



**CITY OF TSHWANE METROPOLITAN MUNICIPALITY**  
*Consolidated Annual Financial Statements*  
*for the year ended 30 June 2014*

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## General Information

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<b>Legal form of entity</b>	Category A Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
<b>Executive Mayor</b>	Ramokgopa, Kgositso
<b>Speaker</b>	Mosupyoe-Letsholo, Morakane (Ms)
<b>Chief Whip</b>	Mabona, Jabulane
<b>Mayoral committee</b> Members	Mabiletsa, Dorothy (Ms) (MMC: Finance) Mabusela, Eulanda (Ms) (MMC: Health and Social Development) Masango, Jacob (MMC: Services and Infrastructure) Mashaba, Petunia (Ms) (MMC: Agriculture and Environmental Management) Mashego, Terence (MMC: Community Safety and Emergency Services) Matjila, George (MMC: Roads and Transport) Mmoko, Thembi (Ms) (MMC: Corporate and Shared Services) Ngonyama, Joshua (MMC: Housing and Sustainable Human Settlement Development) Pillay, Subesh (MMC: Economic Development and Planning) Tyobeka-Makeke, Nozipho (Ms) (MMC: Sport, Recreation, Arts and Culture)
<b>Grading of local authority</b>	Category A Grade 6 Urban Municipality (Demarcation code - TSH)
<b>Accounting Officer</b>	Ngobeni, Jason Telephone: 012-358 4901
<b>Group Chief Financial Officer (GCFO)</b>	Banda, Umar (CA SA) (Acting) Telephone: 012-358 8100
<b>Registered office</b>	Isivuno House cnr Madiba Rd and Lillian Ngoyi Street PRETORIA 0002
<b>Postal address</b>	P O Box 408 PRETORIA 0002
<b>Bankers</b>	Standard Bank
<b>Auditors</b>	Auditor-General South Africa (AGSA)
<b>Legislation governing the municipality's operations</b>	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)
<b>Entities consolidated</b>	Consistent with the prior financial year the following Municipal entities will be included in the Consolidated Annual Financial Statements: Housing Company Tshwane NPC (Registration nr 2001/029821/08) Sandspruit Works Association Soc Ltd (Registration nr 1999/019160/08) Tshwane Economic Development Agency Soc Ltd (TEDA) (Registration nr 2006/019396/07)
<b>Entities dormant</b>	Metsweding Economic Development Agency (MEDA) - Council decision of 25 August 2011 to disestablish MEDA. All operations were taken over by the City of Tshwane on 1 July 2011. Deregistration still in progress.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Index

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

<b>Index</b>	<b>Page</b>
Certification by City Manager	3
Report of the Group Chief Financial Officer	4
Statement of Financial Position	17
Statement of Financial Performance	18
Statement of Changes in Net Assets	19
Cash Flow Statement	20
Statement of comparison of budget and actual amounts	21 - 29
Accounting Policies	30 - 58
Notes to the Consolidated Annual Financial Statements	59 - 177

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

Appendixes:

Appendix A: Schedule of External loans	178
Appendix B: Analysis of Property, Plant and Equipment	180
Appendix C: Budgeted Financial Performance (revenue and expenditure by standard classification)	182
Appendix D: Budgeted Financial Performance (revenue and expenditure by municipal vote)	184
Appendix E: Budgeted Financial Performance (revenue and expenditure)	186
Appendix F: Budgeted Capital Expenditure by vote, standard classification and funding	188
Appendix G: Budgeted Cash Flows	190
Appendix H: Disclosure of Grants and subsidies paid in terms of the MFMA	191

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Certification by City Manager

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the group 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these consolidated annual financial statements, which are set out from pages 17 to 177, in terms of Section 126(1) of the Local Government: Municipal Finance Management Act and which I have signed on behalf of the group.

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 31 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.

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**Dr Ndivho Lukhwareni**  
**(Acting) CITY MANAGER**

**Pretoria**

**30 September 2014**

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

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### 1. INTRODUCTION

The slogan of the City, namely “Igniting Excellence” continues to be our driving force and it is therefore with pride that I, as the Group Chief Financial Officer present the consolidated annual financial statements of the City of Tshwane Metropolitan Municipality and its Entities for the year ended 30 June 2014 as part of igniting excellence.

The 2013/14 financial year marks the mid-term of the current political administration as mandated by the 2011 electoral outcome. The 2013/14 financial year provides an opportunity for the consolidation of commitments made since the 2011/12 financial year and the acceleration of our efforts towards meeting the five year strategic goals and targets that we had set for ourselves.

The IDP, the State of the City Address, the National Development Plan and Tshwane Vision 2055 were the primary point of reference for the preparation of the Medium-term Revenue and Expenditure Framework (MTREF) which will evidently be supported by the actual outcomes of 2013/14. The 2013/14 MTREF addressed the following IDP strategic objectives which inform all the operations of the City of Tshwane:

- To provide sustainable services, infrastructure and human settlements;
- To promote shared economic growth and job creation;
- To ensure sustainable, safer communities and integrated social development;
- To promote good governance and an active citizenry;
- To improve financial sustainability; and
- To continue institutional development, transformation and innovation.

As a developmental local government, our programmes have always been geared towards extricating our people from the misery of poverty and underdevelopment. Therefore our chief priorities and interests are informed by those who are in need of development e.g. the poorest of the poor, the youth, the elderly and people living with disabilities, etc.

With the 2013/14 MTREF we have prioritized our resources and revamped our systems to improve efficiencies to enable us to do what we need to do with what we have – with a drive and energy to do more with less.

It is true that we live in a global village – what occurs within other parts of the world also affect us as South Africans, and closer to home, the City of Tshwane. The recent global financial crisis that has engulfed most of the developed world has inextricably refocused the attention of policymakers on stabilizing the financial system, due to the vital role it plays in the promotion of economic growth and development. The City of Tshwane was also not insulated and shielded from the impact of this global financial cardiac arrest.

In his 2013 national budget speech and policy statement, the then Finance Minister, Mr. Pravin Gordhan, once again pointed out that global economic uncertainty will remain with us for some time. He also stated that South Africa’s economic outlook is improving but requires that we actively pursue a different trajectory if we are to address the challenges ahead.

Our long-term strategy is to ensure that the City of Tshwane 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 proactive with respect to the minimization of costs and the maximization of efficiencies to meet daily and ever-increasing service delivery imperatives. Our objective therefore is 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. This long-term strategy will ensure sustainability and together with operational efficiency initiatives and sustainable, alternative revenue streams, will improve the City’s credit rating.

### 2. OPERATIONAL AND FINANCIAL PERFORMANCE REVIEW

The City is committed to ensuring prudent financial management and finding ways to re-direct funding towards service delivery by continuously reviewing current spending for operational efficiency. It is all about maintaining the financial viability of the City of Tshwane, which is critical to the achievement of service delivery and economic objectives, while revenue generation is fundamental in strengthening the institutional environment for the delivery of municipal basic services and infrastructure.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

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The City of Tshwane, during the State of the City Address, highlighted that one significant measure of administrative capacity is sound financial governance – as this speaks to the ability to manage resources efficiently and effectively to safeguard value for money. Pursuant to this indispensable goal, for the past four years in succession, the City has achieved an unqualified audit opinion. This is primarily attributable to the tireless efforts of the administrative cadre at the head of the City.

In our pursuit for an unqualified audit opinion with no findings, the City has institutionalized the concept of Operation Clean Audit (OPCA) to the extent of nominating 28 OPCA Officers from all departments and regional offices within the City. To further address the matters which might affect the attaining of an unqualified audit with no findings, an OPCA Summit was held on 12 and 13 March 2014.

It is our responsibility to ensure that the consolidated annual financial statements of the City of Tshwane present the financial position of the City and its entities and their financial performance and cash flows for the year ended 30 June 2014 in accordance with South African Standards of Generally Recognised Accounting Practice, the Municipal Finance Management Act 56 of 2003 and the Division of Revenue Act. The management and leadership of the City played a significant role to fulfill this mandate and responsibility.

The compilation of the 2013/14 MTREF posed many challenges and we are required to continue to explore appropriate ways of generating the revenue required to fund the maintenance, renewal and expansion of the infrastructure required to provide municipal services. During the 2013/14 MTREF, a strategy towards the cash-backing of the City of Tshwane's capital reserves, capital provisions and unspent conditional grants, as well as the taking up of long-term loans or bonds was modeled into the long-term financial model (LTFM) to ensure the sustainability of the City over the medium to long term. The City will be creating sinking funds and investments to ensure that our reserves are cash-backed and that there is funding available to repay the bonds as they mature.

Together with the City's objectives – such as a balanced and funded budget, cash-backing of reserves, concentrating on core functions and Tshwane Vision 2055 – the rebirth of our capital city is a reality.

### 3. ACCOUNTING FRAMEWORK FOR 2013/14

During 2013/14 considerable changes to the accounting framework had to be implemented as a result of new accounting standards that became effective from 1 July 2013, namely:

- GRAP 25: Employee benefits
- GRAP 1 (as revised): Presentation of Financial Statements
- GRAP 3 (as revised): Accounting Policies, Change in Accounting Estimates and Errors
- GRAP 7 (as revised): Investments in Associates
- GRAP 9 (as revised): Revenue from Exchange Transactions
- GRAP 12 (as revised): Inventories
- GRAP 13 (as revised): Leases
- GRAP 16 (as revised): Investment Property
- GRAP 17 (as revised): Property, plant and equipment
- GRAP 27 (as revised): Agriculture
- GRAP 31 (as revised): Intangible Assets
- IGRAP 1 (as revised): Applying the Probability Test on Initial Recognition of Revenue
- IGRAP 7 (as revised): The Limit on a Defined Benefit Asset, Minimum funding Requirements and their Interaction

The following standard have been approved by the Accounting Standards Board, but the Minister of Finance has not yet determined an effective date, however municipalities can use it to disclose information on the financial statements:

- GRAP 20: Related parties

The impact and effect that the implementation of these 13 new and/or revised accounting standards have 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

Consolidated Annual Financial Statements for the year ended 30 June 2014

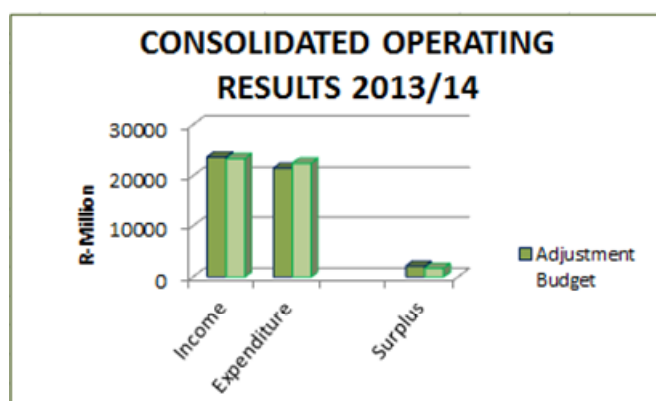
## Report of the Group Chief Financial Officer

### 4. REVIEW OF OPERATING RESULTS

The 2013/14 budget of the City of Tshwane was approved by Council on 30 May 2013 and the Adjustment Budget was approved by Council on 30 January 2014.

#### 4.1 General

Details of the 2013/14 operating results 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 financial year ending 30 June 2014 are as follows:

Description	Adjusted Budget 2014 Municipality R'000	Adjusted Budget 2014 Group R'000	Actual 2014 Municipality R'000	Actual 2014 Group R'000	Variance Actual/Adjustment Budget Municipality %	Actual 2013 Restated Municipality R'000	Actual 2013 Restated Group R'000
Opening Accumulated surplus			13 176 275	13 238 924		11 341 911	11 379 939
Operating revenue	23 744 015	23 677 704	23 397 752	23 380 911	(1.25)	21 800 293	21 793 555
	<b>23 744 015</b>	<b>23 677 704</b>	<b>36 574 027</b>	<b>36 619 835</b>		<b>33 142 204</b>	<b>31 173 494</b>
Operating expenditure	21 646 976	21 457 925	22 444 431	22 437 747	4.57	19 971 464	19 940 105
Sundry transfers *			(115 983)	(115 983)		(5 535)	(5 535)
Closing Accumulated surplus:	2 097 039	2 219 779	14 245 579	14 298 071		13 176 275	13 238 924
	<b>23 744 015</b>	<b>23 677 704</b>	<b>36 574 027</b>	<b>36 619 835</b>		<b>33 142 204</b>	<b>33 173 494</b>

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

For the Municipality the revenue represents 98.82% of the total adjustment budget. Service charges (97.2%) and assessment rates (99.50%) are on target while the other revenue line items are between 90.3% and 173.4% of the budget, for example: rental of facilities and equipment (90.4%) licences and permits (105.3%). Capital grant revenue ended on 95.3% of the budget. Operational grant revenue ended on 99.0% of the budget. Fines ended on 5.3% of the budget, which is consistent with the performance of prior years.

The actual net expenditure of the Municipality compared to the adjustment budget represents 104.60% which is an over expenditure of 4.60%. Repairs and maintenance ended on 89.2% of the budget and the contribution to bad debt provision ended on 183.9% of the budget. Collection cost ended on 104.6% of the budgeted expenditure whereas depreciation expense ended on 116.5% of the budgeted amount, contributing to the overall over expenditure of 4.60%.

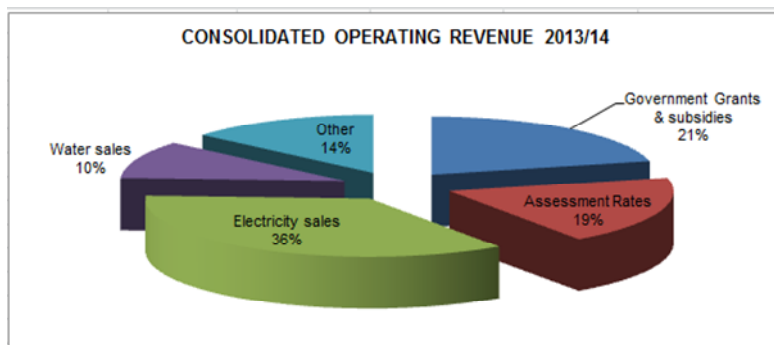
# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

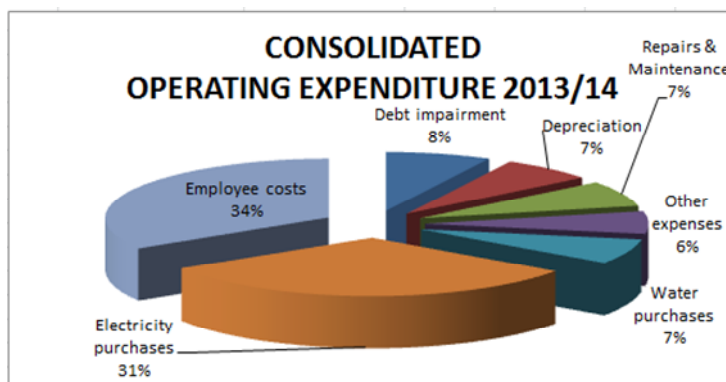
### 4.2 Operating Revenue

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



### 4.3 Operating expenditure

The graph below indicates the breakdown per main expenditure group.



### 4.4 Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure for the municipality shows an increase from 26.27% in 2012/13 to 26.63% in 2013/14. This increase of 0.36% is due to the fact that the remuneration increased with 13.92% compared to an increase in the total expenditure of only 12.38%. For the Group the remuneration as a percentage of total expenditure increased from 26.71% to 27.12% since 2013.

In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33%. The City is well below the ceiling with a percentage of 26.03% (2013: 24.44%) for the group.

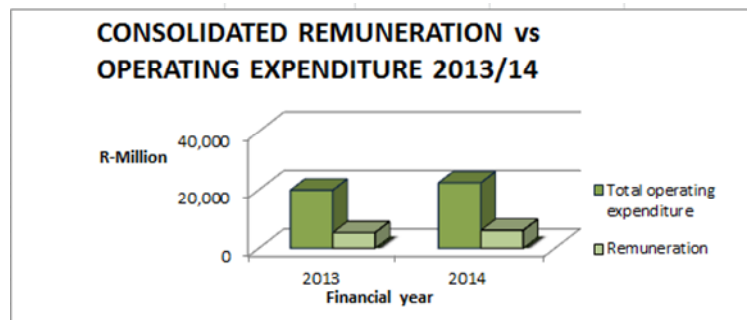
Description	2013/14		2012/13 Restated	
	Group R'000	Municipality R'000	Group R'000	Municipality R'000
Total operating expenditure	22 437 747	22 444 431	19 940 105	19 971 464
Total operating revenue	23 380 911	23 297 710	21 793 555	21 800 293
Employee remuneration	6 085 986	5 977 333	5 326 478	5 247 101
Ratio: % of total expenditure	27.12%	26.63%	26.71%	26.27%
Ratio: % of total revenue	26.03%	25.55%	24.44%	24.07%
% Growth in remuneration	15.99%	13.92%	10.62%	10.70%



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

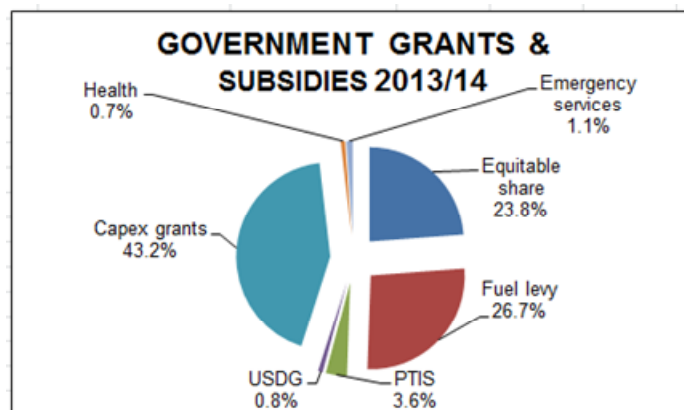


### 4.5 Government grants and subsidies

The following table and graph shows the amounts received in terms of grants, contributions and subsidies from the National and the Gauteng Provincial spheres of Government, which amounts have been included in the total revenue figure (refer to note 27 of the annual financial statements for detail of each grant):

Description	2013/14		2012/13 Restated	
	Group R'000	Municipality R'000	Group R'000	Municipality R'000
Equitable share	1 166 964	1 166 964	1 040 630	1 040 630
Primary Health Care subsidy	35 837	35 837	29 626	29 626
Emergency Management Subsidy	53 750	53 750	49 676	49 676
Equitable Share Fuel Levy	1 308 179	1 308 179	1 326 054	1 326 054
Housing top structure	-	-	45 363	45 363
Public Transport Infrastructure System (operational)	178 366	178 366	38 178	38 178
Urban Settlement Development Grant (operational)	39 178	39 178	48 317	48 317
Other operational grants #	79 108	79 108	14 618	14 618
Capital grants and donations	2 114 672	2 114 672	2 151 546	2 151 546
	<b>4 976 054</b>	<b>4 976 054</b>	<b>4 744 008</b>	<b>4 744 008</b>

# Other operational grants include for example: LG SETA, Finance Management grant, OPCA, Revenue enhancement, EPWP, etc



### 5. FINANCIAL RATIOS NORMS AND INTERPRETATION

Local government use different financial ratios and norms to assess their performance and to set benchmarks for improvement to be measured over time. Financial ratios and norms are further used to assess and compare the financial health and performance of local government. Various categories of ratios and norms exist and cover various aspects of local government's finances, such as financial position, financial performance and cash flow.

The following categories will be used for the purposes of analysing and interpreting the financial statements:

- **Financial Position**

The ratios used here is a measurement of the management of assets, debtors, liquidity, liability and sustainability.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

- **Financial Performance**

The ratios used here is a measurement of efficiency, revenue and expenditure management, as well as the management of material losses i.e. distribution losses.

- **Cash flow**

The ratios used here is a measurement of the efficient management of cash and debt.

### 5.1 Financial position

Measure	Financial ratio and norm	2013/14		2012/13 Restated	
		Group	Municipality	Group	Municipality
<b>Asset management</b>	Capital expenditure to total expenditure	18.85%	18.84%	22.82%	22.79%
	Impairment of PPE (including investment property and intangible assets)	0.02%	0.02%	0.02%	0.02%
	Repairs and maintenance as % of Property, plant and equipment and Investment property	4.84%	4.84%	6.03%	6.00%
	Borrowings to Assets (property, plant & equipment)	33.83%	33.86%	34.76%	34.78%
<b>Debtor management</b>	Collection rate	94.26%	94.88%	91.23%	91.96%
	Bad debts written off as % of bad debt provision	4.23%	4.05%	3.35%	2.35%
	Net debtor days	61	60	79	78
	Growth in total gross debtors (%)	11.99%	12.02%	20.81%	21.13%
	Growth in total net debtors (%)	(10.86%)	(10.47%)	13.98%	15.26%
	Growth in net consumer debtors (%)	(19.45%)	(19.54%)	15.09%	13.89%
<b>Liquidity management</b>	Net debtors to total annual operating revenue	17.31%	17.11%	21.64%	21.43%
	Cash/Cost coverage ratio (excluding unspent conditional grants) (months)	0.44	0.40	0.85	0.81
	Current ratio	0.72:1	0.71:1	0.85:1	0.85:1
	Acid test ratio	0.66:1	0.65:1	0.79:1	0.78:1
	Solvability ratio	1.83:1	1.83:1	1.83:1	1.83:1
	Inventory turnover	2.50 times	2.50 times	2.62 times	2.62 times
<b>Liability Management</b>	Liquidity ratio	7.54	7.94	4.79	4.95
	Capital cost (interest paid and redemption) as % of total operating revenue	11.15%	11.11%	10.90%	10.87%
	Capital cost as % of total operating expenditure	9.14%	9.12%	9.32%	9.29%
	Debt (total borrowing) to Total operating revenue (including grants)	39.62%	39.58%	38.52%	38.49%
	Gearing ratio*(Total long-term debt to total revenue less grants)	50.33%	50.28%	49.23%	49.20%
<b>Sustainability</b>	Financing to capital expenditure	0.19:1	0.19:1	0.38:1	0.38:1
	Level of cash backed reserves (net assets – accumulated surplus)	357.13%	333.43%	282.86%	269.14%

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

### 5.2 Financial Performance

Measure	Financial ratio and norm	2013/14		2012/13 Restated	
		Group	Municipality	Group	Municipality
<b>Efficiency</b>	Net operating surplus margin	4.05%	4.07%	8.51%	8.39%
	Net surplus electricity	9.15%	9.15%	17.93%	17.92%
	Net surplus water and sanitation	38.38%	36.58%	35.22%	35.31%
<b>Distribution losses</b>	Electricity distribution losses (%)	14.25%	14.25%	11.03%	11.03%
	Water distribution losses (%)	20.07%	20.07%	23.60%	23.60%
<b>Revenue Management</b>	Growth in number of active consumer accounts	6.51%	6.51%	0.19%	0.19%
	Revenue growth (%)	7.29%	7.33%	10.15%	10.18%
	Revenue growth (%) – Excluding capital grants	7.95%	8.01%	5.00%	5.03%
	Growth in grants (%)	4.89%	4.89%	33.73%	33.73%
<b>Expenditure Management</b>	Growth in service charges (%)	5.87%	6.06%	9.27%	9.44%
	Creditors payment period (trade creditors) (days)	51	51	58	58
	Irregular, Fruitless and wasteful and Unauthorised expenditure to Total operating expenditure	6.02%	5.41%	3.17%	3.14%
	Remuneration as % of Total operating	9	27.12%	26.63%	26.71%

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

	expenditure				
	Contracted services as % of Total operating expenditure	16.47%	16.38%	17.26%	17.17%
	Operating Expenditure growth (%)	12.52%	12.38%	11.83%	12.16%
	Capital expenditure growth (%)	(7.07)	(7.07%)	46.04%	46.04%
	Repairs and maintenance to annual operating revenue	7.09%	7.07%	8.34%	8.28%
<b>Grant dependency</b>	Own funded capital expenditure (internally generated funds + borrowing) to Total Capital expenditure	47.77%	47.77%	50.81%	50.81%
	Own funded capital expenditure (internally generated funds) to Total Capital expenditure	12.46%	12.46%	4.02%	4.02%
	Own source revenue to Total Operating revenue (including Agency revenue)	77.71%	77.53%	77.72%	77.54%

### 5.3 Cash flow

Measure	Financial ratio and norm	2013/14		2012/13 Restated	
		Group	Municipality	Group	Municipality
<b>Efficiency</b>	Cashbook balance (plus short-term loans) to total operating revenue#	4.61%	4.33%	8.08%	7.75%
	Cash to interest coverage	3.90:1	3.90:1	4.52:1	4.50:1
	Debt to cash ratio	2.91:1	2.92:1	2.54:1	2.55:1
	Debt to equity	101.12%	101.05%	102.22%	102.30%
	Cost coverage	0.28	0.21	1.01	0.94
	Number of days total cash held	97	92	152	147
	Number of days total cash held (operating cash)	82	77	138	133
	Cash and cash equivalents	R224.9 m	R174,3 m	R740.9 m	R686,1 m

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

## 6. ANALYSIS OF FINANCIAL POSITION AS AT 30 JUNE 2014

### Group

Type	June 2014 R'000	June 2013 Restated R'000	Variance (R) R'000	Variance (%)
Current assets	4 590 871	5 591 718	(1 000 847)	(17.90)
Non-current assets	27 530 859	24 343 083	3 187 776	13.09
<b>Total Assets</b>	<b>32 121 730</b>	<b>29 934 802</b>	<b>2 186 928</b>	<b>7.31</b>
Current liabilities	6 382 575	6 553 414	(170 839)	(2.61)
Non-current liabilities	11 192 449	9 777 846	1 414 603	14.47
<b>Total liabilities</b>	<b>17 575 024</b>	<b>16 331 260</b>	<b>1 243 764</b>	<b>7.62</b>
<b>Net Assets</b>	<b>14 546 706</b>	<b>13 603 542</b>	<b>943 164</b>	<b>6.93</b>

### Municipality

Type	June 2014 R'000	June 2013 Restated R'000	Variance (R) R'000	Variance (%)
Current assets	4 500 717	5 496 257	(995 540)	(18.11)
Non-current assets	27 498 590	24 318 275	3 180 315	13.08
<b>Total Assets</b>	<b>31 999 307</b>	<b>29 814 532</b>	<b>2 184 775</b>	<b>7.33</b>
Current liabilities	6 315 625	6 498 661	(183 036)	(2.82)
Non-current liabilities	11 189 466	9 774 978	1 414 488	14.47
<b>Total liabilities</b>	<b>17 505 092</b>	<b>16 273 639</b>	<b>1 231 453</b>	<b>7.57</b>
<b>Net Assets</b>	<b>14 494 215</b>	<b>13 540 893</b>	<b>953 322</b>	<b>7.04</b>

Current assets decreased as a result of a considerable decrease in cash and cash equivalents and consumer debtors. Current liabilities decreased mostly due to a decrease in lease liabilities and VAT. Non-current liabilities increased due to an increase in long-term loans, post employee benefit obligation and rehabilitation provisions.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

### 7. DEBTORS

Details regarding the debtors are provided in Note 20 (Long-term receivables), Note 22 (Consumer Debtors) and Note 23 (Other Debtors) of the Notes to the Consolidated Annual Financial Statements.

#### 7.1 Long-term receivables (note 20)

The long-term receivables show an increase of R46.821 million (14.95%). This increase can mainly be ascribed to an increase in the arrangement consumer debtors (increase of R41.213 million).

#### 7.2 Other debtors (note 23)

The Other Debtors (debtors other than consumer debtors – see note 23 for detail) for the Municipality in total increased with an amount of R257.703 million (28.13%). This is mainly the result of an increase in miscellaneous other debtors of R22.809 million and an increase in lease revenue debtor (R2.786 million), increase in smart meter pre-paid debtor (R25.714 million), an increase in sundry persons of R129.795 million and an increase in AARTO fine debtor due to IGRAP1 requirements (R176.027 million). These increases were counteracted by a decrease in waste management debtors to the amount of R107.785 million and a decrease in the AARTO debtor to the amount of R29.839 million. For the Group the Other debtors increased with an amount of R236.123 million since 2013.

#### 7.3 Consumer debtors (note 22)

For the Municipality the gross consumer debtors increased in total with an amount of R649.560 million (9.68%). For the Group the gross consumer debtors increased with an amount of R722.063 million

The increase in debt per customer classification is made up as follows:

Customer classification	Group			Municipality		
	2013/14		2012/13 Restated	2013/14		2012/13 Restated
	Total R-million	Increase/ (Decrease) R-million	Total R-million	Total R-million	Increase/ (Decrease) R-million	Total R-million
Households	5 026 090	491 921	4 534 169	4 549 054	419 418	4 129 636
Industrial/Commercial	2 126 448	53 911	2 072 537	2 126 448	53 911	2 072 537
National and Provincial government	263 703	130 813	132 890	263 703	130 813	132 890
Other	417 252	45 418	371 834	417 252	45 418	371 834
<b>Total</b>	<b>7 833 493</b>	<b>722 063</b>	<b>7 111 430</b>	<b>7 356 457</b>	<b>649 560</b>	<b>6 706 897</b>

The increase/ (decrease) in consumer debt per ageing analysis is as follows:

Age analysis group	Group			Municipality		
	2013/14		2012/13 Restated	2013/14		2012/13 Restated
	Total R-million	Increase/ (Decrease) R-million	Total R-million	Total R-million	Increase/ (Decrease) R-million	Total R-million
Current (0-30 days)	2 588 862	(192 193)	2 781 055	2 111 826	(264 696)	2 376 522
31 – 60 days	229 280	75 983	153 297	229 280	75 983	153 297
61 – 90 days	195 163	44 541	150 622	195 163	44 541	150 622
91 – 120 days	139 098	12 213	126 885	139 098	12 213	126 885
121 – 150 days	113 186	(10 019)	123 205	113 186	(10 019)	123 205
151 – 180 days	135 433	13 458	121 975	135 433	13 458	121 975
181 – 365 days	796 173	133 973	662 200	796 173	133 973	662 200
365 + days	3 636 298	644 107	2 992 191	3 636 298	644 107	2 992 191
<b>Total</b>	<b>7 833 493</b>	<b>722 063</b>	<b>7 111 430</b>	<b>7 356 457</b>	<b>649 560</b>	<b>6 706 897</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

The following is an indication of the effectiveness of credit control and the ability to convert debtors into cash:

Description	Group		Municipality	
	2013/14	2012/13 Restated	2013/14	2012/13 Restated
	R'000	R'000	R'000	R'000
Debits levied : Consumer debtors	16 744 470	15 629 339	16 796 624	15 657 128
Balance on 1 July	7 111 430	5 881 629	6 706 897	5 538 490
Balance on 30 June	7 833 492	7 111 430	7 356 457	6 706 897
Average balance	7 472 461	6 496 529	70 31 677	6 122 694
Days in the financial year	365	366	365	366
Turnover: Number of days	163	152	153	143
Turnover: Number of times (levies/average balance)	2.24	2.41	2.39	2.56

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 actions taken in terms of the credit control policy were not fully effective, since an average collection rate on current billing regressed to 103.7% (2013 = 108.6 %) in 2014. This was the result of a delay in awarding the debt collection tender and the tender of physical credit control actions not being awarded yet.

### 8. CAPITAL EXPENDITURE AND FINANCING (Municipality only)

The Municipality's original approved Capital Expenditure Budget for 2013/14 amounted to R4 345 256 415 which was amended by means of an adjustments budget approved by Council on 30 January 2014 to R4 507 590 226 in total, which resulted in an increase of R162 333 811, primarily to address additional National and Provincial grant allocations and to accommodate unspent grant allocations from the 2012/13 financial year approved by National Treasury in terms of the DoRA.

As in the 2012/13 financial year, management continued to improve the quality of the Fixed Asset Register by purifying data. This has ensured that Capital Expenditure incurred in the current financial year is accurately captured in the fixed asset register as required by the standard of GRAP.

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

Funding source description	Original Budget Municipality 2013/14	Adjusted Budget Municipality 2013/14	Increase/ (Decrease)
	R	R	R
Council Funding	501 895 446	543 122 746	41 227 300
Public Transport Infrastructure and Systems Grant (PTIS)	595 398 969	610 933 139	15 534 170
Neighborhood Development Partnership Grant (NDPG)	100 000 000	201 496 019	101 496 019
Human Settlements Development Grant	58 029 000	60 322 422	2 293 422
Urban Settlements Development Grant (USDG)	1 250 611 000	1 250 611 000	-
Integrated National Electrification Programme (INEP)	65 000 000	65 000 000	-
Capital Replacement Reserve	50 422 000	48 788 799	(1 633 201)
Energy Efficiency Demand Side Management (EEDSM)	-	406 964	406 964
Incentive-Expanded Public Works Programme (EPWP)	-	924 606	924 606
Other contributions	12 000 000	12 099 000	99 000
Financial Management Grant (FMG)	500 000	783 090	283 090
Community Library Services (CLS)	1 000 000	2 502 441	1 502 441
Department of Water Affairs (DWA)	14 000 000	14 000 000	-
Borrowings	1 600 000 000	1 600 000 000	-
Public Contributions and Donations	95 900 000	95 900 000	-
Social Infrastructure Grant	500 000	500 000	-
Gautrans Grant	-	200 000	200 000
<b>TOTAL</b>	<b>4 345 256 415</b>	<b>4 507 590 226</b>	<b>162 333 811</b>

# City of Tshwane Metropolitan Municipality

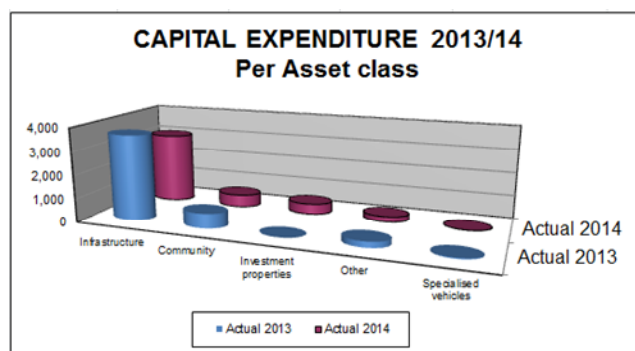
Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

Actual expenditure incurred during the period 1 July 2013 to 30 June 2014 as indicated in the table below amounts to R4 219 402 299 or 94.0% measured against the adjusted budget.

Actual Capital expenditure according to asset class – Municipality			
Type of Asset	Actual 2014	Actual 2013	Actual 2012
	R	R	R
Infrastructure	3 020 198 537	3 636 381 709	2,685,962,678
Community	532 358 032	630 759 927	178,098,141
Investment properties	449 956 618	0	0
Other Assets	224 292 781	247 431 365	226,460,912
Specialised Vehicles	0	35,024,399	25,477,485
Intangibles	1 776 542	906,001	0
<b>TOTAL</b>	<b>4 228 582 510</b>	<b>4 550 503 401</b>	<b>3,115,999,216</b>

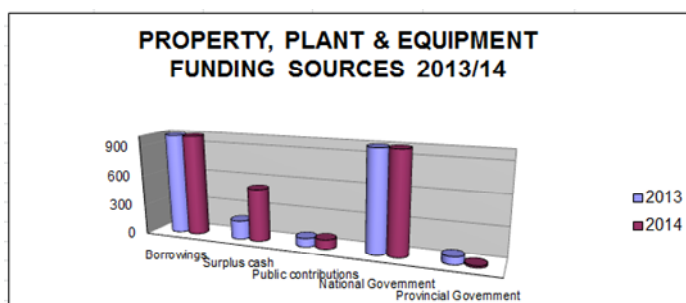
The graph below shows the distribution of the property, plant and equipment according to the type.



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

Actual Capital expenditure per Sources of Finance – Municipality			
Sources of Finance	Actual 2014	Actual 2013	Actual 2012
	R	R	R
External Loans	1 493 166 332	2 129 535 219	1 890 203 416
Surplus Cash	526 849 135	182 987 248	0
Public contributions / donations	93 818 354	86 435 401	0
National Government Transfers and Grants	2 097 657 610	2 076 699 120	1 183 232 736
Provincial Government Transfers and Grants	17 091 079	74 846 413	42 563 063
<b>TOTAL</b>	<b>4 228 582 210</b>	<b>4 550 503 401</b>	<b>3 115 999 215</b>

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 Reserves and External Financing Fund (external loans taken up); can largely influence the following aspects:

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

### 9. CREDITORS

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

Type	Group		Municipality	
	2013/14 R'000	2012/13 Restated R'000	2013/14 R'000	2012/13 Restated R'000
Trade creditors	2 567 449	3 000 689	2 524 571	2 961 231
Payment received in advance	149 302	18 263	149 302	18 263
Accrued leave pay	644 876	602 397	637 564	597 715
Debtors with credit balances	666 193	613 524	666 193	613 524
Retention	372 031	311 223	372 031	311 223
RTMC: AARTO	10 240	10 240	10 240	10 240
13 <sup>th</sup> Cheque accrual	178 612	150 903	176 894	152 785
Other creditors	676 112	584 698	670 312	578 439
<b>Total</b>	<b>5 264 815</b>	<b>5 291 937</b>	<b>5 207 107</b>	<b>5 243 420</b>

### 10. LONG-TERM DEBT

For the Municipality the long-term debt (external loans and lease liabilities) increased from R8.392 billion to R9.262 billion (R0.869 billion increase) during the period under review. This is as a result of the draw downs on long-term loans of R1.6 billion counteracted by the repayment of loans of R729 million. For the Group the long-term debt increased from R8.395 billion to R9.264 billion (R0.869 billion increase).

### 11. ACCUMULATED SURPLUS

For the Municipality the period under review was closed with an accounting accumulated surplus of R14.494 billion compared to R13, 541 billion of 2013. This increase of R0.953 billion is the result of the surplus from operations (i.e. the difference between the total revenue and the total expenditure) for the year.

For the Group the period under review closed with an accounting accumulated surplus of R14.547 billion compared to R13.604 billion of 2013.

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

The City of Tshwane received an unqualified audit opinion for the 2012/13 financial year. There were, however, emphasis of matter paragraph as well as material non-compliance with laws and regulations. In order to ensure an unqualified audit opinion with no findings, 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 an unqualified audit opinion with no findings. 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 during 2012/13 to nominate 28 Operation Clean Audit officers, by 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
- ✓ Assisting 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
- ✓ Monitoring progress
- ✓ Sign-off on readiness for external audit purposes

The OPCA process has seen an improvement in the City of Tshwane's audit outcomes for the year ended 30 June 2013, where there were no material findings on the audit of predetermined objectives. This process is improving year on year and will assist us in achieving and maintaining good governance.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

### 13. CREDIT RATING (Municipality only)

#### 13.1 Global Credit Rating Co. (Pty) Ltd

Global Credit Rating Co. performed a credit rating on City of Tshwane Metropolitan Municipality (the City) during December 2013 and on the 19<sup>th</sup>, assigned on the City, the following rating:

##### *South Africa Local Authority Analysis*

Rating Scale	Rating Type	Long Term	Short Term	Category	Rating Outlook	Rating Action
National	Issuer	A <sub>(ZA)</sub>	A1 <sub>-(ZA)</sub>	Investment Grade	Stable	Affirmation

The above rating is an affirmation of the previous rating, meaning that the level of creditworthiness of the City, as rated in November 2012, remains unchanged, as at December 2013.

- i. The long term rating of A<sub>(ZA)</sub> means that City of Tshwane is categorised as an entity or issuer of high credit quality relative to other issuers in South Africa. Protection factors for investors are good although risk factors are more variable and greater in periods of economic stress.
- ii. The short term rating of A1<sub>-(ZA)</sub> means that the City is categorised as an entity or issuer who exhibits a high certainty of timely payment of short term debt, relative to other issuers in South Africa. Its liquidity factors are strong and supported by good fundamental protection factors and risk factors are very small.

#### 13.2 Moody's Investor Services (Pty) Ltd

Following the annual credit review of the City's financial statements, Moody's assigned the following credit rating on City of Tshwane on 19<sup>th</sup> December 2013:

##### *National Scale Ratings*

Rating Type	Long Term	Short Term	Category	Rating Outlook	Rating Action
Issuer	A2.za	P-2.za	Investment Grade	Negative	Downgrade

This newly assigned credit rating is a one notch downgrade of the City's credit profile in Moody's opinion, in comparison with the previous rating of A1.za long term and P-1.za short term. This rating remains in the category of investment grade and the negative outlook has been assigned to reflect:

- Moody's expectation of continued cash flow pressures and the fiscal challenges associated with increased debt levels,
- A mirror of the negative outlook placed on South Africa's sovereign rating.
  - i. The assigned rating of A2<sub>.ZA</sub> long term means that the City's creditworthiness is categorised as above average relative to other issuers in South Africa.
  - ii. The short term rating of Prime-2<sub>.ZA</sub> means that the City has an above average ability to repay short term debt, relative to other issuers in South Africa.

### 14. MUNICIPAL ENTITIES

In the 2013/14 financial year the City of Tshwane had three (3) active and viable municipal entities functioning in compliance with the Municipal Finance Management Act and the Local Government Systems Act, namely:

- Sandspruit Works Association
- Housing Company Tshwane
- Tshwane Economic Development Agency (TEDA) (started with operations during 2012/13)

Consistent with the previous financial years separate and consolidated financial statements will be compiled for the City of Tshwane and its operational municipal entities, as mentioned above for submission to the Office of the Auditor-General on 30 September 2014. An additional entity taken over from the erstwhile Metsweding District Municipality, MEDA is in the process of being deregistered.

### 15. CASH FLOW MANAGEMENT VS RATIOS

The cash flow situation of the Municipality on 30 June 2014, however, reflects a cash deficit of R524.9 million compared to the R394.2 million cash surplus as at 30 June 2013. This is largely due to the increased investment in capital expenditure in the current financial year compared to the prior year in our quest to



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Report of the Group Chief Financial Officer

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improve service delivery. The cash and cash equivalents decreased from R1 322.1 billion to R797.2 million since 2012/13.

For the Group the cash flow statement reflects a cash deficit of R529.2 million compared to the R409.2 million cash surplus as at 30 June 2013. Cash and cash equivalents decreased from R1.377 billion to R847.8 million since 2012/13.

In the medium term, the City plans to use grant funding and borrowings more to fund capital expenditure and use less of its own cash reserves to ensure that the cash flow position is strengthened and to also ensure that its liabilities and reserves are adequately cash-backed.

### 16. FINANCIAL SUSTAINABILITY

To ensure that the City is financially sustainable and responds to the Growth and Development Strategy, policies, priorities and infrastructure needs a long-term financial strategy (LTFS) was developed and maintained. The objectives LTFS are focusing on:

- 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

In the current economic climate it has become necessary for municipalities to move from short-term to long-term planning and a long-term sustainability strategy is needed that complies with financial viability, financial sustainability and value for money. 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 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. 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
- Detailed quarterly financial reviews

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.

These interventions and together with a dedicated management team will lead us to the achievement of the Tshwane vision 2055, which is premised on establishing the City of Tshwane as the African Capital City of Excellence.

