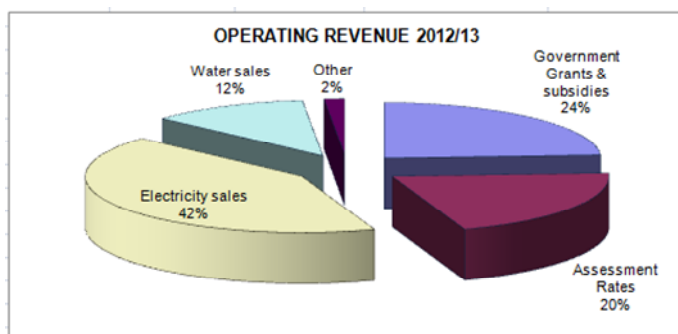
Financial Statements for the period ended 30 June 2013

Report of the Chief Financial Officer

The largest increase on expenditure occurred on remuneration (10.25%), bulk purchases (8.52%), repair and maintenance (17.56%), general expenditure (21.73%), depreciation (7.27%), debt impairment (7.20%) and finance cost (17.99%).

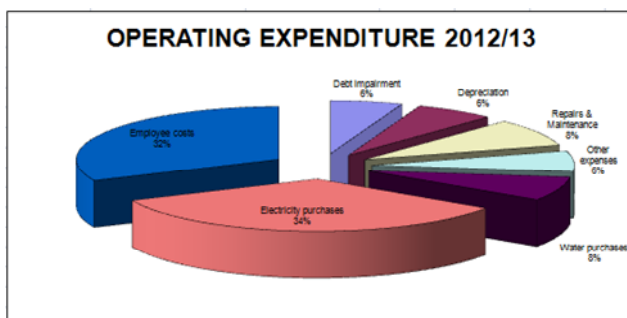
5.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



5.3 Operating expenditure

The graph below indicates the breakdown per main expenditure group.



5.4 Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows an almost negligible decrease from 26.53% in 2011/12 to 26.36% in 2012/13. This increase of 0.17% is due to the fact that the remuneration increased at a slightly higher percentage (10.24%) compared to the increase in the total expenditure (11.0%).

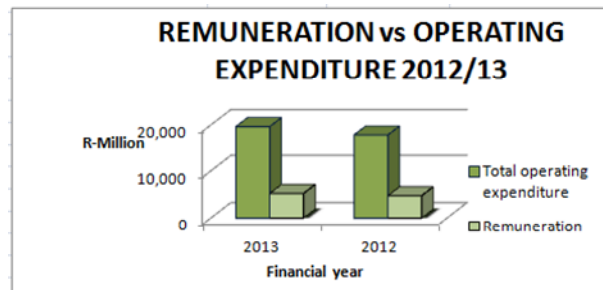
According to INCA a benchmark of less than 35 % is acceptable. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive. In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33 %.

Description	2012/13	2011/12
	R'000	R'000
Total operating expenditure	19 827 994	17 863 637
Total operating revenue	21 760 026	19 860 114
Employee remuneration	5 225 703	4 739 894
Ratio: % of total expenditure	26.36%	26.53%
Ratio: % of total revenue	24.02%	23.86%
% Growth in remuneration	10.24	11.9%

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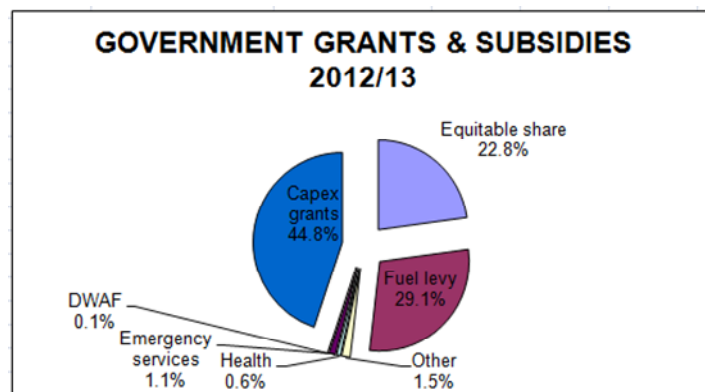
Report of the Chief Financial Officer



5.5 Government grants and subsidies

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

Description	2012/13	2011/12
	R'000	R'000
Equitable share	1 040 630	923 020
Primary Health Care subsidy	29 626	27 325
Emergency Management Subsidy	49 676	35 483
Equitable Share Fuel Levy	1 326 054	1 191 521
Operational grants and donations: Other	-	2 460
Finance Management Grant	3 096	5 116
DWAF	2 319	6 926
Housing topstructure	45 363	93 057
HIV/AIDS	5 797	5 311
Community Library services	3 406	5 848
PTIS operational	143 059	3 645
USDG (MIG) operational	48 317	3 060
Incorporation grant	0	20 000
Capital grants and donations	2 046 493	1 224 657
	4 743 836	3 547 429



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Report of the Chief Financial Officer

6. ANALYSIS OF FINANCIAL POSITION AS AT 30 JUNE 2013

Type	June 2013 R'000	June 2012 R'000	Variance (R) R'000	Variance (%)
Current assets	5 573 319	4 890 073	683 246	13.97
Non-current assets	24 379 325	20 967 662	3 411 663	16.27
Total Assets	29 952 644	25 995 959	3 956 685	15.22
Current liabilities	6 356 419	5 937 396	419 023	7.06
Non-current liabilities	9 808 424	8 064 571	1 743 853	21.62
Total liabilities	16 164 842	14 001 967	2 162 875	15.45
Net Assets	13 787 801	11 855 768	1 932 033	16.30

The following is a summary of the most critical ratios:

Financial Statistics	2012/13	2011/12
Current asset ratio	0.90:1	0.80:1
Acid test ratio	0.82:1	0.75:1
Solvability ratio	1.85:1	1.85:1
Total long-term debt to total revenue *	38.96%	33.91%
Inventory turnover	2.50 times	2.62 times
Overdraft (cashbook) plus short-term loans to total operating revenue	6.08%	4.67% #
Cash to interest coverage	4.19:1	6.40:1
Capital charges to total operating revenue	11.81:1	11.95:1
Debt to cash ratio	2.74:1	1.66:1
Financing to capital expenditure ratio	0.41:1	0.15:1
Repairs & maintenance to annual operating revenue	15.48%	16.61%
Net debtors to total annual operating revenue	17.24%	17.31%
Borrowings to PPE Assets (%)	35.05%	32.40%
Debt coverage	31.68	47.25
Debt to equity	100.51	99.49
Cost coverage	0.94	.75

According to credit rating companies the benchmark for local government is a ratio of less than 5%

7. CASH AND CASH EQUIVALENTS, INVESTMENTS AND LIQUIDITY RATIO'S

Type	2011/12	2011/12
Cash and cash equivalents	R686 118 280	R604 102 525
Liquidity ratio	4.81	6.40
Acid test ratio	0.82:1	0.75:1
Gearing ratio *	38.96%	33.91%

* According to credit rating companies the benchmark for local government is a ratio of less than 50 %.

8. DEBTORS

Details regarding the debtors are provided in Note 19 (Long-term receivables), Note 21 (Consumer Debtors) and Note 22 (Other Debtors) of the Notes to the Annual Financial Statements.

8.1 Long-term receivables (note 19)

The long-term receivables show an increase of R 6,031 million (1.96%). This increase can mainly be ascribed to an increase in the arrangement consumer debtors (increase of R21.19 million) and this was counteracted by a decrease in the sale of land (R14.35 million).

8.2 Other debtors (note 22)

The Other Debtors (debtors other than consumer debtors – see note 22 for detail) for the Municipality in total decreased with an amount of R113.502 million (11.18%). This is mainly the result of Sundry persons decreasing with an amount of R30.468 million and the miscellaneous debtors decreasing with an amount of R78.572 million. These decreases were counteracted by an increase in: Gauteng housing grant debtor (R48.553 million), waste management debtors (R6.496 million) and the public contributions debtor (R28.149 million).

City of Tshwane Metropolitan Municipality

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Report of the Chief Financial Officer

8.3 Consumer debtors (note 21)

For the Municipality the consumer debtors increased in total with an amount of R1 194.888 billion (21.3 %). The debtors taken over from Magalies Water amounted to R154.149 million. The increase in debt per customer classification is made up as follows:

Customer classification	2012/13		2011/12
	Total	Increase/ (Decrease)	Total
	R-million	R-million	R-million
Households	4 194 195	604 964	3 589 231
Industrial/Commercial	2 100 852	571 384	1 529 468
National and Provincial government	134 708	(5 129)	139 838
Other	372 240	23 669	348 571
Total	6 801 995	1 194 888	5 607 107

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

Age analysis group	2012/13		2011/12
	Total	Increase/ (Decrease)	Total
	R-million	R-million	R-million
Current (0-30 days)	2 471 620	248 104	2 223 516
31 – 60 days	153 297	53 612	99 685
61 – 90 days	150 622	20 261	130 361
91 – 120 days	126 885	9 018	117 867
121 – 150 days	123 205	22 116	101 089
151 – 180 days	121 975	23 050	98 925
181 – 365 days	662 200	89 714	572 486
365 + days	2 992 191	729 013	2 263 178
Total	6 801 995	1 194 888	5 607 108

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

Description	2012/13	2011/12
	R'000	R'000
Debits levied : Consumer debtors	15 644 547	14 088 281
Balance on 1 July	5 607 108	4 737 652
Balance on 30 June	6 801 995	5 607 108
Average balance	6 204 552	5 172 380
Days in the financial year	365	366
Turnover: Number of days	145	135
Turnover: Number of times (levies/average balance)	2.52	2.72

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 108.6 % (2012 = 105.4%; 2011 = 105.7% and 2010 = 105.0%) was maintained by the Municipality during the 2012/13 financial year.

9. CAPITAL EXPENDITURE AND FINANCING

The Municipality's original approved the Capital Expenditure Budget for 2012/13 amounted to R4 353 046 899 and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council on 28 February 2013 to R4 613 868 295 in total, which resulted in an increase of R260 821 396 in the total Capital Expenditure Budget, primarily to address additional National and Provincial grant allocations, to accommodate unspent grant allocations from the 2011/12 financial year approved by National Treasury in terms of the DoRA for roll-over, as well as other contributions, corrections and re-

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Report of the Chief Financial Officer

allocations of savings identified by Strategic Units requested to review the performance of the capital programme.

The table below reflects the net increase / decrease in the various funding sources:

Strategic Unit	Original Budget 2012/13	Adjusted Budget 2012/13	Increase/ (Decrease)
	R	R	R
Council Funding	637 383 777	142 683 777	(494 700 000)
Public Transport Infrastructure and Systems Grant (PTIS)	738 702 000	839 392 696	100 690 696
Neighbourhood Development Partnership Grant (NDPG)	59 567 000	186 017 099	126 450 099
Government Housing	72 186 855	72 186 855	-
Urban Settlements Development Grant (USDG)	996 070 000	1 011 687 923	15 617 923
Integrated National Electrification Programme (INEP)	30 000 000	30 000 000	-
Capital Replacement Reserve	63 260 000	63 927 142	667 142
Energy Efficiency Demand Side Management (EEDSM)	-	11 029 523	11 029 523
Incentive-Expanded Public Works Programme (EPWP)	10 151 000	6 651 000	(3 500 000)
Other contributions	14 355 044	14 871 021	515 977
Restructuring Grant (RG)	-	-	-
Financial Management Grant (FMG)	500 000	1 717 040	1 217 040
Community Library Services (CLS)	2 300 000	5 132 996	2 832 996
Borrowings	1 640 000 000	2 140 000 000	500 000 000
Public Contributions and Donations	88 571 223	88 571 223	-
TOTAL	4 353 046 899	4 613 868 295	260 821 396

Actual expenditure incurred during the 2012/13 financial year as indicated in the table below amounts to R4 553 450 684 or 98.6% measured against the adjusted budget, resulting in a variance of R60 417 611 or 1.40% measured against adjusted budget. The main contributors to this variance were the following projects:

- CBD and Surrounding Areas (2010SWC) HOV / BRT Lanes on Corridors to North and Hatfield (R106,5 million);
- Upgrading of Lavender Road (Southern Part of K 97) (R15,6 million);
- Township Establishment of Land of Low Cost Housing - Project Linked Housing (R13,4 million);
- Upgrading of Lavender Road (Southern Part of K 97) (R15,6 million);
- Replacement of Sewers (R11,7 million); and
- Upgrading of Maunde (R10.6 million).

On comparison of the actual expenditure for the 2012/13 financial year with the actual expenditure of the 2011/12 financial year, an increase in expenditure of R1 437 451 468 is evident, which indicates that the City increased its investment in Property, Plant and Equipment.

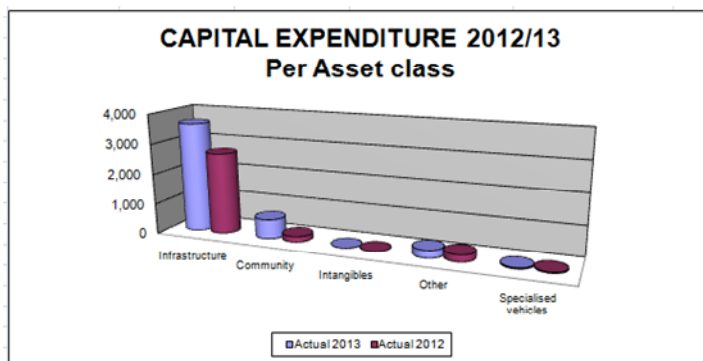
Actual Capital expenditure according to asset class		
Type of Asset	Actual 2013	Actual 2012
	R	R
Infrastructure	3 639 328 992	2,685,962,678
Community	630 759 927	178,098,141
Other Assets	247 431 365	226,460,912
Specialised Vehicles	35,024,399	25,477,485
Intangibles	906,001	0
TOTAL	4 553 450 684	3,115,999,216

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

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

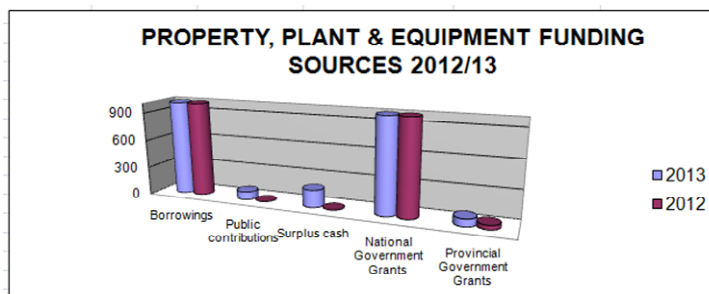
Report of the Chief Financial Officer



The above-mentioned assets were financed from the following sources as reflected below:

Actual Capital expenditure per Sources of Finance		
Sources of Finance	Actual 2013	Actual 2012
	R	R
External Loans	2 129 535 219	1 890 203 416
Surplus Cash	185 934 531	0
Public contributions / donations	86 435 401	0
National Government Transfers and Grants	2 076 699 120	1 183 232 736
Provincial Government Transfers and Grants	74 846 413	42 563 063
TOTAL	4 553 450 684	3 115 999 215

The following is a graphic presentation according to financing sources:



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

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

10. CREDITORS

Creditors as at financial year end mainly related to the following categories:

Type	2012/13 R	2011/12
Trade creditors	2 841 132	2 706 140
Payment received in advance	25 883	22 130
Accrued leave pay	597 715	542 593
Debtors with credit balances	613 524	542 142
Retention	311 223	238 990
RTMC: AARTO	10 240	4 908
Other creditors	537 039	427 272
Total	4 936 756	4 484 175

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Report of the Chief Financial Officer

11. LONG-TERM DEBT

Long-term debt (external loans and lease liabilities) increased from R6 734 489 399 to R8 477 417 071 (R1 742 927 672 increase) during the year under review. This is as a result of financing required for the funding of capital projects. The municipality entered the bond market and issued municipal bonds to the value of R2.140 billion. Further the municipality restructured its loan portfolio and loans to the value of R1.987 billion were redeemed and new loans to the value of R2.002 billion were taken up as part of this restructuring exercise.

12. ACCUMULATED SURPLUS

The year under review was closed with an accounting accumulated surplus of R13 787 801 110 compared to R11 855 768 471 of 2011/12. This increase of R1 932 032 639 is the result of the surplus from operations (i.e. the difference between the total revenue and the total expenditure for the year).

13. TREATMENT OF MATTERS RAISED BY THE AUDITOR-GENERAL DURING THE PREVIOUS AUDIT

The City of Tshwane received an unqualified audit report for the 2011/12 financial year. There were, however, emphasis of matter as well as other important matters reported in the audit report due to non-compliance and performance information. In order to ensure a clean audit report, these items need to be properly addressed and rectified.

A high-level Operation Clean Audit (OPCA) project plan was developed. The plan sets out the steps that need to be taken into account and what needs to be in place to ensure a clean audit report. This will be an ever evolving plan, which will be improved as the project progresses and new and/or more appropriate steps become necessary.

As part of enhancing Operation Clean Audit, the City of Tshwane took an initiative to appoint 28 Operation Clean Audit officers, by each service department and region, solely focussing on achieving a clean audit opinion.

In an effort to monitor OPCA activities, a steering committee, chaired by the Executive Mayor, was established to oversee the OPCA project on a strategic level and ensure a clean audit report. The functions of the steering committee include:

- ✓ Overseeing the development of an OPCA strategy
- ✓ Overseeing the development of an overall OPCA plan
- ✓ Assist in the identification of risk areas that might affect OPCA
- ✓ Risk areas to be allocated to relevant divisions and departments for prioritisation and elimination
- ✓ Divisions and department to present specific progress on the risk areas to the steering committee
- ✓ Monitor progress
- ✓ Sign-off on readiness for external audit purposes

14. CREDIT RATING

A credit rating performed on the Municipality during September 2012 by the firm Moody's and issued on 2 October 2012 was as follows:

- **Long term debt rating: -A1.za (maturities of one year or greater):** *Defined as upper-medium grade. "A" obligations are judged to be upper-medium grade and are subject to low credit risk.*
- **Short term debt rating: Prime-1.za (maturities of less than one year):** *Defined as the highest quality. A superior ability to repay short-term debt obligations.*
- **Financial outlook: Negative:** *The negative rating outlook mirrors the negative outlook on South Africa's sovereign rating and reflects systematic pressure. An upgrade is regarded as unlikely given the negative rating outlook. A stabilization of the outlook would require a stabilization of the sovereign rating outlook. Additionally, an upgrade or stabilization of the outlook would require evidence of Tshwane's capacity to realize structural and distinctive improvements in its financial and debt metrics.*

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Report of the Chief Financial Officer

15. MUNICIPAL ENTITIES

15.1 Viable municipal entities

In the 2012/13 financial year the City of Tshwane had three (3) 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
- Tshwane Economic Development Agency (TEDA) (started with operations during 2012/13)

15.2 Consolidation of municipal entities

Consistent with the previous financial years separate consolidated financial statements will be compiled for the City of Tshwane and its operational municipal entities for submission to the Office of the Auditor-General on 30 September 2013, namely:

- Housing Company Tshwane
- Sandspruit Works Association:
- TEDA

16. CASH FLOW IMPROVEMENT VS RATIOS

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 remain in force. During the 2011/12 financial year the City Manager introduces strengthened cash flow strategies and initiatives. The positive effect of these strategies can be seen in the positive cash flow of R394.2 million compared to the low cash and cash equivalents of R68.4 million in 2011/12. It is, however, not on the same level yet compared to the positive cash flow of R720.1 in 2010/11.

Overall, the cash flow of the municipality decreased as the net cash flow from operating activities decreased with 20.9% from R4.049 billion to R3.199 billion since 2011/12, although the net cash and cash equivalents increased with R325.79 million since 2011/12.

17. FIXED ASSET REGISTER

Although it was still a challenge to produce a compliant and purified asset register in the 2012/13 financial year, the improvement was huge compared to the previous three financial years. A service provider was appointed (assist the City of Tshwane with the Asset Register as well as the Asset Management Unit and the transfer of skills. Verification, review of useful lives, impairment, etc were performed during the 2012/13 financial year end to ensure a GRAP compliant fixed asset register.

18. FINANCIAL SUSTAINABILITY

A long-term financial strategy ensures that the City is financially sustainable and responds to the Growth and Development Strategy, policies, priorities and infrastructure needs. The objectives of the Long-Term Financial Strategy (LTFS) are:

- Producing a prudent and sound medium- to long-term financial framework
- Ensuring resilience and the ability to absorb future shocks
- Ensuring sustainable services (Investment in infrastructure and adequate maintenance of infrastructure)
- Identifying strategies for long-term financial sustainability (operational efficiency initiatives and sustainable and alternative revenue streams)
- Responding to the long-term strategy of the municipality
- Improve the municipality's credit rating

Municipalities, in the current day, moved away from short-term to long-term planning. A long-term sustainability strategy is needed that complies with financial viability, financial sustainability and value for money. The Long Term Financial Model (LTFM) of the City of Tshwane place emphasis on affordability and long-term sustainability. The LTFM is predominantly a financial planning tool to ensure long-term financial sustainability for the organisation but it is run parallel with the financial planning process to ensure that the strategies and direction of the Municipality are at all times informed by best practice.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Report of the Chief Financial Officer

Municipalities can experience sustainability challenges if they do not have robust financial planning, management and governance in place. Such financial planning and management should include a strong ten-year plan, consistent annual budgets and detailed quarterly financial position reviews.

Financial sustainability is defined as whether or not the City will have the financial capacity to continue existing in the long term. The City of Tshwane therefore continuously develops processes in striving for excellence as well as strategies and programmes to deal with the challenges it faces. Planning enables the City of Tshwane to move towards a proactive target setting approach.

The strategies and measures already implemented to ensure sustainability are the following:

- Long-term Financial Model (main informer)
- Budget policy
- Revenue enhancement strategy
- Budget principles and guidelines
- Cash-flow management intervention initiatives

The long-term strategy of the City of Tshwane is to ensure that the municipality is financially sustainable and able to respond with the agility required to quantify the resources and implement strategies aligned to our Growth and Development Strategy, policies, priorities and infrastructure needs.

This means that due to our inherently limited revenue base (municipal rates, user charges and grants/subsidies), we have to be pro-active with respect to the minimization of costs and the maximization of efficiencies to meet daily and ever-increasing service delivery imperatives.

Our objective is therefore the creation of a prudent and sound medium to long-term financial framework that is resilient to future shocks, and ensures sustainability of services through investment in infrastructure and the associated requisite adequate maintenance.

The municipal bonds further provide a sustainable source of funding to ensure the achievement of the Tshwane vision 2055, which is premised on establishing the City of Tshwane as the African capital city of excellence.

Although slower than anticipated, South Africa's economy has continued to grow. National trade performance is hindering the country's growth potential and the economy must first recover before growth will be realized.

We continue to improve efficiencies to reduce the cost of doing business, investing and settling Tshwane.

19. 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 2012/13 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
GROUP CHIEF FINANCIAL OFFICER

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Statement of Financial Position as at 30 June 2013

	Note(s)	2013 R	Restated 2012 R
Assets			
Current Assets			
Inventories	20	378,546,757	414,945,238
Current portion of long-term receivables	19	119,303,329	108,802,610
Other debtors	22	526,770,720	620,800,001
Consumer debtors	21	3,225,517,166	2,817,227,432
Call investment deposits	18	636,003,487	323,851,507
Cash and cash equivalents	23	686,118,280	604,102,525
		5,572,259,739	4,889,729,313
Non-Current Assets			
Investment property	13	815,333,795	866,150,985
Property, plant and equipment	12	22,640,499,602	18,912,747,248
Leased assets	16	171,655,852	392,780,483
Intangible assets	14	535,147,081	588,099,056
Heritage assets	15	25,686,395	26,045,275
Investments	18	4,986,212	87,622,609
Long-term receivables		104,461,602	94,216,295
Interest rate swap asset	69	81,554,131	-
		24,379,324,670	20,967,661,951
Assets held for sale	17	1,059,174	344,590
Total Assets		29,952,643,583	25,857,735,854
Liabilities			
Current Liabilities			
Long-term liabilities	4	534,791,168	345,702,878
Lease liabilities	5	127,908,505	127,462,094
Payables from exchange transactions	9	4,936,756,098	4,484,175,064
VAT payable	11	213,283,718	258,376,753
Consumer deposits	8	418,176,505	403,868,672
Unspent grants and receipts	10	125,502,548	317,810,684
		6,356,418,542	5,937,396,145
Non-Current Liabilities			
Long-term liabilities	4	7,764,124,985	6,085,749,294
Lease liabilities	5	50,592,413	175,575,133
Retirement benefit obligation	43	1,755,107,675	1,587,376,653
Provisions	6	238,598,858	215,870,158
		9,808,423,931	8,064,571,238
Total Liabilities		16,164,842,473	14,001,967,383
Net Assets		13,787,801,110	11,855,768,471
Net Assets			
Accumulated surplus	42	13,787,801,110	11,855,768,471

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Statement of Financial Performance

	Note(s)	2013 R	Restated 2012 R
Revenue			
Revenue from exchange transactions			
Service charges	25	11,616,900,383	10,660,425,114
Rental of facilities and equipment		103,607,048	97,718,235
Interest received - outstanding consumer debtors		253,240,285	244,643,012
Licences and permits		58,658,683	52,426,020
Other income	27	655,670,719	622,327,513
Interest received - external investments	32	62,236,528	52,185,100
Total revenue from exchange transactions		12,750,313,646	11,729,724,994
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	4,027,428,878	3,427,855,994
Transfer revenue			
Government grants, subsidies, awards and donations	26	4,743,836,185	3,547,429,486
Public contributions and donations		152,709,701	117,380,914
Fines		3,934,831	4,555,875
Total revenue from non-exchange transactions		8,927,909,595	7,097,222,269
Total revenue		21,678,223,241	18,826,947,263
Expenditure			
Personnel	28	(5,225,703,079)	(4,739,894,487)
Remuneration of councillors	29	(92,573,294)	(91,453,370)
Depreciation and amortisation	30	(1,103,953,485)	(1,029,074,796)
Impairment loss/ Reversal of impairments	64	(4,818,771)	(29,807,842)
Finance costs	31	(739,074,831)	(632,350,791)
Debt impairment	33	(944,018,153)	(880,622,872)
Collection costs		(95,800,895)	(95,026,950)
Repairs and maintenance		(1,405,944,744)	(1,195,917,028)
Bulk purchases	34	(6,791,791,416)	(6,258,775,168)
Grants and subsidies paid	35	(17,290,290)	(21,495,798)
General Expenses	36	(3,308,294,181)	(2,803,800,040)
Total expenditure		(19,729,263,139)	(17,778,219,142)
Operating surplus		1,948,960,102	1,048,728,121
Gain/(loss) on disposal of assets and liabilities		(97,969,545)	(82,520,092)
Loss on foreign exchange transactions		(761,220)	(2,632,952)
Fair value adjustments		81,803,299	(264,454)
Gain on transfer of functions	63	-	1,033,166,378
		(16,927,466)	947,748,880
Surplus for the period		1,932,032,636	1,996,477,001

The National Treasury classification of expenditure is disclosed in note 68.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	9,634,616,357	9,634,616,357
Adjustments		
Prior year adjustments	224,675,113	224,675,113
Balance at 01 July 2011 as restated	9,859,291,470	9,859,291,470
Changes in net assets		
Surplus for the period	1,996,477,001	1,996,477,001
Total changes	1,996,477,001	1,996,477,001
Opening balance as previously reported	11,819,666,072	11,819,666,072
Adjustments		
Prior year adjustments	36,102,402	36,102,402
Balance at 01 July 2012 as restated	11,855,768,474	11,855,768,474
Changes in net assets		
Surplus for the period	1,932,032,636	1,932,032,636
Total changes	1,932,032,636	1,932,032,636
Balance at 30 June 2013	13,787,801,110	13,787,801,110
Note(s)	42	

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Cash Flow Statement

	Note(s)	2013 R	Restated 2012 R
Cash flows from operating activities			
Receipts			
Cash receipts from rate payers, government and other		15,567,370,565	15,185,687,708
Grants		4,743,836,185	3,547,429,486
Interest income		62,236,528	52,185,100
		<u>20,373,443,278</u>	<u>18,785,302,294</u>
Payments			
Cash paid to suppliers and employees		(16,418,021,569)	(14,085,480,872)
Finance costs (Interest paid)		(739,074,831)	(632,350,791)
Transfers and grants		(17,290,290)	(21,495,798)
		<u>(17,174,386,690)</u>	<u>(14,739,327,461)</u>
Net cash flows from operating activities	37	<u>3,199,056,588</u>	<u>4,045,974,833</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(4,538,200,518)	(4,243,704,454)
Purchase of leased assets	16	-	(115,026,987)
Proceeds from sale of property, plant and equipment	12	(97,969,545)	(82,520,092)
Purchase of investment property	13	9,625,617	(174,943,476)
Purchase of other intangible assets	14	98,391,681	(132,229,283)
Proceeds from sale of heritage assets	15	-	(214,400)
Proceeds from sale of financial assets		61,890,371	54,914,064
Purchase of interest rate swap asset		(81,554,131)	-
Net cash flows from investing activities		<u>(4,547,816,525)</u>	<u>(4,693,724,628)</u>
Cash flows from financing activities			
Proceeds from long-term liabilities		4,142,000,000	1,022,303,530
Repayment of long-term liabilities		(2,274,536,019)	(343,552,475)
Finance lease payments		(124,536,309)	37,372,460
Net cash flows from financing activities		<u>1,742,927,672</u>	<u>716,123,515</u>
Net increase/(decrease) in cash and cash equivalents		394,167,735	68,373,720
Cash and cash equivalents at the beginning of the year		927,954,032	859,580,312
Cash and cash equivalents at the end of the year	23	<u>1,322,121,767</u>	<u>927,954,032</u>

