



CITY OF TSHWANE METROPOLITAN MUNICIPALITY
Financial Statements
for the year ended 30 June 2017

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

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
Executive Mayor	Solly Msimanga
Speaker	Rachael Mathebe
Chief Whip	Christiaan van der Heever
Mayoral committee Members)	Mare-Lise Fourie (Ms) (MMC: Finance) Sakkie du Plooy (MMC: Health and Social Development) Mike Mkhari (MMC: Agriculture and Environmental Management) Anniruth Kisoonduth (Derrick) (MMC: Safety and Security) Darryl Moss (MMC: Infrastructure) Cilliers Brink (MMC: Corporate and Shared Services) Ntsiki Mokhoto (Ms) (MMC: Sports, Recreation, Arts and Culture) Randall Williams (MMC: Economic Development and Spatial Planning) Mandla Nkomo (MMC: Housing and Human Settlement) Shella Lynn Senkubuge (Ms) (MMC: Roads and Transport)
Grading of local authority	Category A Grade 6 urban municipality (demarcation code -TSH)
Accounting Officer	Moeketsi Mosola Telephone: 012 358 4901
Group Chief Financial Officer (GCFO)	Banda, Umar CA (SA) Telephone: 012 358 8100
Registered office	Tshwane House 320 Madiba Street PRETORIA 0002
Postal address	PO Box 408 PRETORIA 0002
Bankers	ABSA
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, 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). To be disestablished by 30 June 2017 in terms of Council Resolution of 27 October 2016. 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 the Municipality on 1 July 2011. (Deregistration still in progress)

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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 judgment 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.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in light of this review and the current financial position, he is satisfied that the municipality has adequate resources to continue operations for the foreseeable future, or has access to such resources.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The financial statements set out on pages 4 to 142, which have been prepared on a going concern basis, were approved by the accounting officer on 31 August 2017.

I am responsible for the preparation of these financial statements, which are set out from pages 4 to 142, 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.

Moeketsi Mosola
City Manager

Umar Banda CA (SA)
Chief Financial Officer

Pretoria

31 August 2017

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	21	688 894 587	573 789 834
Investments	19	1 712 108 929	1 087 430 061
Other receivables	23	1 162 454 037	1 100 970 523
Consumer debtors	22	7 948 260 724	6 822 553 444
Long-term receivables	20	91 005 216	95 249 478
Cash and cash equivalents	24	398 775 497	74 581 166
		12 001 498 990	9 754 574 506
Non-Current Assets			
Investment property	14	749 410 457	752 018 569
Property, plant and equipment	13	33 890 209 766	31 445 467 677
Leased assets	17	428 499 096	115 028 935
Intangible assets	15	385 033 943	407 912 544
Heritage assets	16	3 648 494 462	3 629 880 497
Investments	19	710 520	710 520
Long-term receivables	20	25 661 496	18 825 840
Interest rate swap asset	71	18 743 157	43 936 952
		39 146 762 897	36 413 781 534
Total Assets		51 148 261 887	46 168 356 040
Liabilities			
Current Liabilities			
Loans and bonds	4	728 596 801	622 111 885
Lease liabilities	5	123 781 770	110 418 332
Payables from exchange transactions	10	6 954 002 274	7 443 929 656
VAT payable	12	1 779 050 282	755 994 586
Consumer deposits	9	407 336 926	375 949 547
Unspent grants and receipts	11	260 923 812	130 291 177
Service concession arrangements	61	57 645 018	-
		10 311 336 883	9 438 695 183
Non-Current Liabilities			
Loans and bonds	4	10 661 349 741	10 319 939 692
Lease liabilities	5	319 246 851	33 634 395
Employee benefit obligation	44	2 254 239 317	2 235 476 868
Provisions	6	968 935 936	806 541 911
Interest rate swap liability	71	142 995 983	147 119 727
Service concession arrangements	61	984 900 753	672 256 650
		15 331 668 581	14 214 969 243
Total Liabilities		25 643 005 464	23 653 664 426
Net Assets		25 505 256 423	22 514 691 614
Accumulated surplus and reserves	43	25 505 256 423	22 514 691 614

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	26	16 298 632 720	14 686 840 950
Rental of facilities and equipment		128 862 904	131 980 491
Interest received - outstanding consumer debtors		553 456 804	361 021 944
Licences and permits		49 266 169	48 743 171
Other income	28	907 352 479	738 060 759
Interest received - external investments	34	105 227 293	55 999 525
Gain on disposal of assets and liabilities		-	62 468 328
Gain on foreign exchange		281 716	-
Total revenue from exchange transactions		18 043 080 085	16 085 115 168
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	5 912 860 893	5 360 754 623
Transfer revenue			
Government grants, subsidies, awards and donations	27	6 168 532 063	5 969 036 348
Public contributions and donations		241 815 463	276 873 503
Fines, penalties and forfeits		201 694 980	313 548 835
Total revenue from non-exchange transactions		12 524 903 399	11 920 213 309
Total revenue		30 567 983 484	28 005 328 477
Expenditure			
Employee related cost	29	(7 895 827 022)	(7 397 808 867)
Remuneration of councilors	31	(118 003 200)	(112 443 327)
Depreciation and amortisation	32	(1 617 350 786)	(1 463 637 263)
Impairment loss/ Reversal of impairments	62	(2 726 849)	(362 767)
Finance costs	33	(1 297 245 022)	(1 136 966 921)
Debt Impairment	35	(637 816 347)	(505 650 500)
Collection costs		(98 993 624)	(171 241 549)
Bulk purchases	36	(9 582 375 815)	(8 808 848 636)
Contracted services	63	(2 779 424 758)	(3 180 711 536)
Transfers and subsidies	37	(381 061 824)	(347 060 760)
Loss on disposal of assets and liabilities		(64 865 196)	-
Loss on foreign exchange		-	(1 678 206)
Fair value adjustments	65	(18 855 341)	(145 366 351)
General expenses	38	(3 082 872 893)	(3 965 211 308)
Total expenditure		(27 577 418 677)	(27 236 987 991)
Surplus for the year		2 990 564 807	768 340 486