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**Umar Banda, CA (SA)**  
**Acting GROUP CHIEF FINANCIAL OFFICER**

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

	Note(s)	Group		Municipality	
		2014 R	2013 Restated* R	2014 R	2013 Restated* R
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	21	391,915,943	402,238,641	388,533,035	399,467,833
Current portion of long-term receivables	20	162,118,924	119,303,329	162,118,924	119,303,329
Other debtors	23	652,312,213	543,370,586	633,834,417	524,945,033
VAT receivable	12	1,785,209	2,966,732	-	-
Consumer debtors	22	2,534,752,267	3,146,867,833	2,518,811,868	3,130,419,087
Call investment deposits	19	622,948,673	636,003,487	622,948,673	636,003,487
Cash and cash equivalents	24	224,867,307	740,967,794	174,299,426	686,118,280
		<b>4,590,700,536</b>	<b>5,591,718,402</b>	<b>4,500,546,343</b>	<b>5,496,257,049</b>
<b>Non-Current Assets</b>					
Investment property	14	864,677,551	955,258,052	851,177,551	942,058,052
Property, plant and equipment	13	26,090,032,722	22,627,085,296	26,071,567,438	22,615,657,612
Leased assets	17	9,931,773	84,478,029	9,931,773	84,478,029
Intangible assets	15	392,033,888	459,744,030	391,730,090	459,581,178
Heritage assets	16	25,750,552	25,751,081	25,750,552	25,751,081
Investments	19	5,807,092	4,986,212	5,807,092	4,986,212
Long-term receivables	20	108,213,966	104,208,702	108,213,966	104,208,702
Deferred tax	63	-	17,696	-	-
Interest rate swap asset	71	34,411,454	81,554,131	34,411,454	81,554,131
		<b>27,530,858,998</b>	<b>24,343,083,229</b>	<b>27,498,589,916</b>	<b>24,318,274,997</b>
Non-current assets held for sale	18	170,509	56	170,509	56
<b>Total Assets</b>		<b>32,121,730,043</b>	<b>29,934,801,687</b>	<b>31,999,306,768</b>	<b>29,814,532,102</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Long-term liabilities	4	507,460,155	535,106,566	507,144,757	534,791,168
Lease liabilities	5	10,624,474	81,977,331	10,624,474	81,977,331
Deferred operating lease liability	64	2,608,775	3,117,455	2,308,997	2,990,938
Payables from exchange transactions	10	5,264,814,545	5,291,936,586	5,207,107,468	5,243,419,994
VAT payable	12	45,916,232	91,975,271	45,916,232	91,975,271
Consumer deposits	9	413,750,974	421,669,621	410,025,312	418,175,945
Unspent grants and receipts	11	134,328,118	126,494,481	132,498,219	125,330,239
Taxation		3,071,875	1,136,191	-	-
		<b>6,382,575,148</b>	<b>6,553,413,502</b>	<b>6,315,625,459</b>	<b>6,498,660,886</b>
<b>Non-Current Liabilities</b>					
Long-term liabilities	4	8,746,039,145	7,766,929,898	8,743,549,702	7,764,124,985
Lease liabilities	5	210,183	10,834,657	210,183	10,834,657
Deferred operating lease liability	64	481,254	2,372,547	-	2,308,997
Employee benefit obligation	45	1,955,900,647	1,755,107,675	1,955,900,647	1,755,107,675
Deferred tax	63	9,700	-	-	-
Provisions	6	445,694,280	242,601,531	445,691,718	242,601,531
Interest rate swap liability		44,114,153	-	44,114,153	-
		<b>11,192,449,362</b>	<b>9,777,846,308</b>	<b>11,189,466,403</b>	<b>9,774,977,845</b>
<b>Total Liabilities</b>		<b>17,575,024,510</b>	<b>16,331,259,810</b>	<b>17,505,091,862</b>	<b>16,273,638,731</b>
<b>Net Assets</b>		<b>14,546,705,533</b>	<b>13,603,541,877</b>	<b>14,494,214,906</b>	<b>13,540,893,371</b>
<b>Net Assets</b>					
Accumulated surplus	44	14,546,705,533	13,603,541,877	14,494,214,906	13,540,893,371

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

	Note(s)	Group		Municipality	
		2014 R	2013 Restated* R	2014 R	2013 Restated* R
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	26	12,312,128,924	11,629,893,689	12,364,114,235	11,657,541,940
Rental of facilities and equipment		112,856,800	105,913,732	109,863,153	103,459,442
Interest received - outstanding consumer debtors		326,815,627	276,805,756	299,341,658	253,250,109
Licences and permits		55,801,028	58,658,683	55,801,028	58,658,683
Other income	28	677,612,767	646,417,989	673,396,789	649,298,896
Investment revenue	34	52,427,699	62,828,008	51,799,573	62,236,528
<b>Total revenue from exchange transactions</b>		<b>13,537,642,845</b>	<b>12,780,517,857</b>	<b>13,554,316,436</b>	<b>12,784,445,598</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	25	4,432,341,534	3,999,445,615	4,432,509,394	3,999,585,718
<b>Transfer revenue</b>					
Government grants, subsidies, awards and donations	27	4,976,054,018	4,744,008,496	4,976,054,018	4,744,008,495
Public contributions and donations		237,944,478	152,709,701	237,944,478	152,709,701
Fines		196,885,787	37,645,293	196,885,787	37,645,293
<b>Total revenue from non-exchange transactions</b>		<b>9,843,225,817</b>	<b>8,933,809,105</b>	<b>9,843,393,677</b>	<b>8,933,949,207</b>
<b>Total revenue</b>		<b>23,380,868,662</b>	<b>21,714,326,962</b>	<b>23,397,710,113</b>	<b>21,718,394,805</b>
<b>Expenditure</b>					
Employee related cost	29	(6,085,985,562)	(5,326,477,708)	(5,977,333,289)	(5,247,100,572)
Remuneration of councillors	31	(96,788,502)	(92,573,294)	(96,788,502)	(92,573,294)
Depreciation and amortisation	32	(1,237,477,456)	(1,126,051,522)	(1,233,847,162)	(1,123,768,704)
Impairment loss/ Reversal of impairments	65	(5,200,760)	(4,818,771)	(5,200,760)	(4,818,771)
Finance costs	33	(813,986,128)	(731,899,729)	(813,090,999)	(731,045,020)
Debt impairment	35	(1,400,623,038)	(951,619,336)	(1,304,906,055)	(874,303,916)
Collection costs		(92,113,866)	(95,806,975)	(92,048,535)	(95,800,895)
Repairs and maintenance		(1,305,150,179)	(1,422,225,984)	(1,302,647,008)	(1,412,290,110)
Bulk purchases	36	(7,028,472,531)	(6,692,682,287)	(7,148,341,187)	(6,790,325,568)
Grants and subsidies paid	37	(22,006,956)	(17,290,290)	(22,006,956)	(17,290,290)
General Expenses	38	(4,149,102,740)	(3,194,830,680)	(4,249,106,890)	(3,299,698,583)
<b>Total expenditure</b>		<b>(22,236,907,718)</b>	<b>(19,656,276,576)</b>	<b>(22,245,317,343)</b>	<b>(19,689,015,723)</b>
<b>Operating surplus</b>					
Gain/(loss) on disposal of assets and liabilities		(151,649,954)	(281,948,993)	(151,586,980)	(281,686,933)
Profit/(Loss) on foreign exchange transactions		42,326	(760,902)	42,326	(760,902)
Fair value adjustments		(47,226,582)	79,227,638	(47,526,582)	81,898,475
		<b>(198,834,210)</b>	<b>(203,482,257)</b>	<b>(199,071,236)</b>	<b>(200,549,360)</b>
<b>Surplus before taxation</b>		<b>945,126,734</b>	<b>1,854,568,129</b>	<b>953,321,534</b>	<b>1,828,829,722</b>
Taxation (TEDA)	66	1,963,079	1,118,495	-	-
<b>Surplus for the year</b>		<b>943,163,655</b>	<b>1,853,449,634</b>	<b>953,321,534</b>	<b>1,828,829,722</b>

The National Treasury classification of expenditure is disclosed in note 70

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Group</b>		
Opening balance as previously reported	11,956,613,655	11,956,613,655
Adjustments		
Prior year adjustments (refer to note 48)	(206,521,412)	(206,521,412)
<b>Balance at 01 July 2012 as restated*</b>	<b>11,750,092,243</b>	<b>11,750,092,243</b>
Changes in net assets		
Surplus for the year	1,853,449,634	1,853,449,634
Total changes	1,853,449,634	1,853,449,634
<b>Restated* Balance at 01 July 2013</b>	<b>13,603,541,878</b>	<b>13,603,541,878</b>
Changes in net assets		
Surplus for the year	943,163,655	943,163,655
Total changes	943,163,655	943,163,655
<b>Balance at 30 June 2014</b>	<b>14,546,705,533</b>	<b>14,546,705,533</b>
Note(s)	44	
<b>Municipality</b>		
Opening balance as previously reported	11,926,638,480	11,926,638,480
Adjustments		
Prior year adjustments (refer to note 48)	(214,574,831)	(214,574,831)
<b>Balance at 01 July 2012 as restated*</b>	<b>11,712,063,649</b>	<b>11,712,063,649</b>
Changes in net assets		
Surplus for the year	1,828,829,722	1,828,829,722
Total changes	1,828,829,722	1,828,829,722
<b>Restated* Balance at 01 July 2013</b>	<b>13,540,893,372</b>	<b>13,540,893,372</b>
Changes in net assets		
Surplus for the year	953,321,534	953,321,534
Total changes	953,321,534	953,321,534
<b>Balance at 30 June 2014</b>	<b>14,494,214,906</b>	<b>14,494,214,906</b>
Note(s)	44	

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

	Note(s)	Group		Municipality	
		2014 R	2013 R	2014 R	2013 R
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Cash receipts from other revenue sources		1,066,971,302	71,507,069	3,747,875,554	(98,019,311)
Cash receipts from rate payers and service charges		16,744,470,458	15,629,339,304	14,174,122,626	15,657,127,659
Grants		4,984,560,786	4,506,577,074	4,983,222,000	4,744,008,495
Interest income		52,427,699	62,828,008	51,799,573	62,236,528
		<u>22,848,430,245</u>	<u>20,270,251,455</u>	<u>22,957,019,753</u>	<u>20,365,353,371</u>
<b>Payments</b>					
Cash paid to employees		(6,182,774,064)	(5,419,051,002)	(6,074,121,790)	(5,339,673,867)
Cash paid to suppliers		(12,651,146,942)	(10,796,393,421)	(12,876,189,503)	(10,989,630,441)
Finance costs		(813,986,128)	(731,899,729)	(813,090,999)	(731,045,020)
Transfers and grants		(22,006,956)	(17,290,290)	(22,006,956)	(17,290,290)
		<u>(19,669,914,090)</u>	<u>(16,964,634,442)</u>	<u>(19,785,409,248)</u>	<u>(17,077,639,618)</u>
<b>Net cash flows from operating activities</b>	39	<u><b>3,178,516,155</b></u>	<u><b>3,305,617,013</b></u>	<u><b>3,171,610,505</b></u>	<u><b>3,287,713,753</b></u>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	13	(4,628,611,029)	(4,487,430,214)	(4,617,961,242)	(4,485,034,128)
Purchase /redemption of leased assets	17	117,884	(176,827)	117,884	(176,827)
Proceeds from sale of property, plant and equipment	13	(20,591,172)	(143,122,581)	(20,591,172)	(143,122,577)
Purchase of investment property	14	-	(18,307,493)	-	(18,307,493)
Proceeds from sale of investment property	14	23,316,350	11,350,495	23,316,350	11,350,495
Purchase of other intangible assets	15	(9,267,146)	(3,301,658)	(9,045,120)	(3,134,989)
Proceeds from sale of other intangible assets	15	13,434,315	-	13,434,315	-
Purchase of heritage assets	16	(7)	-	(7)	-
Proceeds from sale of heritage assets	16	536	-	536	-
Movement in financial assets		(47,641,739)	62,075,063	(47,641,739)	62,075,063
Movement in interest rate swap asset		47,142,677	(81,554,132)	47,142,677	(81,554,132)
Movement in interest rate swap liability		44,114,153	-	44,114,153	-
<b>Net cash flows from investing activities</b>		<u><b>(4,577,985,178)</b></u>	<u><b>(4,660,467,347)</b></u>	<u><b>(4,567,113,365)</b></u>	<u><b>(4,657,904,588)</b></u>
<b>Cash flows from financing activities</b>					
Proceeds from long-term liabilities		1,600,000,000	4,142,000,000	1,600,000,000	4,142,000,000
Repayment of long-term liabilities		(648,537,164)	(2,274,851,402)	(648,221,694)	(2,274,536,019)
Finance lease payments		(81,149,114)	(103,105,411)	(81,149,114)	(103,105,411)
<b>Net cash flows from financing activities</b>		<u><b>870,313,722</b></u>	<u><b>1,764,043,187</b></u>	<u><b>870,629,192</b></u>	<u><b>1,764,358,570</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(529,155,301)</b></u>	<u><b>409,192,853</b></u>	<u><b>(524,873,668)</b></u>	<u><b>394,167,735</b></u>
Cash and cash equivalents at the beginning of the year		1,376,971,281	967,778,428	1,322,121,767	927,954,032
<b>Cash and cash equivalents at the end of the year</b>	24	<u><b>847,815,980</b></u>	<u><b>1,376,971,281</b></u>	<u><b>797,248,099</b></u>	<u><b>1,322,121,767</b></u>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of comparison of budget and actual amounts

	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
<b>Group - 2014</b>											
<b>Financial Performance</b>											
Property rates	4,464,237,900	(2,550,000)	4,461,687,900	-	-	4,461,687,900	4,432,341,534	-	(29,346,366)	99 %	99 %
Service charges	13,191,544,090	(195,702,000)	12,995,842,090	-	-	12,995,842,090	12,312,128,924	-	(683,713,166)	95 %	93 %
Investment revenue	38,337,400	-	38,337,400	-	-	38,337,400	52,427,699	-	14,090,299	137 %	137 %
Transfers recognised - operational	2,866,024,031	38,912,487	2,904,936,518	-	-	2,904,936,518	2,861,382,433	-	(43,554,085)	99 %	100 %
Other own revenue	1,549,923,660	(19,179,601)	1,530,744,059	-	-	1,530,744,059	1,613,145,907	-	82,401,848	105 %	104 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>22,110,067,081</b>	<b>(178,519,114)</b>	<b>21,931,547,967</b>	<b>-</b>	<b>-</b>	<b>21,931,547,967</b>	<b>21,271,426,497</b>	<b>-</b>	<b>(660,121,470)</b>	<b>97 %</b>	<b>96 %</b>
Employee costs	(6,133,132,498)	9,782,331	(6,123,350,167)	-	-	(6,123,350,167)	(6,085,985,562)	-	37,364,605	99 %	99 %
Remuneration of councillors	(102,364,636)	213,000	(102,151,636)	-	-	(102,151,636)	(96,788,502)	-	5,363,134	95 %	95 %
Debt impairment	(947,408,116)	154,401,895	(793,006,221)	-	-	(793,006,221)	(1,400,446,405)	(607,440,184)	(607,440,184)	177 %	148 %
Depreciation and asset impairment	(954,207,760)	(111,860,859)	(1,066,068,619)	-	-	(1,066,068,619)	(1,242,678,216)	(176,609,597)	(176,609,597)	117 %	130 %
Finance charges	(858,820,786)	43,335,853	(815,484,933)	-	-	(815,484,933)	(813,986,128)	-	1,498,805	100 %	95 %
Materials and bulk purchases	(8,132,501,211)	460,168,899	(7,672,332,312)	-	-	(7,672,332,312)	(7,340,340,819)	-	331,991,493	96 %	90 %
Transfers and grants	(242,917,500)	7,040,548	(235,876,952)	-	-	(235,876,952)	(227,042,145)	-	8,834,807	96 %	93 %
Other expenditure	(4,777,450,574)	(407,336,552)	(5,184,787,126)	-	-	(5,184,787,126)	(5,233,703,571)	(48,916,445)	(48,916,445)	101 %	110 %
<b>Total expenditure</b>	<b>(22,148,803,081)</b>	<b>155,745,115</b>	<b>(21,993,057,966)</b>	<b>-</b>	<b>-</b>	<b>(21,993,057,966)</b>	<b>(22,440,971,348)</b>	<b>(832,966,226)</b>	<b>(447,913,382)</b>	<b>102 %</b>	<b>101 %</b>
<b>Surplus/(Deficit)</b>	<b>(38,736,000)</b>	<b>(22,773,999)</b>	<b>(61,509,999)</b>	<b>-</b>	<b>-</b>	<b>(61,509,999)</b>	<b>(1,169,544,851)</b>	<b>-</b>	<b>(1,108,034,852)</b>	<b>1,901 %</b>	<b>1,901 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of comparison of budget and actual amounts

	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
Transfers recognised - capital	2,144,538,969	136,776,548	2,281,315,517	-		2,281,315,517	2,114,671,585		(166,643,932)	93 %	99 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>2,105,802,969</b>	<b>114,002,549</b>	<b>2,219,805,518</b>	<b>-</b>		<b>2,219,805,518</b>	<b>945,126,734</b>		<b>(1,274,678,784)</b>	<b>43 %</b>	<b>45 %</b>
Taxation	-	-	-	-		-	1,963,079		1,963,079	- %	- %
<b>Surplus/(Deficit) for the year</b>	<b>2,105,802,969</b>	<b>114,002,549</b>	<b>2,219,805,518</b>	<b>-</b>		<b>2,219,805,518</b>	<b>943,163,655</b>		<b>(1,276,641,863)</b>	<b>42 %</b>	<b>45 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	4,345,256,415	162,333,811	4,507,590,226	-		4,507,590,226	4,228,582,512		(279,007,714)	94 %	97 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	2,097,038,969	122,739,712	2,219,778,681	-		2,219,778,681	2,114,748,689		(105,029,992)	95 %	101 %
Public contributions and donations	95,900,000	-	95,900,000	-		95,900,000	93,818,354		(2,081,646)	98 %	98 %
Borrowing	1,600,000,000	-	1,600,000,000	-		1,600,000,000	1,493,166,334		(106,833,666)	93 %	93 %
Internally generated funds	552,317,446	39,594,099	591,911,545	-		591,911,545	526,849,135		(65,062,410)	89 %	95 %
<b>Total sources of capital funds</b>	<b>4,345,256,415</b>	<b>162,333,811</b>	<b>4,507,590,226</b>	<b>-</b>		<b>4,507,590,226</b>	<b>4,228,582,512</b>		<b>(279,007,714)</b>	<b>94 %</b>	<b>97 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of comparison of budget and actual amounts

	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
<b>Cash flows</b>											
Net cash from (used) operating	3,265,324,434	141,670,095	3,406,994,529	-		3,406,994,529	3,178,516,155		(228,478,374)	93 %	97 %
Net cash from (used) investing	(4,231,679,486)	(135,121,172)	(4,366,800,658)	-		(4,366,800,658)	(4,577,985,178)		(211,184,520)	105 %	108 %
Net cash from (used) financing	980,551,637	31,466,148	1,012,017,785	-		1,012,017,785	870,313,722		(141,704,063)	86 %	89 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,196,585</b>	<b>38,015,071</b>	<b>52,211,656</b>	<b>-</b>		<b>52,211,656</b>	<b>(529,155,301)</b>		<b>(581,366,957)</b>	<b>(1,013)%</b>	<b>(3,727)%</b>
Cash and cash equivalents at the beginning of the year	1,676,374,360	(260,510,668)	1,415,863,692	-		1,415,863,692	1,376,971,281		(38,892,411)	97 %	82 %
<b>Cash and cash equivalents at year end</b>	<b>1,690,570,945</b>	<b>(222,495,597)</b>	<b>1,468,075,348</b>	<b>-</b>		<b>1,468,075,348</b>	<b>847,815,980</b>		<b>(620,259,368)</b>	<b>58 %</b>	<b>50 %</b>



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
<b>Group - 2013</b>				
<b>Financial Performance</b>				
Property rates				3,999,445,615
Service charges				11,629,893,689
Investment revenue				62,828,008
Transfers recognised - operational				2,592,462,963
Other own revenue				1,288,308,346
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>19,572,938,621</b>
Employee costs	-	-	-	(5,326,477,708)
Remuneration of councillors	-	-	-	(92,573,294)
Debt impairment	-	-	-	(951,619,336)
Depreciation and asset impairment	-	-	-	(1,130,870,293)
Finance charges	-	-	-	(731,899,729)
Materials and bulk purchases	-	-	-	(7,136,746,952)
Transfers and grants	-	-	-	(17,290,290)
Other expenditure	-	-	-	(4,482,438,423)
<b>Total expenditure</b>	-	-	-	<b>(19,869,916,025)</b>
<b>Surplus/(Deficit)</b>				<b>(296,977,404)</b>
Transfers recognised - capital				2,151,545,533
Contributions recognised - capital and contributed assets				-
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>1,854,568,129</b>
Taxation				1,118,495
<b>Surplus/(Deficit) for the year</b>				<b>1,853,449,634</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	v
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				4,550,503,401
<b>Sources of capital funds</b>				
Transfers recognised - capital				(2,151,545,533)
Public contributions and donations				(86,435,401)
Borrowing				(2,126,587,938)
Internally generated funds				(185,934,529)
<b>Total sources of capital funds</b>				<b>(4,550,503,401)</b>
<b>Cash flows</b>				
Net cash from (used) operating				3,305,617,013
Net cash from (used) investing				(4,660,467,347)
Net cash from (used) financing				1,764,043,187
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>409,192,853</b>
Cash and cash equivalents at the beginning of the year				967,778,428
<b>Cash and cash equivalents at year end</b>				<b>1,376,971,281</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of comparison of budget and actual amounts

	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
<b>Municipality - 2014</b>											
<b>Financial Performance</b>											
Property rates	4,464,237,900	(2,550,000)	4,461,687,900	-	-	4,461,687,900	4,432,509,394	-	(29,178,506)	99 %	99 %
Service charges	12,941,255,090	(189,450,000)	12,751,805,090	-	-	12,751,805,090	12,364,114,235	-	(387,690,855)	97 %	96 %
Investment revenue	38,337,400	-	38,337,400	-	-	38,337,400	51,799,573	-	13,462,173	135 %	135 %
Transfers recognised - operational	2,866,024,031	24,539,486	2,890,563,517	-	-	2,890,563,517	2,861,382,433	-	(29,181,084)	99 %	100 %
Other own revenue	1,337,121,660	(21,590,601)	1,315,531,059	-	-	1,315,531,059	1,578,462,313	-	262,931,254	120 %	118 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>21,646,976,081</b>	<b>(189,051,115)</b>	<b>21,457,924,966</b>	<b>-</b>	<b>-</b>	<b>21,457,924,966</b>	<b>21,288,267,948</b>	<b>-</b>	<b>(169,657,018)</b>	<b>99 %</b>	<b>98 %</b>
Employee costs	(6,027,862,498)	19,347,331	(6,008,515,167)	-	-	(6,008,515,167)	(5,977,333,289)	-	31,181,878	99 %	99 %
Remuneration of councillors	(101,079,636)	3,250,000	(97,829,636)	-	-	(97,829,636)	(96,788,502)	-	1,041,134	99 %	96 %
Debt impairment	(867,976,116)	158,406,895	(709,569,221)	-	-	(709,569,221)	(1,304,906,055)	(595,336,834)	(595,336,834)	184 %	150 %
Depreciation and asset impairment	(951,257,760)	(112,363,859)	(1,063,621,619)	-	-	(1,063,621,619)	(1,239,047,922)	(175,426,303)	(175,426,303)	116 %	130 %
Finance charges	(858,810,786)	43,871,853	(814,938,933)	-	-	(814,938,933)	(813,090,999)	-	1,847,934	100 %	95 %
Materials and bulk purchases	(8,006,089,211)	460,168,899	(7,545,920,312)	-	-	(7,545,920,312)	(7,460,209,475)	-	85,710,837	99 %	93 %
Transfers and grants	(242,917,500)	7,040,548	(235,876,952)	-	-	(235,876,952)	(227,042,145)	-	8,834,807	96 %	93 %
Other expenditure	(4,590,982,574)	(390,670,552)	(4,981,653,126)	-	-	(4,981,653,126)	(5,332,199,613)	(350,546,487)	(350,546,487)	107 %	116 %
<b>Total expenditure</b>	<b>(21,646,976,081)</b>	<b>189,051,115</b>	<b>(21,457,924,966)</b>	<b>-</b>	<b>-</b>	<b>(21,457,924,966)</b>	<b>(22,450,618,000)</b>	<b>(1,121,309,624)</b>	<b>(992,693,034)</b>	<b>105 %</b>	<b>104 %</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,162,350,052)</b>	<b>-</b>	<b>(1,162,350,052)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Transfers recognised - capital	2,097,038,969	122,739,712	2,219,778,681	-	-	2,219,778,681	2,114,671,585	-	(105,107,096)	95 %	101 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>2,097,038,969</b>	<b>122,739,712</b>	<b>2,219,778,681</b>	<b>-</b>	<b>-</b>	<b>2,219,778,681</b>	<b>952,321,533</b>	<b>-</b>	<b>(1,267,457,148)</b>	<b>43 %</b>	<b>45 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,097,038,969</b>	<b>122,739,712</b>	<b>2,219,778,681</b>	<b>-</b>	<b>-</b>	<b>2,219,778,681</b>	<b>952,321,533</b>	<b>-</b>	<b>(1,267,457,148)</b>	<b>43 %</b>	<b>45 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of comparison of budget and actual amounts

	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
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	4,345,256,415	162,333,811	4,507,590,226	-		4,507,590,226	4,228,582,512		(279,007,714)	94 %	97 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	2,097,038,969	122,739,712	2,219,778,681	-		2,219,778,681	2,114,748,689		(105,029,992)	95 %	101 %
Public contributions and donations	95,900,000	-	95,900,000	-		95,900,000	93,818,354		(2,081,646)	98 %	98 %
Borrowing	1,600,000,000	-	1,600,000,000	-		1,600,000,000	1,493,166,334		(106,833,666)	93 %	93 %
Internally generated funds	552,317,446	39,594,099	591,911,545	-		591,911,545	526,849,135		(65,062,410)	89 %	95 %
<b>Total sources of capital funds</b>	<b>4,345,256,415</b>	<b>162,333,811</b>	<b>4,507,590,226</b>	<b>-</b>		<b>4,507,590,226</b>	<b>4,228,582,512</b>		<b>(279,007,714)</b>	<b>94 %</b>	<b>97 %</b>
<b>Cash flows</b>											
Net cash from (used) operating	3,230,219,890	145,794,475	3,376,014,365	-		3,376,014,365	3,171,610,505		(204,403,860)	94 %	98 %
Net cash from (used) investing	(4,205,764,179)	(142,359,283)	(4,348,123,462)	-		(4,348,123,462)	(4,567,113,365)		(218,989,903)	105 %	109 %
Net cash from (used) financing	980,667,035	31,250,666	1,011,917,701	-		1,011,917,701	870,629,192		(141,288,509)	86 %	89 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,122,746</b>	<b>34,685,858</b>	<b>39,808,604</b>	<b>-</b>		<b>39,808,604</b>	<b>(524,873,668)</b>		<b>(564,682,272)</b>	<b>(1,318)%</b>	<b>(10,246)%</b>
Cash and cash equivalents at the beginning of the year	1,634,040,318	(311,918,549)	1,322,121,769	-		1,322,121,769	1,322,121,767		(2)	100 %	81 %
<b>Cash and cash equivalents at year end</b>	<b>1,639,163,064</b>	<b>(277,232,691)</b>	<b>1,361,930,373</b>	<b>-</b>		<b>1,361,930,373</b>	<b>797,248,099</b>		<b>564,682,274</b>	<b>59 %</b>	<b>49 %</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
<b>Municipality - 2013</b>				
<b>Financial Performance</b>				
Property rates				3,999,585,718
Service charges				11,657,541,940
Investment revenue				62,236,528
Transfers recognised - operational				2,592,462,962
Other own revenue				1,265,179,316
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>19,577,006,464</b>
Employee costs	-	-	-	(5,247,100,572)
Remuneration of councillors	-	-	-	(92,573,294)
Debt impairment	-	-	-	(874,303,916)
Depreciation and asset impairment	-	-	-	(1,128,587,475)
Finance charges	-	-	-	(731,045,020)
Materials and bulk purchases	-	-	-	(7,234,390,233)
Transfers and grants	-	-	-	(17,290,290)
Other expenditure	-	-	-	(4,574,431,474)
<b>Total expenditure</b>	-	-	-	<b>(19,899,722,274)</b>
<b>Surplus/(Deficit)</b>				<b>(322,715,810)</b>
Transfers recognised - capital				2,151,545,533
Contributions recognised - capital and contributed assets				-
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>1,828,829,723</b>
<b>Surplus/(Deficit) for the year</b>				<b>1,828,829,723</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	v
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				4,550,503,401
<b>Sources of capital funds</b>				
Transfers recognised - capital				(2,151,545,533)
Public contributions and donations				(86,435,401)
Borrowing				(2,126,587,938)
Internally generated funds				(185,934,529)
<b>Total sources of capital funds</b>				<b>(4,550,503,401)</b>
<b>Cash flows</b>				
Net cash from (used) operating				3,287,713,753
Net cash from (used) investing				(4,657,904,588)
Net cash from (used) financing				1,764,358,570
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>394,167,735</b>
Cash and cash equivalents at the beginning of the year				927,954,032
<b>Cash and cash equivalents at year end</b>				<b>1,322,121,767</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1. Basis of preparation of annual financial statements

The consolidated annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003). The reporting framework is as prescribed by the Accounting Standards Board in Directive 5.

These consolidated annual 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 in the preparation of these consolidated annual financial statements, are disclosed below.

#### 1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the functional currency of the group and amounts have been rounded to the nearest Rand.

#### 1.2 Consolidation

##### Basis of consolidation

The consolidated annual financial statements are the consolidated annual financial statements of the group presented as those of a single entity.

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

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

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

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

The term "economic entity" is used in GRAP 6 to define, for financial reporting purposes, a group of entities comprising the controlling entity and any controlled entities. Other terms sometimes used to refer to an economic entity include "administrative entity", "financial entity", "consolidated entity" and "group". For ease of reference and understanding the term "group" is used to refer to the "economic entity" and "municipality" is used to refer to the "controlling entity" in these consolidated annual financial statements.

#### 1.3 Going concern assumption

These consolidated annual financial statements have been prepared on a going concern basis, i.e. the assumption that the group will continue to operate as a going concern for at least the next 12 months. Refer to note 67.

#### 1.4 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 group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

##### Trade receivables /Investments and/or loans and receivables

The group 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 group follows the guidance of GRAP 104 to determine when a financial asset is impaired. This determination requires significant judgment. In making this judgment, the group 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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

#### 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 group 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 group 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 group 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.

#### Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### 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 45.

#### Effective interest rate

The group uses the weighted average interest rate on external borrowings to discount future cash flows.

#### Allowance for doubtful debts

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

### 1.5 Biological assets (game)

Biological assets (game) - disclosed under property, plant and equipment are measured at their fair value less costs to sell.

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

A gain or loss arising on initial recognition of biological assets (game) - disclosed under property, plant and equipment at fair value less costs to sell and from a change in fair value less costs to sell of biological assets (game) - disclosed under property, plant and equipment is included in surplus or deficit for the period in which it arises.

### 1.6 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 group, 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.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.6 Investment property (continued)

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

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.

Subsequent to initial measurement 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.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	25 - 60

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

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 asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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..

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value from the day that the asset is ready for use. Residual value is what the asset would currently receive if in the condition it would be at the end of its useful life. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each reporting date and any changes are recognised as a change in accounting estimate in 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 programs are taken into account.

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

<b>Asset category</b>	<b>Average useful life (Years)</b>
<b>Infrastructure: Electricity</b>	
• Cables	20-55
• 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	10-30
• Meters: Credit	20-30
• Perimeter protection	20-30
• Pole/structure	20-50
• Substations: Civil	20-50
• Substations: Equipment	20-50
• Substations: Switchgear	20-50
• Transformers	25-50
<b>Infrastructure: Water</b>	
• Meters	10-20
• Bulk meters	40-120
• Supply/reticulation	40-120
• Pump station: Civil	30-55
• Pump station: Electrical	15-40
• Pump station: Mechanical	15-40
• Pump station: Perimeter protection	10-30
• Pump station: Pipe works	40-120
• Pressure relief valve station: Civil	30-55
• Pressure relief valve station: Electrical	15-40
• Pressure relief valve station: Metal work	10-40
• Pressure relief valve station: Perimeter protection	10-30
• Pressure relief valve station: Pipe works	40-120
• Boreholes: Structure	30-50
• Boreholes: Civil	20-55
• Boreholes: Electrical	15-40
• Boreholes: Mechanical	15-40
• Boreholes: Perimeter protection	10-30
• 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	10-30
• Water treatment plant: Metal work	10-40
• Water treatment plant: Pipe works	40-120
• Service reservoir: Structure	30-50
• Service reservoir: Civil	30-55

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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<b>1.7 Property, plant and equipment (continued)</b>	
• Service reservoir: Electrical	15-40
• Service reservoir: Mechanical	15-40
• Service reservoir: Metal work	10-40
• 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	10-30
• Dams/weirs/fountains: Pipe works	40-120
<b>Sewerage</b>	
• Bulk meter	40-120
• Outfall sewer: Civil	30-55
• Outfall sewer: Electrical	15-50
• Sewerage pump station: Structure	30-55
• Sewerage pump station: Electrical	15-50
• Sewerage pump station: Mechanical	15-40
• Sewerage pump station: Perimeter protection	10-30
• Sewerage pump station: Pipe works	40-120
• Sewerage pump station: Metal work	10-40
• Sewer reticulation: Structure	30-55
• Sewer reticulation: Pipe works	40-120
• Waste water treatment plant: Structure	30-55
• Waste water treatment plant: Electrical	15-50
• Waste water treatment plant: Mechanical	15-40
• Waste water treatment plant: Perimeter protection	10-30
• Waste water treatment plant: Pipe works	40-120
• Reservoir	30-50
<b>Buildings</b>	
• Dwellings (hostels, housing schemes, residences, etc)	25-60
• Non-residential (agricultural, clinics, fire stations, museums, etc)	25-60
• Non-residential: Perimeter protection	10-45
<b>Landscaping</b>	
• Landscaping	10-15
<b>Solid waste disposal:</b>	
• Tip site: Structure	25-30
<b>Railways:</b>	
• Sidings	25-30
<b>Roads:</b>	
• Bridges: Vehicle (concrete)	50-80
• Bridges: Pedestrian (concrete)	50-80
• Storm water: Culverts	25-50
• Storm water: Inlet, junction point, outlet	2-50
• Storm water: Pipes	25-50
• Roads: Kerb and channels	20-50
• Roads: Municipal roads - butimen layer	20-45
• Roads: Municipal roads - butimen surface	10-60
• Roads: Municipal roads - mixed surface layer	20-45
• Roads: Municipal roads - mixed surface surface	10-50
• Roads: Municipal roads - paving blocks layer	10-45
• Roads: Municipal roads - paving blocks surface	10-50
• Roads: Municipal roads - unpaved layer	10-45
• Roads: Municipal roads - unpaved surface	10-50
• 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
<b>Cemeteries</b>	
• Cemeteries	25-55
<b>Other machinery and equipment:</b>	
• Irrigation equipment	10-15
• Cold room	10-15
• Telecommunication equipment	3-30

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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

#### Computer equipment:

- Networks 3-20

#### Heritage assets:

- Historical buildings 25-30

#### Other:

- Specialist vehicles 8-25
- Other vehicles 8-55
- Office equipment 5-25
- Furniture and fittings 5-30
- Watercraft 5-20
- Bins and containers 5-15
- Specialist plant and equipment 10-45
- Other plant and equipment 10-45
- Landfill sites and quarries 1-50
- Books 5-30
- Library material 5-30

#### Leased assets

- Vehicles, equipment, etc 3-20

#### Livestock

- Livestock 8-20

#### Community assets

- Recreation facilities 15-50
- Playing apparatus 5-35

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### 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 group. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

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

The group 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.

#### 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.9 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the group or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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 group; and
- the cost or fair value of the asset can be measured reliably.

The group assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

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.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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
Computer software - entities	3 years
Servitudes	Indefinite

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.9 Intangible assets (continued)

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.

### 1.10 Internal reserves

#### 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.
- 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 City of Tshwane has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the City of Tshwane 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 are based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than a predetermined amount 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.

### 1.11 Housing development fund

Section 15(5) and 16 of the Housing Act (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of section 14(4)(d)(iii)(aa) read with, inter alia, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the municipality for housing development subject to the approval of the Provincial MEC responsible for housing. Loans from National and Provincial Government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund must have its own separate bank account OR allocated investments and must be backed by cash.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.11 Housing development fund (continued)

- 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.

### 1.12 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 group's operations that is shown as a single item for the purpose of disclosure in the consolidated annual financial statements.

#### Recognition

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

According to the transitional provisions, the group 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 16. The transitional provision expires on 30 June 2015.

In accordance with the transitional provision as per Directive 3 of the GRAP Reporting Framework, where heritage assets were acquired through a transfer of functions, the group is not required to measure those 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.

Until such time as the measurement period expires and heritage assets are recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the group need not comply with the Standards of GRAP on the following (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 GRAP on Heritage assets.

### 1.13 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

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 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.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Financial instruments (continued)

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.

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 unissued 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.

#### Classification

The group 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:

<b>Class</b>	<b>Category</b>
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
Interest rate swap	Financial asset measured at fair value

The group 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:

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Financial instruments (continued)

<b>Class</b>	<b>Category</b>
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
Deferred operating lease liability	Financial liability measured at amortised cost
VAT	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Unspent grants	Financial liability measured at amortised cost
Lease liabilities	Financial liability measured at amortised cost

#### Initial recognition

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

The group recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The group 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 group 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.

#### 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 group 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, an entity 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 group 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 group 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Financial instruments (continued)

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the group 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.

#### Impairment and uncollectibility of financial assets

The group 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 group derecognises financial assets using trade date accounting.

The group derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the group, 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 group :
  - 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 group 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Financial instruments (continued)

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 group has retained substantially all the risks and rewards of ownership of the transferred asset, the group continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the group 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.

#### Financial liabilities

The group 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 entity 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 group 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 group does not offset the transferred asset and the associated liability.

### 1.14 Tax

#### Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused Secondary Tax on Companies (STC) credits to the extent that it is probable that a future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

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

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.14 Tax (continued)

Sandspruit Works Association and Housing Company Tshwane are exempt from tax in terms of section 10(1)cA(ii) of the Income Tax Act.

Tshwane Economic Development Agency (TEDA) registered for tax during the 2013/14 financial year.

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

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

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 entity 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 group will not incur a foreign currently lease liability other than that allowed by the Local Government: 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.16 Grants, donations and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality or municipal entity 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.

### 1.17 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.

Water inventory: Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at the reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

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.

### 1.18 Value added tax

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

### 1.19 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

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.20 Grants-in aid (Expense)

The group annually awards grants to individuals and organisations based on merit. When making these transfers, the group 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.

### 1.21 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.

### 1.22 Impairment of non-cash-generating assets

The group 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 group 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 group's constitutional mandate.

Cash-generating assets are those assets held by the group 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).

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.

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 group; or
- (b) the number of production or similar units expected to be obtained from the asset by the group.

#### Identification

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

The group 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 group estimates the recoverable service amount of the asset.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.22 Impairment of non-cash-generating assets (continued)

Irrespective of whether there is any indication of impairment, the group 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 group would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an over designed or overcapacity asset. Over designed 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 group recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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 group 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 group 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.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.22 Impairment of non-cash-generating assets (continued)

#### 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.

### 1.23 Retirement benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are 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.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are 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.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.23 Retirement benefits (continued)

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are 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 entity that employs the employees concerned.

#### Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.23 Retirement benefits (continued)

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.23 Retirement benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.23 Retirement benefits (continued)

#### Pension, Provident and Retirement Funds

The City of Tshwane 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 City of Tshwane 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.

#### Defined contribution plans: Sandspruit Works Association

Sandspruit Works Association has a defined contribution plan registered with Alexander Forbes Retirement Fund (Registration nr 12/8/34766). Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

#### Tshwane Economic Development Agency (TEDA):

TEDA does not participate in any defined benefit plans currently.

#### Medical Aid: Continued members

The City of Tshwane 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, when a member, who joined the organisation under the current conditions of service, retires is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

### 1.24 Provisions and contingencies

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 56.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.24 Provisions and contingencies (continued)

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

A contingent liability is:

- \* a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- \* a present obligation that arises from past events but is not recognised because:-
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

The following provisions exist within the group:

- **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 in the clearing of alien plants.
- **Cleaning up of illegal dumping**  
The City of Tshwane 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 City of Tshwane has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision was 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.
- **Legal costs**

A provision was created during 2013/14 for the legal cost contingencies of certain cases. Refer to note 6

### 1.25 Revenue from exchange transactions

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

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

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

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

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be 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:

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

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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.25 Revenue from exchange transactions (continued)

#### Measurement

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

#### Sale of goods

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

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group 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 group; 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 group;
- 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.26 Revenue from non-exchange transactions

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

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

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 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 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 group.

When, as a result of a non-exchange transaction, the municipality or municipal entity 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 group 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 group 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 group analyses the taxation laws to determine what the taxable events are for the various taxes levied.

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.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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

#### Transfers

Apart from services in kind, which are not recognised, the group 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.

#### 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 group.

Where the group 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 or municipal entity, 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 or municipal entity 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/granted

A concessionary loan is a loan granted to or received by a municipality or municipal entity 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 or municipal entity recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.27 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.

### 1.28 Translation of foreign currencies

#### Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the entity (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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.28 Translation of foreign currencies (continued)

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

### 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 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.31 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 year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in surplus or deficit.

### 1.32 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1993 (Act 20 of 1998) or in contravention of the group'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.

### 1.33 Budget information

The group 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 group 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 2013/07/01 to 2014/06/30.

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.34 Related parties

The group 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 group, including those charged with the governance of the group 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 group.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	R	R	R	R

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

##### GRAP 25: Employee benefits

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

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

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

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an group in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an group 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 group that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an group 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.

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;

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014 R	2013 R	2014 R	2013 R

### 2. New standards and interpretations (continued)

- 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.

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

The group has adopted the standard for the first time in the 2014 consolidated annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the consolidated annual 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 is for years beginning on or after 01 April 2013

The group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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:

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

The group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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 group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

The impact of the amendment is not material.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014 R	2013 R	2014 R	2013 R

### 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 group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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 group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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 group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

The impact of the amendment is not material.

#### **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 group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

The impact of the amendment is not material.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014 R	2013 R	2014 R	2013 R

### 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 group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

The impact of the amendment is not material.

#### 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 group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

The impact of the amendment is not material.

#### 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 IASB previously included in GRAP102,
- 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 group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's consolidated annual 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.
- 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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013	2014	2013
R	R	R	R

### 2. New standards and interpretations (continued)

- 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 (e.g. 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 group has adopted the amendment for the first time in the 2014 consolidated annual financial statements.

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

### 2.2 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2014 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 group. 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 group's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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

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

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

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



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014 R	2013 R	2014 R	2013 R

### 2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2016.

The group expects to adopt the standard for the first time in the 2017 consolidated annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the consolidated annual 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 group expects to adopt the standard for the first time in the 2015 consolidated annual financial statements if applicable at that stage.

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

#### **GRAP 106: Transfers of functions between entities not under common control**

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 group expects to adopt the standard for the first time in the 2015 consolidated annual financial statements if applicable.

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

#### **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 group expects to adopt the standard for the first time in the 2015 consolidated annual financial statements if applicable..

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013	2014	2013
R	R	R	R

### 2. New standards and interpretations (continued)

#### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's consolidated annual 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 consolidated annual 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.

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 2014.

The group expects to adopt the standard for the first time in the 2015 consolidated annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the consolidated annual financial statements.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013	2014	2013
R	R	R	R

### 2. New standards and interpretations (continued)

#### 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 GRAP105, 106 and 107.

The group expects to adopt the interpretation for the first time in the 2015 consolidated annual financial statements.

The municipality is unable to reliably estimate the impact of the interpretation on the consolidated annual 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').

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 GRAP105, 106 and 107.

The group expects to adopt the interpretation for the first time in the 2015 consolidated annual financial statements.

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014 R	2013 R	2014 R	2013 R

### 2. New standards and interpretations (continued)

#### 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 consolidated 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 group expects to adopt the amendment for the first time in the 2015 consolidated annual financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the consolidated annual 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 consolidated 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 group expects to adopt the amendment for the first time in the 2015 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's consolidated annual 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 group expects to adopt the amendment for the first time in the 2015 consolidated annual financial statements.

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014 R	2013 R	2014 R	2013 R

### 2. New standards and interpretations (continued)

#### **GRAP32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

#### **GRAP108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

#### **IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The group expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

No accounting standards have been early adopted.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R
<b>3. Housing development fund</b>				
Unappropriated surplus	225,449,115	225,449,115	225,449,115	225,449,115
Less: Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463	69,006,463	69,006,463
<b>Housing development fund</b>	<b>156,442,652</b>	<b>156,442,652</b>	<b>156,442,652</b>	<b>156,442,652</b>
<b>The housing development fund is represented by the following assets and liabilities</b>				
Housing selling scheme loans	20,081,989	19,565,465	20,081,989	19,565,465
Housing debtors	37,711,928	35,331,594	37,711,928	35,331,594
Bank and cash	98,648,735	101,545,593	98,648,735	101,545,593
<b>Housing development fund assets</b>	<b>156,442,652</b>	<b>156,442,652</b>	<b>156,442,652</b>	<b>156,442,652</b>
<b>4. Long-term liabilities</b>				
<b>Summary of Long Term Borrowings:</b>				
Term Loans	1,733,033,012	134,430,482	1,730,229,171	131,311,171
Local registered stock	6,000	100,006,000	5,000	100,005,000
Municipal bonds	2,177,926,163	2,176,860,970	2,177,926,163	2,176,860,970
Annuity loans	5,342,534,125	5,890,739,012	5,342,534,125	5,890,739,012
	<b>9,253,499,300</b>	<b>8,302,036,464</b>	<b>9,250,694,459</b>	<b>8,298,916,153</b>
<b>Held at amortised cost</b>				
<b>Term Loans</b>				
<b>Development Bank of South Africa (1-2100)</b>	1,600,000,000	-	1,600,000,000	-
Unsecured 20 year bullet loan, Jibar rate +2.5 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 June 2034.				
<b>Development Bank of South Africa (1-02)</b>	78,331,528	79,625,804	78,331,528	79,625,804
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. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
<b>Development Bank of South Africa (1-400)</b>	51,897,643	51,685,367	51,897,643	51,685,367
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. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
<b>National Housing Finance Corporation (Housing Company Tshwane)</b>	2,803,841	3,119,311	-	-
This loan is secured, bears interest at 14% per annum and is repayable in 117 monthly installments of R61 226. The loan is secured by a mortgage bond over the investment property.				

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>4. Long-term liabilities (continued)</b>				
<b>Municipal bonds</b>				
<b>Standard Bank (1-1900)</b>	574,165,042	573,771,397	574,165,042	573,771,397
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. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
<b>Standard Bank (1-1901)</b>	848,691,794	848,229,984	848,691,794	848,229,984
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. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
<b>Standard Bank (1-1950)</b>	755,069,327	754,859,589	755,069,327	754,859,589
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. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
<b>Local registered stock</b>				
<b>First Rand Bank Ltd 2</b>	-	100,000,000	-	100,000,000
Secured bond paying fixed interest semi-annually. A security sinking fund investment was made which together with interest capitalised, will be utilised to redeem on 30 June 2014.				
<b>Development Bank of South Africa (1-1250)</b>	5,000	5,000	5,000	5,000
Unsecured bond paying fixed interest semi-annually.				
<b>TEDA Municipal Entity Shares</b>	1,000	1,000	-	-
Share capital in municipal entity (loan bears no interest and has no fixed terms of repayment)				
<b>Annuity loans</b>				
<b>Standard Bank (1-1300)</b>	881,198,269	924,186,559	881,198,269	924,186,559
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.				
<b>Development Bank of South Africa (1-950)</b>	128,705,566	140,445,310	128,705,566	140,445,310
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.				

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>4. Long-term liabilities (continued)</b>				
<b>Development Bank of South Africa (1-851)</b>	87,439,471	95,171,972	87,439,471	95,171,972
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.				
<b>Development Bank of South Africa (1-800)</b>	179,213,252	196,699,843	179,213,252	196,699,843
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.				
<b>Development Bank of South Africa (1-700)</b>	81,358,424	89,317,676	81,358,424	89,317,676
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.				
<b>Development Bank of South Africa (1-701)</b>	179,757,874	198,216,923	179,757,874	198,216,923
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.				
<b>Development Bank of South Africa (1-501)</b>	253,457,829	303,167,217	253,457,829	303,167,217
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.				
<b>Development Bank of South Africa (1-500)</b>	55,609,388	66,857,177	55,609,388	66,857,177
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.				
<b>Development Bank of South Africa (1-200)</b>	165,075,115	200,094,133	165,075,115	200,094,133
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.				
<b>INCA (1-100)</b>	129,428,391	144,728,456	129,428,391	144,728,456
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.				

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>4. Long-term liabilities (continued)</b>				
<b>Development Bank of South Africa (1-52)</b>	142,607,678	164,217,075	142,607,678	164,217,075
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.				
<b>Development Bank of South Africa (1-50)</b>	133,548,252	174,689,107	133,548,252	174,689,107
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.				
<b>iVuzi Investments (1-550)</b>	131,016,718	142,959,167	131,016,718	142,959,167
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.				
<b>iVuzi Investments (1-450)</b>	52,555,939	57,378,467	52,555,939	57,378,467
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.				
<b>iVuzi Investments (1-300)</b>	62,583,790	68,925,367	62,583,790	68,925,367
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.				
<b>iVuzi Investments (1-150)</b>	29,662,375	33,004,871	29,662,375	33,004,871
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 2020.				
<b>iVuzi Investments (1-0)</b>	10,451,340	11,949,160	10,451,340	11,949,160
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.				
<b>Nedbank (1-1150)</b>	250,338,505	282,046,868	250,338,505	282,046,868
Unsecured variable interest rate 10 year loan repayable semi-annually in installments of interest and capital with interest payable on reducing balance until capital is paid off on 16 June 2020.				
<b>Nedbank (1-1100)</b>	251,662,110	283,391,299	251,662,110	283,391,299
Unsecured variable interest rate 10 year loan repayable semi-annually in installments of interest and capital with interest payable on reducing balance until capital is paid off on 18 May 2020.				

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R
<b>4. Long-term liabilities (continued)</b>				
<b>Nedbank (1-852)</b>	116,813,255	126,961,590	116,813,255	126,961,590
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.				
<b>ABSA Bank Ltd (1-850)</b>	169,910,189	184,671,403	169,910,189	184,671,403
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.				
<b>Development Bank of South Africa (1-1352)</b>	469,252	688,394	469,252	688,394
Unsecured fixed interest rate loan repayable in 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.				
<b>Development Bank of South Africa (1-1400)</b>	9,484,154	14,668,980	9,484,154	14,668,980
Unsecured fixed interest rate loan repayable in 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.				
<b>Standard Bank - Magalies Water (1-1401)</b>	335,756	692,701	335,756	692,701
Unsecured fixed interest rate loan repayable in 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.				
<b>iVuzi (FirstRand Bank) (1-1850)</b>	421,265,160	473,878,226	421,265,160	473,878,226
Unsecured (Jibar) variable interest rate 9 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022.				
<b>Nedbank (1-1800)</b>	620,108,276	657,889,489	620,108,276	657,889,489
Unsecured (Jibar) variable interest rate 16 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2029.				
<b>iVuzi (FirstRand Bank) (1-1851)</b>	448,494,113	482,967,728	448,494,113	482,967,728
Unsecured (Jibar) variable interest rate 14 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2027.				