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2013											
Financial Performance											
Property rates	3,737,900,000	200,000,000	3,937,900,000	-	-	3,937,900,000	4,027,428,878	-	89,528,878	102 %	108 %
Service charges	12,761,383,400	(120,914,046)	12,640,469,354	-	-	12,640,469,354	11,616,900,383	-	(1,023,568,971)	92 %	91 %
Investment revenue	45,378,679	1,082,246	46,460,925	-	-	46,460,925	62,236,528	-	15,775,603	134 %	137 %
Transfers recognised - operational	2,553,116,080	102,241,884	2,655,357,964	-	-	2,655,357,964	2,592,462,962	-	(62,895,002)	98 %	102 %
Other own revenue	1,312,236,079	36,172,794	1,348,408,873	-	-	1,348,408,873	1,309,624,566	-	(38,784,307)	97 %	100 %
Total revenue (excluding capital transfers and contributions)	20,410,014,238	218,582,878	20,628,597,116	-	-	20,628,597,116	19,608,653,317	-	(1,019,943,799)	95 %	96 %
Employee costs	(5,528,823,599)	169,804,391	(5,359,019,208)	-	-	(5,359,019,208)	(5,225,703,079)	-	133,316,129	98 %	95 %
Remuneration of councillors	(99,241,121)	10,300,395	(88,940,726)	-	-	(88,940,726)	(92,573,294)	-	(3,632,568)	104 %	93 %
Debt impairment	(836,306,245)	(3,954,298)	(840,260,543)	-	-	(840,260,543)	(944,018,153)	-	(103,757,610)	112 %	113 %
Depreciation and asset impairment	(955,562,153)	-	(955,562,153)	-	-	(955,562,153)	(1,108,772,256)	-	(153,210,103)	116 %	116 %
Finance charges	(780,707,913)	151,638,313	(629,069,600)	-	-	(629,069,600)	(739,074,831)	-	(110,005,231)	117 %	95 %
Materials and bulk purchases	(7,108,824,800)	37,002,466	(7,071,822,334)	-	-	(7,071,822,334)	(6,791,791,416)	-	280,030,918	96 %	96 %
Transfers and grants	(21,201,500)	-	(21,201,500)	-	-	(21,201,500)	(17,290,290)	-	3,911,210	82 %	82 %
Other expenditure	(5,368,568,759)	(336,649,953)	(5,705,218,712)	-	-	(5,705,218,712)	(4,908,770,585)	-	796,448,127	86 %	91 %
Total expenditure	(20,699,236,090)	28,141,314	(20,671,094,776)	-	-	(20,671,094,776)	(19,827,993,904)	-	843,100,872	96 %	96 %
Surplus/(Deficit)	(289,221,852)	246,724,192	(42,497,660)	-	-	(42,497,660)	(219,340,587)	-	(176,842,927)	516 %	76 %
Transfers recognised - capital	1,923,831,899	254,854,254	2,178,686,153	-	-	2,178,686,153	2,151,373,223	-	(27,312,930)	99 %	112 %
Surplus (Deficit) after capital transfers and contributions	1,634,610,047	501,578,446	2,136,188,493	-	-	2,136,188,493	1,932,032,636	-	(204,155,857)	90 %	118 %
Surplus/(Deficit) for the year	1,634,610,047	501,578,446	2,136,188,493	-	-	2,136,188,493	1,932,032,636	-	(204,155,857)	90 %	118 %

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funds sources											
Total capital expenditure	4,353,046,899	260,821,396	4,613,868,295	-		4,613,868,295	4,553,450,684		(60,417,611)	99 %	105 %
Sources of capital funds											
Transfers recognised - capital	1,923,831,899	254,854,254	2,178,686,153	-		2,178,686,153	2,151,545,533		(27,140,620)	99 %	112 %
Public contributions and donations	88,571,223	-	88,571,223	-		88,571,223	86,435,401		(2,135,822)	98 %	98 %
Borrowing	1,640,000,000	500,000,000	2,140,000,000	-		2,140,000,000	2,129,535,219		(10,464,781)	100 %	130 %
Internally generated funds	700,643,777	(494,032,858)	206,610,919	-		206,610,919	185,934,531		(20,676,388)	90 %	27 %
Total sources of capital funds	4,353,046,899	260,821,396	4,613,868,295	-		4,613,868,295	4,553,450,684		(60,417,611)	99 %	105 %
Cash flows											
Net cash from (used) operating	2,759,351,255	326,314,692	3,085,665,947	-		3,085,665,947	3,199,056,588		113,390,641	104 %	116 %
Net cash from (used) investing	(3,760,899,417)	(441,331,319)	(4,202,230,736)	-		(4,202,230,736)	(4,547,816,525)		(345,585,789)	108 %	121 %
Net cash from (used) financing	1,350,523,482	472,422,925	1,822,946,407	-		1,822,946,407	1,742,927,672		(80,018,735)	96 %	129 %
Net increase/(decrease) in cash and cash equivalents	348,975,320	357,406,298	706,381,618	-		706,381,618	394,167,735		(312,213,883)	56 %	113 %
Cash and cash equivalents at the beginning of the period	1,183,761,525	(256,102,825)	927,658,700	-		927,658,700	927,954,032		295,332	100 %	78 %
Cash and cash equivalents at period end	1,532,736,845	101,303,473	1,634,040,318	-		1,634,040,318	1,322,121,767		311,918,551	81 %	86 %

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
2012				
Financial Performance				
Property rates				3,427,855,994
Service charges				10,660,425,114
Investment revenue				52,185,100
Transfers recognised - operational				2,322,772,413
Other own revenue				2,172,217,947
Total revenue (excluding capital transfers and contributions)				18,635,456,568
Employee costs	-	-	-	(4,739,894,487)
Remuneration of councillors	1,142,933	1,142,933	-	(91,453,370)
Debt impairment	-	-	-	(880,622,872)
Depreciation and asset impairment	-	-	-	(1,058,882,638)
Finance charges	-	-	-	(632,350,791)
Materials and bulk purchases	479,665,145	479,665,145	-	(6,258,775,168)
Transfers and grants	7,214,198	7,214,198	-	(21,495,798)
Other expenditure	-	-	-	(4,297,542,430)
Total expenditure	488,022,276	488,022,276	-	(17,981,017,554)
Surplus/(Deficit)				654,439,014
Transfers recognised - capital				1,224,657,073
Contributions recognised - capital and contributed assets				117,380,914
Surplus (Deficit) after capital transfers and contributions				1,996,477,001
Surplus/(Deficit) for the year				1,996,477,001

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	v
Capital expenditure and funds sources				
Total capital expenditure				3,115,999,216
Sources of capital funds				
Transfers recognised - capital				1,224,657,073
Public contributions and donations				117,380,914
Borrowing				1,773,961,229
Total sources of capital funds				3,115,999,216
Cash flows				
Net cash from (used) operating				4,045,974,833
Net cash from (used) investing				(4,693,724,628)
Net cash from (used) financing				716,123,515
Net increase/(decrease) in cash and cash equivalents				68,373,720
Cash and cash equivalents at the beginning of the period				859,580,312
Cash and cash equivalents at period end				927,954,032

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1. Basis of preparation of annual financial statements

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Consolidation

Basis of consolidation

This paragraph will only be applicable to the consolidated annual financial statements and not to that of the City of Tshwane (parent) that is included in this document currently.

Consolidated financial statements are the financial statements of the municipality presented as those of a single entity.

The consolidated financial statements incorporate the financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

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

The financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Investment in associates

An associate is an entity over which the controlling entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The investment in associates is initially recognized at cost and the carrying amount is increased or decreased to recognise the municipality's share of surplus or deficit of the investee after the date of acquisition. Separate consolidated financial statements are prepared to account for the municipality's share of the net assets and post-acquisition results of these investments.

Interests in joint ventures

A joint venture is a binding arrangement whereby the municipality and other parties are committed to undertake an activity that is subject to joint control, that is the agreed sharing of control over an activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

The investment in joint ventures is initially recognized at cost and the carrying amount is increased or decreased to recognise the municipality's share of surplus or deficit of the investee after the date of acquisition. 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 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Contingent consideration is usually an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

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.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The entity accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- identifying the acquirer;
- determining the acquisition date;
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the entity as acquirer recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the entity as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The entity as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The entity as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The entity as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The entity as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions

At the acquisition date, the entity as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The entity as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

Measurement principle

The entity as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the entity as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

- fair value; or
- the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The entity as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the entity as acquirer takes into account the terms of the lease.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Exceptions to the recognition principles

Contingent liabilities:

The requirements in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the entity as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

Exceptions to both the recognition and measurement principles

Employee benefits:

The entity as acquirer recognises and measures a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Indemnification assets:

The seller in a transfer of functions may contractually indemnify the entity as acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The entity as acquirer recognises an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the entity as acquirer recognises the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

Exceptions to the measurement principle

Reacquired rights:

The entity as acquirer measures the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract or other binding arrangement regardless of whether market participants would consider potential renewals of the contract or other binding arrangement in determining its fair value.

Assets held for sale:

The entity as acquirer measures an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations at fair value less costs to sell.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The entity as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:

- the aggregate of:
 - (i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value (see paragraph .66);
 - (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
 - (iii) in a transfer of functions achieved in stages (see paragraphs .70 and .71), the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Consideration transferred

The consideration transferred in a transfer of functions is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the entity as acquirer, the liabilities incurred by the entity as acquirer to former owners of the acquiree and the residual interests issued by the entity as acquirer.

Contingent consideration:

The consideration the entity as acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The entity as acquirer recognises the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

The entity as acquirer classifies an obligation to pay contingent consideration as a liability or as net assets on the basis of the definitions of a residual interest and a financial liability in the Standard of GRAP on Financial Instruments, or other applicable Standard of GRAP. The entity as acquirer classifies as an asset a right to the return of previously transferred consideration if specified conditions are met.

A transfer of functions achieved in stages

An entity as acquirer sometimes obtains control of an acquiree in which it held a residual interest immediately before the acquisition date.

In a transfer of functions achieved in stages, the entity as acquirer remeasures its previously held residual interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in surplus or deficit. In prior reporting periods, the entity as acquirer may have recognised changes in the value of its residual interest in the acquiree in surplus or deficit. If so, the amount that was recognised in surplus or deficit is recognised on the same basis as would be required if the entity as acquirer had disposed directly of the previously held residual interest.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity as acquirer retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the entity as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

Determining what is part of the transfer of functions transaction

The entity as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the entity as acquirer identifies any amounts that are not part of what the entity as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the entity as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Effective settlement of a pre-existing relationship between the entity as acquirer and acquiree in a transfer of functions

A pre-existing relationship between the entity as acquirer and acquiree may be contractual or non-contractual.

If the transfer of functions in effect settles a pre-existing relationship, the entity as acquirer recognises a gain or loss, measured as follows:

- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of (i) and (ii):
 - (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the entity as acquirer when compared with terms for current market transactions for the same or similar items.
 - (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of the transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the entity as acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

A pre-existing relationship may be a contract that the entity as acquirer recognises as a reacquired right. If the binding arrangement includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the entity as acquirer recognises, separately from the transfer of functions, a gain or loss for the effective settlement of the contract.

Acquisition-related costs:

Acquisition-related costs are costs the entity as acquirer incurs to effect a transfer of functions. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities (if applicable). The entity as acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities (if applicable) are recognised in accordance with the Standard of GRAP on Financial Instruments.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Subsequent measurement and accounting

In general, an entity as acquirer subsequently measures and accounts for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Reacquired rights

A reacquired right recognised as an intangible asset is amortised over the remaining contractual period of the contract in which the right was granted. An entity as acquirer that subsequently sells a reacquired right to a third party includes the carrying amount of the intangible asset in determining the gain or loss on the sale.

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the entity as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:

- the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Indemnification assets

At the end of each subsequent reporting period, the entity as acquirer measures an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectability of the indemnification asset. The entity as acquirer derecognises the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Contingent consideration

Some changes in the fair value of contingent consideration that the entity as acquirer recognises after the acquisition date may be the result of additional information that the entity as acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The entity as acquirer accounts for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:

- Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement is accounted for within net assets.
- Contingent consideration classified as an asset or a liability that:
 - (i) is a financial instrument and is within the scope of the Standard of GRAP on Financial Instruments is measured at fair value, with any resulting gain or loss recognised in surplus or deficit in accordance with that Standard of GRAP.
 - (ii) is not within the scope of the Standard of GRAP on Financial Instruments is accounted for in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets or other Standards of GRAP as appropriate.

1.3 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.

1.4 Going concern assumption

These annual financial statements have been prepared on a going concern basis, i.e. the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. Refer to note 65.

1.5 Investment property

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

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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.

Land held for a currently undetermined future use is recognised as investment property.]

The gain or loss on the disposal or retirement of investment property 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 surplus or deficit for the year.

1.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment is initially measured at cost or where assets have been acquired by grant, donation or other non-exchange transaction the cost is considered to be the fair value of the asset at date of acquisition.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment for purposes of determining the amount of depreciation for the asset to which it relates.

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

Asset category	Average useful life (Years)
Infrastructure: Electricity	
• Cables	20-50
• Control centre	20-45
• Fibre optic cables	25-50
• High mast lighting	10-45
• General electrical equipment	30-40
• Lines: Overhead	20-50
• Lines: Underground	25-50
• Meters: Pre-paid	10-20
• Meters: Credit	20-30
• Pole/structure	20-35
• Substations: Structure	20-30
• Substations: Civil	20-50
• Substations: Equipment	20-50
• Substations: Switchgear	20-50
• Transformers	25-50
Infrastructure: Water	
• Meters	10-20
• Bulk meters	40-120
• Supply/reticulation	40-120
• Pump station: Structure	30-55
• Pump station: Civil	30-55
• Pump station: Electrical	15-40
• Pump station: Mechanical	15-40
• Pump station: Perimeter protection	10-25
• Pump station: Pipe works	40-120
• Pressure relief valve station: Structure	30-55
• Pressure relief valve station: Civil	30-55
• Pressure relief valve station: Electrical	15-40
• Pressure relief valve station: Metal work	10-30
• Pressure relief valve station: Perimeter protection	10-25
• Pressure relief valve station: Pipe works	40-120

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.6 Property, plant and equipment (continued)	
• Boreholes: Structure	30-50
• Boreholes: Civil	20-55
• Boreholes: Electrical	15-40
• Boreholes: Mechanical	15-40
• Boreholes: Perimeter protection	10-25
• Boreholes: Pipe works	40-120
• Water treatment plant: Structure	30-50
• Water treatment plant: Civil	30-55
• Water treatment plant: Electrical	15-40
• Water treatment plant: Mechanical	15-40
• Water treatment plant: Perimeter protection	10-25
• Water treatment plant: Pipe works	40-120
• Service reservoir: Structure	30-50
• Service reservoir: Civil	30-55
• Service reservoir: Electrical	15-40
• Service reservoir: Mechanical	15-40
• Service reservoir: Pipe works	40-120
• Dams/Weirs/Fountains: Structure	30-50
• Dams/Weirs/Fountains: Civil	30-55
• Dams/Weirs/Fountains: Electrical	15-40
• Dams/Weirs/Fountains: Mechanical	15-40
• Dams/Weirs/Fountains: Perimeter protection	10-25
• Dams/Weirs/Fountains: Pipe works	40-120
Sewerage	
• Bulk meter	40-120
• Outfall sewer: Civil	30-55
• Outfall sewer: Electrical	15-40
• Sewerage pump station: Structure	30-55
• Sewerage pump station: Electrical	15-40
• Sewerage pump station: Mechanical	15-40
• Sewerage pump station: Perimeter protection	10-25
• Sewerage pump station: Pipe works	40-120
• Sewer reticulation: Structure	30-55
• Sewer reticulation: Pipe works	40-120
• Waste water treatment plant: Structure	30-55
• Waste water treatment plant: Electrical	15-40
• Waste water treatment plant: Mechanical	15-40
• Waste water treatment plant: Perimeter protection	10-25
• Waste water treatment plant: Pipe works	40-120
• Reservoir	30-50
Buildings	
• Dwellings (hostels, housing schemes, residences, etc)	25-50
• Non-residential (agricultural, clinics, fire stations, museums, etc)	25-50
• Non-residential: Perimeter protection	10-45
Landscaping	
• Landscaping	10-15
Solid waste disposal:	
• Tip site: Structure	25-30
Railways:	
• Sidings	25-30

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.6 Property, plant and equipment (continued)

Roads:

• Bridges: Vehicle (concrete)	50-80
• Bridges: Pedestrian (concrete)	50-80
• Storm water: Culverts	25-40
• Storm water: Inlet, junction point, outlet	25-50
• Storm water: Pipes	25-50
• Roads: Kerb and channels	20-50
• Roads: Municipal roads- butimen layer	20-45
• Roads: Municipal roads - butimen surface	10-45
• Roads: Municipal roads -mixed surface layer	20-45
• Roads: Municipal roads - mixed surface surface	10-45
• Roads: Municipal roads - paving blocks layer	10-45
• Roads: Municipal roads - paving blocks surface	20-45
• Roads: Municipal roads - unpaved layer	10-45
• Roads: Municipal roads - unpaved surface	10-45
• Roads: Overhead traffic signs	15-20
• Roads: Street lighting	10-50
• Roads: Traffic signals	15-20
• Roads: Traffic signs	5-30
• Roads: Tunnel	50-80
• Roads: Municipal roads (butimen surface)	30-50

Cemeteries

• Cemeteries	25-30
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Other machinery and equipment:

• Irrigation equipment	10-15
• Cold room	10-15
• Telecommunication equipment	3-30

Computer equipment:

• Networks	3-15
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Heritage assets:

• Historical buildings	25-30
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Other:

• Specialist vehicles	8-20
• Other vehicles	8-35
• Office equipment	5-20
• Furniture and fittings	5-15
• Watercraft	5-10
• Bins and containers	5-15
• Specialist plant and equipment	10-25
• Other plant and equipment	2-20
• Landfill sites and quarries	1-50
• Books	5-30
• Library material	5-30

Leased assets

• Vehicles, equipment, etc	3-20
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Livestock

• Livestock	8-20
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Community assets

• Recreation facilities	15-45
• Playing apparatus	5-35

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 surplus or deficit for the year in which they are incurred.

Depreciation:

Depreciation is recognised on a straight line basis over the estimated useful life of the asset to its residual value from the day that the asset is ready for use.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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 surplus or deficit for the year..

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.

1.7 Heritage assets

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset 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 is 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.

Transitional provision

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 3 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in note 15. The transitional provision expires on 2015/06/30.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.7 Heritage assets (continued)

In accordance with the transitional provision as per Directive 3 of the GRAP Reporting Framework, where heritage assets was acquired through a transfer of functions, the municipality is not required to measure that heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2013 and heritage assets have accordingly been recognised at provisional amounts, as disclosed in note 15.

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of RAP on Heritage assets.

1.8 Intangible assets

An intangible asset is recognised when:

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

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

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

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Computer software, other	5 years
Servitudes	Indefinite

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.9 Biological assets (game)

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

The fair value of livestock (game) 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 (game) 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 (game) 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 surplus or deficit for the period in which it arises.

1.10 Non-current and current assets held for sale and disposal groups

Non-current and 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 and 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.

1.11 Inventories

Inventories (consumable stores, raw materials, work in progress and finished goods) are measured 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 of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance cost.

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

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

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

Capitalisation reserve

On the implementation of 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.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12

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 surplus or deficit 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.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

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 surplus or deficit for the year. 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 surplus or deficit for the year.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.12 Internal reserves (continued)

- Claims received to meet repairs of damages on assets are reflected as income in surplus or deficit for the year.

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 R312 480 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 surplus or deficit for the year. 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.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

1.13 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 OR 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 surplus or deficit for the year 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.

1.14 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

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

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

1.15 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 relevant expense 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 (e.g. gratuity) 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.16 Leases

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

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

Finance leases - lessor

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

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

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. 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).

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

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.

1.17 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.17 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.17 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.17 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Other debtors	Financial asset measured at amortised cost
Long-term receivables:	
Housing loans	Financial asset measured at amortised cost
Loans to sport clubs	Financial asset measured at amortised cost
Sale of land	Financial asset measured at amortised cost
Arrangement debtors	Financial asset measured at amortised cost
Cash	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Term loans	Financial liability measured at amortised cost
Local registered stock	Financial liability measured at amortised cost
Annuity loans	Financial liability measured at amortised cost
Municipal bonds	Financial liability measured at amortised cost
Trade payables:	
Payables from exchange transactions	Financial liability measured at amortised cost
Retention creditors	Financial liability measured at amortised cost
Deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost (if applicable)

All financial assets measured at amortised cost or cost are subject to an impairment review.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.17 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.17 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.17 Financial instruments (continued)

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1.18 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).

1.19 Revenue from exchange transactions

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 judgment 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. 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 (up to a maximum of 3 months). 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. Waste removal services are billed on a monthly basis.

Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

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/earned.

Interest, royalties and dividends

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

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality 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 reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

Fines

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised but are disclosed in the notes to the financial statements.

Services in-kind are recognised as revenue and as assets.

Concessionary loans received

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.21 Grants, donations 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. Unconditional grants and receipts are recognised upon receipt.

1.22 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.

1.23 Value added tax

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

1.24 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 which is determined by National Treasury. These appendices does not form part of the audited financial statements but is supplementary information.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.25 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.

1.26 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 period 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 Irregular expenditure

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

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in surplus or deficit for the year.

1.28 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 surplus or deficit in the period 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 surplus or deficit.

1.29 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.

1.30 Tax

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

1.31 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

1.31 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables /Investments and/or loans and receivables

The municipality assesses its trade receivables, 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. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

Financial assets

The municipality follows the guidance of GRAP 104 to determine when a 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 is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 are 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.

1.32 Impairment of non-cash-generating assets

The municipality has implemented GRAP 21 and 26 on the impairment of assets based on a position paper adopted on these standards. Based on the position paper all assets tested during the financial year under review were treated according to GRAP 21: Impairment of non-cash generating assets. Although the municipality hold material amounts of infrastructure assets such as water and electricity networks where a cost plus return is billed for services rendered, the majority of these assets are non-cash generating as the primary objective of such services is not to generate a commercial return that reflects the risk involved in holding the asset, but rather to provide a basic service in terms of the municipality's constitutional mandate.

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

The 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, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Accounting Policies

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The 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, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.33 Budget information

The municipality 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.

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

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

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts (Appropriation Statement in terms of Circular 67 of National Treasury).

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.34 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current period

In the current period, the municipality has adopted the following standards and interpretations that are effective for the current financial period and that are relevant to its operations:

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 recognised 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 has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is set out in note Changes in Accounting Policy as it has to be implemented retrospectively.

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 financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and 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 financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and 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.

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

The municipality has adopted the standard for the first time in the 2013 financial statements.

The adoption of this standard did not have a material impact on the results of the municipality, but resulted in more disclosure than would have previously been provided in the 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:

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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 has adopted the standard for the first time in the 2013 financial statements and has adopted the transitional provisions as set out in Directive 3.

The impact of the standard is set out in note Changes in Accounting Policy as it has to be implemented retrospectively.

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.

Notes to the Financial Statements

2. New standards and interpretations (continued)

A 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.

A 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.

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

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is set out in note Changes in Accounting Policy as it has to be implemented retrospectively.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by a 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, a municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a 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, a 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.

Notes to the Financial Statements

2. New standards and interpretations (continued)

A 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, a 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.

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

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is set out in note Changes in Accounting Policy as it has to be implemented retrospectively.

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, a 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 a 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. A 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;
- 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

- 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.

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

Once a 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, a municipality has transferred control of the asset to another municipality.

A 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 a 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.

A 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 a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its 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. A 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 has adopted the standard for the first time in the 2013 financial statements.

The adoption of this amendment did not have a material impact on the results of the municipality, but resulted in more disclosure than would have previously been provided in the financial statements.

2.2 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 2013 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.

Notes to the Financial Statements

2. New standards and interpretations (continued)

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.

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 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a 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 a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP 25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a 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 programmes) 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 a 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 programmes 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 programmes;
- Insured benefits.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

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:

- 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 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers definitions, identifying the acquirer and transferor, determining the transfer date, assets acquired or transferred and liabilities assumed or relinquished, accounting by the acquirer and transferor, disclosure, transitional provisions as well as the effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements as it will only be applicable if such a transfer of functions occurs.

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements as it will only become applicable if such a merger occurs.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

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 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107. This statement will only impact on the consolidated financial statements if applicable.

The municipality expects to adopt the interpretation for the first time in the 2015 financial statements.

The municipality is unable to reliably estimate the impact of the interpretation on the financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Notes to the Financial Statements

2. New standards and interpretations (continued)

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2015 financial statements.

The municipality is unable to reliably estimate the impact of the interpretation on the financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. This statement will only impact on the consolidated financial statements if applicable.

The municipality expects to adopt the amendment for the first time in the 2015 financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. This statement will only impact on the consolidated financial statements if applicable.

The municipality expects to adopt the amendment for the first time in the 2015 financial statements.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment's is for years beginning on or after 01 April 2013

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 7 (as revised 2012): Investments in Associates

Paragraph .17 was amended by the improvements to the Standards of GRAP issued previously.

Amendments were made to Definitions.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to measurement after recognition, derecognition and disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the International Accounting Standards Board (IASB) previously included in GRAP 102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
3. Housing development fund		
Unappropriated surplus	225,449,115	197,857,941
Less: Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463
Housing development fund	<u>156,442,652</u>	<u>128,851,478</u>
The housing development fund is represented by the following assets and liabilities		
Housing selling scheme loans	19,833,355	20,289,707
Housing debtors	37,121,907	31,597,589
Bank and cash	99,487,390	76,964,182
Housing Development Fund Assets	<u>156,442,652</u>	<u>128,851,478</u>
4. Long-term liabilities		
Summary of Long Term Borrowings:		
Term Loans	131,311,171	131,536,811
Local registered stock	100,005,000	98,051,671
Municipal Bonds	2,176,860,970	-
Annuity loans	5,890,739,012	6,201,863,690
	<u>8,298,916,153</u>	<u>6,431,452,172</u>
Held at amortised cost		
Term Loans		
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 October 2019. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	79,625,804	79,718,642
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 September 2018. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	51,685,367	51,818,169
Municipal Bonds		
Standard Bank (1-1900)		
Unsecured 15 year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 2 April 2028. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	573,771,397	-
Standard Bank (1-1901)		
Unsecured 10 year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 2 April 2022. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	848,229,984	-
Standard Bank (1-1950)		
Unsecured 15 year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 5 June 2028. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	754,859,589	-
Local registered stock		
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.	100,000,000	98,045,858

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
4. Long-term liabilities (continued)		
Development Bank of South Africa (1-1250) Unsecured bond paying fixed interest semi-annually.	5,000	5,813
Annuity loans		
Standard Bank (1-1300) Unsecured variable interest rate 15 year loan repayable semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2026.	924,186,559	963,546,944
Development Bank of South Africa (1-1250) Unsecured variable interest rate 15 year loan repayable semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2025. Part of the restructuring of loans during 2012/13.	-	355,204,913
Development Bank of South Africa (1-951) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029. Part of the restructuring of loans during 2012/13.	-	669,603,702
Development Bank of South Africa (1-950) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.	140,445,310	144,950,286
Development Bank of South Africa (1-851) Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	95,171,972	101,113,389
Development Bank of South Africa (1-800) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	196,699,843	200,957,380
Development Bank of South Africa (1-700) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	89,317,676	92,657,256
Development Bank of South Africa (1-701) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	198,216,923	202,191,994
Development Bank of South Africa (1-501) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.	303,167,217	325,146,835
Development Bank of South Africa (1-500) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.	66,857,177	73,031,583
Development Bank of South Africa (1-200) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.	200,094,133	216,299,390
INCA (1-100) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2020.	144,728,456	158,674,099
Development Bank of South Africa (1-52) Secured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 September 2018.	164,217,075	183,239,644

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
4. Long-term liabilities (continued)		
Development Bank of South Africa (1-51)	-	4,299,892
Unsecured fixed interest 10 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2012. Fully redeemed during 2012/13.		
Development Bank of South Africa (1-50)	174,689,107	194,376,969
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2018.		
iVuzi Investments (1-550)	142,959,167	153,922,487
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 12 December 2021.		
iVuzi Investments (1-450)	57,378,467	61,719,094
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2021.		
iVuzi Investments (1-300)	68,925,367	74,627,296
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.		
iVuzi Investments (1-150)	33,004,871	36,007,660
Unsecured fixed interest 15 year loan repayable semi-annually in equal installment of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.		
iVuzi Investments (1-0)	11,949,160	13,294,498
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2019.		
Nedbank (1-1150)	282,046,868	312,167,474
Unsecured variable interest rate 10 year loan repayable in semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 16 June 2020.		
Nedbank (1-1100)	283,391,299	313,853,431
Unsecured variable interest rate 10 year loan repayable in semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 18 May 2020..		
Nedbank (1-852)	126,961,590	134,590,448
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
ABSA Bank Ltd (1-850)	184,671,403	196,024,229
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
Development Bank of South Africa (1-1351)	-	345,345
Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2013. Loan taken over from Nokeng Municipality on 1 July 2011. Fully redeemed during 2012/13.		
Development Bank of South Africa (1-1352)	688,394	878,718
Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 August 2016. Loan taken over from Nokeng Municipality on 1 July 2011.		