The National Treasury classification of expenditure is disclosed in note 69.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Accumulated surplus and reserves R	Total net assets R
Opening balance as previously reported	18 367 836 330	18 367 836 330
Adjustments		
Prior year adjustments (refer to Note 43 and 47)	3 378 514 798	3 378 514 798
Balance at 01 July 2015 as restated*	21 746 351 128	21 746 351 128
Changes in net assets		
Surplus for the year	768 340 486	768 340 486
Total changes	768 340 486	768 340 486
Opening balance as previously reported	22 057 290 027	22 057 290 027
Adjustments		
Prior year adjustments (refer to Note 43 and 47)	457 401 589	457 401 589
Balance at 01 July 2015 as restated*	22 514 691 616	22 514 691 616
Changes in net assets		
Surplus for the year	2 990 564 807	2 990 564 807
Total changes	2 990 564 807	2 990 564 807
Balance at 30 June 2017	25 505 256 423	25 505 256 423
Note(s)	43	

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Cash Flow Statement

		2017	2016
		R	Restated* R
Cash flows from operating activities			
Receipts			
Cash receipts from other revenue sources		2 808 159 077	2 351 671 328
Cash receipts from rate payers and service charges		20 688 628 736	19 210 379 729
Grants		6 359 514 764	5 930 802 716
Interest income		105 227 293	55 999 525
		<u>29 961 529 870</u>	<u>27 548 853 298</u>
Payments			
Cash paid to employees		(8 013 830 223)	(7 510 252 194)
Cash paid to suppliers		(16 001 020 569)	(14 558 345 594)
Finance costs (Interest paid)		(1 297 245 022)	(1 136 966 921)
Transfers and grants		(381 061 824)	(347 060 760)
		<u>(25 693 157 638)</u>	<u>(23 552 625 469)</u>
Net cash flows from operating activities	39	<u>4 268 372 232</u>	<u>3 996 227 829</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(3 956 872 522)	(4 969 320 852)
Purchase/redemption of leased assets	17	(439 493 825)	-
Proceeds from sale of assets	13	4 377 637	316 689 889
Purchase of investment property	14	(1 154 596)	(10 988 756)
Proceeds from sale of investment property	14	-	12 595 565
Purchase of other intangible assets	15	(22 310 352)	(46 265 624)
Purchase of heritage assets	16	(18 613 965)	(22 349 296)
Provision for/(repayment in) long-term receivables		(2 591 394)	45 472 105
Net cash flows from investing activities		<u>(4 436 659 017)</u>	<u>(4 674 166 969)</u>
Cash flows from financing activities			
Proceeds from loans and bonds		1 000 000 000	1 200 000 000
Repayment of loans and bonds	4	(552 105 035)	(517 915 839)
Proceeds from service concession arrangements		370 289 121	672 256 650
Finance lease (repayments)/receipts	5	298 975 898	(64 810 162)
Net cash flows from financing activities		<u>1 117 159 984</u>	<u>1 289 530 649</u>
Net increase/(decrease) in cash and cash equivalents		948 873 199	611 591 509
Cash and cash equivalents at the beginning of the year		<u>1 162 011 227</u>	<u>550 419 718</u>
Cash and cash equivalents at the end of the year	24	<u>2 110 884 426</u>	<u>1 162 011 227</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

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
June 2017											
Financial Performance											
Property rates	5 739 916 595	120 000 000	5 859 916 595	-	-	5 859 916 595	5 912 860 893	-	52 944 298	101 %	103 %
Service charges	17 485 471 525	(954 305 936)	16 531 165 589	-	-	16 531 165 589	16 298 632 720	-	(232 532 869)	99 %	93 %
Investment revenue	41 895 300	2 000 000	43 895 300	-	-	43 895 300	105 227 293	-	61 331 993	240 %	251 %
Transfers recognised - operational	3 976 476 420	(32 354 453)	3 944 121 967	-	-	3 944 121 967	3 813 144 804	-	(130 977 163)	97 %	96 %
Other own revenue	2 310 272 693	490 955 863	2 801 228 556	-	-	2 801 228 556	2 088 541 463	-	(712 687 093)	75 %	90 %
Total revenue (excluding capital transfers and contributions)	29 554 032 533	(373 704 526)	29 180 328 007	-	-	29 180 328 007	28 218 407 173	-	(961 920 834)	97 %	95 %
Employee costs	(7 716 877 064)	(243 485 792)	(7 960 362 856)	-	-	(7 960 362 856)	(7 895 827 022)	-	64 535 834	99 %	102 %
Remuneration of councillors	(120 466 574)	(1 000 000)	(121 466 574)	-	-	(121 466 574)	(118 003 200)	-	3 463 374	97 %	98 %
Debt impairment	(849 491 950)	(158 476 628)	(1 007 968 578)	-	-	(1 007 968 578)	(637 816 347)	-	370 152 231	63 %	75 %
Depreciation and asset impairment	(1 254 566 602)	(252 854 590)	(1 507 421 192)	-	20 000 000	(1 487 421 192)	(1 620 077 635)	132 656 443	(132 656 443)	109 %	129 %
Finance charges	(1 057 637 963)	(226 439 404)	(1 284 077 367)	-	(7 452 973)	(1 291 530 340)	(1 297 245 022)	5 714 682	(5 714 682)	100 %	123 %
Materials and bulk purchases	(10 021 696 349)	216 940 757	(9 804 755 592)	-	(1 704 875)	(9 806 460 467)	(9 817 718 341)	11 257 874	(11 257 874)	100 %	98 %
Transfers and grants	(263 846 888)	5 274 103	(258 572 785)	-	-	(258 572 785)	(381 061 824)	122 489 039	(122 489 039)	147 %	144 %
Other expenditure	(6 338 779 118)	233 615 892	(6 105 163 226)	-	(10 842 152)	(6 116 005 378)	(5 815 480 232)	-	300 525 146	95 %	92 %
Total expenditure	(27 623 362 508)	(426 425 662)	(28 049 788 170)	-	-	(28 049 788 170)	(27 583 229 623)	272 118 038	466 558 547	98 %	100 %
Surplus/(Deficit)	1 930 670 025	(800 130 188)	1 130 539 837	-	-	1 130 539 837	635 177 550	-	(495 362 287)	56 %	33 %
Transfers recognised - capital	2 370 208 687	45 877 722	2 416 086 409	-	-	2 416 086 409	2 355 387 259	-	(60 699 150)	97 %	99 %
Surplus (Deficit) after capital transfers and contributions	4 300 878 712	(754 252 466)	3 546 626 246	-	-	3 546 626 246	2 990 564 809	-	(556 061 437)	84 %	70 %
Surplus/(Deficit) for the year	4 300 878 712	(754 252 466)	3 546 626 246	-	-	3 546 626 246	2 990 564 809	-	(556 061 437)	84 %	70 %