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>4. Long-term liabilities (continued)</b>				
<b>Nedbank (1-1801)</b>	349,983,684	370,873,854	349,983,684	370,873,854
Unsecured (Jibar) variable interest rate 12 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2025.				
	<u>9,253,499,300</u>	<u>8,302,036,464</u>	<u>9,250,694,459</u>	<u>8,298,916,153</u>
<b>Non-current liabilities</b>				
At amortised cost	8,746,039,145	7,766,929,898	8,743,549,702	7,764,124,985
<b>Current liabilities</b>				
At amortised cost	507,460,155	535,106,566	507,144,757	534,791,168
	<u>9,253,499,300</u>	<u>8,302,036,464</u>	<u>9,250,694,459</u>	<u>8,298,916,153</u>
<b>5. Lease liabilities</b>				
<b>Minimum lease payments due</b>				
- within one year	10,876,997	86,537,950	10,876,997	86,537,950
- in second to fifth year inclusive	212,737	11,089,734	212,737	11,089,734
	<u>11,089,734</u>	<u>97,627,684</u>	<u>11,089,734</u>	<u>97,627,684</u>
less: future finance charges	(255,077)	(4,815,696)	(255,077)	(4,815,696)
<b>Present value of minimum lease payments</b>	<u>10,834,657</u>	<u>92,811,988</u>	<u>10,834,657</u>	<u>92,811,988</u>
<b>Present value of minimum lease payments due</b>				
- within one year	10,624,474	81,977,331	10,624,474	81,977,331
- in second to fifth year inclusive	210,183	10,834,657	210,183	10,834,657
	<u>10,834,657</u>	<u>92,811,988</u>	<u>10,834,657</u>	<u>92,811,988</u>
Non-current liabilities	210,183	10,834,657	210,183	10,834,657
Current liabilities	10,624,474	81,977,331	10,624,474	81,977,331
	<u>10,834,657</u>	<u>92,811,988</u>	<u>10,834,657</u>	<u>92,811,988</u>
Collateral held in terms of the above leases (Net book amount of leased assets)	10,834,657	92,811,988	10,834,657	92,811,988
Carrying value of leased assets	<u>9,931,773</u>	<u>84,478,022</u>	<u>9,931,773</u>	<u>84,478,022</u>

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

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
		R		R

### 6. Provisions

#### Reconciliation of provisions - Group - 2014

	Opening Balance	Unwinding of interest rate	Utilised during the year	Reversed/adjusted during the year	Additions	Total
Clearing of alien vegetation	26,436,092	3,189,606	(3,453,704)	4,905,231	-	31,077,225
Legal proceedings	-	-	-	39,306,073	-	39,306,073
Rehabilitation of landfill sites	210,325,366	33,306,162	(10,366,425)	127,310,017	-	360,575,120
Rehabilitation of quarries	5,840,073	1,360,908	(1,776,132)	9,308,451	-	14,733,300
Employee benefit cost: Housing Company Tshwane	-	-	-	-	2,562	2,562
	<b>242,601,531</b>	<b>37,856,676</b>	<b>(15,596,261)</b>	<b>180,829,772</b>	<b>2,562</b>	<b>445,694,280</b>

#### Reconciliation of provisions - Group - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Clearing of alien vegetation	25,361,752	2,945,059	(3,453,704)	1,582,985	26,436,092
Rehabilitation of landfill sites	184,605,898	20,734,250	-	4,985,218	210,325,366
Performance bonus: Sandspruit	1,610,788	-	(1,610,788)	-	-
Rehabilitation of quarries	5,902,508	714,542	(1,411,909)	634,932	5,840,073
	<b>217,480,946</b>	<b>24,393,851</b>	<b>(6,476,401)</b>	<b>7,203,135</b>	<b>242,601,531</b>

#### Reconciliation of provisions - Municipality - 2014

	Opening Balance	Unwinding of interest rate	Utilised during the year	Reversed/adjusted during the year	Total
Clearing of alien vegetation	26,436,092	3,189,606	(3,453,704)	4,905,231	31,077,225
Legal proceedings	-	-	-	39,306,073	39,306,073
Rehabilitation of landfill sites	210,325,366	33,306,162	(10,366,425)	127,310,017	360,575,120
Rehabilitation of quarries	5,840,073	1,360,908	(1,776,132)	9,308,451	14,733,300
	<b>242,601,531</b>	<b>37,856,676</b>	<b>(15,596,261)</b>	<b>180,829,772</b>	<b>445,691,718</b>

#### Reconciliation of provisions - Municipality - 2013

	Opening Balance	Additions	Utilised during the year	Reversed/adjusted during the year	Total
Clearing of alien vegetation	25,361,752	2,945,059	(3,453,704)	1,582,985	26,436,092
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
	<b>215,870,158</b>	<b>24,393,851</b>	<b>(4,865,613)</b>	<b>7,203,135</b>	<b>242,601,531</b>

#### 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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	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.

#### Legal proceedings provision

A provision was created for the legal cost contingencies of the cases listed below:

- \* Damages for injuries sustained (R4 567 861) - matter served before court on August 2014
- \* Services rendered on extended contract (R78 449)
- \* Services rendered on contract (R992 227)
- \* Services rendered on contract (R72 016)
- \* Enforcement of settlement agreement (R99 689)
- \* Bulk services contribution claim (R2 705 431)
- \* Contract claim - adjudication dispute (R30 790 400)

The cases listed above are still pending and disclosing will prejudice the position of the municipality in a dispute with other parties on the subject matter.

#### Employee benefit cost - Housing Company Tshwane

Short-term absences for which the employees are compensated for, include only vacation leave for employees resigned. Sick leave was not provided for since employees forfeit it when they leave the company. Employees also forfeit their vacation leave days if the current period entitlement is not used in full within 6 months after the end of the leave cycle.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
<b>7. Financial instruments disclosure</b>				
<b>Categories of financial instruments</b>				
<b>Group - 2014</b>				
<b>Financial assets</b>				
	At fair value	At amortised cost	Total	
Investments	-	628,755,765	628,755,765	
Other debtors	-	564,780,672	564,780,672	
Consumer debtors	-	2,534,752,267	2,534,752,267	
Cash and cash equivalents	-	224,867,307	224,867,307	
Long-term receivables: Housing loans	-	20,081,989	20,081,989	
Long-term receivables: Sport club loans	-	1,185,039	1,185,039	
Long-term receivables: Sale of land	-	74,279,492	74,279,492	
Long-term receivables: Arrangement debtors	-	264,395,381	264,395,381	
Interest rate swap asset	34,411,454	-	34,411,454	
VAT receivable	-	1,785,209	1,785,209	
	<b>34,411,454</b>	<b>4,314,883,121</b>	<b>4,349,294,575</b>	
<b>Financial liabilities</b>				
	At fair value	At amortised cost	Total	
Retention creditors	-	372,031,203	372,031,203	
Trade and other payables from exchange transactions	-	3,917,519,919	3,917,519,919	
Consumer deposits	-	413,750,974	413,750,974	
VAT payable	-	45,916,232	45,916,232	
Long-term loans (term loans, bonds, etc)	-	9,253,499,300	9,253,499,300	
Interest rate swap liability	44,114,153	-	44,114,153	
	<b>44,114,153</b>	<b>14,002,717,628</b>	<b>14,046,831,781</b>	
<b>Group - 2013</b>				
<b>Financial assets</b>				
	At fair value	At amortised cost	Total	
Investments	-	640,989,699	640,989,699	
Other debtors	-	660,804,804	660,804,804	
Consumer debtors	-	3,146,867,833	3,146,867,833	
Cash and cash equivalents	-	740,967,794	740,967,794	
Long-term receivables: Housing loans	-	19,565,465	19,565,465	
Long-term receivables: Sport club loans	-	1,234,208	1,234,208	
Long-term receivables: Sale of land	-	69,139,298	69,139,298	
Long-term receivables: Arrangement debtors	-	223,182,071	223,182,071	
Interest rate swap asset	81,554,131	-	81,554,131	
VAT receivable	-	2,966,732	2,966,732	
	<b>81,554,131</b>	<b>5,505,717,904</b>	<b>5,587,272,035</b>	

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
<b>7. Financial instruments disclosure (continued)</b>				
<b>Financial liabilities</b>				
			At amortised cost	Total
Retention creditors			311,222,668	311,222,668
Trade and other payables from exchange transactions			4,207,991,415	4,207,991,415
Consumer deposits			421,669,621	421,669,621
VAT payable			91,975,271	91,975,271
Long-term loans (term loans, bonds, etc)			8,302,036,464	8,302,036,464
			<b>13,334,895,439</b>	<b>13,334,895,439</b>
<b>Municipality - 2014</b>				
<b>Financial assets</b>				
		At fair value	At amortised cost	Total
Investments		-	628,755,765	628,755,765
Other debtors		-	546,302,876	546,302,876
Consumer debtors		-	2,518,811,868	2,518,811,868
Cash and cash equivalents		-	174,299,426	174,299,426
Long-term receivables: Housing loans		-	20,081,989	20,081,989
Long-term receivables: Sport club loans		-	1,185,039	1,185,039
Long-term receivables: Sale of land		-	74,279,492	74,279,492
Long-term receivables: Arrangement debtors		-	264,395,381	264,395,381
Interest rate swap asset		34,411,454	-	34,411,454
		<b>34,411,454</b>	<b>4,228,111,836</b>	<b>4,262,523,290</b>
<b>Financial liabilities</b>				
		At fair value	At amortised cost	Total
Retention creditors		-	372,031,203	372,031,203
Trade and other payables from exchange transactions		-	3,871,315,330	3,871,315,330
Consumer deposits		-	410,025,312	410,025,312
VAT payable		-	45,916,232	45,916,232
Long-term loans (term loans, bonds, etc)		-	9,250,694,459	9,250,694,459
Interest rate swap liability		44,114,153	-	44,114,153
		<b>44,114,153</b>	<b>13,949,982,536</b>	<b>13,994,096,689</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 7. Financial instruments disclosure (continued)

#### Municipality - 2013

##### Financial assets

	At fair value	At amortised cost	Total
Investments	-	640,989,699	640,989,699
Other debtors	-	423,928,101	423,928,101
Consumer debtors	-	3,130,419,087	3,130,419,087
Cash and cash equivalents	-	686,118,280	686,118,280
Long-term receivables: Housing loans	-	19,565,465	19,565,465
Long-term receivables: Sport club loans	-	1,234,208	1,234,208
Long-term receivables: Sale of land	-	69,139,298	69,139,298
Long-term receivables: Arrangement debtors	-	223,182,071	223,182,071
Interest rate swap asset	81,554,131	-	81,554,131
	<b>81,554,131</b>	<b>5,194,576,209</b>	<b>5,276,130,340</b>

##### Financial liabilities

	At amortised cost	Total
Retention creditors	311,222,668	311,222,668
Trade and other payables from exchange transactions	4,163,434,061	4,163,434,061
Consumer deposits	418,175,945	418,175,945
VAT payable	91,975,271	91,975,271
Long-term loans (term loans, bonds, etc)	8,298,916,153	8,298,916,153
	<b>13,283,724,098</b>	<b>13,283,724,098</b>

### 8. Financial instruments: Risks involved

#### Risks

In the course of the group's business operations it is exposed to interest rate, credit, liquidity and market risk. The group 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 group 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 group's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*

### 8. Financial instruments: Risks involved (continued)

Year ended 30 June 2014

Description			Fixed rate		Non-interest bearing		Total
	Floating rate	Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
	R	R	%	Years	R	Years	
<b>Assets</b>							
Investments	625,406,061	3,349,704	16.45	24.75			628,755,765
Long-term receivables:							
Housing loans		20,081,989	13.87	30.00			20,081,989
Sport club loans		1,185,039	11.99	10.00			1,185,039
Sale of Land		74,279,492	11.09	5.00			74,279,492
Arrangement debtors		754,889	8.50		263,640,492		264,395,381
Trade receivables:							
Consumer		4,015,351,484	8.50	1.00	2,818,141,349		6,833,492,833
Other					1,192,752,081		1,192,752,081
Cash		224,867,307					224,867,307
<b>Total financial assets</b>	<b>625,406,061</b>	<b>4,339,869,904</b>			<b>4,274,533,922</b>		<b>9,239,809,887</b>
<b>Liabilities</b>							
Interest bearing borrowings	4,039,117,100	3,489,853,112	10.18	14.20			7,528,970,212
Interest rate swaps (notional amounts)	862,264,544	862,264,544	9.31	13.50			1,724,529,088
Lease liabilities		10,834,657					10,834,657
Trade payables:							
Creditors					4,892,783,342	0.08	4,892,783,342
Retention					372,031,203	1.00	372,031,203
Consumer deposits					413,750,974	0.08	413,750,974
VAT					44,131,023	0.08	44,131,023
<b>Total financial liabilities</b>	<b>4,901,381,644</b>	<b>4,362,952,313</b>			<b>5,722,696,542</b>		<b>14,987,030,499</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*

### 8. Financial instruments: Risks involved (continued)

Year ended 30 June 2013

Description	Floating rate		Fixed rate		Non-interest bearing		Total
	Amount	Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
	R	R	%	Years	R	Years	
<b>Assets</b>							
Investments	490,672,748	150,316,951	7.02	15.90			640,989,699
Long-term receivables:							
Housing loans		19,565,465	13.87	30.00			19,565,465
Loans to sport clubs		1,234,208	11.99	10.00			1,234,208
Sale of Land		69,139,298	11.09	5.00			69,139,298
Arrangement debtors		3,828,971			219,353,100		223,182,071
Trade receivables:							
Consumer		4,177,078,082	9.00	1.00	2,934,351,619		7,111,429,701
Other					956,628,824		956,628,824
Cash		740,967,794					740,967,794
<b>Total financial assets</b>	<b>490,672,748</b>	<b>5,162,130,769</b>			<b>4,110,333,543</b>		<b>9,763,137,060</b>
<b>Liabilities</b>							
Interest bearing borrowings	3,522,550,766	4,626,831,678	10.96	13.92			8,149,382,444
Interest rate swaps		152,654,006	9.32	9.75			152,654,006
Lease liabilities		92,811,988					92,811,988
Trade payables:							
Creditors					4,980,713,919	0.08	4,980,713,919
Retention					311,222,668	1.00	311,222,668
Consumer deposits					421,669,621	0.08	421,669,621
VAT					89,008,539	0.08	89,008,539
<b>Total financial liabilities</b>	<b>3,522,550,766</b>	<b>4,872,297,672</b>			<b>5,802,614,747</b>		<b>14,197,463,185</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 8. Financial instruments: Risks involved (continued)

#### Interest rate swaps

The group has entered into interest rate swap contracts that entitle it to receive interest at fixed rates on notional principal amounts and that oblige it to pay interest at variable rates on the same amounts. The interest rate swaps allow the group to raise long-term borrowings at variable rates and effectively swap them into 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 group had entered into the following interest rate swaps relating to specific statement of financial position items:

	Fair value R	Estimated fair value gain/(loss) R
<b>30 June 2013</b>		
Interest rate swap asset	81,554,131	81,554,131
	<b>Fair value R</b>	<b>Estimated fair value gain/(loss) R</b>
<b>30 June 2014</b>		
Non-current assets: Interest rate swap asset	34,411,454	(6,948,992)
Non-current liability: Interest rate swap liability	(44,114,153)	(44,114,153)
	<b>(9,702,699)</b>	<b>(51,063,145)</b>

#### Currency risk

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. The group, 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 group to the risk of non-performance by counter-parties and thereby subject the group 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 group obtains appropriate deposits and guarantees from debtors to mitigate risk. The group's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The group 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 group 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 group'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 group's customer base and their dispersion across different industries and geographical areas. The group does not have any significant exposure to any individual customer or counter-party. Accordingly, the group 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 group'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 group'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 group's receivables in relation to customer classification are as follows:

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 8. Financial instruments: Risks involved (continued)

	30 June 2014	30 June 2013
Consumer debtors:		
Household	53	52
Industrial/Commercial	25	26
National and Provincial Government	3	2
Other consumer debtors	5	5
Long-term receivables	4	4
Sundry debtors	10	11
	<b>100</b>	<b>100</b>

#### Liquidity risk

The group 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 group 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 2015	30 June 2016	30 June 2017
	R	R	R
External funding: capital expenditure	1,500,000,000	1,200,000,000	1,200,000,000

#### Market risk

The group 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 group 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 group's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the group 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 group'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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 8. Financial instruments: Risks involved (continued)

#### Investments

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

#### Trade payables

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

#### Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in 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	Carrying amount
	R	R
<b>30 June 2014</b>		
<b>Liabilities</b>		
Interest rate swaps	44,114,153	44,114,153
<b>30 June 2013</b>		
<b>Liabilities</b>		
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:

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 8. Financial instruments: Risks involved (continued)

Year ended 30 June 2014

	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
<b>Assets</b>				
Investments	622,948,673	5,807,092		628,755,765
Long-term receivables:				
Housing loans			20,081,989	20,081,989
Loans to sport clubs			1,185,039	1,185,039
Sale of Land		74,279,492		74,279,492
Arrangement debtors	159,778,753	104,616,628		264,395,381
Trade receivables:				
Consumer	4,197,193,885	3,636,298,948		7,833,492,833
Other debtors	1,173,958,364			1,173,958,364
Cash	224,867,307			224,867,307
<b>Total financial assets</b>	<b>6,378,746,982</b>	<b>3,821,002,160</b>	<b>21,267,028</b>	<b>10,221,016,170</b>
<b>Liabilities</b>				
Interest bearing borrowings	483,931,747	500,706,031	6,544,332,434	7,528,970,212
Interest rate swaps			1,724,529,088	1,724,529,088
Lease liabilities	10,624,474	210,183		10,834,657
Trade payables:				
Creditors	4,892,724,861			4,892,724,861
Retention		372,031,203		372,031,203
Consumer deposits		413,750,974		413,750,974
Unspent grants and receipts	134,328,118			134,328,118
VAT	44,131,023			44,131,023
<b>Total financial liabilities</b>	<b>5,565,740,223</b>	<b>1,286,698,391</b>	<b>8,268,861,522</b>	<b>15,121,300,136</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 8. Financial instruments: Risks involved (continued)

Year ended 30 June 2013

	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
<b>Assets</b>				
Investments	636,003,487	4,986,212		640,989,699
Long-term receivables:				
Housing loans			19,565,465	19,565,465
Loans to sport clubs			1,234,208	1,234,208
Sale of Land		69,139,298		69,139,298
Arrangement debtors	116,937,089	106,244,982		223,182,071
Trade receivables:				
Consumer	4,119,239,091	2,992,190,610		7,111,429,701
Other	956,628,824			956,628,824
Cash	740,967,794			740,967,794
<b>Total financial assets</b>	<b>6,569,776,285</b>	<b>3,172,561,102</b>	<b>20,799,673</b>	<b>9,763,137,060</b>
<b>Liabilities</b>				
Interest bearing borrowings	100,320,398	504,141,810	5,146,526,791	5,750,988,999
Interest rate swaps			2,551,047,465	2,551,047,465
Lease liabilities	81,977,331	10,834,657		92,811,988
Trade payables:				
Creditors	4,980,713,919			4,980,713,919
Retention		311,222,668		311,222,668
Consumer deposits		421,669,621		421,669,621
Unspent grants and receipts	126,494,481			126,494,481
VAT	89,008,539			89,008,539
<b>Total financial liabilities</b>	<b>5,378,514,668</b>	<b>1,247,868,756</b>	<b>7,697,574,256</b>	<b>14,323,957,680</b>

#### Hedging

Hedging is not applicable in the environment of the group.

### 9. Consumer deposits

Electricity and water	413,750,974	421,669,621	410,025,312	418,175,945
<b>Guarantees held:</b>				
Electricity and water consumers (who do not have deposits)	175,476,346	182,562,300	175,476,346	182,562,300
Township Development guarantees	251,719,428	193,989,539	251,719,428	193,989,539
	<b>427,195,774</b>	<b>376,551,839</b>	<b>427,195,774</b>	<b>376,551,839</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>10. Payables from exchange transactions</b>				
Trade payables	2,567,449,560	3,000,689,170	2,524,570,838	2,961,231,413
Payments received in advance	149,302,261	18,262,720	149,302,261	18,262,720
Accrued leave pay	644,876,714	602,396,870	637,564,288	597,715,117
Deposits received	20,797,231	24,849,844	20,317,694	24,430,565
Debtors with credit balances	666,192,515	613,524,174	666,192,515	613,524,174
Other creditors	627,932,079	530,924,385	625,474,751	526,293,708
Retention creditors	372,031,203	311,222,668	372,031,203	311,222,668
RTMC: AARTO	10,240,041	10,240,041	10,240,041	10,240,041
Awards received not spent (Bontle ke Botho)	260,375	605,311	260,375	605,311
13th Cheque accrual	178,612,335	150,902,540	176,894,381	152,785,427
SARS (municipal entities)	2,472,113	1,160,373	-	-
Creditors with debit balances - reclassify	24,648,118	27,158,490	24,259,121	27,108,850
	<b>5,264,814,545</b>	<b>5,291,936,586</b>	<b>5,207,107,468</b>	<b>5,243,419,994</b>

### Payables age analysis

#### Current (0 -30 days)

Bulk electricity	819,682,114	792,266,280	819,682,114	792,266,280
Bulk water	60,067,985	69,825,396	60,067,985	69,825,396
PAYE deductions	-	64,637,295	-	64,637,295
VAT (output less input)	43,823,319	213,283,718	45,608,528	91,975,271
Loan repayments	590,331,243	293,401,876	590,331,243	293,401,876
Trade creditors remaining	3,796,826,111	3,950,497,289	3,737,333,825	4,023,289,144
	<b>5,310,730,772</b>	<b>5,383,911,854</b>	<b>5,253,023,695</b>	<b>5,335,395,262</b>

This age-analysis will balance back to the total of note 10 plus VAT on the statement of financial position.

### 11. Unspent grants and receipts

#### Unspent conditional grants and receipts comprises of:

DoRA: Department Water Affairs & Forestry (DWA)	-	4,833	-	4,833
DoRA: Finance Management Grant (FMG)	705,152	470,166	705,152	470,166
SANBI/Groen Sebenza	7,823	-	7,823	-
Provincial: Housing Projects	68,527,168	70,686,712	68,527,168	70,686,712
DoRA: Urban Settlement Development Grant (USDG)	44,829,756	-	44,829,756	-
DoRA: Public Transport Infrastructure Systems Grant (PTIS)	-	15,534,170	-	15,534,170
Provincial: DPLG - Health	-	4,200,977	-	4,200,977
Industrial Development Contribution	12,222,417	-	12,222,417	-
Neighbourhood Development Programme	2,359,341	2,187,710	2,359,341	2,187,710
Arts and Culture grant (Libraries)	1,942,452	2,752,593	1,942,452	2,752,593
Economic Development grant	-	8,750,000	-	8,750,000
Gautrans job creation	71,107	71,107	71,107	71,107
Expanded Public Works Programme (EPWP)	-	4,424,606	-	4,424,606
Sandspruit Works Association	1,829,899	1,164,242	-	-
Blue IQ	-	11,999,119	-	11,999,119
LG SETA Merit Awards	266,921	-	266,921	-
Sport and Recreation	72,617	72,617	72,617	72,617
Performance Management	268,665	268,665	268,665	268,665
Electricity Demand Side (EDSM)	-	406,964	-	406,964
Revenue Enhancement	1,224,800	3,500,000	1,224,800	3,500,000
	<b>134,328,118</b>	<b>126,494,481</b>	<b>132,498,219</b>	<b>125,330,239</b>

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>11. Unspent grants and receipts (continued)</b>				
<b>Movement during the year</b>				
Balance at the beginning of the year	126,494,481	319,663,700	125,330,239	317,810,684
Receipts during the year	4,984,560,786	4,506,577,074	4,983,221,997	4,504,776,819
Transfers between grants	-	48,853,230	-	48,853,230
Returned to National Treasury	-	(2,102,000)	-	(2,102,000)
Income recognition during the year	(4,976,727,149)	(4,746,497,523)	(4,976,054,017)	(4,744,008,494)
	<b>134,328,118</b>	<b>126,494,481</b>	<b>132,498,219</b>	<b>125,330,239</b>

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 27 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

### 12. VAT

VAT refundable	1,785,209	2,966,732	-	-
VAT payable	(45,916,232)	(91,975,271)	(45,916,232)	(91,975,271)
	<b>(44,131,023)</b>	<b>(89,008,539)</b>	<b>(45,916,232)</b>	<b>(91,975,271)</b>

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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment

Group	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	1,385,906,869	(758,092,426)	627,814,443	1,592,049,360	(754,517,906)	837,531,454
Land	294,043,984	-	294,043,984	293,674,916	-	293,674,916
Biological assets (game)	16,587,413	-	16,587,413	13,050,850	-	13,050,850
Infrastructure: Capitalised	18,173,336,854	(5,232,315,833)	12,941,021,021	16,758,790,614	(4,345,399,893)	12,413,390,721
Infrastructure: Assets under construction	7,670,169,026	-	7,670,169,026	4,699,228,059	-	4,699,228,059
Community: Capitalised	2,599,717,587	(710,153,619)	1,889,563,968	2,351,877,172	(574,440,790)	1,777,436,382
Community: Asset under construction	626,845,418	-	626,845,418	360,760,120	-	360,760,120
Other: Capitalised	2,429,104,617	(1,277,472,807)	1,151,631,810	2,837,645,490	(1,244,302,812)	1,593,342,678
Other: Asset under construction	511,088,153	-	511,088,153	308,759,891	-	308,759,891
Housing: Capitalised	154,196,411	(2,474,218)	151,722,193	83,652,010	(2,083,779)	81,568,231
Housing: Asset under construction	209,545,293	-	209,545,293	248,341,994	-	248,341,994
<b>Total</b>	<b>34,070,541,625</b>	<b>(7,980,508,903)</b>	<b>26,090,032,722</b>	<b>29,547,830,476</b>	<b>(6,920,745,180)</b>	<b>22,627,085,296</b>

Municipality	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	1,378,523,625	(755,232,126)	623,291,499	1,584,666,116	(752,003,150)	832,662,966
Land	294,043,984	-	294,043,984	293,674,916	-	293,674,916
Biological assets (game)	16,587,413	-	16,587,413	13,050,850	-	13,050,850
Infrastructure: Capitalised	18,160,647,084	(5,222,418,467)	12,938,228,617	16,746,111,298	(4,336,387,607)	12,409,723,691
Infrastructure: Asset under construction	7,670,169,026	-	7,670,169,026	4,699,228,059	-	4,699,228,059
Community: Capitalised	2,599,717,587	(710,153,619)	1,889,563,968	2,351,877,172	(574,440,790)	1,777,436,382
Community: Asset under construction	626,845,418	-	626,845,418	360,760,120	-	360,760,120
Other property, plant and equipment	2,407,883,586	(1,267,401,712)	1,140,481,874	2,826,988,910	(1,236,538,398)	1,590,450,512
Other: Asset under construction	511,088,153	-	511,088,153	308,759,891	-	308,759,891
Housing: Capitalised	154,196,411	(2,474,218)	151,722,193	83,652,010	(2,083,779)	81,568,231
Housing: Asset under construction	209,545,293	-	209,545,293	248,341,994	-	248,341,994
<b>Total</b>	<b>34,029,247,580</b>	<b>(7,957,680,142)</b>	<b>26,071,567,438</b>	<b>29,517,111,336</b>	<b>(6,901,453,724)</b>	<b>22,615,657,612</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2014

	Opening balance	Additions	Retirements	Transfers	Gains/losses arising from changes in fair value	Reclassifications	Depreciation	Impairment loss	Total
Land	293,674,916	-	(912,223)	1,491,291	-	(210,000)	-	-	294,043,984
Buildings	837,531,454	5,504,260	-	(15,880,949)	-	(150,629,520)	(48,710,802)	-	627,814,443
Biological assets (game)	13,050,850	-	-	-	3,536,563	-	-	-	16,587,413
Infrastructure: Capitalised	12,413,390,721	351,727,501	(58,343,169)	388,336,303	-	569,951,490	(722,854,515)	(1,187,310)	12,941,021,021
Infrastructure: Asset under construction	4,699,228,059	3,262,252,144	-	(291,311,177)	-	-	-	-	7,670,169,026
Community: Capitalised	1,777,436,382	36,062,516	(21,408,769)	45,089,335	-	150,839,519	(96,624,743)	(1,830,272)	1,889,563,968
Community: Asset under construction	360,760,120	276,605,552	-	(10,520,254)	-	-	-	-	626,845,418
Other: Capitalised	1,593,342,678	325,285,102	(10,553,817)	29,385,916	-	(569,940,140)	(213,704,750)	(2,183,179)	1,151,631,810
Other: Asset under construction	308,759,891	287,660,254	(39,840,804)	(45,491,188)	-	-	-	-	511,088,153
Housing	81,568,231	1,600,000	-	68,944,402	-	-	(390,440)	-	151,722,193
Housing: Asset under construction	248,341,994	81,913,700	-	(71,414,401)	-	(49,296,000)	-	-	209,545,293
	<b>22,627,085,296</b>	<b>4,628,611,029</b>	<b>(131,058,782)</b>	<b>98,629,278</b>	<b>3,536,563</b>	<b>(49,284,651)</b>	<b>(1,082,285,250)</b>	<b>(5,200,761)</b>	<b>26,090,032,722</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	Additions	Retirements	Disposals	Transfers	Gains/losses arising from changes in fair value	Reclassifications	Depreciation	Impairment loss	Total
Land	296,697,716	-	(27,292)	493	(2,996,001)	-	-	-	-	293,674,916
Buildings	915,461,056	11,735,788	(223,159)	(36,687,416)	8,584,538	-	36,188	(61,375,541)	-	837,531,454
Biological assets (game)	12,706,506	-	-	-	-	344,344	-	-	-	13,050,850
Infrastructure: Capitalised	12,077,833,201	256,877,542	711,818	(65,923,758)	475,617,825	-	202,310,194	(534,036,101)	-	12,413,390,721
Infrastructure: Asset under construction	2,241,989,794	2,955,472,273	-	-	(525,429,200)	-	27,195,192	-	-	4,699,228,059
Community: Capitalised	1,699,585,569	101,179,356	(122,386)	(2,238,532)	49,105,066	-	(36,193)	(70,036,498)	-	1,777,436,382
Community: Asset under construction	3,310,004	360,018,226	-	-	(2,568,110)	-	-	-	-	360,760,120
Other: Capitalised	1,478,753,896	331,766,960	(18,315)	(70,505,366)	13,205,410	31,295	136,733,193	(291,805,624)	(4,818,771)	1,593,342,678
Other: Asset under construction	43,000,763	303,573,805	(183,116)	-	(37,631,561)	-	-	-	-	308,759,891
Housing stock	39,343,706	-	-	-	-	-	(39,343,706)	-	-	-
Housing	170,898,748	2,600,000	(138,963,962)	(2,358,397)	10,447,446	-	39,343,707	(399,311)	-	81,568,231
Housing: Asset under construction	60,583,176	164,206,264	-	-	(10,447,446)	-	34,000,000	-	-	248,341,994
	<b>19,040,164,135</b>	<b>4,487,430,214</b>	<b>(138,826,412)</b>	<b>(177,712,976)</b>	<b>(22,112,033)</b>	<b>375,639</b>	<b>400,238,575</b>	<b>(957,653,075)</b>	<b>(4,818,771)</b>	<b>22,627,085,296</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Municipality - 2014

	Opening balance	Additions	Retirements	Transfers	Gains/losses arising from changes in fair value	Reclassifications	Depreciation	Impairment loss	Total
Land	293,674,916	-	(912,223)	1,491,291	-	(210,000)	-	-	294,043,984
Buildings	832,662,966	5,504,260	-	(15,880,949)	-	(150,629,520)	(48,365,258)	-	623,291,499
Biological assets (game)	13,050,850	-	-	-	3,536,563	-	-	-	16,587,413
Infrastructure	12,409,723,691	351,717,047	(58,343,169)	388,336,303	-	569,951,490	(721,969,435)	(1,187,310)	12,938,228,617
Infrastructure: Asset under construction	4,699,228,059	3,262,252,144	-	(291,311,177)	-	-	-	-	7,670,169,026
Community: Capitalised	1,777,436,382	36,062,516	(21,408,769)	45,089,335	-	150,839,519	(96,624,743)	(1,830,272)	1,889,563,968
Community: Asset under construction	360,760,120	276,605,552	-	(10,520,254)	-	-	-	-	626,845,418
Other: Capitalised	1,590,450,512	314,645,769	(10,490,843)	29,385,916	-	(569,985,272)	(211,341,029)	(2,183,179)	1,140,481,874
Other: Asset under construction	308,759,891	287,660,254	(39,840,804)	(45,491,188)	-	-	-	-	511,088,153
Housing: Capitalised	81,568,231	1,600,000	-	68,944,402	-	-	(390,440)	-	151,722,193
Housing: Asset under construction	248,341,994	81,913,700	-	(71,414,401)	-	(49,296,000)	-	-	209,545,293
	<b>22,615,657,612</b>	<b>4,617,961,242</b>	<b>(130,995,808)</b>	<b>98,629,278</b>	<b>3,536,563</b>	<b>(49,329,783)</b>	<b>(1,078,690,905)</b>	<b>(5,200,761)</b>	<b>26,071,567,438</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Municipality - 2013

	Opening balance	Additions	Retirements	Disposals	Transfers	Gains/losses arising from changes in fair values	Reclassifications	Depreciation	Impairment loss	Total
Land	296,697,716	-	(27,292)	493	(2,996,001)	-	-	-	-	293,674,916
Buildings	909,975,645	11,735,788	-	(36,687,416)	8,584,538	-	36,188	(60,981,777)	-	832,662,966
Biological assets (game)	12,706,506	-	-	-	-	344,344	-	-	-	13,050,850
Infrastructure: Capitalised	12,072,948,202	256,813,280	712,569	(65,923,758)	475,617,825	-	202,310,194	(532,754,621)	-	12,409,723,691
Infrastructure: Asset under construction	2,241,989,794	2,955,472,273	-	-	(525,429,200)	-	27,195,192	-	-	4,699,228,059
Community: Capitalised	1,699,585,569	101,179,356	(122,386)	(2,238,532)	49,105,066	-	(36,193)	(70,036,498)	-	1,777,436,382
Community: Asset under construction	3,310,004	360,018,226	-	-	(2,568,110)	-	-	-	-	360,760,120
Other: Capitalised	1,477,551,654	329,435,136	19,831	(70,505,365)	13,205,410	-	136,733,188	(291,170,571)	(4,818,771)	1,590,450,512
Other: Asset under construction	43,000,763	303,573,805	(183,116)	-	(37,631,561)	-	-	-	-	308,759,891
Stock	39,343,706	-	-	-	-	-	(39,343,706)	-	-	-
Housing: Capitalised	170,898,748	2,600,000	(138,963,962)	(2,358,397)	10,447,446	-	39,343,707	(399,311)	-	81,568,231
Housing: Asset under construction	60,583,176	164,206,264	-	-	(10,447,446)	-	34,000,000	-	-	248,341,994
	<b>19,028,591,483</b>	<b>4,485,034,128</b>	<b>(138,564,356)</b>	<b>(177,712,975)</b>	<b>(22,112,033)</b>	<b>344,344</b>	<b>400,238,570</b>	<b>(955,342,778)</b>	<b>(4,818,771)</b>	<b>22,615,657,612</b>

#### Pledged as security

No property, plant and equipment are pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality and the relevant municipal entities.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 13. Property, plant and equipment (continued)

#### USEFUL LIVES:

According to GRAP 17: 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.

Treatment of all useful lives to be adjusted:

All remaining useful lives that were adjusted for the 2013/14 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to note 57). 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 2013. 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 was 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 workshopped 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.

In 2013/14 the underground Water and Sanitation assets were therefore excluded from the RUL review, except where assets reached the end of their RUL.

#### All other infrastructure assets and buildings:

The following condition grading scale was used in 2013/14 to test the RUL of the assets in comparison to the condition of the asset:

- Grade 1: Very good - sound structure, well maintained, only normal maintenance required : Average 86% indicative RUL
- Grade 2: Good - Serves needs but minor deterioration (, 5%), minor maintenance required : Average 58% indicative RUL
- Grade 3: Fair - Marginal, clearly evident deterioration (10 - 20%), significant maintenance required : Average 36% indicative RUL
- Grade 4: Poor - Significant deterioration of structure and/or appearance, significant impairment of functionality (20 - 40%), significant renewal/upgrade required : Average 18% indicative RUL
- Grade 5: Very poor - Unsound, failed needs, reconstruction/replacement (50% needs replacement) : Average 5% indicative RUL.

The results of the above lead to an extension of RUL of assets maintained in a good condition within the indicative results or a decrease in RUL of assets with a poor or very poor condition. The average percentage were used to extend the life of the assets.

Also taken into consideration in the results of these tests were all assets and buildings having a RUL of zero or less than 12 months; these assets were adjusted with a further 12 months in order to ensure that they do not reach the end of their RUL in the current financial year. Consideration was given to the assessment of the asset and where the condition of assets did not vary considerably the RUL was not adjusted. A total of 113 075 high value assets were affected and a total of 132 414 low value assets were affected. The change in annual depreciation is R29 201 650.

#### IMPAIRMENT:

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 13. Property, plant and equipment (continued)

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.

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 2013/14 financial year are held for that purpose.

In 2013/14 the Asset Management Division forwarded a questionnaire to all departments regarding the assets under their control and according to the questionnaire. Departments had to indicate whether any assets under their control need to be impaired. Based on the results of these questionnaires and available information, impairment tests were performed and assets impaired where necessary.

Impairment indicators:

- 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.

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 14. Investment property

Group

2014			2013		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
911,618,744	(46,941,193)	864,677,551	1,005,759,290	(50,501,238)	955,258,052

Investment property: Capitalised

Municipality

2014			2013		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
898,118,744	(46,941,193)	851,177,551	992,559,290	(50,501,238)	942,058,052

Investment property: Capitalised

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 14. Investment property (continued)

#### Reconciliation of investment property - Group - 2014

	Opening balance	Retirements	Transfers	Reclassifications	Fair value adjustments	Depreciation	Total
Investment property: Capitalised	955,258,052	(23,316,350)	(113,985,726)	49,296,000	300,000	(2,874,425)	864,677,551

#### Reconciliation of investment property - Group - 2013

	Opening balance	Additions	Retirements	Disposals	Transfers	Fair value adjustments	Depreciation	Total
Investment property: Capitalised	955,242,163	18,307,493	(11,350,495)	(1,172,669)	(241,458)	(2,670,837)	(2,856,145)	955,258,052
Investment property: Asset under construction	49,000,000	-	-	-	(49,000,000)	-	-	-
	<b>1,004,242,163</b>	<b>18,307,493</b>	<b>(11,350,495)</b>	<b>(1,172,669)</b>	<b>(49,241,458)</b>	<b>(2,670,837)</b>	<b>(2,856,145)</b>	<b>955,258,052</b>

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 14. Investment property (continued)

#### Reconciliation of investment property - Municipality - 2014

	Opening balance	Retirements	Transfers	Reclassifications	Depreciation	Total
Investment property: Capitalised	942,058,052	(23,316,350)	(113,985,726)	49,296,000	(2,874,425)	851,177,551

#### Reconciliation of investment property - Municipality - 2013

	Opening balance	Additions	Retirements	Disposals	Transfers	Reclassifications	Depreciation	Total
Investment property: Capitalised	939,371,326	18,307,493	(11,350,495)	(1,172,669)	(241,458)	-	(2,856,145)	942,058,052
Investment property: Asset under construction	49,000,000	-	-	-	-	(49,000,000)	-	-
	<b>988,371,326</b>	<b>18,307,493</b>	<b>(11,350,495)</b>	<b>(1,172,669)</b>	<b>(241,458)</b>	<b>(49,000,000)</b>	<b>(2,856,145)</b>	<b>942,058,052</b>

#### Pledged as security

For the municipality no investment property is pledged as security.

For the Housing Company Tshwane (municipal entity) the investment property (Eloff Building) with a carrying value of R13 500 000 is pledged as security over the loan granted to the company as per note 4.

#### Fair value of investment properties:

##### Municipality:

The fair value of investment properties are not disclosed. Fair value should reflect the market conditions that exist at a reporting date. The municipal valuation roll does not reflect the market conditions at the reporting date since the values are determined and remains effective for a period of four (4) years, with the current valuation roll having been prepared in 2012/13. Due to the cost implications management also did not appoint a qualified valuer to determine the fair value of all investment properties at the reporting date taking into consideration all market conditions. Therefore, no fair value is disclosed.

##### Housing Company Tshwane:

The fair value of the investment property (Eloff Building) has been determined by the management, having regard, inter alia to the proposed valuation by an independent sworn appraiser taking into account income generated from rentals, occupation levels and capitalisation rates. The capitalisation rate applied to the property is 12% and movement is reflected as a fair value adjustment in the Statement of Financial Performance. The fair value adjustment for 2013/14 was R61 981 (2012/13 = R2 670 837). The investment property is valued on an annual basis.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group			Municipality	
	2014	2013	2014	2013	
	R	Restated*	R	Restated*	R

### 15. Intangible assets

Group	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	583,580,445	(372,541,561)	211,038,884	584,101,289	(294,207,945)	289,893,344
Servitudes	180,995,004	-	180,995,004	169,739,143	111,543	169,850,686
<b>Total</b>	<b>764,575,449</b>	<b>(372,541,561)</b>	<b>392,033,888</b>	<b>753,840,432</b>	<b>(294,096,402)</b>	<b>459,744,030</b>

Municipality	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	583,191,749	(372,456,663)	210,735,086	583,934,620	(294,204,128)	289,730,492
Servitudes	180,995,004	-	180,995,004	169,739,143	111,543	169,850,686
<b>Total</b>	<b>764,186,753</b>	<b>(372,456,663)</b>	<b>391,730,090</b>	<b>753,673,763</b>	<b>(294,092,585)</b>	<b>459,581,178</b>

#### Reconciliation of intangible assets - Group - 2014

	Opening balance	Additions	Retirements	Transfers	Reclassifications	Amortisation	Total
Computer software	289,893,344	1,851,614	-	13,981,596	(16,702,289)	(77,985,381)	211,038,884
Servitudes	169,850,686	7,415,532	(13,434,315)	409,971	16,702,289	50,841	180,995,004
	<b>459,744,030</b>	<b>9,267,146</b>	<b>(13,434,315)</b>	<b>14,391,567</b>	<b>-</b>	<b>(77,934,540)</b>	<b>392,033,888</b>

#### Reconciliation of intangible assets - Group - 2013

	Opening balance	Additions	Transfers	Reclassifications	Amortisation	Total
Computer software	333,564,824	2,612,434	4,931,311	17,572,986	(68,788,211)	289,893,344
Servitudes	160,626,377	689,224	-	8,533,075	2,010	169,850,686
	<b>494,191,201</b>	<b>3,301,658</b>	<b>4,931,311</b>	<b>26,106,061</b>	<b>(68,786,201)</b>	<b>459,744,030</b>

#### Reconciliation of intangible assets - Municipality - 2014

	Opening balance	Additions	Retirements	Transfers	Reclassifications	Amortisation	Total
Computer software	289,730,492	1,629,588	-	13,981,596	(16,702,289)	(77,904,301)	210,735,086
Servitudes	169,850,686	7,415,532	(13,434,315)	409,971	16,702,289	50,841	180,995,004
	<b>459,581,178</b>	<b>9,045,120</b>	<b>(13,434,315)</b>	<b>14,391,567</b>	<b>-</b>	<b>(77,853,460)</b>	<b>391,730,090</b>

#### Reconciliation of intangible assets - Municipality - 2013

	Opening balance	Additions	Transfers	Reclassifications	Amortisation	Total
Computer software	333,564,824	2,445,765	4,931,311	17,572,986	(68,784,394)	289,730,492
Servitudes	160,626,377	689,224	-	8,533,075	2,010	169,850,686
	<b>494,191,201</b>	<b>3,134,989</b>	<b>4,931,311</b>	<b>26,106,061</b>	<b>(68,782,384)</b>	<b>459,581,178</b>

#### Pledged as security

No intangible assets are pledged as security.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 16. Heritage assets

Group	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiquities and exhibits	21,480,850	-	21,480,850	21,481,379	-	21,481,379
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	2,366,960	-	2,366,960
Stamp collections, military insignia, medals, coins	214,400	-	214,400	214,400	-	214,400
<b>Total</b>	<b>25,750,552</b>	<b>-</b>	<b>25,750,552</b>	<b>25,751,081</b>	<b>-</b>	<b>25,751,081</b>

Municipality	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiquities and exhibits	21,480,850	-	21,480,850	21,481,379	-	21,481,379
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	2,366,960	-	2,366,960
Stamp collections, military insignia, medals, coins	214,400	-	214,400	214,400	-	214,400
<b>Total</b>	<b>25,750,552</b>	<b>-</b>	<b>25,750,552</b>	<b>25,751,081</b>	<b>-</b>	<b>25,751,081</b>

#### Reconciliation of heritage assets Group - 2014

	Opening balance	Additions	Retirements	Total
Art collections, antiquities and exhibits	21,481,379	7	(536)	21,480,850
Collections of rare books, manuscripts and records	536	-	-	536
Historical monuments	1,687,806	-	-	1,687,806
Historical buildings	2,366,960	-	-	2,366,960
Stamp collections, military insignia, medals, coins	214,400	-	-	214,400
	<b>25,751,081</b>	<b>7</b>	<b>(536)</b>	<b>25,750,552</b>

#### Reconciliation of heritage assets Group - 2013

	Opening balance	Disposals	Transfers	Total
Art collections, antiquities and exhibits	21,490,381	(9,002)	-	21,481,379
Collections of rare books, manuscripts and records	536	-	-	536
Historical monuments	1,687,806	-	-	1,687,806
Historical buildings	2,730,922	-	(363,962)	2,366,960
Stamp collections, military insignia, medals, coins	214,400	-	-	214,400
	<b>26,124,045</b>	<b>(9,002)</b>	<b>(363,962)</b>	<b>25,751,081</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 16. Heritage assets (continued)

#### Reconciliation of heritage assets Municipality - 2014

	Opening balance	Additions	Retirements	Total
Art collections, antiquities and exhibits	21,481,379	7	(536)	21,480,850
Collections of rare books, manuscripts and records	536	-	-	536
Historical monuments	1,687,806	-	-	1,687,806
Historical buildings	2,366,960	-	-	2,366,960
Stamp collections, military insignia, medals, coins	214,400	-	-	214,400
	<b>25,751,081</b>	<b>7</b>	<b>(536)</b>	<b>25,750,552</b>

#### Reconciliation of heritage assets Municipality - 2013

	Opening balance	Disposals	Transfers	Total
Art collections, antiquities and exhibits	21,490,381	(9,002)	-	21,481,379
Collections of rare books, manuscripts and records	536	-	-	536
Historical monuments	1,687,806	-	-	1,687,806
Historical buildings	2,730,922	-	(363,962)	2,366,960
Stamp collections, military insignia, medals, coins	214,400	-	-	214,400
	<b>26,124,045</b>	<b>(9,002)</b>	<b>(363,962)</b>	<b>25,751,081</b>

#### Pledged as security

No heritage assets are pledged as security:

#### Transitional provisions

#### Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework certain heritage asset with a carrying value of R 25,750,552 (2013: R 25,751,081) 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	25,750,552	25,751,081	25,750,552	25,751,081
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Steps taken to establish the values of heritage asset 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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 17. Leased assets

Group	2014			2013		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Vehicles	135,105,421	(125,173,648)	9,931,773	189,360,141	(104,882,112)	84,478,029

Municipality	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Vehicles	135,105,421	(125,173,648)	9,931,773	189,360,141	(104,882,112)	84,478,029

#### Reconciliation of leased assets - Group - 2014

	Opening balance	Retirements	Depreciation/ Amortisation	Total
Vehicles	84,478,029	(117,884)	(74,428,372)	9,931,773

#### Reconciliation of leased assets - Group - 2013

	Opening balance	Additions	Depreciation/ Amortisation	Total
Vehicles	181,088,599	176,827	(96,787,397)	84,478,029

#### Reconciliation of leased assets - Municipality - 2014

	Opening balance	Retirements	Depreciation/ Amortisation	Total
Vehicles	84,478,029	(117,884)	(74,428,372)	9,931,773

#### Reconciliation of leased assets - Municipality - 2013

	Opening balance	Additions	Depreciation/ Amortisation	Total
Vehicles	181,088,599	176,827	(96,787,397)	84,478,029

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R
<b>18. Non-current Assets held for sale</b>				
Non-current assets: cost	7,030,467	76	7,030,467	76
Non-current assets: Accumulated depreciation	(6,859,957)	(20)	(6,859,957)	(20)
	<b>170,510</b>	<b>56</b>	<b>170,510</b>	<b>56</b>

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.

### 19. Investments

#### At amortised cost

Short-term deposits	622,948,673	636,003,487	622,948,673	636,003,487
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#### At amortised cost

Municipal stock	710,520	710,521	710,520	710,521
Assurance companies	5,096,572	4,275,691	5,096,572	4,275,691
	<b>5,807,092</b>	<b>4,986,212</b>	<b>5,807,092</b>	<b>4,986,212</b>

<b>Total investments</b>	<b>628,755,765</b>	<b>640,989,699</b>	<b>628,755,765</b>	<b>640,989,699</b>
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#### Non-current investments

At amortised cost	5,807,092	4,986,212	5,807,092	4,986,212
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#### Current investments

At amortised cost (refer note 24)	162,118,924	119,303,329	162,118,924	119,303,329
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There were no gains or losses realised on the disposal of held to maturity financial assets in 2014 and 2013, as all the financial assets were disposed of at their redemption date.

