



CITY OF TSHWANE METROPOLITAN MUNICIPALITY
Financial statements
for the year ended 30 June 2015

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	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)
Executive Mayor	Ramokgopa, Kgositso
Speaker	Mosupyoe-Letsholo, Morakane (Ms)
Chief Whip	Mabona, Jabulane
Mayoral committee Members	Mabiletsa, Dorothy (Ms) (MMC: Finance) Mabusela, Eulanda (Ms) (MMC: Health and Social Development) Masango, Jacob (MMC: Infrastructure) Mashaba, Petunia (Ms) (MMC: Agriculture and Environmental Management) Mashego, Terence (MMC: Safety and Security) Matjila, George (MMC: Transport and Roads) Mmoko, Thembi (Ms) (MMC: Corporate and Shared Services) Ngonyama, Joshua (MMC: Housing and Human Settlement) Pillay, Subesh (MMC: Economic Development and Planning) Tyobeka-Makeke, Nozipho (Ms) (MMC: Sport, Recreation, Arts and Culture)
Grading of local authority	Category A Grade 6 Urban Municipality (Demarcation code - TSH)
Accounting Officer	Ngobeni, Jason Telephone: 012-358 4901
Group Chief Financial Officer (GCFO)	Banda, Umar (CA SA) (Acting) Telephone: 012-358 8100
Registered office	Isivuno House cnr Madiba Rd and Lillian Ngoyi Street PRETORIA 0002
Postal address	P O Box 408 PRETORIA 0002
Bankers	Standard Bank
Auditors	Auditor-General South Africa (AGSA)
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa (Act 108 of 1996) Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Entities to be consolidated at year end	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)
Entities dormant	Metsweding Economic Development Agency (MEDA) - Council decision of 25 August 2011 to disestablish MEDA. All operations were taken over by municipality on 1 July 2011. (Deregistration still in progress)

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

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

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Certification by City Manager

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent audit opinion on the financial statements and are given unrestricted access to all financial records and related data of the municipality.

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

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

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

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

I am responsible for the preparation of these financial statements, which are set out from pages 4 to 132, in terms of Section 126(1) of the Local Government: Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors 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.

Jason Ngobeni
City Manager

Pretoria

31 August 2015

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

	Note(s)	2015 R	2014 Restated* R
Assets			
Current Assets			
Inventories	21	483,013,353	388,533,035
Current portion of long-term receivables	20	102,165,612	162,118,924
Other receivables	23	1,340,891,551	1,105,821,738
Consumer debtors	22	2,475,162,312	2,544,526,247
Investments	19	493,261,328	622,948,673
Cash and bank	24	57,158,390	174,299,426
		4,951,652,546	4,998,248,043
Non-Current Assets			
Investment property	14	854,759,098	853,204,872
Property, plant and equipment	13	28,422,324,842	25,372,100,068
Leased assets	17	204,414,497	8,084,445
Intangible assets	15	250,295,850	389,720,268
Heritage assets	16	3,592,316,201	3,592,309,710
Investments	19	710,520	5,807,092
Long-term receivables	20	58,404,812	108,213,966
Interest rate swap asset	67	130,122,756	34,411,454
		33,513,348,576	30,363,851,875
Total Assets		38,465,001,122	35,362,099,918
Liabilities			
Current Liabilities			
Loans and bonds	4	598,654,367	507,144,757
Lease liabilities	5	86,866,859	8,745,768
Deferred operating lease liability	61	-	2,308,997
Payables from exchange transactions	10	5,760,053,752	5,478,203,182
VAT payable	12	107,887,827	83,453,333
Consumer deposits	9	351,259,691	407,023,659
Unspent grants and receipts	11	170,365,637	134,657,764
		7,075,088,133	6,621,537,460
Non-Current Liabilities			
Loans and bonds	4	9,661,313,048	8,743,549,702
Lease liabilities	5	121,996,030	222,617
Employee benefit obligation	44	2,136,304,867	1,955,900,647
Provisions	6	655,529,112	445,691,718
Interest rate swap liability	67	85,625,408	44,114,153
		12,660,768,465	11,189,478,837
Total Liabilities		19,735,856,598	17,811,016,297
Net Assets		18,729,144,524	17,551,083,621
Net Assets			
Accumulated surplus	43	18,729,144,524	17,551,083,621

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

	Note(s)	2015 R	2014 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	26	13,372,859,289	12,363,847,093
Rental of facilities and equipment		114,055,073	95,316,719
Interest received - outstanding consumer debtors		338,768,697	299,341,658
Licences and permits		53,243,503	55,801,028
Other income	28	979,329,404	675,814,504
Interest received - external investments	34	36,874,337	51,799,573
Total revenue from exchange transactions		14,895,130,303	13,541,920,575
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	4,883,528,644	4,432,509,394
Transfer revenue			
Government grants, subsidies, awards and donations	27	5,642,012,120	4,973,894,475
Public contributions and donations		257,515,681	237,944,478
Fines, penalties and forfeits		281,670,297	196,885,787
Total revenue from non-exchange transactions		11,064,726,742	9,841,234,134
Total revenue		25,959,857,045	23,383,154,709
Expenditure			
Employee related cost	29	(6,359,967,719)	(5,977,333,289)
Remuneration of councilors	31	(104,192,823)	(96,788,502)
Depreciation and amortisation	32	(1,305,026,632)	(1,243,424,265)
Impairment loss/ Reversal of impairments	62	(147,719,487)	(5,200,760)
Finance costs	33	(996,546,648)	(812,932,071)
Debt Impairment	35	(833,981,900)	(1,304,906,055)
Collection costs		(274,245,100)	(160,321,325)
Repairs and maintenance		(1,488,778,394)	(1,367,741,016)
Bulk purchases	36	(7,717,077,474)	(7,176,709,747)
Transfers and subsidies	37	(217,334,821)	(286,536,948)
General expenses	38	(5,217,453,302)	(4,188,504,916)
Total expenditure		(24,662,324,300)	(22,620,398,894)
Operating surplus		1,297,532,745	762,755,815
Gain/(loss) on disposal of assets and liabilities		(171,379,281)	(143,048,191)
Profit/(loss) on foreign exchange transactions		(183,984)	42,326
Fair value adjustments		52,091,422	(47,526,582)
		(119,471,843)	(190,532,447)
Surplus for the year		1,178,060,902	572,223,368

The National Treasury classification of expenditure is disclosed in note 66.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	13,540,893,369	13,540,893,369
Adjustments		
Prior year adjustments (refer to note 49 and 45)	3,437,966,884	3,437,966,884
Balance at 01 July 2013 as restated*	16,978,860,253	16,978,860,253
Changes in net assets		
Surplus for the year	572,223,368	572,223,368
Total changes	572,223,368	572,223,368
Opening balance as previously reported	17,932,181,791	17,932,181,791
Adjustments		
Prior year adjustments (refer to note 49 and 45)	(381,098,169)	(381,098,169)
Restated* Balance at 01 July 2014 as restated*	17,551,083,622	17,551,083,622
Changes in net assets		
Surplus for the year	1,178,060,902	1,178,060,902
Total changes	1,178,060,902	1,178,060,902
Balance at 30 June 2015	18,729,144,524	18,729,144,524
Note(s)	43	

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Cash Flow Statement

		2015	2014
		R	Restated* R
Cash flows from operating activities			
Receipts			
Cash receipts from other revenue sources		1,340,961,268	1,354,663,836
Cash receipts from rate payers and service charges		17,964,756,037	16,146,796,423
Grants		5,677,719,992	4,983,222,000
Interest income		36,874,337	51,799,573
		<u>25,020,311,634</u>	<u>22,536,481,832</u>
Payments			
Cash paid to employees		(6,464,160,542)	(6,074,121,791)
Cash paid to suppliers		(14,178,199,354)	(12,199,542,035)
Finance costs (Interest paid)		(996,546,648)	(812,932,071)
Transfers and grants		(217,334,821)	(286,536,948)
		<u>(21,856,241,365)</u>	<u>(19,373,132,845)</u>
Net cash flows from operating activities	39	<u>3,164,070,269</u>	<u>3,163,348,987</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(4,479,841,876)	(4,618,933,488)
Purchase/redemption of leased assets	17	(266,860,619)	2,458,636
Proceeds from sale of assets (including gain/(loss))	13	(59,941,334)	(11,427,542)
Purchase of investment property and retirements	14	(4,587,872)	24,040,510
Purchase of other intangible assets and retirements	15	76,313,040	(9,594,927)
Proceeds from sale of other intangible assets	15	-	13,434,315
Purchase of heritage assets	16	(6,491)	-
Proceeds from sale of heritage assets	16	-	536
Movement in long-term receivables	20	109,762,466	(46,820,859)
Movement in long-term investments	19	5,096,572	(820,880)
Movement in interest rate swap asset		-	47,142,677
Movement in interest rate swap liability		-	44,114,153
		<u>(4,620,066,114)</u>	<u>(4,556,406,869)</u>
Net cash flows from investing activities		<u>(4,620,066,114)</u>	<u>(4,556,406,869)</u>
Cash flows from financing activities			
Proceeds from loans and bonds		1,500,000,000	1,600,000,000
Repayment of loans and bonds	4	(490,727,044)	(648,221,694)
Finance lease payments		199,894,504	(83,594,090)
		<u>1,209,167,460</u>	<u>868,184,216</u>
Net cash flows from financing activities		<u>1,209,167,460</u>	<u>868,184,216</u>
Net increase/(decrease) in cash and cash equivalents		<u>(246,828,385)</u>	<u>(524,873,666)</u>
Cash and cash equivalents at the beginning of the year		797,248,099	1,322,121,767
Cash and cash equivalents at the end of the year	24	<u>550,419,714</u>	<u>797,248,101</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

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
2015											
Financial Performance											
Property rates	4,888,153,500	-	4,888,153,500	-	-	4,888,153,500	4,883,528,644	-	(4,624,856)	100 %	100 %
Service charges	14,234,892,180	96,500,000	14,331,392,180	-	-	14,331,392,180	13,372,859,289	-	(958,532,891)	93 %	94 %
Investment revenue	66,547,900	-	66,547,900	-	-	66,547,900	36,874,337	-	(29,673,563)	55 %	55 %
Transfers recognised - operational	3,104,829,000	15,858,733	3,120,687,733	-	-	3,120,687,733	3,081,484,935	-	(39,202,798)	99 %	99 %
Other own revenue	2,078,790,492	45,743,580	2,124,534,072	-	-	2,124,534,072	2,038,460,461	-	(86,073,611)	96 %	98 %
Total revenue (excluding capital transfers and contributions)	24,373,213,072	158,102,313	24,531,315,385	-	-	24,531,315,385	23,413,207,666	-	(1,118,107,719)	95 %	96 %
Employee costs	(6,465,457,732)	96,468,760	(6,368,988,972)	-	-	(6,368,988,972)	(6,359,967,719)	-	9,021,253	100 %	98 %
Remuneration of councillors	(105,577,058)	-	(105,577,058)	-	-	(105,577,058)	(104,192,823)	-	1,384,235	99 %	99 %
Debt impairment	(565,433,560)	(110,762,269)	(676,195,829)	-	-	(676,195,829)	(833,981,900)	157,786,071	(157,786,071)	123 %	147 %
Depreciation and asset impairment	(1,113,786,147)	(7,393,219)	(1,121,179,366)	-	-	(1,121,179,366)	(1,452,746,119)	331,566,753	(331,566,753)	130 %	130 %
Finance charges	(897,759,351)	(39,250,628)	(937,009,979)	-	-	(937,009,979)	(996,546,648)	59,536,669	(59,536,669)	106 %	111 %
Materials and bulk purchases	(8,387,413,666)	84,585,979	(8,302,827,687)	-	-	(8,302,827,687)	(7,717,077,474)	-	585,750,213	93 %	92 %
Transfers and grants	(262,326,995)	5,161,207	(257,165,788)	-	-	(257,165,788)	(249,030,006)	-	8,135,782	97 %	95 %
Other expenditure	(5,475,930,208)	(765,195,959)	(6,241,126,167)	-	-	(6,241,126,167)	(7,086,585,649)	845,459,482	(845,459,482)	114 %	129 %
Total expenditure	(23,273,684,717)	(736,386,129)	(24,010,070,846)	-	-	(24,010,070,846)	(24,800,128,338)	1,394,348,975	(790,057,492)	103 %	107 %
Surplus/(Deficit)	1,099,528,355	(578,283,816)	521,244,539	-	-	521,244,539	(1,386,920,672)	-	(1,908,165,211)	- %	- %
Transfers recognised - capital	2,544,400,000	78,712,740	2,623,112,740	-	-	2,623,112,740	2,564,981,574	-	(58,131,166)	98 %	101 %
Surplus (Deficit) after capital transfers and contributions	3,643,928,355	(499,571,076)	3,144,357,279	-	-	3,144,357,279	1,178,060,902	-	(1,966,296,377)	37 %	32 %
Surplus/(Deficit) for the year	3,643,928,355	(499,571,076)	3,144,357,279	-	-	3,144,357,279	1,178,060,902	-	(1,966,296,377)	37 %	32 %

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

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
Capital expenditure and funds sources											
Total capital expenditure	4,167,986,756	220,794,533	4,388,781,289	-		4,388,781,289	4,114,917,583		(273,863,706)	94 %	99 %
Sources of capital funds											
Transfers recognised - capital	(2,544,400,000)	(78,712,740)	(2,623,112,740)	-		(2,623,112,740)	(2,564,981,572)		58,131,168	98 %	101 %
Public contributions and donations	(60,100,000)	(16,000,000)	(76,100,000)	-		(76,100,000)	(57,530,022)		18,569,978	76 %	96 %
Borrowing	(1,500,000,000)	-	(1,500,000,000)	-		(1,500,000,000)	(1,387,942,005)		112,057,995	93 %	93 %
Internally generated funds	(63,486,756)	(126,081,793)	(189,568,549)	-		(189,568,549)	(104,463,984)		85,104,565	55 %	165 %
Total sources of capital funds	(4,167,986,756)	(220,794,533)	(4,388,781,289)	-		(4,388,781,289)	(4,114,917,583)		273,863,706	94 %	99 %
Cash flows											
Net cash from (used) operating	4,489,711,457	(824,789,236)	3,664,922,221	-		3,664,922,221	3,164,070,269		(500,851,952)	86 %	70 %
Net cash from (used) investing	(4,052,714,056)	(216,342,538)	(4,269,056,594)	-		(4,269,056,594)	(4,620,066,114)		(351,009,520)	108 %	114 %
Net cash from (used) financing	866,013,956	116,647,654	982,661,610	-		982,661,610	1,209,167,460		226,505,850	123 %	140 %
Net increase/(decrease) in cash and cash equivalents	1,303,011,357	(924,484,120)	378,527,237	-		378,527,237	(246,828,385)		(625,355,622)	(65)%	(19)%
Cash and cash equivalents at the beginning of the year	1,361,930,373	(564,682,274)	797,248,099	-		797,248,099	797,248,099		-	100 %	59 %
Cash and cash equivalents at year end	2,664,941,730	(1,489,166,394)	1,175,775,336	-		1,175,775,336	550,419,714		625,355,622	47 %	21 %

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

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
2014				
Financial Performance				
Property rates				4,432,509,394
Service charges				12,363,847,093
Investment revenue				51,799,573
Transfers recognised - operational				2,861,382,433
Other own revenue				1,576,221,384
Total revenue (excluding capital transfers and contributions)				21,285,759,877
Employee costs	-	-	-	(5,977,333,289)
Remuneration of councillors	-	-	-	(96,788,502)
Debt impairment	595,336,834	595,336,834	-	(1,304,906,055)
Depreciation and asset impairment	175,426,303	175,426,303	-	(1,248,625,025)
Finance charges	-	-	-	(812,932,071)
Materials and bulk purchases	-	-	-	(7,492,757,284)
Transfers and grants	-	-	-	(286,536,948)
Other expenditure	350,546,487	350,546,487	-	(5,606,169,378)
Total expenditure	1,121,309,624	1,121,309,624		- (22,826,048,552)
Surplus/(Deficit)				(1,540,288,675)
Transfers recognised - capital				2,112,512,042
Contributions recognised - capital and contributed assets				-
Surplus (Deficit) after capital transfers and contributions				572,223,367
Surplus/(Deficit) for the year				572,223,367

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

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
Capital expenditure and funds sources				
Total capital expenditure				4,228,582,512
Sources of capital funds				
Transfers recognised - capital				(2,114,748,689)
Public contributions and donations				(93,818,354)
Borrowing				(1,493,166,334)
Internally generated funds				(526,849,135)
Total sources of capital funds				(4,228,582,512)
Cash flows				
Net cash from (used) operating				3,163,348,987
Net cash from (used) investing				(4,556,406,869)
Net cash from (used) financing				868,184,216
Net increase/(decrease) in cash and cash equivalents				(524,873,666)
Cash and cash equivalents at the beginning of the year				1,322,121,767
Cash and cash equivalents at year end				797,248,101

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Basis of preparation of annual financial statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis, i.e. the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. Refer to note 63.

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables /Investments and/or loans and receivables

The municipality assesses its trade receivables, investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements has to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

Financial assets

The municipality follows the guidance of GRAP 104 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operational surplus (general expense). Refer to note 21

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Impairment testing

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 44.

Effective interest rate

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

Allowance for impairment

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.

1.4 Biological assets (game) - disclosed under property, plant and equipment

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

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

A gain or loss arising on initial recognition of biological assets (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.

Biological assets are derecognised when the entity disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

1.5 Investment property

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

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

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

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

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Investment property (continued)

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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 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, its deemed cost is the carrying amount of the asset(s) given up.

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.

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Property, plant and equipment (continued)

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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.

Asset category	Average useful life (years)
Infrastructure: Electricity	
• 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
Infrastructure: Water	
• 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
• 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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Property, plant and equipment (continued)	
• Dams/weirs/fountains: Perimeter protection	10-30
• Dams/weirs/fountains: Pipe works	40-120
Sewerage	
• 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
• Sewerage 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
Buildings	
• Dwellings (hostels, housing schemes, residences, etc)	25-60
• Non-residential (agricultural, clinics, fire stations, museums, etc)	25-60
• Non-residential: Perimeter protection	10-45
Landscaping	
• Landscaping	10-15
Solid waste disposal:	
• Tip site: Structure	25-30
Railways	
• Sidings	25-30
Roads	
• Bridges: Vehicle (concrete)	50-80
• Bridges: Pedestrian (concrete)	50-80
• Storm water: Culverts	25-50
• Storm water: Inlet, junction point, outlet	20-50
• 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
Cemeteries	
• Cemeteries	25-55
Other machinery and equipment	
• Irrigation equipment	10-15
• Cold room	10-15
• Telecommunication equipment	3-30
Computer equipment	
• Networks	3-20

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Property, plant and equipment (continued)

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
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Livestock

• Livestock (dogs and horses)	8-20
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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 municipality. 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 municipality tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to surplus or deficit for the year.

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.

Non-current assets held for sale:

Non-current assets held for sale will remain under the specific class of property, plant and equipment until disposal and will depreciate as normal, where after it will be retired. It is carried at cost less accumulated depreciation and any impairment losses.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Site rehabilitation and restoration cost

The municipality has an obligation to rehabilitate and restore items of property, plant and equipment. Such obligations are referred to as 'rehabilitation provisions'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which a municipality incurs when the item is a consequence of having used the item during a particular period.

As 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.

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

The municipality 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 initially recognised at cost.

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 arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Intangible assets (continued)

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

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

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

Computer software, other	5 years
Servitudes	Indefinite

Intangible assets are derecognised:

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

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

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

Contributions to the COID reserve 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.

The Compensation Commissioner required a ceded investment or guarantee. This amount is calculated annually by the Department of Labour. The municipality opted to supply the Compensation Commissioner with a bank guarantee - refer to note 55

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Housing development fund

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

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

1.11 Heritage assets

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

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

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

Derecognition

The municipality derecognises 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 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.

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

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Accounting Policies

1.12 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 counter party has failed to make a payment when contractually due.

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

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

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

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

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

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

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

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

Classification

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

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

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

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Accounting Policies

1.12 Financial instruments (continued)

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or

Subsequent measurement of financial assets and financial liabilities

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

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

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

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 rate method or 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 uncollectibility in the case of a financial asset.

Fair value measurement considerations

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Financial instruments (continued)

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Financial instruments (continued)

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

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

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

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

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

Financial liabilities

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

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

Presentation

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

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

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

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

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

1.13 Leases

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

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

Finance leases - lessor

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Leases (continued)

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

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

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

Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. The municipality will not incur a foreign currently lease liability other than that allowed by the 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.

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

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.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset

1.14 Grants, donations and receipts

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

1.15 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Inventories (continued)

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.

1.16 Value added tax

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with section 15(2) of the VAT Act (Act No. 89 of 1991).

1.17 Grants-in aid (Expense)

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

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

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

1.18 Impairment of non-cash-generating assets

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

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).

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an 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 municipality 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 municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Redesignation

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

1.19 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 cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the un-discounted 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 un-discounted 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Retirement benefits (continued)

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.

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.

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Accounting Policies

1.19 Retirement benefits (continued)

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.

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 recognise 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 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 benefits 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

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 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

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Retirement benefits (continued)

Pension, Provident and Retirement Funds

The municipality and its employees contribute to various pension, provident and retirement funds and its councilors contribute to the Pension Fund for Municipal Councilors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds.

Current contributions are charged against the relevant expense account of the municipality at a percentage of the basic salary paid to employees, or allowances in the case of councilors. Pension contributions in respect of employees who were not members of a pension fund (e.g. gratuity) are recognised as an expense when incurred.

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

Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that the assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of GRAP 25.

Medical Aid: Continued members

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

According to the rules of the medical aid funds associated with the municipality, a member who joined the organisation under the current conditions of service retires, is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The cost of providing these benefits is determined on the basis of the Projected Unit Credit Method prescribed by GRAP 25. 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.

1.20 Provisions and contingencies

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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 55.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.20 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 municipality.

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.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.6 and 1.18.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The following provisions exist within the Municipality:

- **Clearing of alien vegetation**
In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.
- **Cleaning up of illegal dumping**
The municipality is cleaning up illegal dumping on an ongoing basis as part of maintenance. Therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.
- **Landfill sites**
The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.20 Provisions and contingencies (continued)

- **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 since 2013/14 for the legal cost contingencies of certain cases. Refer to note 6

1.21 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.22 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 municipality and these benefits can be measured reliably.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

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 judgement in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment applied to the total expected revenue arising from maintenance and repair contracts.

Measurement

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.22 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. 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

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.23 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

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

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

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

Recognition

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

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

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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

Taxes (Property rates for municipalities)

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

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

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

The taxable event for 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

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Transfers

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

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 municipality.

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

Bequests

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

Concessionary loans received

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

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

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

1.24 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the entity.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for.

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

1.25 Translation of foreign currencies

Foreign currency transactions

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

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.26 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 47

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.

1.27 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes::

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department of functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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.

1.28 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in surplus or deficit in the 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.

1.29 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 municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

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

1.30 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.31 Budget information

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

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

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.31 Budget information (continued)

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

1.32 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions (refer to note 30 and 31). Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality (refer to note 46).

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.33 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 100 (as revised) Discontinued Operations

The objective of this Standard is to specify the presentation and disclosure of discontinued operations. In particular, the Standard requires the results of discontinued operations to be presented separately in the statement of financial performance with additional disclosures provided in the notes to the financial statements.

An entity shall disclose the following information in the notes in the period in which the disposal of a component occurs:

- a description of the component;
- a description of the facts and circumstances of the disposal; and
- if applicable, the segment in which the component is presented in accordance with the Standard of GRAP on Segment Reporting.

An entity shall apply the amendments with regard to changes to the way in which non-current assets held for sale are measured, prospectively at the beginning of the period in which these amendments are adopted.

Changes to the way in which non-current assets held for sale are classified and presented on the statement of financial position and accompanying notes, shall be applied retrospectively by adjusting information for the earliest period presented.

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

The municipality has adopted the standard for the first time in the 2015 financial statements.

The adoption of this standard did not have a material impact on the results of the municipality as no discontinued operations occurred in the year under review.

GRAP 5 (revised 2013): Borrowing costs

Benchmark treatment is to recognise borrowing costs as an expense. Allowed alternative is to capitalise borrowing cost if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied retrospectively.

Additional text

- Additional text
- Additional text
- Additional text

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

The municipality has always expensed borrowing costs therefore the revised standard had no impact.

2.2 Standards and Interpretations early adopted

The municipality has chosen not to early adopt any standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Company Secretary's Certification

2. New standards and interpretations (continued)

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

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

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

The effective date of this statement for municipalities has not yet been determined.

The municipality is unable to reliably estimate the impact of the standard on the financial statements as the current systems do not allow for segment reporting yet.

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 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements if it is applicable at that stage.

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

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 2015. The municipality expects to adopt the standard for the first time in the 2016 financial statements if it is applicable at that stage.

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

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. It requires an entity and combining entities 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 merger where no acquirer can be identified.

It furthermore covers definitions, identifying a merger between entities. 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 merger, subsequent measurement and accounting, disclosure, transitional provisions as well as the effective date of the standard.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Company Secretary's Certification

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2015. The municipality expects to adopt the standard for the first time in the 2016 financial statements if it is applicable at that stage.

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

GRAP 20: Related parties

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

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

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

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

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

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

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

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

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 2016 but the date has not yet been gazetted.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Company Secretary's Certification

2. New standards and interpretations (continued)

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

IGRAP 11: Consolidation – Special purpose entities

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

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

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

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 financial statements.

Due to the nature of the current transactions the municipality is unable to reliably estimate the impact of the interpretation on the financial statements.

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

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

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 municipality expects to adopt the interpretation for the first time in the 2016 financial statements.

Due to the nature of the current transactions the municipality is unable to reliably estimate the impact of the interpretation on the financial statements.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Company Secretary's Certification

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

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

Due to the nature of the current transactions the municipality is unable to reliably estimate the impact of the amendment on the financial statements.

GRAP 7 (as revised 2010): Investments in Associates

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

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

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

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

Due to the nature of the current transactions the municipality is unable to reliably estimate the impact of the amendment on the financial statements.

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

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

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

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

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

Due to the nature of the current transactions the municipality is unable to reliably estimate the impact of the amendment on the financial statements.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Company Secretary's Certification

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

Due to the nature of the current transactions the municipality is unable to reliably estimate the impact of the standard on the 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 municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

Due to the nature of the current transactions the municipality is unable to reliably estimate the impact of the standard on the 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 municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

Due to the nature of the current transactions the municipality is unable to reliably estimate the impact of the standard on the financial statements.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Company Secretary's Certification

2. New standards and interpretations (continued)

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2015.

This directive will not be applied as the municipality applied the cost method and not the revaluation or fair value method..