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

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	4 427 133 315	97 453 094	4 524 586 409	-		4 524 586 409	3 233 827 753		(1 290 758 656)	71 %	73 %
Sources of capital funds											
Transfers recognised - capital	(2 184 664 641)	(241 421 768)	(2 426 086 409)	-		(2 426 086 409)	(2 358 520 136)		67 566 273	97 %	108 %
Public contributions and donations	(72 900 000)	(27 100 000)	(100 000 000)	-		(100 000 000)	(93 627 125)		6 372 875	94 %	128 %
Borrowing	(2 107 568 674)	1 107 568 674	(1 000 000 000)	-		(1 000 000 000)	(751 761 635)		248 238 365	75 %	36 %
Internally generated funds	(62 000 000)	(936 500 000)	(998 500 000)	-		(998 500 000)	(28 918 857)		969 581 143	3 %	47 %
Total sources of capital funds	(4 427 133 315)	(97 453 094)	(4 524 586 409)	-		(4 524 586 409)	(3 232 827 753)		1 291 758 656	71 %	73 %
Cash flows											
Net cash from/(used) operating	5 680 096 909	144 148 332	5 824 245 241	-		5 824 245 241	4 268 372 232		(1 555 873 009)	73 %	75 %
Net cash from/(used) investing	(4 873 056 819)	153 848 482	(4 719 208 337)	-		(4 719 208 337)	(4 436 659 017)		282 549 320	94 %	91 %
Net cash from/(used) financing	298 232 597	(280 719 977)	17 512 620	-		17 512 620	1 117 159 984		1 099 647 364	6 379 %	375 %
Net increase/(decrease) in cash and cash equivalents	1 105 272 687	17 276 837	1 122 549 524	-		1 122 549 524	948 873 199		(173 676 325)	85 %	86 %
Cash and cash equivalents at the beginning of the year	1 991 057 020	(765 072 915)	1 225 984 105	-		1 225 984 105	1 162 011 227		(63 972 878)	95 %	58 %
Cash and cash equivalents at year end	3 096 329 707	(747 796 078)	2 348 533 629	-		2 348 533 629	2 110 884 426		237 649 203	90 %	68 %

The explanations for major variances between the budget and the actual for the period under review are done in note 58.

The explanations for changes between the original budget and the final budget for the period under review are done in note 58.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

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). The accounting framework as prescribed is determined in Directive 5 issued by the Accounting Standards Board.

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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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 financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Refer to note 66.

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 judgment in the process of applying the City of Tshwane's accounting policies. The areas involving a higher degree of judgment 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 judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for stock to be written 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 the carrying value of assets when the situation arises that the carrying amount of the asset might 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 based on expected future cash flows for each group of assets.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions are raised and determined by management. An estimate is made 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 charge 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 cost of capital (WACC) to discount future cash flows in the calculation of provisions (refer to Note 6).

The municipality has certain borrowings which are linked to the Jibar rate which fluctuated from 6.15% to 8.733% for the year under review. Refer to Note 4.

Allowance for impairment

Impairment is recognised on debtors in surplus and deficit when there is sufficient objective evidence to suggest that there are irrecoverable amounts. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors. 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.

Operating expenses

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.

The definition of expenses encompasses losses as well as expenses that arise from the ordinary activities of the entity. Losses would include losses on the sale of non-current assets, write downs of inventory and decrements in fair values of financial instruments classified as held at fair value through surplus/(deficit).

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 is disclosed under property, plant and equipment and is included as a 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.

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Accounting Policies

1.5 Investment property (continued)

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.

In terms of GRAP 16: Investment property all useful lives of investment properties are reviewed annually on an indicator basis.

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	Average useful life (years)
Property - land	Indefinite
Property - buildings	6 - 50

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.

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.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 14).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

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.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.6 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of 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.

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.

Depreciation is calculated at cost, using the straight-line method over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not significant, are reassessed annually with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following estimated useful lives:

Asset category	Depreciation method	Average useful life (years)
Land	Not depreciated	Indefinite
Infrastructure	Straight line	
• Roads and storm water		4 - 60
• Electricity		6 - 60
• Water		3 - 100
• Sewer		2 - 100
• Solid waste		7 - 20
• Network and telecommunication		5 - 40
• Waste water purification works		4 - 100
• Security		7 - 12
• Airport		5 - 56
Community	Straight line	
• Buildings		3 - 60
• Recreational facilities		4 - 50
• Library books		4 - 15
Other property, plant and equipment	Straight line	
• Furniture and fittings		1 - 35
• Water craft		3 - 16
• Office equipment		1 - 22
• Plant and equipment		1 - 22
• Buildings		3 - 61
• Specialised vehicles		1 - 46
• Other vehicles		1 - 106
• Computer equipment		1 - 45
• Livestock		6 - 16
• Other equipment		1 - 20
• Books		4 - 15
Housing	Straight line	
• Housing		11 - 78
Service concession	Straight line	
• Building (Tshwane House)		25
Leased assets (refer to note 17)	Straight line	
• Vehicles, equipment, etc		3-20

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Accounting Policies

1.6 Property, plant and equipment (continued)

The Data Dictionary contained in the Asset Management Policy contains the details of the components and their specific useful life estimates.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the - expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

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.

An intangible asset is an identifiable non-monetary asset without physical substance.

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.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.8 Intangible assets (continued)

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.

In terms of GRAP 31: Intangibles, all useful lives of intangible assets are reviewed annually on an indicator basis.

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:

Item	Useful life (in years)
Computer software, other	4 - 30
Servitudes	Indefinite

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 15).

The municipality discloses relevant information relating to the repair and maintenance of intangible assets, in the notes to the financial statements (see note 15).