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
4. Long-term liabilities (continued)		
Development Bank of South Africa (1-1400)	14,668,980	17,933,306
Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2016. Loan taken over from Kungwini Municipality on 1 July 2011.		
Standard Bank - Magalies Water (1-1401)	692,701	975,303
Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 September 2014. Loan taken over from Kungwini Municipality on 1 July 2011.		
Development Bank of South Africa (1-1600)	-	500,000,000
Unsecured (Jibar) variable interest 15 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2027. Part of the restructuring of loans during 2012/13.		
Standard Bank (1-1601)	-	500,230,125
Unsecured (Jibar) variable interest 10 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022. Part of the restructuring of loans during 2012/13..		
iVuzi (FirstRand Bank) (1-1850)	473,878,226	-
Unsecured (Jibar) variable interest rate 9 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022.		
Nedbank (1-1800)	657,889,489	-
Unsecured (Jibar) variable interest rate 16 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2029.		
iVuzi (FirstRand Bank) (1-1851)	482,967,728	-
Unsecured (Jibar) variable interest rate 14 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2027.		
Nedbank (1-1801)	370,873,854	-
Unsecured (Jibar) variable interest rate 12 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2025..		
	8,298,916,153	6,431,452,172
Non-current liabilities		
At amortised cost	7,764,124,985	6,085,749,294
Current liabilities		
At amortised cost	534,791,168	345,702,878
	8,298,916,153	6,431,452,172

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
5. Lease liabilities		
Minimum lease payments due		
- within one year	138,518,946	149,442,980
- in second to fifth year inclusive	51,618,818	186,766,218
	<u>190,137,764</u>	<u>336,209,198</u>
less: future finance charges	(11,636,846)	(33,171,972)
Present value of minimum lease payments	<u>178,500,918</u>	<u>303,037,226</u>
 Present value of minimum lease payments due		
- within one year	127,908,505	127,462,094
- in second to fifth year inclusive	50,592,413	175,575,133
	<u>178,500,918</u>	<u>303,037,227</u>
 Non-current liabilities	50,592,413	175,575,133
Current liabilities	127,908,505	127,462,094
	<u>178,500,918</u>	<u>303,037,227</u>
 Collateral held in terms of the above leases (Net book amount of leased assets)	178,500,918	303,526,842
Carrying value of leased assets	<u>171,655,845</u>	<u>392,780,477</u>

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

6. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegetation	25,361,752	2,550,674	(3,453,705)	(2,025,302)	22,433,419
Rehabilitation of landfill sites	184,605,898	20,734,250	-	4,985,218	210,325,366
Rehabilitation of quarries	5,902,508	714,542	(1,411,909)	634,932	5,840,073
	<u>215,870,158</u>	<u>23,999,466</u>	<u>(4,865,614)</u>	<u>3,594,848</u>	<u>238,598,858</u>

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegetation	25,519,617	2,575,068	(3,176,895)	443,962	25,361,752
Rehabilitation of landfill sites	163,319,115	32,788,828	(16,129,690)	4,627,645	184,605,898
Rehabilitation of quarries	6,568,865	640,507	(1,196,026)	(110,838)	5,902,508
	<u>195,407,597</u>	<u>36,004,403</u>	<u>(20,502,611)</u>	<u>4,960,769</u>	<u>215,870,158</u>

Environmental rehabilitation provision - landfill sites

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

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 to address the backlogs that exist.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R	
6. Provisions (continued)			
Rehabilitation of quarries			
In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), section 52(2)(d), the municipality 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.			
7. Financial instruments disclosure			
Categories of financial instruments			
2013			
Financial assets			
	At fair value	At amortised cost	Total
Investments	636,003,487	4,986,212	640,989,699
Other debtors	-	901,663,934	901,663,934
Consumer debtors	-	6,801,995,206	6,801,995,206
Cash and cash equivalents	-	686,118,280	686,118,280
Long-term receivables: Housing loans	-	19,833,355	19,833,355
Long-term receivables: Sport club loans	-	1,234,208	1,234,208
Long-term receivables: Sale of land	-	69,124,308	69,124,308
Long-term receivables: Arrangement debtors	-	223,182,071	223,182,071
Interest rate swap asset	-	81,554,131	81,554,131
	636,003,487	8,789,691,705	9,425,695,192
Financial liabilities			
	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	4,936,756,098	4,936,756,098
Consumer deposits	418,176,505	-	418,176,505
VAT payable	213,283,718	-	213,283,718
Unspent grants and receipts	125,502,548	-	125,502,548
Long-term loans (term loans, bonds, etc)	-	8,298,916,153	8,298,916,153
Lease liabilities	-	178,500,918	178,500,918
	756,962,771	13,414,173,169	14,171,135,940
2012			
Financial assets			
	At fair value	At amortised cost	Total
Investments	323,851,507	87,622,609	411,474,116
Other debtors	-	1,015,166,109	1,015,166,109
Consumer debtors	-	5,607,107,668	5,607,107,668
Cash and cash equivalents	-	604,102,525	604,102,525
Long-term receivables: Housing loans	-	20,289,707	20,289,707
Long-term receivables: Sport club loans	-	1,569,306	1,569,306
Long-term receivables: Motor car loans	-	11,710	11,710
Long-term receivables: Sale of land	-	83,480,809	83,480,809
Long-term receivables: Arrangement debtors	-	201,991,222	201,991,222
	323,851,507	7,621,341,665	7,945,193,172

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
Financial liabilities		
	At fair value	At amortised cost
		Total
Trade and other payables from exchange transactions	-	4,484,175,604
Consumer deposits	403,868,672	-
VAT payable	258,376,753	-
Unspent grants and receipts	317,810,684	-
Long-term loans (term loans, bonds, etc)	-	6,431,452,172
Lease liabilities	-	303,037,227
	980,056,109	11,218,665,003
		12,198,721,112
8. Consumer deposits		
Electricity and water	418,176,505	403,868,672
Guarantees held:		
Electricity and water consumers (who do not have deposits)	182,562,300	154,920,913
Township Development guarantees	193,989,539	193,848,803
	376,551,839	348,769,716
9. Payables from exchange transactions		
Trade payables	2,841,132,168	2,706,139,846
Payments received in advance	25,883,026	22,130,257
Accrued leave pay	597,715,117	542,593,356
Deposits received	28,400,700	22,681,807
Debtors with credit balances	613,524,174	542,142,628
Other creditors	475,624,107	397,088,278
Retention creditors	311,222,668	238,990,712
RTMC: AARTO	10,240,041	4,907,796
Deferred operating lease liability	5,299,936	7,438,789
Awards received not spent (Bontle ke Botho)	605,311	763,315
Creditors with debit balances - reclassify	27,108,850	(701,720)
	4,936,756,098	4,484,175,064
Payables age analysis		
Current (0 -30 days)		
Bulk electricity	792,266,280	743,735,532
Bulk water	69,825,396	100,667,495
PAYE deductions	64,637,295	52,232,434
VAT (output less input)	213,283,718	258,376,753
Pensions/retirement deductions	-	56,167,453
Loan repayments	293,401,876	421,138,417
Trade creditors	3,716,625,255	3,110,233,733
	5,150,039,820	4,742,551,817

This age-analysis will balance back to the total of note 9 plus VAT on the statement of financial position.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
10. Unspent grants and receipts		
Unspent grants and receipts comprises of:		
DoRA: Department Water Affairs & Forestry (DWAF)	4,833	290,366
DoRA: INEP (Electricity for All)	-	1,526,000
DoRA: Finance Management Grant (FMG)	470,166	-
Provincial: Housing Projects	70,686,712	93,758,781
DoRA: Urban Settlement Development Grant (USDG)	-	10,117,921
DoRA: PTIS	15,534,170	137,609,647
Provincial: DPLG - Health	4,200,977	89,650
Neighbourhood Development Programme	2,360,019	34,017,099
Arts and Culture grant (Libraries)	2,752,593	4,429,968
Economic Development grant	8,750,000	8,750,000
Gautrans job creation	71,107	1,408,211
EPWP	4,424,606	-
Blue IQ	11,999,119	24,998,876
Sport and Recreation	72,617	515,977
Performance Management	268,665	268,665
Electricity Demand Side	406,964	29,523
Revenue Enhancement	3,500,000	-
	<u>125,502,548</u>	<u>317,810,684</u>

Movement during the year

Balance at the beginning of the year	317,810,684	395,679,581
Receipts during the year	4,504,776,819	3,680,788,150
Transfers between grants	48,853,230	(2,074,060)
Prior year correction	-	1,138,726
Returned to National Treasury	(2,102,000)	(196,735,000)
Income recognition during the year	(4,743,836,185)	(3,560,986,713)
	<u>125,502,548</u>	<u>317,810,684</u>

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.

11. Vat

VAT payable	<u>(213,283,718)</u>	<u>(258,376,753)</u>
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VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

12. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	302,414,118	-	302,414,118	305,409,626	-	305,409,626
Buildings	1,555,252,707	(747,293,148)	807,959,559	1,591,326,767	(707,400,836)	883,925,931
Biological assets (game)	12,955,674	-	12,955,674	12,706,506	-	12,706,506
Infrastructure	21,561,221,757	(4,340,783,425)	17,220,438,332	18,241,681,255	(3,862,512,273)	14,379,168,982
Community	2,578,067,118	(568,321,476)	2,009,745,642	2,070,813,963	(497,794,480)	1,573,019,483
Other property, plant and equipment	3,041,631,236	(1,212,851,349)	1,828,779,887	2,424,264,738	(926,206,465)	1,498,058,273
Housing stock	-	-	-	39,343,706	-	39,343,706
Housing	462,464,427	(4,258,037)	458,206,390	221,390,453	(275,712)	221,114,741
Total	29,514,007,037	(6,873,507,435)	22,640,499,602	24,906,937,014	(5,994,189,766)	18,912,747,248

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	305,409,626	-	493	(2,996,001)	-	-	-	-	302,414,118
Buildings	883,925,931	11,735,788	(36,687,416)	8,584,538	-	36,188	(59,635,470)	-	807,959,559
Biological assets (game)	12,706,506	-	-	-	249,168	-	-	-	12,955,674
Infrastructure	14,379,168,982	3,350,741,926	(34,271,875)	(49,811,375)	-	103,155,227	(528,544,553)	-	17,220,438,332
Community	1,573,019,483	459,648,822	(2,238,532)	46,522,800	-	(36,194)	(67,170,737)	-	2,009,745,642
Other property, plant and equipment	1,498,058,273	549,267,718	(123,539,358)	(8,018,915)	-	198,879,684	(281,048,744)	(4,818,771)	1,828,779,887
Housing stock	39,343,706	-	-	-	-	(39,343,706)	-	-	-
Housing	221,114,741	166,806,264	(2,358,397)	-	-	73,343,706	(699,924)	-	458,206,390
Total	18,912,747,248	4,538,200,518	(199,095,085)	(5,718,953)	249,168	336,034,905	(937,099,428)	(4,818,771)	22,640,499,602

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair values	Other changes, movements	Depreciation	Impairment loss	Total
Land	301,158,476	4,938,887	(579,066)	(81,380)	-	(27,291)	-	-	305,409,626
Buildings	689,299,980	23,528,796	-	246,152,499	-	21,988,741	(75,174,893)	(21,869,192)	883,925,931
Biological assets	12,970,960	-	-	-	(264,454)	-	-	-	12,706,506
Infrastructure	11,507,700,007	3,452,759,777	(5,713,535)	(3,973,437)	-	29,752,226	(601,337,883)	(18,173)	14,379,168,982
Community	1,405,779,543	223,512,830	(14,103,009)	22,696,734	-	(809,819)	(64,056,796)	-	1,573,019,483
Other property, plant and equipment	1,570,757,551	395,323,773	(59,624,268)	(280,156,923)	-	14,040,100	(134,749,804)	(7,532,156)	1,498,058,273
Stock	6,678,919	41,072,830	(1,729,124)	-	-	(6,678,919)	-	-	39,343,706
Housing	131,132,823	102,567,561	-	(12,733,787)	-	185,274	(37,130)	-	221,114,741
	15,625,478,259	4,243,704,454	(81,749,002)	(28,096,294)	(264,454)	58,450,312	(875,356,506)	(29,419,521)	18,912,747,248

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
12. Property, plant and equipment (continued)		
USEFUL LIVES:		
According to GRAP17: Property, plant and equipment, all useful lives of property, plant and equipment must be reviewed on an annual basis. The useful lives of assets were reviewed according to the requirements of GRAP 17. All remaining useful lives that were adjusted for the 2012/13 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to note 56. All changes in estimates occurs prospectively and no prior year adjustments were made. All review of useful life adjustments occurred with effect from 1 July 2012. The following were the reasons for the review of useful life adjustments:		
Underground water and sanitation assets:		
A scientific review of the remaining useful life of pipe assets were conducted (PRP) and the following trends in the remaining useful life had been observed:		
* The weighted average expected useful life (EUL) of all water pipes increased by 84%;		
* The weighted average expected useful life (EUL) of bulk sewer pipes increased by 92%; and		
* The weighted average expected useful life (EUL) of sewer reticulation pipes increased by 69%.		
The extrapolated remaining useful lives (RUL) of assets above 80 years (960 months) were capped at 960 months. These results are in line with the proposed expected useful life (EUL) for pipes for the next financial year and have been workshoped with experts in this field and officials of City of Tshwane. It was agreed to adopt these figures to adjust the RUL of pipe assets. These will be aligned to specific pipes in the next financial year as the asset register pipe data is unbundled.		
All other infrastructure assets and buildings:		
It was agreed that the data of infrastructure assets and buildings indicated in the asset register as having a RUL of zero or less than 2 years will be reviewed (and in the absence of other determinants) will be adjusted to the equivalent of fair condition (median of the condition deterioration band) - i.e. 36% of EUL. In Instances where the calculated RUL of assets came to less than 25 months, these were adjusted to a minimum of 25 months.		
Moveable assets:		
It was agreed that the data of moveable assets and buildings that are indicated in the asset register as having a RUL of zero or less than 2 years will be reviewed and adjusted with the following:		
<u>Remaining useful life of 12 - 24 months:-</u>		
Condition: Fair, good, very good, poor = Adjustment: 12 months added		
Condition: Very poor = Adjustment: No adjustment		
<u>Remaining useful life of 0- 12 months:-</u>		
Condition: Fair, good, very good, poor = Adjustment: 24 months added		
Condition: Very poor = Adjustment: 12 months added		
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 137 877.		
Pre-paid and conventional electricity meters:		
The City has embarked on a project to replace all pre-paid and conventional meters with new smart meters. The aim of this project is to secure the revenue of the City. The project will commence on 1 October 2013 and will be for a duration of 24 months. Initially these meters had a useful life of 20 Years, however due to the strategic decision taken by Council to replace the old meters with new technology it was necessary to adjust the useful life of the old meters.		
Adjustment: Remaining Useful Life 39 months from 1 July 2012 to 30 September 2015. The effect of changing the remaining useful lives has increased the depreciation charge for the current and future periods. The total number of assets affected is 434 996.		
IMPAIRMENT:		
The City of Tshwane has implemented the Standards of GRAP 21 and GRAP 26 on impairment of assets based on a position paper adopted on these standards. Based on the position paper all assets tested during this financial year were treated according to GRAP 21: Impairment of non-cash generating assets. GRAP 21.10 states that cash-generating assets are assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity where the entity intends to generate positive cash inflows from the asset (or from the cash-generating unit of which the asset is a part) and earn a return that reflects the risk involved in holding the asset.		

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013	Restated
	R	2012
		R

12. Property, plant and equipment (continued)

Although the City of Tshwane holds material amounts of infrastructure assets such as water and electricity networks where a cost plus return is billed for services rendered, the majority of these assets are non-cash generating as the primary objective of such services is not to generate a commercial return that reflects the risk involved in holding the asset, but rather to provide a basic service in terms of the municipality's constitutional mandate. According to GRAP 21.11 there is a number of circumstances in which entities may hold some assets with the primary objective of generating a commercial return. None of the assets impaired in the 2012/13 financial year are held for that purpose.

Impairment indicators:

- Moveable assets with a condition rating of "poor" and "very poor"
- Infrastructure assets were impaired according to specific indicators including: vandalism, physical damage, discontinued assets and assets that became idle
- Assets held for sale: Fair values were determined based on the selling price of the items according to previous auctions held taking into consideration its current condition. Where the net book value of the item exceeded the fair value less the cost to sell, the assets were impaired to reflect the recoverable amount.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

13. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	887,666,004	(72,332,209)	815,333,795	932,705,748	(66,554,763)	866,150,985

Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	866,150,985	(9,625,617)	(1,172,669)	(241,458)	(34,000,000)	(5,777,446)	815,333,795

Reconciliation of investment property - 2012

	Opening balance	Additions	Classified as held for sale	Transfers	Other changes, movements	Depreciation	Total
Investment property	707,059,044	174,943,476	(11,300,433)	1,415,167	(5,209,902)	(756,367)	866,150,985

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

14. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software, servitudes, other	827,182,861	(292,035,780)	535,147,081	811,921,459	(223,822,403)	588,099,056

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Computer software, servitudes, other	588,099,056	(98,391,681)	99,447,756	5,463,983	8,533,075	(68,005,108)	535,147,081

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Computer software, servitudes, other	484,304,282	132,229,283	12,609,132	2,738,116	(43,781,757)	588,099,056

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

15. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Art Collections, antiquities and exhibits	21,416,693	-	21,416,693	21,425,695	-	21,425,695
Collections of rare books, manuscripts and records	536	-	536	536	-	536
Historical monuments	1,687,806	-	1,687,806	1,687,806	-	1,687,806
Historical buildings	2,366,960	-	2,366,960	2,716,838	-	2,716,838
Stamp collections, military insignia, medals, coin	214,400	-	214,400	214,400	-	214,400
Total	25,686,395	-	25,686,395	26,045,275	-	26,045,275

Reconciliation of heritage assets 2013

	Opening balance	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	21,425,695	(9,002)	-	21,416,693
Collections of rare books, manuscripts and records	536	-	-	536
Historical monuments	1,687,806	-	-	1,687,806
Historical buildings	2,716,838	-	(349,878)	2,366,960
Stamp collections, military insignia, medals, coin	214,400	-	-	214,400
	26,045,275	(9,002)	(349,878)	25,686,395

Reconciliation of heritage assets 2012

	Opening balance	Additions	Depreciation	Other changes, movements	Total
Art Collections, antiquities and exhibits	21,425,695	-	-	-	21,425,695
Collections of rare books, manuscripts and records	-	-	-	536	536
Historical monuments	1,687,806	-	-	-	1,687,806
Historical buildings	2,730,995	-	(325,318)	311,161	2,716,838
Stamp collections, military insignia, medals, coin	-	214,400	-	-	214,400
	25,844,496	214,400	(325,318)	311,697	26,045,275

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
15. Heritage assets (continued)		
Transitional provisions		
Heritage assets recognised at provisional amounts		
In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework, as disclosed in note , certain heritage assets with a carrying value of R 25,688,933 (2012: R 25,733,577) was recognised at provisional amounts. Carrying amounts of heritage asset carried at provisional amounts are as follows:		
Due to initial adoption of GRAP 103		
Heritage assets	25,688,933	26,061,970

Steps taken to establish the values of heritage assets recognised at provisional amounts due to the initial adoption of GRAP 103, are as follows:

For the 2013 reporting period all heritage assets were identified and recognized using provisional amounts. During the 2014 reporting period where the cost of the heritage asset cannot be determined on the initial recognition of the asset, the value will be determined in accordance with Directive 7 and GRAP 103. Directive 7 provides a hierarchy for determining the value of an asset in the absence of a reliable measure of its cost, being firstly the fair value and thereafter the replacement cost of the heritage asset. If the cost, fair value or replacement cost of a heritage asset or class of assets cannot be reliably measured relevant information as required in GRAP 103 will be disclosed per asset or class of heritage assets.

Firstly the internal resources within the Heritage Asset Environment will be used to assist in determining the value of heritage assets, however where skills and expertise lack, a professional valuer will have to be appointed.

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

16. Leased assets

	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leased assets	333,506,386	(161,850,534)	171,655,852	541,027,933	(148,247,450)	392,780,483

Reconciliation of leased assets - 2013

Leased assets	Opening balance	Expired term	Other changes	Depreciation	Total
	392,780,483	(209,362,622)	81,309,495	(93,071,504)	171,655,852

Reconciliation of leased assets - 2012

Leased assets	Opening balance	Additions	Other changes	Depreciation	Total
	334,282,435	115,026,987	52,327,141	(108,856,080)	392,780,483

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
17. Assets held for sale		
Non-current assets	15,483,052	9,944,699
Non-current assets: Accumulated depreciation	(14,423,878)	(9,600,109)
	<u>1,059,174</u>	<u>344,590</u>

The abovementioned Non-current groups of assets (mostly vehicles, bicycles and other smaller movable assets) have been marked for disposal and were in the auction yard at year end.

18. Investments

Designated at fair value

Short-term deposits	636,003,487	323,851,507
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At amortised cost

Municipal stock	710,521	3,033,003
Assurance companies	4,275,691	3,867,827
Fixed deposits	-	80,721,779
	<u>4,986,212</u>	<u>87,622,609</u>

Total investments

	<u>640,989,699</u>	<u>411,474,116</u>
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Non-current investments

At amortised cost	4,986,212	87,622,609
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Current investments

Designated at fair value	636,003,487	323,851,507
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There were no gains or losses realised on the disposal of held to maturity financial assets in 2013 and 2012, 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	332,224,368	282,571,456
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Average rate of return

Average rate of return on long-term investments:	7.02 %	7.77 %
Average rate of return on short-term investments:	4.82 %	5.19 %

No impairment occurred during the financial year under review.

Carrying amount of investments to the amount R310 310 086 (2012 = R 282 571 456 is ceded over to all secured long-term liabilities as per note 4. Also refer to note 38.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
19. Long-term receivables		
Consumer: Arrangement debtors	223,182,071	201,991,222
Housing loans	19,833,355	20,289,707
Loans to sport clubs	1,234,208	1,569,306
Motor car loans	-	11,710
Sale of land	69,124,308	83,480,809
	<u>313,373,942</u>	<u>307,342,754</u>
Short-term portion of long-term receivables	(119,303,329)	(108,802,610)
	<u>194,070,613</u>	<u>198,540,144</u>
Provision: Debt impairment	(89,609,011)	(104,323,849)
	<u>104,461,602</u>	<u>94,216,295</u>
Reconciliation of provision for bad debt		
Balance at the beginning of year	(104,323,849)	(59,241,366)
Contribution to provision during the year	14,714,838	(45,082,483)
	<u>(89,609,011)</u>	<u>(104,323,849)</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 was repaid within the 2012/13 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.

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 9%. Interest is calculated monthly on the outstanding balance of the property.

AGEING

Consumer: Arrangement debtors

121 - 365 days	116,937,089	106,371,323
> 365 days	106,244,982	95,619,899
	<u>223,182,071</u>	<u>201,991,222</u>

Housing loans

121 - 365 days	19,833,355	20,289,707
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Loans to sport clubs

121 - 365 days	1,234,208	1,569,306
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City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
Sale of land		
121 - 365 days	69,124,308	83,480,809
20. Inventories		
Raw materials, components	261,733,467	342,583,936
Water	8,083,348	8,243,672
Food and Beverage	38,268	29,080
Fuel (Diesel, Petrol)	916,366	1,923,883
Bus tickets	196,276	405,242
Plants (nursery)	90,047	72,381
Quarries	982,908	706,173
Coal (power stations)	106,506,077	60,980,871
	378,546,757	414,945,238
21. 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	1,928,540,911	1,626,679,921
Electricity	2,053,027,771	1,598,066,413
Water	1,130,916,110	912,336,139
Other fees and levies	515,309,085	633,313,588
Sewerage	244,257,329	202,304,592
Refuse	308,265,275	247,754,827
Interest	621,678,725	386,652,188
	6,801,995,206	5,607,107,668
Less: Arrangement debtors	(223,182,071)	(201,991,221)
	6,578,813,135	5,405,116,447
Less: Provision for bad debt		
General: All services	(3,353,295,969)	(2,587,889,015)
Net balance		
Rates	1,928,540,911	1,626,679,921
Electricity	2,053,027,771	1,598,066,413
Water	1,130,916,110	912,336,139
Other fees and levies	515,309,085	633,313,588
Sewerage	244,257,329	202,304,592
Refuse	308,265,275	247,754,827
Interest	621,678,725	386,652,188
Arrangement debtors	(223,182,071)	(201,991,221)
Less: Provision for bad debt	(3,353,295,969)	(2,587,889,015)
	3,225,517,166	2,817,227,432
Included in above is receivables from exchange transactions		
Electricity	2,053,027,771	1,598,066,413
Water	1,130,916,110	912,336,139
Other fees and levies	515,309,085	633,313,588
Sewerage	244,257,329	202,304,592
Refuse	308,265,275	247,754,827
Interest	621,678,725	386,652,188
	4,873,454,295	3,980,427,747

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
21. Consumer debtors (continued)		
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	1,928,540,911	1,626,679,921
Net balance	<u>6,801,995,206</u>	<u>5,607,107,668</u>
<p>An amount of R83 087 103 (R 87 099 336 inclusive of VAT) was written off during 2012/13 [2011/12 = R111 208 265 (R126 777 422 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 inactive accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of Indigent households are written off.</p>		
AGEING		
Rates		
Current (0 -30 days)	580,251,544	560,592,770
31 - 60 days	61,600,958	45,422,529
61 - 90 days	60,161,564	45,731,448
91 - 120 days	47,242,560	41,240,780
121 - 150 days	48,170,542	38,195,096
151 - 180 days	51,389,039	33,356,174
181 - 365 days	298,992,043	168,639,664
365 + days	780,732,661	693,501,460
	<u>1,928,540,911</u>	<u>1,626,679,921</u>
Electricity		
Current (0 -30 days)	1,202,652,549	882,659,811
31 - 60 days	31,192,254	21,303,134
61 - 90 days	31,176,484	26,840,993
91 - 120 days	24,318,261	22,263,464
121 - 150 days	20,676,197	17,050,776
151 - 180 days	23,458,028	19,741,776
181 - 365 days	115,648,505	107,717,873
365 + days	603,905,493	500,488,586
	<u>2,053,027,771</u>	<u>1,598,066,413</u>
Water		
Current (0 -30 days)	437,197,448	352,067,377
31 - 60 days	27,378,311	16,984,586
61 - 90 days	25,861,105	23,899,289
91 - 121 days	23,136,511	22,170,598
121 - 150 days	21,633,515	16,139,075
151 - 180 days	20,596,630	15,947,134
181 -365 days	110,094,869	107,706,637
365 + days	465,017,721	357,421,443
	<u>1,130,916,110</u>	<u>912,336,139</u>
Other fees and levies		
Current (0 -30 days)	20,491,194	242,286,750
31 - 60 days	(439,081)	(10,023,641)
61 - 90 days	1,722,124	1,484,506
91 - 120 days	(1,340,313)	1,733,279
121 - 150 days	2,029,219	1,607,810
151 - 180 days	(1,861,518)	2,277,419
181 - 365 days	(12,760,140)	37,169,720
365 + days	507,467,600	356,777,745
	<u>515,309,085</u>	<u>633,313,588</u>

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
21. Consumer debtors (continued)		
Sanitation		
Current (0 -30 days)	95,811,842	74,083,542
31 - 60 days	3,987,616	3,425,586
61 - 90 days	4,681,567	4,666,827
91 - 120 days	4,737,429	4,189,376
121 - 150 days	4,152,019	3,481,735
151 - 180 days	3,763,683	3,325,158
181 - 365 days	18,221,029	22,090,929
365 + days	108,902,144	87,041,439
	244,257,329	202,304,592
Solid waste		
Current (0 -30 days)	70,024,638	49,961,330
31 - 60 days	8,601,645	5,604,167
61 - 90 days	7,184,962	5,954,968
91 - 120 days	6,649,975	5,747,585
121 - 150 days	6,791,283	5,095,307
151 - 180 days	6,107,369	5,404,649
181 - 365 days	31,571,012	30,719,654
365 + days	171,334,391	139,267,167
	308,265,275	247,754,827
Interest		
Current (0 -30 days)	65,190,857	61,864,639
31 - 60 days	20,975,348	16,968,685
61 - 90 days	19,834,903	21,783,074
91 - 120 days	22,140,617	20,521,558
121 - 150 days	19,752,248	19,519,635
151 - 180 days	18,521,698	18,872,773
181 - 365 days	100,432,454	98,441,500
365 + days	354,830,600	128,680,324
	621,678,725	386,652,188
Ageing: Total		
Current (0 -30 days)	2,471,620,073	2,223,516,218
31 - 60 days	153,297,051	99,685,046
61 - 90 days	150,622,709	130,361,106
91 - 120 days	126,885,039	117,866,640
121 - 150 days	123,205,022	101,089,432
151 - 180 days	121,974,930	98,925,083
181 - 365 days	662,199,772	572,485,978
365 + days	2,992,190,610	2,263,178,165
	6,801,995,206	5,607,107,668
Consumer debtors - past due and impaired		
90 days and beyond	3,353,295,969	2,582,889,015
Consumer debtors - past due and not impaired		
90 days and beyond	673,159,004	570,656,283