The market value (indicated below) was obtained from balance certificates from the various financial institutions.

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R
<b>19. Investments (continued)</b>				
<b>Market value of listed investments and management's valuation of unlisted investments:</b>				
Knysna Municipality - local registered stock (interest payable semi-annually)	710,520	3,033,003	710,520	3,033,003
Sanlam no 26 policy (unceded)	48,027	79,503	48,027	79,503
Sanlam no 27 policy (ceded to Compensation Commissioner)	4,880,500	4,196,188	4,880,500	4,196,188
Capital Alliance no 28 (unceded)	617,224	597,674	617,224	597,674
Capital Alliance no 29 (unceded)	2,021,960	1,873,465	2,021,960	1,873,465
Nedbank no 19 (zero coupon) (Redemption fund to repay INCA stock loan)	-	89,810,578	-	89,810,578
ABSA Money Market investment no 32 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	25,942,929	24,671,368	25,942,929	24,671,368
ABSA Money Market investment no 33 (interest capitalised monthly) (unceded)	9,091,336	8,645,735	9,091,336	8,645,735
ABSA Money Market investment no 34 (interest capitalised monthly) (Ceded to DBSA sinking fund loan payable at 30 September 2019)	6,809,242	6,475,495	6,809,242	6,475,495
ABSA Money Market investment no 35 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	149,913	142,565	149,913	142,565
Investec Money Market investment no 37 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	22,711,552	21,565,681	22,711,552	21,565,681
Investec Money Market investment no 38 (interest capitalised monthly) (unceded)	7,259,055	6,892,812	7,259,055	6,892,812
Investec Money Market investment no 39 (interest capitalised monthly) (unceded)	972,453	923,389	972,453	923,389
Standard Bank Money Market investment no 40 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	82,066,416	77,801,147	82,066,416	77,801,147
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	2,547,238	2,414,849	2,547,238	2,414,849
Investec Money Market investment no 108 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	26,452,809	25,150,724	26,452,809	25,150,724
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	60,798,624	57,950,192	60,798,624	57,950,192
	<b>253,079,798</b>	<b>332,224,368</b>	<b>253,079,798</b>	<b>332,224,368</b>
<b>Average rate of return:-</b>				
On long-term investments	16.45 %	7.02 %	16.45 %	7.02 %
On short-term investments	4.99 %	4.82 %	4.99 %	4.82 %

No investments were past due. No impairment occurred during the financial year under review.

Carrying amount of investments to the amount R109 684 676 (2013 = R310 310 086 is ceded over to all secured long-term liabilities as per note 4. Also refer to note 40.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R
<b>20. Long-term receivables</b>				
Consumer: Arrangement debtors	264,395,381	223,182,071	264,395,381	223,182,071
Housing loans	20,081,989	19,565,465	20,081,989	19,565,465
Loans to sport clubs	1,185,039	1,234,208	1,185,039	1,234,208
Sale of land	74,279,492	69,139,298	74,279,492	69,139,298
	<u>359,941,901</u>	<u>313,121,042</u>	<u>359,941,901</u>	<u>313,121,042</u>
Short-term portion of long-term receivables	(162,118,924)	(119,303,329)	(162,118,924)	(119,303,329)
	<u>197,822,977</u>	<u>193,817,713</u>	<u>197,822,977</u>	<u>193,817,713</u>
Provision: Debt impairment	(89,609,011)	(89,609,011)	(89,609,011)	(89,609,011)
	<u>108,213,966</u>	<u>104,208,702</u>	<u>108,213,966</u>	<u>104,208,702</u>
<b>Reconciliation of provision for bad debt</b>				
Balance at the beginning of year	(89,609,011)	(104,323,849)	(89,609,011)	(104,323,849)
Contribution to provision during the year	-	14,714,838	-	14,714,838
	<u>(89,609,011)</u>	<u>(89,609,011)</u>	<u>(89,609,011)</u>	<u>(89,609,011)</u>

The provision for bad debt was not adjusted during 2013/14 as the review proved that it is still adequate.

### Consumer: Arrangement debtors

A policy exists granting consumer debtors an opportunity to make arrangements to pay off their arrear debt over a period of 12, 24 or 36 months with a deposit payable.

### 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. No new loans were issued in the current 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.

As from 1 March 2014 all land sales are conducted on payment of the full amount to the Municipality by the purchaser. No extended payment terms are offered and full payment is required on registration.

## AGEING

### Consumer: Arrangement debtors

121 - 365 days	159,778,753	116,937,089	159,778,753	116,937,089
> 365 days	104,616,628	106,244,982	104,616,628	106,244,982
	<u>264,395,381</u>	<u>223,182,071</u>	<u>264,395,381</u>	<u>223,182,071</u>

### Housing loans

121 - 365 days	1,152,652	1,168,863	1,152,652	1,168,863
> 365 days	18,929,337	18,396,602	18,929,337	18,396,602
	<u>20,081,989</u>	<u>19,565,465</u>	<u>20,081,989</u>	<u>19,565,465</u>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>Loans to sport clubs</b>				
121 - 365 days	579,149	579,149	579,149	579,149
> 365 days	605,890	655,059	605,890	655,059
	<b>1,185,039</b>	<b>1,234,208</b>	<b>1,185,039</b>	<b>1,234,208</b>
<b>Sale of land</b>				
121 - 365 days	608,370	618,228	608,370	618,228
> 365 days	73,671,122	68,521,070	73,671,122	68,521,070
	<b>74,279,492</b>	<b>69,139,298</b>	<b>74,279,492</b>	<b>69,139,298</b>

### 21. Inventories

Raw materials, components	263,528,663	266,799,905	260,756,380	264,680,756
Water	7,840,545	7,471,859	7,229,920	6,820,200
Premos restaurant	15,272	38,268	15,272	38,268
Fuel (Diesel, petrol)	2,049,876	1,722,743	2,049,876	1,722,743
Bus tickets	1,250,496	196,276	1,250,496	196,276
Plants (nursery)	86,471	90,047	86,471	90,047
Quarries	827,076	982,908	827,076	982,908
Coal (power stations)	116,317,544	124,936,635	116,317,544	124,936,635
	<b>391,915,943</b>	<b>402,238,641</b>	<b>388,533,035</b>	<b>399,467,833</b>

Included in general expenses in the statement of financial performance is an amount of R3 348 710 (2013 = R1 453 711) relating to the write-down of inventory by the municipality consisting of the following:

#### 2013/14:

Surplus stock to the value of R1 227 021  
 Shortages to the value of (R2 599 015)  
 Theft to the value of (R165 061)  
 Revaluation of stock to the value of (R62 948)  
 Damaged inventory to the value of (R582 288)  
 Obsolete inventory to the value of (R1 166 062) and  
 Rounding differences to the value of (R357).

Included in general expenses in the statement of financial performance is an amount of R118 484 (2013 = R93 499) relating to write-down of obsolete and damaged inventory by Sandspruit Works Association.

### 22. 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.

The interest and other fees and levies indicated below, cannot be split between exchange and non-exchange transactions. It is included in total in the age-analysis.

#### Service debtors:

Rates	1,995,487,431	1,824,583,151	1,995,487,431	1,824,583,151
Electricity	1,951,706,903	2,068,211,644	1,951,706,903	2,068,211,644
Water	1,765,379,542	1,514,671,451	1,288,343,900	1,110,138,877
Other fees and levies	626,957,803	527,190,165	626,957,803	527,190,165
Sewerage	283,987,184	245,868,044	283,987,184	245,868,044
Refuse	377,837,603	309,226,521	377,837,603	309,226,521
Interest	832,136,367	621,678,725	832,136,367	621,678,725
	<b>7,833,492,833</b>	<b>7,111,429,701</b>	<b>7,356,457,191</b>	<b>6,706,897,127</b>
Less: Arrangement debtors	<b>(264,395,381)</b>	<b>(223,182,071)</b>	<b>(264,395,381)</b>	<b>(223,182,071)</b>
	<b>7,569,097,452</b>	<b>6,888,247,630</b>	<b>7,092,061,810</b>	<b>6,483,715,056</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>22. Consumer debtors (continued)</b>				
<b>Less: Allowance for impairment</b>				
General: All services	(5,034,345,185)	(3,741,379,797)	(4,573,249,942)	(3,353,295,969)
<b>Net balance</b>				
Rates	1,995,487,431	1,824,583,151	1,995,487,431	1,824,583,151
Electricity	1,951,706,903	2,068,211,644	1,951,706,903	2,068,211,644
Water	1,765,379,542	1,514,671,451	1,288,343,900	1,110,138,877
Other fees and levies	626,957,803	527,190,165	626,957,803	527,190,165
Sewerage	283,987,184	245,868,044	283,987,184	245,868,044
Refuse	377,837,603	309,226,521	377,837,603	309,226,521
Interest	832,136,367	621,678,725	832,136,367	621,678,725
Arrangement debtors	(264,395,381)	(223,182,071)	(264,395,381)	(223,182,071)
Less: Provision for bad debt	(5,034,345,185)	(3,741,379,797)	(4,573,249,942)	(3,353,295,969)
	<b>2,534,752,267</b>	<b>3,146,867,833</b>	<b>2,518,811,868</b>	<b>3,130,419,087</b>
<b>Included in above is receivables from exchange transactions</b>				
Electricity	1,951,706,903	2,068,211,644	1,951,706,903	2,068,211,644
Water	1,765,379,542	1,514,671,451	1,288,343,900	1,110,138,877
Other fees and levies	626,957,803	527,190,165	626,957,803	527,190,165
Sewerage	283,987,184	245,868,044	283,987,184	245,868,044
Refuse	377,837,603	309,226,521	377,837,603	309,226,521
Interest	832,136,367	621,678,725	832,136,367	621,678,725
	<b>5,838,005,402</b>	<b>5,286,846,550</b>	<b>5,360,969,760</b>	<b>4,882,313,976</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>				
Rates	1,955,487,431	1,824,583,151	1,955,487,431	1,824,583,151
<b>Net balance</b>	<b>7,793,492,833</b>	<b>7,111,429,701</b>	<b>7,316,457,191</b>	<b>6,706,897,127</b>
An amount of R238 734 978 (R272 157 875 inclusive of VAT) was written off up to June 2014 by the municipality [2012/13 = R83 087 103 (R 87 099 336 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.				
<b>AGEING</b>				
<b>Rates</b>				
Current (0 -30 days)	462,636,609	476,293,784	462,636,609	476,293,784
31 - 60 days	75,783,587	61,600,958	75,783,587	61,600,958
61 - 90 days	57,002,314	60,161,564	57,002,314	60,161,564
91 - 120 days	47,260,516	47,242,560	47,260,516	47,242,560
121 - 150 days	39,975,234	48,170,542	39,975,234	48,170,542
151 - 180 days	40,021,468	51,389,039	40,021,468	51,389,039
181 - 365 days	233,004,005	298,992,043	233,004,005	298,992,043
365+ days	1,039,803,698	780,732,661	1,039,803,698	780,732,661
	<b>1,995,487,431</b>	<b>1,824,583,151</b>	<b>1,995,487,431</b>	<b>1,824,583,151</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>22. Consumer debtors (continued)</b>				
<b>Electricity</b>				
Current (0 -30 days)	941,676,733	1,217,836,422	941,676,733	1,217,836,422
31 - 60 days	44,565,002	31,192,254	44,565,002	31,192,254
61 - 90 days	45,196,516	31,176,484	45,196,516	31,176,484
91 - 120 days	28,112,214	24,318,261	28,112,214	24,318,261
121 - 150 days	17,330,656	20,676,197	17,330,656	20,676,197
151 - 180 days	26,212,399	23,458,028	26,212,399	23,458,028
181 - 365 days	137,885,978	115,648,505	137,885,978	115,648,505
365+ days	710,727,405	603,905,493	710,727,405	603,905,493
	<b>1,951,706,903</b>	<b>2,068,211,644</b>	<b>1,951,706,903</b>	<b>2,068,211,644</b>
<b>Water</b>				
Current (0 -30 days)	917,306,829	820,952,789	440,271,187	416,420,215
31 - 60 days	49,697,563	27,378,311	49,697,563	27,378,311
61 - 90 days	49,464,554	25,861,105	49,464,554	25,861,105
91 - 121 days	31,071,827	23,136,511	31,071,827	23,136,511
121 - 150 days	22,415,086	21,633,515	22,415,086	21,633,515
151 - 180 days	32,773,057	20,596,630	32,773,057	20,596,630
181 - 365 days	114,249,760	110,094,869	114,249,760	110,094,869
365+ days	548,400,866	465,017,721	548,400,866	465,017,721
	<b>1,765,379,542</b>	<b>1,514,671,451</b>	<b>1,288,343,900</b>	<b>1,110,138,877</b>
<b>Other fees and levies</b>				
Current (0 -30 days)	1,798,565	32,372,274	1,798,565	32,372,274
31 - 60 days	12,080,070	(439,081)	12,080,070	(439,081)
61 - 90 days	2,351,839	1,722,124	2,351,839	1,722,124
91 - 120 days	(3,743,278)	(1,340,313)	(3,743,278)	(1,340,313)
121 - 150 days	313,295	2,029,219	313,295	2,029,219
151 - 180 days	(2,202,544)	(1,861,518)	(2,202,544)	(1,861,518)
181 - 365 days	114,774,274	(12,760,140)	114,774,274	(12,760,140)
365+ days	501,585,582	507,467,600	501,585,582	507,467,600
	<b>626,957,803</b>	<b>527,190,165</b>	<b>626,957,803</b>	<b>527,190,165</b>
<b>Sanitation</b>				
Current (0 -30 days)	99,228,985	97,422,557	99,228,985	97,422,557
31 - 60 days	9,517,479	3,987,616	9,517,479	3,987,616
61 - 90 days	6,883,228	4,681,567	6,883,228	4,681,567
91 - 120 days	5,820,678	4,737,429	5,820,678	4,737,429
121 - 150 days	4,451,885	4,152,019	4,451,885	4,152,019
151 - 180 days	5,674,192	3,763,683	5,674,192	3,763,683
181 - 365 days	25,116,081	18,221,029	25,116,081	18,221,029
365+ days	127,294,656	108,902,144	127,294,656	108,902,144
	<b>283,987,184</b>	<b>245,868,044</b>	<b>283,987,184</b>	<b>245,868,044</b>
<b>Solid waste</b>				
Current (0 -30 days)	81,137,038	70,985,884	81,137,038	70,985,884
31 - 60 days	13,733,210	8,601,645	13,733,210	8,601,645
61 - 90 days	8,747,348	7,184,962	8,747,348	7,184,962
91 - 120 days	7,609,747	6,649,975	7,609,747	6,649,975
121 - 150 days	8,080,058	6,791,283	8,080,058	6,791,283
151 - 180 days	9,157,126	6,107,369	9,157,126	6,107,369
181 - 365 days	38,240,958	31,571,012	38,240,958	31,571,012
365+ days	211,132,118	171,334,391	211,132,118	171,334,391
	<b>377,837,603</b>	<b>309,226,521</b>	<b>377,837,603</b>	<b>309,226,521</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>22. Consumer debtors (continued)</b>				
<b>Interest</b>				
Current (0 -30 days)	67,164,425	65,190,857	67,164,425	65,190,857
31 - 60 days	25,463,438	20,975,348	25,463,438	20,975,348
61 - 90 days	26,722,251	19,834,903	26,722,251	19,834,903
91 - 120 days	23,423,200	22,140,617	23,423,200	22,140,617
121 - 150 days	22,271,662	19,752,248	22,271,662	19,752,248
151 - 180 days	24,313,176	18,521,698	24,313,176	18,521,698
181 - 365 days	135,569,498	100,432,454	135,569,498	100,432,454
365+ days	507,208,717	354,830,600	507,208,717	354,830,600
	<b>832,136,367</b>	<b>621,678,725</b>	<b>832,136,367</b>	<b>621,678,725</b>
<b>Ageing: Total</b>				
Current (0 -30 days)	2,588,861,579	2,781,054,568	2,111,825,937	2,376,524,581
31 - 60 days	229,279,770	153,297,051	229,279,770	153,297,051
61 - 90 days	195,162,928	150,622,709	195,162,928	150,622,709
91 - 120 days	139,097,758	126,885,039	139,097,758	126,885,039
121 - 150 days	113,185,658	123,205,022	113,185,658	123,205,022
151 - 180 days	135,433,220	121,974,930	135,433,220	121,974,930
181 - 365 days	796,172,972	662,199,772	796,172,972	662,199,772
365+ days	3,636,298,948	2,992,190,610	3,636,298,948	2,992,190,610
	<b>7,833,492,833</b>	<b>7,111,429,701</b>	<b>7,356,457,191</b>	<b>6,706,899,714</b>
<b>Consumer debtors - past due and impaired</b>				
90 days and beyond	5,034,345,185	3,741,379,797	4,573,249,942	3,353,295,969
<b>Consumer debtors - past due and not impaired</b>				
90 days and beyond	(214,156,629)	285,075,576	246,938,614	673,159,405
<b>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/group only impair from 90 days onward.</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Household	5,026,089,930	4,534,168,644	4,549,054,288	4,129,636,071
Industrial/Commercial	2,126,447,625	2,072,536,774	2,126,447,625	2,072,536,772
National and Provincial Government	263,703,176	132,889,791	263,703,176	132,889,791
Other	417,252,102	371,834,492	417,252,102	371,834,492
	<b>7,833,492,833</b>	<b>7,111,429,701</b>	<b>7,356,457,191</b>	<b>6,706,897,126</b>
<b>Households</b>				
Current (0 -30 days)	1,952,314,650	2,035,793,004	1,475,279,008	1,631,260,431
31 - 60 days	140,829,760	87,254,928	140,829,760	87,254,928
61 - 90 days	109,515,834	86,323,188	109,515,834	86,323,188
91 - 120 days	87,661,150	79,585,390	87,661,150	79,585,390
121 - 150 days	75,449,036	69,929,551	75,449,036	69,929,551
151 - 180 days	91,693,561	68,880,028	91,693,561	68,880,028
181 -365 days	506,859,176	399,355,969	506,859,176	399,355,969
365 + days	2,061,766,763	1,707,046,586	2,061,766,763	1,707,046,586
	<b>5,026,089,930</b>	<b>4,534,168,644</b>	<b>4,549,054,288</b>	<b>4,129,636,071</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>22. Consumer debtors (continued)</b>				
<b>Industrial/ commercial</b>				
Current (0 -30 days)	906,590,875	1,047,437,501	906,590,875	1,047,437,501
31 - 60 days	61,772,729	52,864,030	61,772,729	52,864,030
61 - 90 days	71,162,180	39,058,369	71,162,180	39,058,369
91 - 120 days	40,660,576	34,198,868	40,660,576	34,198,868
121 -150 days	29,581,404	38,398,637	29,581,404	38,398,637
151 - 180 days	36,022,215	40,891,597	36,022,215	40,891,597
181 - 365 days	189,684,845	210,401,351	189,684,845	210,401,351
365 + days	790,972,801	609,286,419	790,972,801	609,286,419
	<b>2,126,447,625</b>	<b>2,072,536,772</b>	<b>2,126,447,625</b>	<b>2,072,536,772</b>
<b>National and provincial government</b>				
Current (0 -30 days)	169,968,512	113,283,294	169,968,512	113,283,294
31 - 60 days	6,851,023	5,383,255	6,851,023	5,383,255
61 - 90 days	6,628,183	5,373,644	6,628,183	5,373,644
91 - 120 days	3,955,482	777,916	3,955,482	777,916
121 - 150 days	2,471,576	3,271,363	2,471,576	3,271,363
151 - 180 days	517,976	(1,672,337)	517,976	(1,672,337)
181 - 365 days	21,466,639	(19,818,985)	21,466,639	(19,818,985)
365 + days	51,843,785	26,291,641	51,843,785	26,291,641
	<b>263,703,176</b>	<b>132,889,791</b>	<b>263,703,176</b>	<b>132,889,791</b>
<b>Other</b>				
Current (0 -30 days)	55,759,058	31,777,383	55,759,058	31,777,383
31 - 60 days	(1,847,934)	(8,477,686)	(1,847,934)	(8,477,686)
61 - 90 days	(10,592,340)	3,672,710	(10,592,340)	3,672,710
91 - 120 days	(6,328,590)	(1,014,415)	(6,328,590)	(1,014,415)
121 - 150 days	(5,015,985)	(1,152,326)	(5,015,985)	(1,152,326)
151 - 180 days	(5,603,256)	1,186,849	(5,603,256)	1,186,849
181 - 365 days	2,898,773	3,073,068	2,898,773	3,073,068
365 + days	387,982,376	342,768,909	387,982,376	342,768,909
	<b>417,252,102</b>	<b>371,834,492</b>	<b>417,252,102</b>	<b>371,834,492</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(3,741,379,797)	(2,945,403,331)	(3,353,295,969)	(2,587,889,015)
Contributions to allowance	(1,326,315,537)	(765,406,954)	(1,219,953,973)	(765,406,954)
Debt impairment written off against allowance	33,350,149	(30,569,512)	-	-
	<b>(5,034,345,185)</b>	<b>(3,741,379,797)</b>	<b>(4,573,249,942)</b>	<b>(3,353,295,969)</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
<b>23. Other debtors</b>				
AARTO fine debtor	176,026,775	-	176,026,775	-
Smart meter prepaid debtor	25,714,380	-	25,714,380	-
Gauteng Province: Housing grants	48,553,230	48,553,230	48,553,230	48,553,230
Creditors reclassification	24,960,842	27,810,570	24,960,842	27,810,570
Housing debtors	37,711,928	35,331,594	37,711,928	35,331,594
Prepaid expenses	2,229,732	2,229,732	-	-
Miscellaneous	240,179,534	217,009,356	189,317,019	166,507,785
Lease revenue	61,314,406	58,528,246	61,314,406	58,528,246
DWA outstanding grant	-	4,750,000	-	4,750,000
Waste management	312,903	108,097,473	312,903	108,097,473
Sundry rentals	69,321,498	63,875,439	69,321,498	63,875,439
Sundry Persons	262,456,417	132,661,261	262,456,417	132,661,261
Public contributions	242,714,143	188,328,717	242,714,143	188,328,717
Sandspruit	-	-	34,298,530	34,298,530
RTMC: AARTO debtor	1,256,293	31,095,402	1,256,293	31,095,402
	<u>1,192,752,081</u>	<u>956,628,824</u>	<u>1,173,958,364</u>	<u>916,255,533</u>
Less: Provision For Bad debt	<u>(540,439,868)</u>	<u>(374,900,434)</u>	<u>(540,123,947)</u>	<u>(374,893,214)</u>
	<b><u>652,312,213</u></b>	<b><u>543,370,586</u></b>	<b><u>633,834,417</u></b>	<b><u>524,945,033</u></b>
<b>AGEING</b>				
<b>Housing debtors</b>				
121 - 365 days	<u>37,711,928</u>	<u>35,331,594</u>	<u>37,711,928</u>	<u>35,331,594</u>
<b>Miscellaneous</b>				
121 - 365 days	<u>240,179,534</u>	<u>217,009,356</u>	<u>189,317,019</u>	<u>166,507,785</u>
<b>Lease revenue</b>				
31 - 60 days	<u>61,314,406</u>	<u>58,528,246</u>	<u>61,314,406</u>	<u>58,528,246</u>
<b>DWA outstanding grant</b>				
> 365 days	<u>-</u>	<u>4,750,000</u>	<u>-</u>	<u>4,750,000</u>
<b>Waste Management</b>				
61 - 90 days	<u>312,903</u>	<u>108,097,473</u>	<u>312,903</u>	<u>108,097,473</u>
<b>Sundry rentals</b>				
61 - 90 days	<u>69,321,498</u>	<u>63,875,439</u>	<u>69,321,498</u>	<u>63,875,439</u>
<b>Sundry Persons</b>				
91 - 120 days	<u>262,456,417</u>	<u>132,661,261</u>	<u>262,456,417</u>	<u>132,661,261</u>
<b>Public contributions</b>				
121 - 365 days	<u>82,534,013</u>	<u>28,148,587</u>	<u>82,534,013</u>	<u>28,148,587</u>
> 365 days	<u>160,180,130</u>	<u>160,180,130</u>	<u>160,180,130</u>	<u>160,180,130</u>
	<b><u>242,714,143</u></b>	<b><u>188,328,717</u></b>	<b><u>242,714,143</u></b>	<b><u>188,328,717</u></b>
<b>Sandspruit Works Association</b>				
> 365 days	<u>34,298,530</u>	<u>34,298,530</u>	<u>34,298,530</u>	<u>34,298,530</u>
<b>RTMC: AARTO debtor</b>				
121 - 365 days	<u>1,256,293</u>	<u>19,828,934</u>	<u>1,256,293</u>	<u>19,828,934</u>
> 365 days	<u>-</u>	<u>11,266,468</u>	<u>-</u>	<u>11,266,468</u>
	<b><u>1,256,293</u></b>	<b><u>31,095,402</u></b>	<b><u>1,256,293</u></b>	<b><u>31,095,402</u></b>

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 23. Other debtors (continued)

#### Other receivables from non-exchange transactions past due but not impaired

For the group, trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 652,312,213 (2013: R 543,370,586) were past due but not impaired.

For the municipality, trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R633 834 417 (2013: R 524 945 033) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	652,312,213	543,370,586	633,834,417	524,945,033
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#### Other receivables from non-exchange transactions

For the group as of 30 June 2014, trade and other receivables of R 1,192,752,081 (2013: R 956,628,824) were impaired and provided for by the group.

For the municipality as of 30 June 2014, trade and other receivables of R1 173 958 364 (2013: R 916 255 533) were impaired and provided for by the municipality.

The amount of the provision was R 540,439,868 as of 30 June 2014 (2013: R 374,900,434) .

The ageing of these debtors are as follows:

Over 6 months	1,192,752,081	956,628,824	1,173,958,364	916,255,533
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#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	(374,900,434)	(286,506,764)	(374,893,214)	(286,481,321)
Contributions to provision	(210,613,348)	(116,003,067)	(210,304,647)	(116,003,067)
Write back of provision	45,073,914	27,591,174	45,073,914	27,591,174
Other: municipal entities	-	18,223	-	-
	<u>(540,439,868)</u>	<u>(374,900,434)</u>	<u>(540,123,947)</u>	<u>(374,893,214)</u>

Up to 30 June 2014 an amount of R6 172 020 has been written off with regard to Sundry/Other debtors by the Municipality.

### 24. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	338,477	335,890	329,087	323,692
Bank balances	224,528,830	740,631,904	173,970,339	685,794,588
Short-term deposits	622,948,673	636,003,487	622,948,673	636,003,487
	<u>847,815,980</u>	<u>1,376,971,281</u>	<u>797,248,099</u>	<u>1,322,121,767</u>
Cash and bank	224,867,307	740,967,794	174,299,426	686,118,280
Call investments deposits (refer to note 19)	622,948,673	636,003,487	622,948,673	636,003,487
	<u>847,815,980</u>	<u>1,376,971,281</u>	<u>797,248,099</u>	<u>1,322,121,767</u>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 24. Cash and cash equivalents (continued)

The municipality and municipal entities have the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Absa - 4060738263	24,526,283	53,425,770	4,271,940	22,580,444	53,425,770	4,271,940
FNB - 51420107207	19,227,713	29,947,819	24,467,226	17,745,899	29,947,819	24,467,226
Standard - 410801453	93,282,021	54,241,986	509,325,696	101,398,473	564,333,136	540,182,806
Insurance Contingency - Absa - 4062593950	108,155	3,765,923	9,813,883	108,155	3,765,923	9,813,883
Tshwane Market - Absa - 4068829119	27,973,747	28,505,953	25,502,452	29,228,692	28,365,848	25,051,797
Nedbank - 1454121963	5,961,424	5,956,092	1,597,115	2,908,676	5,956,092	-
<b>Municipality</b>	<b>171,079,343</b>	<b>175,843,543</b>	<b>574,978,312</b>	<b>173,970,339</b>	<b>685,794,588</b>	<b>603,787,652</b>
Housing Company Tshwane: Absa - 4065722829	8,720,956	5,914,551	3,208,599	8,720,956	5,914,551	3,208,599
Housing Company Tshwane: Absa - 4057481879	22,245,505	20,439,337	14,776,125	22,245,505	20,439,336	14,776,125
Housing Company Tshwane: Absa - 911408066	557,445	534,490	517,671	557,445	534,490	517,671
Sandspruit: Standard - 32250738	5,801,687	7,336,707	2,205,649	5,686,626	7,189,507	1,572,856
Sandspruit: ODI Standard - 31906842	187,996	166,095	128,192	187,996	166,096	128,192
Sandspruit: ODI Standard - 738717959	4,524,666	3,896,360	18,508,342	4,524,667	3,896,360	18,508,342
Sandspruit: Absa - 4051139634	3,318,984	706,559	954,575	3,318,984	706,559	954,575
Sandspruit: Absa Money Market - 9074185817	163,959	156,627	148,477	163,959	156,012	148,477
TEDA: Standard - 410791830	3,426,693	15,834,405	-	3,426,693	15,834,405	-
TEDA: Standard - 011057491	1,725,660	-	-	1,725,660	-	-
<b>Entities</b>	<b>50,673,551</b>	<b>54,985,131</b>	<b>40,447,630</b>	<b>50,558,491</b>	<b>54,837,316</b>	<b>39,814,837</b>
<b>Group Total</b>	<b>221,752,894</b>	<b>230,828,674</b>	<b>615,425,942</b>	<b>224,528,830</b>	<b>740,631,904</b>	<b>643,602,489</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>25. Property rates</b>				
<b>Rates received</b>				
Property rates	4,457,364,251	4,023,455,570	4,457,532,111	4,023,595,673
Less: Interdepartmental charges - assessment rates	(25,022,717)	(24,009,955)	(25,022,717)	(24,009,955)
	<b>4,432,341,534</b>	<b>3,999,445,615</b>	<b>4,432,509,394</b>	<b>3,999,585,718</b>
<b>Valuations</b>				
Residential	269,532,026,567	240,048,454,953	269,532,026,567	240,048,454,953
Other	121,749,459,313	96,113,422,156	121,749,459,313	96,113,422,156
	<b>391,281,485,880</b>	<b>336,161,877,109</b>	<b>391,281,485,880</b>	<b>336,161,877,109</b>
<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>				
<b>26. Service charges</b>				
Sale of electricity	8,508,568,172	8,291,911,094	8,511,463,339	8,294,521,349
Sale of water	2,568,044,465	2,286,768,511	2,657,195,666	2,348,237,736
Solid waste	788,777,865	612,766,003	788,777,865	612,766,003
Sewerage and sanitation charges	683,556,115	607,735,647	643,495,058	571,304,418
Other service charges	135,714,966	114,134,160	135,714,966	114,134,160
<b>Subtotal</b>	<b>12,684,661,583</b>	<b>11,913,315,415</b>	<b>12,736,646,894</b>	<b>11,953,305,668</b>
Less: Interdepartmental - Electricity	(197,585,419)	(160,664,536)	(197,585,419)	(160,664,536)
Less: Interdepartmental - Water	(134,228,467)	(96,867,133)	(134,228,467)	(96,867,133)
Less: Interdepartmental - Solid Waste	(20,666,526)	(14,805,449)	(20,666,526)	(14,805,449)
Less: Interdepartmental - Sanitation	(20,052,247)	(11,084,608)	(20,052,247)	(11,084,608)
<b>Net service charges per statement of financial performance</b>	<b>12,312,128,924</b>	<b>11,629,893,689</b>	<b>12,364,114,235</b>	<b>11,657,541,940</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
<b>27. Government grants, subsidies, awards &amp; donations</b>				
<b>Operating grants</b>				
Equitable share	1,166,964,000	1,040,630,000	1,166,964,000	1,040,630,000
Local Government Revenue Enhancement	2,275,200	-	2,275,200	-
Emergency Management Services subsidy	53,750,000	49,676,000	53,750,000	49,676,000
Fuel levy	1,308,179,000	1,326,054,000	1,308,179,000	1,326,054,000
Finance Management grant (FMG)	4,012,167	3,095,884	4,012,167	3,095,884
PTIS	178,366,181	38,179,260	178,366,181	38,179,260
LG SETA grant	669,079	-	669,079	-
Department Water Affairs (DWA)	4,833	2,318,533	4,833	2,318,533
Integrated Development Contribution	400,000	-	400,000	-
Operation Clean Audit grant	1,000,000	-	1,000,000	-
Topstructure grant	-	45,363,566	-	45,363,566
Health subsidy	35,837,000	29,625,439	35,837,000	29,625,439
HIV/AIDS subsidy	14,603,977	5,796,674	14,603,977	5,796,674
Community Libraries	2,569,477	3,406,296	2,569,477	3,406,296
Expanded Public Works Program	33,170,000	-	33,170,000	-
Gautrans	2,777,583	-	2,777,583	-
Tshepo 10 000	8,750,000	-	8,750,000	-
USDG operational	39,177,936	48,317,310	39,177,936	48,317,310
Integrated City Development	8,096,000	-	8,096,000	-
Development Bank of South Africa	780,000	-	780,000	-
Sandspruit Works Association	-	1	-	-
	<u>2,861,382,433</u>	<u>2,592,462,962</u>	<u>2,861,382,433</u>	<u>2,592,462,962</u>
<b>Capital grants</b>				
INEP	65,000,000	30,000,000	65,000,000	30,000,000
Gauteng Housing	2,159,543	56,305,113	2,159,543	56,305,113
PTIS Roads and storm water	104,795,858	93,540,864	104,795,858	93,540,864
PTIS Transport	506,133,131	739,057,352	506,133,131	739,057,352
NDPG	198,964,369	183,447,390	198,964,369	183,447,390
Blue IQ	11,999,119	12,999,757	11,999,119	12,999,757
Libraries	2,340,663	3,761,079	2,340,663	3,761,079
FMG	752,847	1,433,950	752,847	1,433,950
USDG	1,206,603,308	1,012,870,611	1,206,603,308	1,012,870,611
Electricity Demand Side	406,964	10,622,559	406,964	10,622,559
Department Water Affairs	14,000,000	-	14,000,000	-
Sport and Recreation	-	443,360	-	443,360
Gautrans	-	1,337,104	-	1,337,104
Expanded Public Works Program	924,606	5,726,394	924,606	5,726,394
Social Infrastructure grant	500,000	-	500,000	-
SANBI/Groen Sebenza	91,177	-	91,177	-
	<u>2,114,671,585</u>	<u>2,151,545,533</u>	<u>2,114,671,585</u>	<u>2,151,545,533</u>
	<b><u>4,976,054,018</u></b>	<b><u>4,744,008,496</u></b>	<b><u>4,976,054,018</u></b>	<b><u>4,744,008,495</u></b>
<b>Conditional and Unconditional</b>				
Included in above are the following grants and subsidies received:				
Conditional grants received	2,500,911,018	2,377,324,496	2,500,911,018	2,377,324,495
Unconditional grants received	2,475,143,000	2,366,684,000	2,475,143,000	2,366,684,000
	<u>4,976,054,018</u>	<u>4,744,008,496</u>	<u>4,976,054,018</u>	<u>4,744,008,495</u>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 27. 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 R384 (2013 = R419.92 and 2012 = R378), which is funded from the grant.

#### Primary Health Care Subsidy (Provincial)

Current-year receipts	35,837,000	29,625,439	35,837,000	29,625,439
Conditions met - transferred to revenue	(35,837,000)	(29,625,439)	(35,837,000)	(29,625,439)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11)

The group 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	53,750,000	49,676,000	53,750,000	49,676,000
Conditions met - transferred to revenue	(53,750,000)	(49,676,000)	(53,750,000)	(49,676,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11)

The group 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. The conditions of the subsidy have been met.

#### Department of Water Affairs & Forestry (DoRA)

Balance unspent at beginning of year	4,833	290,366	4,833	290,366
Current-year receipts	14,000,000	2,227,000	14,000,000	2,227,000
Conditions met - transferred to revenue	(14,004,833)	(2,318,533)	(14,004,833)	(2,318,533)
	<u>-</u>	<u>(194,000)</u>	<u>-</u>	<u>(194,000)</u>
	<u>-</u>	<u>4,833</u>	<u>-</u>	<u>4,833</u>

Conditions still to be met - remain liabilities (see note 11)

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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R

### 27. Government grants, subsidies, awards & donations (continued)

#### Electricity for All (INEP) (DoRA)

Balance unspent at beginning of year	-	1,526,000	-	1,526,000
Current-year receipts	65,000,000	30,000,000	65,000,000	30,000,000
Conditions met - transferred to revenue	(65,000,000)	(30,000,000)	(65,000,000)	(30,000,000)
Returned to National Treasury	-	(1,526,000)	-	(1,526,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11)

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 local government to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

#### Finance Management Grant (FMG) (DoRA)

Balance unspent at beginning of year	470,166	-	470,166	-
Current-year receipts	5,000,000	5,000,000	5,000,000	5,000,000
Conditions met - transferred to revenue	(4,765,014)	(4,529,834)	(4,765,014)	(4,529,834)
	<u>705,152</u>	<u>470,166</u>	<u>705,152</u>	<u>470,166</u>

Conditions still to be met - remain liabilities (see note 11)

The balance consists of the unspent portion of the 2013/14 financial year and roll over of the balance will be requested from National Treasury.

The purpose of this grant was to promote support reforms in financial management by building capacity in local government to implement the Local Government: Municipal Finance Management Act (MFMA). As part of strengthening financial and asset management in local government the grant provides funding for water and energy internship program to graduates in selected wards, boards and municipalities.

#### SANBI/Groen Sebenza (DoRA)

Current-year receipts	99,000	-	99,000	-
Conditions met - transferred to revenue	(91,177)	-	(91,177)	-
	<u>7,823</u>	<u>-</u>	<u>7,823</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11)

The City of Tshwane acts as a host organisation for the Groen Sebenza Internship programme. The City will receive a grant for the duration of the internship programme.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 27. Government grants, subsidies, awards & donations (continued)

#### Housing Grants (Provincial)

Balance unspent at beginning of year	70,686,712	93,758,781	70,686,712	93,758,781
Current-year receipts	-	30,043,380	-	30,043,380
Conditions met - transferred to revenue	(2,159,544)	(101,668,679)	(2,159,544)	(101,668,679)
Transfers	-	48,553,230	-	48,553,230
	<b>68,527,168</b>	<b>70,686,712</b>	<b>68,527,168</b>	<b>70,686,712</b>

Conditions still to be met - remain liabilities (see note 11)

The balance consists of amounts received in advance for the 2014/15 financial year. Roll over of the balance will be requested from Gauteng Province.

The expenditure of R2 159 544 relates to the Delft grant for housing which were included in the opening balance. This amount will be split to a separate customer in 2014/15.

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 local government for housing development. Local government 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.

#### Industrial Development Contribution (DoRA)

Current-year receipts	400,000	-	400,000	-
Conditions met - transferred to revenue	(400,000)	-	(400,000)	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 11)

The purpose of this contribution is to develop an Agri-cluster development and management plan.

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

Balance unspent at beginning of year	-	10,117,921	-	10,117,921
Current-year receipts	1,290,611,000	1,051,070,000	1,290,611,000	1,051,070,000
Conditions met - transferred to revenue	(1,245,781,244)	(1,061,187,921)	(1,245,781,244)	(1,061,187,921)
	<b>44,829,756</b>	<b>-</b>	<b>44,829,756</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 11)

Request for roll over of the balance of 2013/14 will be submitted to 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 year	15,534,170	137,609,647	15,534,170	137,609,647
Current-year receipts	788,761,000	748,702,000	788,761,000	748,702,000
Conditions met - transferred to revenue	(789,295,170)	(870,777,477)	(789,295,170)	(870,777,477)
Transfer (correction of incorrect allocation)	(15,000,000)	-	(15,000,000)	-
	<b>-</b>	<b>15,534,170</b>	<b>-</b>	<b>15,534,170</b>

Conditions still to be met - remain liabilities (see note 11)

An amount of R15 534 170 was rolled over from 2012/13 after approval by National Treasury to the 2013/14 financial year which were utilized fully during 2013/14.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 27. Government grants, subsidies, awards & donations (continued)

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

#### HIV and AIDS (Provincial Health Department)(Provincial)

Balance unspent at beginning of year	4,200,977	89,650	4,200,977	89,650
Current-year receipts	10,403,000	9,908,000	10,403,000	9,908,000
Conditions met - transferred to revenue	(14,603,977)	(5,796,673)	(14,603,977)	(5,796,673)
	<u>-</u>	<u>4,200,977</u>	<u>-</u>	<u>4,200,977</u>

Conditions still to be met - remain liabilities (see note 11)

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.

#### Gautrans - operational

Current-year receipts	15,000,000	-	15,000,000	-
Conditions met - transferred to revenue	(2,777,583)	-	(2,777,583)	-
	<u>12,222,417</u>	<u>-</u>	<u>12,222,417</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11)

An amount of R11 500 000 was received in advance for the 2014/15 financial year.

The purpose of this grant is to reconstruct and update the Garsfontein road (K50) to dual carriage way between Loristo and Anton van Wouw streets.

#### Neighbourhood Development Programme (DoRA)

Balance unspent at beginning of year	2,187,710	34,017,099	2,187,710	34,017,099
Current-year receipts	199,136,000	152,000,000	199,136,000	152,000,000
Conditions met - transferred to revenue	(198,964,369)	(183,447,389)	(198,964,369)	(183,447,389)
Returned to National Treasury	-	(382,000)	-	(382,000)
	<u>2,359,341</u>	<u>2,187,710</u>	<u>2,359,341</u>	<u>2,187,710</u>

Conditions still to be met - remain liabilities (see note 11).

The balance consists of the unspent portion of the 2013/14 financial year and roll over of the balance will be requested from National Treasury. An amount of R2 187 710 was rolled forward from the 2012/13 financial year after approval by National Treasury.

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).

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 27. Government grants, subsidies, awards & donations (continued)

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

Balance unspent at beginning of year	2,752,593	4,429,968	2,752,593	4,429,968
Current-year receipts	4,100,000	5,190,000	4,100,000	5,190,000
Conditions met - transferred to revenue	(4,910,141)	(7,167,375)	(4,910,141)	(7,167,375)
Transfers	-	300,000	-	300,000
	<u>1,942,452</u>	<u>2,752,593</u>	<u>1,942,452</u>	<u>2,752,593</u>

Conditions still to be met - remain liabilities (see note 11).

The balance consists of the unspent portion of the 2013/14 financial year and roll over of the balance will be requested from National Treasury. An amount of R2 752 593 of the 2012/13 financial year was rolled forward after approval by National Treasury.

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 year	8,750,000	8,750,000	8,750,000	8,750,000
Conditions met - transferred to revenue	(8,750,000)	-	(8,750,000)	-
	<u>-</u>	<u>8,750,000</u>	<u>-</u>	<u>8,750,000</u>

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

Balance unspent at beginning of year	71,107	1,408,211	71,107	1,408,211
Conditions met - transferred to revenue	-	(1,337,104)	-	(1,337,104)
	<u>71,107</u>	<u>71,107</u>	<u>71,107</u>	<u>71,107</u>

Conditions still to be met - remain liabilities (see note 11).

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)

Balance unspent at beginning of year	4,424,606	-	4,424,606	-
Current-year receipts	29,670,000	10,151,000	29,670,000	10,151,000
Conditions met - transferred to revenue	(34,094,606)	(5,726,394)	(34,094,606)	(5,726,394)
	<u>-</u>	<u>4,424,606</u>	<u>-</u>	<u>4,424,606</u>

Conditions still to be met - remain liabilities (see note 11).

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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 27. Government grants, subsidies, awards & donations (continued)

#### DBSA grant

Current-year receipts	780,000	-	780,000	-
Conditions met - transferred to revenue	(780,000)	-	(780,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11).

The grant was received from the Development Bank of South Africa to conduct a feasibility study for the retrofitting of seven municipal owned buildings occupied and managed buildings/facilities for the City of Tshwane.

#### Sandspruit Works Association

Balance unspent at beginning of year	1,164,242	1,853,016	-	-
Current-year receipts	1,338,789	1,800,255	-	-
Conditions met - transferred to revenue:	(471,062)	(970,000)	-	-
New meter & repeat offenders project				
Conditions met - transferred to revenue:	(202,070)	(1,519,029)	-	-
Housing Project meter installations				
	<u>1,829,899</u>	<u>1,164,242</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11).

The above amounts consist of the New Meter and repeat offenders project and the Housing project of Sandspruit Works Association. These balance will be utilised in the following financial year.

#### Social Infrastructure grant

Current-year receipts	500,000	-	500,000	-
Conditions met - transferred to revenue	(500,000)	-	(500,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11).

20 Priority Township project Hammanskraal - the purpose of this grant is to plan and design the Hammanskraal Early Childhood Development Centre and to plan and design the Hammanskraal Aged Care Centre.

#### Blue IQ

Balance unspent at beginning of year	11,999,119	24,998,876	11,999,119	24,998,876
Conditions met - transferred to revenue	(11,999,119)	(12,999,757)	(11,999,119)	(12,999,757)
	<u>-</u>	<u>11,999,119</u>	<u>-</u>	<u>11,999,119</u>

Conditions still to be met - remain liabilities (see note 11).

This amount was received in advance and was ring-fenced until the project was finalised.

This amount was received with the purpose of ring-fencing a contribution towards bulk contributions for electricity infrastructure supply.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 27. Government grants, subsidies, awards & donations (continued)

#### LG SETA Merit awards

Current-year receipts	936,000	-	936,000	-
Conditions met - transferred to revenue	(669,079)	-	(669,079)	-
	<u>266,921</u>	<u>-</u>	<u>266,921</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11).

This money is an award for skills development. The purpose is to strengthen the group'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.

#### Sport and Recreation

Balance unspent at beginning of year	72,617	515,977	72,617	515,977
Conditions met - transferred to revenue	-	(443,360)	-	(443,360)
	<u>72,617</u>	<u>72,617</u>	<u>72,617</u>	<u>72,617</u>

Conditions still to be met - remain liabilities (see note 11).

The department requested a roll over of the balance of 2012/13 to be utilised in the 2013/14 financial year, which did not happen due to various factors.

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

#### Performance Management (DPLG) (DoRA)

Balance unspent at beginning of year	<u>268,665</u>	<u>268,665</u>	<u>268,665</u>	<u>268,665</u>
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Conditions still to be met - remain liabilities (see note 11).

These funds were received to provide funding for the upgrading of the group'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 year	406,964	29,523	406,964	29,523
Current-year receipts	-	11,000,000	-	11,000,000
Conditions met - transferred to revenue	(406,964)	(10,622,559)	(406,964)	(10,622,559)
	<u>-</u>	<u>406,964</u>	<u>-</u>	<u>406,964</u>

Conditions still to be met - remain liabilities (see note 11).

The department has requested a roll over of the unspent portion from Department Mineral and Energy and National Treasury during 2012/13 which was utilised fully during 2013/14.

The purpose of this grant is to provide subsidies to local government to implement Electricity Demand Side Management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 27. Government grants, subsidies, awards & donations (continued)

#### Revenue Enhancement

Balance unspent at beginning of year	3,500,000	-	3,500,000	-
Current-year receipts	-	3,500,000	-	3,500,000
Conditions met - transferred to revenue	(2,275,200)	-	(2,275,200)	-
	<u>1,224,800</u>	<u>3,500,000</u>	<u>1,224,800</u>	<u>3,500,000</u>

Conditions still to be met - remain liabilities (see note 11).

This once off allocation was received from the Department of Local Government to assist with revenue enhancement programmes. Roll over of the balance as at 30 June 2014 will be requested from National Treasury.

#### Operation Clean Audit (OPCA) (DPLG & H)

Current-year receipts	1,000,000	-	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-	(1,000,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11).

This grant was awarded to the municipality by the Department of Local Government and Housing for the implementation of the Operation Clean Audit project in the municipality.