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 (difference between the net disposal proceeds and the carrying amount) arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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Accounting Policies

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

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 or related assets.
- 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.

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.

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Accounting Policies

1.11 Heritage assets (continued)

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.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 16).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 16).

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

The gain or loss (the difference between the net disposal proceeds and the carrying value) arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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 (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:

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Accounting Policies

1.12 Financial instruments (continued)

- 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.

A hedge is an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a . Hedge accounting is a method of accounting where entries for the ownership of a security and the opposing hedge are treated as one. Hedge accounting attempts to reduce the volatility created by the repeated adjustment of a financial instrument's value, known as marking to market.

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.12 Financial instruments (continued)

- 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

Non-exchange:

Consumer receivables: property rates

Exchange:

Consumer receivables: services

Other receivables

Long-term receivables: Housing loans

Long-term receivables: Loans to sport clubs

Long-term receivables: Sale of land

Long-term receivables: Arrangement debtors

Cash and cash equivalents

Investments (call investment deposits - short-term)

Investments (long-term)

Interest rate swap

Category

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

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:

Class

Exchange:

Long-term loans: Term loans

Long-term loans: Local registered stock

Long-term loans: Annuity loans

Long-term loans: Municipal bonds

Trade payables:

Payables from exchange transactions

Retention creditors

Deposits

Bank overdraft

Lease liabilities

Interest rate swap

Service concession arrangement

Category

Financial liability measured at amortised cost

Financial liability measured at amortised cost

Financial liability measured at amortised cost

Financial liability measured at amortised cost

Financial liability measured at amortised cost

Financial liability measured at amortised cost

Financial liability measured at amortised cost

Financial liability measured at amortised cost

Financial liability measured at amortised cost

Financial liability measured at fair value

Financial liability measured at amortised cost

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Accounting Policies

1.12 Financial instruments (continued)

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 not subsequently measured at fair value.

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
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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 (through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

The municipality does not apply hedge accounting.

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 entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.12 Financial instruments (continued)

Reclassification

The entity 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 entity 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 entity 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 entity 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 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 entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity:
 - 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 2017

Accounting Policies

1.12 Financial instruments (continued)

If the entity 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 entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity 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 entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

Presentation

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

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 entity 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 entity 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.

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Leases (continued)

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 currency 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 are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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 2017

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.

Derecognition of inventory:

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).

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

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

Cash-generating assets are assets managed with the 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-oriented entity.

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

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).

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

The municipality as 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 generated 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.

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

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

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.

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.19 Retirement benefits (continued)

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.

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.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.19 Retirement benefits (continued)

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

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

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

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

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.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.19 Retirement benefits (continued)

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.

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-measure 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. The cost for the benefits will be an expense through surplus or deficit.

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.19 Retirement benefits (continued)

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.

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 GRAP 25 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.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.20 Provisions and contingencies (continued)

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.

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.

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.
- **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.
- **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 proceedings**

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

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

Measurement

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

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.22 Revenue from exchange transactions (continued)

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.

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

Income from agency services

Income from agency services is recognised on a monthly basis, limited to the agency feed, once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement. Amounts collected on behalf of the principal are accounted as a liability in the statement of financial position.

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.

1.23 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

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. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

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.

Transfers

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

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

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

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. A liability is recognised when the criteria, conditions or obligations have not been met.

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).

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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.26 Comparative figures (continued)

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 and wasteful 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 2016/07/01 to 2017/06/30.

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

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 if they are under common control. Each municipality and its own municipal entities are related parties. A municipality is not "related" to another municipality as they are not under common control.

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.

1.34 Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.34 Service concession arrangements: Entity as grantor (continued)

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

Grant of a right to the operator model

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

Dividing the arrangement

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.34 Service concession arrangements: Entity as grantor (continued)

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration are recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

1.35 Accumulated surplus

Retained earnings or accumulated surplus/(deficit) being the cumulative effect of differences between revenue and expenditure as per statement of financial performance.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

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:

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, Change in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016. The municipality should adopt the standard for the first time in the 2016/17 financial year if applicable. However, the directive will not be applied as the municipality applied the cost method and not the revaluation or fair value method on initial adoption of the standards of GRAP.

GRAP 16 (as amended 2015): Investment property

Based on the feedback received as part of the post-implementation review, the Accounting Standards Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular the board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessments of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the standard, affecting definitions, identification, disclosure, effective date and transitional provisions.

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

The municipality has adopted the standard for the first time in the 2017 financial statements.

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

GRAP 17 (as amended 2015): Property, plant and equipment

Based on the feedback received as part of the post-implementation review, the Accounting Standards Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular the board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessments of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

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

The municipality has adopted the standard for the first time in the 2017 financial statements.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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 2017 or later periods:

GRAP 34: Separate Financial Statements

The objective of this standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers definitions, preparation of separate financial statements, disclosure, transitional provisions and 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 sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 35: Consolidated Financial Statements

The objective of this standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and 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 sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and 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 sets the effective date for the standard.

The impact of this standard is currently being assessed.

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 37: Joint Arrangements

The objective of this standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and 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 sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers definitions, disclosing information about interests in other entities, significant judgements and assumptions, Investment entity status, Interests in controlled entities, interests in joint arrangements and associates, Interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and 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 sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 110: Living and Non-living Resources

The objective of this standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and 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 sets the effective date for the standard.

The impact of this standard is currently being assessed.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the standards of GRAP, it applies the applicable standard of GRAP, i.e. the standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the standards of GRAP.

Notes to the Financial Statements

2. New standards and interpretations (continued)

In accordance with the principles in the standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 financial statements.

The impact of this interpretation is currently being assessed.

GRAP 12 (as amended 2016): Inventories

Amendments to the standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

The impact of this amendment is currently being assessed.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

The impact of this amendment is currently being assessed.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

Notes to the Financial Statements

2. New standards and interpretations (continued)

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

The impact of this amendment is currently being assessed.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2018

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

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

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

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

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

The impact of this standard is currently being assessed.

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:

Notes to the Financial Statements

2. New standards and interpretations (continued)

- 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 not yet set by the Minister of Finance.