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
3. Housing development fund		
Unappropriated surplus	225,449,115	225,449,115
Less: Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463
Housing development fund	<u>156,442,652</u>	<u>156,442,652</u>
The housing development fund is represented by the following assets and liabilities		
Housing selling scheme loans	9,692,028	20,081,989
Housing debtors	43,273,872	37,693,897
Bank and cash	103,476,752	98,666,766
Housing Development Fund Assets	<u>156,442,652</u>	<u>156,442,652</u>
4. Loans and bonds		
Summary of Long Term Borrowings:		
Term Loans and Municipal bonds	3,230,014,405	1,730,229,171
Local registered stock	-	5,000
Municipal bonds	2,177,419,005	2,177,926,163
Annuity loans	4,852,534,005	5,342,534,125
	<u>10,259,967,415</u>	<u>9,250,694,459</u>
Held at amortised cost		
Term Loans and Municipal bonds		
Development Bank of South Africa (1-2100)	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.		
Development Bank of South Africa (1-02)	78,331,528	78,331,528
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 have been made for the purpose of providing for the capital repayment at the date of redemption.		
Development Bank of South Africa (1-2)	1,500,000,000	-
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 2035.		
Development Bank of South Africa (1-400)	51,682,877	51,897,643
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 have been made for the purpose of providing for the capital repayment at the date of redemption.		
Standard Bank (1-1900)	573,927,890	574,165,042
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 have been made for the purpose of providing for the capital repayment at the date of redemption.		
Standard Bank (1-1901)	848,437,142	848,691,794
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 have been made for the purpose of providing for the capital repayment at the date of redemption.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
4. Loans and bonds (continued)		
Standard Bank (1-1950)	755,053,973	755,069,327
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 have been made for the purpose of providing for the capital repayment at the date of redemption.		
Local registered stock		
Development Bank of South Africa (1-1250)	-	5,000
Unsecured bond paying fixed interest semi-annually.		
Annuity loans		
Standard Bank (1-1300)	834,719,010	881,198,269
Unsecured variable interest rate 15 year loan repayable semi-annually in installments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2026.		
Development Bank of South Africa (1-950)	123,524,219	128,705,566
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.		
Development Bank of South Africa (1-851)	79,033,212	87,439,471
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
Development Bank of South Africa (1-800)	173,896,059	179,213,252
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.		
Development Bank of South Africa (1-700)	77,577,256	81,358,424
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.		
Development Bank of South Africa (1-701)	174,654,021	179,757,874
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.		
Development Bank of South Africa (1-501)	226,785,249	253,457,829
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.		
Development Bank of South Africa (1-500)	48,790,472	55,609,388
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.		
Development Bank of South Africa (1-200)	145,592,806	165,075,115
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.		
INCA (1-100)	112,500,421	129,428,391
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 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
4. Loans and bonds (continued)		
Development Bank of South Africa (1-52)	117,552,430	142,607,678
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.		
Development Bank of South Africa (1-50)	109,138,016	133,548,252
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2018.		
iVuzi Investments (1-550)	118,007,394	131,016,718
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 12 December 2021.		
iVuzi Investments (1-450)	47,198,007	52,555,939
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2021.		
iVuzi Investments (1-300)	55,530,809	62,583,790
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.		
iVuzi Investments (1-150)	25,941,742	29,662,375
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.		
iVuzi Investments (1-0)	8,783,754	10,451,340
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2019.		
Nedbank (1-1150)	217,113,900	250,338,505
Unsecured variable interest rate 10 year loan repayable in semi-annual installments of interest and capital with interest payable on reducing balance until capital is paid off on 16 June 2020.		
Nedbank (1-1100)	218,170,246	251,662,110
Unsecured variable interest rate 10 year loan repayable in semi-annual installments of interest and capital with interest payable on reducing balance until capital is paid off on 18 May 2020.		
Nedbank (1-852)	105,925,613	116,813,255
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
ABSA Bank Ltd (1-850)	154,073,619	169,910,189
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
Development Bank of South Africa (1-1352)	260,076	469,252
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.		
Development Bank of South Africa (1-1400)	5,090,982	9,484,154
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.		

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2015	2014
	R	Restated* R
4. Loans and bonds (continued)		
Standard Bank - Magalies Water (1-1401)	-	335,756
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.		
iVuzi (FirstRand Bank) (1-1850)	368,421,053	421,265,160
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.		
Nedbank (1-1800)	569,004,970	620,108,276
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.		
iVuzi (FirstRand Bank) (1-1851)	413,793,103	448,494,113
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.		
Nedbank (1-1801)	321,455,566	349,983,684
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.		
	10,259,967,415	9,250,694,459
Non-current liabilities		
At amortised cost	9,661,313,048	8,743,549,702
Current liabilities		
At amortised cost	598,654,367	507,144,757
	10,259,967,415	9,250,694,459
Secured and unsecured long-term liabilities		
Secured	247,566,835	272,836,849
Unsecured	10,012,400,580	8,977,857,610
	10,259,967,415	9,250,694,459
5. Lease liabilities		
Minimum lease payments due		
- within one year	100,916,305	8,904,916
- in second to fifth year inclusive	131,839,189	246,720
	232,755,494	9,151,636
less: future finance charges	(23,892,605)	(183,251)
Present value of minimum lease payments	208,862,889	8,968,385
Present value of minimum lease payments due		
- within one year	86,866,859	8,745,768
- in second to fifth year inclusive	121,996,030	222,617
	208,862,889	8,968,385
Non-current liabilities	121,996,030	222,617
Current liabilities	86,866,859	8,745,768
	208,862,889	8,968,385

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
5. Lease liabilities (continued)		
Collateral held in terms of the above leases (Net book amount of leased assets)	208,862,889	8,968,385
Carrying value of leased assets	<u>204,414,498</u>	<u>8,084,445</u>

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

The average lease term is 3 years and the average effective borrowing rate is 8.305%. Interest rates are variable at the contract date. All leases have variable repayments and include additional charges for contingent rent based on excess kilometres travelled.

6. Provisions

Reconciliation of provisions - June 2015

	Opening Balance	Unwinding of interest rate	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegetation	31,077,225	4,034,231	(3,691,863)	12,856,342	44,275,935
Legal proceedings	39,306,073	-	-	(6,100,806)	33,205,267
Rehabilitation of landfill sites	360,575,120	49,653,538	(4,271,526)	138,993,539	544,950,671
Rehabilitation of quarries	14,733,300	3,017,434	(1,492,875)	16,839,380	33,097,239
	445,691,718	56,705,203	(9,456,264)	162,588,455	655,529,112

Reconciliation of provisions - 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
	242,601,531	37,856,676	(15,596,261)	180,829,772	445,691,718

The carrying amount of the rehabilitation provisions increases in each period to reflect the passage of time (also referred to as unwinding of interest).

Due to the nature of the legal cases it is not foreseen that it will be finalised within the next 12 months and therefore there is no short-term portion.

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.

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.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014	
	R	Restated* R	
6. Provisions (continued)			
Legal cost provision			
<p>A provision for legal cost with regard to certain cases was created due to the fact that it was probable (more likely than not) that a present obligation existed at the reporting date and that the municipality will be liable for the legal cost in these cases. The history and nature of these cases further indicate that the liability is more of a long-term nature.</p> <p>The cases included in the provision is still pending and disclosing details will prejudice the position of the municipality in a dispute with other parties on the subject matter.</p>			
7. Financial instruments disclosure			
Categories of financial instruments			
2015			
Financial assets			
	At fair value	At amortised cost	Total
Investments	-	493,971,848	493,971,848
Other receivables	-	1,340,891,551	1,340,891,551
Consumer receivables	-	2,475,162,311	2,475,162,311
Cash and cash equivalents	-	57,158,390	57,158,390
Long-term receivables: Housing loans	-	9,692,028	9,692,028
Long-term receivables: Sport club loans	-	1,136,448	1,136,448
Long-term receivables: Sale of land	-	69,982,588	69,982,588
Long-term receivables: Arrangement debtors	-	146,535,828	146,535,828
Interest rate swap asset	130,122,756	-	130,122,756
	130,122,756	4,594,530,992	4,724,653,748
Financial liabilities			
	At fair value	At amortised cost	Total
Retention creditors	-	380,473,652	380,473,652
Trade and other payables from exchange transactions	-	4,568,553,110	4,568,553,110
Consumer deposits	-	351,259,691	351,259,691
Long-term loans (term loans, bonds, etc)	-	10,259,967,415	10,259,967,415
Interest rate swap liability	85,625,408	-	85,625,408
	85,625,408	15,560,253,868	15,645,879,276
2014			
Financial assets			
	At fair value	At amortised cost	Total
Investments	-	628,755,766	628,755,766
Other receivables	-	1,105,821,738	1,105,821,738
Consumer receivables	-	2,544,526,247	2,544,526,247
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
	34,411,454	4,813,345,078	4,847,756,532

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014	
	R	Restated* R	
Financial instruments disclosure (continued)			
Financial liabilities			
	At fair value	At amortised cost	Total
Retention creditors	-	372,163,755	372,163,755
Trade and other payables from exchange transactions	-	4,291,580,757	4,291,580,757
Consumer deposits	-	407,023,659	407,023,659
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
	44,114,153	14,321,462,630	14,365,576,783

8. Financial instruments: Risks involved

Risks

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

Interest rate risk

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

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015				2014		
	R				Restated*		R
8. Financial instruments: Risks involved (continued)							
Year ended 30 June 2015							
Description	Floating rate	Amount	Fixed rate		Non-interest bearing		Total
			Weighted average effective interest rate %	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
	R	R		Years	R	Years	R
Assets							
Investments	493,261,328	710,520	16.45	5.67			493,971,848
Long-term receivables:							
Housing loans		9,692,028	13.87	30.00			9,692,028
Sport club loans		1,136,448	11.99	10.00			1,136,448
Sale of Land		69,982,588	11.09	5.00			69,982,588
Arrangement debtors		66,826,850	9.00		79,708,978		146,535,828
Trade receivables:							
Consumer		5,348,273,982	9.00	1.00	2,215,771,184		7,564,045,166
Other					2,013,335,447		2,013,335,447
Cash		57,158,390					57,158,390
Total financial assets	493,261,328	5,553,780,806			4,308,815,609		10,355,857,743
Liabilities							
Interest bearing borrowings	6,121,009,376	131,301,505	10.18	14.20			6,252,310,881
Interest rate swaps (notional amounts)	2,490,312,448	1,517,344,086	9.31	13.50			4,007,656,534
Lease liabilities		208,826,889					208,826,889
Trade payables:							
Creditors					5,379,580,100	0.08	5,379,580,100
Retention					380,473,652	1.00	380,473,652
Consumer deposits					351,259,691	0.08	351,259,691
Total financial liabilities	8,611,321,824	1,857,472,480			6,111,313,443		16,580,107,747

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015				2014		
	R				Restated*		R
8. Financial instruments: Risks involved (continued)							
Year ended 30 June 2014							
Description	Floating rate	Amount	Fixed rate		Non-interest bearing		Total
			Weighted average effective interest rate %	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
	R	R		Years	R	Years	R
Assets							
Investments	625,406,061	3,349,704	16.45	15.90			628,755,765
Long-term receivables:							
Housing loans		20,081,989	13.87	30.00			20,081,989
Loans to sport clubs		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		4,750,956,103	8.50	1.00	2,366,820,086		7,117,776,189
Other					1,173,958,364		1,173,958,364
Cash		174,299,426					174,299,426
Total financial assets	625,406,061	5,024,906,642			3,804,418,942		9,454,731,645
Liabilities							
Interest bearing borrowings	4,039,117,100	3,487,048,271	10.18	14.20			7,526,165,371
Interest rate swaps	862,264,544	862,264,544	9.31	13.50			1,724,529,088
Lease liabilities		8,968,385					8,968,385
Trade payables:							
Creditors					5,106,039,426	0.08	5,106,039,426
Retention					372,163,755	1.00	372,163,755
Consumer deposits					407,023,659	0.08	407,023,659
Total financial liabilities	4,901,381,644	4,358,281,200			5,885,226,840		15,144,889,684

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R

8. Financial instruments: Risks involved (continued)

Interest rate swaps

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

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

At the reporting date the Municipality 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
30 June 2015		
Non-current assets: interest rate swap asset	130,122,756	95,711,302
Non-current liability: interest swap liability	(85,625,408)	(41,511,255)
	44,497,348	54,200,047
	Fair value R	Estimated fair value gain/(loss) R
30 June 2014		
Non-current assets: interest rate swap asset	34,411,454	(6,948,992)
Non-current liability: interest swap liability	(44,114,153)	(44,114,153)
	(9,702,699)	(51,063,145)

Currency risk

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

Credit risk

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

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

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

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R

8. Financial instruments: Risks involved (continued)

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

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

	30 June 2015	30 June 2014
Consumer debtors:		
Household	49	53
Industrial/Commercial	23	25
National and Provincial Government	3	3
Other consumer debtors	5	5
Long-term receivables	2	4
Sundry debtors	18	10
	100	100

Liquidity risk

The Municipality manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets 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 2016	30 June 2017	30 June 2018
	R	R	R
External funding: capital expenditure	1,200,000,000	1,200,000,000	1,200,000,000

Market risk

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

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

Financial assets/liabilities:

Trade and other receivables/payables: At a fixed rate of interest.

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

Fair values

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

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading. The following methods and assumptions are used to determine the fair value of each class of financial instrument.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014 Restated*
	R	R

8. Financial instruments: Risks involved (continued)

Cash and cash equivalents

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

Trade receivables (debtors)

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

Investments

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

Trade payables

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

Interest bearing borrowings

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

Derivatives (interest rate swaps)

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

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

Year ended	Fair value R	Carrying amount R
30 June 2015		
Liabilities		
Interest rate swaps	85,625,408	85,625,408
30 June 2014		
Liabilities		
Interest rate swaps	44,114,153	44,114,153

Maturity profile

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

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 Restated* R		
8. Financial instruments: Risks involved (continued)				
Year ended 30 June 2015				
	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	381,950,535	102,021,313		483,971,848
Long-term receivables:				
Housing loans			9,692,028	9,692,028
Loans to sport clubs			1,136,448	1,136,448
Sale of Land		69,982,588		69,982,588
Arrangement debtors	100,553,190	45,982,638		146,535,828
Trade receivables:				
Consumer	3,537,719,225	4,026,325,940		7,564,045,165
Other debtors	1,256,702,343	756,633,104		2,013,335,447
Cash	57,158,390			57,158,390
Interest rate swap asset		130,122,756		130,122,756
Total financial assets	5,334,083,683	5,131,068,339	10,828,476	10,475,980,498
Liabilities				
Interest bearing borrowings		1,313,749,792	4,938,561,089	6,252,310,881
Interest rate swaps			4,007,656,534	4,007,656,534
Lease liabilities	86,866,859	121,996,030		208,862,889
Trade payables:				
Creditors	5,379,580,100			5,379,580,100
Retention		380,473,652		380,473,652
Consumer deposits		351,259,691		351,259,691
Interest rate swap liability		85,625,408		85,625,408
Total financial liabilities	5,466,446,959	2,253,104,573	8,946,217,623	16,665,769,155
Year ended 30 June 2014				
	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	622,948,673	5,807,093		628,755,766
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	3,481,477,241	3,636,298,948		7,117,776,189
Other debtors	1,173,958,364			1,173,958,364
Cash	174,299,426			174,299,426
Interest rate swap asset		34,411,454		34,411,454
Total financial assets	5,612,462,457	3,855,413,615	21,267,028	9,489,143,100
Liabilities				
Interest bearing borrowings	510,144,757	471,688,180	6,544,332,434	7,526,165,371
Interest rate swaps			1,724,529,088	1,724,529,088
Lease liabilities	8,745,768	222,617		8,968,385
Trade payables:				
Creditors	5,106,039,426			5,106,039,426
Retention		372,163,755		372,163,755
Consumer deposits		407,023,659		407,023,659
Interest rate swap liability		44,114,153		44,114,153
Total financial liabilities	5,624,929,951	1,295,212,364	8,268,861,522	15,189,003,837

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
8. Financial instruments: Risks involved (continued)		
Hedging		
Hedging is not applicable in the environment of the Municipality.		
9. Consumer deposits		
Electricity and water	351,259,691	407,023,659
Guarantees held:		
Electricity and water consumers (who do not have deposits)	168,752,564	175,476,346
Township Development guarantees	262,093,183	251,719,428
	430,845,747	427,195,774
10. Payables from exchange transactions		
Trade payables	2,747,807,888	2,932,482,884
Payments received in advance - various services	405,378,283	149,562,636
Accrued leave pay	585,832,982	637,564,288
Deposits received	24,064,008	20,317,694
Debtors with credit balances - reclassification	814,057,310	666,192,515
Other creditors	577,245,620	523,025,029
Retention creditors	380,473,652	372,163,755
Accrual 13th cheque	225,194,009	176,894,381
	5,760,053,752	5,478,203,182

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
11. Unspent grants and receipts		
Unspent grants and receipts comprises of:		
Unspent grants and receipts		
DoRA: INEP (Electricity for All)	950	-
DoRA: Finance Management Grant (FMG)	921,685	705,152
SANBI/Groen Sebenza	7,823	7,823
Housing Grants (Provincial)	68,393,290	68,393,290
DoRA: Urban Settlement Development Grant (USDG)	36,867,333	44,829,756
DoRA: PTIS	224,108	-
Delft grant	2,293,422	2,293,422
Neighbourhood Development Programme	1,526	2,359,341
Research and Technology	892,857	-
Arts and Culture grant (Libraries)	1,185,105	1,942,452
Gautrans job creation	12,071,107	12,293,525
Municipal Disaster Recovery grant	13,886,268	-
Social Infrastructure grant	5,682,211	-
LG SETA Merit Awards	266,921	266,921
DPSA Smart connect	378,440	-
Sport and Recreation	72,617	72,617
Performance Management	268,665	268,665
Electricity Demand Side	3,000,000	-
Revenue Enhancement	1,224,800	1,224,800
Integrated City Development	6,307,025	-
Human Settlements Capacity grant	16,419,484	-
	<u>170,365,637</u>	<u>134,657,764</u>
Movement during the year		
Balance at the beginning of the year	134,657,764	125,330,239
Receipts during the year	5,677,719,999	4,983,221,998
Transfers between grants (Returned to NT deducted from current year)	2,359,341	-
Returned to NT	(2,359,341)	-
Prior year correction (write back of expense)	-	2,159,543
Income recognition during the year	<u>(5,642,012,126)</u>	<u>(4,976,054,016)</u>
	<u>170,365,637</u>	<u>134,657,764</u>
The figures above shows:		
<ul style="list-style-type: none"> The nature and extent of all 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 payable	<u>(107,887,827)</u>	<u>(83,453,333)</u>

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 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

13. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	935,383,381	(554,074,378)	381,309,003	1,243,119,915	(617,785,582)	625,334,333
Land	366,983,992	-	366,983,992	336,791,858	-	336,791,858
Biological assets (game)	14,478,788	-	14,478,788	16,587,413	-	16,587,413
Infrastructure: Capitalised	20,723,630,988	(6,221,179,952)	14,502,451,036	19,599,244,508	(5,263,747,448)	14,335,497,060
Infrastructure: Asset under construction	7,922,342,807	-	7,922,342,807	5,663,944,547	-	5,663,944,547
Community: Capitalised	3,002,451,815	(931,066,668)	2,071,385,147	2,723,245,744	(667,412,211)	2,055,833,533
Community: Asset under construction	551,956,025	-	551,956,025	391,874,573	-	391,874,573
Other: Capitalised	2,428,961,551	(1,282,672,878)	1,146,288,673	2,479,156,345	(1,249,790,943)	1,229,365,402
Other: Asset under construction	778,982,238	-	778,982,238	417,159,894	-	417,159,894
Housing: Capitalised	408,263,268	(66,259,825)	342,003,443	154,201,883	(7,081,618)	147,120,265
Housing: Asset under construction	344,143,690	-	344,143,690	152,591,190	-	152,591,190
Total	37,477,578,543	(9,055,253,701)	28,422,324,842	33,177,917,870	(7,805,817,802)	25,372,100,068

Reconciliation of property, plant and equipment - 2015

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Gains/(losses) arising from changes in fair value	Depreciation	Impairment loss	Total
Land	336,791,858	-	(9,600,309)	40,420,633	(628,190)	-	-	-	366,983,992
Buildings	625,334,333	2,683,987	-	3,475,492	(213,842,411)	-	(36,342,398)	-	381,309,003
Biological assets (game)	16,587,413	-	-	-	-	(2,108,625)	-	-	14,478,788
Infrastructure: Capitalised	14,335,497,060	374,801,611	(86,927,943)	661,095,337	9,280,932	-	(791,293,539)	(2,422)	14,502,451,036
Infrastructure: Asset under construction	5,663,944,547	3,066,589,615	-	(663,311,906)	-	-	-	(144,879,449)	7,922,342,807
Community: Capitalised	2,055,833,533	29,409,039	(6,379,519)	2,401,915	106,393,376	-	(115,147,091)	(1,126,106)	2,071,385,147
Community: Asset under construction	391,874,573	163,835,995	-	(3,754,543)	-	-	-	-	551,956,025
Other: Capitalised	1,229,365,402	234,355,325	(8,270,732)	12,737,740	(106,313,260)	-	(213,882,127)	(1,703,675)	1,146,288,673
Other: Asset under construction	417,159,894	416,613,804	-	(54,791,460)	-	-	-	-	778,982,238
Housing: Capitalised	147,120,265	-	(259,444)	85,562	205,109,553	-	(10,052,493)	-	342,003,443
Housing: Asset under construction	152,591,190	191,552,500	-	-	-	-	-	-	344,143,690
Total	25,372,100,068	4,479,841,876	(111,437,947)	(1,641,230)	-	(2,108,625)	(1,166,717,648)	(147,711,652)	28,422,324,842

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Gains/(losses) arising from changes in fair values	Reclassifications	Depreciation	Impairment loss	Total
Land	288,361,930	48,487,961	(1,339,325)	1,491,292	-	(210,000)	-	-	336,791,858
Buildings	830,323,983	5,504,260	-	(11,364,632)	-	(150,629,520)	(48,499,758)	-	625,334,333
Biological assets	13,050,850	-	-	-	3,536,563	-	-	-	16,587,413
Infrastructure: Capitalised	12,795,699,502	356,966,938	(58,343,169)	1,410,696,794	-	569,951,490	(738,287,185)	(1,187,310)	14,335,497,060
Infrastructure: Asset under construction	3,846,036,105	3,203,678,070	-	(1,385,769,628)	-	-	-	-	5,663,944,547
Community: Capitalised	1,703,602,795	36,086,516	(21,463,441)	287,807,263	-	150,839,520	(99,208,848)	(1,830,272)	2,055,833,533
Community: Asset under construction	356,223,203	276,116,727	-	(240,465,357)	-	-	-	-	391,874,573
Other: Capitalised	1,540,703,179	320,929,786	(10,490,843)	150,759,683	-	(569,985,271)	(200,367,953)	(2,183,179)	1,229,365,402
Other: Asset under construction	296,677,264	287,649,530	(39,840,804)	(127,326,096)	-	-	-	-	417,159,894
Housing: Capitalised	77,557,770	1,600,000	(143,067)	68,944,402	-	-	(838,840)	-	147,120,265
Housing: Asset under construction	191,387,891	81,913,700	-	(71,414,401)	-	(49,296,000)	-	-	152,591,190
	21,939,624,472	4,618,933,488	(131,620,649)	83,359,320	3,536,563	(49,329,781)	(1,087,202,584)	(5,200,761)	25,372,100,068

Pledged as security

No property, plant and equipment are pledged as security.

Other information

Depreciation on property, plant and equipment (refer to note 32)

Property plant and equipment	1,113,079,715	1,060,000,515
Rehabilitation assets	53,637,933	27,202,069
	1,166,717,648	1,087,202,584

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated*
		R

13. Property, plant and equipment (continued)

Useful lives:

According to GRAP17: Property, plant and equipment, all useful lives of property, plant and equipment must be reviewed on an annual basis.

Since reviewing the useful life of an asset on an annual basis does not require amending the previous estimate unless expectations differ from the previous estimate, the useful life of assets have only been amended in the case where expectations differed from previous estimates.

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 2014/15 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to note 56). All changes in estimates occurs prospectively and no prior year adjustments were made. All review of useful life adjustments occurred with effect from 1 July 2014. The following were the reasons for the review of useful life adjustments:

Water and Sanitation assets:

In 2014/15 the remaining useful lives of assets were adjusted, where applicable, to align with:

- * the expected useful lives (and where applicable residual values) in the adopted data
- * the assessed condition based on physical inspections (above ground assets); and
- * the condition identified through an assessment (pipe replacement prioritisation) of age, condition (where applicable), performance and the respective data confidence

All other infrastructure assets and buildings:

The following condition grading scale was used in 2014/15 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

Consideration was given to the assessment of the asset and where the conditions of assets are indicated as either, very good, good or fair and in these instances the RUL was not adjusted. Where no indication was made by custodian departments it was assumed that the assets are still in use and in a fair condition, hence the expectations do not differ from that of the prior year and therefore no adjustment was made.

In instances where the condition of an asset was indicated as very poor or scrap the RUL of the asset was determined using the average percentage as per the grading above, however where the average percentage was applied and the RUL amounted to less than 12 months, the RUL for the 2014/15 financial year was extended to 13 months preventing the asset to depreciate to R0 during the year. During the 2015/16 financial year these assets must be disposed of in terms the SCM Policy. In instances where the condition of the asset was indicated as poor the RUL of the asset was determined using the average percentage as per the grading above, however where the average percentage was applied and the RUL amounted to less than 12 months, the RUL was adjusted to 18 months, and where the RUL when applying the average percentage amounted to less than the RUL as at 1 July 2014, the RUL was decreased to the calculated RUL, however where the average percentage was applied and the RUL resulted in a longer RUL the RUL was left unchanged. In instances where departments indicated the RUL in years and months, the RUL was amended based on the information provided.

For all assets having a RUL of zero or less than 24 months, consideration was given to the change in expectation as at 1 July 2014 and a decision was taken by management to amend the RUL as follows:

- * For movable assets, the RUL were adjusted with a further 12 months in order to allow for departments to consider the future use of the assets vs. the replacement of these assets.
- * For immovable assets, the RUL were adjusted with a further 24 months seeing that these assets are used in the ordinary delivery of services to the community (except for a few buildings where the RUL were adjusted with more than the 24 months, since Council will not merely replace a building). Same as for movable assets the responsible departments will have to consider the future use of the assets vs. the replacement/upgrading thereof.

A total of 366 551 high value assets were affected and a total of 12 677 low value assets were affected. The change in annual depreciation is R45 910 656.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated*
		R

13. Property, plant and equipment (continued)

Impairment:

The City of Tshwane has implemented the Standards of GRAP 21 and GRAP 26 on impairment of assets based on a position paper adopted on these standards. Based on the position paper all assets tested during this financial year were treated according to GRAP 21: Impairment of non-cash generating assets. GRAP 21.10 states that cash-generating assets are assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity where the entity intends to generate positive cash inflows from the asset (or from the cash-generating unit of which the asset is a part) and earn a return that reflects the risk involved in holding the asset.

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 that were impaired in the 2014/15 financial year are held for the purpose of generating a commercial return.

In 2014/15 the Asset Compliance and Control 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.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

14. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	1,040,494,257	(185,735,159)	854,759,098	1,034,252,552	(181,047,680)	853,204,872

Reconciliation of investment property - 2015

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Reclassifications	Depreciation	Total
Investment property: Capitalised	853,204,872	13,626,000	(9,038,128)	1,673,401	-	(4,707,047)	854,759,098

Reconciliation of investment property - 2014

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Reclassifications	Depreciation	Total
Investment property: Capitalised	938,513,294	-	(24,040,510)	(105,944,544)	49,296,000	(4,619,368)	853,204,872

Pledged as security

No investment property is pledged as security.