Note must be taken that the amounts indicated as past due and impaired and past due and not impaired will not balance back to the total age-analysis as the municipality only impair from 90 days onward.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
21. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Household	4,194,194,459	3,589,230,922
Industrial/Commercial	2,100,852,088	1,529,468,198
National and Provincial Government	134,708,162	139,837,281
Other	372,240,498	348,571,368
	6,801,995,207	5,607,107,769
Households		
Current (0 -30 days)	1,695,818,818	1,211,812,672
30 - 60 days	87,254,928	56,060,486
61 - 90 days	86,323,188	74,397,333
91 - 120 days	79,585,390	102,336,658
121 - 150 days	69,929,551	58,998,275
151 - 180 days	68,880,028	60,764,226
181 -365 days	399,355,969	351,862,090
365 + days	1,707,046,586	1,672,999,181
	4,194,194,458	3,589,230,921
Industrial/ commercial		
Current (0 -30 days)	1,075,752,817	716,431,170
31 - 60 days	52,864,030	30,726,361
61 - 90 days	39,058,369	34,765,948
91 - 120 days	34,198,868	32,753,629
121 -150 days	38,398,637	29,757,426
151 - 180 days	40,891,597	25,071,628
181 - 365 days	210,401,351	133,036,222
365 + days	609,286,419	526,925,814
	2,100,852,088	1,529,468,198
National and provincial government		
Current (0 -30 days)	115,101,665	83,779,257
31 - 60 days	5,383,255	4,055,081
61 - 90 days	5,373,644	6,120,619
91 - 120 days	777,916	4,917,341
121 - 150 days	3,271,363	1,452,181
151 - 180 days	(1,672,337)	4,293,897
181 - 365 days	(19,818,985)	19,142,161
365 + days	26,291,641	16,076,744
	134,708,162	139,837,281
Other		
Current (0 -30 days)	32,183,389	3,312,216
31 - 60 days	(8,477,686)	(2,431,889)
61 - 90 days	3,672,710	661,209
91 - 120 days	(1,014,415)	(237,367)
121 - 150 days	(1,152,326)	(314,422)
151 - 180 days	1,186,849	(2,266,661)
181 - 365 days	3,073,068	4,021,805
365 + days	342,768,909	345,826,477
	372,240,498	348,571,368
Reconciliation of allowance for impairment		
Balance at beginning of the year	(2,587,889,015)	(1,932,889,995)
Contributions to allowance	(765,406,954)	(654,999,020)
	(3,353,295,969)	(2,587,889,015)

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
22. Other debtors		
Gauteng Province: Housing grants	48,553,230	-
Creditors reclassification	27,810,570	-
Housing debtors	37,121,907	31,597,589
Government subsidies	-	23,655,000
Miscellaneous	162,989,454	241,561,280
Lease revenue	58,535,276	55,814,900
DWAF outstanding grant	4,750,000	4,750,000
Waste management	76,855,589	70,360,047
Sundry rentals	63,999,798	56,004,127
Sundry Persons	167,325,461	197,793,251
Public contributions	188,328,717	160,180,130
Sandspruit	34,298,530	34,298,530
RTMC: AARTO debtor	31,095,402	31,266,468
	<u>901,663,934</u>	<u>1,015,166,109</u>
Less: Provision For Bad debt	<u>(374,893,214)</u>	<u>(286,481,321)</u>
	<u>526,770,720</u>	<u>620,800,001</u>
AGEING		
Housing debtors		
121 - 365 days	<u>37,121,907</u>	<u>31,597,589</u>
Government subsidies		
> 365 days	<u>-</u>	<u>23,655,000</u>
Miscellaneous		
121 - 365 days	<u>162,989,454</u>	<u>241,561,280</u>
Lease revenue		
31 - 60 days	<u>58,535,276</u>	<u>55,814,900</u>
DWAF outstanding grant		
> 365 days	<u>4,750,000</u>	<u>4,750,000</u>
Waste Management		
61 - 90 days	<u>76,855,589</u>	<u>70,360,047</u>
Sundry rentals		
61 - 90 days	<u>63,999,798</u>	<u>56,004,127</u>
Sundry Persons		
91 - 120 days	<u>167,325,461</u>	<u>197,793,251</u>
Public contributions		
121 - 365 days	28,148,587	51,729,356
> 365 days	160,180,130	108,450,774
	<u>188,328,717</u>	<u>160,180,130</u>
Sandspruit Works Association		
> 365 days	<u>34,298,530</u>	<u>34,298,530</u>

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
22. Other debtors (continued)		
RTMC: AARTO debtor		
121 - 365 days	19,828,934	17,654,148
> 365 days	11,266,468	13,612,320
	31,095,402	31,266,468
Other receivables from non-exchange transactions past due but not impaired		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 498,960,150 (2012: R 620,800,001) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
3 months past due	498,960,150	620,800,001
Other receivables from non-exchange transactions		
As of 30 June 2013, trade and other receivables of R 901,663,934 (2012: R 1,015,166,109) were impaired and provided for.		
The amount of the provision was R (374,893,214) as of 30 June 2013 (2012: R (286,481,321)).		
The ageing of these loans is as follows:		
Over 6 months	901,663,934	1,015,166,109
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(286,481,321)	(274,852,557)
Contributions to provision	(116,003,067)	(62,588,529)
Write back of provision	27,591,174	50,959,765
	(374,893,214)	(286,481,321)
23. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	323,692	323,306
Bank balances	685,794,588	603,779,219
Short-term deposits	636,003,487	323,851,507
	1,322,121,767	927,954,032
Cash and bank	686,118,280	604,102,525
Call investments deposits	636,003,487	323,851,507
	1,322,121,767	927,954,032

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 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 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
Absa - 4060738263	53,425,770	4,271,940	22,589,302	53,425,770	4,271,940	26,957,877
FNB - 51420107207	29,947,819	24,467,226	9,458,968	29,947,819	24,467,226	9,464,455
Standard - 410801453	542,419,806	509,325,696	249,163,354	564,333,136	540,182,806	303,717,749
Insurance Contingency - Absa - 4062593950	3,765,923	9,813,883	1,985,425	3,765,923	9,813,883	1,985,425
Tshwane Market - FNB - 51421161509	28,505,953	25,502,452	21,853,817	28,365,848	25,051,797	20,833,817
Nedbank - 1454121963	5,956,092	1,597,115	1,356,360	5,956,092	-	-
Total	664,021,363	574,978,312	306,407,226	685,794,588	603,787,652	362,959,323
24. Property rates						
Rates received						
Property rates				4,051,438,833		3,457,536,889
Less: Interdepartmental charges - assessment rates				(24,009,955)		(29,680,895)
				4,027,428,878		3,427,855,994
Valuations						
Residential				240,048,454,953		235,554,628,015
Other				96,113,422,156		94,486,436,697
				336,161,877,109		330,041,064,712
<p>The land value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (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.</p> <p>No difference is made between land value and the value of improvements and only the market value appears on the valuation roll. With the implementation of the MPRA, different categories of properties are levied at different tariffs with different rebates applicable.</p> <p>Property owners of 60 years and older and/or physically or mentally disabled, who can substantiate receipt of a social pension, and owners certified by the Medical Officer of Health as physically or mentally disabled, can qualify for a rebate, subject to certain conditions.</p>						
25. Service charges						
Sale of electricity				8,292,320,496		7,661,737,697
Sale of water				2,312,960,875		2,077,257,842
Solid waste				612,533,626		491,342,951
Sewerage and sanitation charges				569,930,853		502,205,869
Other service charges				112,576,259		160,002,041
				11,900,322,109		10,892,546,400
Less: Interdepartmental - Electricity				(160,664,536)		(127,989,054)
Less: Interdepartmental - Water				(96,867,133)		(81,745,092)
Less: Interdepartmental - Solid Waste				(14,805,449)		(11,342,335)
Less: Interdepartmental - Sanitation				(11,084,608)		(11,044,805)
Net Service charges per statement of financial performance				11,616,900,383		10,660,425,114

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
26. Government grants, subsidies, awards & donations		
Operating grants		
Equitable share	1,040,630,000	923,020,000
Emergency Management Services subsidy	49,676,000	35,483,000
Fuel levy	1,326,054,000	1,191,521,000
Finance Management grant (FMG)	3,095,884	5,116,485
PTIS	38,179,260	3,644,603
DWAF	2,318,533	6,926,472
Topstructure grant	45,363,566	93,056,868
Health subsidy	29,625,439	27,324,561
HIV/AIDS subsidy	5,796,674	5,310,401
Community Libraries	3,406,296	5,848,016
Other operational grants	-	2,460,768
USDG operational	48,317,310	3,060,239
Incorporation grant	-	20,000,000
	<u>2,592,462,962</u>	<u>2,322,772,413</u>
Capital grants		
Capital grants total	104,880,000	-
INEP	30,000,000	19,861,273
Gauteng Housing	56,305,113	38,467,901
PTIS Roads and storm water	93,540,864	54,366,422
PTIS Transport	634,177,352	104,378,861
NDPG	183,275,080	48,304,204
Blue IQ	12,999,757	14,999,944
Libraries	3,761,079	4,095,163
FMG	1,433,950	322,513
USDG	1,012,870,611	877,902,840
Electricity Demand Side	10,622,559	46,360,952
DWAF	-	15,597,000
Sport and Recreation	443,360	-
Gautrans	1,337,104	-
Expanded Public Works Program	5,726,394	-
	<u>2,151,373,223</u>	<u>1,224,657,073</u>
	<u>4,743,836,185</u>	<u>3,547,429,486</u>
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	2,292,054,072	1,364,770,524
Unconditional grants received	2,451,782,113	2,182,658,962
	<u>4,743,836,185</u>	<u>3,547,429,486</u>

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
26. Government grants, subsidies, awards & donations (continued)		
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 R419.92 (2012 = R378; 2011 = R251; 2010 = R 223 and 2009 = R 186), which is funded from the grant.		
Primary Health Care Subsidy (Provincial)		
Current-year receipts	29,625,439	27,324,561
Conditions met - transferred to revenue	(29,625,439)	(27,324,561)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 10)		
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. The conditions of the subsidy has been met.		
Emergency Management Services Subsidy (Provincial)		
Current-year receipts	49,676,000	47,901,500
Conditions met - transferred to revenue	(49,676,000)	(47,901,500)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 10)		
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.		
Gauteng Sport & Recreation (Loftus Upgrade) (DoRA)		
Department of Water Affairs & Forestry (DoRA)		
Balance unspent at beginning of period	290,366	1,149,838
Current-year receipts	2,227,000	22,619,000
Conditions met - transferred to revenue	(2,318,533)	(22,523,472)
Returned to National Treasury	(194,000)	(955,000)
	<u>4,833</u>	<u>290,366</u>
Conditions still to be met - remain liabilities (see note 10)		
The balance consists of the unspent portion of the 2012/13 financial year to date. An amount of R194 000 has been returned to National Treasury with regard to the unspent balance of 2011/12.		
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.		

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
26. Government grants, subsidies, awards & donations (continued)		
Electricity for All (INEP) (DoRA) (DoRA)		
Balance unspent at beginning of period	1,526,000	1,526,274
Current-year receipts	30,000,000	21,000,000
Conditions met - transferred to revenue	(30,000,000)	(21,000,000)
Returned to National Treasury	(1,526,000)	(1,139,000)
Prior year restatements	-	1,138,726
	<u>-</u>	<u>1,526,000</u>

Conditions still to be met - remain liabilities (see note 10)

An amount of R1 139 000 was already repaid to National Treasury during 2011/12 and an amount of R1 526 000 was repaid to National Treasury during 2012/13.

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 period	-	938,998
Current-year receipts	5,000,000	5,250,000
Conditions met - transferred to revenue	(4,529,834)	(5,438,998)
Returned	-	(750,000)
	<u>470,166</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 10)

The balance consists of the unspent portion of the 2012/13 financial year to date and the balance has already been committed to projects in the 2013/14 financial year.

An amount of R750 000 relating to the previous year was returned to National Treasury during 2011/12.

The purpose of this grant was 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.

Restructuring grant (DoRA)

Balance unspent at beginning of period	-	11,479,345
Prior year restatements	-	91,655
Returned	-	(11,571,000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 10)

An amount of R11 571 000 relating to the previous year was returned to National Treasury during 2011/12.

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
26. Government grants, subsidies, awards & donations (continued)		
Housing Grants (Provincial)		
Balance unspent at beginning of period	93,758,781	40,571,990
Current-year receipts	30,043,380	184,711,560
Conditions met - transferred to revenue	(101,668,679)	(131,524,769)
Transfers	48,553,230	-
	70,686,712	93,758,781

Conditions still to be met - remain liabilities (see note 10)

The balance consists of amounts received in advance for the 2013/14 financial year.

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.

Urban Settlement Development Grant (USDG) (previously MIG) (DoRA)

Balance unspent at beginning of period	10,117,921	-
Current-year receipts	1,051,070,000	891,081,000
Conditions met - transferred to revenue	(1,061,187,921)	(880,963,079)
	-	10,117,921

Conditions still to be met - remain liabilities (see note 10)

Request for roll over of the balance of 2011/12 was approved by National Treasury.

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 period	137,609,647	282,319,532
Current-year receipts	748,702,000	200,000,000
Conditions met - transferred to revenue	(870,777,477)	(162,389,885)
Returned to National Treasury	-	(182,320,000)
	15,534,170	137,609,647

Conditions still to be met - remain liabilities (see note 10)

The balance consists of the unspent portion of the 2013/14 financial year to date. A request for roll-over has been submitted to National Treasury.

An amount of R182 320 000 relating to previous years has already been returned to National Treasury during 2011/12.

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

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2013 R	Restated 2012 R
26. Government grants, subsidies, awards & donations (continued)		
HIV and AIDS (Provincial Health Department)(Provincial)		
Balance unspent at beginning of period	89,650	303,052
Current-year receipts	9,908,000	5,097,000
Conditions met - transferred to revenue	(5,796,673)	(5,310,402)
	<u>4,200,977</u>	<u>89,650</u>

Conditions still to be met - remain liabilities (see note 10)

A request was submitted by the department for the roll forward of the unspent portion of the subsidy at year end as the payments 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.

2010 Host Cities (DoRA)

Balance unspent at beginning of period	-	2,125,801
Conditions met - transferred to revenue	-	(5,500)
Transfers	-	(2,120,301)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 10)

This grant was received for the expenditures of the 2010 World Cup Soccer Host Cities.

Neighbourhood Development Programme (DoRA)

Balance unspent at beginning of period	34,017,099	381,813
Current-year receipts	152,000,000	82,000,000
Conditions met - transferred to revenue	(183,275,080)	(48,304,204)
Transfers	-	(60,510)
Returned to National Treasury	(382,000)	-
	<u>2,360,019</u>	<u>34,017,099</u>

Conditions still to be met - remain liabilities (see note 10).

The balance consists of the unspent portion of the 2012/13 financial year to date. A 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.

An amount of R382 000 has been returned to National Treasury during 2012/13.

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).

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2013 R	Restated 2012 R
26. Government grants, subsidies, awards & donations (continued)		
Community Library Services (Provincial Department of Sport, Arts, Culture and Recreation)		
Balance unspent at beginning of period	4,429,968	1,673,147
Current-year receipts	5,190,000	12,700,000
Conditions met - transferred to revenue	(7,167,375)	(9,943,179)
Prior year restatements	300,000	-
	<u>2,752,593</u>	<u>4,429,968</u>
Conditions still to be met - remain liabilities (see note 10).		
The balance consists of the unspent portion of the 2012/13 financial year to date. A 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 and to provide the best possible sport and recreation facilities and service to all people in Tshwane to enhance their quality of life.		
Local Economic Development (Provincial)		
Balance unspent at beginning of period	<u>8,750,000</u>	<u>8,750,000</u>
Conditions still to be met - remain liabilities (see note 10).		
The balance consist of the unspent portion of 2010/11.		
The purpose of the grant is in support of the urban renewal programme. An assessment has been undertaken on the requirements and a scope exercise conducted looking at the viability of current projects which the department is undertaking in other townships. The grant could not be utilised in the 2012/13 financial year as the agreement was not yet signed.		
Gautrans job creation (DoRA)		
Balance unspent at beginning of period	1,408,211	1,408,211
Conditions met - transferred to revenue	(1,337,104)	-
	<u>71,107</u>	<u>1,408,211</u>
Conditions still to be met - remain liabilities (see note 10).		
The balance consists of funds from the previous financial year, a request was received from the relevant Department for the rollover of the balance.		
Expanded Public Works Programme(EPWP) (DoRA)		
Current-year receipts	10,151,000	-
Conditions met - transferred to revenue	(5,726,394)	-
	<u>4,424,606</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 10).		
The balance consists of the unspent portion of the 2012/13 financial year to date.		
The purpose of this grant was 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.		

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
26. Government grants, subsidies, awards & donations (continued)		
Blue IQ		
Balance unspent at beginning of period	24,998,876	39,998,820
Conditions met - transferred to revenue	(12,999,757)	(14,999,944)
	<u>11,999,119</u>	<u>24,998,876</u>
Conditions still to be met - remain liabilities (see note 10).		
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		
Balance unspent at beginning of period	-	5,625
Transfers	-	(5,625)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 10).		
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.		
Public Works		
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(928,490)
Transfers	-	(1,510)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 10).		
The grant was received from Public Works for the repair of the Basden Street sinkhole.		
Sport and Recreation		
Balance unspent at beginning of period	515,977	515,977
Current-year receipts	-	21,000,000
Conditions met - transferred to revenue	(443,360)	(21,000,000)
	<u>72,617</u>	<u>515,977</u>

Conditions still to be met - remain liabilities (see note 10).

The department will request for a roll over of the balance to be utilised in the 2012/13 financial year.

This amount was received during 2010/11 for the HM Pitje Stadium.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
26. Government grants, subsidies, awards & donations (continued)		
Drakensberg Promotions		
Current-year receipts	-	132,529
Conditions met - transferred to revenue	-	(94,250)
Transfers	-	(38,279)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 10).		
These funds are a donation for the development density programme in the Northern Areas.		
Performance Management (DPLG) (DoRA)		
Balance unspent at beginning of period	268,665	-
Current-year receipts	-	1,500,000
Conditions met - transferred to revenue	-	(1,231,335)
	<u>268,665</u>	<u>268,665</u>
Conditions still to be met - remain liabilities (see note 10).		
These funds were received to provide funding for the upgrading of the municipality's performance management system, the quality performance result system and the enterprise project management system to include the newly merged municipalities.		
Electricity Demand Side		
Balance unspent at beginning of period	29,523	2,531,158
Current-year receipts	11,000,000	44,000,000
Conditions met - transferred to revenue	(10,622,559)	(46,501,635)
	<u>406,964</u>	<u>29,523</u>
Conditions still to be met - remain liabilities (see note 10).		
The department has requested a roll over of the unspent portion from Department Mineral and Energy and National Treasury.		
The purpose of this grant is to provide subsidies to municipalities to implement Electricity Demand Side Management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
Revenue Enhancement		
Current-year receipts	<u>3,500,000</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 10).		
This once off allocation was received from the Department of Local Government to assist with revenue enhancement programmes.		
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

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
27. Other income		
Market fees	112,883,363	97,750,161
Land sales	7,860,281	1,493,912
Sale of unusable stock	10,047,163	2,997,043
Drain cleaning fees	1,117,468	1,170,355
AARTO fines	33,710,463	47,790,991
Interest on property sales	615,840	263,223
Donated:Assets	16,800	84,000
Dumping fees	189,554	493,382
Building plan fees	35,693,850	25,806,907
Income from grave services	6,020,299	5,202,005
Refund: Motor vehicles licences	71,303,680	66,927,537
Training fees recovered	22,099,298	25,686,003
Newly identified assets	12,952,331	7,539,678
Insurance claims	52,765,427	42,151,721
Sundry fees	4,848,135	6,414,720
Airside income	4,949,867	4,515,991
Ambulance fees	1,981,669	5,566,923
Reminder fees	32,204,098	39,350,729
Discount on prompt payments	919,256	453,486
Approval fees: advertisements	29,495,569	39,272,765
Cemetery fees	4,737,777	4,741,446
Application fees	4,072,543	2,658,843
Income fom bulk containers	124,638	405
Sales: Aeroplane fuel	37,337,884	34,439,614
Transport fees	33,360,990	43,509,528
Miscellaneous	134,362,476	116,046,145
	655,670,719	622,327,513
28. Employee related costs		
Salaries and wages	3,480,674,930	3,170,328,807
Medical aid contributions	276,214,189	253,309,926
UIF	27,501,556	23,971,510
Pension fund contributions	655,805,420	519,602,678
Travel, motor car, subsistence and other allowances	258,511,544	246,704,278
Overtime payments	270,646,423	302,506,855
Long-service awards	7,530,022	7,975,137
Incentive bonuses	299,074	474,808
Other allowances	194,525,479	165,170,313
Housing benefits and allowances	22,624,247	21,984,094
Compensation commissioner (COIDA)	31,370,195	27,866,081
	5,225,703,079	4,739,894,487
Remuneration of City Manager		
Annual Remuneration	2,669,156	1,750,000
Cell phone allowance	24,000	24,000
Non pension allowance	-	750,000
Other	858	-
	2,694,014	2,524,000

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
28. Employee related costs (continued)		
Remuneration of Deputy City Managers		
Annual Remuneration	7,590,764	5,129,727
Travel allowance	648,000	648,000
Cell phone allowance	86,400	86,400
Non pension allowance	-	1,329,585
Other	85,475	-
	8,410,639	7,193,712
There are 4 Deputy City Managers appointed during 2011/12 which relate to the above figures.		
Remuneration of Chief Financial Officer		
Annual Remuneration	1,762,283	1,155,000
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	-	39,338
Cell phone allowance	21,600	21,600
Non pension allowance	-	395,662
Other	1,430	-
	1,845,313	1,671,600
Remuneration: Strategic Executive Directors		
Annual Remuneration	33,191,692	9,791,852
Car Allowance	2,449,693	1,730,400
Contributions to UIF, Medical and Pension Funds	-	880,989
Cell phone allowance	466,336	204,000
Non pension allowance	-	2,348,721
Other	247,135	-
	36,354,856	14,955,962
Remuneration: Technical services		
Annual Remuneration	5,456,812	2,039,688
Car Allowance	610,636	1,128,000
Contributions to UIF, Medical and Pension Funds	-	102,264
Cell phone allowances	75,436	43,200
Non pension allowance	-	421,488
Other	29,243	-
	6,172,127	3,734,640
Remuneration: Corporate Services		
Annual Remuneration	23,014,748	997,388
Car Allowance	1,719,057	96,000
Contributions to UIF, Medical and Pension Funds	-	23,832
Cell phone allowances	322,500	21,600
Non pension allowance	-	307,620
Other	171,023	-
	25,227,328	1,446,440

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
28. Employee related costs (continued)		
Remuneration: Community Services		
Annual Remuneration	4,720,133	6,754,776
Car Allowance	120,000	506,400
Contribution to UIF, Medical and Pension Funds	-	754,893
Cell phone allowances	68,400	139,200
Non pension allowance	-	1,619,613
Other	46,868	-
	4,955,401	9,774,882
29. Remuneration of councillors		
Executive Mayor's allowance	-	44,466
Councillors' allowances	90,229,586	60,436,125
Councillors' pension contribution	-	24,658
Travelling allowance	69,340	28,944,567
Councillor's housing allowance	2,274,368	2,003,554
	92,573,294	91,453,370
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	995,777,825	904,739,214
Depreciation: Leased assets	93,071,504	108,856,080
Depreciation: Rehabilitation assets	15,104,156	15,479,502
	1,103,953,485	1,029,074,796
31. Finance costs (Interest paid)		
Long-term liabilities (external loans)	612,612,933	539,657,344
Interest rate swaps	18,323,257	-
Finance leases	22,187,305	34,048,958
Bank overdraft	2,066,013	4,116,643
Other finance costs (Bank charges, transit banking, etc)	59,885,857	33,199,718
Amortisation: provisions	23,999,466	21,328,128
	739,074,831	632,350,791
32. Investment revenue		
Interest revenue (interest received)		
Bank	14,941,306	8,953,289
Investments	18,330,910	4,890,652
Long-term investments	25,053,648	31,472,505
Contingency Insurance	3,910,664	6,868,654
	62,236,528	52,185,100

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
33. Debt impairment		
Contributions to bad debt provision	839,877,605	762,395,592
Amounts written off	104,140,548	118,227,280
	944,018,153	880,622,872
34. Bulk purchases		
Electricity	5,554,222,722	5,142,633,005
Water	1,237,568,694	1,116,142,163
	6,791,791,416	6,258,775,168
35. Grants and subsidies paid		
Other subsidies		
Grants-In-Aid: Property Rates	17,290,290	21,495,798

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.