#### Integrated City Development

Current-year receipts	8,096,000	-	8,096,000	-
Conditions met - transferred to revenue	(8,096,000)	-	(8,096,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11).

The purpose of this grant from National Treasury is to provide a financial incentive for metropolitan municipalities to integrate and focus their use of all available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form and the development of more inclusive, livable, productive and sustainable urban built environments in metropolitan municipalities.

#### 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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>28. Other income</b>				
Market fees	127,870,599	112,883,363	127,870,599	112,883,363
Land sales	975,096	7,860,281	975,096	7,860,281
Sale of unusable stock	3,173,158	10,047,163	3,173,158	10,047,163
Drain cleaning fees	1,150,681	1,117,468	1,150,681	1,117,468
Interest on property sales	266,255	615,840	266,255	615,840
Donated:Assets	7,811,376	16,800	7,811,376	16,800
Dumping fees	63,077	189,554	63,077	189,554
Building plan fees	43,822,890	35,693,850	43,822,890	35,693,850
Income from grave services	5,867,879	6,020,299	5,867,879	6,020,299
Refund: Motor vehicles licences	73,384,644	71,303,680	73,384,644	71,303,680
Training fees recovered	11,689,104	22,099,298	11,689,104	22,099,298
Newly identified assets	82,985,726	41,542,000	82,985,726	41,542,000
Insurance claims	61,799,060	52,765,427	61,799,060	52,765,427
Bontle ke Botho award	994,936	684,388	994,936	684,388
Sundry fees	6,571,742	8,961,096	2,360,014	4,847,419
Airside income	4,455,887	3,710,240	4,455,887	3,710,240
Ambulance fees	3,619,710	1,981,669	3,619,710	1,981,669
Reminder fees	28,269,137	32,204,098	28,269,137	32,204,098
Discount on prompt payments	733,943	919,256	733,943	919,256
Approval fees: advertisements	38,903,042	29,495,569	38,903,042	29,495,569
Tshwane Inner City	8,274,819	13,138,240	8,274,819	13,138,240
Cemetery fees	4,853,474	4,737,777	4,853,474	4,737,777
Application fees	4,316,202	4,072,543	4,316,202	4,072,543
Income fom bulk containers	441,105	4,093,623	441,105	4,093,623
Sales: Aeroplane fuel	15,398,187	34,279,365	15,398,187	34,279,365
Transport fees	31,422,841	33,360,990	31,422,841	33,360,990
Miscellaneous	108,498,197	112,624,112	108,493,947	119,618,696
	<b>677,612,767</b>	<b>646,417,989</b>	<b>673,396,789</b>	<b>649,298,896</b>
<b>29. Employee related costs</b>				
Salaries and wages	4,028,541,889	3,562,672,980	3,942,665,159	3,502,072,423
Bonus	90,014	507,034	-	-
Medical aid contributions	349,368,317	283,299,567	341,613,908	276,214,189
UIF	32,465,598	27,899,812	32,041,398	27,501,556
Leave pay provision charge	3,813,874	830,479	-	-
Pension fund contributions	744,115,632	663,720,487	735,631,470	655,805,420
Travel, motor car, subsistence and other allowances	285,962,105	258,511,544	285,962,105	258,511,544
Overtime payments	303,652,335	270,646,423	303,652,335	270,646,423
Long-service awards	6,935,205	7,530,022	6,935,205	7,530,022
Incentive bonuses	245,564	299,074	245,564	299,074
Other allowances	271,332,239	195,810,202	269,874,800	194,525,479
Housing benefits and allowances	23,308,065	23,379,889	22,556,620	22,624,247
Compensation commissioner (COIDA)	36,154,725	31,370,195	36,154,725	31,370,195
	<b>6,085,985,562</b>	<b>5,326,477,708</b>	<b>5,977,333,289</b>	<b>5,247,100,572</b>
<b>Remuneration of City Manager</b>				
Annual Remuneration	2,858,838	2,669,156	2,858,838	2,669,156
Cell phone allowance	36,000	24,000	36,000	24,000
Other	10,473	858	10,473	858
	<b>2,905,311</b>	<b>2,694,014</b>	<b>2,905,311</b>	<b>2,694,014</b>

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>29. Employee related costs (continued)</b>				
<b>Chief Financial Officer - municipal entities</b>				
Annual Remuneration	2,338,743	1,606,628	-	-
Bonus and performance related payments	40,631	37,688	-	-
Vehicle allowance	190,662	-	-	-
Medical and retirement contributions	66,892	283,285	-	-
Leave capitalisation	14,721	13,940	-	-
Expense allowance	66,690	63,808	-	-
	<b>2,718,339</b>	<b>2,005,349</b>	-	-
<b>Chief Executive Officer - municipal entities</b>				
Annual Remuneration	4,387,029	3,587,850	-	-
Bonus and performance related payments	130,592	118,720	-	-
Pension fund contributions	(176,438)	377,977	-	-
Vehicle allowance	144,000	-	-	-
Termination benefit	378,287	-	-	-
Expense allowance	83,389	173,769	-	-
Leave capitalisation	99,158	43,797	-	-
	<b>5,046,017</b>	<b>4,302,113</b>	-	-
<b>Directors - municipal entities</b>				
Non-executive directors: Board fees	5,380,599	2,973,952	-	-

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

		Group		Municipality		Total	
		2014	2013	2014	2013		
		R	Restated* R	R	Restated* R		
<b>30. Remuneration of Top Management</b>							
	<b>Reporting directly to City Manager</b>						
	<b>2014</b>						
		Designation	Remuneration	Travel allowance	Cell phone allowance	Oher allowance	Total
	Dyakala, Andile P	Group Chief Financial Officer	1,826,833	60,000	21,600	858	1,909,291
	Kwele, Lindiwe	DCM: Strategy Development & Implementation	1,995,434	300,000	21,600	34,602	2,351,636
	Mangcu, Lisa N	DCM: Infrastructure & Management	1,995,434	300,000	21,600	-	2,317,034
	Boshielo, Mokholela, K F	DCM: Operations & Service Delivery	1,764,010	180,000	21,600	-	1,965,610
	Lukhwareni, Ndvihoniswani	Service Delivery Coordinator & Transformation Manager	1,836,006	108,000	21,600	-	1,965,606
	Seabela, Bruno S	SED: Group Legal Services	1,622,205	180,000	21,600	-	1,823,805
	Aborn, Peter K	Project Manager	1,588,000	12,000	21,600	-	1,621,600
	Shozi, Ernest W	SED: Office of the Executive Mayor	1,427,889	236,412	21,600	28,380	1,714,281
	Otumile, Dudlana J	SED: Group Information Technology	1,484,301	180,000	21,600	11,748	1,697,649
	De Beer, Joan K	Chief Emergency Services	1,568,790	72,000	21,600	-	1,662,390
	Ntsikeni, Zukiswa (resign 30 April)	SED: Corporate & Shared Services	1,549,355	80,000	18,000	1,144	1,648,499
	Nemahagala, Tshilidzi D	SED: City Manager Support	1,509,355	120,000	21,600	16,638	1,667,593
	Ngobeni, Khazamula S	Chief of Metro Police	1,610,613	-	21,600	37,809	1,670,022
	Matsena, Mapiti David	SEH: Secretary of Council	1,252,052	234,546	21,600	-	1,508,198
	Mkhwebane, Kgaugelo W	SEH: Office of the Chief Whip	1,396,596	90,000	21,600	-	1,508,196
	Manganye, Mahlomola D	Safer City Coordinator	1,414,596	72,000	21,600	30,106	1,538,302
	Thenga, Obed	Chief Audit Executive	1,426,585	60,000	21,600	9,915	1,518,100
			<b>27,268,054</b>	<b>2,284,958</b>	<b>363,600</b>	<b>171,200</b>	<b>30,087,812</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Designation	Group		Municipality		Total
		2014	2013	2014	2013	
		R	Restated* R	R	Restated* R	
<b>30. Remuneration of Top Management (continued)</b>						
<b>2013</b>						
		Remuneration	Travel allowance	Cell phone allowance	Other allowance	
Dyakala, Andile P	Group Chief Financial Officer	1,762,283	60,000	21,600	1,430	1,845,313
Kwele, Lindiwe	DCM: Strategy Development & Implementation	2,143,133	300,000	21,600	54,393	2,519,126
Mangcu, Lisa N	DCM: Infrastructure & Programme Management	1,815,628	60,000	21,600	30,224	1,927,452
Boshielo, Mokholela K F	DCM: Operations & Service Delivery	1,816,002	180,000	21,600	858	2,018,460
Lukhwareni, Ndvihoniswani	Service Delivery Coordinator & Transformation Manager	1,816,000	108,000	21,600	-	1,945,600
Seabela, Bruno S	SED: Group Legal Services	1,682,630	180,000	21,600	-	1,884,230
Aborn, Peter K	Project Manager	1,506,096	12,000	10,800	-	1,528,896
Shozi, Ernest W	SED: Office of the Executive Mayor	1,425,372	216,711	19,800	29,032	1,690,915
Otumile, Dudlana J	SED: Group Information Technology	1,025,466	118,636	14,236	-	1,158,338
De Beer, Joan K	Chief Emergency Services	1,531,925	72,000	21,600	-	1,625,525
Ntsikeni, Zukiswa	SED: Corporate & Shared Services	1,521,249	96,000	21,600	-	1,638,849
Nemahagala, Tshilidzi D	SED: City Manager Support	1,521,775	120,000	21,600	16,638	1,680,013
Ngobeni, Khazamula S	Chief of Metro Police	1,508,712	-	21,600	46,868	1,577,180
Matsena, Mapiti David	SEH: Secretary of Council	1,388,626	234,546	21,600	-	1,644,772
Mkhwebane, Kgaugelo W	SEH: Office of the Chief Whip	1,387,961	90,000	21,600	-	1,499,561
Manganye, Mahlomola D	Safer City Coordinator	1,387,961	36,000	21,600	-	1,445,561
Thenga, Obed	Chief Audit Executive	1,387,956	60,000	21,600	8,634	1,478,190
		<b>26,628,775</b>	<b>1,943,893</b>	<b>347,236</b>	<b>188,077</b>	<b>29,107,981</b>

\* Other allowances comprise S & T allowances.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R

### 30. Remuneration of Top Management (continued)

#### Reporting to the Deputy City Managers

#### 2014

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowance	Total
Madlala, Lungile N	Tshwane Rapid Transit Project	1,616,325	86,400	21,600	15,901	1,740,226
Mhlekwana, Thembeke	SED: Economic Development	1,581,355	48,000	21,600	12,016	1,662,971
Makgata, Makgorometje A	SED: City Planning	1,521,355	108,000	21,600	30,621	1,681,576
Ncunyana, Zukiswa	SED: Strategy, Research & Innovation	1,557,355	72,000	21,600	13,728	1,664,683
Ndlovu, Nomasonto Cynthia	SED: Communication, Marketing & Events	1,509,355	120,000	21,600	34,390	1,685,345
Kekana, Seoketsa E	SED: Health & Social Development	1,495,773	48,000	21,600	-	1,565,373
Memela, Nontobeko	ED: Housing Provision	1,304,403	132,000	21,600	572	1,458,575
Maganlal, Mayur	SED: City Strategies and Performance Management	1,427,911	102,000	21,600	286	1,551,797
Nteo, Lema D	Specialist: Green Desk/City Sustainability Office	1,340,840	84,000	21,600	63,846	1,510,286
Kolisa, Mthobeli S	SED: Environmental Management	1,424,840	-	21,600	9,405	1,455,845
Letlonkane, Pheko I	ED: Transport Development	1,589,808	120,000	21,600	1,716	1,733,124
Mothoagae, Amolemo G	SED: Housing & Human Settlement	1,304,906	240,000	21,600	17,496	1,584,002
Tshwale, Ngako D	SED: Sport & Recreation	1,300,000	-	21,600	-	1,321,600
Mutshidza, Ndwamato T	SED: Electricity	1,500,000	-	21,600	12,798	1,534,398
		<b>20,474,226</b>	<b>1,160,400</b>	<b>302,400</b>	<b>212,775</b>	<b>22,149,801</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R

### 30. Remuneration of Top Management (continued)

#### 2013

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowance	Total
Madlala, Lungile N	Tshwane Rapid Transit Project	1,589,749	86,400	21,600	16,840	1,714,589
Mhleka, Thembeke S	SED: Economic Development	1,520,537	48,000	21,600	31,576	1,621,713
Makgata, Makgorometje A	SED: City Planning	1,521,249	108,000	21,600	15,523	1,666,372
Ncunyana, Zukiswa	SED: Strategy, Research & Innovation	1,521,249	72,000	21,600	17,496	1,632,345
Ndlovu, Nomasonto Cynthia	SED; Communication, Marketing & Events	1,521,249	120,000	21,600	12,032	1,674,881
Kekana, Seoketsa E	SED: Health & Social Development	1,442,022	48,000	21,600	-	1,511,622
Phora, M	ED: Housing Provision	595,589	35,000	12,600	172,926	816,115
Maganlal, Mayur	SED: City Strategies & Performance Management	953,455	68,000	14,400	-	1,035,855
Nteo, Lemao D )	Specialist: Green Desk/City Sustainability Office	712,420	42,000	10,800	24,078	789,298
Kolisa, Mthobeli S	SED: Environmental Management	237,473	-	3,600	-	241,073
Makibinyane, Lefadi L	SED: Services Infrastructure	1,521,248	264,000	21,600	-	1,806,848
Madumo, Kepi D	SED: Sport & Recreation	1,387,961	182,400	21,600	14,696	1,606,657
		<b>14,524,201</b>	<b>1,073,800</b>	<b>214,200</b>	<b>305,167</b>	<b>16,117,368</b>

### 31. Remuneration of councillors

Councillors' allowances	94,546,753	90,229,586	94,546,753	90,229,586
Travelling allowance	73,462	69,340	73,462	69,340
Councillor's housing allowance	2,168,287	2,274,368	2,168,287	2,274,368
	<b>96,788,502</b>	<b>92,573,294</b>	<b>96,788,502</b>	<b>92,573,294</b>

#### 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 group.

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.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed above 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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
		R		R
<b>32. Depreciation and amortisation</b>				
Depreciation: Investment property	2,874,425	2,856,145	2,874,425	2,856,145
Amortisation: Intangible assets	77,934,540	68,786,201	77,853,460	68,782,384
Depreciation: Property, plant & equipment	1,050,922,251	942,066,587	1,047,373,037	939,787,586
Depreciation: Leased assets	74,428,372	96,787,397	74,428,372	96,787,397
Depreciation: Rehabilitation assets	31,317,868	15,555,192	31,317,868	15,555,192
	<b>1,237,477,456</b>	<b>1,126,051,522</b>	<b>1,233,847,162</b>	<b>1,123,768,704</b>
<b>33. Finance costs</b>				
Long-term liabilities (external loans)	757,340,949	613,076,566	756,921,712	612,612,933
Interest rate swaps	-	18,323,257	-	18,323,257
Finance leases	5,329,709	13,812,373	5,329,709	13,812,373
Bank overdraft	2,558,718	2,457,089	2,082,826	2,066,013
Other finance costs (Bank charges, transit banking, etc)	10,900,075	59,836,592	10,900,075	59,836,592
Amortisation: provisions	37,856,677	24,393,852	37,856,677	24,393,852
	<b>813,986,128</b>	<b>731,899,729</b>	<b>813,090,999</b>	<b>731,045,020</b>
<b>34. Investment revenue</b>				
<b>Interest revenue (interest received)</b>				
Bank	5,222,047	14,967,352	5,045,952	14,941,306
Investments	21,872,320	18,896,344	21,420,289	18,330,910
Long-term investments	23,484,654	25,053,648	23,484,654	25,053,648
Contingency Insurance	1,848,678	3,910,664	1,848,678	3,910,664
	<b>52,427,699</b>	<b>62,828,008</b>	<b>51,799,573</b>	<b>62,236,528</b>
<b>35. Debt impairment</b>				
Contributions to bad debt provision	1,160,951,565	810,832,622	1,094,084,731	784,467,969
Amounts written off	239,671,473	140,786,714	210,821,324	89,835,947
	<b>1,400,623,038</b>	<b>951,619,336</b>	<b>1,304,906,055</b>	<b>874,303,916</b>
For amounts written off refer to notes number 22 and 23				
<b>36. Bulk purchases</b>				
Electricity	5,753,005,830	5,551,631,069	5,755,882,615	5,554,222,722
Water	1,275,466,701	1,141,051,218	1,392,458,572	1,236,102,846
	<b>7,028,472,531</b>	<b>6,692,682,287</b>	<b>7,148,341,187</b>	<b>6,790,325,568</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 37. Grants and subsidies paid

#### Other subsidies

Grants-In-Aid: Property Rates	<u>22,006,956</u>	<u>17,290,290</u>	<u>22,006,956</u>	<u>17,290,290</u>
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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 City of Tshwane 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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
<b>38. General expenses</b>				
Payments to municipal entities	-	-	205,035,189	-
National Health Insurance	24,219,757	-	24,219,757	-
Consumables	15,108,857	18,016,773	15,108,857	18,016,773
External audit	23,966,900	24,903,034	22,712,811	23,291,888
Commission paid	26,079,645	24,682,525	26,079,645	24,682,525
Cleaning services	19,964,752	21,642,193	18,827,097	20,504,138
Lease expense reclassification	(87,189,156)	(116,917,937)	(87,189,156)	(116,917,937)
Protective clothing	17,588,091	16,192,222	17,283,021	15,905,689
Chemicals	35,738,820	30,164,459	35,738,820	30,164,459
Gratuities	18,867,743	18,189,147	18,867,743	18,189,147
Ward committee: Administration	19,450,815	8,533,476	19,450,815	8,533,476
Rental of plant and equipment	486,911,048	279,842,362	486,911,048	279,842,362
HIV and AIDS grant	22,488,400	5,796,674	22,488,400	5,796,674
Refreshments meetings	13,931,398	15,156,394	13,931,398	15,156,394
Insurance	77,668,127	100,910,190	77,117,810	99,904,749
LED initiatives	30,694,583	18,833,159	30,694,583	18,833,159
Imbizo	53,659,142	16,357,714	53,659,142	16,357,714
End user support	18,685,014	25,138,984	18,685,014	25,138,984
Implementation: OITPS	79,545,331	66,925,305	79,545,331	66,925,305
Postage	23,441,101	19,861,017	23,441,101	19,861,017
Equipment	10,622,790	5,374,581	-	-
USDG grant expenditure	39,177,936	48,317,310	39,177,936	48,317,310
EPWP expenditure	33,170,000	166,384	33,170,000	166,384
Leasing of property	196,549,660	167,187,275	196,549,660	167,187,275
Advertising and marketing	34,856,194	15,169,055	34,597,697	14,127,399
Post employment benefit expenses	200,792,972	167,731,022	200,792,972	167,731,022
Consultant fees	45,783,858	38,456,834	35,357,710	33,987,479
Electricity disconnections	64,068,638	30,643,161	64,068,638	30,643,161
Telecommunication	131,726,937	89,465,087	130,194,626	88,004,539
Service providers	18,233,909	3,328,833	5,219,857	163,416,231
Project linked housing	30,043,000	45,363,566	30,043,000	45,363,566
Forensic audit	45,660,547	8,283,476	45,660,547	8,283,476
Tshwane Open	39,053,869	-	39,053,869	-
Dinokeng	15,000,000	-	15,000,000	-
Leased vehicles (VAT)	79,946,992	112,139,118	79,946,992	112,139,118
Coal	11,767,166	86,612,553	11,767,166	86,612,553
EPWP: Job creation	97,045,385	83,896,475	97,045,385	83,896,475
Management information	44,621,584	33,308,762	44,621,584	33,308,762
Subsistance and travelling	11,593,046	15,411,939	11,255,276	15,133,943
Formalisation: Informal sector	75,442,462	51,330,320	75,442,462	51,330,320
Medical aid fund	50,810,843	47,644,760	50,810,843	47,644,760
Locomotion allowance	22,753,309	22,341,014	22,753,309	22,341,014
Prevention of illegal land invasion	47,478,111	12,375,790	47,478,111	12,375,790
Household refuse removal	117,568,533	211,498,713	117,568,533	211,498,713
Rental vehicles - vatable	127,558,101	64,722,986	127,558,101	64,722,986
Tanker water services	42,701,496	28,242,459	42,701,496	28,242,459
CCTV	23,962,303	26,484,889	23,962,303	26,484,889
Petrol and diesel fuel	187,645,835	220,935,326	187,645,835	220,935,326
Prepaid Electricity Commission	7,785,714	7,340,359	7,785,714	7,340,359
Legal costs	67,323,512	25,590,954	67,290,055	25,571,498
Licences	49,576,148	44,150,899	49,576,148	44,149,759
Stationery	25,851,006	23,874,119	25,080,130	23,148,309
Topstructure toilets	9,007,097	15,789,905	9,007,097	15,789,905
PTIS grant expenditure	178,366,181	38,179,260	178,366,181	38,179,260
Tshwane House	48,457,961	48,625,934	48,457,961	48,625,934
Tshwane Inner City	8,274,819	9,043,142	8,274,819	9,043,142
Internet fees	17,586,881	18,998,337	17,586,881	18,998,337
Training board fees	50,895,488	43,171,324	50,895,488	43,171,324
Events management	27,668,590	86,967,754	27,668,590	86,967,754
Watchmen services	252,068,865	254,567,558	244,958,823	247,244,579
SMME initiatives	39,105,063	2,210,679	39,105,063	2,210,679
Smart meter pre-paid commission	208,023,987	26,380,233	177,557,908	-
Other expenses	392,655,584	319,280,844	365,443,698	315,176,278
	<b>4,149,102,740</b>	<b>3,194,830,680</b>	<b>4,249,106,890</b>	<b>3,299,698,583</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>39. Cash generated from operations</b>				
Surplus	943,163,655	1,853,449,634	953,321,534	1,828,829,722
<b>Adjustments for:</b>				
Depreciation and amortisation	1,237,477,456	1,126,051,522	1,233,847,162	1,123,768,704
(Loss) /gain on sale of assets and liabilities	151,649,954	281,948,993	151,586,980	281,686,933
Fair value adjustments	(3,836,565)	(79,227,638)	(3,536,565)	(81,898,475)
Impairment deficit	5,200,760	4,818,771	5,200,760	4,818,771
Debt impairment	1,400,623,038	951,619,336	1,304,906,055	874,303,916
Movements in operating lease assets and accruals	(2,399,973)	(2,357,215)	(2,990,938)	(2,138,855)
Movements in retirement benefit assets and liabilities	200,792,972	167,731,022	200,792,972	167,731,022
Movements in provisions	203,092,749	25,120,585	203,090,187	26,731,373
Annual charge for deferred tax	1,963,079	1,118,495	-	-
<b>Changes in working capital:</b>				
Inventories	10,322,698	15,223,369	10,934,798	15,477,405
Other debtors	(108,941,627)	109,242,507	(108,889,384)	90,959,668
Consumer debtors	(788,507,472)	(1,364,252,444)	(693,298,836)	(1,256,113,577)
Payables from exchange transactions	(27,122,043)	583,449,352	(36,312,528)	581,599,794
VAT	(44,877,516)	(189,866,453)	(46,059,039)	(189,869,476)
Unspent grants and receipts	7,833,637	(193,169,219)	7,167,980	(192,480,445)
Consumer deposits	(7,918,647)	14,716,396	(8,150,633)	14,307,273
	<b>3,178,516,155</b>	<b>3,305,617,013</b>	<b>3,171,610,505</b>	<b>3,287,713,753</b>
<b>40. Utilisation of Long-term liabilities reconciliation</b>				
Long-term liabilities raised	9,253,499,300	8,302,036,464	9,250,694,459	8,298,916,153
Used to finance property, plant and equipment	12,079,601,315	(11,434,293,125)	(12,076,797,474)	(11,425,473,034)
	21,333,100,615	(3,132,256,661)	(2,826,103,015)	(3,126,556,881)
Cash set aside for the repayment of long-term liabilities	(104,777,968)	(310,310,086)	(104,777,968)	(310,310,086)
	<b>21,228,322,647</b>	<b>(3,442,566,747)</b>	<b>(2,930,880,983)</b>	<b>(3,436,866,967)</b>
Long-term liabilities have been utilized in accordance with the Local Government: Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.				
<b>41. Additional disclosure in terms of the Local Government: Municipal Finance Management Act</b>				
<b>Contributions to organised local government</b>				
Current year subscription / fee	3,387,544	2,833,516	3,387,544	2,833,516
Amount paid - current year	(3,387,544)	(2,833,516)	(3,387,544)	(2,833,516)
	-	-	-	-
<b>Audit fees</b>				
Current year audit fee	29,637,517	29,160,514	27,526,494	26,963,247
Amount paid - current year	(28,326,571)	(29,160,514)	(26,215,548)	(26,963,247)
	<b>1,310,946</b>	-	<b>1,310,946</b>	-

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

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
		R		R

### 41. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)

#### PAYE and UIF

Opening balance	66,692,022	56,293,943	64,637,294	56,167,453
Current year payroll deductions	870,004,976	733,712,051	847,972,730	721,058,752
Amount paid - current year	(792,840,244)	(667,020,029)	(771,476,381)	(656,421,458)
Amount paid - previous years	(66,692,022)	(56,293,943)	(64,637,294)	(56,167,453)
	<u>77,164,732</u>	<u>66,692,022</u>	<u>76,496,349</u>	<u>64,637,294</u>

#### Pension and Medical Aid Deductions

Opening balance	102,871	-	-	-
Current year payroll deductions and council contributions	1,607,539,090	1,385,440,303	1,587,865,173	1,368,280,008
Amount paid - current year	-	(1,385,337,432)	(1,587,865,173)	(1,368,280,008)
	<u>1,607,641,961</u>	<u>102,871</u>	<u>-</u>	<u>-</u>

#### Councilors' arrear consumer accounts

The under mentioned Councilors had arrear accounts outstanding as at 30 June 2014.

# These councilors have made arrangements to pay off their arrear debt

30 June 2014	Less than 90 days	More than 90 days	Total R
Buthelezi M M #	12,790	21,985	34,775
Huma S E	865	259	1,124
Katake N S	538	170	708
Khoza K S	465	10	475
Khumalo Z C #	3,594	22,352	25,946
Kwenda L H	341	85	426
Lehobye M J	751	242	993
Mabona A D	511	170	681
Majeng M J	719	231	950
Marotola M S	649	71	720
Marotola Y K & M S	568	5,187	5,755
Maseko N E	1,004	214	1,218
Matentjie M J	1,548	573	2,121
Mathafa O M	741	238	979
Mbele N B	365	72	437
Mohlala R K B	2,365	778	3,143
Mosime D W	580	339	919
Mosito D B	730	235	965
Motswapong B J	455	109	564
Ncube M E	1,209	295	1,504
Ngwenyq F P & Moqoba A #	3,160	1,770	4,930
Rammushi J P	241	60	301
Thobejane E M #	(2,922)	21,038	18,116
	<u>31,267</u>	<u>76,483</u>	<u>107,750</u>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R

### 41. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)

30 June 2013	Less than 90 days	More than 90 days	Total R
Boshomane M J	2,048	472	2,520
Buthelezi M M #	-	12,260	12,260
Campbell A W #	1,761	1,929	3,690
Joosub U #	-	6,869	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 #	-	1,392	1,392
Phala P M	4,179	14,840	19,019
Thobejane H S	-	8,771	8,771
	<b>25,177</b>	<b>126,907</b>	<b>152,084</b>

# These councilors made arrangements to pay off their arrear debt.

### 42. 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.

#### Local Government: Municipal Finance Management Act: 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.

#### Local Government: 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 Local Government: 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 group to persons who are in the service of the state.

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>43. Commitments (only applicable to municipality)</b>				
<b>Authorised capital expenditure</b>				
<b>Approved and contracted for</b>				
• Infrastructure	2,533,217,756	2,418,763,143	2,533,217,756	2,418,763,143
• Community	609,750,000	487,919,128	609,750,000	487,919,128
• Other	193,950,000	213,789,560	193,950,000	213,789,560
	<b>3,336,917,756</b>	<b>3,120,471,831</b>	<b>3,336,917,756</b>	<b>3,120,471,831</b>
<b>Approved but not yet contracted for</b>				
• Infrastructure	448,300,000	980,123,673	448,300,000	980,123,673
• Community	91,100,000	180,775,000	91,100,000	180,775,000
• Other	241,669,000	198,726,300	241,669,000	198,726,300
• Housing	50,000,000	27,493,422	50,000,000	27,493,422
	<b>831,069,000</b>	<b>1,387,118,395</b>	<b>831,069,000</b>	<b>1,387,118,395</b>
	<b>4,167,986,756</b>	<b>4,507,590,226</b>	<b>4,167,986,756</b>	<b>4,507,590,226</b>

The amount of 2012/13 have been restated to reflect the amounts of the adjustment budget.

**This expenditure will be financed from:**

Surplus cash	-	543,122,746	-	543,122,746
Borrowings	1,500,000,000	1,600,000,000	1,500,000	1,600,000,000
Other contributions	-	12,099,000	-	12,099,000
FMG (Finance Management Grant)	250,000	783,090	250,000	783,090
CLS (Community Library Services)	3,129,000	2,502,441	3,129,000	2,502,441
Public contributions and donations	80,100,000	95,900,000	80,100,000	95,900,000
EPWP Incentrive (Expanded Public Works Programme)	-	924,606	-	924,606
Capital replacement reserve	43,486,756	48,788,799	43,486,756	48,788,799
DWA - Department of Water Affairs	-	14,000,000	-	14,000,000
Human Settlements Development Grant (Government Housing)	-	60,322,422	-	60,322,422
PTIS	867,571,000	610,933,139	867,571,000	610,933,139
Urban Settlements Development Grant	1,469,450,000	1,250,611,000	1,469,450,000	1,250,611,000
National Electrification Fund/INEP	32,000,000	65,000,000	32,000,000	65,000,000
Social Infrastructure grant	-	500,000	-	500,000
Neighbourhood Development Partnership Grant	150,000,000	201,496,019	150,000,000	201,496,019
Energy Efficiency Demand Side Management (EEDSM)	10,000,000	406,964	10,000,000	406,964
Gautrans	12,000,000	200,000	12,000,000	200,000
	<b>4,167,986,756</b>	<b>4,507,590,226</b>	<b>2,669,486,756</b>	<b>4,507,590,226</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

#### 44. Accumulated surplus

##### Ring-fenced internal funds and reserves within accumulated surplus - Group - 2014

	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	58,163,634	150,012,090	156,442,652	13,238,923,501	13,603,541,877
Net surplus for the year	-	-	-	943,163,655	943,163,655
Transfer to/(from) reserves	(33,143,126)	(82,840,280)	-	115,983,406	-
	<b>25,020,508</b>	<b>67,171,810</b>	<b>156,442,652</b>	<b>14,298,070,562</b>	<b>14,546,705,532</b>

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

	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	109,653,107	131,648,915	128,851,478	11,114,848,196	11,485,001,696
Prior year adjustments - prior 2012/13	-	-	-	214,574,831	214,574,831
Prior year restatements - municipal entities (prior 2012/13)	-	-	-	(8,053,419)	(8,053,419)
Prior year adjustments - 2013/14	(10)	-	-	58,569,145	58,569,135
Net surplus for the year	-	-	-	1,853,449,634	1,853,449,634
Transfer to/(from) reserves	(51,489,463)	18,363,175	27,591,174	5,535,114	-
	<b>58,163,634</b>	<b>150,012,090</b>	<b>156,442,652</b>	<b>13,238,923,501</b>	<b>13,603,541,877</b>

##### Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2014

	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	58,163,634	150,012,090	156,442,652	13,176,274,996	13,540,893,372
Net surplus for the year	-	-	-	953,321,534	953,321,534
Transfer reserve to accumulated surplus	(33,143,126)	(82,840,280)	-	115,983,406	-
	<b>25,020,508</b>	<b>67,171,810</b>	<b>156,442,652</b>	<b>14,245,579,936</b>	<b>14,494,214,906</b>

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

	Insurance reserve	COVID reserve	Housing development fund	Other	Total
Opening balance	109,653,107	131,648,915	128,851,478	11,068,766,183	11,438,919,683
Prior year adjustments prior 2012/13	-	-	-	214,574,831	214,574,831
Prior year adjustments 2013/14	(10)	-	-	58,569,145	58,569,135
Net surplus for the year	-	-	-	1,828,829,723	1,828,829,723
Transfer reserve to accumulated surplus	(51,489,463)	18,363,175	27,591,174	5,535,114	-
	<b>58,163,634</b>	<b>150,012,090</b>	<b>156,442,652</b>	<b>13,176,274,996</b>	<b>13,540,893,372</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 45. 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 29).

Defined contribution plans: Sandspruit Works Association

Sandspruit Works Association has a defined contribution plan registered with Alexander Forbes Retirement Fund (Registration nr 12/8/34766). Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

#### Tshwane Municipal Provident

##### Fund/Tshwane Municipal Gratuity Fund

5 720 (30.82 % ) of the Municipality's employees are members of this fund. 280,017,389 240,404,889 280,017,389 240,404,889

##### Pension Fund for Municipal Councillors:

The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 69 (0.37 % ) of the Municipality's employees are members of this fund. 5,909,449 5,353,679 5,909,449 5,353,679

##### National Fund for Municipal Workers.

6 298 (33.94 % ) of the Municipality's employees are members of this fund. 346,974,897 302,681,367 346,974,897 302,681,367

##### SALA Provident Fund/Gratuity Fund:

61 (0.33 % ) of the Municipality's employees are members of this fund. 1,124,358 1,107,157 1,124,358 1,107,157

##### SAMWU National Pension Fund.

16 (0.09 % ) of the Municipality's employees are members of this fund. 888,292 822,475 888,292 822,475

##### SAMWU National Provident Fund.

1 278 (6.89 % ) of the Municipality's employees are members of this fund. 56,841,160 51,864,561 56,841,160 51,864,561

##### Germiston Municipal Retirement Fund

4 (0.02 % ) of the Municipality's employees are a member of this fund. 450,515 461,209 450,515 461,209

##### Meshawu National Local Authorities

##### Retirement Fund

40 (0.22 % ) of the Municipality's employees are members of this fund. 1,539,887 1,510,170 1,539,887 1,510,170

	<b>693,745,947</b>	<b>604,205,507</b>	<b>693,745,947</b>	<b>604,205,507</b>
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\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R
<b>45. Employee benefit obligations (continued)</b>				
<b>Defined contribution plan (as classified by the relevant funds):</b>				
<b>Tshwane Municipal Pension Fund</b>				
277 (1.49%) of the Municipality's employees are members of this fund.				
<b>Included in general expenses are:</b>				
Current service cost	24,041,577	25,479,640	24,041,577	25,479,640
Interest cost	58,407,763	57,987,791	58,407,763	57,987,791
Expected return on assets	(58,069,726)	(58,540,811)	(58,069,726)	(58,540,811)
Recognised Net (Gain)/Loss	(24,013,553)	(113,974,613)	(24,013,553)	(113,974,613)
<b>Defined benefit expense</b>	<b>366,061</b>	<b>(89,047,993)</b>	<b>366,061</b>	<b>(89,047,993)</b>
<b>Post-employment benefit liability (funded status)</b>				
Present value of the obligation	(2,335,595,676)	(698,138,452)	(2,335,595,676)	(698,138,452)
Fair value of plan assets	2,247,463,862	694,097,951	2,247,463,862	694,097,951
<b>Liability recognised in statement of financial position</b>	<b>(88,131,814)</b>	<b>(4,040,501)</b>	<b>(88,131,814)</b>	<b>(4,040,501)</b>
<b>Reconciliation of defined benefit obligation:</b>				
Present value of obligation at beginning of year	698,138,451	726,140,957	698,138,451	726,140,957
Interest cost	58,407,763	57,987,791	58,407,763	57,987,791
Current service cost	24,041,577	25,479,640	24,041,577	25,479,640
Member contributions	6,352,929	6,444,434	6,352,929	6,444,434
Risk premiums	(1,913,807)	(2,072,986)	(1,913,807)	(2,072,986)
Actuarial (gain)/loss on obligation	12,311,255	(115,841,385)	12,311,255	(115,841,385)
Past service cost	1,538,257,509	-	1,538,257,509	-
<b>Present value of obligation at end of year</b>	<b>2,335,595,677</b>	<b>698,138,451</b>	<b>2,335,595,677</b>	<b>698,138,451</b>
<b>Reconciliation of plan assets (None of the Municipality's own financial instruments or property are included in the fair value of plan assets)</b>				
Fair value of plan assets at beginning of year	694,097,951	616,219,065	694,097,951	616,219,065
Expected return on plan assets	58,069,726	58,540,811	58,069,726	58,540,811
Contributions	1,460,885,185	23,277,832	1,460,885,185	23,277,832
Risk premiums	(1,913,807)	(2,072,986)	(1,913,807)	(2,072,986)
Actuarial (gain)/loss on obligation	36,324,808	(1,866,771)	36,324,808	(1,866,771)
<b>Fair value of plan assets at end of year</b>	<b>2,247,463,863</b>	<b>694,097,951</b>	<b>2,247,463,863</b>	<b>694,097,951</b>
<b>Composition of plan assets:</b>				
Cash	18.17 %	14.39 %	18.17 %	14.39 %
Equity	40.68 %	41.66 %	40.68 %	41.66 %
Bonds	8.45 %	12.89 %	8.45 %	12.89 %
Property	4.65 %	3.35 %	4.65 %	3.35 %
Other	2.33 %	1.52 %	2.33 %	1.52 %
International	25.72 %	26.19 %	25.72 %	26.19 %
<b>Total</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>
<b>Actual return on plan assets</b>	<b>56,674,040</b>	<b>56,674,040</b>	<b>56,674,040</b>	<b>56,674,040</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R
<b>45. Employee benefit obligations (continued)</b>				
<b>Estimated contributions to be paid to the Tshwane Pension fund in the next financial period</b>	<b>22,528,641</b>	<b>23,204,687</b>	<b>22,528,641</b>	<b>23,204,687</b>
<b>Municipal gratuity fund</b>				
Actuarial valuations are carried out every 2 years. 1 685 (9.08%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund.				
<b>Included in general expenses are:</b>				
Current service cost	2,414,596	3,983,980	2,414,596	3,983,980
Interest cost	5,609,874	5,725,560	5,609,874	5,725,560
Expected return on assets	-	(8,980,401)	-	(8,980,401)
Recognised Net (Gain)/Loss	(6,141,372)	(14,178,254)	(6,141,372)	(14,178,254)
<b>Defined benefit expense</b>	<b>1,883,098</b>	<b>(13,449,115)</b>	<b>1,883,098</b>	<b>(13,449,115)</b>
<b>Post-employment benefit liability (funded status)</b>				
Present value of the obligation	(76,279,430)	(89,728,546)	(76,279,430)	(89,728,546)
Net (expense)/income recognised in Statement of financial performance	5,034,672	13,449,116	5,034,672	13,449,116
<b>Liability recognised in statement of financial position</b>	<b>(71,244,758)</b>	<b>(76,279,430)</b>	<b>(71,244,758)</b>	<b>(76,279,430)</b>
<b>Reconciliation of defined benefit obligation:</b>				
Present value of obligation at beginning of year	76,279,432	89,728,547	76,279,432	89,728,547
Interest cost	5,609,874	5,725,560	5,609,874	5,725,560
Current service cost	2,414,596	3,983,980	2,414,596	3,983,980
Benefits paid	(6,917,771)	(8,980,401)	(6,917,771)	(8,980,401)
Actuarial (gain)/loss on obligation	(6,141,373)	(14,178,254)	(6,141,373)	(14,178,254)
<b>Present value of obligation at end of year</b>	<b>71,244,758</b>	<b>76,279,432</b>	<b>71,244,758</b>	<b>76,279,432</b>
<b>Estimated benefit payments to be paid iro Gratuities in the next financial period</b>	<b>9,049,411</b>	<b>6,125,654</b>	<b>9,049,411</b>	<b>6,125,654</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014 R	2013 Restated* R	2014 R	2013 Restated* R
<b>45. Employee benefit obligations (continued)</b>				
<b>Multi-employer funds</b>				
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 GRAP 25. The total contributions are included in Employee related costs, Note 29)				
<b>SALA Pension Fund.</b>				
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.	35,815,687	35,550,276	35,815,687	35,550,276
<b>The Government Employees Pension Fund.</b>				
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%. 7 (0.04%) of the Municipality's employees are members of this fund.	580,736	752,856	580,736	752,856
<b>Joint Municipal Pension Fund.</b>				
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. 45 (0.24 %) of the Municipality's employees are members of this fund.	3,861,615	3,769,868	3,861,615	3,769,868
<b>Municipal Employees Pension Fund.</b>				
The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial position with a funding level of 100%. 2 364 (12.74 %) of the Municipality's employees are members of this fund.	102,962,106	91,594,634	102,962,106	91,594,634
<b>Magalies Water Pension Fund.</b>				
Part of the transfer of functions during 2012/13	(5,885)	2,145,017	(5,885)	2,145,017
	<b>143,214,259</b>	<b>133,812,651</b>	<b>143,214,259</b>	<b>133,812,651</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
		R		R
<b>45. Employee benefit obligations (continued)</b>				
<b>Medical aid funds</b>				
<b>Included in general expenses are:</b>				
Current service cost	16,423,238	15,150,423	16,423,238	15,150,423
Interest cost	92,922,554	74,335,188	92,922,554	74,335,188
Expected Employer Benefit Payments	(43,713,480)	(38,676,240)	(43,713,480)	(38,676,240)
Recognised Net (Gain)/Loss	36,622,636	83,009,583	36,622,636	83,009,583
Rounding correction	-	284	-	284
<b>Defined benefit expense</b>	<b>102,254,948</b>	<b>133,819,238</b>	<b>102,254,948</b>	<b>133,819,238</b>
<b>Post-employment benefit liability (funded status)</b>				
Present value of the unfunded obligation	(1,130,175,000)	(996,355,762)	(1,130,175,000)	(996,355,762)
Recognised actuarial gains	(102,254,948)	(133,819,238)	(102,254,948)	(133,819,238)
<b>Liability recognised in statement of financial position</b>	<b>(1,232,429,948)</b>	<b>(1,130,175,000)</b>	<b>(1,232,429,948)</b>	<b>(1,130,175,000)</b>
<b>Reconciliation of defined benefit obligation:</b>				
Present value of unfunded obligation at beginning of year	1,130,175,000	996,355,762	1,130,175,000	996,355,762
Interest cost	92,922,554	74,335,188	92,922,554	74,335,188
Current service cost	16,423,238	15,150,423	15,150,423	15,150,423
Employer contributions	(43,713,480)	(38,676,240)	(43,713,480)	(38,676,240)
Actuarial Gains/Losses	36,622,636	83,009,583	36,622,636	83,009,583
Rounding correction	-	284	-	284
<b>Present value of obligation at end of year</b>	<b>1,232,429,948</b>	<b>1,130,175,000</b>	<b>1,231,157,133</b>	<b>1,130,175,000</b>
<b>Actuarial (gains)/losses recognised in other comprehensive income:</b>				
Tshwane Pension Fund	(24,013,553)	(113,974,613)	(24,013,553)	(113,974,613)
Gratuities	(6,141,372)	(14,178,254)	(6,141,372)	(14,178,254)
Medical aid funds	36,622,636	83,009,583	36,622,636	83,009,583
<b>Total amount of actuarial (gains)/losses recognised</b>	<b>6,467,711</b>	<b>(45,143,284)</b>	<b>6,467,711</b>	<b>(45,143,284)</b>
<b>Estimated employer benefit payments to be paid iro Medical aid funds in the next financial period</b>	<b>46,696,764</b>	<b>43,713,480</b>	<b>46,696,764</b>	<b>43,713,480</b>

### 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	1,232,430,100	1,130,175,000	1,232,430,100	1,130,175,000
Decrease of 1 %	1,135,548,100	1,006,027,000	1,135,548,100	1,006,027,000
% change	(7.9)%	(11.0)%	(7.9)%	(11.0)%
Increase of 1 %	1,356,237,200	1,274,975,000	1,356,237,200	1,274,975,000
% change	10.1 %	13.0 %	10.1 %	13.0 %

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R
<b>45. Employee benefit obligations (continued)</b>				
<b>Long service awards</b>				
<b>Included in general expenses are:</b>				
Current service cost	45,835,095	27,315,630	45,835,095	27,315,630
Interest cost	31,357,478	17,939,365	31,357,478	17,939,365
Expected Employer Benefit Payments	(40,542,857)	(28,041,819)	(4,052,857)	(28,041,819)
Recognised Net (Gain)/Loss	(17,168,334)	164,122,449	(17,168,334)	164,122,449
<b>Defined benefit expense</b>	<b>19,481,382</b>	<b>181,335,625</b>	<b>55,971,382</b>	<b>181,335,625</b>
<b>Post-employment benefit liability (funded status)</b>				
Present value of the unfunded obligation	(544,612,744)	(363,277,119)	(544,612,744)	(363,277,119)
Recognised actuarial gains	(19,481,382)	(181,335,625)	(19,481,382)	(181,335,625)
<b>Liability recognised in statement of financial position</b>	<b>(564,094,126)</b>	<b>(544,612,744)</b>	<b>(564,094,126)</b>	<b>(544,612,744)</b>
<b>Reconciliation of defined benefit obligation:</b>				
Present value of unfunded obligation at beginning of year	544,612,744	363,277,119	544,612,744	363,277,119
Interest cost	31,357,477	17,939,365	31,357,477	17,939,365
Current service cost	45,835,095	27,315,630	45,835,095	27,315,630
Employer contributions	(40,542,857)	(28,041,819)	(40,542,857)	(28,041,819)
Actuarial gains/losses	(17,168,334)	164,122,449	(17,168,334)	164,122,449
<b>Present value of obligation at end of year</b>	<b>564,094,125</b>	<b>544,612,744</b>	<b>564,094,125</b>	<b>544,612,744</b>
<b>Actuarial (gains)/losses recognised in other comprehensive income:</b>				
Long service awards	(17,168,334)	164,122,449	(17,168,334)	164,122,449
<b>Estimated employer benefit payments to be paid iro Long service awards in the next financial period</b>	<b>40,407,011</b>	<b>40,542,857</b>	<b>40,407,011</b>	<b>40,542,857</b>
<b>Sensitivity Results</b>				
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:				
<b>Salary Increase rate:</b>				
Accrued liability 30 June	564,094,126	544,612,745	564,094,126	544,612,745
Decrease of 1 %	523,131,671	501,658,644	523,131,671	501,658,644
% change	(7.3)%	(7.9)%	(7.3)%	(7.9)%
Increase of 1 %	615,604,557	592,426,144	615,604,557	592,426,144
% change	9.1 %	8.8 %	9.1 %	8.8 %
<b>Post-employment benefit liability:Statement of financial position</b>				
Pension Fund	(88,131,815)	(4,040,500)	(88,131,815)	(4,040,500)
Municipal gratuity fund	(71,244,758)	(76,279,430)	(71,244,758)	(76,279,430)
Medical aid funds	(1,232,429,948)	(1,130,175,000)	(1,232,429,948)	(1,130,175,000)
Long service awards	(564,094,126)	(544,612,745)	(564,094,126)	(544,612,745)
	<b>(1,955,900,647)</b>	<b>(1,755,107,675)</b>	<b>(1,955,900,647)</b>	<b>(1,755,107,675)</b>

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
		R		R

### 45. Employee benefit obligations (continued)

#### 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	8.67 %	8.37 %	8.67 %	8.37 %
Inflation rate	6.35 %	5.28 %	6.35 %	5.28 %
Salary Increase rate	7.35 %	6.28 %	7.35 %	6.28 %
Expected rate of return on assets	8.67 %	8.37 %	8.67 %	8.37 %
Pension increase allowance	2.95 %	3.58 %	2.95 %	3.58 %
Health Care Cost Inflation	8.02 %	7.43 %	8.02 %	7.43 %

#### 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 8.67% 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 6.35 % per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. The expected inflation assumption was obtained from the differential between index-linked bonds (1.71%) and nominal bonds (8.67%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore determined as follows:  $8.67\% - 0.5\% - 1.71\% = 6.46\%$ .