Fair value of investment properties:

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 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

15. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	177,472,345	(111,542,700)	65,929,645	574,105,874	(368,418,550)	205,687,324
Servitudes	184,366,205	-	184,366,205	184,032,944	-	184,032,944
Total	361,838,550	(111,542,700)	250,295,850	758,138,818	(368,418,550)	389,720,268

Reconciliation of intangible assets - 2015

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Reclassifications	Amortisation	Impairment loss	Total
Computer software	205,687,324	1,029,286	(77,675,587)	(32,174)	-	(63,071,370)	(7,834)	65,929,645
Servitudes	184,032,944	-	333,261	-	-	-	-	184,366,205
	389,720,268	1,029,286	(77,342,326)	(32,174)	-	(63,071,370)	(7,834)	250,295,850

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Reclassifications	Amortisation	Impairment loss	Total
Computer software	277,807,962	2,179,395	-	19,555,597	(16,702,289)	(77,153,341)	-	205,687,324
Servitudes	171,233,851	7,415,532	(13,434,315)	2,064,746	16,702,289	50,841	-	184,032,944
	449,041,813	9,594,927	(13,434,315)	21,620,343	-	(77,102,500)	-	389,720,268

Pledged as security

No intangible assets are pledged as security.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R

16. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	446,037,321	-	446,037,321	446,030,830	-	446,030,830
Collections of rare books, manuscripts and records	826,050	-	826,050	826,050	-	826,050
Historical monuments	2,400,000	-	2,400,000	2,400,000	-	2,400,000
Historical buildings	3,142,475,330	-	3,142,475,330	3,142,475,330	-	3,142,475,330
Stamp collections, military insignia, medals, coin	577,500	-	577,500	577,500	-	577,500
Total	3,592,316,201	-	3,592,316,201	3,592,309,710	-	3,592,309,710

Reconciliation of heritage assets - 2015

	Opening balance	Acquisitions	Retirements	Total
Art Collections, antiquities and exhibits	446,030,830	6,491	-	446,037,321
Collections of rare books, manuscripts and records	826,050	-	-	826,050
Historical monuments	2,400,000	-	-	2,400,000
Historical buildings	3,142,475,330	-	-	3,142,475,330
Stamp collections, military insignia, medals, coin	577,500	-	-	577,500
	3,592,309,710	6,491	-	3,592,316,201

Reconciliation of heritage assets 2014

	Opening balance	Additions	Retirements	Total
Art Collections, antiquities and exhibits	446,031,366	-	(536)	446,030,830
Collections of rare books, manuscripts and records	826,050	-	-	826,050
Historical monuments	2,400,000	-	-	2,400,000
Historical buildings	3,142,475,330	-	-	3,142,475,330
Stamp collections, military insignia, medals, coin	577,500	-	-	577,500
	3,592,310,246	-	(536)	3,592,309,710

Pledged as security

No heritage assets are pledged as security.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R

16. Heritage assets (continued)

Transitional provisions lapsed on 30 June 2015

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework certain heritage assets was recognised at provisional amounts up to 30 June 2014. During 2014/15 heritage assets were restated to correctly account for the applicable values of all assets. The R24 563 785 is the amount as per the audited financial statements of 2013/14 (restated) - refer to note 47 for the restatement of the 2013/14 financial year.

Change in value with lapse of transitional provisions

Heritage assets: Deemed cost	3,592,316,201	24,563,785
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Deemed cost was determined by experts in the field of heritage assets.

Desktop archival research both qualitative and quantitative was carried out followed by fieldwork where verification and confirmation of data was done, as well as consultations where applicable for the purposes of clarity and verification.

The approach used:

- * Lightstone Valuation Reports
- * A variable of 1.5 was as a multiple
- * A variance of -20% was applied to ensure comparable distribution
- * 1ha = 10 000 sq/m
- * Valuation of heritage buildings where at R5 000 per sqm plus further R5 000 per sqm for fixtures and fittings. Note must be taken that fixtures and fittings in heritage sites/buildings are not easily replicable or depreciate in value.

17. Leased assets

	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Vehicles	270,175,204	(65,760,707)	204,414,497	136,196,498	(128,112,053)	8,084,445

Reconciliation of leased assets - 2015

Vehicles	Opening balance 8,084,445	Acquisitions 266,860,619	Other changes -	Depreciation (70,530,567)	Total 204,414,497
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Reconciliation of leased assets - 2014

Vehicles	Opening balance 84,214,682	Retirements (2,458,636)	Other changes 828,212	Depreciation (74,499,813)	Total 8,084,445
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18. Disposal of a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant asset /or a group of assets and liabilities /or a component of the entity.

Description of the asset(s), group of assets and liabilities or, component

Mostly vehicles, bicycles and other smaller movable assets have been marked for disposal and were in the auction yard at year end.

During 2014/15 two (2) properties and hundred (100) were sold.

Carrying values

Assets in the auction yard (auction still to be hold)	552,509	170,510
Sale of properties (completed)	107,191	697,291
Disposal of busses	6,148,505	-

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
Disposal of a significant asset(s) /or a group of assets and liabilities /or a component of the entity (continued)		
Facts and circumstances of the disposal		
The assets in the auction yard are movable assets have been marked for disposal as they are in most cases damaged or outdated and no longer fit for usage by the municipality.		
Further approvals required		
Council approval to hold an auction is required.		
The expected sale or transfer date is still to be determined.		
Disposals completed during the year		
During the 2014/15 financial year 2 properties were sold with a carrying value of R107 191.		
Hundred (100) busses were sold during 2014/15 with a carrying value of R6 148 505. The fair value of these busses were determined as R4 340 000.		
Circumstances that may have resulted in a decision to dispose of an asset being reversed during the reporting period		
None.		
19. Investments		
At amortised cost		
Short-term investments	493,261,328	622,948,673
At amortised cost		
Municipal stock	710,520	710,520
Assurance companies	-	5,096,572
	710,520	5,807,092
Total investments	493,971,848	628,755,765
Non-current assets		
Long-term investments (at amortised cost)	710,520	5,807,092
Current assets		
Short-term investments (at amortised cost - refer note 24)	493,261,328	622,948,673

There were no gains or losses realised on the disposal of held to maturity financial assets in 2015 and 2014, 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 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
19. Investments (continued)		
Market value of listed investments and management's valuation of unlisted investments:		
Knysna Municipality - local registered stock (interest payable semi-annually)	710,520	710,520
Sanlam no 26 policy (unceded)	14,620	48,027
Sanlam no 27 policy (ceded to Compensation Commissioner)	5,653,644	4,880,500
Capital Alliance no 28 (unceded)	639,642	617,224
Capital Alliance no 29 (unceded)	2,005,016	2,021,960
ABSA Money Market investment no 32 (interest capitalised monthly) (ceded to DBSA sinking fund loan repayable at 30 April 2018)	27,454,598	25,942,929
ABSA Money Market investment no 33 (interest capitalised monthly) (unceded)	9,621,079	9,091,336
ABSA Money Market investment no 34 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	7,206,009	6,809,242
ABSA Money Market investment no 35 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	158,648	149,913
Investec Money Market investment no 37 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	24,110,490	22,711,552
Investec Money Market investment no 38 (interest capitalised monthly) (unceded)	7,706,183	7,259,055
Investec Money Market investment no 39 (interest capitalised monthly) (unceded)	1,032,352	972,453
Standard Bank Money Market investment no 40 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	87,200,303	82,066,416
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	2,706,587	2,547,238
Investec Money Market investment no 108 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	27,969,540	26,452,809
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	64,124,703	60,798,624
	268,313,934	253,079,798
Average rate of return		
On long-term investments	16.45 %	16.45 %
On short-term investments	5.67 %	4.99 %
No investments were past due. No impairment occurred during the financial year under review.		
Financial assets pledged as collateral		
Secured and unsecured investments		
Secured investments against long-term liabilities (refer note 4)	111,310,793	518,386,777
Investment ceded to the Compensation Commissioner (refer note 55)	-	4,906,708
Unsecured investments	382,661,055	105,462,280
20. Long-term receivables		
Consumer: Arrangement debtors (refer to note 22)	146,535,828	264,395,381
Housing loans	9,692,028	20,081,989
Loans to sport clubs	1,136,448	1,185,039
Sale of land	69,982,588	74,279,492
	227,346,892	359,941,901
Current portion of long-term receivables	(102,165,612)	(162,118,924)
	125,181,280	197,822,977
Impairment allowance	(66,776,468)	(89,609,011)
	58,404,812	108,213,966

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
Reconciliation of impairment allowance		
Balance at the beginning of year	(89,609,011)	(89,609,011)
Write-off during the year	1,158,733	-
Write back of impairment (over provision)	21,673,810	-
	<u>(66,776,468)</u>	<u>(89,609,011)</u>
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 were granted to qualifying individuals in terms of the Provincial Administration's Housing Program. These loans attracted 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		
Sport clubs that qualified, signed a 99 year lease hold agreement with the municipality at a nominal amount and were provided with financial assistance from the municipality to build or improve a facility for 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	100,553,190	159,778,753
> 365 days	45,982,638	104,616,628
	<u>146,535,828</u>	<u>264,395,381</u>
Housing loans		
121 - 365 days	989,582	1,152,651
> 365 days	8,702,446	18,929,338
	<u>9,692,028</u>	<u>20,081,989</u>
Loans to sport clubs		
121 - 365 days	579,149	579,149
> 365 days	557,299	605,890
	<u>1,136,448</u>	<u>1,185,039</u>
Sale of land		
121 - 365 days	594,391	608,370
> 365 days	69,388,197	73,671,122
	<u>69,982,588</u>	<u>74,279,492</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
21. Inventories		
Raw materials, components	354,416,611	260,756,380
Water	8,380,663	7,229,920
Food and Beverage	22,274	15,272
Fuel (Diesel, Petrol)	2,280,311	2,049,876
Bus tickets	2,649,086	1,250,496
Plants (nursery)	109,882	86,471
Quarries	414,242	827,076
Coal (power stations)	114,740,284	116,317,544
	483,013,353	388,533,035

Inventory pledged as security

No inventory is pledged as security.

2014/15:

Included in general expenses in the Statement of Financial Performance is a net amount of R6 017 698 relating to the write-down of inventory consisting of the following:

Surplus inventory to the value of R1 708 010
 Shortages to the value of (R2 623 564)
 Theft to the value of (R4 329 571)
 Revaluation of inventory to the value of (R74 787)
 Damaged inventory to the value of (R313 498)
 Obsolete inventory to the value of (R384 273)
 Rounding differences to the value of (R15)

2013/14:

Included in general expenses in the Statement of Financial Performance is a net amount of R3 348 710 relating to the write-down of inventory consisting of the following:

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

22. Consumer receivables

The City of Tshwane has a consolidated account billing system. The split of debtors per service category is done on a pro-rata basis based on the levies.

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

Service debtors:

Rates	2,167,538,445	1,995,487,431
Electricity	1,726,075,225	1,977,421,282
Water	1,552,958,969	1,288,343,900
Other fees and levies	484,773,014	626,957,803
Sewerage	303,541,088	283,987,184
Refuse	474,014,906	377,837,603
Interest	1,001,679,347	832,136,367
	7,710,580,994	7,382,171,570
Less: Arrangement debtors (refer note 20)	(146,535,828)	(264,395,381)
	7,564,045,166	7,117,776,189

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
22. Consumer receivables (continued)		
Less: Allowance for impairment		
General: All services	(5,088,882,854)	(4,573,249,942)
Net balance		
Rates	2,167,538,445	1,995,487,431
Electricity	1,726,075,225	1,977,421,282
Water	1,552,958,969	1,288,343,900
Other fees and levies	484,773,014	626,957,803
Sewerage	303,541,088	283,987,184
Refuse	474,014,906	377,837,603
Interest	1,001,679,347	832,136,367
Arrangement debtors	(146,535,828)	(264,395,381)
Less: Provision for bad debt	(5,088,882,854)	(4,573,249,942)
	2,475,162,312	2,544,526,247
Included in above is receivables from exchange transactions		
Electricity	1,726,075,225	1,977,421,282
Water	1,552,958,969	1,288,343,900
Other fees and levies	484,773,014	626,957,803
Sewerage	303,541,088	283,987,184
Refuse	474,014,906	377,837,603
Interest	1,001,679,347	832,136,367
	5,543,042,549	5,386,684,139
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	2,167,538,445	1,995,487,431
Gross balance	7,710,580,994	7,382,171,570
2014/15:		
<p>An amount of R474 939 843 exclusive of VAT was written off up to June 2015 (R541 431 421 inclusive of VAT) in respect of Region 5 and 7 as well as indigent and inactive accounts. A council resolution dated 31 July 2014 approved the write off of arrear debt with regard to region 5 and 7. Further, in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 the Group Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of Indigent households are written off.</p>		
2013/14:		
<p>An amount of R206 404 856 exclusive of VAT was written off up to June 2014 (R235 301 536 inclusive of VAT) in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 whereby the Group Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of Indigent households are written off.</p>		
AGEING (of gross debtors):		
Rates		
Current (0 -30 days)	502,221,171	462,636,609
31 - 60 days	73,649,177	75,783,587
61 - 90 days	63,293,909	57,002,314
91 - 120 days	51,410,364	47,260,516
121 - 150 days	46,016,025	39,975,234
151 - 180 days	60,535,619	40,021,468
181 - 365 days	246,871,821	233,004,005
365+ days	1,123,540,359	1,039,803,698
	2,167,538,445	1,995,487,431

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
22. Consumer receivables (continued)		
Electricity		
Current (0 -30 days)	752,829,126	967,391,112
31 - 60 days	28,311,335	44,565,002
61 - 90 days	27,718,545	45,196,516
91 - 120 days	28,921,682	28,112,214
121 - 150 days	9,339,652	17,330,656
151 - 180 days	28,922,404	26,212,399
181 - 365 days	118,403,864	137,885,978
365+ days	731,628,617	710,727,405
	<u>1,726,075,225</u>	<u>1,977,421,282</u>
Water		
Current (0 -30 days)	416,178,723	440,271,187
31 - 60 days	70,510,381	49,697,563
61 - 90 days	59,457,793	49,464,554
91 - 120 days	56,725,799	31,071,827
121 - 150 days	20,636,116	22,415,086
151 - 180 days	55,770,714	32,773,057
181 - 365 days	180,405,798	114,249,760
365+ days	693,273,645	548,400,866
	<u>1,552,958,969</u>	<u>1,288,343,900</u>
Other fees and levies		
Current (0 -30 days)	16,860,268	1,798,565
31 - 60 days	2,217,824	12,080,070
61 - 90 days	4,079,134	2,351,839
91 - 120 days	(503,995)	(3,743,278)
121 - 150 days	(2,070,647)	313,295
151 - 180 days	7,125,826	(2,202,544)
181 - 365 days	(3,304,871)	114,774,274
365+ days	460,369,475	501,585,582
	<u>484,773,014</u>	<u>626,957,803</u>
Sanitation		
Current (0 -30 days)	87,523,612	99,228,985
31 - 60 days	7,315,964	9,517,479
61 - 90 days	7,886,005	6,883,228
91 - 120 days	8,719,712	5,820,678
121 - 150 days	3,975,753	4,451,885
151 - 180 days	9,995,320	5,674,192
181 - 365 days	33,236,236	25,116,081
365+ days	144,888,486	127,294,656
	<u>303,541,088</u>	<u>283,987,184</u>
Solid waste		
Current (0 -30 days)	122,011,007	81,137,038
31 - 60 days	12,960,391	13,733,210
61 - 90 days	13,135,084	8,747,348
91 - 120 days	12,039,389	7,609,747
121 - 150 days	8,954,897	8,080,058
151 - 180 days	13,967,633	9,157,126
181 - 365 days	52,846,981	38,240,958
365+ days	238,099,524	211,132,118
	<u>474,014,906</u>	<u>377,837,603</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
22. Consumer receivables (continued)		
Interest		
Current (0 -30 days)	85,565,527	67,164,425
31 - 60 days	25,756,129	25,463,438
61 - 90 days	27,373,312	26,722,251
91 - 120 days	32,356,300	23,423,200
121 - 150 days	19,305,601	22,271,662
151 - 180 days	31,629,710	24,313,176
181 - 365 days	137,770,711	135,569,498
365+ days	641,922,057	507,208,717
	<u>1,001,679,347</u>	<u>832,136,367</u>
Ageing: Total gross debtors		
Current (0 -30 days)	1,996,053,621	2,137,540,316
31 - 60 days	219,717,563	229,279,770
61 - 90 days	202,315,251	195,162,928
91 - 120 days	189,288,768	139,097,758
121 - 150 days	105,847,731	113,185,658
151 - 180 days	207,072,950	135,433,220
181 - 365 days	763,959,170	796,172,972
365+ days	4,026,325,940	3,636,298,948
	<u>7,710,580,994</u>	<u>7,382,171,570</u>
Consumer debtors - past due and impaired		
60 days and beyond	<u>5,088,882,854</u>	<u>4,573,249,942</u>
Consumer debtors - past due and not impaired		
31 - 60 days	<u>625,644,519</u>	<u>671,381,312</u>
Note must be taken that the amounts indicated as past due and impaired and past due and not impaired will not balance back to the total age-analysis as the municipality only impair from 60 days onward. However, due to the new methodology adopted for the impairment of consumer debtors, impairment may have happened earlier than 60 days.		
Summary of debtors by customer classification		
Consumers		
Household	4,736,981,468	4,574,768,667
Industrial/Commercial	2,238,646,838	2,126,447,625
National and Provincial Government	279,203,202	263,703,176
Other	455,749,486	417,252,102
	<u>7,710,580,994</u>	<u>7,382,171,570</u>
Households		
Current (0 -30 days)	1,570,503,690	1,500,993,387
31 - 60 days	98,546,549	140,829,760
61 - 90 days	113,108,740	109,515,834
91 - 120 days	108,082,528	87,661,150
121 - 150 days	64,227,148	75,449,036
151 - 180 days	129,909,987	91,693,561
181 -365 days	478,496,449	506,859,176
365 + days	2,174,106,376	2,061,766,763
	<u>4,736,981,467</u>	<u>4,574,768,667</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
22. Consumer receivables (continued)		
Industrial/ commercial		
Current (0 -30 days)	838,348,414	906,590,875
31 - 60 days	89,502,293	61,772,729
61 - 90 days	64,528,554	71,162,180
91 - 120 days	52,759,376	40,660,576
121 -150 days	28,955,194	29,581,404
151 - 180 days	44,349,562	36,022,215
181 - 365 days	198,442,414	189,684,845
365 + days	921,761,031	790,972,801
	<u>2,238,646,838</u>	<u>2,126,447,625</u>
National and provincial government		
Current (0 -30 days)	168,534,198	169,968,512
31 - 60 days	13,814,722	6,851,023
61 - 90 days	9,502,438	6,628,183
91 - 120 days	11,554,582	3,955,482
121 - 150 days	8,081,884	2,471,576
151 - 180 days	8,495,437	517,976
181 - 365 days	28,139,527	21,466,639
365 + days	31,080,414	51,843,785
	<u>279,203,202</u>	<u>263,703,176</u>
Other		
Current (0 -30 days)	61,684,626	55,759,058
31 - 60 days	(6,869,726)	(1,847,934)
61 - 90 days	(7,590,012)	(10,592,340)
91 - 120 days	(4,407,443)	(6,328,590)
121 - 150 days	(7,327,015)	(5,015,985)
151 - 180 days	1,017,073	(5,603,256)
181 - 365 days	(27,083,752)	2,898,773
365 + days	446,325,735	387,982,376
	<u>455,749,486</u>	<u>417,252,102</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(4,573,249,942)	(3,353,295,969)
Contributions to allowance	(699,944,326)	(1,166,475,292)
Debt impairment written off against allowance	474,939,843	206,404,856
Corrections of write-offs against the allowance	(290,628,429)	(259,883,537)
	<u>(5,088,882,854)</u>	<u>(4,573,249,942)</u>
23. Other receivables		
AARTO fine debtor (i.t.o. IGGAP1)	421,013,634	176,026,775
Gauteng Province: Housing grants	48,553,230	48,553,230
Creditors reclassification	14,598,214	24,960,842
Housing debtors	43,273,872	37,693,897
Pre-payment Sanral	513,918,961	513,918,961
Miscellaneous	251,216,262	188,838,460
Lease revenue	47,932,434	46,767,973
Waste management	1,220,661	312,903
Sundry rentals	82,926,752	68,148,314
Sundry Persons	237,677,859	262,455,364
Public contributions	315,448,745	242,714,143
Sandspruit	34,298,530	34,298,530
RTMC: AARTO debtor	1,256,293	1,256,293
	<u>2,013,335,447</u>	<u>1,173,958,364</u>
Less: Allowance for impairment	(672,443,896)	(540,123,947)
	<u>1,340,891,551</u>	<u>1,105,821,738</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
23. Other receivables (continued)		
AGEING		
Pre-payment Sanral		
> 365 days	<u>513,918,961</u>	<u>513,918,961</u>
Housing debtors		
121 - 365 days	<u>43,273,872</u>	<u>37,693,897</u>
Miscellaneous		
121 - 365 days	<u>251,216,262</u>	<u>188,838,460</u>
Lease revenue		
31 - 60 days	<u>47,932,434</u>	<u>46,767,973</u>
Waste Management		
61 - 90 days	<u>1,220,661</u>	<u>312,903</u>
Sundry rentals		
61 - 90 days	<u>82,926,752</u>	<u>68,148,314</u>
Sundry Persons		
91 - 120 days	<u>237,677,859</u>	<u>262,455,364</u>
Public contributions		
121 - 365 days	72,734,602	82,534,013
> 365 days	<u>242,714,143</u>	<u>160,180,130</u>
	<u>315,448,745</u>	<u>242,714,143</u>
Sandspruit Works Association		
> 365 days	<u>34,298,530</u>	<u>34,298,530</u>
RTMC: AARTO debtor		
121 - 365 days	-	1,256,293
> 365 days	<u>1,256,293</u>	<u>-</u>
	<u>1,256,293</u>	<u>1,256,293</u>
Reconciliation of allowance for impairment		
Opening balance	(540,123,947)	(374,893,214)
Contributions to provision	(155,915,592)	(138,430,763)
Write-off against the provision	9,222,845	4,416,468
Corrections of write-offs against allowance	14,372,798	(31,216,438)
	<u>(672,443,896)</u>	<u>(540,123,947)</u>
Other receivables from exchange and non-exchange transactions past due but not impaired		
Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2015, R1,340,891,551 (2014: R 1,105,821,738) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
2 months past due	1,340,891,551	1,105,821,738
Other receivables from exchange and non-exchange transactions past due and impaired		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
23. Other receivables (continued)		
As of 30 June 2015, trade and other receivables of R 2,013,335,447 (2014: R 1,173,958,364) were impaired and provided for.		
The amount of the impairment was R (672,443,896) as of 30 June 2015 (2014: R (540,123,947)).		
The ageing of these receivables is as follows:		
Over 2 months	672,443,896	540,123,947
Up to June 2015 an amount of R9 222 845 has been written off with regard to Sundry/Other debtors against the allowance.		
Up to June 2014 an amount of R4 416 468 has been written off with regard to Sundry/Other debtors against the allowance.		
24. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	358,055	329,087
Cashbook (bank account) balances	56,800,335	173,970,339
Short-term investments (refer note 19)	493,261,328	622,948,673
	550,419,718	797,248,099
Cash and bank	57,158,390	174,299,426
Short-term investments (refer note 19)	493,261,328	622,948,673
	550,419,718	797,248,099

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R

24. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Absa - 4060738263	24,355,342	24,526,283	53,425,770	(25,654,420)	22,580,444	53,425,770
FNB - 51420107207	17,291,903	19,227,713	29,947,819	(6,402,849)	17,745,899	29,947,819
Standard - 410801453	163,315,841	93,282,021	542,419,806	51,147,872	101,398,473	564,333,136
Insurance Contingency - Absa - 4062593950	232,135	108,155	3,765,923	232,135	108,155	3,765,923
Tshwane Market - Absa - 4068829119	36,158,223	27,973,747	28,505,953	32,814,759	29,228,692	28,365,848
Nedbank - 1454121963	9,455,310	5,961,424	5,956,092	4,662,838	2,908,676	5,956,092
Total	250,808,754	171,079,343	664,021,363	56,800,335	173,970,339	685,794,588

25. Property rates

Rates received

Property rates	4,916,913,506	4,457,532,111
Less: Interdepartmental charges - assessment rates	(33,384,862)	(25,022,717)
	4,883,528,644	4,432,509,394

Valuations

Residential	276,245,582,455	269,532,026,567
Other	123,145,145,117	121,749,459,313
	399,390,727,572	391,281,485,880

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.

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.

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.