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

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

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and 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 sets the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP 32: 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.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2. New standards and interpretations (continued)

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 sets the effective date for the standard.

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

GRAP 108: 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 sets the effective date for the standard.

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 17: 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 interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	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		
Housing selling scheme loans	10 156 272	9 915 323
Housing debtors	59 328 604	51 244 153
Bank and cash	86 957 776	95 283 176
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	4 430 014 405	4 430 390 515
Municipal bonds	2 177 419 005	2 176 302 934
Annuity loans	4 782 513 132	4 335 358 128
	<u>11 389 946 542</u>	<u>10 942 051 577</u>
Held at amortised cost		
Term Loans		
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.		
Nedbank (1-2300)	1 200 000 000	1 200 376 110
Unsecured 10 year bullet loan, fixed interest rate 11.44% repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 24 June 2026.		
Development Bank of South Africa (1-22)	1 500 000 000	1 500 000 000
Unsecured 20 year bullet loan, Jibar rate + 2.4 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	51 682 877
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.		
Municipal bonds		
Standard Bank (1-1900)	573 927 890	573 614 904
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.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
4. Loans and bonds (continued)		
Standard Bank (1-1901)	848 437 142	848 022 825
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 3 April 2023. A sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.		
Standard Bank (1-1950)	755 053 973	754 665 205
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 providing for the capital repayment at the date of redemption.		
Annuity loans		
Standard Bank (1-1300)	730 546 211	784 656 277
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.		
ABSA Bank (1-2350)	1 002 459 589	-
Unsecured (Jibar) variable interest rate 10-year loan repayable with quarterly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2017.		
Development Bank of South Africa (1-950)	112 097 892	118 009 576
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)	58 688 619	69 478 930
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)	161 404 760	168 013 244
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)	69 295 670	73 569 020
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)	162 422 712	168 937 757
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)	165 189 664	197 482 196
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)	34 108 012	41 632 549
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)	100 905 273	124 279 960
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.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
4. Loans and bonds (continued)		
INCA (1-100)	73 687 936	93 999 872
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.		
Development Bank of South Africa (1-52)	56 998 686	89 268 376
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)	51 803 161	82 005 386
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)	88 429 376	103 863 446
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)	34 646 156	41 258 358
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)	38 979 672	47 702 096
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)	17 198 145	21 807 413
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)	4 862 795	6 929 545
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)	142 460 513	181 256 744
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 30 June 2020.		
Nedbank (1-1100)	143 212 254	182 163 078
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 30 June 2020.		
Nedbank (1-852)	78 985 472	93 341 438
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)	114 943 733	135 788 674
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)	-	37 928
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.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
4. Loans and bonds (continued)		
iVuzi (FirstRand Bank) (1-1850)	263 157 895	315 789 474
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)	466 865 606	520 434 669
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 1 March 2023.		
iVuzi (FirstRand Bank) (1-1851)	344 827 586	379 310 345
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)	264 335 744	294 341 777
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 March 2023.		
	11 389 946 542	10 942 051 577
Non-current liabilities		
At amortised cost	10 661 349 741	10 319 939 692
Current liabilities		
At amortised cost	728 596 801	622 111 885
	11 389 946 542	10 942 051 577
Secured and unsecured long-term liabilities		
Secured	183 474 246	214 693 183
Unsecured	11 206 472 296	10 727 358 394
	11 389 946 542	10 942 051 577
No defaults or breaches of loans occurred in the period under review.		
5. Lease liabilities		
Minimum lease payments due		
- within one year	169 448 735	118 161 856
- in second to fifth year inclusive	493 388 179	36 731 325
	662 836 914	154 893 181
less: future finance charges	(219 808 293)	(10 840 454)
Present value of minimum lease payments	443 028 621	144 052 727
Present value of minimum lease payments due		
- within one year	123 781 770	110 418 332
- in second to fifth year inclusive	319 246 851	33 634 395
	443 028 621	144 052 727
Non-current liabilities	319 246 851	33 634 395
Current liabilities	123 781 770	110 418 332
	443 028 621	144 052 727
Fair value of leases (amortised cost i.e. present value)	443 028 621	144 052 727
Collateral held on the above leases (net book value of leased assets)	428 499 096	115 028 935

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R

5. Lease liabilities (continued)

The lease liabilities reflected above relate to the leasing of 120 buses by the Tshwane Bus Services as well as the new lease contract of Fleet Management for the supply of fleet vehicles and fleet related services. The new lease contract of Fleet Management is a Public Private Partnership agreement between Moipone Group of Companies (Pty) Limited, Talis Fleet Limited and Red Fleet Africa.

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 to 5 years and the average effective borrowing rate is 10.5%. Interest rates are variable at the contract date.

6. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Unwinding of interest rate	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegetation	52 773 645	1 715 048	(2 069 327)	(34 167 357)	18 252 009
Legal proceedings	103 429 961	-	-	57 079 019	160 508 980
Rehabilitation of landfill sites	614 249 263	70 663 820	(4 361 326)	71 471 809	752 023 566
Rehabilitation of quarries	36 089 042	3 584 891	(1 652 884)	130 332	38 151 381
	806 541 911	75 963 759	(8 083 537)	94 513 803	968 935 936

Reconciliation of provisions - 2016

	Opening Balance	Unwinding of interest rate	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegetation	44 275 935	4 812 864	(3 691 415)	7 376 261	52 773 645
Legal proceedings	33 205 267	-	-	70 224 694	103 429 961
Rehabilitation of landfill sites	544 950 671	56 018 461	-	13 280 131	614 249 263
Rehabilitation of quarries	33 097 239	3 291 258	(1 761 894)	1 462 439	36 089 042
	655 529 112	64 122 583	(5 453 309)	92 343 525	806 541 911

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.

In terms of GRAP 19, provisions should be evaluated at each reporting date to reflect the best estimate at that date of the provision. The discounting rate is 10.371% (2016: 10.035%). The timing of the outflow is uncertain, as well as the relating amounts due to discounting and changes in inflation rates. The net result of the re-estimation had the following effect on the current year.

Landfill sites

The increase in the provision amounted to R71 471 809 (2016: R13 280 131). The increase in the cost of property, plant and equipment amounted to R71 471 809 (2016: R13 280 131). The amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset amounted to R0 (2016: R0).