#### 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 2014. 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 8.67% 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 2.95% per annum which drives the pension increase policy of the Trustees. This implies a pension increase rate of 2.95 % per annum.

#### Health Care Cost Inflation:

We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 8.02 % per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 1.50 % per annum over the long-term.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 46. Events after the reporting date

#### Loans and investments:

No material events occurred with respect to the 2013/14 financial year end after the date of the statement of financial position in respect of loans and investments.

#### Legal claims:

A legal claim to the value of R4 567 861, which served before the court on 4 August 2014 were awarded in favour of the claimant.

#### Write-off of irrecoverable debt:

A council resolution dated 31 July 2014 approved a write-off of irrecoverable debt in region 5 and 7 to the value of R442 943 105.34 effective from 31 July 2014. This is a non-adjusting event.

#### Cancellation of event:

The municipality entered into an agreement with a service provider to host the Dinokeng Tribe 1 Music Festival - an annual event starting in September 2014 going forward. In September 2014 however, the planned music festival was unilaterally cancelled by the service provider. The agreement was finalised in October 2013 and during 2013/14 expenditure to the amount of R17 100 000 was incurred. The City is currently pursuing the matter in court.

### 47. Related parties

#### Relationships

Members of key management

Refer to note 29 or remuneration of councilors)

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	-	588,482
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##### Amounts included in trade receivables and loans regarding related parties

Sandspruit Works Association	34,298,530	34,298,530
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##### Amounts included in trade payables regarding related parties

Sandspruit Works Association	12,267,691	14,641,336
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#### Related party transactions

##### Sales to related parties

Housing Company Tshwane	374,210	344,470
Sandspruit Works Association	132,232,368	112,082,370
Sandspruit Works Association	2,876,785	2,591,529

##### Purchases from related parties

Sandspruit Works Association	116,864,174	94,688,898
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##### Expenses paid on behalf of related parties

Housing Company Tshwane	50,915	29,431
TEDA	-	543,817

##### Grants to related parties

Housing Company Tshwane	20,137,895	14,697,948
Sandspruit Works Association: DWA Subsidy	-	2,227,000
Sandspruit Works Association: CoT subsidy	161,457,228	132,147,287
TEDA	47,500,000	25,000,000

##### Disestablishment of municipal entities:

Metsweding Economic Development Agency (MEDA)	244,393	244,393
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\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 47. Related parties (continued)

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.

### 48. Prior period restatements

#### Change in accounting policy

None.

#### Reclassification

A reclassification was done on the cash flow statement to show the cash receipts from rate payers and service charges separately from the cash receipts from other revenue sources. Further, a reclassification was also done to show the cash paid to employees separately from the cash paid to suppliers. This was done for more detailed disclosure.

An amount of R993 038 was reclassified between debtors and creditors by the municipality.

The municipality reclassified revenue from AARTO fines from other revenue to fines in terms of IGRAP1 to the value of R33 710 462

Housing Company Tshwane reclassified an amount of R7 963 for interest on overdue accounts, fines and penalties from finance cost to operating expenses.

Sandspruit Works Association:-

An amount of R4 185 000 which related to a grant and an amount of R98 379 175 relating to operational losses subsidy received from the City of Tshwane Metropolitan Municipality was reclassified from other income to revenue from exchange transactions.

An amount of R21 940 518 was reclassified between other debtors and consumer debtors due to the fact that the amount was classified incorrectly as other debtors during the 2012/13 financial year.

An amount of R71 274 was reclassified from Other PPE to Intangible assets.

#### Correction of errors

##### Revenue:

Service charges: A restatement amounting to R12 342 002 (group = R12 341 878) due to correction of waste management levies was done.

Rental of facilities and equipment was restated with an amount of R147 027.

Other income were restated with an amount of R17 275 612 (group = R10 281 028) as a result of newly identified assets and waste management revenue corrections. The group was restated due to errors picked up by the municipal entities.

Government, grants, subsidies, etc for the group was restated with an amount of R242 026 due to restatements done by the municipal entities.

##### Expense:

Remuneration was restated with an amount of R21 397 493 (group = R21 514 160) due to the accrual for the 13th cheque bonus and errors picked up by the municipal entities..

Depreciation and amortisation were restated with an amount of R15 893 535 (group = RR22 930 362) as a result of the purification of the fixed asset register.

Finance cost: Restatement due to calculation corrections on leases with an amount of R8 363 465 and for the group with an amount of R3 892 due to errors picked up by the municipal entities.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 48. Prior period restatements (continued)

Bulk purchases (Municipality = R2 728 995 and group = R2 729 119), repairs and maintenance (Municipality = R6 345 366 and group = R6 344 036) and general expense (Municipality = R12 681 839 and group = R170 430) were restated as a result of settlement errors in operational projects, purification of fixed asset register and correction of creditors accrual and errors picked up by the municipal entities.

Loss on disposal of assets was restated as a result of scrapping of assets and disposal of assets (R13 101 225).

TEDA restated taxation expense with an amount of R1 943 358 due to the deferred tax amount being incorrect.

#### Statement of Financial Position:

Other debtors were restated with an amount of R17 410 324 mainly as a result of corrections to rental of facilities and waste management debtors which form part of sundry debtors.

VAT receivable was restated with an amount of R1 114 by the municipal entities due to calculation errors picked.

Consumer debtors were restated with an amount of R2 588 as a result of adjustments to refuse levies.

Investment property was restated with an amount of R9 283 477 due to purification of the fixed asset register and the capitalisation of newly identified properties.

The restatement of property, plant and equipment with an amount of R21 459 503 (group = R21 459 969) mainly consist of:

- \* Correction of meters
- \* Correction on assets under construction (AUC) due to creditor accruals
- \* Correction of first time take on of assets acquired out of operating budget
- \* Correction of errors by municipal entities

Leased assets were decreased with an amount of R87 177 823 and the lease liability was also decreased with R58 688 930. This was due to an error related to the accounting for the unguaranteed residual values. In the previous accounting periods unguaranteed residual values were included in the present value of the lease liability and asset even though the City has no obligation to settle this amount at the end of the lease. The error was corrected retrospectively by excluding the unguaranteed residual value from future minimum payments and thus resulting in a reduction of the leased asset as well as a reduction of the lease liability.

Deferred tax current asset and current liability were restated by TEDA due to calculation errors picked up (R818 736 and R11 569 respectively).

Intangible assets were restated with an amount of R45 427 009 (group = R45 4426 792) due to purification actions and errors picked up by the municipal entities.

Heritage assets were restated with an amount of R64 686 due to newly identified items brought onto the asset register..

Long-term receivables were restated with an amount of R68 759 due to correction of levies.

Trade payables were restated with an amount of R270 908 206 (group = R258 886 206) due to the correction of creditor accruals and the accrual for the 13th cheque to employees and errors picked up by the municipal entities.

Taxation was restated by TEDA with an amount of R1 136 191.

#### Restatement on disclosure notes:

#### Note 47 - Related party transactions were restated due to errors picked up only in the 2013/14 financial year:-

Housing Company Tshwane:

Sales to related parties was restated from R344 873 to R344 470

In 2013 the entire grant from City of Tshwane was accounted for as revenue, however in 2014 the municipal entity reclassified the grant as an unspent grant and only when it is utilised they recognise it as revenue, therefore the prior year figures had to be restated.

Sandspruit Works Association:

Trade payables were restated from R14 651 288 to R14 641 336

Sales to related parties was restated from R112 862 788 to R112 082 370

Purchases from related parties was restated from R94 003 235 to R94 688 898

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 48. Prior period restatements (continued)

#### Note 54 - Operating leases were restated due to errors picked up in the 2013/14 financial year

During 2013/14 it was identified that the balance disclosed in the 2012/13 financial year was incorrectly calculated and therefore incorrectly disclosed and carried over in the 2013/14 annual financial statements under the comparative figures. The amount disclosed in 2012/13 for non-cancellable property leases within 2 – 5 years was amended from R12 730 906 to R11 686 260 which is the correct amount. The difference being R1 044 646.

Presented below are the prior period restatements contained in the surplus for the year, the statement of financial position and cash flow statement.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>48. Prior period restatements (continued)</b>				
<b>Group</b>				
<b>2013</b>				
	As previously reported	Reclassification	Correction of errors	Restated
<b>Statement of Financial Performance</b>				
<b>Revenue:</b>				
Property rates	3,999,445,336	-	279	3,999,445,615
Service charges	11,642,235,567	-	(12,341,878)	11,629,893,689
Rental of facilities and equipment	106,060,759	-	(147,027)	105,913,732
Interest received outstanding consumer debtors	276,805,756	-	-	276,805,756
Public contributions and donations	152,709,701	-	-	152,709,701
Fines	3,934,831	33,710,462	-	37,645,293
Licences and permits	58,658,683	-	-	58,658,683
Government grants, subsidies, awards and donations	4,743,766,470	-	242,026	4,744,008,496
Other income	669,847,424	(33,710,462)	10,281,027	646,417,989
Interest received - external investments	62,828,008	-	-	62,828,008
<b>Total Revenue</b>	<b>21,716,292,535</b>	<b>-</b>	<b>(1,965,573)</b>	<b>21,714,326,962</b>
<b>Expenditure:</b>				
Employee costs	5,304,963,548	-	21,514,160	5,326,477,708
Remuneration of Councilors	92,573,294	-	-	92,573,294
Depreciation and amortisation	1,103,121,160	-	22,930,362	1,126,051,522
Impairment loss/reversal of impairments	4,818,771	-	-	4,818,771
Finance cost	740,274,779	(7,693)	(8,367,357)	731,899,729
Debt impairment	951,619,336	-	-	951,619,336
Collection costs	95,800,895	-	6,080	95,806,975
Repairs and maintenance	1,415,881,948	-	6,344,036	1,422,225,984
Bulk purchases	6,695,411,406	-	(2,729,119)	6,692,682,287
Grants and subsidies paid	17,290,290	-	-	17,290,290
General expenses	3,194,993,417	7,693	(170,430)	3,194,830,680
<b>Total expenditure</b>	<b>19,616,748,844</b>	<b>-</b>	<b>39,527,732</b>	<b>19,656,276,576</b>
Gain (loss) on disposal of assets and liabilities	(268,847,768)	-	(13,101,225)	(281,948,993)
Fair value adjustments	(760,902)	-	-	(760,902)
Gain (loss) on foreign exchange	79,227,638	-	-	79,227,638
Taxation (TEDA)	824,863	-	(1,943,358)	(1,118,495)
<b>Surplus for the year</b>	<b>1,909,987,522</b>	<b>-</b>	<b>(56,537,888)</b>	<b>1,853,449,634</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
<b>48. Prior period restatements (continued)</b>				
<b>Group</b>	As previously reported	Reclassification	Correction of errors	Restated
<b>2013</b>	<b>Note</b>			
<b>Statement of Financial Position</b>				
<b>Current assets</b>				
Inventory	402,238,641	-	-	402,238,641
Current portion of long-term receivables	119,303,329	-	-	119,303,329
Other debtors	581,728,390	(20,947,480)	(17,410,324)	543,370,586
VAT receivable	2,965,618	-	1,114	2,966,732
Consumer debtors	3,124,929,903	21,940,518	(2,588)	3,146,867,833
Call investment deposits	636,003,487	-	-	636,003,487
Cash and cash equivalents	740,967,794	-	-	740,967,794
<b>Non-current assets</b>				
Investment property	964,541,529	-	(9,283,477)	955,258,052
Property, plant and equipment	22,648,616,539	(71,274)	(21,459,969)	22,627,085,296
Leased assets	171,655,852	-	(87,177,823)	84,478,029
Intangible assets	414,245,964	71,274	45,426,792	459,744,030
Heritage assets	25,686,395	-	64,686	25,751,081
Investments	4,986,212	-	-	4,986,212
Long-term receivables	104,277,461	-	(68,759)	104,208,702
Deferred tax	836,432	-	(818,736)	17,696
Interest rate swap asset	81,554,131	-	-	81,554,131
Non-current assets held for sale	56	-	-	56
<b>Current liabilities</b>				
Long-term liabilities	535,106,566	-	-	535,106,566
Lease liabilities	127,908,505	-	(45,931,174)	81,977,331
Deferred operating lease liability	3,117,455	-	-	3,117,455
Payables from exchange transactions	5,034,043,418	(993,038)	258,886,206	5,291,936,586
VAT payable	91,980,877	-	(5,606)	91,975,271
Consumer deposits	421,669,621	-	-	421,669,621
Unspent grants and receipts	126,494,481	-	-	126,494,481
Taxation	-	-	1,136,191	1,136,191
<b>Non-current liabilities</b>				
Long-term liabilities	7,766,929,898	-	-	7,766,929,898
Lease liabilities	50,592,413	-	(39,757,756)	10,834,657
Deferred operating lease liability	2,372,547	-	-	2,372,547
Retirement benefit obligation	1,755,107,675	-	-	1,755,107,675
Deferred tax	11,569	-	(11,569)	-
Provisions	242,601,531	-	-	242,601,531
<b>Equity</b>				
Accumulated surplus	13,886,601,177	-	(283,059,300)	13,603,541,877

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated* R	R	Restated* R
<b>48. Prior period restatements (continued)</b>				
<b>Group</b>				
<b>2013</b>				
<b>Cash flow statement</b>				
<b>Cash generated from operations</b>				
Cash receipts from rate payers and service charges	15,453,687,921	(71,507,069)	247,158,452	15,629,339,304
Cash receipts from other revenue sources	-	71,507,069	-	71,507,069
Grants	4,743,766,470	-	(237,189,396)	4,506,577,074
Cash paid to suppliers	(16,270,917,890)	5,419,051,002	55,473,467	(10,796,393,421)
Cash paid to employees	-	(5,419,051,002)	-	(5,419,051,002)
Transfers and grants	(17,290,290)	-	-	(17,290,290)
Finance costs (interest paid)	(740,274,779)	-	8,375,050	(731,899,729)
Interest income	62,828,008	-	-	62,828,008
<b>Net cash generated from operations</b>	<b>3,231,799,440</b>	<b>-</b>	<b>73,817,573</b>	<b>3,305,617,013</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant & equipment	(4,396,327,321)	-	(91,102,893)	(4,487,430,214)
Purchase of leased assets	-	-	(176,827)	(176,827)
Proceeds from sale of property, plant & equipment	(129,883,806)	-	(13,238,775)	(143,122,581)
Purchase of investment property	(18,307,493)	-	-	(18,307,493)
Proceeds from sale of investment property	-	-	11,350,495	11,350,495
Purchase of intangible assets	(1,220,637)	-	(2,081,021)	(3,301,658)
Proceeds from sale of financial assets	62,074,512	-	551	62,075,063
Purchase of interest rate swap asset	(81,554,131)	-	(1)	(81,554,132)
<b>Net cash from investing activities</b>	<b>(4,565,218,876)</b>	<b>-</b>	<b>(95,248,471)</b>	<b>(4,660,467,347)</b>
<b>Cash flow from financing activities</b>				
Proceeds from long-term liabilities	4,142,000,000	-	-	4,142,000,000
Repayment of long-term liabilities	(2,274,851,402)	-	-	(2,274,851,402)
Finance lease repayments	(124,536,309)	-	21,430,898	(103,105,411)
<b>Net cash from financing activities</b>	<b>1,742,612,289</b>	<b>-</b>	<b>21,430,898</b>	<b>1,764,043,187</b>

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
<b>48. Prior period restatements (continued)</b>				
<b>Net Cash Flow</b>				
Net increase/(decrease) in cash and cash equivalents	409,192,853	-	-	409,192,853
Cash and cash equivalents at the beginning of the year	967,778,428	-	-	967,778,428
<b>Cash flow at the end of the year</b>	<b>1,376,971,281</b>	<b>-</b>	<b>-</b>	<b>1,376,971,281</b>
<b>Municipality</b>	As previously reported	Reclassification	Correction of errors	Restated
<b>2013</b>	R'000	R'000	R'000	R'000
<b>Statement of Financial Performance</b>				
<b>Revenue:</b>				
Property rates	3,999,585,718	-	-	3,999,585,718
Service charges	11,669,883,942	-	(12,342,002)	11,657,541,940
Rental of facilities and equipment	103,606,469	-	(147,027)	103,459,442
Interest received outstanding consumer debtors	253,250,109	-	-	253,250,109
Public contributions and donations	152,709,701	-	-	152,709,701
Fines	3,934,831	33,710,462	-	37,645,293
Licences and permits	58,658,683	-	-	58,658,683
Government grants and subsidies	4,744,008,495	-	-	4,744,008,495
Other income	665,733,747	(33,710,462)	17,275,611	649,298,896
Interest received - external investments	62,236,528	-	-	62,236,528
<b>Total Revenue</b>	<b>21,713,608,223</b>	<b>-</b>	<b>4,786,582</b>	<b>21,718,394,805</b>
<b>Municipality</b>	As previously reported	Reclassification	Correction of errors	Restated
<b>2013</b>				
<b>Expenditure:</b>				
Employee costs	5,225,703,079	-	21,397,493	5,247,100,572
Remuneration of Councilors	92,573,294	-	-	92,573,294
Depreciation and amortisation	1,100,838,501	-	22,930,203	1,123,768,704
Impairment loss/reversal of impairments	4,818,771	-	-	4,818,771
Finance cost	739,419,952	-	(8,374,932)	731,045,020
Debt impairment	874,303,916	-	-	874,303,916
Collection costs	95,800,895	-	-	95,800,895
Repairs and maintenance	1,405,944,744	-	6,345,366	1,412,290,110
Bulk purchases	6,793,054,563	-	(2,728,995)	6,790,325,568
Grants and subsidies paid	17,290,290	-	-	17,290,290
General expenses	3,289,013,214	-	10,685,369	3,299,698,583
<b>Total expenditure</b>	<b>19,638,761,219</b>	<b>-</b>	<b>50,254,504</b>	<b>19,689,015,723</b>
Gain/(loss) on disposal of assets and liabilities	(268,585,708)	-	(13,101,225)	(281,686,933)
Fair value adjustments	81,898,475	-	-	81,898,475
Gain/(loss) on foreign exchange	(760,902)	-	-	(760,902)
<b>Surplus for the year</b>	<b>1,887,398,869</b>	<b>-</b>	<b>(58,569,147)</b>	<b>1,828,829,722</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
<b>48. Prior period restatements (continued)</b>				
<b>Statement of Financial Position</b>				
<b>Current assets</b>				
Inventory	399,467,833	-	-	399,467,833
Current portion of long-term receivables	119,303,329	-	-	119,303,329
Other debtors	541,362,319	993,038	(17,410,324)	524,945,033
Consumer debtors	3,130,421,675	-	(2,588)	3,130,419,087
Call investment deposits	636,003,487	-	-	636,003,487
Cash and cash equivalents	686,118,280	-	-	686,118,280
<b>Non-current assets</b>				
Investment property	951,341,529	-	(9,283,477)	942,058,052
Property, plant and equipment	22,637,117,115	-	(21,459,503)	22,615,657,612
Leased assets	171,655,852	-	(87,177,823)	84,478,029
Intangible assets	414,154,169	-	45,427,009	459,581,178
Heritage assets	25,686,395	-	64,686	25,751,081
Investments	4,986,212	-	-	4,986,212
Long-term receivables	104,277,461	-	(68,759)	104,208,702
Interest rate swap asset	81,554,131	-	-	81,554,131
Non-current assets held for sale	56	-	-	56
<b>Current liabilities</b>				
Trade and other payables from exchange transactions	4,973,504,827	(993,038)	270,908,206	5,243,419,995
Deferred operating lease liability	2,990,938	-	-	2,990,938
Long-term liabilities	534,791,168	-	-	534,791,168
Lease liabilities	127,908,505	-	(45,931,174)	81,977,331
VAT payable	91,975,271	-	-	91,975,271
Unspent grants and receipts	125,330,239	-	-	125,330,239
Consumer deposits	418,175,945	-	-	418,175,945
<b>Non-current liabilities</b>				
Long-term liabilities	7,764,124,985	-	-	7,764,124,985
Lease liabilities	50,592,413	-	(39,757,756)	10,834,657
Deferred operating lease liability	2,308,997	-	-	2,308,997
Retirement benefit obligation	1,755,107,675	-	-	1,755,107,675
Provisions	242,601,531	-	-	242,601,531
<b>Equity</b>				
Accumulated surplus	13,814,037,349	-	(273,143,977)	13,540,893,372

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*
<b>48. Prior period restatements (continued)</b>				
<b>Municipality</b>	<b>As previously reported</b>	<b>Reclassification</b>	<b>Correction of errors</b>	<b>Restated</b>
<b>2013</b>				
<b>Cash flow statement</b>				
<b>Cash generated from operations</b>				
Cash receipts from ratepayers and service charges	15,543,498,911	98,019,311	15,609,437	15,657,127,659
Cash receipts from other revenue sources	-	(98,019,311)	-	(98,019,311)
Grants received	4,744,008,495	-	-	4,744,008,495
Cash paid to suppliers	(16,379,138,036)	5,339,673,866	49,833,729	(10,989,630,441)
Cash paid to employees	-	(5,339,673,866)	-	(5,339,673,866)
Transfers and grants paid	(17,290,290)	-	-	(17,290,290)
Finance costs (interest paid)	(739,419,952)	-	8,374,932	(731,045,020)
Interest Income	62,236,528	-	-	62,236,528
<b>Net cash generated from operations</b>	<b>3,213,895,656</b>	<b>-</b>	<b>73,818,098</b>	<b>3,287,713,754</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant & equipment	(4,394,190,660)	-	(63,777,025)	(4,457,967,685)
Purchase of leased assets	-	-	(125,749,688)	(125,749,688)
Proceeds from sale of property, plant & equipment	(129,621,746)	-	(13,500,831)	(143,122,577)
Purchase of investment property	(18,307,493)	-	330,000	(17,977,493)
Proceeds from sale of investment property	-	-	11,350,495	11,350,495
Purchase of intangible assets	(1,056,075)	-	(2,078,914)	(3,134,989)
Proceeds from sale of financial assets	62,074,512	-	551	62,075,063
Purchase of interest rate swap asset	(81,554,131)	-	-	(81,554,131)
<b>Net cash from investing activities</b>	<b>(4,562,655,593)</b>	<b>-</b>	<b>(193,425,412)</b>	<b>(4,756,081,005)</b>
<b>Cash flow from financing activities</b>				
Proceeds from long-term liabilities	4,142,000,000	-	-	4,142,000,000
Repayment of long-term liabilities	(2,274,536,019)	-	-	(2,274,536,019)
Finance lease repayments	(124,536,309)	-	119,937,315	(4,598,994)
<b>Net cash from financing activities</b>	<b>1,742,927,672</b>	<b>-</b>	<b>119,937,315</b>	<b>1,862,864,987</b>
<b>Net cash flow</b>				
Net increase/(decrease) in cash and cash equivalents	394,167,735	-	-	394,167,735
Cash and cash equivalents at the beginning of the year	927,954,032	-	-	927,954,032
<b>Cash and cash equivalents at the end of the year</b>	<b>1,322,121,767</b>	<b>-</b>	<b>-</b>	<b>1,322,121,767</b>

### 49. Unauthorised expenditure

Opening balance	-	488,022,276	-	488,022,276
Unauthorised expenditure in current year	1,193,981,952	598,394,771	1,193,981,952	598,394,771
Less: Approved/Condoned by Council in respect of previous financial year	-	(488,022,276)	-	(488,022,276)
Less: Approved/Condoned by Council in respect of 2012/13	-	(598,394,771)	-	(598,394,771)
	<b>1,193,981,952</b>	<b>-</b>	<b>1,193,981,952</b>	<b>-</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 49. Unauthorised expenditure (continued)

#### 2014:

For the Municipality the over expenditure amounted to R1 193.982 million during 2013/14 which occurred on the following votes:

City Planning = R4.574 million  
 City Strategies and Performance Management = R2.111 million  
 Corporate and Shared Services = R133.993 million  
 Emergency Services = R19.540 million  
 Environmental Management = R79.659 million  
 Financial Services = R100.937 million  
 Health and Social Development = R10.006 million  
 Housing and Human Settlement = R14.335 million  
 Information and Communication Technology Management = R25.322 million  
 Legal Services = R0.331 million  
 Macro Economic Planning = R1.829 million (on the group it is not over spent)  
 Metro Police Services = R161.921 million  
 Office of the Chief Whip = R1.073 million  
 Office of the Speaker = R14.407 million  
 Service Delivery & Transformation Management = R203.818 million  
 Service Infrastructure: Electricity = R330.797 million  
 Water and Sanitation = R89.328 million (on the group it is not overspent)

The over expenditure can mainly be attributed to employee related cost, debt impairment, depreciation, finance charges and loss on disposal of property, plant and equipment, other materials, contracted services and general expenditure.

For the group the unauthorised expenditure amounted to R1 088.490 million during 2013/14. This decrease was due to eliminating entries on Macro Economic Planning in respect of TEDA and Water and Sanitation in respect of Sandspruit.

#### 2013:

Unauthorised expenditure during 2013 as a result of overspending of the budget amounted to R598 394 771. 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 mainly be attributed to debt impairment, remuneration of councilors, depreciation and finance charges (to the total value of R508.9 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 R598.4 million).

### 50. Fruitless and wasteful expenditure

Opening balance	16,667,942	15,794,717	13,139,024	13,139,024
Fruitless and wasteful expenditure in current year (from declarations)	329,768	6,678	329,768	6,678
Add: Expenditure - current year TEDA	38,990	-	-	-
Add: Expenditure - current year: Housing Company Tshwane	9,159	13,183	-	-
Add: Expenditure current year: Sandspruit Works Association	50,287	860,042	-	-
Less: Recoveries - Housing Company Tshwane	(13,183)	(6,678)	-	(6,678)
SCM: Lowest price quotation not selected	1,894	-	1,894	-
Expenditure bulk purchases: dispute of interest raised	32,495	-	32,495	-
	<u>17,117,352</u>	<u>16,667,942</u>	<u>13,503,181</u>	<u>13,139,024</u>

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

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

**2008:** Incident 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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 50. Fruitless and wasteful expenditure (continued)

**2010:** Incident 1: Office of the Executive Mayor - official booked lunch for meeting without approval - SED 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 - SED 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.

**2011:**Sandspruit:Works Association: Interest paid to City of Tshwane (R33 313). All necessary steps have been taken to prevent this expense and therefore no disciplinary steps have been taken. The expense was included in operating losses which was funded by the City of Tshwane.

**2011 and 2012:** Housing Company Tshwane - Interest, penalties, legal fees and recovery fees was incurred as a result of non-payment of the entity's creditors when due to the amount of R7 963 and for 2011 = R80 820 (2010 = R89 329). Objection was lodged and the outcome is still pending.

**2011:**Sandspruit:Works Association: Interest paid to Rand Water due to late payment of account to the value of R199 509 (2010 = R1 160 516) and penalties and interest for SARS to the amount of R142 801. All necessary steps have been taken to prevent this expense and therefore no disciplinary steps have been taken. The expense was included in operating losses which was funded by the City of Tshwane.

**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)

**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 Company Tshwane - Interest and penalties due to late payments to SARS. The entity's accounting officer finalised investigations and has concluded that this fruitless and wasteful expenditure was due to negligence. The full amount of R13 183 was recovered from the responsible employees during 2013/14.

**2013:** Housing - SARS penalties and UIF - Resolved and settled with penalties that were levied (R6 678).

**2013:** Sandspruit Works Association - The amounts below are considered excessive in relation to the value of the services received (value for money) and also due to the fact that certain services could have been performed internally. To date no disciplinary action has been taken. The matters are still under investigation:-

- \* Development of Demand Management Policy (R197 600)
- \* Distribution of Water Interruption pamphlets (R33 000)
- \* Occupational Health and Safety awareness (R191 835)
- \* Printing and distribution of water interruption pamphlets (R192 000)
- \* Repairs to eastern reservoir (R48 728)
- \* Website design and development of corporate identity (R196 879)

**2014:** Group Finance - Fraud - Cheque 695497 R35 376.29 to N F Monnye was obtained and deposited in a fraudulent activity and Mr Monnye had to be paid the amount lost. Investigated by SAPS - no outcome yet. Investigated by Forensic Audit and could not find any negligence or intentional fraudulent actions by staff.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 50. Fruitless and wasteful expenditure (continued)

**2014:** Group Finance - Fraud - Cheque 697515 R294 319.52 to S Mogomana was obtained and deposited in a fraudulent activity and Mr Mogomana had to be paid the amount lost. Investigated by SAPS - no outcome yet. Investigated by Forensic Audit and could not find any negligence or intentional fraudulent actions by staff.

**2014:** TEDA - Interest incurred (R38 990) from SARS for late submission of PAYE, SDL and UIF, which was due to the delay in registering for PAYE, SDL and UIF.

**2014:** Housing Company Tshwane - Interest and penalties (R9 159) was due to late payments to SARS. The PAYE cheque was signed and delivered to SARS before 7 March 2014, however due to a suspension of the Chief Executive Officer in the previous month the cheque was not confirmed on time and the bank took a decision to dishonour it.

**2014:** Sandspruit Works Association - Penalty section 83(6) Workmans Compensation Act (R50 287).

**2014:** City of Tshwane: SCM - lowest price quotation not selected (non-compliance with SCM regulations) (R1 893.82).

**2014:** City of Tshwane: Electricity bulk purchases - disputing interest levied by Eskom (R32 494.67).

### 51. Irregular expenditure

Opening balance	294,958,854	260,324,141	284,186,513	255,338,374
Add: Irregular expenditure (from declarations) - current year	-	912,797	-	912,797
Add: Irregular expenditure due to non-compliance with regulation 44 of MFMA - Persons in service of City of Tshwane	8,328,629	2,568,080	8,328,629	2,568,080
Add: Irregular expenditure due to non-compliance with regulation 44 of MFMA - National and Provincial departments	-	9,688,138	-	9,688,138
Add: Irregular expenditure ito section 32 of the MFMA	11,903,603	15,679,124	11,903,603	15,679,124
Add: Sandspruit - non-compliance with SCM regulations	7,357,135	3,230,486	-	-
Add: TEDA - non-compliance with SCM regulations	-	1,188,088	-	-
Less: TEDA - condoned/written off	(1,188,088)	-	-	-
Add: Irregular expenditure due to rotation of suppliers	505,891	-	505,891	-
Add: Irregular expenditure due to procurement splitting	427,439	-	427,439	-
Add: Irregular expenditure due to unfair and subjective awards	189,999	-	189,999	-
Add: Irregular expenditure because 3 quotations were not obtained	68,101	-	68,101	-
Add: Irregular expenditure due to lowest price quotation not selected	80,548	-	80,548	-
Add: Irregular expenditure due to BRT System contract 239	79,161,683	-	79,161,683	-
Add: Irregular expenditure due to transactions with employees	1,794,764	-	1,794,764	-
Add: Irregular expenditure due to no disclosure of awards to spouses of employees	2,416,421	-	2,416,421	-
Add: Irregular expenditure due to value of awards made not disclosed	1,202,640	-	1,202,640	-
Add: Irregular expenditure due to SCM deviation	24,773,145	-	24,773,145	-
Add: Irregular expenditure due to the Ward committee system found to be invalid by the courts	19,450,815	-	19,450,815	-
	<b>451,431,579</b>	<b>293,590,854</b>	<b>434,490,191</b>	<b>284,186,513</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013	2014	2013
	R	Restated*	R	Restated*

### 51. Irregular expenditure (continued)

#### Details of irregular expenditure – current year

Rotation of suppliers  
 Procurement splitting  
 Unfair and subjective awards  
 Three quotations not obtained  
 Lowest price quotation not selected  
 BRT System contract 239  
 Transactions with employees  
 No disclosure of awards to spouses of employees  
 Value of awards made not disclosed  
 SCM deviation  
 Irregular expenditure due to non-compliance with section 44 of MFMA - Persons in employment of City of Tshwane  
 Irregular expenditure ito section 32 of MFMA

2014: Sandspruit Works Association - Supply of branded bottled water for heritage event  
 2014: Sandspruit Works Association - Facilitator fee during Management & Board of Directors Workshop  
 2014: SWA Emergency work done at reservoirs  
 2014: SWA Mabopane Block A pipe burst  
 2014: SWA Emergency repairs to steel tank at Mabopane  
 2014: SWA Emergency work done at Mabopane station damaged pipe due to movement of 1000mm pipe  
 2014: SWA Purchasing of domestic meters  
 2014: SWA Private contractors at Waste Water Treatment  
 2014: SWA Forensic Investigation performed on behalf of Internal Audit  
 2014: SWA Property rentals  
 2014: SWA Procurement of protective clothing  
 2014: SWA Other irregular expenditure  
 Irregular expenditure due to the Ward committee system found to be invalid by the courts

#### Disciplinary steps taken/criminal proceedings

Non-compliance with SCM regulations 505,891  
 Non-compliance with SCM regulations 427,439  
 Non-compliance with SCM regulations 190,000  
 Non-compliance with SCM regulations 68,101  
 Non-compliance with SCM regulations 80,548  
 Non-compliance with SCM regulations 79,161,683  
 Non-compliance with SCM regulations 1,794,764  
 Non-compliance with SCM regulations 2,416,421  
 Non-compliance with SCM regulations 1,202,640  
 Non-compliance with SCM regulations 24,773,145  
 Non-compliance with MFMA - no condonement 8,328,629

Implementation of City Manager Report recommendation 11,903,603  
 Criminal proceedings will be instituted against former employee 3,031  
 None. Amount awaiting condonement 26,000  
 None. Amount awaiting condonement 159,673  
 None. Amount awaiting condonement 155,724  
 None. Amount awaiting condonement 168,400  
 None. Amount awaiting condonement 151,620  
 Non. Amount awaiting condonement 2,574,693  
 None. Amount awaiting condonement 1,809,255  
 None. Amount awaiting condonement 231,643  
 None. Amount awaiting condonement 743,735  
 None. Amount awaiting condonement 733,996  
 None. Amount awaiting condonement 447,745  
 Non-compliance 19,450,815

**157,509,194**

#### Details of irregular expenditure condoned

2014: TEDA - non-compliance with SCM regulations

#### Condoned by Council/City Manager/SED

Condoned - no disciplinary actions 1,188,088

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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 52. 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 2014	Value of awards 2013
K T Shilubane (Occupational nursing practioner)	M W Shilubane (Spouse)	-	68,350
G M Komapi (Buyer)	K S Komapi (Spouse)	-	26,821
T S Mokoena (Senior storekeeper)	M M C Mokoena (Spouse)	-	456,592
A Malatsi (Cultural officer)	M J Malatsi (Spouse)	-	17,890
M K Maluleka (Ward committee member)) & L P Marole (Councillor)	A M Maluleka (Spouse) & J P Marole (Spouse)	-	28,000
M P Mabaso (Artisan)	M B Leso (Spouse)	-	86,815
W J Snyman (Storekeeper)	Z Snyman (Spouse)	-	1,984,569
L S Teffo (Senior administrative officer)	L F Teffo (Spouse)	-	86,430
K R Nkosi (Support service officer)	N R Nkosi (Spouse)	-	50,400
C J Lemmer (Functional head)	R Lemmer (Spouse)	-	20,339
A E Mukwevho (IT helpdesk agent)	M F Mukwevho	-	2,780,880
T M Madiba (Administrator)	Spouse	9,000	-
M M Mabuza (Waiter)	S M Mabuza (Spouse)	-	3,121,055
L Dlamini (Artisan)	Spouse	65,798	-
L H Ramohle (Artisan)	Spouse	3,850	-
M C Magoane (Community Health Nurse)	Spouse	450,004	-
R M Moagi (Community Health Nurse)	Spouse	4,670	-
K Khotlele (Disaster Management Officer)	Spouse	47,070	-
V S Mashifane (Worker)	Spouse	5,884,129	-
J M Simoes (Transport inspector)	M Simoes (Spouse)	34,041	-
D Mthetwa (Councillor)	M A Mthetwa (Spouse)	458,457	-
Z W Kgopa (Health worker)	M E Kgopa (Spouse)	29,000	-
J Ditlhake (Artisan)	M F Matsho (Spouse)	59,570	-
R A Rachidi (Building inspector)	W M Rachidi (Spouse)	15,117	-
T H Mashilo (Management support officer)	M S Mashilo (Spouse)	37,500	-
Z J Khumalo (Secretary)	M C Mabuza (Spouse)	330,000	-
M M Siwela (Senior HR Benefits Specialist)	D K Siwela (Spouse)	466,990	-
N P Kekana (Constable)	M G Kekana (Spouse)	406,338	-
N P Kekana (Constable)	M G Kekana (Spouse)	136,089	-
M S Matsimela (Planner)	P S Matsimela (Spouse)	443,320	-
TEDA: L J du Plooy	Spouse	157,320	-
		<b>9,038,263</b>	<b>8,728,141</b>

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 53. In-kind donations and assistance

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

- Office of the City Manager received the following:
  - # Golf club to the value of R3 000 from the Pro Shop
  - # Fruit and nut basket to the value of R500 and R150 respectively
  - # Book to the value of R300 from the Brazil Embassy
  - # Tea to the value of R200 from the Chinese Embassy
  - # Pen and pencil set to the value of R500 from the German Embassy
  - # Leather diary to the value of R500 from Development Bank of South Africa
- Emergency Services: Fire Brigade Services received a Defy microwave oven from Old Mutual Licensed Financial Provider to the approximate value of R300.
- Office of the Chief Audit Executive received candle holders to the value of R150 from City Media.
- Metro Police received the following:
  - # Training from the USA Embassy to the estimated value of R150 000
  - # Donation of consumables to the estimated value of R50 000 from the USA Embassy
  - # A trip to the Stevenson University (estimated value = R70 000) sponsored by the Stevenson University
  - # A trip to the Policing Innovation Convention (estimated value = R89 000) sponsored by the USA Embassy
  - # Donation of 2 x sousaphones, 2 x bass trombones, 2 x piccolos, 2 x keyboards, 1 x wind chime, 1 x cow bells, reads and valve oils to the estimated value of R100 000 from the Tshwane Chinese Community
  - # 2014 320D BMW (registration CY20 DG GP) (estimated value = R400 000) to patrol Rosslyn, sponsored by BMW Rosslyn (all sponsored vehicles are given for 20 000 to 30 000 km only. The City only supply the fuel).

The Municipality rendered the following in-kind donations and assistance during the 2013/14 financial year:

- Fire brigade services to the value of R189 763
- Fire brigade service accounts waived to the value of R2 687 132

### 54. Operating leases

The group 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 group has the option to extend the agreement for periods ranging between one month and three years.

Housing Company Tshwane: Operating lease payments represent rentals payable by the entity for its head office. The lease has no binding renewal terms and Housing Company Tshwane does not have the option to purchase the building. No contingent rent is payable. The lease payments for the financial year under review amounts to R345 471. Further does Housing Company have operating leases with regard to rentals payable by the entity for a copier machine. The lease payments for the financial year under review amounts to R39 572 and no contingent rent is payable.

The amounts of minimum lease payments under non-cancelable operating leases in respect of office equipment and vehicles (busses) were repaid in full during the 2013/14 financial year.

#### Non-cancelable office equipment

Payable within a year	22,222,091	23,216,151	-	410,198
Payable within 2 to 5 years	12,927,000	20,008,002	-	-
	<b>35,149,091</b>	<b>43,224,153</b>	<b>-</b>	<b>410,198</b>

#### Non-cancelable property leases

Payable within a year	11,686,260	28,204,591	11,686,260	28,204,591
Payable within 2 to 5 years	-	11,686,260	-	11,686,260
	<b>11,686,260</b>	<b>39,890,851</b>	<b>11,686,260</b>	<b>39,890,851</b>

#### Non-cancelable vehicles - busses

Payable within a year	43,200,000	57,600,000	43,200,000	57,600,000
Payable within 2 to 5 years	-	43,200,000	-	43,200,000
	<b>43,200,000</b>	<b>100,800,000</b>	<b>43,200,000</b>	<b>100,800,000</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R
<b>55. Rental income straightlining</b>				
<b>Gross investment in the lease due</b>				
- within one year	3,166,302	3,992,860	3,166,302	3,992,860
- in second to fifth year inclusive	12,820,249	13,582,403	12,820,249	13,582,403
- later than five years	192,271,974	198,098,778	192,271,974	198,098,778
	<b>208,258,525</b>	<b>215,674,041</b>	<b>208,258,525</b>	<b>215,674,041</b>
<b>56. Contingencies</b>				
<b>Housing loan guarantees</b>				
Guarantees for housing loans to employees at financial institutions	192,394	389,685	192,394	389,685
	<u>192,394</u>	<u>389,685</u>	<u>192,394</u>	<u>389,685</u>
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.				
<b>Indemnification</b>				
Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	67,171,810	61,476,642	67,171,810	61,476,642
	<u>67,171,810</u>	<u>61,476,642</u>	<u>67,171,810</u>	<u>61,476,642</u>
The capitalised value as at 31 December as calculated by the department of Labour amounted to R67 171 810. The actual amount ceded is R67 171 810 (investment = R4 906 709 and guarantee = R62 265 102). Consistent with prior years the amendment to the cession will be addressed in the following financial year.				
<b>Guarantees issued</b>				
Guarantees issued in favour of Eskom	213,500	213,500	213,500	213,500
	<u>213,500</u>	<u>213,500</u>	<u>213,500</u>	<u>213,500</u>
<b>Insurance claims</b>				
Pending claims iro asset-, motor own damage- contractors and electricity claims	27,132,083	79,550,866	27,132,083	79,550,866
Pending claims iro public liabilities	23,375,225	14,441,619	23,375,225	14,441,619
	<b>50,507,308</b>	<b>93,992,485</b>	<b>50,507,308</b>	<b>93,992,485</b>

Above mentioned insurance claims originated before 30 June.

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which, as at 30 June 2014 has a balance of R25 020 508 (2013 = R58 163 634 and 2012 = R109 653 107)

### 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:

Summons was issued against the City of Tshwane for the specific performance of the contracts between the plaintiff and the City of Tshwane relating to the erection of advertising boards in road reserves, alternatively damages to the amount of R15 300 000. The City of Tshwane is alleged to have frustrated the plaintiff's ability to comply with the agreements. In 2007 the City of Tshwane cancelled the agreements because the plaintiff failed to comply with various terms of the agreements. The plaintiff filed notice to amend and the claim is now worth R33 000 000. Trial date is awaited.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 56. Contingencies (continued)

#### Case 2:

The City of Tshwane had previously sold a piece of land for 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 thereto. 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 and developments around the said property affect 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.

#### Housing and Sustainable Human Settlement Development Department:

#### Case 1:

The applicant brought an application against the City of Tshwane and the City Manager for an order declaring that the City of Tshwane should contribute towards the monthly premium payable to the medical aid scheme after their retirement in terms of the applicable pension fund rules.

#### Case 2:

The plaintiffs are not satisfied with the compensation offered by the City of Tshwane on the Winterveldt expropriation and are claiming additional compensation for the expropriation of their property. The total claim is for an amount of R746 110 (market value) and R43 700 as solatium together with interest in terms of the Expropriation Act. This matter is currently on trial.

#### Case 3:

Expropriation: Property was expropriated by the City of Tshwane and the claimant is not satisfied with the amount of compensation paid and is claiming R1 590 000.

#### Case 4:

Damages: Plaintiff claims amounting to R89 160 damages for destroyed sink houses by the City of Tshwane.

#### Case 5:

Application for rescission of judgment - appeal: The house was sold to two different persons and the one is now claiming compensation amount to R260 000.

#### Case 6:

An application was received on 15 April 2008 for the eviction of the illegal occupiers from the City of Tshwane's property. The City of Tshwane was joined in the application and the municipality was requested to demolish all structures on the land and relocate the occupiers. The Court granted an order on 10 November 2008 which, inter alia, ordered that: the City of Tshwane identify a portion of land to relocate the illegal occupiers to; provide a viable plan with a long-term solution to the housing needs of the applicants; that the illegal occupiers be removed within one year of the date of the Court order. The claimant subsequently took further action against the City for failure to comply with a previous court order for the upkeep of the settlement and to come up with a process plan to relocate the squatters. The heads of argument was served and filed and a trial date is awaited. The estimated value of the claim is R1 000 000.

#### Case 7:

Breach of contract for services rendered amounting to R453 580.02. Summons have been issued.

#### Case 8:

A number of claimants and their leader King M Joseph Tshwane instituted a claim against the Land Claims Commissioner for land they allege was previously owned by them before they were dispossessed and forcefully removed between the period of 1913 and 1970. In 1998 a claim was lodged with the North West and Gauteng Restitution Commission. In 2005 the claim was dismissed. They now have brought an application for the review of their claim and the dismissal to be set aside.

#### Case 9:

Summons has been issued and an appearance to defend has been entered. The crux of the action is to compel the City of Tshwane to allocate land to persons listed in the summons as former residents of Lady Selbourne. The Lawyers for Human Rights have indicated a willingness to settle out of Court. A meeting between both sides still has to be arranged.

#### Financial Service Department:

#### Case 1:

Applicant claims that interest amounting to R80 000 is owing due to an incorrect clearance memorandum that was issued by the City of Tshwane.

#### Case 2:

Damages and refund claim amounting to R71 296. Plaintiff paid monies in order to obtain a clearance certificate to transfer property. He however, was disputing the account and is now claiming a refund. Plaintiff to apply for trial date.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 56. Contingencies (continued)

**Case 3:**

Breach of contract. Matter arises out of work that was to have been done before the 2010 Soccer World Cup. City of Tshwane alleges that the work was never done. Claim value is R33 593.52.

**Case 4:**

Payment for services rendered: In this matter summons was issued for the payment of services rendered amounting to R2 622 000. Plaintiff claims 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. There is a dispute regarding the payment of the claim. Negotiations to resolve the matter took place and the matter is still pending.

**Case 5:**

Implementation of the NERSA (National Electricity Regulator of South Africa) 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.

**Case 6:**

Claim for refund: The plaintiff alleges that they were over charged for water. They claim to have disputed their account and questioned the City of Tshwane's measuring devices. According to them they were over charged by the amount claimed of R1 505 427.50. The City of Tshwane has filed a plea. The trial date is 15 October 2015.

**Case 7:**

Claim for damages. This is a claim for the payment of an amount that the plaintiff avers that the City of Tshwane owes him for not informing him that his tenant did not pay for services. The matter is defended and a trial date is awaited. Total claim value of R1 097 936.69.

**Case 8:**

Payment for damages: The applicant alleges that they had provided revolving credit to a City of Tshwane service provider. Payment for the services rendered were supposed to be paid into a joint bank account operated by the applicant and the said service provider. The applicant alleges that the City of Tshwane agreed to pay the amount due to the service provider into the joint bank account. The money was however paid into a different bank account contrary to the agreement. The service provider took the money and never paid part to the applicant. Hence the applicant wants to freeze the bank account into which the money was paid. Nothing is being sought as yet against the City of Tshwane. However, the applicant intends pursuing a damages claim amounting to R3 103 102.43 against the City of Tshwane if it cannot recover the money due to it by the service provider.

**Case 9:**

Claim for R343 026 for services rendered. Matter arises out of a tender for provision of financial services, which the department alleges were never rendered. Matter is before Court.

**Case 10:**

Claim for goods delivered: Plaintiff claims they have delivered fuel to the City of Tshwane but payment was not received for the fuel delivered. Summons were served for an amount of R849 017.95.

**Case 11**

Claim for refund of moneys over paid for electricity, damages claim for incorrect account calculation. Consumer is alleging that because the City of Tshwane has incorrectly charged for services accounts, they are now seeking damages in the form of a refund for R74 411.84 over payment.

### Corporate and Shared Services: Property Management and Community Safety:

**Case 1:**

The pension fund issued summons against the City of Tshwane for failure to make monthly contributions to the employee's pension fund as well as the municipal councilors fund. The claim is for arrear contributions amounting to R55 841.30 and R123 971.18 respectively. Plaintiff is to apply for a trial date.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 56. Contingencies (continued)

**Case 2:**

The plaintiff, an architect's firm, is suing the City of Tshwane for R44 000 000 for the cancellation of the agreement relating to the building of the new Munitoria Office. They allege that they would have been the architects to the new Munitoria and the claim amount is representing their professional fees they would have earned should the City of Tshwane proceed with their proposal as agreed (the firm was the winner of a competition held by the City of Tshwane to solicit a new design for Munitoria after it burned down). However, this agreement was subsequently cancelled in 2007 and the plaintiff is suing for breach of contract. The plaintiff's action was dismissed with costs and the plaintiff has been granted leave to appeal to the SCA. The matter is going to the SCA on 21 August 2014.