26. Service charges

Sale of electricity	8,974,011,163	8,511,463,339
Sale of water	2,918,850,486	2,657,195,666
Solid waste	989,596,214	788,777,865
Sewerage and sanitation charges	717,861,228	643,495,058
Other service charges	177,579,066	135,714,966
	13,777,898,157	12,736,646,894
Less: Interdepartmental - Electricity	(243,995,707)	(197,814,924)
Less: Interdepartmental - Water	(125,572,085)	(134,265,299)
Less: Interdepartmental - Solid Waste	(21,523,120)	(20,666,526)
Less: Interdepartmental - Sanitation	(13,947,956)	(20,053,052)
Net Service charges per statement of financial performance	13,372,859,289	12,363,847,093

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
27. Government grants, subsidies, awards & donations		
Operating grants		
Equitable share	1,375,518,341	1,166,964,000
Local Government Revenue Enhancement	-	2,275,200
Emergency Management Services subsidy	56,683,000	53,750,000
Fuel levy	1,352,410,000	1,308,179,000
Finance Management grant (FMG)	4,539,576	4,012,167
PTIS	138,000,000	178,366,181
LG SETA grant	-	669,079
Department of Water Affairs (DWA)	-	4,833
Integrated Development Contribution	-	400,000
Operation Clean Audit grant	-	1,000,000
Municipal Human Settlement Capacity grant	31,086,516	-
Health subsidy	39,967,000	35,837,000
HIV/AIDS subsidy	10,923,000	14,603,977
Community Libraries	1,836,707	2,569,477
Expanded Public Works Program (EPWP)	30,760,000	33,170,000
Gautrans	222,417	2,777,583
Tshepo 10 000	-	8,750,000
USDG operational	194,671	39,177,936
Municipal Disaster Recovery grant	991,732	-
Integrated City Development	38,351,975	8,096,000
Development Bank of South Africa	-	780,000
	<u>3,081,484,935</u>	<u>2,861,382,433</u>
Capital grants		
INEP	31,999,050	65,000,000
PTIS Roads and storm water	136,000,000	104,795,858
PTIS Transport	731,346,892	506,133,131
Neighbourhood Development (NDPG)	174,998,474	198,964,369
Blue IQ	-	11,999,119
Libraries	3,203,336	2,340,663
Finance Management Grant (FMG)	243,891	752,847
USDG capital	1,477,217,753	1,206,603,308
Electricity Demand Side	-	406,964
Department of Water Affairs (DWA)	-	14,000,000
Expanded Public Works Program	-	924,606
Social infrastructure grant	5,517,789	500,000
SANBI/Groen Sebenza	-	91,177
	<u>2,560,527,185</u>	<u>2,112,512,042</u>
	<u>5,642,012,120</u>	<u>4,973,894,475</u>
Conditional and unconditional		
Included above are the following categories of grants and subsidies recognised as revenue:		
Conditional grants	2,892,084,248	2,498,751,475
Unconditional grants (equitable share and fuel levy)	2,749,927,872	2,475,143,000
	<u>5,642,012,120</u>	<u>4,973,894,475</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Primary Health Care Subsidy (Provincial)		
Current-year receipts	39,967,000	35,837,000
Conditions met - transferred to revenue	(39,967,000)	(35,837,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11)		
The Municipality renders health services on behalf of the Provincial Government. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy has been used exclusively to fund clinic services. The conditions of the subsidy has been met.		
Emergency Management Services Subsidy (Provincial)		
Current-year receipts	56,683,000	53,750,000
Conditions met - transferred to revenue	(56,683,000)	(53,750,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11)		
The municipality renders ambulance services on behalf of the provincial government and is reimbursed. The purpose of this subsidy is to ensure rapid and effective emergency care. This grant has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the subsidy have been met.		
Department of Water Affairs (DoRA)		
Balance unspent at beginning of year	-	4,833
Current-year receipts	-	14,000,000
Conditions met - transferred to revenue	-	(14,004,833)
	<u>-</u>	<u>-</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.		
Electricity for All (INEP) (DoRA)		
Current-year receipts	32,000,000	65,000,000
Conditions met - transferred to revenue	(31,999,050)	(65,000,000)
	<u>950</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11)		
A roll over of the balance of R950 will be requested.		
The purpose of the grant is to implement the Integrated National Electrification Program (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Finance Management Grant (FMG) (DoRA)		
Balance unspent at beginning of year	705,152	470,166
Current-year receipts	5,000,000	5,000,000
Conditions met - transferred to revenue	(4,783,467)	(4,765,014)
	<u>921,685</u>	<u>705,152</u>
Conditions still to be met - remain liabilities (see note 11)		
A request will be submitted to National Treasury for the roll forward of the balance of R921 685.		
The balance of the 2013/14 financial year was approved by National Treasury to be rolled forward.		
The purpose of this grant was to promote support reforms in financial management by building capacity in municipalities to implement the Local Government: Municipal Finance Management Act (MFMA). As part of strengthening financial and asset management in municipalities the grant provides funding for water and energy internship program to graduates in selected ward boards and municipalities.		
SANBI/Groen Sebenza (DoRA)		
Balance unspent at beginning of year	7,823	-
Current-year receipts	-	99,000
Conditions met - transferred to revenue	-	(91,177)
	<u>7,823</u>	<u>7,823</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.		
Housing Grants (Provincial)		
Balance unspent at beginning of year	68,393,290	70,686,712
Conditions met - transferred to revenue	-	(2,159,544)
Reversal of expenditure (incorrect in prior year)	-	2,159,544
Transfer to Delft grant	-	(2,293,422)
	<u>68,393,290</u>	<u>68,393,290</u>
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 was approved by Gauteng Province.		
The expenditure of R2 159 544 relates to the Delft grant for housing which were included in the opening balance. This expenditure however was deemed not to be of a capital nature and the expense was reversed to operational expenses. This was now transferred to a separate grant.		
Government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approve housing subsidies and projects and provide support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads and in many cases electricity.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Integrated Development Corporation (DoRA)		
Current-year receipts	-	400,000
Conditions met - transferred to revenue	-	(400,000)
	<u>-</u>	<u>-</u>
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) (DoRA)		
Balance unspent at beginning of year	44,829,756	-
Current-year receipts	1,469,450,000	1,290,611,000
Conditions met - transferred to revenue	(1,477,412,423)	(1,245,781,244)
	<u>36,867,333</u>	<u>44,829,756</u>
Conditions still to be met - remain liabilities (see note 11)		
A request for the roll over of the balance of R79 862 080 at the end of 2014/15 was submitted to National Treasury.		
Request for roll over of the balance of 2013/14 to the value of R44 829 756 was approved by National Treasury.		
The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.		
Public Transport Grant (PTIS & PTNOG) (DoRA)		
Balance unspent at beginning of year	-	15,534,170
Current-year receipts	1,005,571,000	788,761,000
Conditions met - transferred to revenue	(1,005,346,892)	(789,295,170)
Transfer (correction of incorrect allocation)	-	(15,000,000)
	<u>224,108</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11)		
The balance consists of the unspent portion of the 204/15 financial year and a request for a roll over was submitted to National Treasury.		
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
Current-year receipts	10,923,000	10,403,000
Conditions met - transferred to revenue	(10,923,000)	(14,603,977)
	<u>-</u>	<u>-</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.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Equitable share (DoRA)		
Current-year receipts	1,375,518,341	1,166,964,000
Conditions met - transferred to revenue	<u>(1,375,518,341)</u>	<u>(1,166,964,000)</u>
	<u>-</u>	<u>-</u>

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 R465.38 (2014 = R384), which is funded from the grant.

Gautrans (operational and capital)

Balance unspent at beginning of year	12,293,525	71,108
Current-year receipts	-	15,000,000
Conditions met - transferred to revenue	<u>(222,418)</u>	<u>(2,777,583)</u>
	<u>12,071,107</u>	<u>12,293,525</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 during 2013.14.

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	2,359,341	2,187,710
Current-year receipts	175,000,000	199,136,000
Conditions met - transferred to revenue	<u>(174,998,474)</u>	<u>(198,964,369)</u>
Returned to National Treasury	<u>(2,359,341)</u>	<u>-</u>
	<u>1,526</u>	<u>2,359,341</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 was not approved by National Treasury and the 2014/15 allocation was decreased with the amount of R2 359 341. The transferring official did not approve the request for roll forward as they deemed the 2014/15 allocation to be enough to finalise the projects.

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).

Research and Technology Grant

Current-year receipts	<u>892,857</u>	<u>-</u>
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Conditions still to be met - remain liabilities (see note 11).

The purpose of this grant is to transfer funds to the municipality for the purpose of maintenance and operationalizing mechanization assets namely tractors and implements (including trailers) The project life is 12 months .

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* 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	1,942,452	2,752,593
Current-year receipts	4,282,695	4,100,000
Conditions met - transferred to revenue	(5,040,042)	(4,910,141)
	<u>1,185,105</u>	<u>1,942,452</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 amount was approved 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 re-capitalised 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.

Fuel levy (DoRA)

Current-year receipts	1,352,410,000	1,308,179,000
Conditions met - transferred to revenue	(1,352,410,000)	(1,308,179,000)
	<u>-</u>	<u>-</u>

The purpose of the fuel levy grant is to provide for basic services and infrastructure development in under-served communities, specifically to transport infrastructure given the link between fuel sales and road usage.

Local Economic Development (Provincial)

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

Municipal Human Settlement Capacity grant

Current-year receipts	47,506,000	-
Conditions met - transferred to revenue	(31,086,516)	-
	<u>16,419,484</u>	<u>-</u>

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

The balance consist of the unspent portion of the 2014/15 financial year and a request for a roll over was submitted to National Treasury.

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level in line with the accreditation framework.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Expanded Public Works Programme(EPWP) (DoRA)		
Balance unspent at beginning of year	-	4,424,606
Current-year receipts	30,760,000	29,670,000
Conditions met - transferred to revenue	(30,760,000)	(34,094,606)
	<u>-</u>	<u>-</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.

Delft Housing grant

Balance unspent at beginning of year	<u>2,293,422</u>	<u>2,293,422</u>
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Conditions still to be met - remain liabilities (see note 11).

On 5 November 2005 the mayors of the Sister Cities of Tshwane and Delft (Netherlands) agreed that the City of Delft will give financial support for the building of the Multi Purpose Community Centre as part of the integrated community building program project in Mamelodi Extension 5.

The City of Delft decided to co-fund the Multi Purpose Community Centre because of its importance for the neighbouring communities.

Municipal disaster recovery grant

Current-year receipts	14,878,000	-
Conditions met - transferred to revenue	(991,732)	-
	<u>13,886,268</u>	<u>-</u>

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

During the month of November 2013, severe damaged was caused to infrastructure by hail in Gauteng Province. To this effect, a provincial state of disaster was declared in Gauteng, City of Tshwane in December 2013. The infrastructure and services damage reports and preliminary costing of damages were submitted by the Department of Human Settlements and the City of Tshwane Metropolitan Municipality for infrastructure damage through the Gauteng Provincial Disaster Management Centre in May 2014.

DBSA grant

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

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

This 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.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Social Infrastructure grant		
Current-year receipts	11,200,000	500,000
Conditions met - transferred to revenue	(5,517,789)	(500,000)
	5,682,211	-
Conditions still to be met - remain liabilities (see note 11).		
The balance consist of the unspent portion of the 2014/15 financial year and a request for a roll over was submitted to National Treasury.		
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
Conditions met - transferred to revenue	-	(11,999,119)
	-	-
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. The project was finalised in 2013/14.		
LG SETA Merit awards		
Balance unspent at beginning of year	266,921	-
Current-year receipts	-	936,000
Conditions met - transferred to revenue	-	(669,079)
	266,921	266,921
Conditions still to be met - remain liabilities (see note 11).		
This money is an award for skills development. The purpose is to strengthen the municipality's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department or to enhance the capacity of the Training Committee.		
DPSA Smart connect grant		
Current-year receipts	378,440	-
Conditions still to be met - remain liabilities (see note 11).		
The amount indicated were received in advance for usage in 2015/16.		
The grant was received for the project Smart connect. This project envisages a system where citizens and government communicate effectively to maximize service delivery. It aims to increase the efficiency of service delivery by facilitating improved communication between stakeholders such as the public and the service departments. By providing an integrated communication framework between departments, service requests that involve more than one department can be coordinated efficiently.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Sport and Recreation		
Balance unspent at beginning of year	<u>72,617</u>	<u>72,617</u>
Conditions still to be met - remain liabilities (see note 11).		
The department will request for a roll over of the balance to be utilised in the 2013/14 financial year. No expenditure, however was incurred during 2013/14.		
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>
Conditions still to be met - remain liabilities (see note 11).		
These funds were received to provide funding for the upgrading of the municipality's performance management system, the quality performance result system and the enterprise project management system to include the newly merged municipalities.		
Electricity Demand Side		
Balance unspent at beginning of year	-	406,964
Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	-	(406,964)
	<u>3,000,000</u>	<u>-</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 2014/15 as the service level agreement with the CSIR was finalised late.		
The purpose of this grant is to provide subsidies to municipalities to implement Electricity Demand Side Management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
Revenue Enhancement		
Balance unspent at beginning of year	1,224,800	3,500,000
Conditions met - transferred to revenue	-	(2,275,200)
	<u>1,224,800</u>	<u>1,224,800</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 was requested from National Treasury.		
Operation Clean Audit (OPCA) (DPLG & H)		
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)
	<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.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Integrated City Development (DoRA)		
Current-year receipts	44,659,000	8,096,000
Conditions met - transferred to revenue	(38,351,975)	(8,096,000)
	6,307,025	-
Conditions still to be met - remain liabilities (see note 11).		
The balance consist of the unspent portion of the 2014/15 financial year and a request for a roll over was submitted to National Treasury.		
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.		
28. Other income		
Market fees	130,244,462	127,870,599
Land sales	306,842	975,096
VAT audit refund	286,533,191	-
Sale of unusable stock	467,017	3,173,158
Drain cleaning fees	814,890	1,150,681
Interest on property sales	316,815	266,255
Donated: Assets	2,993,797	7,811,376
Dumping fees	2,078	63,077
Building plan fees	47,903,223	43,822,890
Income from grave services	6,657,875	5,867,879
Motor vehicles licences (refund from Province)	73,165,158	73,384,644
Training fees recovered	10,648,550	11,689,104
Newly identified assets	33,397,200	85,403,449
Insurance claims	54,338,205	61,799,060
A re Yeng revenue	3,859,886	-
Sundry fees	1,683,301	2,360,014
Airside income	4,538,714	4,455,887
Ambulance fees	4,376,591	3,619,710
Reminder fees	75,020,843	28,269,137
Discount on prompt payments	822,543	733,943
Approval fees: advertisements	55,672,323	38,903,042
LG Seta discretionary allocation	4,454,390	-
Cemetery fees	5,821,612	4,853,474
Application fees	5,153,837	4,316,202
Income fom bulk containers	2,587,628	441,105
Sales: Aeroplane fuel	11,098,807	15,398,187
Transport fees	31,624,779	31,422,841
Miscellaneous	124,824,847	117,763,694
	979,329,404	675,814,504

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
29. Employee related costs		
Salaries and wages	4,244,053,678	3,942,665,159
Medical aid contributions	373,453,747	341,613,908
UIF	30,803,324	32,041,398
Pension fund contributions	797,774,122	735,631,470
Travel, motor car, subsistence and other allowances	298,710,633	285,962,105
Overtime payments	305,323,007	303,652,335
Long-service awards	6,195,010	6,935,205
Incentive bonuses	356,188	245,564
Other allowances	240,433,675	269,874,800
Housing benefits and allowances	25,032,667	22,556,620
Compensation commissioner (COIDA)	37,831,668	36,154,725
	<u>6,359,967,719</u>	<u>5,977,333,289</u>
Remuneration of City Manager (Jason Ngobeni)		
Annual Remuneration	3,052,954	2,858,838
Cell phone allowance	24,000	36,000
Other	15,701	10,473
	<u>3,092,655</u>	<u>2,905,311</u>

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

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

		2015			2014		
		R			Restated*		
				R			
30. Remuneration of Top Management							
Reporting directly to City Manager							
June 2015							
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowances	Total	
Dyakala, Andile P	Group Chief Financial Officer	1,969,040	45,909	16,527	-	2,031,476	
Kwele, Lindiwe	Deputy City Manager	2,151,294	300,000	21,600	43,684	2,516,578	
Mangcu, Lisa N	Deputy City Manager	2,016,009	60,000	21,600	-	2,097,609	
Boshielo, Mokholela, K F	Deputy City Manager	1,896,009	180,000	21,600	-	2,097,609	
Lukhwareni, Ndvihoniswani	Service Delivery Co-ordinator & Transformation Manager	1,968,005	108,000	21,600	-	2,097,605	
Seabela, Bruno S	SED: Group Legal Services	1,744,575	180,000	21,600	572	1,946,747	
Aborn, Pieter K	Contract Management Director	1,696,640	12,000	21,600	-	1,730,240	
Shozi, Ernest W	Chief of Staff	1,540,896	236,412	21,600	23,664	1,822,572	
Otumile, Dudlana J	Group Chief Information Officer	1,597,308	180,000	21,600	-	1,798,908	
De Beer, Joan K	Chief of Emergency Services	1,680,200	72,000	21,600	-	1,773,800	
Ramulifho K C (From December 2014)	SED: Corporate & Shared Services	1,513,600	86,400	21,600	-	1,621,600	
Nemahagala, Tshilidzi D	SED: City Manager Support	1,658,171	81,818	14,727	-	1,754,716	
Ngobeni, Khazamula S	Chief of Police	1,719,974	-	21,600	17,552	1,759,126	
Matsena, Mapiti David	SEH: Secretariat of Council	1,352,993	234,546	21,600	-	1,609,139	
Mkhwebane, Kgaugelo W	SEH: Office of the Chief Whip	1,497,536	90,000	21,600	-	1,609,136	
Manganye, Mahlomola D	Safer City Coordinator	1,551,536	36,000	21,600	2,288	1,611,424	
Thenga, Obed	Chief Audit Executive	1,527,525	60,000	21,600	21,615	1,630,740	
		29,081,311	1,963,085	355,254	109,375	31,509,025	

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

							2015	2014
							R	Restated*
								R
30. Remuneration of Top Management (continued)								
June 2014								
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other 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 & Programme 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 April)	30SED: 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		
Mkhwebani, 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		
		27,268,054	2,284,958	363,600	171,200	30,087,812		

* Other allowances comprise S & T allowances.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

		2015	2014				
		R	Restated*				R
30. Remuneration of Top Management (continued)							
Reporting to the Deputy City Managers							
June 2015							
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowance	Total	
Madlala, Lungile N	Executive Project Manager: IRPNT	1,775,141	43,200	10,800	-	1,829,141	
Mhleka, Thembeke	SED: Economic Development	1,731,989	8,000	21,600	20,976	1,782,565	
Makgata, Makgorometje A	SED: City Planning	1,631,989	108,000	21,600	47,074	1,808,663	
Ncunyana, Zukiswa	SED: Strategy, Research & Innovation	1,667,989	72,000	21,600	16,625	1,778,214	
Ndlovu, Nomasonto Cynthia	SED: Communication, Marketing & Events	1,619,989	120,000	21,600	65,576	1,827,165	
Kekana, Seoketsa E	SED: Health & Social Development	1,600,596	48,000	21,600	19,585	1,689,781	
Maganlal, Mayur	SED: City Strategies & Performance Management	1,531,792	102,000	21,600	-	1,655,392	
Nteo, Lemao D	SED: Green Desk	1,437,587	84,000	21,600	31,922	1,575,109	
Kolisa, Mthobeli S	SED: Environmental Management	1,341,587	180,000	21,600	16,430	1,559,617	
Letlonkane, Pheko I	SED: Transport Development	1,705,904	120,000	21,600	-	1,847,504	
Mothoagae, Amolemo G	SED: Housing & Human Settlement	1,409,806	240,000	21,600	-	1,671,406	
Tshwale, Ngako D	SED: Sport and Recreation	1,388,270	-	21,600	-	1,409,870	
Mutshidza, Ndwamato T	SED: Electricity	1,601,850	-	21,600	-	1,623,450	
		20,444,489	1,125,200	270,000	218,188	22,057,877	

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

							2015	2014
							R	Restated*
								R
30. Remuneration of Top Management (continued)								
2014								
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowance	Total		
Madlala, Lungile N	Tshwane Rapid Transit Project Leader	1,363,756	64,800	16,200	-	1,444,756		
Mhleka, Thembeke S	SED: Economic Development	1,304,992	-	16,200	20,118	1,341,310		
Makgata, Makgorometje A	SED: City Planning	1,304,992	81,000	16,200	21,450	1,423,642		
Ncunyana, Zukiswa	SED: Strategy, Research and Innovation	1,304,992	54,000	16,200	-	1,375,192		
Ndlovu, Nomasonto Cynthia	SED: Communication, Marketing and Events	1,304,992	90,000	16,200	48,061	1,459,253		
Kekana, Seoketsa E	SED: Health and Social Development	1,236,447	36,000	16,200	19,585	1,308,232		
Maganlal, Mayur	SED: City Strategies and Performance Management	1,225,344	76,500	16,200	-	1,318,044		
Nteo, Lema D)	Specialist: Green Desk/City Sustainability Office	1,141,190	63,000	16,200	15,371	1,235,761		
Kolisa, Mthobeli S	SED: Environmental Management	1,141,190	-	16,200	16,430	1,173,820		
Letlonkane, Pheko I	ED: Transport Development	1,369,428	90,000	16,200	-	1,475,628		
Mothoagae, Amolemo G	SED: Housing & Human Settlement	1,237,354	180,000	16,200	-	1,433,554		
Tshwale, Ngako D	SED: Sports & Recreation	1,041,203	-	16,200	-	1,057,403		
Mutshidza, Ndwamato T	SED: Electricity	1,201,388	-	16,200	-	1,217,588		
		16,177,268	735,300	210,600	141,015	17,264,183		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
31. Remuneration of councillors		
Councillors' allowances	101,735,728	94,546,753
Travelling allowance	8,487	73,462
Councillor's housing allowance	2,448,608	2,168,287
	104,192,823	96,788,502
In-kind benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality.		
According to the organisational structure of the municipality 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.		
32. Depreciation and amortisation		
Depreciation: Investment property (note 16)	4,707,047	4,619,368
Amortisation: Intangible assets (note 17)	63,071,370	77,102,500
Depreciation: Property, plant & equipment (note 13)	1,113,079,715	1,060,000,515
Depreciation: Leased assets (note 17)	70,530,567	74,499,813
Depreciation: Rehabilitation assets (note 13)	53,637,933	27,202,069
	1,305,026,632	1,243,424,265
33. Finance costs (Interest paid)		
Long-term liabilities (external loans)	875,016,160	756,921,712
Interest rate swaps	38,959,100	-
Finance leases	13,708,000	5,170,781
Bank overdraft	14,572	2,082,826
Other finance costs (bank charges, transit banking, etc)	12,143,614	10,900,075
Amortisation: provisions	56,705,202	37,856,677
	996,546,648	812,932,071
34. Investment revenue		
Interest revenue (interest received)		
Bank	5,742,166	5,045,952
Investments	14,151,280	21,420,289
Long-term investments	15,351,018	23,484,654
Contingency Insurance	1,629,873	1,848,678
	36,874,337	51,799,573

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated*
		R
35. Debt impairment		
Contributions to bad debt provision (refer to note 20, 22, 23)	833,981,900	1,304,906,055
Please note the amounts reflected above are the net balance in the expenditure accounts.		
For the 2014/15 financial year the total amount written off was R474 939 843 for consumer debtors and R9 222 845 for other debtors which was written off against the allowance.		
In 2013/14 the total amount written off was R206 404 856 for consumer debtors and R4 416 468 for other debtors which was written off against the allowance.		
For amounts written off refer to note numbers 20,22, and 23.		
36. Bulk purchases		
Electricity	6,075,797,312	5,774,862,972
Water	1,641,280,162	1,401,846,775
	7,717,077,474	7,176,709,747
37. Grants and subsidies paid		
Grants paid to municipal entities		
Transfers to Sandspruit, TEDA and Housing Company Tshwane	191,734,734	264,529,992
Other subsidies		
Grants-In-Aid: Property Rates	25,600,087	22,006,956
	217,334,821	286,536,948

The grant-in-aid is in respect of the funding of Non-Governmental Organisation involved in empowerment programs for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.

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

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
38. General expenses		
National Health Insurance	10,188,845	24,261,102
Consumables	9,853,709	15,125,737
Commission paid	27,436,582	33,929,809
Wi-fi	179,999,729	-
Cleaning services	16,350,628	18,827,331
Protective clothing	19,518,642	17,285,419
Chemicals	37,047,061	36,359,033
Gratuities	19,567,470	18,867,743
Ward committee: Administration	11,073,657	19,475,565
Rental of plant and equipment	193,701,015	657,498,657
HIV and AIDS grant	10,923,000	22,488,400
Refreshments meetings	11,104,444	13,931,398
Insurance	115,566,744	77,117,810
LED initiatives	60,133,030	30,726,797
Imbizo	24,144,817	54,650,180
End user support	17,082,231	18,686,163
Implementation: OITPS	77,826,361	79,545,331
Postage	32,069,117	24,125,783
USDG grant expenditure	194,671	39,177,936
EPWP expenditure	30,760,000	33,170,000
Communications	47,442,492	-
Leasing of property	224,783,771	197,283,651
Advertising and marketing	12,097,513	34,873,593
Post employment benefit expenses	180,404,220	200,792,972
Consultant fees	104,961,274	40,769,734
Private sector labour	53,754,668	1,002,904
Inventory write-down	6,017,699	3,348,710
Telecommunication	101,090,279	130,200,406
External audit	20,784,528	22,712,811
Project linked housing	-	30,043,000
Forensic audit	52,099,009	45,660,547
Tshwane Open	40,000,000	39,053,869
Dinokeng	10,868,574	15,000,000
Lease expenses	62,503,204	(7,236,717)
EPWP: Job creation	139,292,437	97,045,385
Management information	43,521,370	44,071,777
Subsistence and travelling	19,704,843	11,255,276
Formalisation: Informal sector	110,376,687	137,026,793
Medical aid fund	53,648,241	50,810,843
Tshepo 10 000 Council	17,371,851	-
Locomotion allowance	24,049,393	22,753,723
Prevention of illegal land invasion	33,675,827	47,478,111
Household refuse removal	344,272,546	122,039,807
Rental vehicles - vatable	95,811,004	140,747,132
Tanker water services	19,682,340	42,806,896
CCTV	48,958,690	24,129,110
Petrol and diesel fuel	145,171,695	187,684,820
Re-aga-Tshwane	101,399,735	376,984
Legal costs	26,029,705	72,637,308
Licences	53,345,180	49,576,341
Stationery	29,841,167	25,129,536
PTIS grant expenditure	138,000,497	178,366,181
Tshwane Inner City	6,196,450	8,274,819
Internet fees	25,187,623	17,586,881
Training board fees	54,765,494	50,895,488
Stipend learners	79,754,837	-
Events management	18,981,841	29,748,590
Watchmen services	291,886,736	259,768,480
Smart Prepaid commission	808,333,532	177,557,908
Other expenses	666,844,597	401,981,053
	5,217,453,302	4,188,504,916

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
39. Cash generated from operations		
Surplus	1,178,060,902	572,223,368
Adjustments for:		
Depreciation and amortisation	1,305,026,632	1,243,424,265
Gain on sale of assets and liabilities	171,379,281	143,048,191
Fair value adjustments	(52,091,422)	(3,536,565)
Impairment deficit	147,719,487	5,200,760
Debt impairment	833,981,900	1,304,906,055
Movements in operating lease assets and accruals	(2,308,997)	(2,990,938)
Movements in retirement benefit assets and liabilities	180,404,220	200,792,972
Movements in provisions	209,837,394	203,090,187
Changes in working capital:		
Inventories	(94,480,318)	10,934,798
Other receivables	(235,069,813)	(68,761,123)
Consumer debtors	(764,617,965)	(719,013,215)
Payables from exchange transactions	281,850,569	337,585,165
VAT	24,434,494	(64,731,825)
Unspent grants and receipts	35,707,873	9,327,525
Consumer deposits	(55,763,968)	(8,150,633)
	3,164,070,269	3,163,348,987
40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	3,326,196	3,387,544
Amount paid - current year	(3,326,196)	(3,387,544)
	-	-
Audit fees		
Opening balance	1,310,946	-
Current year audit fee	17,830,402	27,526,494
Amount paid - current year	(17,830,402)	(26,215,548)
Amount paid - previous years	(1,310,946)	-
	-	1,310,946
The balance of the previous financial year was paid in the following financial year.		
PAYE and UIF		
Opening balance	76,496,349	64,637,294
Current year payroll deductions	942,824,943	847,972,730
Amount paid - current year	(859,549,709)	(771,476,381)
Amount paid - previous years	(76,496,349)	(64,637,294)
	83,275,234	76,496,349
Pension and Medical Aid Deductions		
Current year payroll deductions and council contributions	1,734,559,756	1,587,865,173
Amount paid - current year	(1,734,559,756)	(1,587,865,173)
	-	-

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014	
	R	Restated* R	
40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)			
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding as at 30 June 2015:			
# These councillors made arrangements to pay off their arrear debt.			
30 June 2015	Less than 90 days	More than 90 days	Total R
Ncube, M E	1,109	3,325	4,434
Lesufi M L	1,519	8,106	9,625
Lesufi M M (Heir) #	657	2,905	3,562
Buthelezi, M M # (Inactive)	6,405	35,198	41,603
Marema, M P	4,416	435	4,851
Matentjie, M J	1,399	4,587	5,986
Thobejane, E M #	630	13,778	14,408
Khumalo, Z C #	2,314	13,973	16,287
Majeng, M J	586	345	931
Zitha, B P & F T	1,797	599	2,396
Babane, T J	787	156	943
Mathafa, O M	551	474	1,025
Boshomane, M J	3,378	3,057	6,435
Strijdom, C E	30,143	2,149	32,292
Mabelane, V P	3,750	374	4,124
Maseko, N E	10,070	11,540	21,610
	69,511	101,001	170,512
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
Ngwenya 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
	31,267	76,483	107,750

These councillors made arrangements to pay off their arrear debt

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
41. 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.		
Supply Chain Management Regulations		
In terms of Supply Chain Management Regulation 44 awards may not be made to a person who is in service of the state. Awards were made by the municipality to persons who are in the service of the state.		
42. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	2,596,038,643	2,993,697,396
• Community	164,000,000	556,925,500
• Other	571,933,150	325,712,626
	3,331,971,793	3,876,335,522
Approved but not yet contracted for		
• Infrastructure	223,521,429	307,719,559
• Community	62,300,000	95,886,359
• Other	238,773,260	73,839,849
• Housing	-	35,000,000
	524,594,689	512,445,767
	3,856,566,482	4,388,781,289
Total capital commitments		
Already contracted for but not provided for	3,331,971,793	3,876,335,522
Not yet contracted for and authorised by accounting officer	524,594,689	512,445,767
	3,856,566,482	4,388,781,289
Note: The capital commitments disclosed in this note is based on the capital budget for the next financial year. Currently the information regarding commitments in terms of the Guideling on GRAP 19 is not yet available to disclose in the financial statements.		
This expenditure will be financed from:		
Council funding	30,000,000	140,261,793
Borrowings	1,200,000,000	1,500,000,000
FMG (Finance Management Grant)	250,000	280,000
CLS (Community Library Services)	7,551,000	4,104,047
Public contributions and donations	150,000,000	76,100,000
LG Seta discretionary grant/allocation	18,406,800	16,500,000
Capital replacement reserve	5,000,000	49,306,756
Other contributions	4,066,682	-
PTIS	770,609,000	867,571,000
Urban Settlements Development Grant	1,500,683,000	1,513,457,693
National Electrification Fund/INEP	37,000,000	32,000,000
Social Infrastructure grant	33,000,000	-
Neighbourhood Development Partnership Grant	100,000,000	175,000,000
Energy Efficiency Demand Side Management (EEDSM)	-	3,000,000
Gautrans	-	11,200,000
	3,856,566,482	4,388,781,289

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

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	2015	2014
	R	Restated* R

43. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	25,020,508	67,171,810	156,442,652	17,302,448,651	17,551,083,621
Net surplus for the year	-	-	-	1,178,060,902	1,178,060,902
Transfer to/(from reserves)	838,583	3,946,548	-	(4,785,131)	-
	25,859,091	71,118,358	156,442,652	18,475,724,422	18,729,144,523

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

	Insurance reserve	COVID reserve	Housing development fund	Other	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
Restatement of 2013/14 financial year	-	-	-	(381,098,169)	(381,098,169)
Restatement of 2012/13 and prior financial years	-	-	-	3,437,966,884	3,437,966,884
Transfer to/(from) reserves	(33,143,126)	(82,840,280)	-	115,983,406	-
	25,020,508	67,171,810	156,442,652	17,302,448,651	17,551,083,621

44. Employee benefit obligations

Pension funds

Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.