The municipality has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the municipality in writing, for such grant-in-aid.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
36. General expenses		
Consumables	19,126,442	14,878,440
Heating fuel	13,802,364	14,108,859
Commission paid	24,682,525	-
Professional service	15,724,414	2,994,269
Cleaning services	21,644,099	19,392,322
Lease expense reclassification	(117,000,229)	(164,033,680)
Protective clothing	15,905,689	24,805,335
Chemicals	30,164,459	25,579,479
Gratuities	18,189,147	14,469,945
Rental of plant and equipment	279,887,284	331,160,498
Refreshments meetings	15,156,394	2,526,420
Insurance	91,684,871	69,027,136
LED initiatives	18,833,159	-
Imbizo	16,357,714	3,915,634
End user support	25,138,984	20,171,013
Implementation: OITPS	66,794,759	59,850,386
Postage	19,861,017	18,226,227
USDG grant expenditure	48,317,310	3,060,239
Leasing of property	167,187,275	161,444,351
Advertising and marketing	14,127,399	17,570,687
Post employment benefit expenses	167,731,022	54,439,588
Consultant fees	33,987,479	31,321,368
Private sector labour	32,412,877	42,815,923
Electricity disconnections	30,643,161	38,376,184
Telecommunication	88,985,697	121,497,273
External audit	23,291,888	19,995,426
Service providers	163,416,231	150,421,448
Project linked housing	45,363,566	93,056,868
Special projects	494,927	30,425,093
Leased vehicles (VAT)	112,139,118	162,442,883
Coal	105,043,111	209,885,226
EPWP: Job creation	83,896,475	29,191,304
Management information	33,308,762	20,124,441
Subsistence and travelling	15,133,943	143,778
Formalisation: Informal sector	51,248,798	33,648,095
Medical aid fund	47,644,760	43,612,405
Water care: Private	44,236,069	39,457,339
Locomotion allowance	22,341,014	20,464,804
Household refuse removal	211,498,713	148,380,058
Rental vehicles - vatable	63,201,339	47,894,549
Tanker water services	28,242,459	32,912,773
CCTV	26,484,889	26,232,790
Petrol and diesel fuel	221,741,703	199,239,481
Prepaid Electricity Commission	7,340,359	17,811,447
Legal costs	25,571,498	32,143,605
Licences	46,228,673	31,862,511
Stationery	23,275,333	25,458,688
Topstructure toilets	13,240,000	10,959,204
PTIS grant expenditure	38,179,260	3,644,603
Tshwane House	48,625,934	-
Tshwane Inner City	9,043,142	19,233,473
Internet fees	18,998,337	27,281,451
Training board fees	43,171,324	38,348,260
Newly identified assets	(97,914,663)	-
Events management	86,967,754	161,838
Watchmen services	247,244,579	216,904,432
Other expenses	340,249,574	144,863,871
	3,308,294,181	2,803,800,040

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
37. Cash generated from operations		
Surplus	1,932,032,636	1,996,477,001
Adjustments for:		
Depreciation and amortisation	1,103,953,485	1,029,074,796
(Loss) /gain on sale of assets and liabilities	97,969,545	82,520,092
Fair value adjustments	(81,803,299)	264,454
Impairment deficit	4,818,771	29,807,842
Debt impairment	944,018,153	880,622,872
Movements in retirement benefit assets and liabilities	167,731,022	88,157,754
Movements in provisions	22,728,700	20,462,561
Changes in working capital:		
Inventories	36,398,481	(88,075,876)
Other debtors	94,029,281	(129,773,819)
Consumer debtors	(1,352,307,887)	(1,053,306,880)
Payables from exchange transactions	452,581,038	1,117,246,802
VAT	(45,093,035)	103,353,703
Unspent grants and receipts	(192,308,136)	(77,868,897)
Consumer deposits	14,307,833	47,012,428
	<u>3,199,056,588</u>	<u>4,045,974,833</u>
38. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	8,298,916,153	6,431,452,172
Used to finance property, plant and equipment	(11,425,473,034)	(9,873,888,530)
	<u>(3,126,556,881)</u>	<u>(3,442,436,358)</u>
Cash set aside for the repayment of long-term liabilities	(310,310,086)	(282,571,456)
	<u>(3,436,866,967)</u>	<u>(3,725,007,814)</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>		
39. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	2,833,516	1,861,602
Amount paid - current year	(2,833,516)	(1,861,602)
	<u>-</u>	<u>-</u>
Audit fees		
Opening balance	-	951,750
Current year audit fee	26,963,247	24,753,877
Amount paid - current year	(26,963,247)	(24,753,877)
Amount paid - previous years	-	(951,750)
	<u>-</u>	<u>-</u>
<p>The balance of the previous financial year was paid in the following financial year.</p>		
PAYE and UIF		
Opening balance	56,167,453	51,166,441
Current year payroll deductions	721,058,752	670,062,489
Amount paid - current year	(656,421,458)	(613,895,036)
Amount paid - previous years	(56,167,453)	(51,166,441)
	<u>64,637,294</u>	<u>56,167,453</u>

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R	
39. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Pension and Medical Aid Deductions			
Current year payroll deductions and council contributions	1,368,280,008	1,150,295,107	
Amount paid - current year	<u>(1,368,280,008)</u>	<u>(1,150,295,107)</u>	
	-	-	
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding as at 30 June 2013:			
30 June 2013	Less than 90 days	Greater than 90 days	Total R
Boshomane M J	2,048	472	2,520
Buthelezi M M	(4,000)	16,260	12,260
Campbell A W	1,761	1,929	3,690
Joosub U	(3)	6,872	6,869
Keun A J	51	4,228	4,279
Mabelane V P	409	35	444
Mabelane V P	3,209	57,271	60,480
Mathebe M R	2,551	629	3,180
Mathebe R K	145	48	193
Matsena M M	-	4,693	4,693
Matjila M G	6,469	12,576	19,045
Mohlala R J B	2,479	219	2,698
Ndlovana A A	1,876	675	2,551
Ngwenya C B	(814)	2,206	1,392
Phala P M	4,179	14,840	19,019
Thobejane H S	-	8,771	8,771
	<u>20,360</u>	<u>131,724</u>	<u>152,084</u>
30 June 2012	Less than 90 days	Greater than 90 days	Total R
Joosub U	(61)	28,675	28,614
Campbell A W	(2,034)	4,320	2,286
Singh S	1,388	6,171	7,559
Makitla N B	-	6,163	6,163
Makeke D V & N P	3,152	25,176	28,328
Nkosi W M S	533	4,506	5,039
Marema M P	4,993	73,702	78,695
Matsena M M	2,089	21,647	23,736
Mathebe M R	-	4,785	4,785
Katake N S	327	546	873
Nemuthenga L N	501	3,545	4,046
Morudu M T & M G	788	9,519	10,307
Marotola	376	1,530	1,906
Buthelezi F K & N L E	-	16,749	16,749
Maila K P & V H S	-	6,667	6,667
Makgatho & Bofu A L & J T	248	435	683
Thobejane H S	653	18,883	19,536
Boshoff C H	3,933	4,908	8,841
Wannenburg D G	2,512	2,557	5,069
	<u>19,398</u>	<u>240,484</u>	<u>259,882</u>

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
40. Non-compliance with applicable legislation		
MFMA: Section 116(3)		
Contracts were amended or extended without notifying the public as required by section 116(3) of the MFMA.		
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.		
Municipal Systems Act: Section 5A(1) and 5A(2)		
All employees did not declare their interest in terms of section 5A(1) and 5A(2) of the code of conduct for municipal staff members as promulgated by schedule 2 of the Municipal Systems Act.		
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	3,128,537,287	3,262,603,977
• Community	686,869,128	444,150,806
• Other	354,750,000	423,114,000
• Housing	25,200,000	25,955,044
	4,195,356,415	4,155,823,827
Approved but not yet contracted for		
• Infrastructure	117,400,000	68,172,072
• Community	25,400,000	80,700,000
• Other	7,100,000	48,351,000
	149,900,000	197,223,072
	4,345,256,415	4,353,046,899
This expenditure will be financed from:		
Council funding	501,895,446	637,383,777
Borrowings	1,600,000,000	1,640,000,000
Other contributions	12,000,000	14,355,044
FMG (Financial Management Grant)	500,000	500,000
CLS (Community Library Services)	1,000,000	2,300,000
Public Contributions and Donations	95,900,000	88,571,223
EPWP Incentive (Expanded Public Works Programme)	-	10,151,000
Capital replacement reserve	50,422,000	63,260,000
DWA - Department of Water Affairs	14,000,000	-
Human Settlements Development Grant (Government Housing)	58,029,000	72,186,855
PTIS	595,398,969	738,702,000
Urban Settlements Development Grant	1,250,611,000	996,070,000
National Electrification Fund/INEP	65,000,000	30,000,000
Social Infrastructure grant	500,000	-
Neighbourhood Development Partnership Grant	100,000,000	59,567,000
	4,345,256,415	4,353,046,899

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

42. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	109,653,107	131,648,915	128,851,478	11,485,614,971	11,855,768,471
Net surplus for the year	-	-	-	1,932,032,636	1,932,032,636
Transfer to/(from) reserves)	(51,489,463)	18,363,175	27,591,174	5,535,114	-
	58,163,644	150,012,090	156,442,652	13,423,182,721	13,787,801,107

Ring-fenced internal funds and reserves within accumulated surplus - 2012

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	210,179,636	1,578,325,738	5,240,670,219	325,083,933	135,591,487	102,645,896	128,851,478	1,877,165,568	9,598,513,955
Prior year adjustments prior 2011/12	-	-	-	-	-	-	-	224,675,113	224,675,113
Prior year adjustments 2011/12	-	-	-	-	-	-	-	36,102,402	36,102,402
Net surplus for the year	-	-	-	-	-	-	-	1,996,477,001	1,996,477,001
Transfer reserve to accumulated surplus	(210,179,636)	(1,578,325,738)	(5,240,670,219)	(325,083,933)	-	-	-	7,354,259,526	-
Transfer to/(from) reserves	-	-	-	-	(25,938,380)	29,003,019	-	(3,064,639)	-
	-	-	-	-	109,653,107	131,648,915	128,851,478	11,485,614,971	11,855,768,471

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 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 benefit 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 28).		
Tshwane Municipal Provident Fund/Tshwane Municipal Gratuity Fund 5 291 (29.9 %) of the Municipality's employees are members of this fund.	240,404,889	168,322,343
Pension Fund for Municipal Councillors: The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 67 (0.38 %) of the Municipality's employees are members of this fund.	5,353,679	3,918,433
National Fund for Municipal Workers. 5 855 (33.09 %) of the Municipality's employees are members of this fund.	302,681,367	229,094,052
SALA Provident Fund/Gratuity Fund: 66 (0.37 %) of the Municipality's employees are members of this fund.	1,107,157	1,086,421
SAMWU National Pension Fund. 16 (0.09 %) of the Municipality's employees are members of this fund.	822,475	786,042
SAMWU National Provident Fund. 1 271 (7.18 %) of the Municipality's employees are members of this fund.	51,864,561	43,154,598
Germiston Municipal Retirement Fund 5 (0.03 %) of the Municipality's employees are a member of this fund.	461,209	423,354
Meshawu National Local Authorities Retirement Fund. 44 (0.25 %) of the Municipality's employees are members of this fund.	1,510,170	1,494,483
	604,205,507	448,279,726
Defined contribution plan (as classified by the relevant funds):		
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. 297 (1.66%) of the Municipality's employees are members of this fund.		
Included in general expenses are:		
Current service cost	25,479,640	25,564,438
Interest cost	57,987,791	62,559,247
Expected return on assets	(58,540,811)	(59,988,825)
Recognised Net (Gain)/Loss	(113,974,613)	(34,188,261)
Defined benefit expense	(89,047,993)	(6,053,401)
Post-employment benefit liability (funded status)		
Present value of the obligation	(698,138,451)	(726,140,957)
Fair value of plan assets	694,097,951	616,219,065
Take-on of disestablished municipalities	-	(28,650,680)
Liability recognised in statement of financial position	(4,040,500)	(138,572,572)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	726,140,957	721,072,962
Interest cost	57,987,791	62,559,247
Current service cost	25,479,640	25,564,438
Member contributions	6,444,434	6,781,774
Risk premiums	(2,072,986)	(2,181,498)
Actuarial (gain)/loss on obligation	(115,841,385)	(87,655,966)
Present value of obligation at end of year	698,138,451	726,140,957

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 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	616,219,065	588,125,731
Expected return on plan assets	58,540,811	59,988,825
Contributions	23,277,832	23,753,713
Risk premiums	(2,072,986)	(2,181,498)
Actuarial (gain)/loss on obligation	(1,866,771)	(53,467,706)
Fair value of plan assets at end of year	694,097,951	616,219,065
Composition of plan assets:		
Cash	14.39 %	10.50 %
Equity	41.66 %	58.50 %
Bonds	12.89 %	16.70 %
Property	3.35 %	1.20 %
Other	1.52 %	1.00 %
International	26.19 %	12.10 %
Total	100.00 %	100.00 %
Actual return on plan assets	56,674,040	6,521,026
Estimated contributions to be paid to the Tshwane Pension fund in the next financial period	23,204,687	23,843,713
Municipal gratuity fund		
Actuarial valuations are carried out every 2 years. 1 683 (9.51%) 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	3,983,980	4,446,790
Interest cost	5,725,560	7,815,575
Expected return on assets	(8,980,401)	(7,890,260)
Recognised Net (Gain)/Loss	(14,178,254)	(4,865,624)
Defined benefit expense	(13,449,115)	(493,519)
Post-employment benefit liability (funded status)		
Present value of the obligation	(89,728,546)	(90,222,065)
Net (expense)/income recognised in Statement of financial performance	13,449,116	493,519
Liability recognised in statement of financial position	(76,279,430)	(89,728,546)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	89,728,547	90,222,066
Interest cost	5,725,560	7,815,575
Current service cost	3,983,980	4,446,790
Benefits paid	(8,980,401)	(7,890,260)
Actuarial (gain)/loss on obligation	(14,178,254)	(4,865,624)
Present value of obligation at end of year	76,279,432	89,728,547
Estimated benefit payments to be paid iro Gratuities in the next financial period	6,125,654	8,980,401

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
43. Employee benefit obligations (continued)		
Multi-employer funds		
<p>The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. 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)</p>		
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. 751 (4.24 %) of the Municipality's employees are members of this fund.	35,550,276	34,598,206
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%. 19 (0.11%) of the Municipality's employees are members of this fund.	752,856	635,161
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. 46 (0.26 %) of the Municipality's employees are members of this fund.	3,769,868	3,770,511
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%. 2 283 (12.90 %) of the Municipality's employees are members of this fund.	91,594,634	81,586,745
Magalies Water Pension Fund.		
Magalies Water Pension Fund is part of the transfer of functions during 2012/13.	2,145,017	-
	133,812,651	120,590,623
Medical aid funds		
Included in general expenses are:		
Current service cost	15,150,423	11,754,554
Interest cost	74,335,188	73,991,057
Expected Employer Benefit Payments	(38,676,240)	(37,485,048)
Recognised Net (Gain)/Loss	83,009,583	80,241,199
Defined benefit expense	133,818,954	128,501,762
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(996,356,198)	(867,854,000)
Recognised actuarial gains	(133,818,954)	(128,502,198)
Liability recognised in statement of financial position	(1,130,175,152)	(996,356,198)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	996,355,762	867,854,000
Interest cost	74,335,188	73,991,057
Current service cost	15,150,423	11,754,554
Employer contributions	(38,676,240)	(37,485,048)
Actuarial Gains/Losses	83,009,583	80,241,199
Present value of obligation at end of year	1,130,174,716	996,355,762
Actuarial (gains)/losses recognised in other comprehensive income:		
Tshwane Pension Fund	(113,974,613)	(34,188,261)
Gratuities	(14,178,254)	(4,865,624)
Medical aid funds	83,009,583	80,241,199
Total amount of actuarial (gains)/losses recognised	(45,143,284)	41,187,314

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
43. Employee benefit obligations (continued)		
Estimated employer benefit payments to be paid iro Medical aid funds in the next financial period	43,713,480	38,676,240
Sensitivity Results		
The effect of an increase or decrease of one percentage point in the assumed health cost inflation is the following:		
Subsidy Increase rate:		
Accrued liability 30 June	1,130,175,152	996,356,198
Decrease of 1 %	1,006,027,000	856,523,000
% change	(11.0)%	(14.0)%
Increase of 1 %	1,274,975,000	1,170,397,000
% change	13.0 %	17.0 %
Long service awards		
Included in general expenses are:		
Current service cost	27,315,630	42,284,040
Interest cost	17,939,365	25,800,630
Expected Employer Benefit Payments	(28,041,819)	(32,112,586)
Recognised Net (Gain)/Loss	164,122,449	(80,890,568)
Defined benefit expense	181,335,625	(44,918,484)
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(363,277,119)	(408,195,603)
Recognised actuarial gains	(181,335,625)	44,918,484
Liability recognised in statement of financial position	(544,612,744)	(363,277,119)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	363,277,119	408,195,603
Interest cost	17,939,365	25,800,630
Current service cost	27,315,630	42,284,040
Employer contributions	(28,041,819)	(32,112,586)
Actuarial gains/losses	164,122,449	(80,890,568)
Present value of obligation at end of year	544,612,744	363,277,119
Actuarial (gains)/losses recognised in other comprehensive income:		
Long service awards	164,122,449	(80,890,568)
Estimated employer benefit payments to be paid iro Long service awards in the next financial period	40,542,857	28,041,819

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
43. Employee benefit obligations (continued)		
Sensitivity Results		
The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following: Subsidy Increase rate:		
Salary Increase rate:		
Accrued liability 30 June	544,612,744	363,277,119
Decrease of 1 %	501,658,644	337,864,000
% change	(7.9)%	(7.0)%
Increase of 1 %	592,426,144	391,721,000
% change	8.8 %	8.0 %
Post-employment benefit liability:Statement of financial position		
Pension Fund	(4,040,500)	(138,014,790)
Municipal gratuity fund	(76,279,430)	(89,728,546)
Medical aid funds	(1,130,175,152)	(996,356,198)
Long service awards	(544,612,744)	(363,277,119)
	<u>(1,755,107,826)</u>	<u>(1,587,376,653)</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	8.37 %	7.99 %
Inflation rate	5.28 %	5.03 %
Salary Increase rate	6.28 %	6.03 %
Expected rate of return on assets	8.37 %	9.50 %
Pension increase allowance	3.58 %	3.75 %
Health Care Cost Inflation	7.43 %	6.78 %

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 8.37% 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 5.28 % 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).

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 2012. 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 8.37% 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 3.58% per annum which drives the pension increase policy of the Trustees. This implies a pension increase rate of 3.58 % per annum.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
43. Employee benefit obligations (continued)		
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 7.43 % 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 2012/13 financial year end after date of the statement of financial position in respect of loans and investments.		
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		
Loan accounts - Owing by related parties		
TEDA	538,842	44,665
Amounts included in trade receivables and loans regarding related parties		
Sandspruit Works Association	34,298,530	34,298,530
Amounts included in trade payables regarding related parties		
Sandspruit Works Association	14,651,288	8,534,659
Related party transactions		
Sales to related parties		
Housing Company Tshwane	344,873	314,836
Sandspruit Works Association	112,862,788	91,993,276
Sandspruit Works Association	2,591,530	2,575,111
Purchases from related parties		
Sandspruit Works Association	94,003,235	84,139,081
Expenses paid on behalf of related parties		
Housing Company Tshwane	29,431	7,085
TEDA	494,237	44,665
Grants to related parties		
Housing Company Tshwane	14,341,000	13,727,275
Sandspruit Works Association: DWAF Subsidy	2,227,000	4,185,000
Sandspruit Works Association: CoT subsidy	132,147,287	98,379,175
Tshwane Economic Development Agency (TEDA)	25,000,000	-
Disestablishment of municipal entities:		
Metsweding Economic Development Agency (MEDA)	244,393	480,474
MEDA was part of the former Metsweding District Municipality and it was resolved by Council on 25 August 2011 to disestablish the municipal entity. During the 2011/12 financial year all assets and liabilities of MEDA were taken over by the City of Tshwane and creditors outstanding were paid by the City of Tshwane. The amount of R244 393 (2012 = R480 474 relates to the net balance (accumulated surplus) between assets and liabilities on 1 July 2011 and 30 June 2013 respectively. The final close down financial statements are still to be compiled and finalised.		
46. Prior period restatements		
Change in accounting policy		
None.		

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
46. Prior period restatements (continued)		
Reclassification		
Heritage assets were reclassified with an amount of R26 045 275 due the implementation of GRAP 103 disclosing it now as a separate line item.		
Correction of errors		
Revenue:		
Restatements due to subsequent corrections on assessment rates (R36 543 684)		
Service charges were corrected due to errors in cut-off during year end and incorrect accruals (R40 715 821)		
Government grants were restated due to alignment of EMS subsidy to national year (DoRA) to the value of R12 418 500 EMS and a refund to National Treasury on the INEP grant (R1 138 726).		
Other income were restated for example as a result of newly identified assets (R3 357 045), AARTO fines (R36 301 457) as a result of changes in debtor and creditor, VAT corrections (R2 092 322), recognition of revenue on NDPW funding for inner city beautification (R19 233 472) and interest on land sales (R1 258 606).		
Public contributions and donations were restated due to changes in the accrual done at year end relating to bulk service contributions for rezoning for services rendered and not paid (R24 703 828).		
Gain: Disestablishment of municipal entity was corrected due to the write back of the unspent grants during the merger (R47 076 689).		
Rental of facilities: Housing rentals and rentals for shelters were incorrectly accounted for (R205 094).		
Other income: Restatement due to first time take-on of meters on the asset register, calculation errors in library books and bulk waste debtors revenue.		
Expense:		
Finance cost: Restatement due to calculation corrections in interest of rehabilitation provisions (R1 057 793).		
Depreciation and amortisation were restated to the value of R6 364 518 as a result of a calculation error with respect to rehabilitation assets and leased assets during 2011/12 as well as the first time take-on of meters on the asset register.		
Bulk purchases (R4 060 123), repairs and maintenance (R5 322 344) were restated as a result of correction of year end accruals being understated during 2011/12.		
Loss on disposal of assets was restated as a result of scrapping of assets and disposal of assets (R18 257 316).		
General expenses were restated to the value of R1 940 874 as a result of reclassification of capital expenditure to operational expenditure (R74 633 425) due to incorrect accrued expenditure in 2011/12 and R1 364 526 due to VAT corrections.		
Statement of Financial Position:		
Inventories were restated to the value of R59 059 due to stock differences picked up during the current financial year.		
Other debtors were restated to the value of R107 884 787 as a result of corrections to rental of facilities (R107 231), public contributions and donations debtors (R24 703 793), AARTO debtor (R16 683 101) and EMS subsidy debtor (R12 418 500).		
Consumer debtors were restated to the value of R35 031 765 as a result of adjustments to property rates and cut-off errors at year end.		
Cash and cash equivalents were restated with an amount of R303 767 which was incorrectly handled in the bank account.		
Investment property were restated with an amount of R299 086 856 due to purification of the fixed asset register and the capitalisation of newly identified properties.		

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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46. Prior period restatements (continued)

The restatement of property, plant and equipment to the value of R438 750 311 consist mainly of:

- * Correction of meters duplicated on register retired R56 158 863
- * Correction on land and buildings due to asset register purification (R601 133 578)
- * Correction on AUC due to creditor accruals (R3 993 519)
- * Correction first time take on of newly identified land and buildings (R171 227 060)
- * Correction of first time take on of assets acquired out of operating budget (R1 320 378)
- * Correction of prior year first time take on of library materials (R6 801 914)
- * Correction of prior year first time take on of meters (R5 195 858)
- * Correction of rehabilitation asset (R46 729 977) and
- * Correction reversal of depreciation on heritage assets (R311 697)

Intangible assets were restated with an amount of R287 030 806 due to capitalisation of newly identified servitudes.

Leased assets were restated due to change in lease term of busses for 2012 therefore the restatement to the value of R98 117 468.

Leased liabilities were restated due to change in lease term of busses for 2012 to the value of R214 585.

Rehabilitation provisions were restated to the amount of R10 928 107 due to a change in the footprint area.

Unspent grants and receipts were restated as a result of the alignment of EMS subsidy and repayment of INEP grant to National Treasury.

Presented below are the prior period adjustments contained in surplus or deficit for the year, Statement of Position and Cash flow statements:

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

			2013 R	Restated 2012 R
46. Prior period restatements (continued)				
2012	As previously reported	Reclassi- fication	Correction of errors	Restated
Statement of Financial Performance				
Revenue:				
Property rates	3,391,312,310	-	36,543,684	3,427,855,994
Service charges	10,700,597,813	-	(40,172,699)	10,660,425,114
Rental of facilities and equipment	97,923,329	-	(205,094)	97,718,235
Interest received outstanding consumer debtors	244,643,012	-	-	244,643,012
Public contributions and donations	142,084,742	-	(24,703,828)	117,380,914
Fines	4,540,725	-	15,150	4,555,875
Licences and permits	52,425,804	-	216	52,426,020
Government grants, subsidies, awards and donations	3,561,339,848	-	(13,910,362)	3,547,429,486
Other income	562,144,367	-	60,183,146	622,327,513
Interest received - external investments	52,185,100	-	-	52,185,100
Total Revenue	18,809,197,050	-	17,750,213	18,826,947,263
Expenditure:				
Remuneration	4,739,894,487	-	-	4,739,894,487
Remuneration of Councilors	91,436,294	-	17,076	91,453,370
Depreciation and amortisation	1,032,327,388	-	(3,252,592)	1,029,074,796
Impairment loss/reversal of impairments	29,807,842	-	-	29,807,842
Finance cost	633,408,584	-	(1,057,793)	632,350,791
Debt impairment	880,622,872	-	-	880,622,872
Collection costs	94,983,032	-	43,918	95,026,950
Repairs and maintenance	1,190,594,684	-	5,322,344	1,195,917,028
Bulk purchases	6,254,715,045	-	4,060,123	6,258,775,168
Grants and subsidies paid	21,495,798	-	-	21,495,798
General expenses	2,726,260,455	-	77,539,585	2,803,800,040
Total expenditure	17,695,546,481	-	82,672,661	17,778,219,142
Gain (loss) on disposal of assets and liabilities	(64,262,776)	-	(18,257,316)	(82,520,092)
Fair value adjustments	(264,454)	-	-	(264,454)
Gain (loss) on foreign exchange	(2,632,952)	-	-	(2,632,952)
Gain (loss) on transfer of functions	986,089,021	-	47,077,357	1,033,166,378
Surplus for the year	2,032,579,408	-	(36,102,407)	1,996,477,001

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

			2013 R	Restated 2012 R
46. Prior period restatements (continued)				
2012	As previously reported	Reclassification	Correction of errors	Restated
Statement of Financial Position				
Current assets				
Inventory	415,004,297	-	(59,059)	414,945,238
Current portion of long-term receivables	108,802,610	-	-	108,802,610
Other debtors	728,684,788	-	(107,884,787)	620,800,001
Consumer debtors	2,782,195,667	-	35,031,765	2,817,227,432
Call investment deposits	323,851,507	-	-	323,851,507
Cash and cash equivalents	603,807,191	-	295,334	604,102,525
Non-current assets				
Investment property	567,064,129	-	299,086,856	866,150,985
Property, plant and equipment	19,377,542,834	(26,045,275)	(438,750,311)	18,912,747,248
Leased assets	294,663,015	-	98,117,468	392,780,483
Intangible assets	300,980,778	-	287,118,278	588,099,056
Heritage assets	-	26,045,275	-	26,045,275
Investments	87,621,941	-	668	87,622,609
Long-term receivables	95,595,894	-	(1,379,599)	94,216,295
Non-current assets held for sale	1,306,886	-	(962,296)	344,590
Current liabilities				
Trade and other payables from exchange transactions	4,527,310,610	-	(43,135,546)	4,484,175,064
Long-term liabilities	345,702,878	-	-	345,702,878
Lease liabilities	126,026,714	-	1,435,380	127,462,094
VAT payable	258,534,728	-	(157,975)	258,376,753
Unspent grants and receipts	317,435,273	-	375,411	317,810,684
Consumer deposits	403,868,672	-	-	403,868,672
Non-current liabilities				
Long-term receivables	6,085,749,294	-	-	6,085,749,294
Lease liabilities	177,225,098	-	(1,649,965)	175,575,133
Retirement benefit obligation	1,587,376,653	-	-	1,587,376,653
Provisions	226,798,265	-	(10,928,107)	215,870,158
Equity				
Accumulated surplus	11,631,093,361	-	224,675,110	11,855,768,471

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

			2013 R	Restated 2012 R
46. Prior period restatements (continued)				
	As previously reported	Reclassification	Correction of errors	Restated
2012				
Cash flow statement				
Cash generated from operations				
Cash receipts from ratepayers government & other Grants	18,613,119,177	(3,547,429,486)	119,998,017	15,185,687,708
Cash paid to suppliers and employees	(13,986,073,413)	21,495,798	(120,903,257)	(14,085,480,872)
Transfers and grants	-	(21,495,798)	-	(21,495,798)
Finance costs (interest paid)	(633,408,584)	-	1,057,793	(632,350,791)
Interest Income	52,185,100	-	-	52,185,100
Net cash generated from operations	4,045,822,280	-	152,553	4,045,974,833
Cash flow from investing activities				
Purchase of property, plant & equipment	(4,266,093,203)	214,400	22,174,349	(4,243,704,454)
Purchase of leased assets	(110,199,975)	-	(4,827,012)	(115,026,987)
Proceeds from sale of property, plant & equipment	(64,262,776)	-	(18,257,316)	(82,520,092)
Purchase of investment property	(174,943,476)	-	-	(174,943,476)
Purchase of heritage assets	-	(214,400)	-	(214,400)
Purchase of intangible assets	(132,229,283)	-	-	(132,229,283)
Proceeds from sale of financial assets	53,598,880	-	1,315,184	54,914,064
Net cash from investing activities	(4,694,129,833)	-	405,205	(4,693,724,628)
Cash flow from financing activities				
Proceeds from long-term liabilities	1,022,303,530	-	-	1,022,303,530
Repayment of long-term liabilities	(343,552,475)	-	-	(343,552,475)
Finance lease repayments	37,634,884	-	(262,424)	37,372,460
Net cash from financing activities	716,385,939	-	(262,424)	716,123,515
Net cash flow				
Net increase/(decrease) in cash and cash equivalents	68,078,386	-	295,334	68,373,720
Cash and cash equivalents at the beginning of the year	859,580,312	-	-	859,580,312
Cash and cash equivalents at the end of the year	927,658,698	-	295,334	927,954,032

47. Unauthorised expenditure

Opening balance	488,022,276	56,990,535
Unauthorised expenditure in current year	582,028,027	488,022,276
Less: Approved/Condoned by Council in respect of previous financial year	(488,022,276)	(56,990,535)
Less: Approved/Condoned by Council in respect of 2012/13	(582,028,027)	-
	-	488,022,276

2013:

Unauthorised expenditure as a result of overspending of the budget amounted to R582 028 027. These over expenditure amounts are not recoverable and a deviation report was approved by Council to condone the unauthorised expenditure in terms of section 28 and 29 of the MFMA on 29 August 2013..

The over expenditure can be attributed mainly to debt impairment, remuneration of councillors, depreciation and finance charges (to the total value of R242,9 million). However, according to over expenditure per vote the over expenditure occurred in the following departments: Regional Service Delivery, Information and Communication Technology Management, Financial Services, Emergency Services, City Strategies and Performance Management and Communications, Marketing and Events (to the value of R400.9 million).