**Case 3:**

Breach of contract: Matter arises out of repair work by contractor which the City alleges were never done. Total value of the claim is R2 299 500.

**Case 4:**

Breach of contract for payment of an amount of R311 777.9 arising out of the moving of furniture from one building to another. Summons was issued and kept in abeyance pending negotiations.

**Case 5:**

Breach of contract: Matter arises out of a contract that was concluded in Pretoria and the breach terms thereof. Matter in court on the disputed claim of R100 000.

**Case 6:**

Breach of contract: Matter arises out of two Councilors and an official procured work to be done for the City without following prescribed procurement procedures. Claimant now sues for payment amounting to R796 680. Both councilors are no longer councilors and the official is on suspension.

**Case 7:**

Breach of contract: Plaintiff claims that the municipality has constructively dismissed him in that his position was no longer available on the former Nokeng organogram. He then resigned on the basis that he has been constructively dismissed and claimed compensation of R159 705. He further claims performance bonuses for 4 years. The City of Tshwane defends the matter as he was never constructively dismissed. He did not come to work for almost a year and he did not sign a performance agreement for the 4 years in which he is claiming performance bonuses. The matter is still pending.

**Case 8:**

Unfair dismissal: Two student traffic officers have laid a claim amounting to R97 734 for unfair dismissal by the municipality (former Nokeng). The matter is still pending at the Bargaining Council.

**Case 9:**

Payment of damages: This is a claim for damages relating to the appointment of a former municipal manager of Kungwini municipality. The matter is defended and a trial date is awaited. Total claim value is R2 250 000.

**Case 10:**

Claim for damages due to unlawful termination of employment: Plaintiff alleges that his contract of employment was unlawfully terminated by the City of Tshwane. As a result he had to find other 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. He now seeks an additional claim which amounts to R2 500 000.

**Case 11:**

Motor vehicle accident: The plaintiff alleges that the traffic officer caused the accident on 1 September 2009 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 and a trial date is awaited.

**Case 12:**

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

**Case 13:**

Suspension damages claim: The plaintiff alleges that she was suspended pending an investigation into alleged misconduct. The suspension was never lifted until the employee's contract lapsed. Now she alleges that she has not been able to find employment due to the suspension hanging over her head. She alleges she suffered damages as a result and claims R8 000 000. The plaintiff recently filed an amendment to her particulars of claimant. The City of Tshwane is to file an amended plea.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 56. Contingencies (continued)

**Case 14:**

Contract claim for services rendered: Claim arises out of BRT Road constructions. Department alleges that the road constructions were not done according to specifications. Matter is now dealt with by the Specialised Commercial Contracts Unit of the City. Total claim value is R4 229 615.95

**Case 15:**

This is a claim for stolen pension money. The matter has been referred to the Commercial Crimes Unit of the South African Police Services. In the meantime, the claimant has issued summons for R649 016.79 against the City as it is suspected that some officials had a hand in the fraudulent payout.

**Case 16:**

Labour dispute: City of Tshwane had an agreement with UNISA in terms of which the City of Tshwane provided busses to UNISA for transporting UNISA employees. The busses were driven by UNISA employees. UNISA in turn paid the City of Tshwane a fee. When the contract between UNISA and the City of Tshwane was terminated, the driver lodged a dispute for termination of employment. They are seeking remuneration either from UNISA or the City of Tshwane, depending on who is found to have been the employer. The estimated value of this claim is over R1 000 000.

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

**Case 1:**

Claim for services rendered. Matter arises out of a dispute over the terms of a tender. Contractor did work for the City of Tshwane. The matter is defended in court as the City did not receive the services. Total claim value is R2 360 610.06.

**Case 2:**

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 matter was referred for adjudication as per the Condition of Contract and the Adjudicator ruled that the contractor was entitled to claim for R6 683 428.18. The plaintiff brought an application for summary judgment. The City of Tshwane opposed the summary judgment application and this was upheld and the City was granted leave to defend.

**Case 3:**

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 erstwhile 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. The matter was removed from the court's roll and the plaintiff must apply for a new trial date if he is to proceed.

**Case 4:**

Breach of contract: The claim arises out of a roads and water reticulation construction, which the department alleges was not properly done. Matter is defended and the claim value is R2 85 036.62.

**Case 5:**

Summons for payment against the City of Tshwane for an amount of R11 461 450 for damages due to the fact that the tender for network maintenance should have been awarded to her. The matter was initially heard on 30 August 2010 and the City is currently awaiting a trial date.

**Case 6:**

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 R1 401 516. Matter is defended and the matter has been set down for trial.

**Case 7:**

Breach of contract. Contribution payment for bulk services. Department alleges the services were inadequately rendered for the claim value of R952 952.29.

**Case 8:**

The City of Tshwane entered into various service agreements whereby the plaintiffs had to erect services in respect of roads, storm water, sewerage, water and electricity. The plaintiffs further aver that new townships were developed and connected to the main sewer the plaintiff installed and that the plaintiff must be refunded the contributions the City of Tshwane claimed from subsequent developers who connected to the sewer line. The City of Tshwane complied with the court settlement on 17 May 2013 and has proceeded to furnish the documentation to the plaintiff's attorney. The matter has been set down for trial on 28 October 2014.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 56. Contingencies (continued)

**Case 9:**

The applicant was appointed to execute phase 1 of the installation of solar water heating systems in Winterveldt for 270 units. Phase of this project was completed via Eskom and the implementation of phase 2 has not yet commenced. The applicant brought an application to interdict and restrain the City of Tshwane and others from further implementing Phase 2 of the Winterveldt Project (installation of solar panels at private households) as the applicant alleges that he has entered into an agreement to implement Phase 2 of the project. The matter was heard on 22 March 2012 and the applicant withdrew the application during the trial and the Court ordered that the applicant pay the party and party costs of the City of Tshwane. The City has subsequently received summons with regard to this matter claiming an amount of approximately R27 million for damages on the same cause of action as in the application above.

**Case 10:**

Summons has been issued and defended on a breach of contract that arises from the contracts entered into by the erstwhile Kungwini Municipality. A letter of demand has in this regard been received from the plaintiff for payment of the sum of R27 293.22 and R301 671.41.

**Case 11:**

Damages claim amounting to R120 000. The matter arises from the construction of a road on private property. Negotiations are underway to expropriate the land on which the road was constructed.

**Case 12:**

Roads and storm water drainage in Winterveldt claim for payment amounting to R690 446.

**Case 13:**

Personal injuries claim, plaintiff alleges that he was injured when the vehicle he was travelling in collided with a barrier on the road and lost control. As a result of the collision he sustained injuries and is now claiming R100 000 from the City of Tshwane. Awaiting a trial date.

**Case 14:**

Breach of contract: An application was received on the payment of coal delivered to the City of Tshwane. The matter was opposed and an opposing affidavit was served and filed. Awaiting a trial date.

**Case 15:**

Expropriation compensation: Plaintiff is suing the City of Tshwane for an amount of R718 168 following an expropriation of property. The plaintiff is not satisfied with the amount calculated by the City of Tshwane for compensation and alleges that it is based on a wrong valuation. The City of Tshwane had filed a plea but the valuation used previously is being re-investigated.

**Case 16:**

Constructive dismissal damages claim: Plaintiff was diagnosed with PTS disorder, which was acknowledged that it was caused by the employee's conduct hence classified as an injury on duty. Plaintiff was then unable to perform her duties and was subsequently dismissed for mental incapacity. Plaintiff is now suing for damages as a result of the dismissal for an amount of R850 883.71.

**Case 17:**

Personal injury allegedly caused by Council's negligence by leaving cables hanging. Trial is awaited.

**Case 18:**

Application for rescission: The applicant wants to reverse the decision of the Court ordering the City of Tshwane to pay over a certain amount. If the rescission is made, the City could find itself having to pay another amount to the applicant. The City of Tshwane has already made the payment to someone else in accordance with the previous court order. Total claim is R2 081 409.42.

**Case 19:**

In December 2013, the City and other respondents, were brought before the courts when an urgent application was launched to interdict the further implementation of the Security of Revenue Project (Part A) as well as review the appointment of the service provider in question (Part B). The interdict has been argued and was dismissed by the courts in April 2014 (Part A). However, the review of the appointment of the service provider (Part B) is still to be heard by the courts. The applicant has filed its papers in relation to Part B. The City and other respondents are now required to file their response to the applicants supplementary papers. At this stage, all indicators are that Part B will be argued before the courts in early 2015.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 56. Contingencies (continued)

#### Agricultural and Environmental Management

##### Case 1:

The plaintiff issued summons for damages for the alleged breach of contract by appointing to new contractors before the expiry of the tender. Relief sought is payment in the amount of R432 220.50 (including interest on the aforesaid amount and at the rate of 15.5%) and cost of the suit. Matter is awaiting trial.

##### Case 2:

Breach of contract: Plaintiff is suing the City of Tshwane for work done over and above the contract price (that is payments for alleged additional work done). Total claim value is R2 859 822. The matter was in court but was struck from the roll with costs. Plaintiff cannot enrol this matter in court until they have paid the City of Tshwane's costs.

##### Case 3:

Breach of contract claim for service rendered to the amount of R562 656.75. A letter of demand has been received by the City and summons have not yet been issued.

##### Case 4:

Breach of contract: A claim amounting to R2 299 500 for rubbish bins for sandblasting and painting as well as the storage costs has been made against the City of Tshwane. Summons has been issued and the matter went on trial on 1 October 2013 and the matter has not been finalised at year end.

##### Case 5:

Plaintiff is claiming that the City of Tshwane unlawfully terminated its contract for household waste removal in Bronkhorstspuit. The City of Tshwane disputes that the contract was cancelled as it only requested the plaintiff to replace their flat-bed trucks with compactors. They did not do this but now claim cancellation. Plaintiff to apply for a trial date.

##### Case 6:

Breach of contract: Matter arises out of refuse removal tender and a dispute over its terms. Department says tenderer was aware that the by-laws of the municipality required him to inform the City of any generation of refuse before executing the work, which it did not do. Matter is in Court and the claim value is R200 812.66.

##### Case 7:

Breach of contract: Claim for payment of services rendered and damages. Contractor alleges breach of contract by the municipality as the contractor alleges that a wrong tender for waste collection services was used. Contractor is also claiming for overtime payments and the total value of the claim is R22 063 517.35. Trial date is awaited.

#### Sport, Recreation, Arts and Culture

##### Case 1:

Application for rescission of judgement taken against the erstwhile City Council of 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 (in terms of the Prescription Act No 69 of 1969). Awaiting court date.

##### Case 2:

Claimant in this matter instituted arbitration proceedings against the City of Tshwane for payment of the City of Tshwane's share of claims instituted against the claimant by the tenants of Loftus Versfeldt during the 2010 Soccer World Cup. It was agreed with the claimant that should any claim be instituted by the tenants of the stadium during the world cup, the City of Tshwane shall be held liable for half the claims. The claimant received claims and settled same. Now the claimant wants the City of Tshwane to pay its share amounting to R852 309.12. The matter is on arbitration.

#### Transport and Roads Department:

##### Case 1:

Breach of contract: The City of Tshwane has applied for a rescission of judgment for a claim amounting to R1 150 000. The allocation of a date for the hearing of the applications for rescission of judgment is awaited.

##### Case 2:

Monies owing under contract: In this matter the tenderer claims payment for work done based on an incorrect formula. The matter went to arbitration and he was unsuccessful. He is now proceeding to have the award made an order of court which application is opposed and a trial date is awaited. The total value of the claim is R1 500 000.

\* See Note 48



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 56. Contingencies (continued)

#### Municipal entities: TEDA

##### Case 1:

TEDA has a contingent liability as at 30 June 2014 - There has been a disciplinary case against the former CEO of the entity and based on the outcome of the hearing, he was dismissed on 30 April 2014 and his salary was stopped with immediate effect. The former CEO has lodged an appeal against his dismissal and the case was not finalised at the time of submission of the annual financial statements. The remaining contract value from the time of dismissal is estimated at R8.7 million.

#### Municipal entities: Housing Company Tshwane

##### Case 1:

The claimant (Dolo Building Contractors) entered into an agreement with City Properties as a managing agent for the City of Tshwane in terms of which the claimant would provide maintenance and repair services at Schubart and Kruger Park complexes. Housing Company Tshwane took over the duties of City Properties and suspended the agreement on 1 December 2006. The claimant is suing Housing Company Tshwane for R86 613 for suspending the agreement.

##### Case 2:

The claimant (Savika Armed Response (Pty) Ltd) entered into an agreement with City Properties as a managing agent for the City of Tshwane in terms of which the claimant would provide guarding/security services at Schubart and Kruger Park complexes. Housing Company Tshwane took over the duties of City Properties and terminated the agreement with effect from 31 January 2008. The claimant is suing Housing Company Tshwane R715 474 for non payment of invoices relating to 2006 after their service has been terminated. It should be noted that at no stage did Savika raise the alleged non-payment matter prior to their services being terminated on 31 January 2008. No contract existed between Savika and Housing Company Tshwane at the time Savika alleges to have rendered guarding service to Housing Company Tshwane. Savika is not sure about what the alleged amount is owed, various amounts have been bandied about by Savika.

### 57. Change in estimate

#### Property, plant and equipment

The useful lives of all asset classes have been reviewed and adjusted during 2013/14 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 13 under property, plant and equipment for a discussion on the basis on which the review of useful lives was done.

The effect of changing the remaining useful lives during 2013/14 has increased the depreciation charge for the current and future periods. The total number of assets affected was 245 489.

#### Housing Company Tshwane:

the useful life of IT equipment, office equipment and furniture was estimated in 2012/13 to be 10 years. In the current period HCT management revised their estimate from 10 to 12 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R45 131.

#### Effect of change in estimates

Other and infrastructure assets	29,201,650	69,971,171	29,201,650	69,971,171
Housing Company: other assets	45,131	31,395	-	-
	<u>29,246,781</u>	<u>70,002,566</u>	<u>29,201,650</u>	<u>69,971,171</u>

### 58. 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 consolidated annual 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

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 58. Deviation from supply chain management regulations (continued)

- 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

2013: Housing Company Tshwane deviated from the official procurement processes during the 2012/13 financial year due to emergencies and services available from a single supplier -

- \* in an emergency (R264 846)
- \* services available from a single provider only (R76 448)

2014: Housing Company Tshwane deviated from the official procurement processes during the 2012/13 financial year due to emergencies and services available from a single supplier -

- \* in an emergency (R22 714)
- \* services available from a single provider only (R40 695)

2014: TEDA deviated from the official procurement processes during the 2013/14 financial year due to services available from a single supplier -

- \* Services available from a single provider only R1 566 756)
- \* Sole supplier (R301 558)
- \* Tenant installations (R6 172 569)

2014: Sandspruit - total emergencies in terms of Regulation 36(1)(a)(i) for the year 2013/14 amounted to R93 308 and for Regulation 36(1)(a)(ii) amounted to R46 180.

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	94,066,541	80,819,516	94,066,541	80,819,516
Housing Company Tshwane	-	264,846	-	-
TEDA	1,868,314	-	-	-
Sandspruit Works Association	169,480	1,368,000	-	-
TEDA	6,172,569	-	-	-
	<b>102,276,904</b>	<b>82,452,362</b>	<b>94,066,541</b>	<b>80,819,516</b>

#### Deviation from quotation process

Amounts below R200 000	570,880	389,266	570,880	389,266
Housing Company Tshwane	63,409	76,448	-	-
Sandspruit Works Association	-	297,225	-	-
TEDA	-	36,822	-	-
	<b>634,289</b>	<b>799,761</b>	<b>570,880</b>	<b>389,266</b>

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 59. Budget differences

#### Material differences between budget and actual amounts

It is general practice to deem a 10% deviation on operational revenue and expenditure versus the final budget as material and for capital expenditure the percentage deviation is 5%

The following revenue and expenditure line items showed a material variance for the year ended 30 June 2014:

Own revenue category:

- \* Rental of facilities and equipment (12.0% under) - this line item is based on demand from users of the facilities and equipment and renovations at Premos and it's unavailability lead to loss in revenue.
- \* Interest on external investments (36.0% over) - increase in revenue compared to budget is due to actual realising higher than the conservative budgeted amount
- \* Interest on outstanding debtors (36.0% over) - over recovery is due to increase in levying of interest on long overdue accounts which increased during 2013/14.
- \* Fines (94.0% under) - under recovery is due to low payment rate of transgressors and as a result of the Speed Law Enforcement project not having materialised in the 2013/14 financial year.
- \* Public contributions (73.4% over) - over recovery is mainly due to debtor regarding rezoning contributions at year end which was not taken into account during the budget process.

Other expenditure category:

- \* Depreciation (17.0% over) - over expenditure is mainly due to asset register purification process, review of useful lives and newly found assets during 2013/14. This is a non-cash item.
- \* Repairs and maintenance (10.8% under) - under expenditure is mainly due to savings by departments
- \* Debt impairment (47.5% over) - over expenditure is due to review of recoverability of debtors at year end which could not be taken into account during the budget process. This is a non-cash item.

Capital expenditure:

The capital expenditure ended on 94% spending at the end of June 2014. The 6% under expenditure is mainly due to delays in the tender processes and projects not being implemented as planned.

#### Changes from the approved budget to the final budget

The mid-year budget review report approved by the Council on 30 January 2014, indicated the necessity for an Adjustments Budget for the 2013/14 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 and Property Rates"
- 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

The Council approved the 2013/14 Original Revenue Budget to the amount of R21 647.0 million which was decreased with R189.1 million to R21 457.9 million (decrease of 0.9%). Furthermore, the total expenditure of R21 647.0 million was reduced with an amount of R189.1 million to R21 457.9 million (decrease of 0.9%). As a result the budgeted surplus of R2 097.0 million was increased to R2 219.8 million, indicating the City's strategy towards long-term financial sustainability.

### 60. Distribution losses: Water

#### Non-revenue Water (NRW) - kilolitre

Technical losses (real losses)	49,258,596	62,157,183	47,392,725	60,089,893
Non-technical losses (apparent losses)	14,646,987	18,061,401	11,848,181	15,022,473
	<b>63,905,583</b>	<b>80,218,584</b>	<b>59,240,906</b>	<b>75,112,366</b>

#### Non-revenue Water (NRW) - Rand value

Technical losses (real losses)	272,429,845	312,482,476	261,085,349	301,050,363
Non-technical losses (apparent losses)	82,288,076	92,067,863	65,271,336	75,262,591
	<b>354,717,921</b>	<b>404,550,339</b>	<b>326,356,685</b>	<b>376,312,954</b>

Water is supplied to the group 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.

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	2013 Restated*	2014	2013 Restated*
	R	R	R	R

### 60. Distribution losses: Water (continued)

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.

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 2014 the NRW in the city was calculated at 59 240 906 kl (20.7% of the total input into the system). This is a marked improvement of NRW in the city when compared to June 2013 where the NRW was 75 112 366 kl (23.6% of the total input into the system). The losses in R-value amounts to R326.3 million (2013 = R376.3 million). The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R5.50 for 2013/14 and R5.01 for 2012/13 respectively.

### 61. Distribution losses: Electricity

#### Distribution loss: kWh

Technical	688,355,278	702,576,319	688,355,278	702,576,319
Non-technical	712,939,396	404,483,224	712,939,396	404,483,224
	<b>1,401,294,674</b>	<b>1,107,059,543</b>	<b>1,401,294,674</b>	<b>1,107,059,543</b>

#### Distribution loss - Rand value

Technical	402,343,660	395,199,179	402,343,660	395,199,179
Non-technical	416,713,077	227,521,814	416,713,077	227,521,814
	<b>819,056,737</b>	<b>622,720,993</b>	<b>819,056,737</b>	<b>622,720,993</b>

For the 2013/14 financial year the distribution losses amount to 14.25%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold. For the 2012/13 financial year the distribution losses amounted to 11.03%

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.

For the 2013/14 financial year the value of non-technical loss amounts to R416.7 million or 712 939 396 kWh (2012/13 = R227.5 million or 404 483 224 kWh) based on the cost per unit purchased namely 58.45 c/kWh (2012/13 = 56.25 c/kWh).

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Group		Municipality	
2014	2013 Restated*	2014	2013 Restated*
R	R	R	R

### 61. Distribution losses: Electricity (continued)

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%.

For the 2013/14 financial year the value of technical loss amounts to R402.3 million or 688 355 278 kWh (2012/13 = R395.2 million or 702 576 319 kWh) based on the cost per unit purchased namely 58.45 c/kWh (2012/13 = 56.25 c/kWh).

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

\* See Note 48

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

### 62. Transfer of functions

#### During the prior reporting period

#### Transfer of function 1

The name of the acquiree	Retail and bulk water services function 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 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)	-
	<b>162,331,814</b>	<b>162,331,814</b>	<b>-</b>

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.

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
<b>63. Deferred tax</b>				
<b>Deferred tax liability</b>				
TEDA - deferred tax liability	(9,700)	-	-	-
<b>Deferred tax asset</b>				
TEDA - deferred tax asset	-	17,696	-	-
Deferred tax liability	(9,700)	-	-	-
Deferred tax asset	-	17,696	-	-
<b>Total net deferred tax (liability) asset</b>	<b>(9,700)</b>	<b>17,696</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of deferred tax asset \ (liability)</b>				
At beginning of year	17,696	-	-	-
Provision - leave pay	232,948	32,667	-	-
Unspent grant	(3,241,157)	3,930,314	-	-
Section 24C allowance	3,241,157	(3,930,314)	-	-
Straightlining of lease	127,610	-	-	-
Property, equipment and intangible assets	(387,954)	(14,971)	-	-
	<b>(9,700)</b>	<b>17,696</b>	<b>-</b>	<b>-</b>
<b>Temporary differences</b>				
Property, equipment and intangible assets	(402,925)	(14,971)	-	-
Provision - leave pay	265,615	32,667	-	-
Unspent grant	689,157	3,930,314	-	-
Section 24C allowance	(689,157)	(3,930,314)	-	-
Straight lining of lease	127,610	-	-	-
	<b>(9,700)</b>	<b>17,696</b>	<b>-</b>	<b>-</b>
<b>64. Deferred operating lease liability</b>				
Non-current liabilities	(481,254)	(2,372,547)	-	(2,308,997)
Current liabilities	(2,608,775)	(3,117,455)	(2,308,997)	(2,990,938)
	<b>(3,090,029)</b>	<b>(5,490,002)</b>	<b>(2,308,997)</b>	<b>(5,299,935)</b>
<b>65. Impairment of assets</b>				
<b>Impairments</b>				
Property, plant and equipment	5,200,760	4,818,771	5,200,760	4,818,771

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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
<b>66. Taxation</b>				
<b>Major components of the tax expense</b>				
<b>Current</b>				
Normal tax - current year	1,935,684	1,136,191	-	-
Deferred tax - current year	27,395	(17,696)	-	-
	<u>1,963,079</u>	<u>1,118,495</u>	-	-
<b>Deferred</b>				
Taxation	1,963,079	1,118,495	-	-
	<u>1,963,079</u>	<u>1,118,495</u>	-	-
<b>Taxation liability movement</b>				
Opening balance	1,136,191	1,136,191	-	-
Current year	1,935,684	-	-	-
<b>Closing balance</b>	<u>3,071,875</u>	<u>1,136,191</u>	-	-
<b>Reconciliation of the tax expense</b>				
Tax in note @ 28%	1,963,079	1,118,495	-	-
Profit before tax	6,972,008	3,994,626	-	-
Tax as % of income before tax	28.16	28.00 %	-	-
<b>Reconciliation between applicable tax rate and average effective tax rate</b>				
Tax effect on permanent differences	28.00 %	28.00 %	-	-
Tax effect on non-deductible expenses	0.16 %	- %	-	-
	<u>28.16 %</u>	<u>28.00 %</u>	-	-

No provisional taxation has been paid by TEDA.

### 67. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had an accumulated surplus of R14 245 579 935 (2013 = R13 176 274 996) and that the municipality's total assets exceed its liabilities by R 14,549,705,532. The difference consist of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R248 634 970.

Further, as at 30 June 2014, the group had an accumulated surplus of R14 298 070 562 171 (2013 = R13 238 923 501) and that the group's total assets exceed its liabilities by R 14,549,705,532. the difference consist of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R248 634 970

The consolidated annual 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.

Cash and cash equivalents increased significantly as a result of the following:

- No draw downs on external borrowings to fund long-term infrastructure
- Decreasing collections

### 68. Actual operating expenditure versus budgeted operating expenditure

For additional information on the comparison of actual operating expenditure versus budgeted expenditure please refer to Appendix C, D and E.

### 69. Actual capital expenditure versus budgeted capital expenditure

For additional information on the comparison of actual capital expenditure versus budgeted expenditure please refer to Appendix F.



# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
<b>70. Expenditure by National Treasury classification</b>				
<b>Expenditure type</b>				
Employee related cost	6,085,985,562	5,326,477,707	5,977,333,289	5,247,100,571
Remuneration of councilors	96,788,503	92,573,294	96,788,503	92,573,294
Debt impairment	1,400,446,405	951,619,336	1,304,729,422	874,303,916
Depreciation and asset impairment	1,242,678,216	1,130,870,294	1,239,047,922	1,128,587,476
Finance charges	813,986,127	731,899,729	813,090,998	731,045,020
Bulk purchases	7,028,472,531	6,692,682,288	7,148,341,187	6,790,325,569
Other materials	311,868,288	444,064,664	311,868,288	444,064,664
Contracted services	3,694,740,411	3,441,087,560	3,676,033,109	3,428,137,715
Transfers and grants	227,042,145	17,290,290	227,042,145	17,290,290
Other expenditure	1,181,599,043	535,187,588	1,298,055,846	854,031,994
Loss on disposal of PPE	153,300,487	292,523,826	152,986,634	292,261,766
	<b>22,236,907,718</b>	<b>19,656,276,576</b>	<b>22,245,317,343</b>	<b>19,899,722,275</b>
Total expenditure per statement of financial performance	22,236,907,718	19,656,276,576	22,245,317,343	19,638,761,219

### 71. 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 terminated the following interest rate swaps during 2013/14 which they entered into during 2012/13:

##### 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

# City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2014	Restated	2014	Restated
	R	2013	R	2013
		R		R

During 2013/14 the municipality entered into interest rate swaps with the following role players:

Nedbank:

Trade date: 31 December 2013 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

Nedbank:

Trade date: 1 April 2014 and Settlement date: 30 June 2026

Nominal amount: R890 312 447

Fixed rate: 9.31% and Variable rate: Jibar + 2.22 basis points

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 paid on the interest rate swaps to the amount of R36 939 299 were recognised in surplus or deficit during 2013/14.

The fair value of interest rate swaps for 2013/14 is as follows:

**Interest rate swap - amounts (in total)**

Interest rate swap asset	34,411,454	81,554,131	34,411,454	81,554,131
Interest rate swap liability	(44,114,153)	-	(44,114,153)	-
	<b>(9,702,699)</b>	<b>81,554,131</b>	<b>(9,702,699)</b>	<b>81,554,131</b>

**Appendix A**  
**Supplementary unaudited information**

**Schedule of external loans as at 30 June 2014**

Interest Rate (%)	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2014	Carrying Value of Property, Plant & Equipment
		Rand	Rand	Rand	Rand	Rand	Rand
<b>LOCAL REGISTERED STOCK :</b>							
<b>Issued</b>							
Loan 105 (Issued 1997)	16.65	2014.06.30	100,000,000	-	100,000,000	-	-
Loan 43 (Issued 1984)	16.25	2004.04.30	5,000	-	-	5,000	6,527
			<b>100,005,000</b>	<b>-</b>	<b>100,000,000</b>	<b>-</b>	<b>6,527</b>
<b>TERM LOANS</b>							
DBSA: bullet portion	13.50	2018.04.30	51,685,367	-	-	212,276	51,897,643
DBSA: Floating rate	Variable	2019.10.31	79,625,804	-	-	(1,294,276)	78,331,528
Housing Company: National Housing Finance Corporation	14.00	2011.10.31	3,119,308	-	315,467	-	2,803,841
TEDA			1,000	-	-	-	1,000
DBSA Bullet repayment loan	Jibar +2.5 margin	2034.06.30	-	1,600,000,000	-	-	1,600,000,000
			<b>134,431,479</b>	<b>1,600,000,000</b>	<b>315,467</b>	<b>(1,082,000)</b>	<b>1,733,034,012</b>
<b>ANNUITY LOANS:</b>							
DBSA	13.5	2018.04.30	164,217,075	-	21,085,525	(523,873)	142,607,677
DBSA (Restructuring)	10.97	2018.12.31	174,689,110	-	32,128,193	(9,012,662)	133,548,255
INCA	11.03	2019.06.30	11,949,160	-	1,497,820	-	10,451,340
INCA	9.52	2020.03.31	144,728,457	-	15,026,168	(273,898)	129,428,391
INCA	11.01	2020.06.30	33,004,871	-	3,342,496	-	29,662,375
DBSA	9.36	2020.12.31	200,094,133	-	26,148,070	(8,870,948)	165,075,115
INCA	10.92	2020.12.31	68,925,367	-	6,341,577	-	62,583,790
INCA	10.81	2021.06.30	57,378,466	-	4,822,528	-	52,555,938
DBSA	5.0	2021.12.31	66,857,177	-	9,630,205	(1,617,584)	55,609,388
DBSA	9.84	2021.12.31	303,167,217	-	35,611,251	(14,098,137)	253,457,829
Ivuzi	8.74	2021.12.31	142,959,168	-	11,942,449	-	131,016,719
DBSA	6.25	2028.06.30	89,317,677	-	5,274,233	(2,685,019)	81,358,425
DBSA	12.81	2028.06.30	198,216,924	-	6,654,450	(11,804,599)	179,757,875
DBSA	11.32	2028.06.30	196,699,842	-	7,036,138	(10,450,453)	179,213,251
ABSA Roodeplaat Temba	12.5	2021.03.31	184,671,403	-	13,787,202	(974,011)	169,910,190
DBSA Roodeplaat Temba	11.99	2021.03.31	95,171,972	-	7,354,127	(378,375)	87,439,470
Nedbank Roodeplaat Temba	12.51	2021.03.31	126,961,589	-	9,478,700	(669,635)	116,813,254
DBSA TIP	6.75	2029.06.30	140,445,310	-	7,190,934	(4,548,810)	128,705,566
Nedbank	9.27	2020.05.18	283,391,299	-	31,720,707	(8,482)	251,662,110
Nedbank	9.32	2020.06.16	282,046,869	-	31,577,211	(131,152)	250,338,506
Standard Bank	7.72	2026.06.30	924,186,559	-	42,919,369	(68,927)	881,198,270
DBSA	5.00	2016.08.31	688,393	-	219,142	-	469,251
DBSA	15.04	2016.06.30	14,668,980	-	4,653,555	(531,271)	9,484,154
Standardbank - Magalies Water	13.50	2014.09.30	692,699	-	334,329	(22,615)	335,755
Nedbank		2029.06.29	657,889,489	-	44,040,091	6,258,877	620,108,275
Nedbank	Jibar	2025.12.01	370,873,854	-	24,441,865	3,551,695	349,983,684
iVuzi (Firststrand bank)	Jibar	2022.06.30	473,878,227	-	52,631,579	18,513	421,265,161
iVuzi (Firststrand bank)	Jibar	2027.12.01	482,967,728	-	34,482,759	9,144	448,494,113
			<b>5,890,739,015</b>	<b>-</b>	<b>491,372,666</b>	<b>(56,832,222)</b>	<b>5,342,534,127</b>
							<b>6,974,687,458</b>

Appendix A  
Supplementary unaudited information

Schedule of external loans as at 30 June 2014

Interest Rate (%)	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2014	Carrying Value of Property, Plant & Equipment	
		Rand	Rand	Rand	Rand	Rand	Rand	
<b>MUNICIPAL BONDS</b>								
CoT1: Standard bank	10.20	2023.04.02	573,771,397	-	-	393,645	574,165,042	749,573,447
CoT2: Standard bank	9.11	2023.04.02	848,229,984	-	-	461,810	848,691,794	1,107,968,592
CoT3: Standard bank	9.46	2028.06.05	754,859,589	-	-	209,738	755,069,327	985,744,301
			<b>2,176,860,970</b>	<b>-</b>	<b>-</b>	<b>1,065,193</b>	<b>2,177,926,163</b>	<b>2,843,286,340</b>
			<b>8,302,036,464</b>	<b>1,600,000,000</b>	<b>591,688,133</b>	<b>(56,849,029)</b>	<b>9,253,499,302</b>	<b>12,079,601,315</b>
<b>FINANCE LEASES</b>								
ABSA	Variable *		15,463,636	669,402	12,608,581	-	3,524,457	3,221,496
DEBIS FLEET MANAGEMENT	Variable *		62,879,653	3,279,667	62,402,355	-	3,756,965	3,284,511
FLEET AFRICA	Variable *		229,836	9,980	239,816	-	-	-
ZEDA	Variable *		5,664,446	248,766	3,748,176	-	2,165,036	2,143,932
TSHWANE AUTO LEASING	Variable *		5,432,148	217,864	4,284,698	-	1,365,314	1,265,194
VUSWA	Variable *		3,164,461	128,990	3,293,451	-	-	-
ABSA SOL	Variable *		36,567	5,950	19,631	-	22,886	16,640
			<b>92,870,747</b>	<b>4,560,619</b>	<b>86,596,708</b>	<b>-</b>	<b>10,834,658</b>	<b>9,931,773</b>

**City of Tshwane Metropolitan Municipality**  
**Appendix B**  
**Supplementary unaudited information**

**Analysis of property, plant and equipment as at 30 June 2014**

**Cost** **Accumulated depreciation**

	Opening Balance	Acquisitions	Disposals	Transfers	Additions and adjustments	Closing Balance	Opening Balance	Additions	Impairment	Disposals	Transfers	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Infrastructure</b>													
Assets under construction	4,699,228,059	3,262,252,144	-	(291,311,177)	-	<b>7,670,169,026</b>	-	-	-	-	-	-	7,670,169,026
Electricity	4,751,965,417	110,044,240	(21,544,449)	14,267,965	299,553,956	<b>5,154,287,129</b>	(1,057,146,487)	(257,416,494)	(3,715)	8,206,666	(77,568,777)	<b>(1,383,928,807)</b>	3,770,358,322
General	50,973,560	17,194	-	(351,798)	95,940,284	<b>146,579,240</b>	(37,515,621)	(18,792,884)	(74,839)	-	(56,704,453)	<b>(113,087,797)</b>	33,491,443
Roads	6,314,931,456	90,981,272	(975,967)	254,630,587	-	<b>6,659,567,348</b>	(1,891,584,920)	(260,866,839)	-	37,611	(13,844,849)	<b>(2,166,258,997)</b>	4,493,308,351
Water and sanitation	5,627,740,971	150,674,341	(48,378,515)	135,789,500	334,387,071	<b>6,200,213,368</b>	(1,349,640,686)	(184,855,086)	(1,108,757)	4,311,485	(26,850,035)	<b>(1,558,143,079)</b>	4,642,070,289
Sandspruit Works Association	12,679,316	10,454	-	-	-	<b>12,689,770</b>	(9,012,286)	(885,080)	-	-	-	<b>(9,897,366)</b>	2,792,404
	<b>21,457,518,779</b>	<b>3,613,979,645</b>	<b>(70,898,931)</b>	<b>113,025,077</b>	<b>729,881,311</b>	<b>25,843,505,881</b>	<b>(4,344,900,000)</b>	<b>(722,816,383)</b>	<b>(1,187,311)</b>	<b>12,555,762</b>	<b>(174,968,114)</b>	<b>(5,231,316,046)</b>	<b>20,612,189,835</b>
<b>Community Assets</b>													
General	2,351,877,172	36,062,516	(21,418,071)	45,041,368	188,154,603	<b>2,599,717,588</b>	(574,440,790)	(96,898,968)	(1,830,272)	9,302	(36,992,891)	<b>(710,153,619)</b>	1,889,563,969
Assets under construction	360,760,120	276,605,552	-	(10,520,255)	-	<b>626,845,417</b>	-	-	-	-	-	-	626,845,417
	<b>2,712,637,292</b>	<b>312,668,068</b>	<b>(21,418,071)</b>	<b>34,521,113</b>	<b>188,154,603</b>	<b>3,226,563,005</b>	<b>(574,440,790)</b>	<b>(96,898,968)</b>	<b>(1,830,272)</b>	<b>9,302</b>	<b>(36,992,891)</b>	<b>(710,153,619)</b>	<b>2,516,409,386</b>
<b>Heritage assets</b>													
General	25,751,081	7	(536)	-	-	<b>25,750,552</b>	-	-	-	-	-	-	25,750,552
	<b>25,751,081</b>	<b>7</b>	<b>(536)</b>	<b>-</b>	<b>-</b>	<b>25,750,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,750,552</b>
<b>Housing</b>													
Housing assets	83,652,010	1,600,000	-	68,944,400	-	<b>154,196,410</b>	(2,083,779)	(390,440)	-	-	-	<b>(2,474,219)</b>	151,722,191
Assets under construction	248,341,994	81,913,700	-	(71,414,400)	(49,296,000)	<b>209,545,294</b>	-	-	-	-	-	-	209,545,294
	<b>331,994,004</b>	<b>83,513,700</b>	<b>-</b>	<b>(2,470,000)</b>	<b>(49,296,000)</b>	<b>363,741,704</b>	<b>(2,083,779)</b>	<b>(390,440)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,474,219)</b>	<b>361,267,485</b>
<b>Biological assets</b>													
Game (livestock)	13,050,850	3,536,563	-	-	-	<b>16,587,413</b>	-	-	-	-	-	-	16,587,413
	<b>13,050,850</b>	<b>3,536,563</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,587,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,587,413</b>
<b>Land</b>													
Land	293,674,916	-	(912,223)	1,491,291	(210,000)	<b>294,043,984</b>	-	-	-	-	-	-	294,043,984
	<b>293,674,916</b>	<b>-</b>	<b>(912,223)</b>	<b>1,491,291</b>	<b>(210,000)</b>	<b>294,043,984</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294,043,984</b>
<b>Buildings</b>													
Buildings	1,584,666,116	5,504,260	-	(23,702,148)	(187,944,603)	<b>1,378,523,625</b>	(752,003,150)	(53,280,102)	-	-	50,051,127	<b>(755,232,125)</b>	623,291,500
Sandspruit Works Association	7,383,244	-	-	-	-	<b>7,383,244</b>	(2,514,756)	(345,544)	-	-	-	<b>(2,860,300)</b>	4,522,944
	<b>1,592,049,360</b>	<b>5,504,260</b>	<b>-</b>	<b>(23,702,148)</b>	<b>(187,944,603)</b>	<b>1,385,906,869</b>	<b>(754,517,906)</b>	<b>(53,625,646)</b>	<b>-</b>	<b>-</b>	<b>50,051,127</b>	<b>(758,092,425)</b>	<b>627,814,444</b>

**City of Tshwane Metropolitan Municipality**  
**Appendix B**  
**Supplementary unaudited information**

**Analysis of property, plant and equipment as at 30 June 2014**

**Cost** **Accumulated depreciation**

	Opening Balance	Acquisitions	Disposals	Transfers	Additions and adjustments	Closing Balance	Opening Balance	Additions	Impairment	Disposals	Transfers	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Other</b>													
General	2,629,379,589	173,122,069	(24,095,783)	27,243,578	(729,881,310)	<b>2,075,768,143</b>	(1,161,993,596)	(180,412,293)	(2,183,179)	13,591,437	162,597,962	<b>(1,168,399,669)</b>	907,368,474
Rehabilitation assets	197,622,210	141,523,699	-	-	-	<b>339,145,909</b>	(74,544,132)	(31,317,867)	-	-	-	<b>(105,861,999)</b>	233,283,910
Assets under construction	308,759,891	287,660,254	(10,450,167)	(74,881,825)	-	<b>511,088,153</b>	-	(1,508)	-	1,508	-	-	511,088,153
Non-current assets held for sale transfer	(76)	-	-	(7,030,391)	-	<b>(7,030,467)</b>	20	-	-	-	6,859,937	<b>6,859,957</b>	(170,510)
Sandspruit Works Association	8,320,740	314,526	-	-	-	<b>8,635,266</b>	(7,474,139)	(446,559)	-	-	-	<b>(7,920,698)</b>	714,568
Housing Company Tshwane	489,243	475,200	(319)	-	-	<b>964,124</b>	(278,153)	(52,356)	-	-	45,131	<b>(285,378)</b>	678,746
Tshwane Economic Development Agency	1,846,597	9,849,608	(62,655)	-	-	<b>11,633,550</b>	(12,122)	(1,864,806)	-	-	-	<b>(1,876,928)</b>	9,756,622
	<b>3,146,418,194</b>	<b>612,945,356</b>	<b>(34,608,924)</b>	<b>(54,668,638)</b>	<b>(729,881,310)</b>	<b>2,940,204,678</b>	<b>(1,244,302,122)</b>	<b>(214,095,389)</b>	<b>(2,183,179)</b>	<b>13,592,945</b>	<b>169,503,030</b>	<b>(1,277,484,715)</b>	<b>1,662,719,963</b>
<b>Total property plant and equipment</b>													
	<b>29,573,094,476</b>	<b>4,632,147,599</b>	<b>(127,838,685)</b>	<b>68,196,695</b>	<b>(49,295,999)</b>	<b>34,096,304,086</b>	<b>(6,920,244,597)</b>	<b>1,087,826,826)</b>	<b>(5,200,762)</b>	<b>26,158,009</b>	<b>7,593,152</b>	<b>(7,979,521,024)</b>	<b>26,116,783,062</b>
<b>Investment properties</b>													
Property capitalised: parent	992,559,290	-	(23,422,208)	(120,314,338)	49,296,000	<b>898,118,744</b>	(50,501,238)	(2,395,155)	-	105,859	6,389,341	<b>(46,401,193)</b>	851,717,551
Housing Company Tshwane	13,200,000	-	-	-	300,000	<b>13,500,000</b>	-	-	-	-	-	-	13,500,000
	<b>1,005,759,290</b>	<b>-</b>	<b>(23,422,208)</b>	<b>(120,314,338)</b>	<b>49,596,000</b>	<b>911,618,744</b>	<b>(50,501,238)</b>	<b>(2,395,155)</b>	<b>-</b>	<b>105,859</b>	<b>6,389,341</b>	<b>(46,401,193)</b>	<b>865,217,551</b>
<b>Intangible assets</b>													
Computer software	583,934,620	1,629,588	-	14,491,877	(16,864,336)	<b>583,191,749</b>	(294,204,128)	(77,841,651)	-	(62,650)	(348,234)	<b>(372,456,663)</b>	210,735,086
Servitudes	169,739,143	7,415,532	(13,434,315)	410,308	16,864,336	<b>180,995,004</b>	111,543	(12,146)	-	62,987	(162,384)	-	180,995,004
TEDA computer software	21,135	187,877	-	-	-	<b>209,012</b>	(96)	(30,647)	-	-	-	<b>(30,743)</b>	178,269
Housing Company computer software	72,459	4,739	-	-	-	<b>77,198</b>	(1,919)	(26,075)	-	-	-	<b>(27,994)</b>	49,204
Sandspruit computer software	73,075	29,410	-	-	-	<b>102,485</b>	(1,802)	(24,358)	-	-	-	<b>(26,160)</b>	76,325
	<b>753,840,432</b>	<b>9,267,146</b>	<b>(13,434,315)</b>	<b>14,902,185</b>	<b>-</b>	<b>764,575,448</b>	<b>(294,096,402)</b>	<b>(77,934,877)</b>	<b>-</b>	<b>337</b>	<b>(510,618)</b>	<b>(372,541,560)</b>	<b>392,033,888</b>
<b>Total</b>													
Land	293,674,916	-	(912,223)	1,491,291	(210,000)	<b>294,043,984</b>	-	-	-	-	-	-	294,043,984
Infrastructure	21,457,518,779	3,613,979,645	(70,898,931)	113,025,077	729,881,311	<b>25,843,505,881</b>	(4,344,900,000)	(722,816,383)	(1,187,311)	12,555,762	(174,968,114)	<b>(5,231,316,046)</b>	20,612,189,835
Community Assets	2,712,637,292	312,668,068	(21,418,071)	34,521,113	188,154,603	<b>3,226,563,005</b>	(574,440,790)	(96,898,968)	(1,830,272)	9,302	(36,992,891)	<b>(710,153,619)</b>	2,516,409,386
Heritage assets	25,751,081	7	(536)	-	-	<b>25,750,552</b>	-	-	-	-	-	-	25,750,552
Housing	331,994,004	83,513,700	-	(2,470,000)	(49,296,000)	<b>363,741,704</b>	(2,083,779)	(390,440)	-	-	-	<b>(2,474,219)</b>	361,267,485
Other	3,146,418,194	612,945,356	(34,608,924)	(54,668,638)	(729,881,310)	<b>2,940,204,678</b>	(1,244,302,122)	(214,095,389)	(2,183,179)	13,592,945	169,503,030	<b>(1,277,484,715)</b>	1,662,719,963
Intangible assets	753,840,432	9,267,146	(13,434,315)	14,902,185	-	<b>764,575,448</b>	(294,096,402)	(77,934,877)	-	337	(510,618)	<b>(372,541,560)</b>	392,033,888
Investment properties	1,005,759,290	-	(23,422,208)	(120,314,338)	49,596,000	<b>911,618,744</b>	(50,501,238)	(2,395,155)	-	105,859	6,389,341	<b>(46,401,193)</b>	865,217,551
Buildings	1,592,049,360	5,504,260	-	(23,702,148)	(187,944,603)	<b>1,385,906,869</b>	(754,517,906)	(53,625,646)	-	-	50,051,127	<b>(758,092,425)</b>	627,814,444
Biological assets	13,050,850	3,536,563	-	-	-	<b>16,587,413</b>	-	-	-	-	-	-	16,587,413
	<b>31,332,694,198</b>	<b>4,641,414,745</b>	<b>(164,695,208)</b>	<b>(37,215,458)</b>	<b>300,001</b>	<b>35,772,498,278</b>	<b>(7,264,842,237)</b>	<b>1,168,156,858)</b>	<b>(5,200,762)</b>	<b>26,264,205</b>	<b>13,471,875</b>	<b>(8,398,463,777)</b>	<b>27,374,034,501</b>