Defined contribution plan (as classified by the relevant fund):

The Municipality contributes to the following defined contribution plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee related costs, Note 29).

Tshwane Municipal Provident Fund/Tshwane Municipal Gratuity Fund 5 651 (31.45 %) of the Municipality's employees are members of this fund.	312,845,933	280,017,389
Pension Fund for Municipal Councillors The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 67 (0.37 %) of the Municipality's employees are members of this fund.	6,195,402	5,909,449
National Fund for Municipal Workers 6 252 (34.80 %) of the Municipality's employees are members of this fund.	380,608,532	346,974,897
SALA Provident Fund/Gratuity Fund 55 (0.31 %) of the Municipality's employees are members of this fund.	1,177,803	1,124,358
SAMWU National Pension Fund 14 (0.08 %) of the Municipality's employees are members of this fund.	928,555	888,292
SAMWU National Provident Fund 1 193 (6.64 %) of the Municipality's employees are members of this fund.	59,626,072	56,841,160
Germiston Municipal Retirement Fund 4 (0.02 %) of the Municipality's employees are a member of this fund.	439,572	450,515
Meshawu National Local Authorities Retirement Fund 34 (0.19 %) of the Municipality's employees are a member of this fund.	1,486,281	1,539,887
	763,308,150	693,745,947

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
44. Employee benefit obligations (continued)		
Defined benefit plan (as classified by the relevant funds):		
Tshwane Municipal Pension Fund		
256 (1.42%) of the Municipality's employees are members of this fund.		
Included in general expenses are:		
Current service cost	27,994,833	24,041,577
Interest cost	202,496,145	58,407,763
Expected return on assets	(194,855,117)	(58,069,726)
Recognised Net (Gain)/Loss	118,187,597	(24,013,553)
Defined benefit expense	153,823,458	366,061
Post-employment benefit liability (funded status)		
Present value of the obligation	(2,459,626,867)	(2,335,595,676)
Fair value of plan assets	2,233,686,185	2,247,463,862
Liability recognised in statement of financial position	(225,940,682)	(88,131,814)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	2,335,595,677	698,138,451
Interest cost	202,496,145	58,407,763
Current service cost	27,994,833	24,041,577
Member contributions	6,395,138	6,352,929
Risk premiums	(1,947,828)	(1,913,807)
Benefits paid	(127,727,283)	-
Actuarial (gain)/loss on obligation	16,820,185	12,311,255
Past service cost	-	1,538,257,509
Present value of obligation at end of year	2,459,626,867	2,335,595,677

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
44. Employee benefit obligations (continued)		
Reconciliation of plan assets (None of the Municipality's own financial instruments or property are included in the fair value of plan assets)		
Fair value of plan assets at beginning of year	2,247,463,863	694,097,951
Expected return on plan assets	194,855,117	58,069,726
Contributions	22,409,729	1,460,885,185
Risk premiums	(1,947,828)	(1,913,807)
Benefits paid	(127,727,283)	-
Actuarial (gain)/loss on obligation	(101,367,412)	36,324,808
Fair value of plan assets at end of year	2,233,686,186	2,247,463,863
Composition of plan assets:		
Cash	18.17 %	18.17 %
Equity	40.68 %	40.68 %
Bonds	8.45 %	8.45 %
Property	4.65 %	4.65 %
Other	2.33 %	2.33 %
International	25.72 %	25.72 %
Total	100.00 %	100.00 %
Actual return on plan assets	194,855,117	56,674,040
Estimated contributions to be paid to the Tshwane Pension fund in the next financial period	22,409,729	22,528,641
Municipal gratuity fund		
1 577 (8.67%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund.		
Included in general expenses are:		
Current service cost	1,329,965	2,414,596
Interest cost	5,183,923	5,609,874
Recognised Net (Gain)/Loss	12,379,149	(6,141,372)
Defined benefit expense	18,893,037	1,883,098
Post-employment benefit liability (funded status)		
Present value of the obligation	(71,244,758)	(76,279,430)
Net (expense)/income recognised in Statement of financial performance	14,914,672	5,034,672
Liability recognised in statement of financial position	(56,330,086)	(71,244,758)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	71,244,758	76,279,432
Interest cost	5,183,923	5,609,874
Current service cost	1,329,965	2,414,596
Benefits paid	(9,049,411)	(6,917,771)
Actuarial (gain)/loss on obligation	(12,379,149)	(6,141,373)
Present value of obligation at end of year	56,330,086	71,244,758
Estimated benefit payments to be paid iro Gratuities in the next financial period	7,185,066	9,049,411

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
44. Employee benefit obligations (continued)		
Multi-employer funds		
The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of paragraph 30 of IAS 19. The total contributions are included in Employee related costs, Note 29)		
SALA Pension Fund		
The actuarial valuation is carried annually since 1 July 1998. The actuarial valuation performed on 1 July 2004 showed an unfunded liability of R516,62 million (81,9 % funding level). The Municipality's employees make up approximately 5,4 % of the total membership and therefore the Municipality's possible liability with regard to the unfunded liability is calculated at R28 104 128. 693 (3.15 %) of the Municipality's employees are members of this fund.	34,440,342	35,815,687
The Government Employees Pension Fund		
Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2008 reported the fund to be in a sound financial position with a funding level of 100%. 7 (0.04%) of the Municipality's employees are members of this fund.	511,042	580,736
Joint Municipal Pension Fund		
Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 September 2010 indicated a funding level of 104.9% and the fund was in a sound financial position at the valuation date. 40 (0.22 %) of the Municipality's employees are members of this fund.	4,014,982	3,861,615
Municipal Employees Pension Fund		
The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial position with a funding level of 100%. 2 272 (12.64 %) of the Municipality's employees are members of this fund.	115,118,516	102,962,106
Magalies Water Pension Fund		
Part of the transfer of functions during 2012/13	-	(5,885)
	154,084,882	143,214,259

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
44. Employee benefit obligations (continued)		
Medical aid funds		
Included in general expenses are:		
Current service cost	25,443,000	16,423,238
Interest cost	105,946,044	92,922,554
Expected Employer Benefit Payments	(46,696,764)	(43,713,480)
Recognised Net (Gain)/Loss	(90,128,255)	36,622,636
Rounding correction	152	-
Defined benefit expense	(5,435,823)	102,254,948
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(1,232,429,948)	(1,130,175,000)
Recognised actuarial gains	5,435,823	(102,254,948)
Liability recognised in statement of financial position	(1,226,994,125)	(1,232,429,948)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	1,232,429,948	1,130,175,000
Interest cost	105,946,044	92,922,554
Current service cost	25,443,000	16,423,238
Employer contributions	(46,696,764)	(43,713,480)
Actuarial Gains/Losses	(90,128,255)	36,622,636
Rounding correction	152	-
Present value of obligation at end of year	1,226,994,125	1,232,429,948
Actuarial (gains)/losses recognised in other comprehensive income:		
Tshwane Pension Fund	118,187,597	(24,013,553)
Gratuities	12,379,149	(6,141,372)
Medical aid funds	(90,128,255)	36,622,636
Total amount of actuarial (gains)/losses recognised	40,438,491	6,467,711
Estimated employer benefit payments to be paid iro Medical aid funds in the next financial period	47,780,436	46,696,764
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	1,226,993,973	1,232,430,100
Decrease of 1 %	1,113,097,173	1,135,548,100
% change	(13.0)%	(7.9)%
Increase of 1 %	1,377,809,973	1,356,237,200
% change	15.0 %	10.1 %

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
44. Employee benefit obligations (continued)		
Long service awards		
Included in general expenses are:		
Current service cost	48,557,875	45,835,095
Interest cost	35,691,770	31,357,478
Expected Employer Benefit Payments	(40,407,011)	(40,542,857)
Recognised Net (Gain)/Loss	19,103,214	(17,168,334)
Defined benefit expense	62,945,848	19,481,382
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(564,094,126)	(544,612,744)
Recognised actuarial gains	(62,945,848)	(19,481,382)
Liability recognised in statement of financial position	(627,039,974)	(564,094,126)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	564,094,126	544,612,745
Interest cost	35,691,770	31,357,477
Current service cost	48,557,875	45,835,095
Employer contributions	(40,407,011)	(40,542,857)
Actuarial gains/losses	19,103,214	(17,168,334)
Present value of obligation at end of year	627,039,974	564,094,126
Actuarial (gains)/losses recognised in other comprehensive income:		
Long service awards	19,103,214	(17,168,334)
Estimated employer benefit payments to be paid iro Long service awards in the next financial period	42,986,327	40,407,011
Sensitivity Results		
The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following: Subsidy Increase rate:		
Salary Increase rate:		
Accrued liability 30 June	627,039,974	564,094,126
Decrease of 1 %	550,649,006	523,131,671
% change	(9.0)%	(7.3)%
Increase of 1 %	720,337,400	615,604,557
% change	11.0 %	9.1 %
Post-employment benefit liability:Statement of financial position		
Pension Fund	(225,940,682)	(88,131,815)
Municipal gratuity fund	(56,330,086)	(71,244,758)
Medical aid funds	(1,226,994,125)	(1,232,429,948)
Long service awards	(627,039,974)	(564,094,126)
	(2,136,304,867)	(1,955,900,647)

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R

44. 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	8.58 %	8.67 %
Inflation rate	6.29 %	6.35 %
Salary Increase rate	7.29 %	7.35 %
Expected rate of return on assets	8.58 %	8.67 %
Pension increase allowance	2.91 %	2.95 %
Health Care Cost Inflation	7.95 %	8.02 %

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 8.58% 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 6.29 % 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 (1.69%) and nominal bonds (8.58%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore determined as follows: $(8.58\% - 0.5\% - 1.69\%)/1.0169$.

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 accounting standard was recently amended and now requires the assumed rate of return on assets to equal the discount rate, namely 8.58%

Pension rate increase:

The fund's pension increase policy aims to grant increases of between 75% and 100% of annual CPI inflation. If an average of 87.5% is assumed then increases of 5.51% p.a. will be awarded on average over the long-term. This implies a post-retirement interest rate of 2.91% (from $1.0858/1.0551 - 1.0$).

Health Care Cost Inflation:

We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 7.95 % 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 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014			
	R	Restated* R			
44. Employee benefit obligations (continued)					
History of liabilities, assets and experience adjustments					
Amounts for the current and previous four years are as follows:					
	2015	2014	2013	2012	2011
	R	R	R	R	R
History of liabilities and assets					
Accrued liability	1,910,364,185	1,867,768,832	1,751,067,174	1,449,361,665	1,366,271,668
Plan assets	-	-	-	-	-
Surplus (deficit)	(1,910,364,185)	(1,867,768,832)	(1,751,067,174)	(1,449,361,665)	(1,366,271,668)
Experience adjustments on plan: (Gains) and Losses					
Liabilities	45,114,019	49,430,832	317,872,196	(236,307,193)	29,556,431
45. Events after the reporting date					
2014/15:					
Termination of the Security of Revenue Project (Smart meter pre-paid):					
The Master Service Agreement (MSA) between PEU Capital (Pty) Ltd and City of Tshwane to assist with the Security of Revenue Project (SORP) - which was originally signed on 6 June 2013 - has been terminated effective 30 June 2015. The system will be taken over from PEU, at a price yet to be determined. The contracted service fee, namely 19.5 cents in a Rand, will cease to be paid. From 1 July 2015, PEU will commence with a handover and transfer process estimated to last six (6) months. During the handover and transfer period, a service fee of 9.5 cents in a Rand will apply for the maintenance and upkeep of the system.					
46. Related parties					
Relationships					
Members of key management					Refer to Note 29 for remuneration of the City Manager Refer to Note 30 for remuneration of top management Refer to Note 31 for remuneration of Councillors
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					
Amounts included in trade receivables and loans regarding related parties					
Sandspruit Works Association	34,298,530				34,298,530
Amounts included in trade payables regarding related parties					
Housing Company Tshwane: Rental received on behalf of City of Tshwane	(195,431)				(187,968)
Housing Company Tshwane: Grant owed by City of Tshwane	8,000,000				-
Housing Company Tshwane: Unspent conditional grant	-				(7,849,460)
Housing Company Tshwane: Services charges owed by City of Tshwane	22,446				-
Sandspruit Works Association: Operating loss account	(12,138,910)				6,995,304
Sandspruit Works Association: Water treatment works	18,076,115				3,821,089
Sandspruit Works Association: Water accounts	3,298,235				1,451,298
TEDA	6,936				543,975
Related party transactions					
Sales to related parties					
Housing Company Tshwane: Rates	(202,305)				(167,860)
Housing Company Tshwane: Water and electricity	(91,679)				(18,382)
Housing Company Tshwane: Interest	(369)				-
Housing Company Tshwane: Deposit paid	(350)				-
Sandspruit Works Association (water purchases from CoT)	168,095,578				132,532,414
Sandspruit Works Association (electricity purchases from CoT)	1,611,919				2,876,785

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2015	2014
	R	Restated* R
46. Related parties (continued)		
Purchases from related parties		
Sandspruit Works Association (water sales to CoT)	140,954,128	116,864,174
TEDA : Loan from shareholder	-	588,482
TEDA : Printing services	1,208	-
Expenses paid on behalf of related parties		
Housing Company Tshwane : Telephone expenses	72,528	50,915
TEDA (salary of acting CEO) (seconded from CoT)	1,057,278	-
TEDA: Rental received from City of Tshwane	4,050,000	-
TEDA: SAP implementation MM and FICO	505,296	-
Grants to related parties		
Housing Company Tshwane	15,849,460	12,288,435
Sandspruit Works Association: CoT subsidy	193,576,330	161,457,228
TEDA - Grant	57,651,938	47,500,000
TEDA - rental income	4,050,000	543,975
Disestablishment of municipal entities:		
Metsweding Economic Development Agency (MEDA)	-	244,393

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. No movement in the balance during 2013/14. The balance was cleared to revenue during 2014/15.

47. Prior period restatements

Change in accounting policy

With the implementation of GRAP 103: Heritage assets in 2013 the accounting policy of the municipality regarding the valuation of heritage assets changed. However, the municipality used the transitional provisions which lapsed now on 30 June 2015. According to the transitional provisions the municipality was not required to measure heritage assets for reporting periods beginning on or after a date within three (3) years following the date of initial adoption of the standard. Up to 30 June 2014 heritage assets were therefore recognised at provisional amounts. An expert was appointed to value the heritage assets during 2014/15 and the value of heritage assets as on 30 June 2014 was therefore restated with an amount of R3 556 559 158.

Reclassification

Statement of financial performance:

A reclassification was done on general expenditure to the amount of R332 227 417 and consist of collection cost: electricity disconnection expenses were reclassified to collection cost (R67 697 425) and an amount of R264 529 992 was reclassified to grants and subsidies paid which relate to transfers to municipal entities. This reclassification was necessary as the mapping of the expenses was incorrect.

Statement of financial position:

Non-current assets held for sale (R170 509) was reclassified to property, plant and equipment in terms of the revised GRAP 100 requirements.

Other receivables and consumer receivables: An amount of R25 714 380 was reclassified from other receivables to consumer receivables as the smart prepaid electricity debtor was incorrectly mapped to other receivables.

Cash flow statement:

A reclassification between receipts from rate payers and other sources were done (R1 972 673 797) to be comparable as the calculation method with regard to the receipts from rate payers were changed during 2014/15.

A reclassification was done between payments to suppliers and transfers and grants to show the transfers to municipal entities correctly (R264 529 992), this is a result of the reclassification between general expenditure and transfers and grants.

* See Note 47

City of Tshwane Metropolitan Municipality

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	2015	2014
	R	Restated*
		R

47. Prior period restatements (continued)

An amount of R46 820 859 was reclassified between movement an long-term receivables and movement in financial assets as these two (2) line items were split on the cash flow statement during 2014/15 to give more detail information.

Correction of errors

The following is the largest restatements:

Revenue:

Service charges were restated with and amount of R267 142 due to accruals that were corrected
Rental of facilities and equipment was restated with an amount of R14 546 434 as a result of the correction of the straightlining calculations. Refer to Other debtors on Statement of financial position restatement as well.

Grants revenue was restated with an amount of R2 159 5434 as a result of incorrect expenditure against a capital project which had to be transferred to operational expenditure and the grant revenue recognition had to be reversed as well. (Refer to unspent grant under liabilities as well).

Other income was restated with an amount of R2 417 715 as a result of newly identified assets (assets identified during the year which were not on the asset register.

Expense:

Depreciation and amortisation were restated with an amount of R9 577 103 as a result of the purification of the fixed asset register,

Repair & maintenance was restated with an amount of R65 094 008 due to purification of the asset register li.e. amounts relate to operational expenditure which cannot be capitalised as an asset) and creditors accrual correction.

General expense was restated with an amount of R271 625 443 as a result of a correction of the creditors accrual as invoices were paid in 2014/15 which were dated before 30 June 2014. Refer to payables under liabilities as well.

Gain/Loss on disposal of assets was restated with an amount of R8 538 789 as a result of scrapping of assets and disposal of assets.

Finance cost was restated with an amount of R158 928 as a result of correction to lease liabilities.

Collection cost was restated with an amount of R575 365 as a result of creditors accrual correction.

Bulk purchases was restated with an amount of R28 368 560 as a result of creditors accrual correction.

Statement of Financial Position:

Other receivables were restated with an amount of R497 701 701 mainly as a result of corrections to levies for rental of facilities and waste management debtors which form party of sundry debtors and the pre-payment made to Sanral out of a capital project for which a debtor had to be created.

Investment property were restated with an amount of R2 027 321 due to purification of the fixed asset register.

The restatement of property, plant and equipment with an amount of R699 637 880 consist mainly of purification of the fixed asset register and transferring amounts to operational expenditure which cannot be capitalised as an asset under the purification of assets under construction.

Leased assets were restated with an amount of R1 847 328 and the lease liability was also restated with R1 866 272. This was due to calculation errors picked up.

Intangible assets were restated with an amount of R2 009 822 due to purification actions.

Heritage assets were restated with an amount of R3 566 559 158 due to the valuation of heritage assets as the transitional provisions of GRAP 103 lapsed on 30 June 2015.

Trade payables were restated with an amount of R271 095 713 due to the correction of creditor accruals due to late receiving of invoices (R368 317 362 increase) and the gain on transfer of functions which was transferred to revenue (R97 221 647 decrease).

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated*
		R

47. Prior period restatements (continued)

Consumer deposits were restated with an amount of R3 001 653 due to the restatement of the transfer of functions. Council approval was obtained to write off or transfer to revenue the balances which showed no movement since the transfer of functions were finalised.

VAT payable was restated to the amount of R37 537 101 mainly due to the claiming of VAT on non-vatable services e.g. transport services.

Unspent grants and receipts were restated with an amount of R2 159 545 as a result of incorrect expenditure against a capital project which had to be transferred to operational expenditure and the grant revenue recognition had to be reversed as well. (Refer to grant revenue as well).

Accumulated surplus was restated with a net amount of R3 056 868 715 consisting of decrease in the surplus of 2013/14 of R381 098 169 and an increase in the surplus of 2012/13 and prior of R3 437 966 884.

Correction on disclosure notes:

Note 48 - Related party transactions were restated due to errors picked up only in the current financial year:

TEDA:

Trade receivables were restated from R0 to R543 975 due to rental income that is owed to TEDA by the City of Tshwane

Sandspruit Works Association:

Purchases from related party was restated from R132 232 368 to R132 532 414.

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

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015		2014
	R		Restated*
			R
47. Prior period restatements (continued)			
	As previously reported	Reclassi- fication	Restated
		Correction of errors	
2014			
Statement of Financial Performance			
Revenue:			
Property rates	4,432,509,394	-	4,432,509,394
Service charges	12,364,114,235	-	(267,142) 12,363,847,093
Rental of facilities and equipment	109,863,153	-	(14,546,434) 95,316,719
Interest received outstanding consumer debtors	299,341,658	-	299,341,658
Public contributions and donations	237,944,478	-	237,944,478
Fines	196,885,787	-	196,885,787
Licences and permits	55,801,028	-	55,801,028
Government grants, subsidies, awards and donations	4,976,054,018	-	(2,159,543) 4,973,894,475
Other income	673,396,789	-	2,417,715 675,814,504
Interest received - external investments	51,799,573	-	51,799,573
Total Revenue	23,397,710,113	-	(14,555,404) 23,383,154,709
Expenditure:			
Remuneration	5,977,333,289	-	5,977,333,289
Remuneration of Councilors	96,788,502	-	96,788,502
Depreciation and amortisation	1,233,847,162	-	9,577,103 1,243,424,265
Impairment loss/reversal of impairments	5,200,760	-	5,200,760
Finance cost	813,090,999	-	(158,928) 812,932,071
Debt impairment	1,304,906,055	-	1,304,906,055
Collection costs	92,048,535	67,697,425	575,365 160,321,325
Repairs and maintenance	1,302,647,008	-	65,094,008 1,367,741,016
Bulk purchases	7,148,341,187	-	28,368,560 7,176,709,747
Grants and subsidies paid	22,006,956	264,529,992	286,536,948
General expenses	4,249,106,890	(332,227,417)	271,625,443 4,188,504,916
Total expenditure	22,245,317,343	-	375,081,551 22,620,398,894
Gain/(loss) on disposal of assets and liabilities	(151,586,980)	-	8,538,789 (143,048,191)
Fair value adjustments	(47,526,582)	-	(47,526,582)
Gain/(loss) on foreign exchange	42,326	-	42,326
Surplus for the year	953,321,534	-	(381,098,166) 572,223,368

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015			2014	
	R			Restated*	
	R			R	
47. Prior period restatements (continued)					
	As previously reported	Changes in accounting policy	Reclassification	Correction of errors	Restated
2014					
Statement of Financial Position					
Current assets					
Inventory	388,533,035	-	-	-	388,533,035
Current portion of long-term receivables	162,118,924	-	-	-	162,118,924
Other debtors	633,834,417	-	(25,714,380)	497,701,701	1,105,821,738
Consumer debtors	2,518,811,868	-	25,714,380	-	2,544,526,248
Call investment deposits	622,948,673	-	-	-	622,948,673
Cash and cash equivalents	174,299,426	-	-	-	174,299,426
Non-current assets					
Investment property	851,177,551	-	-	2,027,321	853,204,872
Property, plant and equipment	26,071,567,438	-	170,509	(699,637,880)	25,372,100,067
Leased assets	9,931,773	-	-	(1,847,328)	8,084,445
Intangible assets	391,730,090	-	-	(2,009,822)	389,720,268
Heritage assets	25,750,552	3,566,559,158	-	-	3,592,309,710
Investments	5,807,092	-	-	-	5,807,092
Long-term receivables	108,213,966	-	-	-	108,213,966
Interest rate swaps	34,411,454	-	-	-	34,411,454
Non-current assets held for sale	170,509	-	(170,509)	-	-
Current liabilities					
Trade and other payables from exchange transactions	5,207,107,468	-	-	271,095,713	5,478,203,181
Deferred operating lease liability	2,308,997	-	-	-	2,308,997
Long-term liabilities	507,144,757	-	-	-	507,144,757
Lease liabilities	10,624,474	-	-	(1,878,706)	8,745,768
VAT payable	45,916,232	-	-	37,537,101	83,453,333
Unspent grants and receipts	132,498,219	-	-	2,159,545	134,657,764
Consumer deposits	410,025,312	-	-	(3,001,653)	407,023,659
Non-current liabilities					
Long-term liabilities	8,743,549,702	-	-	-	8,743,549,702
Lease liabilities	210,183	-	-	12,434	222,617
Retirement benefit obligation	1,955,900,647	-	-	-	1,955,900,647
Provisions	445,691,718	-	-	-	445,691,718
Interest rate swap liability	44,114,153	-	-	-	44,114,153
Equity					
Accumulated surplus	14,494,214,906	-	-	3,056,868,715	17,551,083,621

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015		2014
	R		Restated*
			R
47. Prior period restatements (continued)			
	As previously reported	Reclassification	Correction of errors
			Restated
2014			
Cash flow statement			
Cash generated from operations			
Cash receipts from ratepayers and service charges	14,174,122,626	1,972,673,797	-
Cash receipts from other revenue sources	3,747,875,554	(1,972,673,797)	(420,537,921)
Grants	4,983,222,000	-	-
Cash paid to suppliers	(12,876,189,503)	264,529,992	412,117,476
Cash paid to employees	(6,074,121,790)	-	-
Transfers and grants	(22,006,956)	(264,529,992)	-
Finance costs (interest paid)	(813,090,999)	-	158,928
Interest Income	51,799,573	-	-
Net cash generated from operations	3,171,610,505	-	(8,261,517)
Cash flow from investing activities			
Purchase of property, plant & equipment	(4,617,961,242)	-	(972,246)
Purchase/redemption of leased assets	117,884	-	2,340,752
Proceeds from sale of property, plant & equipment	(20,591,172)	-	9,163,630
Purchase of investment property	23,316,350	-	724,160
Purchase of other intangible assets/restatements	(9,045,120)	-	(549,807)
Proceeds from sale of intangible assets	13,434,315	-	-
Purchase of heritage assets	(7)	-	7
Proceeds from sale of heritage assets	536	-	-
Movement in long-term receivables	-	(46,820,859)	-
Movement in financial assets	(47,641,739)	46,820,859	-
Movement in interest rate swap asset	47,142,677	-	-
Movement in interest rate swap liability	44,114,153	-	-
Net cash from investing activities	(4,567,113,365)	-	10,706,496
Cash flow from financing activities			
Proceeds from long-term liabilities	1,600,000,000	-	-
Repayment of long-term liabilities	(648,221,694)	-	-
Finance lease repayments	(81,149,114)	-	(2,444,976)
Net cash from financing activities	870,629,192	-	(2,444,976)
Net cash flow			
Net increase/(decrease) in cash and cash equivalents	(524,873,668)	-	-
Cash and cash equivalents at the beginning of the year	1,322,121,767	-	-
Cash and cash equivalents at the end of the year	797,248,099	-	-
			797,248,099

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
48. Unauthorised expenditure		
Opening balance	1,193,981,952	-
Unauthorised expenditure in current year (refer Appendix D for detail)	1,023,573,003	1,193,981,952
Less: Approved/Condoned by Council in respect of previous financial year	<u>(1,193,981,952)</u>	-
	<u>1,023,573,003</u>	<u>1,193,981,952</u>

2014/15:

Group Financial Services = R4.002 million
 Health and Social Development = R16.813 million
 Metro Police Services = R162.815 million
 Information and Communication Technology Management = R120.838 million
 Office of the Chief Audit Executive = R99.105 million
 Regional Service Delivery = R272.901 million
 Service Infrastructure: Electricity = R32.419 million
 Service Infrastructure: Water and Sanitation = R271.421 million
 Transport = R43.259 million

Refer to the Appendices (Appendix D) relating to municipal votes and revenue and expenditure line items for more detail.