Quarries

The increase in the provision amounted to R130 332 (2016: R1 462 439). The increase in the cost of property, plant and equipment amounted to R130 332 (2016: R1 462 439). The amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset amounted to R0 (2016: R0).

Alien vegetation

The decrease in the provision amounted to R34 167 357 (2016: R7 376 261 increase). The decrease in the cost of property, plant and equipment amounted to R25 005 458 (2016: R7 376 261 increase). The amount recognised in profit and loss due to re-estimation where the adjustment exceeded the carrying amount of the asset amounted to R9 161 899 (2016: R0).

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2017	2016
	R	Restated* R

6. Provisions (continued)

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.

Legal proceedings provision

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.

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.

7. Financial instruments disclosure

Categories of financial instruments

June 2017

Financial assets

	At fair value	At amortised cost	Total
Investments	-	1 712 819 449	1 712 819 449
Other receivables	-	991 098 027	991 098 027
Consumer receivables	-	5 373 057 382	5 373 057 382
Cash and bank	-	398 775 497	398 775 497
Long-term receivables	-	116 666 712	116 666 712
Interest rate swap asset	18 743 157	-	18 743 157
	18 743 157	8 592 417 067	8 611 160 224

Financial liabilities

	At fair value	At amortised cost	Total
Retention creditors	-	431 633 949	431 633 949
Trade and other payables from exchange transactions	-	4 836 126 291	4 836 126 291
Consumer deposits	-	407 336 926	407 336 926
Long-term loans: term loans, bonds	-	5 814 867 927	5 814 867 927
Long-term loans: interest rate swaps	-	5 575 078 615	5 575 078 615
Interest rate swap liability	142 995 983	-	142 995 983
Service concession arrangement	-	1 042 545 771	1 042 545 771
Lease liabilities	-	443 028 621	443 028 621
	142 995 983	18 550 618 100	18 693 614 083

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2017	2016	
	R	Restated* R	
7. Financial instruments disclosure (continued)			
2016			
Financial assets			
	At fair value	At amortised cost	Total
Investments	-	1 088 140 581	1 088 140 581
Other receivables	-	927 742 435	927 742 435
Consumer receivables	-	4 572 017 247	4 572 017 247
Cash and bank	-	74 581 166	74 581 166
Long-term receivables	-	114 075 318	114 075 318
Interest rate swap asset	43 936 952	-	43 936 952
	43 936 952	6 776 556 747	6 820 493 699
Financial liabilities			
	At fair value	At amortised cost	Total
Retention creditors	-	432 030 198	432 030 198
Trade and other payables from exchange transactions	-	5 372 123 146	5 372 123 146
Consumer deposits	-	375 949 547	375 949 547
Long-term loans: term loans, bonds	-	5 434 395 043	5 434 395 043
Long-term loans: interest swaps	-	5 507 656 534	5 507 656 534
Interest rate swap liability	147 119 727	-	147 119 727
Service concession arrangement	-	672 256 650	672 256 650
Lease liability	-	144 052 727	144 052 727
	147 119 727	17 938 463 845	18 085 583 572

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.

There was no change in the exposure to risk and how they arise since the previous financial year. There was further not change in the objectives, policies and processes for managing the risk and the methods used to measure the risk since the previous financial year.

Interest rate risk

Interest rate risk arises from the fluctuations in the economic market due to the economic climate. 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 2017

Notes to the Financial Statements

	2017				2016		
	R				Restated*		R
8. Financial instruments: Risks involved (continued)							
Year ended June 2017							
Description	Floating rate		Fixed rate		Non-interest bearing		Total
	Amount	Amount	Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount	Weighted average period until maturity Years	
	R	R			R		R
Assets							
Investments	1 712 108 929	710 520	16,45	24,75			1 712 819 449
Long-term receivables:							
Housing loans		10 156 272	13,87	30,00			10 156 272
Sport club loans		1 041 030	11,99	10,00			1 041 030
Sale of Land		69 397 504	11,09	5,00			69 397 504
Arrangement debtors		860 267	10,50		116 135 356		116 995 623
Trade receivables:							
Consumer		5 136 870 192	10,50	1,00	1 385 561 313		6 522 431 505
Other					1 371 448 732		1 371 448 732
Cash and bank		398 775 497					398 775 497
Interest rate swap asset	18 743 157						18 743 157
Total financial assets	1 730 852 086	5 617 811 282			2 873 145 401		10 221 808 769
Liabilities							
Interest bearing borrowings	1 882 769 672	3 932 098 255	10,37	5,70			5 814 867 927
Interest rate swaps (notional amounts)	890 312 448	4 684 766 167	9,75	11,80			5 575 078 615
Lease liabilities		443 028 621					443 028 621
Trade payables:							
Creditors					4 836 126 291	0,08	4 836 126 291
Retention					431 633 949	1,00	431 633 949
Consumer deposits					407 336 926	0,08	407 336 926
Service concession arrangements					1 042 545 771		1 042 545 771
Interest rate swap liability	142 995 983						142 995 983
Total financial liabilities	2 916 078 103	9 059 893 043			6 717 642 937		18 693 614 083

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017				2016		
	R				Restated*		R
8. Financial instruments: Risks involved (continued)							
Year ended June 2016							
Description	Floating rate		Fixed rate		Non-interest bearing		Total
	Amount	Amount	Weighted average effective interest rate %	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
	R	R	%	Years	R	Years	R
Assets							
Investments	1 087 430 061	710 520	16,45	24,75			1 088 140 581
Long-term receivables:							
Housing loans		9 915 323	13,87	30,00			9 915 323
Loans to sport clubs		1 088 333	11,99	10,00			1 088 333
Sale of Land		67 735 412	11,09	5,00			67 735 412
Arrangement debtors		1 171 779	9,75		113 647 264		114 819 043
Trade receivables:							
Consumer		3 951 597 775	9,75	1,00	1 727 983 031		5 679 580 806
Other					1 191 655 172		1 191 655 172
Cash and bank		74 581 166					74 581 166
Interest rate swap asset	43 636 952						43 636 952
Total financial assets	1 131 067 013	4 106 800 308			3 033 285 467		8 271 152 788
Liabilities							
Interest bearing borrowings	1 529 003 469	3 905 391 574	10,04	14,69			5 434 395 043
Interest rate swaps (notional amounts)	3 990 312 448	1 517 344 086	9,53	11,60			5 507 656 534
Lease liabilities		144 052 727					144 052 727
Trade payables:							
Creditors					5 372 123 146	0,08	5 372 123 146
Retention					432 030 198	1,00	432 030 198
Consumer deposits					375 949 547	0,08	375 949 547
Service concession arrangements					672 256 650		672 256 650
Interest rate swap liability	147 119 727						147 119 727
Total financial liabilities	5 666 435 644	5 566 788 387			6 852 359 541		18 085 583 572