## Appendix C Budgeted Financial Performance (revenue and expenditure by standard classification)

	2013/14								2012/13						
	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
<b>Revenue - Standard</b>															
<b>Governance and administration</b>	<b>7,442,590,321</b>	<b>103,495,626</b>	<b>7,546,085,947</b>	-		<b>7,546,085,947</b>	<b>7,532,993,008</b>		<b>(13,092,939)</b>	<b>100 %</b>	<b>101 %</b>				<b>7,021,147,953</b>
Executive and council	104,546,900	104,308,550	208,855,450	-		208,855,450	212,009,448		3,153,998	102 %	203 %				202,761,346
Budget and Treasury Office	7,036,772,111	187,076	7,036,959,187	-		7,036,959,187	7,144,573,596		107,614,409	102 %	102 %				6,567,795,860
Corporate services	301,271,310	(1,000,000)	300,271,310	-		300,271,310	176,409,964		(123,861,346)	59 %	59 %				250,590,747
<b>Community and public safety</b>	<b>876,748,103</b>	<b>23,621,419</b>	<b>900,369,522</b>	-		<b>900,369,522</b>	<b>883,228,084</b>		<b>(17,141,438)</b>	<b>98 %</b>	<b>101 %</b>				<b>856,594,266</b>
Community and social services	44,137,053	(131,015)	44,006,038	-		44,006,038	35,296,811		(8,709,227)	80 %	80 %				50,654,156
Sport and recreation	33,438,810	-	33,438,810	-		33,438,810	46,981,495		13,542,685	140 %	140 %				65,708,067
Public safety	107,439,344	192,012	107,631,356	-		107,631,356	211,164,815		103,533,459	196 %	197 %				51,368,876
Housing	583,206,712	23,510,422	606,717,134	-		606,717,134	475,917,961		(130,799,173)	78 %	82 %				596,641,708
Health	108,526,184	50,000	108,576,184	-		108,576,184	113,867,002		5,290,818	105 %	105 %				92,221,459
<b>Economic and environmental services</b>	<b>1,357,003,889</b>	<b>97,079,273</b>	<b>1,454,083,162</b>	-		<b>1,454,083,162</b>	<b>1,441,508,511</b>		<b>(12,574,651)</b>	<b>99 %</b>	<b>106 %</b>				<b>1,306,884,454</b>
Planning and development	200,588,293	82,782,836	283,371,129	-		283,371,129	268,544,621		(14,826,508)	95 %	134 %				117,708,524
Road transport	1,156,263,196	12,725,437	1,168,988,633	-		1,168,988,633	1,171,599,009		2,610,376	100 %	101 %				1,188,371,604
Environmental protection	152,400	1,571,000	1,723,400	-		1,723,400	1,364,881		(358,519)	79 %	896 %				804,326
<b>Trading services</b>	<b>14,218,621,239</b>	<b>267,751,136</b>	<b>4,486,372,375</b>	-		<b>4,486,372,375</b>	<b>3,669,098,986</b>		<b>(817,273,389)</b>	<b>94 %</b>	<b>96 %</b>				<b>2,655,507,765</b>
Electricity	9,539,446,780	(196,659,697)	9,342,787,083	-		9,342,787,083	8,882,628,664		(460,158,419)	95 %	93 %				8,616,720,821
Water	1,199,462,654	452,406,000	1,651,868,654	-		1,651,868,654	1,197,940,810		(453,927,844)	73 %	100 %				961,443,264
Waste water management	831,855,600	12,000,000	843,855,600	-		843,855,600	851,432,157		7,576,557	101 %	102 %				648,299,798
Waste management	2,647,856,205	4,833	2,647,861,038	-		2,647,861,038	2,737,097,355		89,236,317	103 %	103 %				2,429,043,882
<b>Other</b>	<b>198,354,098</b>	<b>(23,099,020)</b>	<b>175,255,078</b>	-		<b>175,255,078</b>	<b>254,861,789</b>		<b>79,606,711</b>	<b>145 %</b>	<b>128 %</b>				<b>190,662,902</b>
Other	198,354,098	(23,099,020)	175,255,078	-		175,255,078	254,861,789		79,606,711	145 %	128 %				190,662,902
<b>Total Revenue - Standard</b>	<b>24,093,317,650</b>	<b>468,848,434</b>	<b>4,562,166,084</b>	-		<b>4,562,166,084</b>	<b>3,781,690,378</b>		<b>(780,475,706)</b>	<b>97 %</b>	<b>99 %</b>				<b>2,030,797,340</b>

## Appendix C Budgeted Financial Performance (revenue and expenditure by standard classification)

	2013/14								2012/13						
	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
<b>Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>4,273,112,488</b>	<b>(12,676,850)</b>	<b>4,260,435,638</b>	-	-	<b>4,260,435,638</b>	<b>4,479,731,964</b>	<b>219,296,326</b>	<b>219,296,326</b>	<b>105 %</b>	<b>105 %</b>	-	-	-	<b>3,458,460,371</b>
Executive and council	632,579,135	167,013,432	799,592,567	-	-	799,592,567	808,641,979	9,049,412	9,049,412	101 %	128 %	-	-	-	544,534,611
Budget and treasury office	594,219,159	(81,525,358)	512,693,801	-	-	512,693,801	538,516,165	25,822,364	25,822,364	105 %	91 %	-	-	-	781,316,474
Corporate services	3,046,314,194	(98,164,924)	2,948,149,270	-	-	2,948,149,270	3,132,573,820	184,424,550	184,424,550	106 %	103 %	-	-	-	2,132,609,286
<b>Community and public safety</b>	<b>3,702,025,590</b>	<b>(104,488,066)</b>	<b>3,597,537,524</b>	-	-	<b>3,597,537,524</b>	<b>3,860,226,186</b>	<b>262,688,662</b>	<b>262,688,662</b>	<b>107 %</b>	<b>104 %</b>	-	-	-	<b>3,566,704,719</b>
Community and social services	463,196,941	33,045,839	496,242,780	-	-	496,242,780	504,965,369	8,722,589	8,722,589	102 %	109 %	-	-	-	482,648,935
Sport and recreation	711,550,828	(25,298,699)	686,252,129	-	-	686,252,129	692,946,488	6,694,359	6,694,359	101 %	97 %	-	-	-	732,298,167
Public safety	1,725,636,427	(130,696,777)	1,594,939,650	-	-	1,594,939,650	1,759,121,558	164,181,908	164,181,908	110 %	102 %	-	-	-	1,446,058,189
Housing	440,215,378	11,388,174	451,603,552	-	-	451,603,552	498,260,489	46,656,937	46,656,937	110 %	113 %	-	-	-	599,110,380
Health	361,426,016	7,073,397	368,499,413	-	-	368,499,413	404,932,282	36,432,869	36,432,869	110 %	112 %	-	-	-	306,589,048
<b>Economic and environmental services</b>	<b>2,101,180,558</b>	<b>153,207,795</b>	<b>2,254,388,353</b>	-	-	<b>2,254,388,353</b>	<b>2,106,256,568</b>	<b>1,935,116</b>	<b>(148,131,785)</b>	<b>93 %</b>	<b>100 %</b>	-	-	-	<b>1,870,634,981</b>
Planning and development	513,338,594	140,215,881	653,554,475	-	-	653,554,475	608,190,487	-	(45,363,988)	93 %	118 %	-	-	-	318,157,939
Road transport	1,528,615,230	11,932,529	1,540,547,759	-	-	1,540,547,759	1,435,844,846	-	(104,702,913)	93 %	94 %	-	-	-	1,510,053,961
Environmental protection	59,226,734	1,059,385	60,286,119	-	-	60,286,119	62,221,235	1,935,116	1,935,116	103 %	105 %	-	-	-	42,423,081
<b>Trading services</b>	<b>11,717,197,952</b>	<b>334,937,492</b>	<b>2,052,135,444</b>	-	-	<b>2,052,135,444</b>	<b>2,207,951,042</b>	<b>621,883,200</b>	<b>155,815,598</b>	<b>101 %</b>	<b>104 %</b>	-	-	-	<b>1,103,264,550</b>
Electricity	8,368,510,188	(86,000,436)	8,282,509,752	-	-	8,282,509,752	8,763,660,288	481,150,536	481,150,536	106 %	105 %	-	-	-	7,708,711,468
Water	687,328,498	370,932,088	1,058,260,586	-	-	1,058,260,586	592,192,984	-	(466,067,602)	56 %	86 %	-	-	-	469,797,019
Waste water management	578,392,913	(7,611,225)	570,781,688	-	-	570,781,688	619,425,149	48,643,461	48,643,461	109 %	107 %	-	-	-	974,374,290
Waste management	2,082,966,353	57,617,065	2,140,583,418	-	-	2,140,583,418	2,232,672,621	92,089,203	92,089,203	104 %	107 %	-	-	-	1,950,381,773
<b>Other</b>	<b>202,762,093</b>	<b>(24,898,486)</b>	<b>177,863,607</b>	-	-	<b>177,863,607</b>	<b>184,360,963</b>	<b>6,497,356</b>	<b>6,497,356</b>	<b>104 %</b>	<b>91 %</b>	-	-	-	<b>178,283,085</b>
Other	202,762,093	(24,898,486)	177,863,607	-	-	177,863,607	184,360,963	6,497,356	6,497,356	104 %	91 %	-	-	-	178,283,085
<b>Total Expenditure - Standard</b>	<b>21,996,278,681</b>	<b>346,081,885</b>	<b>22,342,360,566</b>	-	-	<b>22,342,360,566</b>	<b>22,838,526,723</b>	<b>1,112,300,660</b>	<b>496,166,157</b>	<b>102 %</b>	<b>104 %</b>	-	-	-	<b>10,177,347,706</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,097,038,969</b>	<b>122,766,549</b>	<b>2,219,805,518</b>	-		<b>2,219,805,518</b>	<b>943,163,655</b>		<b>(1,276,641,863)</b>	<b>42 %</b>	<b>45 %</b>				<b>1,853,449,634</b>



## Appendix D Budgeted Financial Performance (revenue and expenditure by municipal vote)

	2013/14							2012/13							
	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
<b>Revenue by Vote</b>															
City Planning and Development	88,411,816	8,596,000	97,007,816	-		97,007,816	147,642,726		50,634,910	152 %	167 %				93,951,899
City Strategies & Performance Management	-	-	-	-		-	454		454	- %	DIV/0 %				-
Communications, Marketing & Events	39,800,500	-	39,800,500	-		39,800,500	39,903,256		102,756	100 %	100 %				29,502,186
Corporate & Shared Services	82,852,581	(1,000,000)	81,852,581	-		81,852,581	76,786,597		(5,065,984)	94 %	93 %				96,932,633
Emergency Services	66,302,578	242,012	66,544,590	-		66,544,590	71,178,284		4,633,694	107 %	107 %				63,419,529
Environmental Management	951,441,749	15,471,000	966,912,749	-		966,912,749	978,822,474		11,909,725	101 %	103 %				773,771,056
Financial Services	7,079,537,802	1,470,166	7,081,007,968	-		7,081,007,968	7,206,096,655		125,088,687	102 %	102 %				6,642,117,588
Health & Social Development	13,167,084	-	13,167,084	-		13,167,084	17,446,370		4,279,286	132 %	132 %				8,027,511
Housing & Human Settlement	561,277,736	23,510,422	584,788,158	-		584,788,158	453,724,993		(131,063,165)	78 %	81 %				569,274,079
Information & Communication Technology Management	15,938	-	15,938	-		15,938	139,993		124,055	878 %	878 %				49,093,589
Legal Services	356,100	-	356,100	-		356,100	535,862		179,762	150 %	150 %				173,550
Macro Economic Planning	32,552,177	74,186,836	106,739,013	-		106,739,013	42,821,601		(63,917,412)	40 %	132 %				(3,880,182)
Metro Police Services	224,868,366	-	224,868,366	-		224,868,366	330,252,635		105,384,269	147 %	147 %				172,352,040
Office of the Chief Audit Executive	174,990,900	-	174,990,900	-		174,990,900	39,305,276		(135,685,624)	22 %	22 %				30,618,443
Office of the City Manager	100,000,000	101,496,019	201,496,019	-		201,496,019	198,970,541		(2,525,478)	99 %	199 %				183,448,646
Office of the Executive Mayor	-	-	-	-		-	181		181	DIV/0 %	DIV/0 %				991
Office of the Speaker	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				75
Regional Service Delivery	205,161,812	-	205,161,812	-		205,161,812	244,279,948		39,118,136	119 %	119 %				239,938,199
Service Infrastructure: Electricity	9,530,713,980	(196,659,697)	9,334,054,283	-		9,334,054,283	8,855,672,227		(478,382,056)	95 %	93 %				8,584,664,444
Service Infrastructure: Water and Sanitation	3,847,040,159	452,410,833	4,299,450,992	-		4,299,450,992	3,934,918,487		(364,532,505)	92 %	102 %				3,390,366,209
Sport and Recreation	4,123,200	1,398,426	5,521,626	-		5,521,626	5,178,488		(343,138)	94 %	126 %				3,764,030
Transport	1,090,703,172	(12,273,583)	1,078,429,589	-		1,078,429,589	1,138,013,331		59,583,742	106 %	104 %				1,103,260,823
<b>Total Revenue by Vote</b>	<b>24,093,317,650</b>	<b>468,848,434</b>	<b>24,562,166,084</b>	<b>-</b>		<b>24,562,166,084</b>	<b>23,781,690,379</b>		<b>(780,475,705)</b>	<b>97 %</b>	<b>99 %</b>				<b>22,030,797,338</b>

**Appendix D  
Budgeted Financial Performance (revenue and expenditure by municipal vote)**

	2013/14							2012/13						
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
<b>Expenditure by Vote to be appropriated</b>														
City Planning	243,018,969	188,364	243,207,333	-	243,207,333	247,781,052	4,573,719	4,573,719	102 %	102 %	-	-	-	199,277,506
City Strategies & Performance Management	23,432,764	(24,981)	23,407,783	-	23,407,783	25,518,407	2,110,624	2,110,624	109 %	109 %	-	-	-	19,394,723
Communications, Marketing & Events	137,789,688	6,883,517	144,673,205	-	144,673,205	144,170,777	-	(502,428)	100 %	105 %	-	-	-	138,300,012
Corporate & Shared Services	1,524,120,066	(55,224,589)	1,468,895,477	-	1,468,895,477	1,602,888,594	133,993,117	133,993,117	109 %	105 %	-	-	-	791,079,323
Emergency Services	468,196,657	40,340,409	508,537,066	-	508,537,066	528,078,048	19,540,982	19,540,982	104 %	113 %	-	-	-	453,432,596
Environmental Management	592,536,635	9,724,156	602,260,791	-	602,260,791	681,919,455	79,658,664	79,658,664	113 %	115 %	-	-	-	1,010,055,093
Financial Services	1,298,215,174	(127,166,335)	1,171,048,839	-	1,171,048,839	1,271,986,126	100,937,287	100,937,287	109 %	98 %	-	-	-	1,381,160,445
Health & Social Development	245,543,152	1,112,097	246,655,249	-	246,655,249	256,661,341	10,006,092	10,006,092	104 %	105 %	-	-	-	208,156,502
Housing & Human Settlement	296,477,339	12,005,969	308,483,308	-	308,483,308	299,318,883	-	(9,164,425)	97 %	101 %	-	-	-	457,412,631
Information & Communication Technology Management	410,985,409	29,280,220	440,265,629	-	440,265,629	465,587,926	25,322,297	25,322,297	106 %	113 %	-	-	-	420,460,846
Legal Services	92,361,557	(2,833,453)	89,528,104	-	89,528,104	89,858,933	330,829	330,829	100 %	97 %	-	-	-	81,619,492
Macro Economic Planning	214,013,736	139,251,332	353,265,068	-	353,265,068	302,308,067	-	(50,957,001)	86 %	141 %	-	-	-	132,354,639
Metro Police Services	1,446,260,798	(68,469,910)	1,377,790,888	-	1,377,790,888	1,539,711,714	161,920,826	161,920,826	112 %	106 %	-	-	-	1,163,794,291
Office of the Chief Audit Executive	274,176,811	(5,370,689)	268,806,122	-	268,806,122	223,879,338	-	(44,926,784)	83 %	82 %	-	-	-	183,068,444
Office of the Chief Whip	21,614,043	85,655	21,699,698	-	21,699,698	22,772,654	1,072,956	1,072,956	105 %	105 %	-	-	-	17,958,634
Office of the City Manager	155,933,131	(4,007,305)	151,925,826	-	151,925,826	149,314,755	-	(2,611,071)	98 %	96 %	-	-	-	159,415,548
Office of the Executive Mayor	149,899,712	24,995,239	174,894,951	-	174,894,951	173,743,942	-	(1,151,009)	99 %	116 %	-	-	-	111,103,879
Office of the Speaker	168,452,715	39,000,014	207,452,729	-	207,452,729	221,860,190	14,407,461	14,407,461	107 %	132 %	-	-	-	171,082,676
Regional Service Delivery	2,725,882,524	(11,451,334)	2,714,431,190	-	2,714,431,190	2,918,249,156	203,817,966	203,817,966	108 %	107 %	-	-	-	2,783,640,596
Research & Innovation	38,406,500	(2,483,010)	35,923,490	-	35,923,490	29,911,359	-	(6,012,131)	83 %	78 %	-	-	-	2,130,484
Service Infrastructure: Electricity	7,818,938,316	(104,544,066)	7,714,394,250	-	7,714,394,250	8,045,191,275	330,797,025	330,797,025	104 %	103 %	-	-	-	7,045,991,076
Service Infrastructure: Water and Sanitation	2,349,739,142	452,962,691	2,802,701,833	-	2,802,701,833	2,424,535,708	-	(378,166,125)	87 %	103 %	-	-	-	2,196,322,150
Sport and Recreation	32,464,462	788,248	33,252,710	-	33,252,710	32,835,231	-	(417,479)	99 %	101 %	-	-	-	30,314,593
Transport	1,267,819,380	(28,960,355)	1,238,859,025	-	1,238,859,025	1,140,443,784	-	(98,415,241)	92 %	90 %	-	-	-	1,019,821,524
<b>Total Expenditure by Vote</b>	<b>21,996,278,680</b>	<b>346,081,884</b>	<b>22,342,360,564</b>	<b>-</b>	<b>22,342,360,564</b>	<b>22,838,526,715</b>	<b>1,088,489,845</b>	<b>496,166,151</b>	<b>102 %</b>	<b>104 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,177,347,703</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,097,038,970</b>	<b>122,766,550</b>	<b>2,219,805,520</b>	<b>-</b>	<b>2,219,805,520</b>	<b>943,163,664</b>	<b>-</b>	<b>(1,276,641,856)</b>	<b>42 %</b>	<b>45 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,853,449,635</b>

## Appendix E Budgeted Financial Performance (revenue and expenditure)

	2013/14							2012/13							
	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 recovere d	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue By Source</b>															
Property rates	4,464,237,900	(2,550,000)	4,461,687,900	-		4,461,687,900	4,432,341,534		(29,346,366)	99 %	99 %				3,999,445,615
Service charges - electricity revenue	8,916,104,400	(201,180,000)	8,714,924,400	-		8,714,924,400	8,313,859,539		(401,064,861)	95 %	93 %				8,133,838,087
Service charges - water revenue	2,588,634,180	1,299,000	2,589,933,180	-		2,589,933,180	2,430,939,213		(158,993,967)	94 %	94 %				2,187,309,848
Service charges - sanitation revenue	665,925,410	(1,916,000)	664,009,410	-		664,009,410	663,503,868		(505,542)	100 %	100 %				596,651,039
Service charges - refuse revenue	741,497,400	11,450,000	752,947,400	-		752,947,400	768,111,339		15,163,939	102 %	104 %				597,960,554
Service charges - other	279,382,700	(5,285,000)	274,097,700	-		274,097,700	135,714,966		(138,382,734)	50 %	49 %				114,134,160
Rental of facilities and equipment	131,356,400	(3,058,000)	128,298,400	-		128,298,400	113,044,768		(15,253,632)	88 %	86 %				106,099,373
Interest earned - external investments	38,337,400	195,000	38,532,400	-		38,532,400	52,427,699		13,895,299	136 %	137 %				62,828,009
Interest earned - outstanding debtors	240,532,000	(196,000)	240,336,000	-		240,336,000	326,815,627		86,479,627	136 %	136 %				276,805,756
Fines	79,184,600	30,000	79,214,600	-		79,214,600	4,392,137		(74,822,463)	6 %	6 %				3,934,831
Licences and permits	52,984,277	-	52,984,277	-		52,984,277	55,801,028		2,816,751	105 %	105 %				58,658,683
Transfers recognised - operational	2,866,024,031	38,912,487	2,904,936,518	-		2,904,936,518	2,861,382,432		(43,554,086)	99 %	100 %				2,592,462,961
Other revenue	1,045,866,383	(16,150,601)	1,029,715,782	-		1,029,715,782	1,107,473,330		77,757,548	108 %	106 %				830,758,784
Gains on disposal of PPE	-	-	-	-		-	1,692,859		1,692,859	DIV/0 %	DIV/0 %				9,813,930
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>22,110,067,081</b>	<b>(178,449,114)</b>	<b>21,931,617,967</b>	<b>-</b>		<b>21,931,617,967</b>	<b>21,267,500,339</b>		<b>(664,117,628)</b>	<b>97 %</b>	<b>96 %</b>				<b>9,570,701,630</b>

## Appendix E Budgeted Financial Performance (revenue and expenditure)

	2013/14								2012/13						
	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 recovere d	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure By Type</b>															
Employee related costs	6,133,132,498	(9,782,331)	6,123,350,167	-	-	6,123,350,167	6,085,985,562	-	(37,364,605)	99 %	99 %	-	-	-	5,326,477,707
Remuneration of councillors	102,364,636	(213,000)	102,151,636	-	-	102,151,636	96,788,503	-	(5,363,133)	95 %	95 %	-	-	-	92,573,294
Debt impairment	947,408,116	(154,401,895)	793,006,221	-	-	793,006,221	1,400,446,405	607,440,184	607,440,184	177 %	148 %	-	-	-	951,619,336
Depreciation & asset impairment	954,207,760	111,860,859	1,066,068,619	-	-	1,066,068,619	1,242,678,216	176,609,597	176,609,597	117 %	130 %	-	-	-	1,130,870,294
Finance charges	858,820,786	(43,335,853)	815,484,933	-	-	815,484,933	813,986,127	-	(1,498,806)	100 %	95 %	-	-	-	731,899,729
Bulk purchases	7,555,858,100	(183,049,080)	7,372,809,020	-	-	7,372,809,020	7,028,472,531	-	(344,336,489)	95 %	93 %	-	-	-	6,692,682,288
Other materials	576,643,111	(277,119,819)	299,523,292	-	-	299,523,292	311,868,288	12,344,996	12,344,996	104 %	54 %	-	-	-	444,064,664
Contracted services	3,126,009,591	405,877,023	3,531,886,614	-	-	3,531,886,614	3,694,740,411	162,853,797	162,853,797	105 %	118 %	-	-	-	3,441,087,560
Transfers and grants	242,917,500	(7,040,548)	235,876,952	-	-	235,876,952	227,042,145	-	(8,834,807)	96 %	93 %	-	-	-	17,290,290
Other expenditure	1,651,440,983	1,208,650	1,652,649,633	-	-	1,652,649,633	1,385,662,673	-	(266,986,960)	84 %	84 %	-	-	-	748,827,036
Loss on disposal of PPE	-	250,879	250,879	-	-	250,879	153,300,487	153,049,608	153,049,608	61,105 %	DIV/0 %	-	-	-	292,523,826
<b>Total Expenditure</b>	<b>22,148,803,081</b>	<b>(155,745,115)</b>	<b>21,993,057,966</b>	-	-	<b>21,993,057,966</b>	<b>22,440,971,348</b>	<b>1,112,298,182</b>	<b>447,913,382</b>	<b>102 %</b>	<b>101 %</b>	-	-	-	<b>9,869,916,024</b>
<b>Surplus/(Deficit)</b>	<b>(38,736,000)</b>	<b>(22,703,999)</b>	<b>(61,439,999)</b>	-	-	<b>(61,439,999)</b>	<b>(1,173,471,009)</b>	<b>1,112,298,182</b>	<b>1,112,031,010</b>	<b>1,910 %</b>	<b>3,029 %</b>				<b>(299,214,394)</b>
Transfers recognised - capital	2,144,538,969	136,776,548	2,281,315,517	-	-	2,281,315,517	2,114,671,585	-	(166,643,932)	93 %	99 %				2,151,545,533
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>2,105,802,969</b>	<b>114,072,549</b>	<b>2,219,875,518</b>	-	-	<b>2,219,875,518</b>	<b>941,200,576</b>		<b>(1,278,674,942)</b>	<b>42 %</b>	<b>45 %</b>				<b>1,852,331,139</b>
Taxation	-	-	-	-	-	-	1,963,079		1,963,079	DIV/0 %	DIV/0 %				1,118,495
<b>Surplus/(Deficit) after taxation</b>	<b>2,105,802,969</b>	<b>114,072,549</b>	<b>2,219,875,518</b>	-	-	<b>2,219,875,518</b>	<b>943,163,655</b>		<b>(1,276,711,863)</b>	<b>42 %</b>	<b>45 %</b>				<b>1,853,449,634</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>2,105,802,969</b>	<b>114,072,549</b>	<b>2,219,875,518</b>	-	-	<b>2,219,875,518</b>	<b>943,163,655</b>		<b>(1,276,711,863)</b>	<b>42 %</b>	<b>45 %</b>				<b>1,853,449,634</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
<b>Surplus/(Deficit) for the year</b>	<b>2,105,802,969</b>	<b>114,072,549</b>	<b>2,219,875,518</b>	-	-	<b>2,219,875,518</b>	<b>943,163,655</b>		<b>(1,276,711,863)</b>	<b>42 %</b>	<b>45 %</b>				<b>1,853,449,634</b>

# Appendix F Budgeted Capital Expenditure by vote, standard classification and funding - Municipality only

	2013/14								2012/13						
	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
<b>Capital expenditure - Vote</b>															
<b>Multi-year expenditure</b>															
City Planning	1,200,000	-	1,200,000	-	-	1,200,000	-	-	(1,200,000)	- %	- %	-	-	-	3,998,040
City Strategies & Performance Management	500,000	-	500,000	-	-	500,000	-	-	(500,000)	- %	- %	-	-	-	643,785
Communications, Marketing & Events	500,000	-	500,000	-	-	500,000	-	-	(500,000)	- %	- %	-	-	-	1,171,191
Corporate & Shared Services	88,500,000	17,500,000	106,000,000	-	-	106,000,000	84,775,033	-	(21,224,967)	80 %	96 %	-	-	-	17,599,942
Emergency Services	15,800,000	36,756	15,836,756	-	-	15,836,756	7,777,376	-	(8,059,380)	49 %	49 %	-	-	-	32,085,249
Environmental Management	42,950,000	(5,427,900)	37,522,100	-	-	37,522,100	31,151,914	-	(6,370,186)	83 %	73 %	-	-	-	72,046,727
Financial Services	14,500,000	483,090	14,983,090	-	-	14,983,090	4,990,328	-	(9,992,762)	33 %	34 %	-	-	-	14,940,114
Health & Social Development	8,000,000	463,000	8,463,000	-	-	8,463,000	6,915,396	-	(1,547,604)	82 %	86 %	-	-	-	2,921,734
Housing & Human Settlement	481,303,271	2,293,422	483,596,693	-	-	483,596,693	361,961,270	-	(121,635,423)	75 %	75 %	-	-	-	465,861,385
Information & Communication Technology Management	185,500,000	(11,500,000)	174,000,000	-	-	174,000,000	98,171,550	-	(75,828,450)	56 %	53 %	-	-	-	165,853,210
Legal Services	500,000	-	500,000	-	-	500,000	-	-	(500,000)	- %	- %	-	-	-	840,329
Macro Economic Planning	1,000,000	-	1,000,000	-	-	1,000,000	-	-	(1,000,000)	- %	- %	-	-	-	10,980,084
Metro Police Services	57,000,000	39,000	57,039,000	-	-	57,039,000	42,543,054	-	(14,495,946)	75 %	75 %	-	-	-	35,670,363
Office of the Chief Audit Executive	13,500,000	12,000,000	25,500,000	-	-	25,500,000	6,172,062	-	(19,327,938)	24 %	46 %	-	-	-	7,861,628
Office of the Chief Whip	500,000	-	500,000	-	-	500,000	-	-	(500,000)	- %	- %	-	-	-	585,631
Office of the City Manager	101,500,000	101,496,019	202,996,019	-	-	202,996,019	197,267,184	-	(5,728,835)	97 %	194 %	-	-	-	185,261,307
Office of the Executive Mayor	500,000	-	500,000	-	-	500,000	-	-	(500,000)	- %	- %	-	-	-	1,139,214
Office of the Speaker	500,000	-	500,000	-	-	500,000	-	-	(500,000)	- %	- %	-	-	-	1,225,002
Regional Service Delivery	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Research & Innovation	500,000	-	500,000	-	-	500,000	-	-	(500,000)	- %	- %	-	-	-	1,032,833
Service Infrastructure: Electricity	429,157,000	1,331,570	430,488,570	-	-	430,488,570	379,521,667	-	(50,966,903)	88 %	88 %	-	-	-	691,370,668
Service Infrastructure: Water and Sanitation	939,496,369	15,000,000	954,496,369	-	-	954,496,369	936,016,117	-	(18,480,252)	98 %	100 %	-	-	-	865,567,574
Sport and Recreation	5,500,000	1,502,441	7,002,441	-	-	7,002,441	-	-	(7,002,441)	- %	- %	-	-	-	7,050,264
Transport	1,377,224,775	56,380,653	1,433,605,428	-	-	1,433,605,428	1,340,891,021	-	(92,714,407)	94 %	97 %	-	-	-	1,370,349,303
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>3,765,631,415</b>	<b>191,598,051</b>	<b>3,957,229,466</b>	-	-	<b>3,957,229,466</b>	<b>3,498,153,972</b>	-	<b>(459,075,494)</b>	<b>88 %</b>	<b>93 %</b>	-	-	-	<b>3,956,055,577</b>
<b>Single-year expenditure</b>															
Corporate and Shared Services	-	3,727,300	3,727,300	-	-	3,727,300	-	-	(3,727,300)	- %	DIV/0 %	-	-	-	-
Emergency Services	2,000,000	-	2,000,000	-	-	2,000,000	1,999,641	-	(359)	100 %	100 %	-	-	-	-
Environmental Management	900,000	2,526,900	3,426,900	-	-	3,426,900	-	-	(3,426,900)	- %	- %	-	-	-	1,090,350
Housing & Human Settlement	89,000,000	-	89,000,000	-	-	89,000,000	87,995,348	-	(1,004,652)	99 %	99 %	-	-	-	66,163,984
Regional Service Delivery	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Office of the Speaker	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Service Infrastructure: Water & Sanitation	15,000,000	(15,000,000)	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	-
Transport	157,075,000	(43,558,000)	113,517,000	-	-	113,517,000	113,419,798	-	(97,202)	100 %	72 %	-	-	-	59,027,794
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	<b>263,975,000</b>	<b>(52,303,800)</b>	<b>211,671,200</b>	-	-	<b>211,671,200</b>	<b>203,414,787</b>	-	<b>(8,256,413)</b>	<b>96 %</b>	<b>77 %</b>	-	-	-	<b>126,282,128</b>
<b>Total Capital Expenditure - Vote</b>	<b>4,029,606,415</b>	<b>139,294,251</b>	<b>4,168,900,666</b>	-	-	<b>4,168,900,666</b>	<b>3,701,568,759</b>	-	<b>(467,331,907)</b>	<b>89 %</b>	<b>92 %</b>	-	-	-	<b>4,082,337,705</b>

## Appendix F Budgeted Capital Expenditure by vote, standard classification and funding - Municipality only

	2013/14								2012/13						
	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
<b>Capital Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>402,950,000</b>	<b>123,745,969</b>	<b>526,695,969</b>	-	-	<b>526,695,969</b>	<b>391,353,911</b>	-	<b>(135,342,058)</b>	<b>74 %</b>	<b>97 %</b>	-	-	-	<b>399,105,754</b>
Executive and Council	107,950,000	102,035,579	209,985,579	-	-	209,985,579	197,267,184	-	(12,718,395)	94 %	183 %	-	-	-	200,872,239
Budget and treasury office	2,500,000	483,090	2,983,090	-	-	2,983,090	-	-	(2,983,090)	- %	- %	-	-	-	1,592,388
Corporate services	292,500,000	21,227,300	313,727,300	-	-	313,727,300	194,086,727	-	(119,640,573)	62 %	66 %	-	-	-	196,641,127
<b>Community and public safety</b>	<b>967,353,271</b>	<b>21,834,619</b>	<b>989,187,890</b>	-	-	<b>989,187,890</b>	<b>721,456,869</b>	-	<b>(267,731,021)</b>	<b>73 %</b>	<b>75 %</b>	-	-	-	<b>1,066,490,171</b>
Community and social services	57,900,000	1,889,069	59,789,069	-	-	59,789,069	7,208,502	-	(52,580,567)	12 %	12 %	-	-	-	51,618,114
Sport and recreation	222,850,000	17,113,372	239,963,372	-	-	239,963,372	186,977,889	-	(52,985,483)	78 %	84 %	-	-	-	342,964,019
Public safety	74,800,000	75,756	74,875,756	-	-	74,875,756	52,320,071	-	(22,555,685)	70 %	70 %	-	-	-	66,256,421
Housing	570,303,271	2,293,422	572,596,693	-	-	572,596,693	449,956,618	-	(122,640,075)	79 %	79 %	-	-	-	566,514,419
Health	41,500,000	463,000	41,963,000	-	-	41,963,000	24,993,789	-	(16,969,211)	60 %	60 %	-	-	-	39,137,198
<b>Economic and environmental services</b>	<b>1,525,399,775</b>	<b>10,421,653</b>	<b>1,535,821,428</b>	-	-	<b>1,535,821,428</b>	<b>1,458,992,309</b>	-	<b>(76,829,119)</b>	<b>95 %</b>	<b>96 %</b>	-	-	-	<b>1,439,869,555</b>
Planning and development	3,200,000	-	3,200,000	-	-	3,200,000	-	-	(3,200,000)	- %	- %	-	-	-	15,621,909
Road transport	1,513,099,775	12,822,653	1,525,922,428	-	-	1,525,922,428	1,454,310,819	-	(71,611,609)	95 %	96 %	-	-	-	1,417,438,982
Environmental protection	9,100,000	(2,401,000)	6,699,000	-	-	6,699,000	4,681,490	-	(2,017,510)	70 %	51 %	-	-	-	6,808,664
<b>Trading services</b>	<b>1,412,153,369</b>	<b>6,331,570</b>	<b>1,418,484,939</b>	-	-	<b>1,418,484,939</b>	<b>1,327,227,245</b>	-	<b>(91,257,694)</b>	<b>94 %</b>	<b>94 %</b>	-	-	-	<b>1,609,922,451</b>
Electricity	440,157,000	1,331,570	441,488,570	-	-	441,488,570	379,521,667	-	(61,966,903)	86 %	86 %	-	-	-	702,972,113
Water	796,796,369	(22,856,100)	773,940,269	-	-	773,940,269	762,505,244	-	(11,435,025)	99 %	96 %	-	-	-	697,880,210
Waste water management	17,500,000	5,000,000	22,500,000	-	-	22,500,000	11,689,461	-	(10,810,539)	52 %	67 %	-	-	-	41,382,764
Waste management	157,700,000	22,856,100	180,556,100	-	-	180,556,100	173,510,873	-	(7,045,227)	96 %	110 %	-	-	-	167,687,364
<b>Other</b>	<b>37,400,000</b>	<b>-</b>	<b>37,400,000</b>	-	-	<b>37,400,000</b>	<b>14,780,963</b>	-	<b>(22,619,037)</b>	<b>40 %</b>	<b>40 %</b>	-	-	-	<b>35,115,470</b>
Other	37,400,000	-	37,400,000	-	-	37,400,000	14,780,963	-	(22,619,037)	40 %	40 %	-	-	-	35,115,470
<b>Total Capital Expenditure - Standard</b>	<b>4,345,256,415</b>	<b>162,333,811</b>	<b>4,507,590,226</b>	-	-	<b>4,507,590,226</b>	<b>3,913,811,297</b>	-	<b>(593,778,929)</b>	<b>87 %</b>	<b>90 %</b>	-	-	-	<b>4,550,503,401</b>
<b>Funded by:</b>															
National Government	2,025,509,969	118,644,849	2,144,154,818	-	-	2,144,154,818	2,097,657,610	-	(46,497,208)	98 %	104 %	-	-	-	2,076,699,119
Provincial Government	59,529,000	3,995,863	63,524,863	-	-	63,524,863	5,000,193	-	(58,524,670)	8 %	8 %	-	-	-	60,066,192
District Municipality	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other transfers and grants	12,000,000	99,000	12,099,000	-	-	12,099,000	12,090,886	-	(8,114)	100 %	101 %	-	-	-	14,780,221
<b>Transfers recognised - capital</b>	<b>2,097,038,969</b>	<b>122,739,712</b>	<b>2,219,778,681</b>	-	-	<b>2,219,778,681</b>	<b>2,114,748,689</b>	-	<b>(105,029,992)</b>	<b>95 %</b>	<b>101 %</b>	-	-	-	<b>2,151,545,532</b>
Public contributions & donations	95,900,000	-	95,900,000	-	-	95,900,000	93,818,354	-	(2,081,646)	98 %	98 %	-	-	-	86,435,401
Borrowing	1,600,000,000	-	1,600,000,000	-	-	1,600,000,000	1,493,166,334	-	(106,833,666)	93 %	93 %	-	-	-	2,126,587,938
Internally generated funds	552,317,446	39,594,099	591,911,545	-	-	591,911,545	526,849,135	-	(65,062,410)	89 %	95 %	-	-	-	185,934,530
<b>Total Capital Funding</b>	<b>4,345,256,415</b>	<b>162,333,811</b>	<b>4,507,590,226</b>	-	-	<b>4,507,590,226</b>	<b>4,228,582,512</b>	-	<b>(279,007,714)</b>	<b>94 %</b>	<b>97 %</b>	-	-	-	<b>4,550,503,401</b>

## Appendix G Budgeted Cash Flows

	2013/14					2012/13			
	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
<b>Cash flow from operating activities</b>									
<b>Receipts</b>									
Other sources	443,287,976	(290,179,517)	153,108,459	153,108,459	1,082,210,319	929,101,860	707 %	244 %	71,507,069
Ratepayers/consumers	17,700,411,000	(285,114,000)	17,415,297,000	17,415,297,000	16,729,231,441	(686,065,559)	96 %	95 %	15,629,339,304
Government - operating	2,927,897,331	40,750,487	2,968,647,818	2,968,647,818	2,635,453,786	(333,194,032)	89 %	90 %	2,355,031,541
Government - capital	2,097,038,969	122,739,712	2,219,778,681	2,219,778,681	2,349,107,000	129,328,319	106 %	112 %	2,151,545,533
Interest received	65,146,299	99,789	65,246,088	65,246,088	52,427,699	(12,818,389)	80 %	80 %	62,828,008
<b>Payments</b>									
Suppliers	(12,688,544,897)	474,593,427	(12,213,951,470)	(12,213,951,470)	(12,651,146,942)	(437,195,472)	104 %	100 %	(10,796,393,421)
Employees	(6,133,132,498)	9,782,331	(6,123,350,167)	(6,123,350,167)	(6,182,774,064)	(59,423,897)	101 %	101 %	(5,419,051,002)
Interest paid	(859,236,692)	43,218,689	(816,018,003)	(816,018,003)	(813,986,128)	2,031,875	100 %	95 %	(731,899,729)
Transfers and grants	(242,917,500)	23,386,700	(219,530,800)	(219,530,800)	(22,006,956)	197,523,844	10 %	9 %	(17,290,290)
<b>Net cash flow from/used operating activities</b>	<b>3,309,949,988</b>	<b>139,277,618</b>	<b>3,449,227,606</b>	<b>3,449,227,606</b>	<b>3,178,516,155</b>	<b>(270,711,451)</b>	<b>92 %</b>	<b>96 %</b>	<b>3,305,617,013</b>
<b>Cash flow from investing activities</b>									
<b>Receipts</b>									
Decrease (increase) in financial assets	52,587,108	(73,423,953)	(20,836,845)	(20,836,845)	43,615,091	64,451,936	(209)%	83 %	(19,479,069)
<b>Payments</b>									
Capital assets	(4,284,266,594)	(61,697,219)	(4,345,963,813)	(4,345,963,813)	(4,621,600,269)	(275,636,456)	106 %	108 %	(4,640,988,278)
<b>Net cash flow from/used investing activities</b>	<b>(4,231,679,486)</b>	<b>(135,121,172)</b>	<b>(4,366,800,658)</b>	<b>(4,366,800,658)</b>	<b>(4,577,985,178)</b>	<b>(211,184,520)</b>	<b>105 %</b>	<b>108 %</b>	<b>(4,660,467,347)</b>
<b>Cash flow from financing activities</b>									
<b>Receipts</b>									
Borrowing long term/refinancing	1,600,000,000	-	1,600,000,000	1,600,000,000	1,600,000,000	-	100 %	100 %	4,142,000,000
<b>Payments</b>									
Repayment of borrowing	(664,073,917)	33,858,625	(630,215,292)	(630,215,292)	(729,686,278)	(99,470,986)	116 %	110 %	(2,377,956,813)
<b>Net cash flow from/used financing activities</b>	<b>935,926,083</b>	<b>33,858,625</b>	<b>969,784,708</b>	<b>969,784,708</b>	<b>870,313,722</b>	<b>(99,470,986)</b>	<b>90 %</b>	<b>93 %</b>	<b>1,764,043,187</b>
<b>Net increase/(decrease) in cash held</b>	<b>14,196,585</b>	<b>38,015,071</b>	<b>52,211,656</b>	<b>52,211,656</b>	<b>(529,155,301)</b>	<b>(581,366,957)</b>	<b>(1,013)%</b>	<b>(3,727)%</b>	<b>409,192,853</b>
Cash/cash equivalents at the year begin:	1,676,374,360	(260,510,668)	1,415,863,692	1,415,864,000	1,376,971,281	295,332	97 %	82 %	967,778,428
<b>Cash/cash equivalents at the year end:</b>	<b>1,690,570,945</b>	<b>(222,495,597)</b>	<b>1,468,075,348</b>	<b>1,468,075,656</b>	<b>847,815,980</b>	<b>(581,071,625)</b>	<b>58 %</b>	<b>50 %</b>	<b>1,376,971,281</b>

**City of Tshwane Metropolitan Municipality**

**Appendix H**

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

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette	Reason for non compliance
					Sep	Dec	Mar	Jun	Total					
<b>Capital Grants:</b>														
Sandspruit: DWA	Department Water Affairs	1,164,243	-	-	-	-	665,656	-	665,656	-	1,829,899	None	Yes	n/a
Integrated national electrification Programme (INEP)	Department of Mineral & Energy (DME)	-	-	-	-	65,000,000	-	-	65,000,000	65,000,000	-	None	Yes	n/a
Gauteng Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	18,702,552	-	-	-	-	-	-	-	2,159,543	16,543,009	None	Yes	n/a
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	(40,000,000)	193,591,650	645,305,500	451,713,850	-	1,290,611,000	206,603,308	44,007,692	None	Yes	n/a
Gautrans Job Creation Water Services Capital Grant	Gauteng: Transport Department Water Affairs and Forestry (DWAf)	71,107	-	-	-	-	-	-	-	-	71,107	None	Yes	n/a
PTIS: Roads	Gauteng: Transport (GDoT)	11,396,442	-	695,361,584)	-	595,000,000	193,761,000	-	788,761,000	104,795,858	-	None	Yes	n/a
PTIS: Transport	Gauteng: Transport (GDoT)	4,125,277	-	502,007,854	-	-	-	-	-	506,133,131	-	None	Yes	n/a
Housing Accreditation	Gauteng:Local Government & Housing (GLGH)	67,394	-	-	-	-	-	-	-	-	67,394	None	Yes	n/a
EPWP	Department of Public Works	924,606	-	-	-	-	-	-	-	924,606	-	None	Yes	n/a
Sport and Recreation	Gauteng: Sport, Arts, Culture & Recreation	72,617	-	-	-	-	-	-	-	-	72,617	None	Yes	n/a
Groen Sebenza Internship	Development Bank South Africa/SANBI	-	-	-	-	-	-	99,000	99,000	91,177	7,823	None	Yes	n/a
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	406,965	-	-	-	-	-	-	-	406,965	-	None	Yes	n/a
Blue IQ	Blue IQ	11,999,119	-	-	-	-	-	-	-	11,999,119	-	None	Yes	n/a
Local Economic Development: Winterveldt	Gauteng:Economic Development (GPGDED)	8,750,000	-	(8,750,000)	-	-	-	-	-	-	-	None	Yes	n/a
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	2,123,758	-	-	-	1,000,000	-	-	1,000,000	2,340,663	783,095	None	Yes	n/a
Finance Management Grant (FMG)	National Treasury	283,090	-	500,000	-	-	-	-	-	752,847	30,243	None	Yes	n/a
Social Infrastructure Grant)	National Treasury	-	-	-	-	250,000	-	250,000	500,000	500,000	-	None	Yes	n/a
Neighbourhood Development (NDPG)	National Treasury	2,187,710	-	-	-	152,668,000	46,468,000	-	199,136,000	198,964,369	2,359,341	None	Yes	n/a
		62,274,880	-	231,603,730)	193,591,650	459,223,500	696,608,506	349,000	2,349,772,656	114,671,586	65,772,220			



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

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette	Reason for non compliance
					Sep	Dec	Mar	Jun	Total					
<b>Operational grants/subsidies:</b>														
Health: HIV/AIDS	Gauteng: Department of Health & Social Development	4,200,976	-	-	-	6,241,800	4,161,200	-	10,403,000	14,603,976	-	None	Yes	n/a
Primary Healthcare	Gauteng: Department of Health & Social Development	-	-	-	-	12,574,386	18,861,579	4,401,035	35,837,000	35,837,000	-	None	Yes	n/a
Emergency Medical Services (EMS)	Gauteng: Department of Health & Social Development	-	-	-	-	53,750,000	-	-	53,750,000	53,750,000	-	None	Yes	n/a
Top Structures: Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	50,681,533	-	-	-	-	-	-	-	-	50,681,533	None	Yes	n/a
Finance Management Grant (FMG)	National Treasury	187,076	-	(500,000)	5,000,000	-	-	-	5,000,000	4,012,167	674,909	None	Yes	n/a
LG Seta	Department of Local Government	-	-	-	-	-	-	936,000	936,000	669,079	266,921	None	Yes	n/a
Equitable share	National Treasury	-	-	-	437,611,000	437,611,000	291,742,000	-	1,166,964,000	1,166,964,000	-	None	Yes	n/a
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	40,000,000	-	-	-	-	-	39,177,937	822,063	None	Yes	n/a
Water Services Operating Grant	Department of Water Affairs and Forestry (DWAF)	4,832	-	(10,000,000)	-	10,000,000	-	-	10,000,000	4,832	-	None	Yes	n/a
Economic Development Housing Accreditation	Department Local Government Gauteng:Local Government & Housing (GLGH)	-	-	8,750,000	-	-	-	-	-	8,750,000	-	None	Yes	n/a
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	628,835	-	-	-	3,100,000	-	-	3,100,000	2,569,477	1,159,358	None	Yes	n/a
Performance Management	Department of Local Government	268,665	-	-	-	-	-	-	-	-	268,665	None	Yes	n/a
Gautrans	Gauteng: Transport (GDoT)	-	-	15,000,000	-	-	-	-	-	2,777,583	12,222,417	None	Yes	n/a
DBSA grant	Development Bank of South Africa	-	-	-	-	-	780,000	-	780,000	780,000	-	None	Yes	n/a
Integrated Development Contribution	National Treasury	-	-	-	-	-	-	400,000	400,000	400,000	-	None	Yes	n/a
PTIS: Transport	Gauteng: Transport (GDoT)	12,452	-	178,353,729	-	-	-	-	-	178,366,181	-	None	Yes	n/a
Revenue Enhancement	Department Public Works	3,500,000	-	-	-	-	-	-	-	2,275,200	1,224,800	None	Yes	n/a
Equitable Share: Fuel levy	Department Local Government	-	-	-	436,060,000	436,060,000	436,059,000	-	1,308,179,000	1,308,179,000	-	None	Yes	n/a
OPCA	Department Local Government	-	-	-	-	1,000,000	-	-	1,000,000	1,000,000	-	None	Yes	n/a
EPWP	Department of Public Works	3,500,000	-	-	-	20,769,000	8,901,000	-	29,670,000	33,170,000	-	None	Yes	n/a
Integrated City Development	National Treasury	-	-	-	-	8,096,000	-	-	8,096,000	8,096,000	-	-	-	-
		<u>64,219,602</u>	<u>-</u>	<u>231,603,729</u>	<u>878,671,000</u>	<u>989,202,186</u>	<u>760,504,779</u>	<u>5,737,035</u>	<u>2,634,115,000</u>	<u>2,861,382,432</u>	<u>68,555,899</u>			
Revenue per Statement of Financial Performance (see note 26)		<u>126,494,482</u>	<u>-</u>							<u>4,976,054,018</u>				
Unspent conditional grants per Statement of Financial Position (see note 9)			<u>(126,494,482)</u>								<u>134,328,119</u>			