2013/14:

For the 2013/14 financial year over expenditure to the value of R1 193.982 million 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 = R10.006million
 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
 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

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.

49. Fruitless and wasteful expenditure

Opening balance	13,503,181	13,139,024
Fruitless and wasteful expenditure in current year (from declarations)	992,600	329,768
SCM: Lowest price quotation not selected	-	1,894
Electricity: disputing interest levied by Eskom	-	32,495
Less: Approved by Council/Condoned/repaid/written off	<u>(329,768)</u>	-
	<u>14,166,013</u>	<u>13,503,181</u>

Detail regarding the balance and current year incidents are as follows:

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)

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated*
		R

49. Fruitless and wasteful expenditure (continued)

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

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

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

2010: Incident 3: Office of the Executive Mayor - appointment of service provider for distribution of newsletter not approved - SEO condoned as there was no wilful misconduct.

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

2012: Incident 1: Emergency Services - Establishment and launch of water pod system and BESAFE centres in identified areas - condoned by Council.

2012: Incident 2: City Planning - insurance claims repudiated - survey equipment, digital camera and laptop - to be recovered from employee and discussion to be held with other two employees.

2012: Housing - SARS penalties to be paid - in process to reconcile with SARS (R1 295)

2012: Public Works (Electricity) - payment of storage fees and repairs for vehicles on tenders CB65/2005 and CB22/2006 - investigation to be conducted.

2012: Fruitless and wasteful expenditure - erstwhile Kungwini Local Municipality as per the annual financial statements of 2010/11 - take on in terms of the transfer of functions.

2012: Fruitless and wasteful expenditure - erstwhile Nokeng Local Municipality as per the annual financial statements of 2010/11 - take on in terms of the transfer of functions.

2013: Housing - SARS penalties and UIF - Resolved and settled with penalties that were levied (R6 678)

2014: Group Finance - Fraud – Cheque 695497 R 35,376.29 to NF 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. Condoned during 2014/15.

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. Condoned during 2014/15

2014: SCM - lowest price quotation not selected (non-compliance with SCM regulations) - R1 893.82

2014: Electricity bulk purchases - disputing interest levied by Eskom (R32 494.67).

2015: Electricity bulk purchases - Eskom interest (R664 831.75).

2015: Group Financial Services - Fraud - cheques (R327 767.81).

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
50. Irregular expenditure		
Opening balance	434,490,191	284,186,513
Add: Irregular Expenditure(from declarations) - current year	128,602	-
Add: Irregular expenditure due to non-compliance with regulation 44 of MFMA - Persons in service of City of Tshwane	107,275	8,328,629
Add: Irregular expenditure ito section 32 of the MFMA	65,083,419	11,903,603
Add: Irregular expenditure due to rotation of suppliers	-	505,891
Add: Irregular expenditure due to procurement splitting	-	427,439
Add: Irregular expenditure due to unfair and subjective awards	-	189,999
Add: Irregular expenditure because 3 quotations were not obtained	-	68,101
Add: Irregular expenditure due to lowest price quotation not selected	-	80,548
Add: Irregular expenditure due to BRT System contract 239	-	79,161,683
Add: Irregular expenditure due to transactions with employees	-	1,794,764
Add: Irregular expenditure due to no disclosure of awards to spouses of employees	-	2,416,421
Add: Irregular expenditure due to value of awards made not disclosed	-	1,202,640
Add: Irregular expenditure due to SCM deviations	-	24,773,145
Add: Irregular expenditure due to the Ward committee system found to be invalid by the courts	-	19,450,815
Add: Post facto payment for sanitary services - July 2014	4,290	-
Less: Approved/condoned during the year	(50,611)	-
	499,763,166	434,490,191

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Ex facto payments - section 32	Non-compliance with SCM regulations	19,049,921
Declaration: Group Financial Services - Remuneration	Court judgement in favor of employee who was reinstated	42,246
Declaration: Corporate and Shared Services - Salaries of 3 employees paid into fraudulent bank account	Matter is still investigated	82,066
Declaration: Emergency Services - post facto payment for sanitary services	Deviation report submitted to EAC	4,290
		19,178,523

Details of irregular expenditure condoned

	Condoned by Council/City Manager/SED	
2015: Group IT & Communications Management - engaging service provider while contract has expired	Condoned by Council	50,611
		-
		-
		50,611

The irregular expenditure relating to prior year deviations were condoned in terms of the Supply Chain Management Policy by the Accounting Officer and were noted by Council. 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 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R

51. Regulation 45 disclosure

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.

The information regarding awards made for the financial year is indicated below.

Municipality

Employee	Family member and capacity	Value of awards June 2015	Value of awards 30 June 2014
F C Wilkins (Fire fighter senior/leading)	E J Wilkens (Spouse)	45,444	-
L W M Maudi (Deputy director: Cemeteries)	C M Maudi (Spouse)	13,950	-
G G Jacobs (Functional Head: Fleet Support & Logistics)	E M Jacobs (Spouse)	127,628	-
T G Ngwenya (Deputy Director: Judicial Operational Support)	N L M Ngwenya (Spouse)	66,000	-
N P Kekana (Constable/Sergeant)	M G Kekana (Spouse)	3,800	-
N C Mulaudzi (Social Worker)	R C N Mulaudzi (Spouse)	12,105	-
M M Siwela (Snr HR Benefits Administrative Specialist)	D K Siwela (Spouse)	41,959	-
A Springbok (Snr Safety Officer)	V Springbok (Spouse)	31,995	-
W J Snyman (Storekeeper)	Z Snyman (Spouse)	84,336	-
T M Madiba (Administrator)	Spouse	-	9,000
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 Z 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 Dithake (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	-	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
		427,217	8,880,943

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
52. In-kind donations and assistance		
2014/15:		
The Municipality received the following in-kind- donations and assistance during the 2014/15 financial year:		
<ul style="list-style-type: none"> • Emergency Services Department received the following: <ul style="list-style-type: none"> # Simba chips (4 boxes) from Willard's Factory for the Fire Brigade Service to the value of R600 # Telephone instruments from Mediscor for the Emergency Operational Call Centre and Technical Support section to the value of R96 000 • Metro Police Services: <ul style="list-style-type: none"> # Flights, accommodation and conference fees - estimated value R122 627 # Horse for duty - estimated value R10 000 # Sponsorship to Barcelona Tetra Conference - 3 persons attended # Training course of the Law Enforcement Agency for 5 members # Furniture donated by USA Embassy - estimated value R50 000 • Corporate and Shared Services: <ul style="list-style-type: none"> # Pen and memory stick set, power bank, wrist silicone memory stick, key chain (2) and bag # Promotional material for the Women's month event for interns and Tshepo 10 000 staff - estimated value R50 # TSEA project cookbook - estimated value R300 # George Foreman food fryer from DPSA for being an adjudicator for the National Service Excellence Awards - estimated value R500 		
The Municipality rendered the following in-kind- donations and assistance during the 2014/15 financial year to date:		
<ul style="list-style-type: none"> • Disaster Management Division - blankets, food, mattresses, plastic to cover roofs • Fire brigade services to the value of R29 884 • Fire brigade services accounts waived and free quotes to the value of R1 084 418 		
53. Operating leases		
The municipality leases premises (buildings and parking) from various property owners for terms ranging from three to five years with fixed annual escalation ranging from 8% to 10 %. The municipality has the option to extend the agreement for periods ranging between one month and three years.		
The amounts of minimum lease payments under non-cancelable operating leases in respect of office equipment were repaid in full during the 2013/14 financial year.		
The amounts of minimum lease payments under non-cancelable operating leases in respect of vehicles (busses) were repaid in full during the 2014/15 financial year.		
Non-cancelable property leases		
Payable within a year	-	11,686,260
Non-cancelable vehicles - busses		
Payable within a year	57,600,000	43,200,000
54. Rental income straightlining		
Gross investment in the lease due		
- within one year	15,977,384	16,065,876
- in second to fifth year inclusive	40,756,239	45,275,540
- later than five years	168,689,254	174,427,697
	225,422,877	235,769,113
55. Contingencies		
Housing loan guarantees		
Guarantees for housing loans to employees at financial institutions	13,000	192,394

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.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	Restated* R
55. Contingencies (continued)		
Indemnification		
Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	71,118,358	67,171,810
<p>The capitalised value as at 31 December 2014 which is calculated by the department of Labour amounted to R71 118 358. The actual amount is guaranteed with a bank guarantee during 2014/15.</p>		
Guarantees issued		
Guarantees issued in favour of Eskom	213,500	213,500
Insurance claims		
Pending claims iro asset-, motor own damage- contractors and electricity claims	438,747,631	27,132,083
Pending claims iro public liabilities	281,114,770	23,375,225
	719,862,401	50,507,308

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 31 December 2014, has a balance of R25 020 508 (2014 = R25 020 508 and 2013 = R58 163 634).

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

Housing and Sustainable Human Settlement Development Department:

Case 1:

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. Awaiting court date.

Case 2:

Expropriation: Property was expropriated by the City of Tshwane and the claimant is not satisfied with the amount of compensation paid. Negotiations are underway to find an appropriate amount (R790 000). Awaiting court date.

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.

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. There is a dispute regarding the payment of the claim. Negotiations to resolve the matter took place and the matter is still pending.

* See Note 47

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55. Contingencies (continued)

Case 5:

Demand for legal fees for debt collection The matter pertains to a dispute relating to legal fees. Apparently, the municipality verbally ("orally engaged the services of") instructed a firm of attorneys in September 2005 to do debt collection on behalf of the municipality and that the municipality owes the legal firm R1 657.251.00 (being the legal costs on work done on 951 files). The matter is defended.

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.

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:

Damages claim for wrong calculation. Consumer is alleging that because the municipality had incorrectly charged for services accounts, they are now seeking damages in the form of a refund for over payment (R20 274.48).

Case 9:

Claim for refund of money overpaid for electricity due to wrong calculation. Claimant are now seeking damages in the form of a refund for over payment (R45 306.94).

Corporate and Shared Services: Property Management and Community Safety:

Case 1:

Breach of contract. Matter arises out of a contract that was concluded in Pretoria and the breach terms thereof put the Magistrate Nigel as the forum for adjudication. Matter is in Court on that dispute (R100 000).

Case 2:

Breach of contract. Claimant claims that the municipality has constructively dismissed him in that his position was no longer available on the erstwhile Nokeng Municipality organogram. He then resigned on the basis that he has been constructively dismissed and claimed compensation. He further claims performance bonuses for 4 years. Defence of the municipality is that he was never constructively dismissed. The matter is still pending (R159 705.00).

Case 3:

Breach of contract: Matter arises out of 2 councillors and an official procured work to be done for the City without following prescribed procurement procedures. Claimant now sues for payment (R796 680.00). Both councillors are no longer in office and the official is on suspension.

Case 4:

Unfair dismissal. The municipality (erstwhile Nokeng) advertised positions for 8 student traffic officers. The claimants (3) applied for the positions, were interviewed and subsequently appointed even though they did not meet one or more of the minimum requirements. The then Chief financial officer discovered it and indicated that he will not continue to pay them. They were then relieved of their duties after an internal hearing. They should not have been interviewed in the first place. the matter is still pending at the Bargaining Council. (R97 734.00).

Case 5:

Unfair labour practice: The municipality (erstwhile Nokeng Municipality) paid employer medical aid contributions directly to the claimant even though she was not a member of any designated medical aid fund. No contributions should have been made for her let alone directly paid to her as part of her salary. The matter is still pending (R42 000.00).

Case 6:

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. (R2 250 000.00).

* See Note 47

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55. Contingencies (continued)

Case 7:

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 8:

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 judgement 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 judgement and a trial date is awaited.

Case 9:

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 10:

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.

Case 11:

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 12:

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. Value of the claim cannot be estimated at this stage.

Case 13:

This is a claim for stolen pension money. Claimant was an employee of the City of Tshwane and a cheque for his pension payout was issued and given to the wrong person. Plaintiff never received his cheque. Estimated value R327 211.32.

Case 14:

Tender for the hiring of vehicles for use by the electricity department. Services provided and never paid for (R6 964 617.00).

Case 15:

Unfair labour practices: Various cases in arbitration or Labour Court stage. Amounts not quantified.

Public Works and Infrastructure Development Department

Case 1:

Retention monies claim: Applicant want the City of Tshwane to pay retention monies withheld by the municipality since the project laying sewer network pipes was stopped. (R2 508 171.92)

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 judgement. The City of Tshwane opposed the summary judgement application and this was upheld and the City was granted leave to defend.

Case 3:

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 858 036.62.

* See Note 47

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55. Contingencies (continued)

Case 4:

Breach of contract. Matter arises from a tender awarded to provide security services on information gathered by the City. Matter has been finalised but the City has to date not retrieved its information from the company (R98 724.00).

Case 5:

Breach of contract, tender awarded to plaintiff for City wide communication system. 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 6:

Breach of contract. Plaintiff provided services to the municipality but was never paid. Hence the claim of R159 219.22.

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:

Contribution payment for bulk services. In this matter summons was issued for the payment of bulk services contributions after the City of Tshwane took over the services. Plaintiff alleges that they are entitled to a refund every time a new developer connects to services the plaintiff installed. The matter was defended and a trial date is awaited. R150 000.00.

Case 9:

Payment of bulk services contribution. Plaintiff alleges they had an agreement with the erstwhile Kungwini Municipality in that they would during township development install infrastructure which is the responsibility of Kungwini Municipality and in turn Kungwini Municipality would refund them. R2 705 431.37.

Case 10:

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 11:

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 12:

Constructive dismissal damages claim. Plaintiff was diagnosed with PTS disorder which was 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 (R850 883.71). Awaiting a new trial date.

Case 13:

Personal injury allegedly caused by Council's negligence by leaving cables hanging and the substation's door open and a result a young boy was electrocuted and his body sustained 90 degree burns. Claim value cannot be estimated at this stage.

Case 14:

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 15:

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. A closer look at the summons revealed that looking at the dates of birth of those people, they could never have been former residents of that area. They are also not alleging to be claiming through their parents or grand parents or even great great parents. Awaiting court date. The amount of the claim cannot be estimated at this stage.

Case 16:

The applicant has 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 of the medical aid scheme after their retirement in terms of the applicable pension rules. Applicant wants an order declaring that the municipality has a contractual obligation to contribute towards premiums payable by retired employees towards the medical aids. The matter is being defended and the municipality is preparing for trial. The amount of the claim cannot be estimated at this stage.

* See Note 47

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55. Contingencies (continued)

Case 17:

Breach of contract: Applicant is taking the matter to court over an interpretation of the contract. The dispute is about the contract price adjustment. No amount claimed, simply a referral to arbitration on interpretation of the contract.

Case 18:

Breach of contract: Construction of roads within the City of Tshwane. Work done and contractor never paid. Awaiting court date. R25 762 056.85.

Agricultural and Environmental Management Department

Case 1:

The plaintiff issued summons for damages for the alleged breach of contract by appointing two new contractors before the expiry of the tender. Relief sought is payment in the amount of 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. Claimant is suing for payment in respect of services rendered to the City of Tshwane. R1 120 884.52.

Case 3:

Breach of contract. Claim arises out of work allegedly done which the relevant department disputes. Matter is defended. R1 210 876.70.

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.

Case 5:

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 6:

Waste Management ordered delivery of refuse bins which were delivered. Contractor was never paid. Refuse bins was defective. R158 232.00.

Case 7:

Tender for the provision of security services at 5 locations in the erstwhile Kungwini Municipality. Services provided and never paid. R16 720 095.15.

Health and Social Development

Case 1:

Breach of contract. Tender by City for pesticides and insecticides. Work done and never paid for. Payment for damages claimed. R64 993.74

Transport and Roads Department:

Case 1:

Breach of contract: Matter arises out of roads and water reticulation services by a tenderer who was incompetent and the work was completed by another contractor. The original contractor now claims payment for the full contract price. Matter is before court. R690 446.30.

Office of the Speaker

Case 1:

Claim for services rendered. Matter arises out of a dispute over the terms of a tender. Contractor did work which the relevant department denies ever receiving. Matter is before court. R2 360 610.06.

Metro Police Services

Case 1:

Breach of contract: Security services were provided but never paid for. R620 103.18

* See Note 47

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56. Change in estimate		
Property, plant and equipment		
The useful lives of all asset classes was reviewed and adjusted during 2014/15 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.		
During 2014/15 certain water and sanitation assets were assessed to provide a deeper level of detail to align with best practice asset management practice. Through this data improvement exercise some components were unbundled to align with the adopted Data Dictionary. The total number of assets affected was 360 748.		
The effect of changing the remaining useful lives during 2014/15 has increased the depreciation charge for the current and future periods. The total number of assets affected was 360 748.		
Effect of change in estimates		
Other and infrastructure assets	45,910,656	29,201,650
57. Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the financial statements.		
In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:		
<ul style="list-style-type: none">• in an emergency• if such goods or services are produced or available from a single provider only• for the acquisition of special works of art or historical objects where specifications are difficult to complete• acquisition of animals for zoos and/or nature and game reserves• in any other exceptional case where it is impractical or impossible to follow the official procurement processes		
Deviation from tender and quotation process:		
* Sole suppliers		
* Emergency		
* Impracticality 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	137,793,700	94,066,541
Deviation from quotation process		
Amounts below R200 000	-	570,880

* See Note 47

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58. 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 ending 30 June 2015 :

Other own revenue category:

- * Rental of facilities and equipment (56.3% under) - this line item is based on demand from users of the facilities and equipment.
- * Interest on external investments (44.6% under) - decrease in interest earned due to decrease in investments held
- * Interest on outstanding debtors (71.6 % over) - over recovery is due to increase in levying of interest on long overdue accounts.
- * Fines (41.5 % over) - this is due to the IGRAP1 accounting requirements on AARTO fines.
- * Public contributions (85.8% over) - under recovery is due to more contributions in terms of township establishment and rezoning applications
- * Other income (23.2% under) - under recovery due to Tshwane Open, insurance claims, sale of airplane fuel, TRT services and land sales revenue not realising as anticipated

Other expenditure category:

- * Debt impairment (23.3% over) - over expenditure is due to write off of region 5 & 7 debtors amounts in July 2014 and IGRAP requirements in respect to AARTO fines
- * Grants and subsidies paid (15.5% under) - due to less applications received than anticipated in the budget.
- * Depreciation (29.6% over) - due to purification of asset register and review of useful lives.

Capital expenditure:

The capital expenditure shows a 94% spending level against the total budget at the end of the financial year..

Changes from the approved budget to the final budget

The adjustment budget was approved by Council on 26 February 2015.

The mid-year budget review report approved by the Council on 29 January 2015, indicated the necessity for an Adjustments Budget for the 2014/15 financial year for, inter alia the following:

- to adjust operating revenue sources in line with performance trends
- to accommodate GRAP related provisions
- to authorise the utilization of projected savings in one vote towards spending under another vote; and
- to facilitate the inclusion of rolled over/transfer grant funding.

The Council approved the 2014/15 Original Revenue Budget to the amount of R26.918 billion which was increased with R236.815 million to R27.154 billion (increase of 0.88%). Furthermore, the total expenditure of R23.274 billion was increased with an amount of R736.386 million to R24.010 billion (increase of 3.16%). As a result the budgeted surplus of R3.644 billion was decreased to R3.144 billion, indicating that contractual obligations compromised the downscaling of expenditure.

After the adjustment budget was approved it was determined that the LG Seta discretionary allocation is not a grant and it was reclassified to other revenue (budget amount R689 400).

On the budgeted cash flow statement the consumer deposits was incorrectly accounted for under net cash from financing activities whereas it should actually be part of net cash from operating activities (R8 200 000).

59. Distribution losses: Water

Non-revenue Water (NRW) - kilolitre

Technical	46,600,996	47,392,725
Non-technical	11,650,249	11,848,181
	58,251,245	59,240,906

Non-revenue Water (NRW) - Rand value

Technical	279,908,986	261,085,349
Non-technical	69,977,246	65,271,336
	349,886,232	326,356,685

* See Note 47

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59. Distribution losses: Water (continued)

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

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

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

These losses are caused by:

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

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

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 2015 the NRW in the city was calculated at 58 251 245 kl (18.94% of the total input into the system). This indicates a deterioration of NRW in the city when compared to June 2014 where the NRW was 59 240 906 kl (20.7% of the total input into the system). The losses in R-value amounts to R349.8 million. The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R6.00 for 2014/15 and R5.50 for 2013/14 respectively.

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 was 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.

60. Distribution losses: Electricity

Distribution loss: kWh

Technical	674,884,927	688,355,278
Non-technical	872,529,799	712,939,396
	<u>1,547,414,726</u>	<u>1,401,294,674</u>

Distribution loss - Rand value

Technical	424,584,756	402,343,660
Non-technical	548,927,434	416,713,077
	<u>973,512,190</u>	<u>819,056,737</u>

For the 2014/15 financial year the distribution losses amount to 16,05%. The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold. For the 2013/14 financial year the distribution losses amounted to 14,25%.

The City of Tshwane 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).

* See Note 47

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60. Distribution losses: Electricity (continued)

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 2014/15 financial year the value of non-technical loss amounts to R548.9 million or 872 529 799 kWh (2013/14 = R416,7 million or 712 939 396 kWh) based on the cost per unit purchased namely 62,91 c/kWh (2013/14 = 58,45 c/kWh).

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 2014/15 financial year the value of technical loss amounts to R424,5 million or 674 884 927 kWh (2013/14 = R402.3 million or 688 355 278 kWh) based on the cost per unit purchased namely 62,91 c/kWh (2013/14 = 58,45 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

61. Deferred operating lease liability

Non-current liabilities	-	-
Current liabilities	-	(2,308,997)
	<u>-</u>	<u>(2,308,997)</u>

There were no operating lease liabilities at the end of 30 June 2015.

62. Impairment of assets

Impairments

Property, plant and equipment	<u>147,719,487</u>	<u>5,200,760</u>
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The main classes of assets affected by impairment losses are: Moveable Assets with a condition rating of poor and very poor. Infrastructure assets were impaired according to specific indicators. Assets held for sale: Fair values were determined based on the selling price of assets received according to previous auctions held, taking into consideration its current condition.

Assets were impaired according to specific indicators. For the 2014/15 year included in the impairment figure is also impairment on assets under construction (AUC).

* See Note 47

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63. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had an accumulated surplus of R18 610 265 861 (2014 = R17 302 448 648) and that the municipality's total assets exceed its liabilities by R 18,729,144,524 (2014 = R17 551 083 621). The difference consist of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R253 420 101.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

64. 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.

65. 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 .

66. Expenditure by National Treasury classification

Expenditure type		
Employee related cost	6,359,967,720	5,977,333,289
Remuneration of councillors	104,192,823	96,788,503
Debt impairment	833,981,900	1,304,729,422
Depreciation and asset impairment	1,452,746,119	1,239,047,922
Finance charges	996,546,649	813,090,998
Bulk purchases	7,717,077,475	7,148,341,187
Other materials	267,893,468	311,868,288
Contracted services	2,936,860,920	3,676,033,109
Transfers and grants	217,334,821	227,042,145
Other expenditure	3,449,176,885	1,298,055,846
Loss on disposal of property, plant and equipment	192,004,082	152,986,634
	24,527,782,862	22,245,317,343
Total expenditure per statement of financial performance	24,662,324,300	22,245,317,343
Undefined Difference	(134,541,438)	-
	-	-

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67. 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:

During 2014/15 the municipality entered into interest rate swaps with the following role players:

Regiments:

Trade date: 1 September 2014 and Settlement date: 1 March 2023

Nominal amount: R573 577 919

Fixed rate: 9.75% and Variable rate: Jibar + 2.55 basis points

Payable: Semi-annual

Regiments:

Trade date: 30 June 2014 and Settlement date: 30 June 2034

Nominal amount: R1 600 000 000

Fixed rate: 11.0% and Variable rate: Jibar + 2.50 basis points

Payable: Semi-annual

Regiments:

Trade date: 18 August 2015 (effective date 29 June 2015) and Settlement date: 29 June 2035

Nominal amount: R1 500 000 000

Fixed rate: 11.48% and Variable rate: Jibar + 2.4 basis points

Payable: Semi-annual

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 R38 959 100 were recognised in surplus or deficit during 2013/14 as part of finance cost - refer note 33 .