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	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 2017		
Non-current assets: interest rate swap asset	18 743 157	(25 193 795)
Non-current liability: interest rate liability	(142 995 983)	4 123 744
	(124 252 826)	(21 070 051)
	Fair value R	Estimated fair value gain/(loss) R
30 June 2016		
Non-current assets: interest rate swap asset	43 936 952	(86 185 804)
Non-current liability: interest rate liability	(147 119 727)	(61 494 319)
	(103 182 775)	(147 680 123)

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.

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.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R

8. Financial instruments: Risks involved (continued)

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

	30 June 2017 %	30 June 2016 %
Consumer receivables:		
Household	51	46
Industrial/Commercial	20	19
National and Provincial Government	7	13
Other consumer receivables	2	4
Long-term receivables	2	2
Sundry receivables	18	16
	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:

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

	30 June 2018 R	30 June 2019 R	30 June 2020 R
External funding: capital expenditure	1 000 000 000	1 000 000 000	1 300 000 000

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.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R

8. Financial instruments: Risks involved (continued)

Fair values

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

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

Cash and cash equivalents

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

Trade receivables (debtors)

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

Investments

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

Trade payables

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

Interest bearing borrowings

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

Derivatives (interest rate swaps)

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

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

Year ended	Fair value	Carrying amount
	R	R
30 June 2017		
Liabilities		
Interest rate swaps	142 995 983	142 995 983
30 June 2016		
Liabilities		
Interest rate swaps	147 119 727	147 119 727

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 2017

Notes to the Financial Statements

	2017	2016		
	R	Restated* R		
8. Financial instruments: Risks involved (continued)				
Year ended June 2017				
	1 Year or less	1 to 5 years	Over 5 years	Total
	R	R	R	R
Assets				
Investments	1 583 603 167	129 216 282		1 712 819 449
Long-term receivables:				
Housing loans	430 572	9 725 700		10 156 272
Loans to sport clubs	579 149	461 881		1 041 030
Sale of Land	511 757	68 885 747		69 397 504
Arrangement debtors	89 483 738	27 511 885		116 995 623
Trade receivables:				
Consumer	2 922 226 823	3 600 204 682		6 522 431 505
Other debtors	851 526 711	519 922 021		1 371 448 732
Cash and bank	398 775 497			398 775 497
Interest rate swap asset		18 743 157		18 743 157
Total financial assets	5 847 137 414	4 374 671 355	-	10 221 808 769
Liabilities				
Interest bearing borrowings		2 446 708 908	3 368 159 019	5 814 867 927
Interest rate swaps			5 575 078 615	5 575 078 615
Lease liabilities	123 781 770	319 246 851		443 028 621
Trade payables:				
Creditors	4 836 126 291			4 836 126 291
Retention		431 633 949		431 633 949
Consumer deposits		407 336 926		407 336 926
Interest rate swap liability		142 995 983		142 995 983
Service concession arrangements	57 645 018	984 900 753		1 042 545 771
Total financial liabilities	5 017 553 079	4 732 823 370	8 943 237 634	18 693 614 083
Year ended June 2016				
	1 Year or less	1 to 5 years	Over 5 years	Total
	R	R	R	R
Assets				
Investments	968 313 532	119 827 049		1 088 140 581
Long-term receivables:				
Housing loans	432 361	9 482 962		9 915 323
Loans to sport clubs	579 149	509 184		1 088 333
Sale of Land	542 680	67 192 732		67 735 412
Arrangement debtors	93 692 788	21 126 255		114 819 043
Trade receivables:				
Consumer	2 893 206 975	2 786 373 831		5 679 580 806
Other debtors	711 203 613	480 451 559		1 191 655 172
Cash and bank	74 581 166			74 581 166
Interest rate swap asset		43 936 952		43 936 952
Total financial assets	4 742 552 264	3 528 900 524	-	8 271 452 788

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

		2017	2016
		R	Restated* R
8. Financial instruments: Risks involved (continued)			
Liabilities			
Interest bearing borrowings		1 874 990 497	3 559 404 546
Interest rate swaps			5 507 656 534
Lease liabilities	110 418 332	33 634 395	144 052 727
Trade payables:			
Creditors	5 372 123 146		5 372 123 146
Retention		432 030 198	432 030 198
Consumer deposits		375 949 547	375 949 547
Interest rate swap liability		147 119 727	147 119 727
Service concession arrangements	672 256 650		672 256 650
Total financial liabilities		6 154 798 128	18 085 583 572

Hedging

Hedging is not applicable in the environment of the Municipality except with regard to interest rate risk.

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 4, 5 and cash and cash equivalents disclosed in note 24, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2017 and 2016 respectively were as follows:

Total borrowings			
Finance lease obligation	5	443 028 621	144 052 727
Long-term loans	4	11 389 946 542	10 942 051 577
		11 832 975 163	11 086 104 304
Less: Cash and cash equivalents	24	2 110 884 426	1 163 320 141
Net debt		9 722 090 737	9 922 784 163
Total equity		25 505 256 423	18 826 876 975
Total capital		35 227 347 160	28 749 661 138