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
47. Unauthorised expenditure (continued)		
2012:		
Unauthorised expenditure as a result of overspending of the budget amounted to R488 022 276. These over expenditure amounts are not recoverable and a deviation report will be submitted to Council for approval and or condonement in terms of section 28 and 29 of the MFMA.		
The over expenditure can be attributed mainly to the electricity purchases from Eskom to the extent of R481.5 million, repairs and maintenance to the amount of R23.9 million, grants and subsidies paid to the amount of R7.2 million and councillor remuneration to the amount of R1.1 million.		
2011:		
Unauthorised expenditure as a result of overspending of the budget amounted to R56 990 535. These over expenditure amounts are not recoverable and a deviation report served before Council for approval and or condonement in terms of section 28 and 29 of the MFMA, on 25 August 2011.		
The over expenditure can be attributed mainly to the electricity purchases from Eskom to the extent of R47.9 million, which is owing to volatility in demand due to seasonality and natural elements, that is beyond the control of the municipality.		
48. Fruitless and wasteful expenditure		
Opening balance	13,139,024	1,761,482
Add: Fruitless and wasteful expenditure - Erstwhile Kungwini Local Municipality	-	4,573,503
Add: Fruitless and wasteful expenditure - Erstwhile Nokeng Local Municipality	-	450,000
Fruitless and wasteful expenditure in current year (from declarations)	6,678	8,252,063
Less: Approved by Council/Condoned/repayed/written off	(6,678)	(1,898,024)
	13,139,024	13,139,024
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.		
2012: Incident 1: Emergency Services - Establishment and launch of water pod system and BESAFE centres in identified areas - condoned by Council.		
2012: Incident 2: City Planning - insurance claims repudiated - survey equipment, digital camera and laptop - to be recovered from employee and discussion to be held with other two employees.		
2012: Housing - SARS penalties to be paid - in process to reconcile with SARS (R1 295)		

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
48. Fruitless and wasteful expenditure (continued)		
2012: Public Works (Electricity) - payment of storage fees and repairs for vehicles on tenders CB65/2005 and CB22/2006 - investigation to be conducted.		
2012: Fruitless and wasteful expenditure - erstwhile Kungwini Local Municipality as per the annual financial statements of 2010/11 - take on in terms of the transfer of functions.		
2012: Fruitless and wasteful expenditure - erstwhile Nokeng Local Municipality as per the annual financial statements of 2010/11 - take on in terms of the transfer of functions.		
2013: Housing - SARS penalties and UIF - Resolved and settled with penalties that were levied (R6 678)		
49. Irregular expenditure		
Opening balance	255,338,374	46,072,743
Add: Irregular expenditure 2010/11 - Erstwhile Kungwini Local Municipality	-	139,470,071
Add: Irregular expenditure 2010/11 - Erstwhile Nokeng Local Municipality	-	595,684
Add: Expenditure iro awards deemed irregular in 2010/11- erstwhile Kungwini Local Municipality	-	7,073,250
Add: Irregular Expenditure(from declarations) - current year	912,797	3,415,229
Add: Irregular expenditure due to non-compliance with regulation 44 of MFMA - Persons in service of City of Tshwane	3,626,998	8,577,860
Add: Irregular expenditure due to non-compliance with regulation 44 of MFMA - National and Provincial Departments	15,351,337	-
Add: Irregular expenditure during 2012/13 iro deviations relating to 2009/10	-	3,241,819
Add: Irregular expenditure during 2012/13 iro deviations relating to 2010/11	-	7,898,220
Add: Irregular expenditure iro deviations for 2011/12	-	37,662,225
Add: Irregular expenditure for 2012/13 due to non-compliance with MFMA SCM regulation 13	-	37,860,195
Add: Irregular expenditure iro section 32 of MFMA	10,465,013	6,960,277
Less: Approval/repayment during the current year iro declarations	(912,797)	(2,585,155)
Less: Non-compliance condoned relating to 2009/10	-	(3,241,819)
Less: Non-compliance condoned relating to 2011/12	-	(37,662,225)
	284,781,722	255,338,374
Details of irregular expenditure – current year		
Disciplinary steps taken/criminal proceedings		
Irregular expenditure due to non-compliance with section 44 of MFMA - National and Provincial Departments	Non-compliance with MFMA - no condonement	15,351,337
Irregular expenditure due to non-compliance with section 44 of MFMA - Persons in employment of City of Tshwane		3,626,998
Non-compliance of section 45 - service providers family members of CoT employees	Non-compliance with MFMA - no condonement	-
Irregular expenditure iro section 32 of MFMA	Implementation of City Manager Report recommendation	10,465,013
2013: Group IT & Communications Management - engaging service provider while contract has expired	Investigations conducted and submitted report to Council	862,186
2013: Group IT & Communications Management - engaging service provider without contract	Investigations conducted and submitted report to Council	50,611
2013: Irregular on declarations		912,797
		31,268,942

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
49. Irregular expenditure (continued)		
Details of irregular expenditure condoned		
	Condoned by Council/City Manager/SED	
2013: Group IT & Communications Management - engaging service provider while contract has expired	Condoned by Council	862,186
2013: Group IT & Communications Management - engaging service provider without contract	Condoned by Council	50,611
		-
		-
		912,797

The irregular expenditure which relates to the prior year deviations that were condoned in terms of the Supply Chain Management Policy by the Accounting Officer and were noted by Council initially amounted to R48 802 264 up to 2011/12. This irregular expenditure was then viewed as irregular subsequently to have not complied with section 36 of the Supply Chain Management Policy, which allows the Accounting Officer to dispense with the official procurement process established by policy to procure any required goods or services through any convenient process, but only:

- (i) in an emergency
- (ii) if such goods or services are produced or available from single provider only
- (iii) in any other exceptional case where it is impractical or impossible to follow the official procurement process.

The prerogative of approval and condonement of deviation is a permission granted to the accounting officer of the municipality and to be noted by Council, however this particular deviations were viewed as not having complied with regulation 36, namely not being emergency or impractical or impossible to follow official procurement process, in the prior year.

These prior year deviations were also contracts running for the future years, however were condoned and certified by Council as irrecoverable which is the core competency and function of the Council.

50. Regulation 45

As per section 45 of the MFMA SCM regulations, awards to close family members of persons in the service of the state the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state in the previous 12 months indicating:

- The name of that person
- The capacity in which that person is in the service of the state/municipality; and
- The amount of the award.

Municipality

Employee	Family member and capacity	Value of awards 30 June 2013
K T Shilubane	M W Shilubane (Spouse)	29,900
J P C Nel	M E J Nel (Spouse)	298,680
G M Komapi	K S Komapi (Spouse)	26,821
T S Mokoena	M M C Mokoena (Spouse)	30,000
A Malatsi	M J Malatsi (Spouse)	8,990
M K Maluleka	A M Maluleka (Spouse)	28,000
L P Marole	J P Marole (Spouse)	28,000
M P Mabaso	M B Leso (Spouse)	26,099
W J Snyman	Z Snyman (Spouse)	28,500
L S Teffo	L F Teffo (Spouse)	27,750
K R Nkosi	N R Nkosi (Spouse)	29,900
Z S Phala	R T Mabala (Spouse)	1,203,891
R Shirinda	A S Mashabela (Spouse)	314,845
M M Mabuza	S M Mabuza (Spouse)	7,420,470
W A Lightfoot	B J Lightfoot (Spouse)	191,800
		9,693,646

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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51. Financial instruments

Risks

In the course of the Municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

Interest rate risk

The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

Year ended 30 June 2013

Description	Floating rate		Fixed rate		Non-interest bearing		Total
	Amount	Weighted average effective interest rate	Amount	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
	R	R	%	Years	R	Years	R
Assets							
Investments	490,672,748	150,316,951	12.91	15.90			640,989,699
Long-term receivables:							
Housing loans		19,833,355	13.87	30.00			19,833,355
Sport club loans		1,234,208	11.99	10.00			1,234,208
Sale of Land		69,124,308	11.09	5.00			69,124,308
Arrangement debtors		3,828,971	-		219,353,100		223,182,071
Trade receivables:							
Consumer		3,937,286,094	9.00	1.00	2,641,527,041		6,578,813,135
Other					901,663,934		901,663,934
Cash		686,118,280					686,118,280
Total financial assets	490,672,748	4,867,742,167			3,762,544,075		9,120,958,990
Liabilities							
Interest bearing borrowings	3,525,671,077	4,620,591,070	10.93	13.92			8,146,262,147
Interest rate swaps		152,654,006	9.32	9.75			152,654,006
Lease liabilities		178,500,918					178,500,918
Trade payables:							
Creditors					4,625,533,430	0.08	4,625,533,430
Retention					311,222,668	1.00	311,222,668
Consumer deposits					418,176,505	0.08	418,176,505
Unspent grants and receipts					125,502,548	0.08	125,502,548
VAT					213,283,718	0.08	213,283,718
Total financial liabilities	3,525,671,077	4,951,745,994			5,693,718,869		14,171,135,940

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

					2013	Restated	
					R	2012	
						R	
51. Financial instruments (continued)							
Year ended 30 June 2012							
Description	Floating rate	Amount	Fixed rate		Non-interest bearing		Total
	R	R	Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount R	Weighted average period until maturity Years	
Assets							
Investments	176,300,510	235,172,938	12.91	15.90			411,473,448
Long-term receivables:							
Housing loans		20,289,707	13.87	30.00			20,289,707
Motor car loans		11,710	8.66	6.00			11,710
Loans to sport clubs		1,569,306	11.99	10.00			1,569,306
Sale of Land		83,480,809	11.09	5.00			83,480,809
Arrangement debtors		10,179,294			191,811,928		201,991,222
Trade receivables:							
Consumer		3,852,261,569	9.00	1.00	1,754,846,099		5,607,107,668
Other					1,015,166,109		1,015,166,109
Cash		604,102,525					604,102,525
Total financial assets	176,300,510	4,807,067,858			2,961,824,136		7,945,192,504
Liabilities							
Interest bearing borrowings	3,650,036,342	2,649,646,234		9.91			6,299,682,576
Interest rate swaps		131,769,596	9.92	13.92			131,769,596
Lease liabilities		303,037,227					303,037,227
Trade payables:							
Creditors					424,518,432	0.08	424,518,432
Retention					238,990,712	1.00	238,990,712
Consumer deposits					403,868,672	0.08	403,868,672
Unspent grants and receipts					317,810,684	0.08	317,810,684
VAT					258,376,753	0.08	258,376,753
Total financial assets	3,650,036,342	3,084,453,057			1,643,565,253		8,378,054,652

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

City of Tshwane Metropolitan Municipality

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	2013 R	Restated 2012 R
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51. Financial instruments (continued)

	Fair value R	Estimated fair value gain/(loss) R
30 June 2013	81,554,131	81,554,131

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 2013	30 June 2012
Consumer debtors:		
Household	52	52
Industrial/Commercial	26	22
National and Provincial Government	2	2
Other consumer debtors	5	5
Long-term receivables	4	4
Sundry debtors	11	15
	100	100

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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51. 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 2014 R	30 June 2015 R	30 June 2016 R
External funding: capital expenditure	1,600,000,000	1,400,000,000	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.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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51. Financial instruments (continued)

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 surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Derivatives (interest rate swaps)

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

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

Year ended	Fair value R	Carrying amount R
30 June 2013		
Liabilities		
Interest rate swaps	81,554,131	81,554,131

Maturity profile

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

Year ended 30 June 2013

	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	636,003,487	4,986,212		640,989,699
Long-term receivables:				
Housing loans			19,833,355	19,833,355
Loans to sport clubs			1,234,208	1,234,208
Sale of Land		69,124,308		69,124,308
Arrangement debtors	116,937,089	106,244,982		223,182,071
Cash	686,118,280			686,118,280
Total financial assets	1,439,058,856	180,355,502	21,067,563	1,640,481,921
Liabilities				
Interest bearing borrowings	100,005,000	498,216,588	5,149,647,102	5,747,868,690
Interest rate swaps			2,551,047,465	2,551,047,465
Lease liabilities	127,908,505	50,592,413		178,500,918
Trade payables:				
Creditors		4,625,533,430		4,625,533,430
Retention		311,222,668		311,222,668
Consumer deposits		418,176,505		418,176,505
Unspent grants and receipts		125,502,548		125,502,548
VAT		213,283,718		213,283,718
Total financial liabilities	227,913,505	6,242,527,870	7,700,694,567	14,171,135,942

City of Tshwane Metropolitan Municipality

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	2013 R	Restated 2012 R		
51. Financial instruments (continued)				
Year ended 30 June 2012				
	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	323,851,508	86,911,420	710,520	411,473,448
Long-term receivables:				
Housing loans			20,289,707	20,289,707
Motor car loans	11,710			11,710
Loans to sport clubs			1,569,306	1,569,306
Sale of Land		83,480,809		83,480,809
Arrangement debtors	106,371,323	95,619,899		201,991,222
Cash	604,102,525			604,102,525
Total financial assets	1,034,337,066	266,012,128	22,569,533	1,322,918,727
Liabilities				
Interest bearing borrowings	4,305,705	98,045,858	5,839,273,573	5,941,625,136
Interest rate swaps	131,769,596			131,769,596
Lease liabilities	127,462,094	175,575,133		303,037,227
Trade payables:				
Creditors		424,518,432		424,518,432
Retention		238,990,712		238,990,712
Consumer deposits		403,868,672		403,868,672
Unspent grants and receipts		317,810,684		317,810,684
VAT		258,376,753		258,376,753
Total financial liabilities	263,537,395	1,917,186,244	5,839,273,573	8,019,997,212

Hedging

Hedging is not applicable in the environment of the Municipality.

52. In-kind donations and assistance

The Municipality received the following in-kind- donations and assistance during the 2012/13 financial year::

- Legal Counsel division received gifts (declared in the gift register) in the form of spa vouchers, etc to the approximate value of R2 550.
- Emergency Services received: Soccer clothing sets to the value of R7 621; Relief assistance from NGO's and the Red Cross at major incidents (e.g.blankets, groceries). Further the Emergency Services provided free fire and ambulance services at various events.

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2013 R	Restated 2012 R
53. Operating leases		
<p>The municipality leases premises (buildings and parking) from various property owners for terms ranging from three to five years with fixed annual escalation ranging from 8% to 10 %. The municipality has the option to extend the agreement for periods ranging between one month and three years.</p> <p>The amounts of minimum lease payments under non-cancelable operating leases in respect of office equipment and properties are as follows:</p>		
Non-cancelable office equipment		
Payable within a year	410,198	1,507,826
Payable within 2 to 5 years	-	410,198
	<u>410,198</u>	<u>1,918,024</u>
Non-cancelable property leases		
Payable within a year	26,493,297	46,735,365
Payable within 2 to 5 years	12,730,906	39,890,851
	<u>39,224,203</u>	<u>86,626,216</u>
Non-cancelable vehicles - busses		
Payable within a year	57,600,000	-
Payable within 2 to 5 year	43,200,000	-
	<u>100,800,000</u>	<u>-</u>
54. Rental income straightlining		
Gross investment in the lease due		
- within one year	19,975,622	18,380,165
- in second to fifth year inclusive	57,362,322	62,190,199
- later than five years	210,940,978	222,118,832
	<u>288,278,922</u>	<u>302,689,196</u>
55. Contingencies		
Housing loan guarantees		
Guarantees for housing loans to employees at financial institutions	389,685	389,685
<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		
Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	61,476,642	53,260,876
<p>The capitalised value as at 31 December as calculated by the department of Labour amounted to R61 476 642 (2012 = R53 260 876 and 2011 = R49 229 513). The actual amount ceded is R52 629 170. 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
Insurance claims		
Pending claims iro asset-, motor own damage- contractors and electricity claims	79,550,866	378,524
Pending claims iro public liabilities	14,441,619	59,137,354
	<u>93,992,485</u>	<u>59,515,878</u>

Above mentioned insurance claims originated before 30 June.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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55. Contingencies (continued)

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R58 163 644 million (2011/12 = R109.7 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:

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 4:

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 5:

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.

Case 2:

The matter relates to the expropriation of portion 34 of the farm Kameelzynkraal in order to establish an agri-village on the property. The expropriation was executed; however the matter was taken on review. The matter is still pending in court and confirmation from Housing Department is awaited regarding the suitability of the envisaged land for human habitation and the concomitant finances related thereto.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

2013 R	Restated 2012 R
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55. Contingencies (continued)

Case 3:

The plaintiff issued summonses against the municipality for the loss of rental in respect of the illegal occupiers and money lost for the cleaning of the property after the illegal occupiers were removed. The matter is defended and is pending.

Case 4:

The Mamelodi Concerned Committee together with three occupiers brought an application against the City of Tshwane, the Province and National Government to provide water, sanitation, housing and a detailed upgrading development plan as well as the time frames within which housing is to be provided to the applicants. The applicant further compels the City of Tshwane to provide the applicants with adequate basic temporary shelter and/or housing pending the obtaining of their permanent accommodation. The matter was opposed to protect the interest of the City of Tshwane. The City of Tshwane's opposing affidavit was served and filed. The applicant's replying affidavit is awaited. After the replying affidavit is received a court date will be obtained.

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 (not allowable).

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 4:

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 has 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 5:

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 6:

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.

City of Tshwane Metropolitan Municipality

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2013	Restated
R	2012
	R

55. Contingencies (continued)

Case 7:

The matter pertains to a dispute relating to legal fees. Apparently the municipality verbally ("orally engaged the services of") instructed a service provider in September 2005 to do debt collection on behalf of the municipality and that the municipality owes the legal firm R1 657 251 (being legal cost on work done on 951 files). Matter is defended.

Case 8:

The plaintiff instituted an action for the re-payment of property rates to the municipality and which is alleged not to have been due. The matter is on the roll for 14 September 2011.

Case 9:

The plaintiff instituted action for the re-payment of property rates paid to the municipality and which is alleged not to have been due in the amount of R438 640.94. Matter removed from the roll on 20 April 2011. Each party pays its own cost. New trial date received 26 November 2011.

Case 10:

The applicant brought an application for the review of tender CB367/2011 in terms of which two contractors were awarded to provide print services to the City of Tshwane. The claimant is requesting that the decision by the City of Tshwane and the Bid Committee to award tender CB367/2011 be reviewed and set aside. The matter was opposed. The record of proceedings will be filed as required at court and requested in the application.

Case 11

An urgent application was received in which the applicant requested that the City of Tshwane be restrained and interdicted from implementing tender CB198/2011 for the supply, delivery, installation, testing and commissioning of optical fibre cabling and then in Part B, the review of the awarding of the tender. Attorneys were appointed to oppose the matter and to file an opposing affidavit. The affidavit has been filed and a replying affidavit from the applicant is awaited whereafter the matter will be set down for trial.

Corporate and Shared Services: Property Management and Community Safety:

Case 1:

The applicant and the municipality entered into a written agreement for the sale of erf 549 Erasmus Extension 2. The agreement was subject to the suspensive condition which neither the applicant nor the municipality fulfilled for a period of 5 years. The plaintiff subsequently instituted an action for the transfer of the property at the original purchase price, the property which is worth a considerable amount more now. The matter was defended successfully in court, however, the applicant applied for leave of appeal. This matter is set down for trial in the Supreme Court of Appeal on 20 August 2012.

Case 2:

Payment of invoices for repairs done to one of the vehicles. Awaiting trial date.

Case 3:

Motor vehicle accident. The plaintiff alleges that the traffic officer caused the accident on 1 September at Poort Primary School on the Kameeldrift Road and since, at all material times, the traffic officer was acting within the scope of his employment the municipality is vicariously liable for the damages caused to the plaintiff's car to the amount of R29 238.04. The applicant secured a default judgment against the former Nokeng Municipality without the said municipality being aware of the application since it was not served on the municipality. Matter is defended to set aside the default judgment.

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.

Case 3:

Breach of contract, tender awarded to plaintiff. Plaintiff failed to live up to tender specifications and the City of Tshwane cancelled the contract and is now being sued for R 1 401 516. Matter is defended.

City of Tshwane Metropolitan Municipality

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	2013 R	Restated 2012 R
55. Contingencies (continued)		
Case 4: Breach of contract. Plaintiff awarded tender to construct roads and storm water drainage in Winterveld. Plaintiff failed to live up to tender specifications and is now suing the City of Tshwane for the tender amount of R690 446.30. The City of Tshwane instructed another contractor to complete the work. Matter is defended.		
Case 5: Breach of contract. Plaintiff instructed to sandblast and paint 1 820 cubic meter bins which were not collected and now kept as lien. Plaintiff is suing for storage costs at R2 299 500. Matter is defended.		
Case 6: Contractual claim for payment, arising out of contractual disputes consisting of payment for work done and costs incurred due to adverse conditions experienced on site, over and above amounts paid as the contract price. The consulting engineer refused to pay for claims. Adjudicator ruled that the contractor was entitled to claim additional payment. Plaintiff issued summons to claim payment of R6 683 428.18. The matter is defended.		
Case 7: Contractor alleged that they encountered adverse conditions on site which led to them expanding more work and expenses in order to carry out the construction of the sewer network infrastructure in Temba, Ramotse, Marokolong, Kudube (5, 8, 9), Leboneng, Stinkwater (A-D). There is a complaint about labour unrest and a disagreement about the measurement of manholes. Contractor had submitted claims for payment for the additional work and expenses incurred but the consulting engineer had refused to pay or make a determination on them. As result, a dispute was declared and the matter is now in arbitration. The matter is defended.		
Case 8: Plaintiff was appointed as project manager for the Refilwe Extension 2,3, and 5 Housing Project at a cost of R1 650 per stand, inclusive of VAT, for a maximum of 670 stands. For some reason the construction project agreement between the municipality and Gauteng Department of Housing was never finalised. The appointment of the applicant was conditional upon the commencement of the Construction Project Agreement between the municipality and the Gauteng Department of Housing. The amount owing on 10 January 2007 was R1 012 000. The service provider is suing for this amount plus 15.5% interest. The matter is defended.		
Case 9: Personal injury allegedly caused by the municipality's negligence, by leaving cables hanging and the substation's door open and as a result a young boy was electrocuted and his body sustained 90 degree burns. The municipality's approach is to proceed with the matter and finalise it as the municipality was not negligent on this matter. The matter was defended and was later removed from the roll. Awaiting trial date.		
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 80 such cases are pending.		

City of Tshwane Metropolitan Municipality

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	2013 R	Restated 2012 R
55. Contingencies (continued)		
c. Labour prosecutions:		
<p>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:</p>		
<p>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 they 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 56 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.</p>		
<p>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.</p>		
<p>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</p>		
<p>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</p>		
<p>Case 5: Claimant and 99 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 was filed and an opposing affidavit. Applicants seem not to pursue their case any further and the City of Tshwane has instructed the attorney to close his file and provide the Legal Services with his account.</p>		
<p>Case 6: 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 is 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.</p>		
<p>Case 7: 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.</p>		
<p>Case 8: 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 approached 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.</p>		
<p>Case 9: 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.</p>		

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55. Contingencies (continued)

Case 10:

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 11:

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. Applicant's 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.

Case 12:

Review of an award made against the former Kungwini Local Municipality to the amount of approximately R4 million based on the wrongful interpretation and application of an upgrading of the local authority to a higher grade culminating in the abolishment of job levels 14 and 15 and the employees on those levels transgressing to level 13. Applicants argued that all other employees of the municipality should likewise be transgressed to higher levels and the arbitrator agreed with them and made such an order. The matter is being defended. Heads of argument to be filed by the parties.

Case 13:

Dismissal after a disciplinary hearing. The applicant was charged with fraud pertaining to the issuing of clearance certificates and subsequent refunds that were due to the applicant (members of the community) for the clearance certificate if the property was transferred before the expiry date. He was subsequently found guilty in absentia by the disciplinary committee since he failed to attend the hearing without a valid reason and was dismissed. The matter is defended and the municipality shall claim costs.

Case 14:

Dismissal after a disciplinary hearing. The applicant was charged with fraud pertaining to the issuing of clearance certificates and subsequent refunds that were due to the applicant (members of the community) for the clearance certificate if the property was transferred before the expiry date. He was subsequently found guilty in absentia by the disciplinary committee since he failed to attend the hearing without a valid reason and was dismissed. The matter is defended and the municipality shall claim costs.

Case 15

Plaintiff alleges that his contract of employment was unlawfully terminated by the the City of Tshwane. As a result he had to find another employment at a lower salary. Plaintiff now claims from the City of Tshwane the difference in the reduced salary and his previous salary. Plaintiff took the unfair dismissal to the labour court and won and was awarded damages. Plaintiff wants the City of Tshwane to pay damages amounting to R2 500 000. The matter is defended.

Case 16

Plaintiff alleges that a contract of employment was repudiated by the City of Tshwane. Consequently, the plaintiff suffered damages as a result of such repudiation and is now claiming damages from the City of Tshwane to the amount of R5 464 800. The matter is defended.

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.

56. 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. Refer to note 12 under property, plant and equipment for a discussion on the basis on which the review of useful lives were don.

The effect of changing the remaining useful lives has increased the depreciation charge for the current and future periods. The total number of assets affected is 434 996

Landfill sites

The useful lives of landfill sites have been reviewed and adjusted (if applicable) after closure of some sites to more accurately reflect the life spans of the assets. The incorporation of the landfill site of Kungwini Local Municipality also affected the depreciation charges for the 2011/12 financial year.

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56. Change in estimate (continued)		
Effect of change in estimates		
Other and infrastructure assets	69,971,171	11,513,046
Landfill sites	-	3,723,913
	<u>69,971,171</u>	<u>15,236,959</u>

57. Deviation from supply chain management regulations

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

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

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 were 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	80,033,627	207,447,934
Less: Transfer to irregular expenditure iro ex facto payments (note 48)	-	(5,903,837)
	<u>80,033,627</u>	<u>201,544,097</u>

Deviation from quotation process

Amounts below R200 000	389,266	10,463,298
Less: Transfer to irregular expenditure iro ex facto payments (note 48)	-	(696,936)
	<u>389,266</u>	<u>9,766,362</u>

58. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 22.2% (27.9% over approved original budget) for the Information and Communication Technology Management Department was due to depreciation cost and finance cost exceeding the budget allocation. Depreciation is a non-cash item.

There were no other material differences between the final budget and the actual amounts.

Changes from the approved budget to the final budget

The mid-year budget review report approved by the Council on 31 January 2013, indicated the necessity for an Adjustments Budget for the 2012/13 financial year for, inter alia the following:

- to adjust the revenue estimates downward owing to a declining trend in certain operating revenue sources, such as "Service charges: Electricity
- to authorise the utilisation of projected savings in one vote towards spending under another vote
- to facilitate the inclusion of rolled over/transfer grant funding

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- to correct errors, which can be attributed to i.e. the regionalisation process

The Council approved the 2012/13 Original Revenue Budget to the amount of R20.4 billion which was increased with R218.6 million to R20.6 billion (increase of 1.1%). Furthermore, the total expenditure of R20.7 billion was reduced with an amount of R28.1 million to R20.6 billion (decrease of 01%). As a result the budgeted deficit of R289.2 million was decreased to R42.5 million, indicating the City's strategy towards long-term financial sustainability.

59. 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
- Emergency Services: Fire Protection Associations (FPA's) in the rural areas – Their role is to assist in fire fighting on veld and forest fires in terms of the National Veld and Forest Fire Act, 1998 (Act 101 of 1998)

60. 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 has a joint venture with GDARD on mechanization scheme. MoV was signed between the 2 parties articulating association of the 2 organisations.
- Wonderboom Airport has contractual agreements with government instituted bodies such as Air Traffic Navigational Service Company (ATNS) and the South African Weather Services (SAWS) rendering aviation services as required in terms of the Civil Aviation Act.

61. Distribution losses: Water

Non-revenue Water (NRW) - kilolitre

Technical losses (real losses)	60,089,893	64,962,244
Non-technical losses (apparent losses)	15,022,473	16,240,560
	75,112,366	81,202,804

Non-revenue Water (NRW) - Rand value

Technical losses (real losses)	301,050,363	295,643,111
Non-technical losses (apparent losses)	75,262,591	73,910,778
	376,312,954	369,553,889

Water is supplied to the City of Tshwane from Rand Water and from the City's own water sources. Monthly meter readings of the 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 is 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 between the volume of water supplied into the system and the authorised consumption.

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Activities undertaken by the Water and Sanitation Division involve the continuous investigation into various factors leading to water loss and the implementation of various initiatives to assist with the reduction of non-revenue water. These investigations with subsequent mini projects are often cross-region initiatives where work performed in one region directly affects other regions. The initiatives include the following:-

- * Network analysis of existing systems
- * Monitoring and logging of pressures and flows
- * Engineering investigations in problematic areas
- * Pressure management - installation and setting of PRV's and/or PRV controllers
- * Domestic and commercial meter audits and meter replacements
- * Active leak detection by locating water leaks using various methods and equipment
- * Continuous meter audits.

At the end of June 2013 the NRW in the city is calculated at 75 112 366 kl (23.6% of the total input into the system). This is a marked improvement of NRW in the city when compared to June 2012 where the NRW was 81 202 788 kl (25.5% of the total input into the system). The losses in R-value amounts to R376.3 million (2012 = R369.6 million). The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R4.551 for 2011/12 and R5.01 for 2012/13 respectively

It must be noted that the inclusion of the Metsweding area has negatively influenced City's ability to achieve the envisaged "City Target" of a 1% annual reduction in NRW. The losses in R-value amounts to R369,5 million (2011 = R282,96 million). The calculation is based on the unit tariff of R4.5508 (2011 = R4.0326) per kilolitre on Rand Water purchases. The total loss in Rand value is likewise considerably higher than last year, due to the substantial increase in NRW and the Rand Water tariff.

62. Distribution losses: Electricity

Distribution loss: kWh

Technical	702,576,319	632,440,340
Non-technical	404,483,224	644,035,079
	<u>1,107,059,543</u>	<u>1,276,475,419</u>

Distribution loss - Rand value

Technical	395,199,179	322,607,817
Non-technical	227,521,814	328,522,294
	<u>622,720,993</u>	<u>651,130,111</u>

The electricity distribution loss comprises of technical and non-technical losses. For the 2012/13 financial year the distribution losses amount to 11.03%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

The City of Tshwane's has a five year target to reduce the non-technical losses activities like theft, illegal connections to less than 2%. The refurbishment of the electricity network will assist in managing the technical losses because the technical losses increase with the ageing of the electricity network. The five year target is to have unaccounted losses to 9% (7% technical and 2% non-technical losses).

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. The acceptable industry standard for the technical losses is between 5% and 6%, and 9% for non-technical losses. The value of non-technical loss amounts to R227,5 million or 404 483 224 kWh (2011/12 = R328,5 million or 644 035 075 kWh) based on the cost per unit purchased namely 56.25 c/kWh (2011/12 = 51.01 c/kWh) for the 2012/13 financial year.

The City of Tshwane's Services Infrastructure Department is currently busy with the following initiatives to reduce the non-technical losses:

- * Installation of non-intrusive meter boxes
- * Auditing of metering installation
- * Installation of smart meters
- * Regular illegal cable removal operations

Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity has certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution. The NERSA acceptable figure for a network like that of the City of Tshwane is estimated to be 7%.