The fair value of interest rate swaps for the period under review is as follows:

Interest rate swap - amounts (in total)

Interest rate swap asset	130,122,756	34,411,454
Interest rate swap liability	(85,625,408)	(44,114,153)
	<u>44,497,348</u>	<u>(9,702,699)</u>

* See Note 47

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2015

	Interest Rate (%)	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2015	Carrying Value of Property, Plant & Equipment
			Rand	Rand	Rand	Rand	Rand	Rand
LOCAL REGISTERED STOCK :								
Issued								
Loan 105 (Issued 1997)	16.65	2014.06.30	-	-	-	-	-	-
Loan 43 (Issued 1984)	16.25	2004.04.30	5,000	-	5,000	-	-	-
			5,000	-	5,000	-	-	-
TERM LOANS								
DBSA: bullet portion	13.50	2018.04.30	51,897,643	-	-	(214,766)	51,682,877	59,111,265
DBSA: Floating rate	Variable	2019.10.31	78,331,528	-	-	-	78,331,528	89,590,130
DBSA Bullet repayment loan	Jibar +2.5 margin	2034.06.30	1,600,000,000	-	-	-	1,600,000,000	1,829,968,237
DBSA Bullet repayment loan	Jibar +2.5 margin	2035.06.30	-	1,500,000,000	-	-	1,500,000,000	1,715,595,222
			1,730,229,171	1,500,000,000	-	(214,766)	3,230,014,405	3,694,264,854
ANNUITY LOANS:								
DBSA	13.5	2018.04.30	142,607,677	-	24,044,666	(1,010,581)	117,552,430	134,448,259
DBSA (Restructuring)	10.97	2018.12.31	133,548,252	-	24,410,235	-	109,138,017	124,824,440
INCA	11.03	2019.06.30	10,451,340	-	1,667,585	-	8,783,755	10,046,245
INCA	9.52	2020.03.31	129,428,391	-	16,490,704	(437,266)	112,500,421	128,670,123
INCA	11.01	2020.06.30	29,662,375	-	3,720,633	-	25,941,742	29,670,353
DBSA	9.36	2020.12.31	165,075,115	-	19,482,309	-	145,592,806	166,518,882
INCA	10.92	2020.12.31	62,583,790	-	7,052,981	-	55,530,809	63,512,260
INCA	10.81	2021.06.30	52,555,938	-	5,357,931	-	47,198,007	53,981,784
DBSA	5.0	2021.12.31	55,609,388	-	6,818,916	-	48,790,472	55,803,134
DBSA	9.84	2021.12.31	253,457,829	-	26,672,580	-	226,785,249	259,381,127
Ivuzi	8.74	2021.12.31	131,016,719	-	13,009,324	-	118,007,395	134,968,614
DBSA	6.25	2028.06.30	81,358,425	-	3,781,169	-	77,577,256	88,727,446
DBSA	12.81	2028.06.30	179,757,875	-	5,103,853	-	174,654,022	199,757,070
DBSA	11.32	2028.06.30	179,213,252	-	5,317,194	-	173,896,058	198,890,165
ABSA Roodeplaat Temba	12.5	2021.03.31	169,910,190	-	15,753,175	(83,396)	154,073,619	176,218,642
DBSA Roodeplaat Temba	11.99	2021.03.31	87,439,470	-	8,253,810	(152,448)	79,033,212	90,392,668
Nedbank Roodeplaat Temba	12.51	2021.03.31	116,813,254	-	10,830,309	(57,333)	105,925,612	121,150,317
DBSA TIP	6.75	2029.06.30	128,705,566	-	5,181,347	-	123,524,219	141,278,373
Nedbank	9.27	2020.05.18	251,662,110	-	33,376,163	(115,701)	218,170,246	249,527,887
Nedbank	9.32	2020.06.16	250,338,506	-	33,231,986	7,380	217,113,900	248,319,712
Standard Bank	7.72	2026.06.30	881,198,270	-	46,361,362	(217,898)	834,619,010	954,578,923
DBSA	5.00	2016.08.31	469,251	-	209,177	-	260,074	297,456
DBSA	15.04	2016.06.30	9,484,154	-	4,393,171	-	5,090,983	5,822,710
Standardbank - Magalies Water	13.50	2014.09.30	335,755	-	335,755	-	-	-
Nedbank	Jibar	2029.06.29	620,108,275	-	45,367,253	(5,736,052)	569,004,970	650,788,139
Nedbank	Jibar	2025.12.01	349,983,684	-	25,247,112	(3,281,006)	321,455,566	367,658,422
iVuzi (Firststrand bank)	Jibar	2022.06.30	421,265,161	-	52,631,579	(212,529)	368,421,053	421,374,265
iVuzi (Firststrand bank)	Jibar	2027.12.01	448,494,113	-	34,482,759	(218,251)	413,793,103	473,267,647
			5,342,534,125	-	478,585,038	(11,515,081)	4,852,434,006	5,549,875,063

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2015

Interest Rate (%)	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2015	Carrying Value of Property, Plant & Equipment	
		Rand	Rand	Rand	Rand	Rand	Rand	
MUNICIPAL BONDS								
CoT1: Standard bank	10.20	2023.04.02	574,165,042	-	-	(237,152)	573,927,890	656,418,631
CoT2: Standard bank	9.11	2023.04.02	848,691,794	-	-	(254,652)	848,437,142	970,383,138
CoT3: Standard bank	9.46	2028.06.05	755,069,327	-	-	(15,354)	755,053,973	863,577,992
		2,177,926,163	-	-	(507,158)	2,177,419,005	2,490,379,761	
		9,250,694,459	1,500,000,000	478,590,038	(12,237,005)	10,259,867,416	11,734,519,678	

FINANCE LEASES

ABSA	Variable *	3,565,761	-	3,630,086	64,325	-	-
DEBIS FLEET MANAGEMENT	Variable *	3,756,964	-	3,792,492	35,528	-	-
ZEDA	Variable *	255,425	-	261,362	5,937	-	-
TSHWANE AUTO LEASING	Variable *	1,365,314	-	1,239,050	77,882	204,146	184,136
ABSA SOL	Variable *	24,921	-	19,631	1,159	6,449	4,178
MAN	Variable*	-	266,860,621	71,731,494	13,523,169	208,652,296	204,226,183
		8,968,385	266,860,621	80,674,115	13,708,000	208,862,891	204,414,497

City of Tshwane Metropolitan Municipality

Appendix B
Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2015

Cost Accumulated depreciation

	Opening Balance - Restated Rand	Acquisitions Rand	Disposals Rand	Transfers capitalisation Rand	Transfers purification Rand	Closing Balance Rand	Opening Balance - Restated Rand	Additions Rand	Impairment Rand	Disposals Rand	Transfers purification Rand	Closing Balance Rand	Carrying value Rand
Infrastructure													
Assets under construction	5,660,495,718	3,066,588,861	-	(659,862,323)	-	8,067,222,256	-	-	(144,879,449)	-	-	(144,879,449)	7,922,342,807
Electricity	5,405,934,875	189,894,282	(50,064,299)	18,262,941	2,733,595	5,566,761,394	(1,389,260,453)	(207,319,238)	-	16,741,684	(1,832,593)	(1,581,670,600)	3,985,090,794
General	183,170,390	1,905,814	(19,874)	-	57,153,255	242,209,585	(112,376,848)	(19,062,789)	-	18,121	(48,842,009)	(180,263,525)	61,946,060
Roads	7,614,585,682	80,343,634	(2,062,785)	218,134,070	740,620	7,911,741,221	(2,204,885,282)	(306,041,283)	-	188,048	(671,937)	(2,511,410,454)	5,400,330,767
Water and sanitation	6,399,002,391	102,984,319	(65,196,114)	421,248,743	-	6,858,039,339	(1,557,224,865)	(258,949,239)	(2,422)	13,220,603	-	(1,802,955,923)	5,055,083,416
	25,263,189,056	3,441,716,910	(117,343,072)	(2,216,569)	60,627,470	28,645,973,795	(5,263,747,448)	(791,372,549)	(144,881,871)	30,168,456	(51,346,539)	(6,221,179,951)	22,424,793,844
Community Assets													
General	2,723,245,744	27,800,231	(5,802,906)	2,401,916	(415,518)	2,747,229,467	(667,412,211)	(94,841,697)	(1,126,106)	-	464,206	(762,915,808)	1,984,313,659
Assets under construction	391,874,573	163,835,995	-	(3,754,543)	-	551,956,025	-	-	-	-	-	-	551,956,025
	3,115,120,317	191,636,226	(5,802,906)	(1,352,627)	(415,518)	3,299,185,492	(667,412,211)	(94,841,697)	(1,126,106)	-	464,206	(762,915,808)	2,536,269,684
Housing													
Housing assets	225,616,283	-	(305,000)	(71,328,838)	254,280,824	408,263,269	(7,081,618)	(10,052,493)	-	45,556	(49,171,269)	(66,259,824)	342,003,445
Assets under construction	81,176,790	191,552,500	-	71,414,400	-	344,143,690	-	-	-	-	-	-	344,143,690
	306,793,073	191,552,500	(305,000)	85,562	254,280,824	752,406,959	(7,081,618)	(10,052,493)	-	45,556	(49,171,269)	(66,259,824)	686,147,135
Biological assets													
Game (livestock)	16,587,413	-	-	-	(2,108,625)	14,478,788	-	-	-	-	-	-	14,478,788
	16,587,413	-	-	-	(2,108,625)	-	-	-	-	-	-	-	14,478,788
Land													
Land	336,791,857	-	(9,600,310)	40,420,634	(628,189)	366,983,992	-	-	-	-	-	-	366,983,992
	336,791,857	-	(9,600,310)	40,420,634	(628,189)	366,983,992	-	-	-	-	-	-	366,983,992
Buildings													
Buildings	1,243,119,915	2,683,987	-	3,475,492	(313,896,014)	935,383,380	(617,785,582)	(36,342,398)	-	-	100,053,602	(554,074,378)	381,309,002
	1,243,119,915	2,683,987	-	3,475,492	(313,896,014)	935,383,380	(617,785,582)	(36,342,398)	-	-	100,053,602	(554,074,378)	381,309,002

City of Tshwane Metropolitan Municipality

Appendix B
Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2015

Cost Accumulated depreciation

	Opening Balance - Restated Rand	Acquisitions Rand	Disposals Rand	Transfers capitalisation Rand	Transfers purification Rand	Closing Balance Rand	Opening Balance - Restated Rand	Additions Rand	Impairment Rand	Disposals Rand	Transfers purification Rand	Closing Balance Rand	Carrying value Rand
Other													
General	2,140,150,657	67,274,871	(43,705,746)	12,597,519	31,427	2,176,348,728	(1,148,044,741)	(180,549,588)	(1,703,675)	34,858,400	-	(1,295,439,604)	880,909,124
Rehabilitation assets	339,145,909	168,689,262	-	-	-	507,835,171	(101,746,201)	(53,637,933)	-	-	-	(155,384,134)	352,451,037
Assets under construction	417,019,672	416,613,804	-	(54,651,238)	-	778,982,238	-	-	-	-	-	-	778,982,238
	2,896,316,238	652,577,937	(43,705,746)	(42,053,719)	31,427	3,463,166,137	(1,249,790,942)	(234,187,521)	(1,703,675)	34,858,400	-	(1,450,823,738)	2,012,342,399
Total property plant and equipment													
	33,177,917,869	4,480,167,560	(176,757,034)	(1,641,227)	(2,108,625)	37,477,578,543	(7,805,817,801)	1,166,796,658	(147,711,652)	65,072,412	-	(9,055,253,699)	28,422,324,844
Heritage assets													
General	3,592,309,710	6,491	-	-	-	3,592,316,201	-	-	-	-	-	-	3,592,316,201
	3,592,309,710	6,491	-	-	-	3,592,316,201	-	-	-	-	-	-	3,592,316,201
Investment properties													
Investment assets	1,034,252,552	13,626,000	(9,057,696)	1,673,401	-	1,040,494,257	(181,047,680)	(4,707,047)	-	19,568	-	(185,735,159)	854,759,098
	1,034,252,552	13,626,000	(9,057,696)	1,673,401	-	1,040,494,257	(181,047,680)	(4,707,047)	-	19,568	-	(185,735,159)	854,759,098
Intangible assets													
Computer software	574,105,874	1,029,286	(397,630,640)	(32,175)	-	177,472,345	(368,418,550)	(63,071,370)	(7,834)	319,955,052	-	(111,542,702)	65,929,643
Servitudes	184,032,944	-	333,261	-	-	184,366,205	-	-	-	-	-	-	184,366,205
	758,138,818	1,029,286	(397,297,379)	(32,175)	-	361,838,550	(368,418,550)	(63,071,370)	(7,834)	319,955,052	-	(111,542,702)	250,295,848
Total													
Land	336,791,857	-	(9,600,310)	40,420,634	(628,189)	366,983,992	-	-	-	-	-	-	366,983,992
Infrastructure	25,263,189,056	3,441,716,910	(117,343,072)	(2,216,569)	60,627,470	28,645,973,795	(5,263,747,448)	(791,372,549)	(144,881,871)	30,168,456	(51,346,539)	(6,221,179,951)	22,424,793,844
Community Assets	3,115,120,317	191,636,226	(5,802,906)	(1,352,627)	(415,518)	3,299,185,492	(667,412,211)	(94,841,697)	(1,126,106)	-	464,206	(762,915,808)	2,536,269,684
Housing	306,793,073	191,552,500	(305,000)	85,562	254,280,824	752,406,959	(7,081,618)	(10,052,493)	-	45,556	(49,171,269)	(66,259,824)	686,147,135
Other	2,896,316,238	652,577,937	(43,705,746)	(42,053,719)	31,427	3,463,166,137	(1,249,790,942)	(234,187,521)	(1,703,675)	34,858,400	-	(1,450,823,738)	2,012,342,399
Heritage assets	3,592,309,710	6,491	-	-	-	3,592,316,201	-	-	-	-	-	-	3,592,316,201
Intangible assets	758,138,818	1,029,286	(397,297,379)	(32,175)	-	361,838,550	(368,418,550)	(63,071,370)	(7,834)	319,955,052	-	(111,542,702)	250,295,848
Investment properties	1,034,252,552	13,626,000	(9,057,696)	1,673,401	-	1,040,494,257	(181,047,680)	(4,707,047)	-	19,568	-	(185,735,159)	854,759,098
Buildings	1,243,119,915	2,683,987	-	3,475,492	(313,896,014)	935,383,380	(617,785,582)	(36,342,398)	-	100,053,602	-	(554,074,378)	381,309,002
Biological assets	16,587,413	-	-	-	(2,108,625)	14,478,788	-	-	-	-	-	-	14,478,788
	38,562,618,949	4,494,829,337	(583,112,109)	(1)	(2,108,625)	42,472,227,551	(8,355,284,031)	1,234,575,075	(147,719,486)	385,047,032	-	(9,352,531,560)	33,119,695,991

Appendix C
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the period ended 30 June 2015

	2014/15							2013/14			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	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	Rand	Rand
Revenue - Standard											
Governance and administration	8,872,873,997	(13,132,115)	8,859,741,882		8,859,741,882	8,524,340,278		(335,401,604)	96 %	96 %	7,531,312,396
Executive and council	153,513,000	33,165,533	186,678,533		186,678,533	181,695,359		(4,983,174)	97 %	118 %	212,009,448
Budget and Treasury Office	7,743,326,702	675,152	7,744,001,854		7,744,001,854	8,154,538,633		410,536,779	105 %	105 %	7,144,573,596
Corporate services	976,034,295	(46,972,800)	929,061,495		929,061,495	188,106,286		(740,955,209)	20 %	19 %	174,729,352
Community and public safety	1,226,406,992	158,594,557	1,385,001,549		1,385,001,549	1,401,369,889		16,368,340	101 %	114 %	878,076,779
Community and social services	50,073,160	26,752,782	76,825,942		76,825,942	67,391,980		(9,433,962)	88 %	135 %	35,296,804
Sport and recreation	26,028,718	1,989,700	28,018,418		28,018,418	28,859,305		840,887	103 %	111 %	47,005,495
Public safety	121,693,848	103,364,000	225,057,848		225,057,848	294,938,641		69,880,793	131 %	242 %	211,164,815
Housing	911,979,141	26,438,075	938,417,216		938,417,216	891,972,593		(46,444,623)	95 %	98 %	470,742,663
Health	116,632,125	50,000	116,682,125		116,682,125	118,207,370		1,525,245	101 %	101 %	113,867,002
Economic and environmental services	1,572,447,834	7,050,591	1,579,498,425		1,579,498,425	1,612,006,279		32,507,854	102 %	103 %	1,443,291,245
Planning and development	211,491,634	-	211,491,634		211,491,634	283,507,702		72,016,068	134 %	134 %	270,327,355
Road transport	1,360,399,600	6,200,217	1,366,599,817		1,366,599,817	1,327,514,815		(39,085,002)	97 %	98 %	1,171,599,009
Environmental protection	556,600	850,374	1,406,974		1,406,974	983,762		(423,212)	70 %	177 %	1,364,881
Trading services	15,445,982,040	79,200,020	15,525,182,060		15,525,182,060	14,687,397,047		(837,785,013)	95 %	95 %	13,689,981,751
Electricity	10,442,508,335	(7,000,000)	10,435,508,335		10,435,508,335	9,604,972,959		(830,535,376)	92 %	92 %	8,882,628,664
Water	995,061,226	-	995,061,226		995,061,226	1,018,725,247		23,664,021	102 %	102 %	1,218,777,629
Waste water management	1,056,832,500	2,500,020	1,059,332,520		1,059,332,520	1,042,502,177		(16,830,343)	98 %	99 %	851,432,157
Waste management	2,951,579,979	83,700,000	3,035,279,979		3,035,279,979	3,021,196,664		(14,083,315)	100 %	102 %	2,737,143,301
Other	210,525,959	5,102,000	215,627,959		215,627,959	191,499,478		(24,128,481)	89 %	91 %	253,432,266
Other	210,525,959	5,102,000	215,627,959		215,627,959	191,499,478		(24,128,481)	89 %	91 %	253,432,266
Total Revenue - Standard	27,328,236,822	236,815,053	27,565,051,875		27,565,051,875	26,416,612,971		(1,148,438,904)	96 %	97 %	23,796,094,437

Appendix C
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the period ended 30 June 2015

	2014/15							2013/14			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	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	Rand	Rand
Expenditure - Standard											
Governance and administration	5,204,662,456	23,292,648	5,227,955,104	-	5,227,955,104	5,419,578,046	179,615,905	191,622,942	104 %	104 %	4,641,995,160
Executive and council	1,398,351,452	124,935,034	1,523,286,486	-	1,523,286,486	1,544,435,060	21,148,574	21,148,574	101 %	110 %	815,250,175
Budget and treasury office	629,788,177	(200,977,533)	428,810,644	-	428,810,644	587,277,975	158,467,331	158,467,331	137 %	93 %	538,483,386
Corporate services	3,176,522,827	99,335,147	3,275,857,974	-	3,275,857,974	3,287,865,011	-	12,007,037	100 %	104 %	3,288,261,599
Community and public safety	3,665,498,173	102,134,650	3,767,632,823	-	3,767,632,823	3,566,866,851	146,956,926	(200,765,972)	95 %	97 %	3,914,901,423
Community and social services	591,154,177	29,760,857	620,915,034	-	620,915,034	574,276,755	-	(46,638,279)	92 %	97 %	508,031,146
Sport and recreation	720,377,944	7,604,085	727,982,029	-	727,982,029	450,695,415	-	(277,286,614)	62 %	63 %	696,075,966
Public safety	1,266,367,799	182,203,344	1,448,571,143	-	1,448,571,143	1,581,903,424	133,332,281	133,332,281	109 %	125 %	1,776,178,224
Housing	638,055,304	(98,665,354)	539,389,950	-	539,389,950	515,591,945	-	(23,798,005)	96 %	81 %	529,355,918
Health	449,542,949	(18,768,282)	430,774,667	-	430,774,667	444,399,312	13,624,645	13,624,645	103 %	99 %	405,260,169
Economic and environmental services	2,207,843,437	132,765,683	2,340,609,120	-	2,340,609,120	2,350,828,686	53,835,514	10,219,566	100 %	106 %	2,118,294,800
Planning and development	603,721,583	99,922,230	703,643,813	-	703,643,813	660,027,865	-	(43,615,948)	94 %	109 %	600,911,677
Road transport	1,545,588,706	38,592,338	1,584,181,044	-	1,584,181,044	1,634,657,724	50,476,680	50,476,680	103 %	106 %	1,455,115,177
Environmental protection	58,533,148	(5,748,885)	52,784,263	-	52,784,263	56,143,097	3,358,834	3,358,834	106 %	96 %	62,267,946
Trading services	12,387,542,613	488,481,992	12,876,024,605	-	12,876,024,605	13,699,669,779	823,645,174	823,645,174	106 %	111 %	12,363,161,011
Electricity	8,735,182,366	429,797,815	9,164,980,181	-	9,164,980,181	9,373,004,084	208,023,903	208,023,903	102 %	107 %	8,829,819,297
Water	677,998,695	(57,652,364)	620,346,331	-	620,346,331	810,438,757	190,092,426	190,092,426	131 %	120 %	667,419,945
Waste water management	633,738,783	49,037,535	682,776,318	-	682,776,318	1,033,255,443	350,479,125	350,479,125	151 %	163 %	617,393,122
Waste management	2,340,622,769	67,299,006	2,407,921,775	-	2,407,921,775	2,482,971,495	75,049,720	75,049,720	103 %	106 %	2,248,528,647
Other	218,761,789	(10,288,844)	208,472,945	-	208,472,945	201,608,707	-	(6,864,238)	97 %	92 %	185,518,675
Other	218,761,789	(10,288,844)	208,472,945	-	208,472,945	201,608,707	-	(6,864,238)	97 %	92 %	185,518,675
Total Expenditure - Standard	23,684,308,468	736,386,129	24,420,694,597	-	24,420,694,597	25,238,552,069	1,204,053,519	817,857,472	103 %	107 %	23,223,871,069
Surplus/(Deficit) for the year	3,643,928,354	(499,571,076)	3,144,357,278		3,144,357,278	1,178,060,902		(1,966,296,376)	37 %	32 %	572,223,368

**Appendix D
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the period ended 30 June 2015**

	2014/15							2013/14			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o. MFMA s 31)	Final Budget	Actual Outcome	Unauthorised expenditure	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	Rand	Rand
Revenue by Vote											
City Planning and Development	136,041,534	-	136,041,534		136,041,534	195,564,548		59,523,014	144 %	144 %	147,642,726
City Strategies & Performance Management	-	-	-		-	-		-	- %	DIV/0 %	454
Communications, Marketing & Events	71,835,300	-	71,835,300		71,835,300	55,672,323		(16,162,977)	77 %	77 %	39,903,256
Corporate & Shared Services	723,088,526	(219,300)	722,869,226		722,869,226	102,944,811		(619,924,415)	14 %	14 %	75,105,985
Emergency Services	70,013,406	15,794,000	85,807,406		85,807,406	73,757,379		(12,050,027)	86 %	105 %	71,178,284
Environmental Management	1,186,289,050	(5,350,906)	1,180,938,144		1,180,938,144	1,176,053,047		(4,885,097)	100 %	99 %	977,892,474
Financial Services	7,810,642,058	705,152	7,811,347,210		7,811,347,210	8,199,067,508		387,720,298	105 %	105 %	7,206,096,655
Health & Social Development	13,284,025	11,200,000	24,484,025		24,484,025	47,160,935		22,676,910	193 %	355 %	17,446,370
Housing & Human Settlement	888,862,590	26,438,075	915,300,665		915,300,665	867,712,287		(47,588,378)	95 %	98 %	448,549,695
Information & Communication Technology Management	16,713	-	16,713		16,713	43,717		27,004	262 %	262 %	139,993
Legal Services	375,700	-	375,700		375,700	111,507		(264,193)	30 %	30 %	535,862
Macro Economic Planning	33,800,700	-	33,800,700		33,800,700	32,295,280		(1,505,420)	96 %	96 %	44,604,335
Metro Police Services	253,225,372	87,620,000	340,845,372		340,845,372	412,079,890		71,234,518	121 %	163 %	330,252,635
Office of the Chief Audit Executive	184,654,500	(46,753,500)	137,901,000		137,901,000	40,864,932		(97,036,068)	30 %	22 %	39,305,276
Office of the City Manager	150,000,000	25,000,000	175,000,000		175,000,000	174,998,474		(1,526)	100 %	117 %	198,970,541
Office of the Executive Mayor	-	-	-		-	-		-	DIV/0 %	DIV/0 %	181
Regional Service Delivery	131,546,599	36,485,168	168,031,767		168,031,767	175,248,087		7,216,320	104 %	133 %	244,303,941
Service Infrastructure: Electricity	10,441,735,335	(7,000,000)	10,434,735,335		10,434,735,335	9,591,542,914		(843,192,421)	92 %	92 %	8,855,672,227
Service Infrastructure: Water and Sanitation	3,946,347,205	83,700,000	4,030,047,205		4,030,047,205	4,039,723,438		9,676,233	100 %	102 %	3,955,801,252
Sport and Recreation	3,420,907	2,996,147	6,417,054		6,417,054	3,206,743		(3,210,311)	50 %	94 %	5,178,488
Transport	1,283,057,302	6,200,217	1,289,257,519		1,289,257,519	1,228,565,150		(60,692,369)	95 %	96 %	1,137,513,808
Total Revenue by Vote	27,328,236,822	236,815,053	27,565,051,875		27,565,051,875	26,416,612,970		1,148,438,905	96 %	97 %	23,796,094,438

Appendix D
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the period ended 30 June 2015

	2014/15							2013/14			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o. MFMA s 31)	Final Budget	Actual Outcome	Unauthorised expenditure	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	Rand	Rand
Expenditure by Vote to be appropriated											
City Planning	276,287,949	9,518,160	285,806,109	-	285,806,109	264,162,889	-	(21,643,220)	92 %	96 %	249,233,341
City Strategies & Performance Management	27,300,436	2,109,381	29,409,817	-	29,409,817	24,788,645	-	(4,621,172)	84 %	91 %	25,537,513
Communications, Marketing & Events	198,170,539	3,220,337	201,390,876	-	201,390,876	182,560,330	-	(18,830,546)	91 %	92 %	146,875,982
Corporate & Shared Services	1,546,117,244	19,508,580	1,565,625,824	-	1,565,625,824	1,506,854,947	-	(58,770,877)	96 %	97 %	1,795,135,638
Emergency Services	543,437,899	13,390,307	556,828,206	-	556,828,206	547,703,034	-	(9,125,172)	98 %	101 %	528,400,864
Environmental Management	575,009,039	60,749,579	635,758,618	-	635,758,618	629,702,024	-	(6,056,594)	99 %	110 %	680,548,658
Financial Services	1,305,764,340	(105,321,463)	1,200,442,877	-	1,200,442,877	1,204,444,527	4,001,650	4,001,650	100 %	92 %	1,272,824,200
Health & Social Development	256,445,687	(23,172,667)	233,273,020	-	233,273,020	250,085,942	16,812,922	16,812,922	107 %	98 %	256,718,151
Housing & Human Settlement	491,414,039	(145,187,237)	346,226,802	-	346,226,802	313,025,902	-	(33,200,900)	90 %	64 %	329,214,664
Information & Communication Technology Management	577,032,486	65,266,888	642,299,374	-	642,299,374	763,137,631	120,838,257	120,838,257	119 %	132 %	470,016,965
Legal Services	92,717,359	2,776,274	95,493,633	-	95,493,633	86,814,929	-	(8,678,704)	91 %	94 %	95,808,185
Macro Economic Planning	246,056,270	84,180,960	330,237,230	-	330,237,230	322,767,252	-	(7,469,978)	98 %	131 %	293,560,737
Metro Police Services	1,425,915,170	168,751,647	1,594,666,817	-	1,594,666,817	1,757,481,777	162,814,960	162,814,960	110 %	123 %	1,556,455,035
Office of the Chief Audit Executive	272,089,804	(49,647,658)	222,442,146	-	222,442,146	321,547,046	99,104,900	99,104,900	145 %	118 %	225,114,644
Office of the Chief Whip	29,070,565	1,397,351	30,467,916	-	30,467,916	27,594,543	-	(2,873,373)	91 %	95 %	22,808,351
Office of the City Manager	114,359,274	(5,323,176)	109,036,098	-	109,036,098	98,117,449	-	(10,918,649)	90 %	86 %	101,344,229
Office of the Executive Mayor	204,697,391	51,891,062	256,588,453	-	256,588,453	244,514,154	-	(12,074,299)	95 %	119 %	174,984,712
Office of the Speaker	325,246,640	(79,672,980)	245,573,660	-	245,573,660	242,941,366	-	(2,632,294)	99 %	75 %	222,029,347
Regional Service Delivery	3,127,242,457	66,472,381	3,193,714,838	-	3,193,714,838	3,466,616,245	272,901,407	272,901,407	109 %	111 %	2,990,354,569
Research & Innovation	26,334,200	937,467	27,271,667	-	27,271,667	20,455,521	-	(6,816,146)	75 %	78 %	29,911,359
Service Infrastructure: Electricity	8,130,664,160	420,926,820	8,551,590,980	-	8,551,590,980	8,584,010,277	32,419,297	32,419,297	100 %	106 %	8,107,980,307
Service Infrastructure: Water and Sanitation	2,547,102,622	123,281,058	2,670,383,680	-	2,670,383,680	2,941,804,471	271,420,791	271,420,791	110 %	115 %	2,454,821,460
Sport and Recreation	59,769,410	19,284,534	79,053,944	-	79,053,944	77,050,335	-	(2,003,609)	97 %	129 %	32,916,104
Transport	1,286,063,488	31,048,525	1,317,112,013	-	1,317,112,013	1,360,370,832	43,258,819	43,258,819	103 %	106 %	1,161,276,054
Total Expenditure by Vote	23,684,308,468	736,386,130	24,420,694,598	-	24,420,694,598	25,238,552,068	1,023,573,003	817,857,470	103 %	107 %	23,223,871,069
Surplus/(Deficit) for the year	3,643,928,354	(499,571,077)	3,144,357,277		3,144,357,277	1,178,060,902		(1,966,296,375)	37 %	32 %	572,223,369