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62. Distribution losses: Electricity (continued)			
The value of technical loss amounts to R395,2 million or 702 576 319 kWh (2011/12 = R322,6 million or 632 440 340 kWh) based on the cost per unit purchased namely 56.25 c/kWh (2011/12 = 51.01 c/kWh) for the 2012/13 financial year.			
The City of Tshwane's Services Infrastructure Department is further also busy addressing the technical losses by:			
* Refurbishing and replacing old equipment in the network			
* Strengthening over-headlines			
63. Transfer of functions			
During the current reporting period			
Transfer of function 1 - 2013			
The name of the acquiree	Retail and bulk water services functions managed by Magalies Water in the Greater Temba area		
Description of the acquiree	District Municipality		
The acquisition date of the transfer of function	1 November 2012		
The primary reasons for the transfer of functions	Mayoral Committee resolution dated 16 May 2012 to take over the provision of retail water services in the Greater Temba area and the operation and management of the Temba and Roodeplaat Water Treatment Works		
The acquirer obtained control of the acquiree in the following manner	Take over of water service debtors on 1 November 2012, certain property, plant and equipment and inventory items.		
The acquisition-date fair value of the total consideration transferred	Zero		
Assets and liabilities			
Major class of asset and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of function
Consumer debtors	154,148,659	154,148,659	-
Cash and cash equivalents (receipts - debtors)	25,639,479	25,639,479	-
Property, plant and equipment	131,924	131,924	-
Inventory	1,570,170	1,570,170	-
Accumulated surplus/(deficit)	(19,158,418)	(19,158,418)	-
	162,331,814	162,331,814	-
During the prior reporting period			
Transfer of function 1			
The name of the acquiree	Metsweding District Municipality		
Description of the acquiree	District Municipality		
The acquisition date of the transfer of function	1 July 2011		
The primary reasons for the transfer of functions	Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane.		

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63 Transfer of functions (continued)

The acquirer obtained control of the acquiree in the following manner Take over of all assets and liabilities on 1 July 2011.

The acquisition-date fair value of the total consideration transferred Zero

Assets and liabilities

Major class of asset and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of function
Receivables	895,369	895,369	-
Cash and cash equivalents	27,525	27,525	-
Property, plant and equipment	6,245,461	7,059,877	814,416
Intangible assets	301,268	301,268	-
Provisions	(409,973)	(409,973)	-
Unspent conditional grants	(2,371,568)	(2,371,568)	(2,371,568)
Trade and other payables	(2,190,469)	(1,755,406)	435,063
Reserves	-	-	2,497,613
	2,497,613	3,747,092	1,375,524

Transfer of function 2

The name of the acquiree Nokeng-tsa-Taemane Local Municipality

Description of the acquiree Local Municipality

The acquisition date of the transfer of function 1 July 2011

The primary reasons for the transfer of functions Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane.

The acquirer obtained control of the acquiree in the following manner Take over of all assets and liabilities on 1 July 2011

The acquisition-date fair value of the total consideration transferred Zero

City of Tshwane Metropolitan Municipality

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63 Transfer of functions (continued) Acquired assets and liabilities

Major class of assets and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of function
Receivables	20,099,327	19,953,423	(145,904)
Inventory	52,233	52,233	-
Cash and cash equivalents	3,676,949	3,676,949	-
Property, plant and equipment	379,462,061	420,429,289	40,967,228
Intangible assets	286,392	286,392	-
Loans and receivables	448,987	370,344	(78,643)
Provisions	(19,850,727)	(19,036,798)	813,926
Consumer deposits	(2,525,842)	(2,525,842)	-
Unspent conditional grants	(28,616,727)	(28,616,727)	(28,616,727)
Trade and other payables	(62,939,326)	(61,479,466)	1,459,860
Long-term loans	(2,869,517)	(2,869,517)	-
Finance leases	(474,322)	(252,879)	221,443
Bank overdraft	(912,772)	(912,772)	-
Accumulated surplus	-	-	285,836,716
	285,836,716	329,074,629	300,457,899

Transfer of function 3

The name of the acquiree	Kungwini Local Municipality
Description of the acquiree	Local Municipality
The acquisition date of the transfer of function	1 July 2011
The primary reasons for the transfer of functions	Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane
The acquirer obtained control of the acquiree in the following manner	Take over of all assets and liabilities
The acquisition-date fair value of the total consideration transferred	Zero

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63 Transfer of functions (continued) Acquired assets and liabilities

Major class of assets and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of functions
Receivables	123,384,014	100,235,644	(23,148,370)
Inventory	1,928,004	1,925,254	(2,750)
Cash and cash equivalents	1,690,997	1,690,997	-
Property, plant and equipment	783,194,004	840,231,215	57,037,211
Intangible assets	663,518	663,518	-
Provisions	(33,221,460)	(24,250,921)	8,970,539
Consumer deposits	(11,939,062)	(11,939,062)	-
Unspent conditional grants	(16,421,156)	(16,421,156)	(16,421,156)
Trade and other payables	(241,076,588)	(217,918,172)	23,158,416
Long-term loans	(20,750,543)	(20,750,543)	-
Finance leases	(214,296)	(199,471)	14,825
Accumulated surplus	-	-	587,237,432
	587,237,432	653,267,303	636,846,147

Gain/(loss) recognised in current reporting period

Gain/(loss) recognised	-	1,033,166,378
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2013:

Magalies Water - the balances of consumer debtors were brought in from 31 October 2012 (opening balance) and then the levies and receipts for each month from November 2012 to June 2013. The value of assets and inventory was brought in from a list that was made available. The consumer debtors were migrated onto the municipality's billing system during August 2013 and the final reconciliation and determination of the gain/loss will be determined during the 2013/14 financial year. The balance of the bank account in the records of Magalies Water which are ring-fenced for consumer debtor payments will be paid over to City of Tshwane during 2013/14.

2012:

The trial balances and audited annual financial statements as at 30 June 2011 of the 3 municipalities were used to bring in the balances on 1 July 2011 via take-on accounts. All these balances were then verified and reconciled by the relevant officials and any amounts that could not be satisfactorily verified or substantiated by acceptable supporting documentation were transferred to the net gain/(loss) on the transfer of function account. Hence the net gain realising on an amount of R1 033 165 710. The net gain of R1 033 165 710 is equal to the take-on assets less liabilities of the disestablished municipalities at fair value.

64. Impairment of assets

Impairments

Property, plant and equipment	4,818,771	29,807,842
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The main classes of assets affected by impairment losses are: Moveable Assets with a condition rating of poor and very poor. Infrastructure assets were impaired according to specific indicators. Assets held for sale: Fair values were determined based on the selling price of assets received according to previous auctions held, taking into consideration its current condition

65. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had an accumulated surplus of R13 423 182 721 (2012 = R11 485 614 971) and that the municipality's total liabilities exceed its assets by R 13,787,801,110. The difference consists of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R364 618 389.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The major figures and ratios affecting the going concern are discussed in paragraph 6 of the Report of the Chief Financial Officer.

Cash and cash equivalents increased significantly as a result of the following:

- Increased borrowings to fund long-term infrastructure
- Increased collections
- On-going cost reduction strategies - all heads of departments have cost saving targets included in their performance agreements.

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

66. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix B, C and D for the comparison of actual operating expenditure versus budgeted expenditure.

67. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E for the comparison of actual capital expenditure versus budgeted expenditure.

68. Expenditure by National Treasury classification

Heading

Employee related cost	5,225,703,077	4,739,894,487
Remuneration of councillors	92,573,294	91,453,370
Debt impairment	944,018,153	880,622,872
Depreciation and asset impairment	1,108,772,256	1,058,882,638
Finance charges	739,074,831	632,350,791
Bulk purchases	6,791,791,416	6,258,775,168
Other materials	460,957,065	528,402,374
Contracted services	3,424,458,808	2,974,199,689
Transfers and grants	17,290,290	21,495,798
Other expenditure	816,079,254	507,184,075
Loss on disposal of PPE	108,544,695	84,957,880
	19,729,263,139	17,778,219,142
Total expenditure per statement of financial performance	19,729,263,139	17,778,219,142

City of Tshwane Metropolitan Municipality

Financial Statements for the period ended 30 June 2013

Notes to the Financial Statements

69. Interest rate swaps

The municipality holds derivative financial instruments to hedge its interest rate risk exposures. The municipality entered into interest rate swap contracts that entitle it to receive interest at fixed rates on notional principal amounts and that oblige the municipality to pay interest at variable rates on the same amounts. The interest rate swap allows the municipality to raise long-term borrowings at variable rates and effectively swap them into fixed rates in terms of the structured finance contractual requirements. The interest rate swaps are initially measured at fair value on the contract/trade date; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, the interest rate swaps are measured at fair value at each reporting date:

The municipality entered into interest rate swaps with the following role players:

DBSA:

Trade date: 13 March 2013 and Settlement date: 1 March 2023

Nominal amount: R641 000 000

Fixed rate: 9.75% and Variable rate: Jibar + 2.55 basis points

Payable: Semi-annual

Nedbank:

Trade date: 14 March 2013 and Settlement date: 18 May 2020

Nominal amount: R283 213 572

Fixed rate: 8.70% and Variable rate: Jibar + 2.22 basis points

Payable: Semi-annual

Nedbank:

Trade date: 15 March 2013 and Settlement date: 15 June 2020

Nominal amount: R281 869 753

Fixed rate: 8.70% and Variable rate: Jibar + 2.21 basis points

Payable: Semi-annual

DBSA:

Trade date: 16 March 2013 and Settlement date: 1 March 2023

Nominal amount: R361 000 000

Fixed rate: 9.90% and Variable rate: Jibar + 2.85 basis points

Payable: Semi-annual

DBSA:

Trade date: 17 March 2013 and Settlement date: 30 June 2027

Nominal amount: R482 758 621

Fixed rate: 9.70% and Variable rate: Jibar + 2.48 basis points

Payable: Semi-annual

Standard Bank

Trade date: 18 March 2013 and Settlement date: 30 June 2022

Nominal amount: R473 684 211

Fixed rate: 9.20% and Variable rate: Jibar + 2.05 basis points

Payable: Semi-annual

Nedbank:

Trade date: 31 December 2012 and Settlement date: 30 June 2026

Nominal amount: R943 766 167

Fixed rate: 9.31% and Variable rate: floating - Prime -1.28

Payable: Semi-annual

Interest paid on the interest rate swaps to the amount of R18 323 257 were recognised in surplus or deficit during 2012/13.

Interest rate swap - amounts (in total)

Effective gain/(loss)

81,554,131

-

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2013

Interest Rate (%)	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2013	Carrying Value of Property, Plant & Equipment	
		Rand	Rand	Rand	Rand	Rand	Rand	
LOCAL REGISTERED STOCK :								
Issued								
Loan 105 (Issued 1997)	16.65	2014.06.30	98,045,858	-	-	1,954,142	100,000,000	137,742,973
Loan 43 (Issued 1984)	16.25	2004.04.30	5,812	-	-	(812)	5,000	6,887
			98,051,670	-	-	1,953,330	100,005,000	137,749,860
TERM LOANS								
DBSA: bullet portion	13.50	2018.04.30	51,818,169	-	-	(132,802)	51,685,367	71,192,962
DBSA: Floating rate	Variable	2019.10.31	79,718,642	-	-	(92,838)	79,625,804	109,678,950
			131,536,811	-	-	(225,640)	131,311,171	180,871,912
ANNUITY LOANS:								
DBSA	13.5	2018.04.30	183,239,644	-	18,496,484	(526,085)	164,217,075	226,197,482
DBSA Local Authorities	13.5	2012.12.31	4,299,891	-	4,028,700	(271,191)	-	-
DBSA (Restructuring)	10.97	2018.12.31	194,376,972	-	18,619,582	(1,068,280)	174,689,110	240,621,970
INCA	11.03	2019.06.30	13,294,498	-	1,345,338	-	11,949,160	16,459,128
INCA	9.52	2020.03.31	158,674,099	-	13,691,696	(253,946)	144,728,457	199,353,278
INCA	11.01	2020.06.30	36,007,660	-	3,002,789	-	33,004,871	45,461,890
DBSA	9.36	2020.12.31	216,299,390	-	15,436,196	(769,061)	200,094,133	275,615,607
INCA	10.92	2020.12.31	74,627,296	-	5,701,929	-	68,925,367	94,939,849
INCA	10.81	2021.06.30	61,719,093	-	4,340,627	-	57,378,466	79,034,806
DBSA	5.0	2021.12.31	73,031,583	-	6,015,493	(158,913)	66,857,177	92,091,064
DBSA	9.84	2021.12.31	325,146,834	-	20,877,871	(1,101,746)	303,167,217	417,591,537
Ivuzi	8.74	2021.12.31	153,922,488	-	10,963,320	-	142,959,168	196,916,207
DBSA	6.25	2028.06.30	92,657,257	-	3,224,263	(115,317)	89,317,677	123,028,822
DBSA	12.81	2028.06.30	202,191,995	-	3,662,794	(312,277)	198,216,924	273,029,882
DBSA	11.32	2028.06.30	200,957,379	-	3,966,173	(291,364)	196,699,842	270,940,212
ABSA Roodeplaat Temba	12.5	2021.03.31	196,024,229	-	12,359,621	1,006,795	184,671,403	254,371,880
DBSA Roodeplaat Temba	11.99	2021.03.31	101,113,389	-	6,489,832	548,415	95,171,972	131,092,704
Nedbank Roodeplaat Temba	12.51	2021.03.31	134,590,447	-	8,497,240	868,382	126,961,589	174,880,667
DBSA TIP	6.75	2029.06.30	144,950,286	-	4,359,067	(145,909)	140,445,310	193,453,545
DBSA IIP	10.84	2029.06.30	669,603,702	-	641,334,385	(28,269,317)	-	-
Nedbank	9.27	2020.05.18	313,853,432	-	26,804,264	(3,657,869)	283,391,299	390,351,599
Nedbank	9.32	2020.06.16	312,167,474	-	28,513,705	(1,606,900)	282,046,869	388,499,740
DBSA	10.18	2010.12.01	355,204,913	-	346,422,713	(8,782,200)	-	-
Standard Bank	7.72	2026.06.30	963,546,943	-	39,733,028	372,644	924,186,559	1,273,002,041
DBSA	5.00	2013.03.31	345,344	-	343,932	(1,412)	-	-
DBSA	5.00	2016.08.31	878,718	-	189,546	(779)	688,393	948,214
DBSA	15.04	2016.06.30	17,933,307	-	3,149,285	(115,042)	14,668,980	20,205,489
Standardbank - Magalies Water	13.50	2014.09.30	975,303	-	274,835	(7,769)	692,699	954,145
DBSA		Jibar	500,000,000	-	500,000,000	-	-	-
Standardbank		Jibar	500,230,125	-	500,000,000	(230,125)	-	-
Nedbank		Jibar	-	641,000,000	-	16,889,489	657,889,489	906,196,540
Nedbank		Jibar	-	361,000,000	-	9,873,854	370,873,854	510,852,672
iVuzi (Firststrand bank)		Jibar	-	500,000,000	26,315,789	194,016	473,878,227	652,733,956
iVuzi (Firststrand bank)		Jibar	-	500,000,000	17,241,379	209,107	482,967,728	665,254,106
			6,201,863,691	2,002,000,000	2,295,401,876	(17,722,800)	5,890,739,015	8,114,079,032

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2013

Interest Rate (%)	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2013	Carrying Value of Property, Plant & Equipment	
		Rand	Rand	Rand	Rand	Rand	Rand	
MUNICIPAL BONDS								
CoT1: Standard bank	10.20	2023.04.02	-	560,000,000	-	13,771,397	573,771,397	790,329,780
CoT2: Standard bank	9.11	2023.04.02	-	830,000,000	-	18,229,984	848,229,984	1,168,377,195
CoT3: Standard bank	9.46	2028.06.05	-	750,000,000	-	4,859,589	754,859,589	1,039,766,038
			-	2,140,000,000	-	36,860,970	2,176,860,970	2,998,473,013
			6,431,452,172	4,142,000,000	2,295,401,876	20,865,860	8,298,916,156	11,431,173,817

FINANCE LEASES

ABSA	Variable *	50,345,553	2,921,258	13,924,181	-	39,342,630	38,630,744
DATA CENTRIX	Variable *	129,356	2,731	132,087	-	-	-
DEBIS FLEET MANAGEMENT	Variable *	168,315,625	13,401,313	73,688,683	-	108,028,255	102,378,900
FLEET AFRICA	Variable *	314,715	17,957	102,836	-	229,836	225,006
Molpone	Variable *	15,385,188	1,425,297	16,810,485	-	-	-
ZEDA	Variable *	6,933,491	505,573	1,774,618	-	5,664,446	5,606,721
TSHWANE AUTO LEASING	Variable *	56,071,897	8,070,798	42,107,971	-	22,034,724	21,670,648
BIDVEST	Variable *	1,116,894	6,050	1,122,944	-	-	-
VUSWA	Variable *	4,376,667	291,846	1,504,052	-	3,164,461	3,114,706
ABSA SOL	Variable *	47,841	8,356	19,631	-	36,566	29,120
		303,037,227	26,651,179	151,187,488	-	178,500,918	171,655,845

Appendix B
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2013

	2012/13								2011/12						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	6,464,083,100	410,039,735	6,874,122,835	-		6,874,122,835	7,037,174,916		163,052,081	102 %	109 %				6,813,920,192
Executive and council	94,656,200	132,605,957	227,262,157	-		227,262,157	203,502,121		(23,760,036)	90 %	215 %				68,645,604
Budget and Treasury Office	4,500,000	(1,217,040)	3,282,960	-		3,282,960	3,095,192		(187,768)	94 %	69 %				5,438,998
Corporate services	6,364,926,900	278,650,818	6,643,577,718	-		6,643,577,718	6,830,577,603		186,999,885	103 %	107 %				6,739,835,590
Community and public safety	773,636,828	133,689,446	907,326,274	-		907,326,274	852,064,603		(55,261,671)	94 %	110 %				849,341,564
Community and social services	41,362,400	6,952,612	48,315,012	-		48,315,012	50,654,083		2,339,071	105 %	122 %				63,430,349
Sport and recreation	58,287,950	4,778,232	63,066,182	-		63,066,182	63,549,321		483,139	101 %	109 %				48,337,734
Public safety	55,894,243	1,291,100	57,185,343	-		57,185,343	51,373,806		(5,811,537)	90 %	92 %				61,324,684
Housing	516,365,235	120,577,851	636,943,086	-		636,943,086	594,265,934		(42,677,152)	93 %	115 %				600,362,030
Health	101,727,000	89,651	101,816,651	-		101,816,651	92,221,459		(9,595,192)	91 %	91 %				75,886,767
Economic and environmental services	1,328,848,360	32,065,946	1,360,914,306	-		1,360,914,306	1,315,051,697		(45,862,609)	97 %	99 %				692,746,808
Planning and development	189,801,710	(61,689,000)	128,112,710	-		128,112,710	125,795,557		(2,317,153)	98 %	66 %				112,365,888
Road transport	1,138,093,650	93,754,946	1,231,848,596	-		1,231,848,596	1,188,451,814		(43,396,782)	96 %	104 %				579,842,369
Environmental protection	953,000	-	953,000	-		953,000	804,326		(148,674)	84 %	84 %				538,551
Trading services	3,566,425,094	(102,357,995)	3,464,067,099	-		3,464,067,099	2,596,463,381		(867,603,718)	94 %	93 %				1,595,561,180
Electricity	9,547,420,800	(181,539,477)	9,365,881,323	-		9,365,881,323	8,600,629,415		(765,251,908)	92 %	90 %				8,152,832,016
Water	2,355,645,500	79,181,482	2,434,826,982	-		2,434,826,982	2,393,734,783		(41,092,199)	98 %	102 %				2,174,255,884
Waste water management	973,869,094	-	973,869,094	-		973,869,094	959,558,647		(14,310,447)	99 %	99 %				707,597,807
Waste management	689,489,700	-	689,489,700	-		689,489,700	642,540,536		(46,949,164)	93 %	93 %				560,875,473
Other	200,852,755	-	200,852,755	-		200,852,755	194,962,342		(5,890,413)	97 %	97 %				170,150,913
Other	200,852,755	-	200,852,755	-		200,852,755	194,962,342		(5,890,413)	97 %	97 %				170,150,913
Total Revenue - Standard	2,333,846,137	473,437,132	2,807,283,269	-		2,807,283,269	1,995,716,939		(811,566,330)	96 %	98 %				0,121,720,657

Appendix B
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2013

	2012/13								2011/12						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s28 and s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	3,358,313,475	(82,123,325)	3,276,190,150	-	-	3,276,190,150	3,409,114,883	245,702,867	132,924,733	104 %	102 %	-	-	-	2,747,298,557
Executive and council	611,327,673	38,732,319	650,059,992	-	-	650,059,992	537,281,857	-	(112,778,135)	83 %	88 %	-	-	-	447,320,064
Budget and treasury office	52,425,496	3,489,614	55,915,110	-	-	55,915,110	56,773,838	858,728	858,728	102 %	108 %	-	-	-	28,180,289
Corporate services	2,694,560,306	(124,345,258)	2,570,215,048	-	-	2,570,215,048	2,815,059,188	244,844,139	244,844,140	110 %	104 %	-	-	-	2,271,798,204
Community and public safety	3,434,438,704	43,415,889	3,477,854,593	-	-	3,477,854,593	3,418,047,025	35,401,788	(59,807,568)	98 %	100 %	-	-	-	3,154,184,046
Community and social services	443,043,519	24,992,213	468,035,732	-	-	468,035,732	481,581,090	13,545,358	13,545,358	103 %	109 %	-	-	-	434,886,634
Sport and recreation	863,152,991	(129,777,020)	733,375,971	-	-	733,375,971	731,287,458	-	(2,088,513)	100 %	85 %	-	-	-	715,323,200
Public safety	1,402,425,542	43,957,922	1,446,383,464	-	-	1,446,383,464	1,448,476,008	2,092,544	2,092,544	100 %	103 %	-	-	-	1,223,340,420
Housing	438,199,295	104,373,150	542,572,445	-	-	542,572,445	449,451,602	-	(93,120,843)	83 %	103 %	-	-	-	502,521,794
Health	287,617,357	(130,376)	287,486,981	-	-	287,486,981	307,250,867	19,763,886	19,763,886	107 %	107 %	-	-	-	278,111,998
Economic and environmental services	1,933,077,865	17,778,300	1,950,856,165	-	-	1,950,856,165	1,827,844,796	-	(123,011,369)	94 %	95 %	-	-	-	1,677,416,239
Planning and development	435,945,277	6,670,659	442,615,936	-	-	442,615,936	361,254,044	-	(81,361,892)	82 %	83 %	-	-	-	273,159,546
Road transport	1,430,433,753	11,414,802	1,441,848,555	-	-	1,441,848,555	1,424,365,958	-	(17,482,597)	99 %	100 %	-	-	-	1,348,105,753
Environmental protection	66,698,835	(307,161)	66,391,674	-	-	66,391,674	42,224,794	-	(24,166,880)	64 %	63 %	-	-	-	56,150,940
Trading services	1,774,634,787	(7,170,758)	1,767,464,029	-	-	1,767,464,029	1,229,579,209	13,718,611	(537,884,820)	95 %	95 %	-	-	-	0,369,416,803
Electricity	8,244,147,526	(87,755,522)	8,156,392,004	-	-	8,156,392,004	7,825,448,814	-	(330,943,190)	96 %	95 %	-	-	-	7,308,985,621
Water	2,072,073,339	85,884,246	2,157,957,585	-	-	2,157,957,585	1,971,386,755	-	(186,570,830)	91 %	95 %	-	-	-	1,770,892,086
Waste water management	485,572,784	1,078,004	486,650,788	-	-	486,650,788	453,639,382	-	(33,011,406)	93 %	93 %	-	-	-	415,346,375
Waste management	972,841,138	(6,377,486)	966,463,652	-	-	966,463,652	979,104,258	13,718,611	12,640,606	101 %	101 %	-	-	-	874,192,721
Other	198,771,259	1,036,583	199,807,842	-	-	199,807,842	179,098,389	-	(20,709,453)	90 %	90 %	-	-	-	176,928,625
Other	198,771,259	1,036,583	199,807,842	-	-	199,807,842	179,098,389	-	(20,709,453)	90 %	90 %	-	-	-	176,928,625
Total Expenditure - Standard	0,699,236,090	(27,063,311)	0,672,172,779	-	-	0,672,172,779	0,063,684,302	294,823,266	(608,488,477)	97 %	97 %	-	-	-	8,125,244,270
Surplus/(Deficit) for the year	1,634,610,047	500,500,443	2,135,110,490	-	-	2,135,110,490	1,932,032,637		(203,077,853)	90 %	118 %				1,996,476,387

Appendix C
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2013

	2012/13							2011/12							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
City Planning and Development	121,907,810	3,062,000	124,969,810	-		124,969,810	123,447,468		(1,522,342)	99 %	101 %				107,126,453
City Strategies & Performance Management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Communications, Marketing & Events	167,000	-	167,000	-		167,000	6,616		(160,384)	4 %	4 %				-
Corporate & Shared Services	68,121,500	6,751,162	74,872,662	-		74,872,662	84,374,721		9,502,059	113 %	124 %				77,278,626
Emergency Services	60,651,400	1,331,900	61,983,300	-		61,983,300	63,424,458		1,441,158	102 %	105 %				47,465,145
Environmental Management	804,702,655	(1,000,000)	803,702,655	-		803,702,655	767,429,838		(36,272,817)	95 %	95 %				659,810,457
Financial Services	6,266,254,588	194,543,477	6,460,798,065	-		6,460,798,065	6,669,961,689		209,163,624	103 %	106 %				6,635,490,196
Health & Social Development	45,427,500	589,651	46,017,151	-		46,017,151	37,727,760		(8,289,391)	82 %	83 %				34,444,248
Housing & Human Settlement	481,790,500	120,577,851	602,368,351	-		602,368,351	566,896,735		(35,471,616)	94 %	118 %				580,826,711
Information & Communication Technology Management	189,300	51,894,178	52,083,478	-		52,083,478	49,093,589		(2,989,889)	94 %	25,934 %				1,064,506
Legal Services	337,500	-	337,500	-		337,500	173,550		(163,950)	51 %	51 %				280,119
Macro Economic Planning	12,893,900	(9,751,000)	3,142,900	-		3,142,900	2,348,608		(794,292)	75 %	18 %				2,277,899
Metro Police Services	162,069,843	6,694,500	168,764,343	-		168,764,343	172,352,040		3,587,697	102 %	106 %				173,162,198
Office of the Chief Audit Executive	34,330,812	24,221,693	58,552,505	-		58,552,505	30,618,443		(27,934,062)	52 %	89 %				35,391,229
Office of the Chief Whip	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Office of the City Manager	60,275,900	126,450,099	186,725,999	-		186,725,999	183,276,337		(3,449,662)	98 %	304 %				48,364,735
Office of the Executive Mayor	-	-	-	-		-	991		991	DIV/0 %	DIV/0 %				-
Office of the Speaker	-	-	-	-		-	75		75	DIV/0 %	DIV/0 %				-
Regional Service Delivery	271,762,585	(38,823,026)	232,939,559	-		232,939,559	232,446,639		(492,920)	100 %	86 %				211,215,117
Research & Innovation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service Infrastructure: Electricity	9,541,626,600	(181,539,477)	9,360,087,123	-		9,360,087,123	8,568,573,039		(791,514,084)	92 %	90 %				8,136,632,254
Service Infrastructure: Water and Sanitation	3,311,460,494	79,181,482	3,390,641,976	-		3,390,641,976	3,330,293,293		(60,348,683)	98 %	101 %				2,860,174,402
Sport and Recreation	2,322,000	2,832,996	5,154,996	-		5,154,996	3,764,030		(1,390,966)	73 %	162 %				5,448,847
Transport	1,087,554,250	86,419,646	1,173,973,896	-		1,173,973,896	1,109,507,017		(64,466,879)	95 %	102 %				508,502,064
Total Revenue by Vote	22,333,846,137	473,437,132	22,807,283,269	-		22,807,283,269	21,995,716,936		(811,566,333)	96 %	98 %				20,124,955,206

Appendix C
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2013

	2012/13								2011/12						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure by Vote to be appropriated															
City Planning	227,979,596	2,179,019	230,158,615	-	-	230,158,615	205,773,288	-	(24,385,327)	89 %	90 %	-	-	-	224,296,331
City Strategies & Performance Management	19,294,750	(352,375)	18,942,375	-	-	18,942,375	19,400,797	458,422	458,422	102 %	101 %	-	-	-	17,199,005
Communications, Marketing & Events	131,541,961	(1,751,232)	129,790,729	-	-	129,790,729	131,537,336	1,746,606	1,746,607	101 %	100 %	-	-	-	38,835,448
Corporate & Shared Services	742,868,083	35,983,333	778,851,416	-	-	778,851,416	778,078,283	-	(773,133)	100 %	105 %	-	-	-	671,185,183
Emergency Services	402,125,751	18,651,485	420,777,236	-	-	420,777,236	454,131,396	33,354,160	33,354,160	108 %	113 %	-	-	-	397,880,648
Environmental Management	1,484,831,463	(125,043,560)	1,359,787,903	-	-	1,359,787,903	1,358,115,137	-	(1,672,766)	100 %	91 %	-	-	-	1,281,760,487
Financial Services	1,281,316,679	(142,935,281)	1,138,381,398	-	-	1,138,381,398	1,374,766,987	236,385,589	236,385,589	121 %	107 %	-	-	-	1,064,454,652
Health & Social Development	222,705,677	9,166,390	231,872,067	-	-	231,872,067	226,346,496	-	(5,525,571)	98 %	102 %	-	-	-	195,553,518
Housing & Human Settlement	302,203,226	106,956,147	409,159,373	-	-	409,159,373	317,530,798	-	(91,628,575)	78 %	105 %	-	-	-	369,850,981
Information & Communication Technology Management	317,292,272	15,008,659	332,300,931	-	-	332,300,931	405,951,365	73,650,434	73,650,434	122 %	128 %	-	-	-	331,764,473
Legal Services	88,605,735	2,631,159	91,236,894	-	-	91,236,894	81,621,699	-	(9,615,195)	89 %	92 %	-	-	-	84,407,160
Macro Economic Planning	143,520,171	61,796,107	205,316,278	-	-	205,316,278	175,735,515	-	(29,580,763)	86 %	122 %	-	-	-	45,961,202
Metro Police Services	1,158,730,340	26,998,871	1,185,729,211	-	-	1,185,729,211	1,166,167,165	-	(19,562,046)	98 %	101 %	-	-	-	982,791,907
Office of the Chief Audit Executive	274,270,159	(47,524,711)	226,745,448	-	-	226,745,448	174,848,039	-	(51,897,409)	77 %	64 %	-	-	-	154,252,947
Office of the Chief Whip	19,414,346	1,196,625	20,610,971	-	-	20,610,971	17,958,634	-	(2,652,337)	87 %	93 %	-	-	-	12,987,460
Office of the City Manager	193,695,026	25,826,678	219,521,704	-	-	219,521,704	159,412,792	-	(60,108,912)	73 %	82 %	-	-	-	67,854,137
Office of the Executive Mayor	100,060,553	20,594,027	120,654,580	-	-	120,654,580	103,750,643	-	(16,903,937)	86 %	104 %	-	-	-	72,516,063
Office of the Speaker	185,349,049	(3,921,367)	181,427,682	-	-	181,427,682	171,210,130	-	(10,217,552)	94 %	92 %	-	-	-	153,637,954
Regional Service Delivery	2,350,750,693	(79,386,657)	2,271,364,036	-	-	2,271,364,036	2,507,589,413	236,225,377	236,225,377	110 %	107 %	-	-	-	2,413,429,946
Research & Innovation	425,000	1,498,044	1,923,044	-	-	1,923,044	2,130,484	207,440	207,440	111 %	501 %	-	-	-	-
Service Infrastructure: Electricity	7,673,272,841	(73,976,883)	7,599,295,958	-	-	7,599,295,958	7,085,994,217	-	(513,301,741)	93 %	92 %	-	-	-	6,603,607,268
Service Infrastructure: Water and Sanitation	2,305,998,359	87,466,721	2,393,465,080	-	-	2,393,465,080	2,156,443,867	-	(237,021,213)	90 %	94 %	-	-	-	1,949,472,262
Sport and Recreation	16,995,736	16,220,246	33,215,982	-	-	33,215,982	30,306,921	-	(2,909,061)	91 %	178 %	-	-	-	18,867,711
Transport	1,055,988,624	14,577,240	1,070,565,864	-	-	1,070,565,864	958,882,900	-	(111,682,964)	90 %	91 %	-	-	-	972,902,014
Total Expenditure by Vote	20,699,236,090	(28,141,315)	20,671,094,775	-	-	20,671,094,775	20,063,684,302	582,028,028	(607,410,473)	97 %	97 %	-	-	-	18,125,468,757
Surplus/(Deficit) for the year	1,634,610,047	501,578,447	2,136,188,494	-	-	2,136,188,494	1,932,032,634	-	(204,155,860)	90 %	118 %	-	-	-	1,999,486,449

**Appendix D
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013**

	2012/13								2011/12						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	3,721,740,700	200,000,000	3,921,740,700	-		3,921,740,700	4,027,428,878		105,688,178	103 %	108 %				3,427,855,994
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	8,989,063,400	(209,842,500)	8,779,220,900	-		8,779,220,900	8,131,655,960		(647,564,940)	93 %	90 %				7,533,748,643
Service charges - water revenue	2,137,475,100	79,076,954	2,216,552,054	-		2,216,552,054	2,216,093,742		(458,312)	100 %	104 %				1,995,512,751
Service charges - sanitation revenue	551,606,000	(5,000)	551,601,000	-		551,601,000	558,846,245		7,245,245	101 %	101 %				491,161,064
Service charges - refuse revenue	592,063,200	-	592,063,200	-		592,063,200	597,728,177		5,664,977	101 %	101 %				480,000,616
Service charges - other	217,158,500	-	217,158,500	-		217,158,500	112,576,259		(104,582,241)	52 %	52 %				-
Rental of facilities and equipment	121,843,500	676,862	122,520,362	-		122,520,362	103,607,048		(18,913,314)	85 %	85 %				97,718,235
Interest earned - external investments	45,378,679	1,082,246	46,460,925	-		46,460,925	62,236,529		15,775,604	134 %	137 %				52,185,099
Interest earned - outstanding debtors	307,805,834	-	307,805,834	-		307,805,834	253,240,285		(54,565,549)	82 %	82 %				244,643,012
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	3,281,060	141,850	3,422,910	-		3,422,910	3,934,831		511,921	115 %	120 %				4,555,875
Licences and permits	43,732,200	7,000,000	50,732,200	-		50,732,200	58,658,683		7,926,483	116 %	134 %				52,426,020
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	2,553,116,080	102,241,884	2,655,357,964	-		2,655,357,964	2,592,462,961		(62,895,003)	98 %	102 %				2,322,680,759
Other revenue	835,572,485	28,354,082	863,926,567	-		863,926,567	808,628,506		(55,298,061)	94 %	97 %				1,935,976,889
Gains on disposal of PPE	-	-	-	-		-	9,813,930		9,813,930	DIV/0 %	DIV/0 %				30,996
Total Revenue (excluding capital transfers and contributions)	20,119,836,738	208,726,378	20,328,563,116	-		20,328,563,116	19,536,912,034		(791,651,082)	96 %	97 %				18,638,495,953

**Appendix D
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013**

	2012/13								2011/12						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	5,528,823,599	(169,804,391)	5,359,019,208	-	-	5,359,019,208	5,225,703,077	-	(133,316,131)	98 %	95 %	-	-	-	4,739,894,487
Remuneration of councillors	99,241,121	(10,300,395)	88,940,726	-	-	88,940,726	92,573,294	3,632,568	3,632,568	104 %	93 %	-	-	-	91,453,370
Debt impairment	836,306,245	3,954,298	840,260,543	-	-	840,260,543	944,018,153	103,757,610	103,757,610	112 %	113 %	-	-	-	880,622,872
Depreciation & asset impairment	955,562,153	-	955,562,153	-	-	955,562,153	1,108,772,256	153,210,103	153,210,103	116 %	116 %	-	-	-	1,058,883,254
Finance charges	790,707,913	(93,261,697)	697,446,216	-	-	697,446,216	739,074,831	41,628,615	41,628,615	106 %	93 %	-	-	-	632,350,791
Bulk purchases	7,087,895,200	38,189,224	7,126,084,424	-	-	7,126,084,424	6,791,791,416	-	(334,293,008)	95 %	96 %	-	-	-	6,258,775,168
Other materials	571,835,001	(37,466,693)	534,368,308	-	-	534,368,308	460,957,065	-	(73,411,243)	86 %	81 %	-	-	-	528,402,374
Contracted services	3,733,096,705	194,704,192	3,927,800,897	-	-	3,927,800,897	3,424,458,808	-	(503,342,089)	87 %	92 %	-	-	-	3,285,696,618
Transfers and grants	21,201,500	-	21,201,500	-	-	21,201,500	17,290,290	-	(3,911,210)	82 %	82 %	-	-	-	21,495,798
Other expenditure	1,149,881,133	77,826,172	1,227,707,305	-	-	1,227,707,305	843,068,732	-	(384,638,573)	69 %	73 %	-	-	-	281,133,967
Loss on disposal of PPE	-	10,400	10,400	-	-	10,400	108,544,695	108,534,295	108,534,295	1,043,699 %	DIV/0 %	-	-	-	84,957,880
Total Expenditure	20,774,550,570	3,851,110	20,778,401,680	-	-	20,778,401,680	19,756,252,617	410,763,191	(1,022,149,063)	95 %	95 %	-	-	-	17,863,666,579
Surplus/(Deficit)	(654,713,832)	204,875,268	(449,838,564)	-	-	(449,838,564)	(219,340,583)	(410,763,191)	230,497,981	49 %	34 %	-	-	-	774,829,374
Transfers recognised - capital	1,923,831,899	254,854,254	2,178,686,153	-	-	2,178,686,153	2,151,373,224	-	(27,312,929)	99 %	112 %	-	-	-	1,224,657,073
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	1,269,118,067	459,729,522	1,728,847,589	-	-	1,728,847,589	1,932,032,641	-	203,185,052	112 %	152 %	-	-	-	1,999,486,447
Taxation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after taxation	1,269,118,067	459,729,522	1,728,847,589	-	-	1,728,847,589	1,932,032,641	-	203,185,052	112 %	152 %	-	-	-	1,999,486,447
Attributable to minorities	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) attributable to municipality	1,269,118,067	459,729,522	1,728,847,589	-	-	1,728,847,589	1,932,032,641	-	203,185,052	112 %	152 %	-	-	-	1,999,486,447
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) for the year	1,269,118,067	459,729,522	1,728,847,589	-	-	1,728,847,589	1,932,032,641	-	203,185,052	112 %	152 %	-	-	-	1,999,486,447

**Appendix E
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013**

	2012/13									2011/12					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
City Planning	5,200,000	-	5,200,000	-	-	5,200,000	3,998,040	-	(1,201,960)	77 %	77 %	-	-	-	966,800
City Strategies & Performance Management	1,500,000	(500,000)	1,000,000	-	-	1,000,000	643,785	-	(356,215)	64 %	43 %	-	-	-	-
Communications, Marketing & Events	1,500,000	-	1,500,000	-	-	1,500,000	1,171,191	-	(328,809)	78 %	78 %	-	-	-	-
Corporate & Shared Services	39,300,000	(18,000,000)	21,300,000	-	-	21,300,000	17,599,941	-	(3,700,059)	83 %	45 %	-	-	-	885,833
Emergency Services	37,200,000	(4,900,000)	32,300,000	-	-	32,300,000	32,085,249	-	(214,751)	99 %	86 %	-	-	-	27,481,076
Environmental Management	84,260,000	(3,700,000)	80,560,000	-	-	80,560,000	71,403,799	-	(9,156,201)	89 %	85 %	-	-	-	33,911,752
Financial Services	17,000,000	522,862	17,522,862	-	-	17,522,862	14,940,113	-	(2,582,749)	85 %	88 %	-	-	-	11,161,274
Health & Social Development	20,500,000	(6,882,911)	13,617,089	-	-	13,617,089	13,406,447	-	(210,642)	98 %	65 %	-	-	-	12,149,028
Housing & Human Settlement	438,777,704	5,500,000	444,277,704	-	-	444,277,704	465,861,386	21,583,682	21,583,682	105 %	106 %	-	-	-	603,548,307
Information & Communication Technology Management	81,655,000	59,194,177	140,849,177	-	-	140,849,177	165,853,211	25,004,034	25,004,034	118 %	203 %	-	-	-	196,464,858
Legal Services	1,000,000	-	1,000,000	-	-	1,000,000	840,329	-	(159,671)	84 %	84 %	-	-	-	-
Macro Economic Planning	11,651,000	(651,000)	11,000,000	-	-	11,000,000	10,980,084	-	(19,916)	100 %	94 %	-	-	-	1,896,867
Metro Police Services	36,500,000	100,000	36,600,000	-	-	36,600,000	35,670,363	-	(929,637)	97 %	98 %	-	-	-	24,894,041
Office of the Chief Audit Executive	14,000,000	-	14,000,000	-	-	14,000,000	7,861,628	-	(6,138,372)	56 %	56 %	-	-	-	396,476
Office of the Chief Whip	1,000,000	-	1,000,000	-	-	1,000,000	585,631	-	(414,369)	59 %	59 %	-	-	-	-
Office of the City Manager	63,067,000	126,597,920	189,664,920	-	-	189,664,920	185,261,307	-	(4,403,613)	98 %	294 %	-	-	-	50,304,201
Office of the Executive Mayor	1,500,000	-	1,500,000	-	-	1,500,000	1,139,214	-	(360,786)	76 %	76 %	-	-	-	-
Office of the Speaker	1,500,000	-	1,500,000	-	-	1,500,000	1,225,002	-	(274,998)	82 %	82 %	-	-	-	-
Regional Service Delivery	448,860,230	(16,121,395)	432,738,835	-	-	432,738,835	471,230,778	38,491,943	38,491,943	109 %	105 %	-	-	-	183,267,617
Research & Innovation	1,500,000	-	1,500,000	-	-	1,500,000	1,032,833	-	(467,167)	69 %	69 %	-	-	-	-
Service Infrastructure: Electricity	605,700,000	101,348,183	707,048,183	-	-	707,048,183	694,317,951	-	(12,730,232)	98 %	115 %	-	-	-	532,713,971
Service Infrastructure: Water and Sanitation	953,968,115	(68,710,132)	885,257,983	-	-	885,257,983	844,724,099	-	(40,533,884)	95 %	89 %	-	-	-	691,392,866
Sport and Recreation	15,800,000	(7,167,004)	8,632,996	-	-	8,632,996	7,050,264	-	(1,582,732)	82 %	45 %	-	-	-	5,447,215
Transport	1,226,407,850	198,390,696	1,424,798,546	-	-	1,424,798,546	1,370,349,300	-	(54,449,246)	96 %	112 %	-	-	-	607,930,949
Capital multi-year expenditure sub-total	4,109,346,899	365,021,396	4,474,368,295	-	-	4,474,368,295	4,419,231,945	85,079,659	(55,136,350)	99 %	108 %	-	-	-	2,984,813,131
Single-year expenditure															
Environmental Management	1,000,000	200,000	1,200,000	-	-	1,200,000	1,090,350	-	(109,650)	91 %	109 %	-	-	-	83,389
Housing and Human Settlement	74,200,000	-	74,200,000	-	-	74,200,000	66,163,984	-	(8,036,016)	89 %	89 %	-	-	-	13,517,000
Regional Service Delivery	6,500,000	(1,500,000)	5,000,000	-	-	5,000,000	7,936,609	2,936,609	2,936,609	159 %	122 %	-	-	-	29,577,293
Transport	162,000,000	(102,900,000)	59,100,000	-	-	59,100,000	59,027,794	-	(72,206)	100 %	36 %	-	-	-	88,008,403
Capital single-year expenditure sub-total	243,700,000	(104,200,000)	139,500,000	-	-	139,500,000	134,218,737	2,936,609	(5,281,263)	96 %	55 %	-	-	-	131,186,085
Total Capital Expenditure - Vote	4,353,046,899	260,821,396	4,613,868,295	-	-	4,613,868,295	4,553,450,682	88,016,268	(60,417,613)	99 %	105 %	-	-	-	3,115,999,216

Appendix E
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

	2012/13									2011/12					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	214,522,000	178,114,959	392,636,959	-	-	392,636,959	399,105,753	15,491,950	6,468,794	102 %	186 %	-	-	-	259,212,642
Executive and council	73,067,000	136,397,920	209,464,920	-	-	209,464,920	200,872,238	-	(8,592,682)	96 %	275 %	-	-	-	50,735,200
Budget and treasury office	2,000,000	22,862	2,022,862	-	-	2,022,862	1,592,388	-	(430,474)	79 %	80 %	-	-	-	1,624,818
Corporate services	139,455,000	41,694,177	181,149,177	-	-	181,149,177	196,641,127	15,491,950	15,491,950	109 %	141 %	-	-	-	206,852,624
Community and public safety	1,035,694,639	(29,833,104)	1,005,861,535	-	-	1,005,861,535	1,066,490,173	67,419,570	60,628,638	106 %	103 %	-	-	-	803,323,103
Community and social services	63,614,000	(6,711,336)	56,902,664	-	-	56,902,664	51,618,114	-	(5,284,550)	91 %	81 %	-	-	-	70,622,119
Sport and recreation	284,150,000	(821,768)	283,328,232	-	-	283,328,232	342,964,021	59,635,789	59,635,789	121 %	121 %	-	-	-	44,632,875
Public safety	72,200,000	(4,800,000)	67,400,000	-	-	67,400,000	66,256,421	-	(1,143,579)	98 %	92 %	-	-	-	52,375,117
Housing	563,230,639	(4,500,000)	558,730,639	-	-	558,730,639	566,514,420	7,783,781	7,783,781	101 %	101 %	-	-	-	622,647,069
Health	52,500,000	(13,000,000)	39,500,000	-	-	39,500,000	39,137,197	-	(362,803)	99 %	75 %	-	-	-	13,045,923
Economic and environmental services	1,403,808,850	94,459,017	1,498,267,867	-	-	1,498,267,867	1,439,869,551	-	(58,398,316)	96 %	103 %	-	-	-	692,637,639
Planning and development	19,851,000	(1,031,679)	18,819,321	-	-	18,819,321	15,621,909	-	(3,197,412)	83 %	79 %	-	-	-	2,863,667
Road transport	1,376,457,850	95,490,696	1,471,948,546	-	-	1,471,948,546	1,417,438,979	-	(54,509,567)	96 %	103 %	-	-	-	685,376,325
Environmental protection	7,500,000	-	7,500,000	-	-	7,500,000	6,808,663	-	(691,337)	91 %	91 %	-	-	-	4,397,647
Trading services	1,663,311,410	18,080,524	1,681,391,934	-	-	1,681,391,934	1,612,869,735	-	(68,522,199)	96 %	97 %	-	-	-	1,328,388,252
Electricity	617,800,000	101,348,183	719,148,183	-	-	719,148,183	705,919,395	-	(13,228,788)	98 %	114 %	-	-	-	579,488,433
Water	191,612,930	29,185,121	220,798,051	-	-	220,798,051	203,483,643	-	(17,314,408)	92 %	106 %	-	-	-	178,328,179
Waste water management	801,398,480	(113,352,780)	688,045,700	-	-	688,045,700	662,083,933	-	(25,961,767)	96 %	83 %	-	-	-	562,848,699
Waste management	52,500,000	900,000	53,400,000	-	-	53,400,000	41,382,764	-	(12,017,236)	77 %	79 %	-	-	-	7,722,941
Other	35,710,000	-	35,710,000	-	-	35,710,000	35,115,470	-	(594,530)	98 %	98 %	-	-	-	32,437,579
Other	35,710,000	-	35,710,000	-	-	35,710,000	35,115,470	-	(594,530)	98 %	98 %	-	-	-	32,437,579
Total Capital Expenditure - Standard	4,353,046,899	260,821,396	4,613,868,295	-	-	4,613,868,295	4,553,450,682	82,911,520	(60,417,613)	99 %	105 %	-	-	-	3,115,999,215
Funded by:															
National Government	1,847,609,855	125,055,181	1,972,665,036	-	-	1,972,665,036	1,949,556,844	-	(23,108,192)	99 %	106 %	-	-	-	1,142,799,488
Provincial Government	61,867,000	129,283,095	191,150,095	-	-	191,150,095	187,208,469	-	(3,941,626)	98 %	303 %	-	-	-	67,996,367
Other transfers and grants	14,355,044	515,977	14,871,021	-	-	14,871,021	14,780,221	-	(90,800)	99 %	103 %	-	-	-	14,999,945
Transfers recognised - capital	1,923,831,899	254,854,253	2,178,686,152	-	-	2,178,686,152	2,151,545,534	-	(27,140,618)	99 %	112 %	-	-	-	1,225,795,800
Public contributions & donations	88,571,223	-	88,571,223	-	-	88,571,223	86,435,401	-	(2,135,822)	98 %	98 %	-	-	-	-
Borrowing	1,640,000,000	500,000,000	2,140,000,000	-	-	2,140,000,000	2,129,535,219	-	(10,464,781)	100 %	130 %	-	-	-	-
Internally generated funds	700,643,777	(494,032,857)	206,610,920	-	-	206,610,920	185,934,531	-	(20,676,389)	90 %	27 %	-	-	-	1,890,203,416
Total Capital Funding	4,353,046,899	260,821,396	4,613,868,295	-	-	4,613,868,295	4,553,450,685	-	(60,417,610)	99 %	105 %	-	-	-	3,115,999,216

**Appendix F
Budgeted Cash Flows
for the year ended 30 June 2013**

	2013					2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	16,547,241,642	(76,452,715)	16,470,788,927	16,470,788,927	15,567,370,565	(903,418,362)	95 %	94 %	15,189,105,367
Government - operating	2,553,116,080	102,241,884	2,655,357,964	2,655,357,964	2,592,462,962	(62,895,002)	98 %	102 %	2,322,680,758
Government - capital	1,923,831,899	254,854,254	2,178,686,153	2,178,686,153	2,151,373,223	(27,312,930)	99 %	112 %	1,224,657,073
Interest	45,378,679	1,082,246	46,460,925	46,460,925	62,236,528	15,775,603	134 %	137 %	52,185,100
Payments									
Suppliers and employees	(17,500,738,407)	(74,231,648)	(17,574,970,055)	(17,574,970,055)	(16,418,021,569)	1,156,948,486	93 %	94 %	(14,085,480,871)
Finance charges	(780,707,913)	151,638,313	(629,069,600)	(629,069,600)	(739,074,831)	(110,005,231)	117 %	95 %	(632,350,791)
Transfers and Grants	(21,201,500)	-	(21,201,500)	(21,201,500)	(17,290,290)	3,911,210	82 %	82 %	(21,495,798)
Net cash flow from/used operating activities	2,766,920,480	359,132,334	3,126,052,814	3,126,052,814	3,199,056,588	73,003,774	102 %	116 %	4,049,300,838
Cash flow from investing activities									
Receipts									
Decrease (increase) in financial assets	287,434,199	(198,767,420)	88,666,779	88,666,779	(19,664,428)	(108,331,207)	(22)%	(7)%	54,914,732
Payments									
Capital assets	(4,048,333,616)	(242,563,899)	(4,290,897,515)	(4,290,897,515)	(4,430,182,552)	(139,285,037)	103 %	109 %	(4,669,445,273)
Net cash flow from/used investing activities	(3,760,899,417)	(441,331,319)	(4,202,230,736)	(4,202,230,736)	(4,547,816,525)	(345,585,789)	108 %	121 %	(4,697,050,633)
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	1,640,000,000	500,000,000	2,140,000,000	2,140,000,000	2,140,000,000	-	100 %	130 %	1,022,303,530
Payments									
Repayment of borrowing	(297,045,743)	(60,394,717)	(357,440,460)	(357,440,460)	(397,072,328)	(39,631,868)	111 %	134 %	(306,180,015)
Net cash flow from/used financing activities	1,342,954,257	439,605,283	1,782,559,540	1,782,559,540	1,742,927,672	(39,631,868)	98 %	130 %	716,123,515
Net increase/(decrease) in cash held	348,975,320	357,406,298	706,381,618	706,381,618	394,167,735	(312,213,883)	56 %	113 %	68,373,720
Cash/cash equivalents at the year begin:	1,183,761,525	(256,102,825)	927,658,700	927,658,700	927,954,032	295,332	100 %	78 %	859,580,312
Cash/cash equivalents at the year end:	1,532,736,845	101,303,473	1,634,040,318	1,634,040,318	1,322,121,767	(311,918,551)	81 %	86 %	927,954,032

City of Tshwane Metropolitan Municipality

Appendix G

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 and Returned	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:														
Integrated national electrification Programme (INEP)	Department of Mineral & Energy (DME)	387,273	1,138,727	(1,526,000)	30,000,000	-	-	-	30,000,000	30,000,000	-	None	None	Yes
Gauteng Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	26,454,435	-	48,553,230	-	-	-	-	-	56,305,113	18,702,552	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	9,678,160	-	(47,877,549)	262,775,000	420,440,000	367,855,000	-	1,051,070,000	1,012,870,611	-	None	None	Yes
Gautrans Job Creation	Gauteng: Transport	1,408,211	-	-	-	-	-	-	-	1,337,104	71,107	None	None	Yes
PTIS: Roads	Gauteng: Transport (GDoT)	63,587,306	-	707,352,000	50,000,000	300,000,000	398,702,000	-	748,702,000	93,540,864	11,396,442	None	None	Yes
PTIS: Transport	Gauteng: Transport (GDoT)	9,600,629	-	628,702,000	-	-	-	-	-	634,177,352	4,125,277	None	None	Yes
Housing Accreditation	Gauteng:Local Government & Housing (GLGH)	67,394	-	-	-	-	-	-	-	-	67,394	None	None	Yes
EPWP	Department of Public Works	-	-	6,651,000	-	-	-	-	-	5,726,394	924,606	None	None	Yes
Sport and Recreation	Gauteng: Sport, Arts, Culture & Recreation	515,977	-	-	-	-	-	-	-	443,360	72,617	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	29,524	-	-	-	-	11,000,000	-	11,000,000	10,622,559	406,965	None	None	Yes
Blue IQ	Blue IQ	24,998,876	-	-	-	-	-	-	-	12,999,757	11,999,119	None	None	Yes
Local Economic Development: Winterveldt	Gauteng:Economic Development (GPGDED)	8,750,000	-	-	-	-	-	-	-	-	8,750,000	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	1,884,837	-	4,000,000	-	-	-	-	-	3,761,079	2,123,758	None	None	Yes
Finance Management Grant (FMG)	National Treasury	-	-	1,717,040	-	-	-	-	-	1,433,950	283,090	None	None	Yes
Neighbourhood Development (NDPG)	National Treasury	34,017,099	-	(382,000)	9,350,000	50,217,000	92,433,000	-	152,000,000	183,275,080	2,360,019	None	None	Yes
		181,379,721	1,138,727	(67,514,279)	352,125,000	770,657,000	869,990,000	-	1,992,772,000	2,046,493,223	61,282,946			

City of Tshwane Metropolitan Municipality
Appendix G
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 and Returned	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	Gauteng: Department of Health & Social Development	89,650	-	-	-	9,908,000	-	-	9,908,000	5,796,674	4,200,976	None	None	Yes
Primary Healthcare	Gauteng: Department of Health & Social Development	-	-	-	-	14,812,719	14,812,720	29,625,439	29,625,439	-	-	None	None	Yes
Emergency Medical Services (EMS)	Gauteng: Department of Health & Social Development	-	-	-	12,419,000	12,419,000	12,419,000	12,419,000	49,676,000	49,676,000	-	None	None	Yes
Top Structures: Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	66,001,719	-	-	-	-	30,043,380	-	30,043,380	45,363,566	50,681,533	None	None	Yes
Finance Management Grant (FMG)	National Treasury	-	-	(1,717,040)	5,000,000	-	-	-	5,000,000	3,095,884	187,076	None	None	Yes
Equitable share	National Treasury	-	-	-	433,596,000	344,775,000	262,259,000	-	1,040,630,000	1,040,630,000	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	439,761	-	47,877,549	-	-	-	-	-	48,317,310	-	None	None	Yes
Water Services Operating Grant	Department of Water Affairs and Forestry (DWAF)	290,366	-	(194,000)	742,000	742,000	743,000	-	2,227,000	2,318,533	4,833	None	None	Yes
Housing Accreditation	Gauteng:Local Government & Housing (GLGH)	1,235,233	-	-	-	-	-	-	-	-	1,235,233	None	None	Yes
Bontle Ke Botho	Gauteng: Agriculture, Conservation & Environment (GDACE)	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Community Libraries Servies	Gauteng: Sport, Arts, Culture & Recreation	2,545,131	-	(4,300,000)	5,190,000	-	-	-	5,190,000	3,406,296	28,835	None	None	Yes
Performance Management	Department of Local Government	268,665	-	-	-	-	-	-	-	-	268,665	None	None	Yes
PTIS: Transport	Gauteng: Transport (GDoT)	64,421,712	-	78,650,000	-	-	-	-	-	143,059,260	12,452	None	None	Yes
Revenue Enhancement	Department Public Works	-	-	-	-	-	3,500,000	-	3,500,000	-	3,500,000	None	None	Yes
Equitable Share: Fuel levy	Department Local Government	-	-	-	442,018,000	442,018,000	442,018,000	-	1,326,054,000	1,326,054,000	-	None	None	Yes
EPWP	Department of Public Works	-	-	(6,651,000)	-	-	-	10,151,000	10,151,000	-	3,500,000	None	None	Yes
		<u>135,292,237</u>	<u>-</u>	<u>113,665,509</u>	<u>898,965,000</u>	<u>809,862,000</u>	<u>765,795,099</u>	<u>37,382,720</u>	<u>2,512,004,819</u>	<u>2,697,342,962</u>	<u>63,619,603</u>			
Revenue per Statement of Financial Performance (see note 26)		<u>316,671,958</u>	<u>1,138,727</u>							<u>4,743,836,185</u>				
Unspent conditional grants per Statement of Financial Position (see note 9)			<u>(317,810,685)</u>								<u>124,902,549</u>			