Appendix E
Budgeted Financial Performance (revenue and expenditure)
for the period ended 30 June 2015

	2014/15							2013/14						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o. MFMA s31)	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
Revenue By Source														
Property rates	4,888,153,500	-	4,888,153,500		4,888,153,500	4,883,528,644		(4,624,856)	100 %	100 %				4,432,509,394
Service charges - electricity revenue	9,613,283,000	-	9,613,283,000		9,613,283,000	8,730,015,456		(883,267,544)	91 %	91 %				8,313,648,415
Service charges - water revenue	2,729,354,540	84,000,000	2,813,354,540		2,813,354,540	2,793,278,401		(20,076,139)	99 %	102 %				2,522,930,368
Service charges - sanitation revenue	695,345,140	-	695,345,140		695,345,140	703,913,272		8,568,132	101 %	101 %				623,442,006
Service charges - refuse revenue	956,672,900	-	956,672,900		956,672,900	968,073,094		11,400,194	101 %	101 %				768,111,339
Service charges - other	240,236,600	12,500,000	252,736,600		252,736,600	177,579,066		(75,157,534)	70 %	74 %				135,714,966
Rental of facilities and equipment	261,276,369	-	261,276,369		261,276,369	114,055,073		(147,221,296)	44 %	44 %				95,316,719
Interest earned - external investments	66,547,900	-	66,547,900		66,547,900	36,874,337		(29,673,563)	55 %	55 %				51,799,573
Interest earned - outstanding debtors	197,376,200	-	197,376,200		197,376,200	338,768,697		141,392,497	172 %	172 %				299,341,658
Fines	75,022,400	(70,000,000)	5,022,400		5,022,400	3,108,020		(1,914,380)	62 %	4 %				4,392,137
Licences and permits	58,577,730	-	58,577,730		58,577,730	53,243,503		(5,334,227)	91 %	91 %				55,801,028
Transfers recognised - operational	3,104,829,000	15,858,733	3,120,687,733		3,120,687,733	3,081,484,936		(39,202,797)	99 %	99 %				2,861,382,432
Other revenue	1,486,537,793	115,743,580	1,602,281,373		1,602,281,373	1,508,844,350		(93,437,023)	94 %	102 %				1,109,789,194
Gains on disposal of PPE	-	-	-		-	20,440,818		20,440,818	DIV/0 %	DIV/0 %				11,580,649
Total Revenue (excluding capital transfers and contributions)	24,373,213,072	158,102,313	24,531,315,385		24,531,315,385	23,413,207,667		(1,118,107,718)	95 %	96 %				21,285,759,878

Appendix E
Budgeted Financial Performance (revenue and expenditure)
for the period ended 30 June 2015

	2014/15								2013/14					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o. MFMA s31)	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
Expenditure By Type														
Employee related costs	6,465,457,732	(96,468,760)	6,368,988,972	-	6,368,988,972	6,359,967,720	-	(9,021,252)	100 %	98 %	-	-	-	5,977,333,289
Remuneration of councillors	105,577,058	-	105,577,058	-	105,577,058	104,192,823	-	(1,384,235)	99 %	99 %	-	-	-	96,788,503
Debt impairment	565,433,560	110,762,269	676,195,829	-	676,195,829	833,981,900	157,786,071	157,786,071	123 %	147 %	-	-	-	1,304,906,055
Depreciation & asset impairment	1,113,786,147	7,393,219	1,121,179,366	-	1,121,179,366	1,452,746,119	331,566,753	331,566,753	130 %	130 %	-	-	-	1,248,625,026
Finance charges	897,759,351	39,250,628	937,009,979	-	937,009,979	997,211,481	60,201,502	60,201,502	106 %	111 %	-	-	-	812,932,070
Bulk purchases	7,983,360,980	9,395,000	7,992,755,980	-	7,992,755,980	7,717,077,475	-	(275,678,505)	97 %	97 %	-	-	-	7,176,709,747
Other materials	404,052,686	(93,980,979)	310,071,707	-	310,071,707	262,571,640	-	(47,500,067)	85 %	65 %	-	-	-	316,047,537
Contracted services	3,748,539,456	644,203,622	4,392,743,078	-	4,392,743,078	4,852,593,592	459,850,514	459,850,514	110 %	129 %	-	-	-	3,943,390,390
Transfers and grants	309,832,995	(4,471,807)	305,361,188	-	305,361,188	249,030,006	-	(56,331,182)	82 %	80 %	-	-	-	286,536,948
Other expenditure	1,679,884,752	120,301,937	1,800,186,689	-	1,800,186,689	1,778,751,501	-	(21,435,188)	99 %	106 %	-	-	-	1,508,192,475
Loss on disposal of PPE	-	1,000	1,000	-	1,000	192,004,082	192,003,082	192,003,082	19,200,408 %	DIV/0 %	-	-	-	154,586,513
Total Expenditure	23,273,684,717	736,386,129	24,010,070,846	-	24,010,070,846	24,800,128,339	1,201,407,922	790,057,493	103 %	107 %	-	-	-	22,826,048,553
Surplus/(Deficit)	1,099,528,355	(578,283,816)	521,244,539		521,244,539	(1,386,920,672)	1,201,407,922	(1,908,165,211)	(266)%	(126)%				(1,540,288,675)
Transfers recognised - capital	2,544,400,000	78,712,740	2,623,112,740		2,623,112,740	2,564,981,574		(58,131,166)	98 %	101 %				2,112,512,042
Contributions recognised - capital	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	3,643,928,355	(499,571,076)	3,144,357,279		3,144,357,279	1,178,060,902		(1,966,296,377)	37 %	32 %				572,223,367
Taxation	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	3,643,928,355	(499,571,076)	3,144,357,279		3,144,357,279	1,178,060,902		(1,966,296,377)	37 %	32 %				572,223,367
Attributable to minorities	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	3,643,928,355	(499,571,076)	3,144,357,279		3,144,357,279	1,178,060,902		(1,966,296,377)	37 %	32 %				572,223,367
Share of surplus/ (deficit) of associate	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	3,643,928,355	(499,571,076)	3,144,357,279		3,144,357,279	1,178,060,902		(1,966,296,377)	37 %	32 %				572,223,367

Appendix F
Budgeted Capital Expenditure by vote, standard classification and funding
for the period ended 30 June 2015

	2014/15									2013/14					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
City Planning	500,000	-	500,000	-	-	500,000	461,906	-	(38,094)	92 %	92 %	-	-	-	1,191,802
City Strategies & Performance Management	300,000	-	300,000	-	-	300,000	273,612	-	(26,388)	91 %	91 %	-	-	-	490,762
Communications, Marketing & Events	300,000	-	300,000	-	-	300,000	198,713	-	(101,287)	66 %	66 %	-	-	-	482,564
Corporate & Shared Services	1,000,000	17,235,944	18,235,944	-	-	18,235,944	17,692,850	-	(543,094)	97 %	1,769 %	-	-	-	98,390,038
Emergency Services	23,036,756	-	23,036,756	-	-	23,036,756	22,944,660	-	(92,096)	100 %	100 %	-	-	-	15,727,861
Environmental Management	14,000,000	2,000,000	16,000,000	-	-	16,000,000	15,874,151	-	(125,849)	99 %	113 %	-	-	-	34,609,169
Financial Services	750,000	30,000	780,000	-	-	780,000	736,294	-	(43,706)	94 %	98 %	-	-	-	14,884,997
Health & Social Development	9,000,000	18,056,000	27,056,000	-	-	27,056,000	21,079,153	-	(5,976,847)	78 %	234 %	-	-	-	8,372,064
Housing & Human Settlement	851,304,764	25,616,011	876,920,775	-	-	876,920,775	838,697,599	-	(38,223,176)	96 %	99 %	-	-	-	362,142,743
Information & Communication Technology Management	91,800,000	-	91,800,000	-	-	91,800,000	88,174,074	-	(3,625,926)	96 %	96 %	-	-	-	142,331,591
Legal Services	500,000	-	500,000	-	-	500,000	496,946	-	(3,054)	99 %	99 %	-	-	-	477,501
Macro Economic Planning	2,000,000	-	2,000,000	-	-	2,000,000	1,971,666	-	(28,334)	99 %	99 %	-	-	-	1,000,000
Metro Police Services	9,000,000	-	9,000,000	-	-	9,000,000	8,663,795	-	(336,205)	96 %	96 %	-	-	-	50,863,152
Office of the Chief Audit Executive	13,500,000	-	13,500,000	-	-	13,500,000	11,935,923	-	(1,564,077)	88 %	88 %	-	-	-	6,672,060
Office of the Chief Whip	500,000	-	500,000	-	-	500,000	298,881	-	(201,119)	60 %	60 %	-	-	-	493,937
Office of the City Manager	214,200,000	66,269,849	280,469,849	-	-	280,469,849	277,985,436	-	(2,484,413)	99 %	130 %	-	-	-	198,139,639
Office of the Executive Mayor	300,000	-	300,000	-	-	300,000	122,085	-	(177,915)	41 %	41 %	-	-	-	474,880
Office of the Speaker	500,000	300,000	800,000	-	-	800,000	706,168	-	(93,832)	88 %	141 %	-	-	-	443,299
Regional Service Delivery	178,350,000	36,891,682	215,241,682	-	-	215,241,682	183,283,717	-	(31,957,965)	85 %	103 %	-	-	-	282,767,344
Research & Innovation	300,000	-	300,000	-	-	300,000	263,432	-	(36,568)	88 %	88 %	-	-	-	422,432
Service Infrastructure: Electricity	642,500,000	29,420,000	671,920,000	-	-	671,920,000	616,076,199	-	(55,843,801)	92 %	96 %	-	-	-	414,957,402
Service Infrastructure: Water and Sanitation	498,746,236	26,000,000	524,746,236	-	-	524,746,236	435,737,704	-	(89,008,532)	83 %	87 %	-	-	-	939,935,520
Sport and Recreation	7,629,000	975,047	8,604,047	-	-	8,604,047	7,641,341	-	(962,706)	89 %	100 %	-	-	-	6,253,720
Transport	1,561,470,000	-	1,561,470,000	-	-	1,561,470,000	1,525,846,972	-	(35,623,028)	98 %	98 %	-	-	-	1,427,529,894
Capital multi-year expenditure sub-total	4,121,486,756	222,794,533	4,344,281,289	-	-	4,344,281,289	4,077,163,277	-	(267,118,012)	94 %	99 %	-	-	-	4,009,054,371
Single-year expenditure															
Corporate and Shared Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	3,303,173
Communications, Marketing & Events	1,500,000	-	1,500,000	-	-	1,500,000	-	-	(1,500,000)	- %	- %	-	-	-	-
Emergency Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	1,999,641
Environmental Management	15,000,000	(2,000,000)	13,000,000	-	-	13,000,000	10,404,734	-	(2,595,266)	80 %	69 %	-	-	-	3,228,817
Housing & Human Settlement	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	87,995,348
Regional Service Delivery	30,000,000	-	30,000,000	-	-	30,000,000	27,349,572	-	(2,650,428)	91 %	91 %	-	-	-	9,581,364
Transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	113,419,798
Capital single-year expenditure sub-total	46,500,000	(2,000,000)	44,500,000	-	-	44,500,000	37,754,306	-	(6,745,694)	85 %	81 %	-	-	-	219,528,141
Total Capital Expenditure - Vote	4,167,986,756	220,794,533	4,388,781,289	-	-	4,388,781,289	4,114,917,583	-	(273,863,706)	94 %	99 %	-	-	-	4,228,582,512

Appendix F
Budgeted Capital Expenditure by vote, standard classification and funding
for the period ended 30 June 2015

	2014/15								2013/14						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	327,100,000	83,835,793	410,935,793	-	-	410,935,793	401,338,703	-	(9,597,090)	98 %	123 %	-	-	-	461,831,452
Executive and Council	200,550,000	25,464,000	226,014,000	-	-	226,014,000	224,301,102	-	(1,712,898)	99 %	112 %	-	-	-	203,683,098
Budget and treasury office	750,000	30,000	780,000	-	-	780,000	736,294	-	(43,706)	94 %	98 %	-	-	-	2,903,524
Corporate services	125,800,000	58,341,793	184,141,793	-	-	184,141,793	176,301,307	-	(7,840,486)	96 %	140 %	-	-	-	255,244,830
Community and public safety	1,106,370,520	81,538,740	1,187,909,260	-	-	1,187,909,260	1,107,133,886	-	(80,775,374)	93 %	100 %	-	-	-	818,670,628
Community and social services	26,529,000	43,666,729	70,195,729	-	-	70,195,729	57,449,059	-	(12,746,670)	82 %	217 %	-	-	-	33,894,105
Sport and recreation	112,500,000	22,400,000	134,900,000	-	-	134,900,000	106,183,275	-	(28,716,725)	79 %	94 %	-	-	-	231,267,274
Public safety	32,036,756	-	32,036,756	-	-	32,036,756	31,608,455	-	(428,301)	99 %	99 %	-	-	-	68,590,654
Housing	901,304,764	10,616,011	911,920,775	-	-	911,920,775	873,448,099	-	(38,472,676)	96 %	97 %	-	-	-	450,138,091
Health	34,000,000	4,856,000	38,856,000	-	-	38,856,000	38,444,998	-	(411,002)	99 %	113 %	-	-	-	34,780,504
Economic and environmental services	1,565,770,000	-	1,565,770,000	-	-	1,565,770,000	1,529,809,584	-	(35,960,416)	98 %	98 %	-	-	-	1,528,588,195
Planning and development	3,300,000	-	3,300,000	-	-	3,300,000	2,979,329	-	(320,671)	90 %	90 %	-	-	-	2,682,564
Road transport	1,561,470,000	-	1,561,470,000	-	-	1,561,470,000	1,525,846,972	-	(35,623,028)	98 %	98 %	-	-	-	1,520,066,018
Environmental protection	1,000,000	-	1,000,000	-	-	1,000,000	983,283	-	(16,717)	98 %	98 %	-	-	-	5,839,613
Trading services	1,156,246,236	55,420,000	1,211,666,236	-	-	1,211,666,236	1,064,218,609	-	(147,447,627)	88 %	92 %	-	-	-	1,382,532,095
Electricity	642,500,000	29,420,000	671,920,000	-	-	671,920,000	616,076,199	-	(55,843,801)	92 %	96 %	-	-	-	422,955,844
Water	406,646,236	21,828,571	428,474,807	-	-	428,474,807	361,796,917	-	(66,677,890)	84 %	89 %	-	-	-	766,424,647
Waste water management	15,000,000	-	15,000,000	-	-	15,000,000	12,404,706	-	(2,595,294)	83 %	83 %	-	-	-	19,640,731
Waste management	92,100,000	4,171,429	96,271,429	-	-	96,271,429	73,940,787	-	(22,330,642)	77 %	80 %	-	-	-	173,510,873
Other	12,500,000	-	12,500,000	-	-	12,500,000	12,416,801	-	(83,199)	99 %	99 %	-	-	-	36,960,142
Other	12,500,000	-	12,500,000	-	-	12,500,000	12,416,801	-	(83,199)	99 %	99 %	-	-	-	36,960,142
Total Capital Expenditure - Standard	4,167,986,756	220,794,533	4,388,781,289	-	-	4,388,781,289	4,114,917,583	-	(273,863,706)	94 %	99 %	-	-	-	4,228,582,512
Funded by:															
National Government	2,529,271,000	62,037,693	2,591,308,693	-		2,591,308,693	2,551,806,060		(39,502,633)	98 %	101 %				2,097,657,610
Provincial Government	15,129,000	12,175,047	27,304,047	-		27,304,047	8,721,122		(18,582,925)	32 %	58 %				5,000,193
District Municipality	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	4,500,000	4,500,000	-		4,500,000	4,454,390		(45,610)	99 %	DIV/0 %				12,090,886
Transfers recognised - capital	2,544,400,000	78,712,740	2,623,112,740	-		2,623,112,740	2,564,981,572		(58,131,168)	98 %	101 %				2,114,748,689
Public contributions & donations	60,100,000	16,000,000	76,100,000	-		76,100,000	57,530,022		(18,569,978)	76 %	96 %				93,818,354
Borrowing	1,500,000,000	-	1,500,000,000	-		1,500,000,000	1,387,942,005		(112,057,995)	93 %	93 %				1,493,166,334
Internally generated funds	63,486,756	126,081,793	189,568,549	-		189,568,549	104,463,984		(85,104,565)	55 %	165 %				526,849,135
Total Capital Funding	4,167,986,756	220,794,533	4,388,781,289	-		4,388,781,289	4,114,917,583		(273,863,706)	94 %	99 %				4,228,582,512

**Appendix G
Budgeted Cash Flows
for the period ended 30 June 2015**

	2014/15					2013/14			
	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 Rand	Actual Outcome as % of Original Budget Rand	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand			Rand
Cash flow from operating activities									
Receipts									
Other sources	1,010,886,290	-	1,010,886,290	1,010,886,290	1,340,961,268	330,074,978	133 %	133 %	1,354,663,836
Ratepayers/consumers	19,146,045,357	106,213,469	19,252,258,826	19,252,258,826	17,964,756,037	(1,287,502,789)	93 %	94 %	16,146,796,423
Government - operating	3,104,829,000	16,548,133	3,121,377,133	3,121,377,133	3,115,441,552	(5,935,581)	100 %	100 %	2,634,115,000
Government - capital	2,544,400,000	78,712,740	2,623,112,740	2,623,112,740	2,562,278,440	(60,834,300)	98 %	101 %	2,349,107,000
Interest received	66,547,900	-	66,547,900	66,547,900	36,874,337	(29,673,563)	55 %	55 %	51,799,573
Payments									
Suppliers	(13,677,529,769)	(966,520,342)	(14,644,050,111)	(14,644,050,111)	(14,178,199,354)	465,850,757	97 %	104 %	(12,199,542,037)
Employees	(6,571,034,790)	-	(6,571,034,790)	(6,571,034,790)	(6,464,160,542)	106,874,248	98 %	98 %	(6,074,121,791)
Interest paid	(897,759,351)	(39,250,628)	(937,009,979)	(937,009,979)	(996,546,648)	(59,536,669)	106 %	111 %	(812,932,071)
Transfers and grants	(236,673,180)	(20,492,608)	(257,165,788)	(257,165,788)	(217,334,821)	39,830,967	85 %	92 %	(286,536,948)
Net cash flow from/used operating activities	4,489,711,457	(824,789,236)	3,664,922,221	3,664,922,221	3,164,070,269	(500,851,952)	86 %	70 %	3,163,348,985
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	(59,941,334)	(59,941,334)	DIV/0 %	DIV/0 %	2,007,309
Decrease/(increase) other non-current receivables	48,553,230	-	48,553,230	48,553,230	109,762,466	61,209,236	226 %	226 %	(46,820,859)
Decrease/(increase) in financial assets	(100,000,000)	39,508,026	(60,491,974)	(60,491,974)	5,096,572	65,588,546	(8)%	(5)%	90,435,950
Payments									
Capital assets	(4,001,267,286)	(255,850,564)	(4,257,117,850)	(4,257,117,850)	(4,674,983,818)	(417,865,968)	110 %	117 %	(4,602,029,269)
Net cash flow from/used investing activities	(4,052,714,056)	(216,342,538)	(4,269,056,594)	(4,269,056,594)	(4,620,066,114)	(351,009,520)	108 %	114 %	(4,556,406,869)
Cash flow from financing activities									
Receipts									
Increase in finance lease payments	-	-	-	-	199,894,504	199,894,504	DIV/0 %	DIV/0 %	(83,594,090)
Borrowing long term/refinancing	1,500,000,000	-	1,500,000,000	1,500,000,000	1,500,000,000	-	100 %	100 %	1,600,000,000
Payments									
Repayment of borrowing	(633,986,044)	116,647,654	(517,338,390)	(517,338,390)	(490,727,044)	26,611,346	95 %	77 %	(648,221,694)
Net cash flow from/used financing activities	866,013,956	116,647,654	982,661,610	982,661,610	1,209,167,460	226,505,850	123 %	140 %	868,184,216
Net increase/(decrease) in cash held	1,303,011,357	(924,484,120)	378,527,237	378,527,237	(246,828,385)	(625,355,622)	(65)%	(19)%	(524,873,668)
Cash/cash equivalents at the year begin:	1,361,930,373	(564,682,274)	797,248,099	797,248,099	797,248,099	564,682,274	100 %	59 %	1,322,121,767
Cash/cash equivalents at the year end:	2,664,941,730	(1,489,166,394)	1,175,775,336	1,175,775,336	550,419,714	(60,673,348)	47 %	21 %	797,248,099

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	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total					
Capital Grants:														
DPSA Smart connect	Department Public Service & Administration	-	-	-	-	-	-	378,440	378,440	-	378,440	None	None	Yes
Integrated national electrification Programme (INEP)	Department of Mineral & Energy (DME)	-	-	-	14,200,000	2,900,000	14,900,000	-	32,000,000	31,999,050	950	None	None	Yes
Gauteng Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	16,543,009	2,159,543	(2,293,422)	-	-	-	-	-	-	16,409,130	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	44,007,692	-	-	220,417,000	734,725,000	514,308,000	-	1,469,450,000	1,477,217,752	36,239,940	None	None	Yes
Gautrans Job Creation Water Services Capital Grant	Gauteng: Transport Department Water Affairs and Forestry (DWAf)	71,107	-	12,000,000	-	-	-	-	-	-	12,071,107	None	None	Yes
PTIS: Roads	Gauteng: Transport (GDoT)	-	-	26,000,000	-	60,000,000	50,000,000	-	110,000,000	136,000,000	-	None	None	Yes
PTIS: Transport	Gauteng: Transport (GDoT)	-	-	(26,000,000)	-	427,571,000	330,000,000	-	757,571,000	731,346,892	224,108	None	None	Yes
Delft grant	Municipality of Delft	-	-	2,293,422	-	-	-	-	-	-	2,293,422	None	None	Yes
Housing Accreditation	Gauteng:Local Government & Housing (GLGH)	67,394	-	-	-	-	-	-	-	-	67,394	None	None	Yes
EPWP	Department of Public Works	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Sport and Recreation	Gauteng: Sport, Arts, Culture & Recreation	72,617	-	-	-	-	-	-	-	-	72,617	None	None	Yes
Groen Sebenza Internship	Development Bank South Africa/SANBI	7,823	-	-	-	-	-	-	-	-	7,823	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	-	-	-	3,000,000	-	-	-	3,000,000	-	3,000,000	None	None	Yes
Blue IQ	Blue IQ	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Local Economic Development: Winterveldt	Gauteng:Economic Development (GPGDED)	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	783,095	-	-	3,129,000	-	300,000	-	3,429,000	3,203,335	1,008,760	None	None	Yes
Finance Management Grant (FMG)	National Treasury	30,243	-	-	-	250,000	-	-	250,000	243,891	36,352	None	None	Yes
Social Infrastructure Grant)	National Treasury	-	-	-	6,492,312	-	4,707,688	-	11,200,000	5,517,789	5,682,211	None	None	Yes
Neighbourhood Development (NDPG)	National Treasury	2,359,341	-	(2,359,341)	-	117,312,000	57,688,000	-	175,000,000	174,998,474	1,526	None	None	Yes
		63,942,321	2,159,543	9,640,659	247,238,312	342,758,000	971,903,688	378,440	2,562,278,440	2,560,527,183	77,493,780			

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	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total					
Operational grants/subsidies:														
Health: HIV/AIDS	Gauteng: Department of Health & Social Development	-	-	-	10,923,000	-	-	-	10,923,000	10,923,000	-	None	None	Yes
Primary Healthcare	Gauteng: Department of Health & Social Development	-	-	-	15,986,800	11,990,100	11,990,100	-	39,967,000	39,967,000	-	None	None	Yes
Emergency Medical Services (EMS)	Gauteng: Department of Health & Social Development	-	-	-	-	39,678,100	17,004,900	-	56,683,000	56,683,000	-	None	None	Yes
Top Structures: Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	50,681,533	-	-	-	-	-	-	-	-	50,681,533	None	None	Yes
Finance Management Grant (FMG)	National Treasury	674,909	-	-	4,750,000	-	-	-	4,750,000	4,539,576	885,333	None	None	Yes
LG Seta	Department of Local Government	266,921	-	-	-	-	-	-	-	-	266,921	None	None	Yes
Equitable share	National Treasury	-	-	2,359,341	544,476,000	456,147,000	372,536,000	-	1,373,159,000	1,375,518,341	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	822,063	-	-	-	-	-	-	-	194,671	627,392	None	None	Yes
Human Settlements Capacity Grant	Department of Water Affairs and Forestry (DWAF)	-	-	-	-	-	47,506,000	-	47,506,000	31,086,516	16,419,484	None	None	Yes
Municipal Disaster Recovery	Department Local Government	-	-	-	-	-	14,878,000	-	14,878,000	991,732	13,886,268	None	None	Yes
Housing Accreditation	Gauteng:Local Government & Housing (GLGH)	1,235,233	-	-	-	-	-	-	-	-	1,235,233	None	None	Yes
Research & Technology Development	Department Local Government	-	-	-	892,857	-	-	-	892,857	-	892,857	None	None	Yes
Community Libraries Servies	Gauteng: Sport, Arts, Culture & Recreation	1,159,358	-	-	753,695	-	100,000	-	853,695	1,836,707	176,346	None	None	Yes
Performance Management	Department of Local Government	268,665	-	-	-	-	-	-	-	-	268,665	None	None	Yes
Gautrans	Gauteng: Transport (GDoT)	12,222,417	-	(12,000,000)	-	-	-	-	-	222,417	-	None	None	Yes
PTNOG	Gauteng: Transport (GDoT)	-	-	-	54,000,000	-	84,000,000	-	138,000,000	138,000,000	-	None	None	Yes
Revenue Enhancement	Department Public Works	1,224,800	-	-	-	-	-	-	-	-	1,224,800	None	None	Yes
Equitable Share: Fuel levy	Department Local Government	-	-	-	450,803,000	450,804,000	450,803,000	-	1,352,410,000	1,352,410,000	-	None	None	Yes
EPWP	Department of Public Works	-	-	-	-	21,532,000	9,228,000	-	30,760,000	30,760,000	-	None	None	Yes
Integrated City Development	National Treasury	-	-	-	44,659,000	-	-	-	44,659,000	38,351,975	6,307,025	None	None	Yes
		68,555,899	-	(9,640,659)	127,244,352	980,151,200	008,046,000	-	3,115,441,552	3,081,484,935	92,871,857			
Revenue per Statement of Financial Performance (see note 26)		132,498,220	2,159,543							5,642,012,118				
Unspent conditional grants per Statement of Financial Position (see note 9)			(134,657,763)								170,365,637			