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
9. Consumer deposits		
Electricity and water	407 336 926	375 949 547
<p>The amounts of guarantees held as indicated below are not included/recognised in the statement of financial position as it will only be accounted for once the guarantee is activated. Currently it is only a disclosure item.</p>		
Guarantees held:		
Electricity and water consumers (who do not have deposits)	153 166 265	153 707 255
Township Development guarantees	343 714 427	385 911 280
	496 880 692	539 618 535
10. Payables from exchange transactions		
Trade payables	3 269 741 261	3 972 693 900
Payments received in advance - various services	561 582 969	645 189 245
Accrued leave pay	793 294 203	664 471 922
Deposits received	35 372 282	34 019 628
Debtors with credit balances - reclassification	948 717 849	854 830 149
Other creditors	702 604 121	624 348 725
Retention creditors	431 633 949	432 030 198
Accrual 13th cheque	211 055 640	216 345 889
	6 954 002 274	7 443 929 656
11. Unspent grants and receipts		
Unspent grants and receipts comprises of:		
DoRA: INEP (Electricity for All)	-	199 351
DoRA: Finance Management Grant (FMG)	-	93 292
Human Settlement Development Grant (HSDG)	179 322 667	68 644 888
DoRA: Urban Settlement Development Grant (USDG)	2 889 029	-
DoRA: PTIS	22 545 806	2 258 342
Delft grant	2 293 422	2 293 422
Research and Technology	74 688	74 688
Arts and Culture grant (Libraries)	2 309 705	3 867 830
Gautrans job creation	11 961 294	12 071 107
Broadband (Wifi)	1 086 882	1 086 882
Municipal Disaster Recovery grant	1 447 864	1 447 864
Public Transport Network Operating grant (PTNOG)	485 940	741 147
Electricity Demand Side	-	7 000 000
Integrated City Development	36 506 515	29 477 260
Human Settlements Capacity grant	-	1 035 104
	260 923 812	130 291 177

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated*
		R
11. Unspent grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	130 291 177	170 365 637
Receipts during the year	6 359 514 764	5 930 802 716
Transfers between grants (Returned to NT deducted from current year)	-	3 261 986
Returned to National Treasury	(60 350 068)	(3 261 986)
Repaid to Gauteng Provincial Treasury	-	(1 224 800)
Correction (transfer to other revenue)	-	(616 028)
Income recognition during the year	(6 168 532 061)	(5 969 036 348)
	<u>260 923 812</u>	<u>130 291 177</u>

The figures above shows:

- 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>(1 779 050 282)</u>	<u>(755 994 586)</u>
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VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

13. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	990 917 987	(597 054 072)	393 863 915	965 319 345	(567 384 653)	397 934 692
Land	263 624 712	-	263 624 712	266 489 280	-	266 489 280
Buildings: Asset under construction	-	-	-	733 365 230	-	733 365 230
Tshwane House (refer note 61)	1 129 911 631	(6 277 287)	1 123 634 344	-	-	-
Biological assets (game)	19 007 270	-	19 007 270	16 792 560	-	16 792 560
Infrastructure: Capitalised	26 024 349 221	(7 879 405 867)	18 144 943 354	24 933 113 884	(6 991 654 186)	17 941 459 698
Infrastructure: Asset under construction	8 441 101 677	-	8 441 101 677	6 758 873 730	-	6 758 873 730
Community: Capitalised	3 767 693 733	(1 193 275 519)	2 574 418 214	3 705 226 287	(1 056 255 558)	2 648 970 729
Community: Asset under construction	279 265 841	-	279 265 841	226 888 035	-	226 888 035
Other: Capitalised	2 921 215 347	(1 827 806 720)	1 093 408 627	2 609 621 345	(1 517 516 746)	1 092 104 599
Other: Asset under construction	462 652 772	-	462 652 772	275 461 364	-	275 461 364
Housing: Capitalised	851 251 815	(116 938 411)	734 313 404	673 092 365	(103 505 840)	569 586 525
Housing: Asset under construction	359 975 636	-	359 975 636	517 541 235	-	517 541 235
Total	45 510 967 642	(11 620 757 876)	33 890 209 766	41 681 784 660	(10 236 316 983)	31 445 467 677

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Gains/(losses) arising from changes in fair value	Depreciation	Impairment loss	Total
Land	266 489 280	3 925 277	(27 291)	-	(6 762 554)	-	-	-	263 624 712
Buildings	397 934 692	23 111 213	(293 243)	-	4 403 497	-	(31 292 244)	-	393 863 915
Buildings: Assets under construction	733 365 230	-	-	-	(733 365 230)	-	-	-	-
Tshwane House (refer note 61)	-	361 983 350	-	34 563 051	733 365 230	-	(6 277 287)	-	1 123 634 344
Biological assets (game)	16 792 560	-	-	-	-	2 214 710	-	-	19 007 270
Infrastructure: Capitalised	17 941 459 698	406 999 255	(61 562 194)	796 289 074	8 440 547	-	(946 683 026)	-	18 144 943 354
Infrastructure: Asset under construction	6 758 873 730	2 487 446 103	-	(805 208 936)	(9 220)	-	-	-	8 441 101 677
Community: Capitalised	2 648 970 729	36 048 876	(2 325 809)	39 625 009	(281 808)	-	(147 535 230)	(83 553)	2 574 418 214
Community: Asset under construction	226 888 035	94 005 673	(2 066 338)	(39 561 529)	-	-	-	-	279 265 841
Other: Capitalised	1 092 104 599	284 524 062	(2 723 398)	4 573 876	4 738 429	-	(287 178 308)	(2 630 633)	1 093 408 627
Other: Asset under construction	275 461 364	227 858 712	(9 000)	(40 658 304)	-	-	-	-	462 652 772
Housing: Capitalised	569 586 525	-	(70 000)	188 535 600	(10 528 891)	-	(13 209 830)	-	734 313 404
Housing: Asset under construction	517 541 235	30 970 001	-	(188 535 600)	-	-	-	-	359 975 636
	31 445 467 677	3 956 872 522	(69 077 273)	(10 377 759)	-	2 214 710	(1 432 175 925)	(2 714 186)	33 890 209 766

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Gains/(losses) arising from changes in fair values	Depreciation	Impairment loss	Total
Land	269 377 043	8 970 200	(749 263)	-	(11 108 700)	-	-	-	266 489 280
Buildings	424 849 170	3 560 517	-	9 885 606	(9 291 153)	-	(31 069 448)	-	397 934 692
Buildings: Assets under construction	61 108 580	672 256 650	-	-	-	-	-	-	733 365 230
Biological assets	14 478 788	-	-	-	-	2 313 772	-	-	16 792 560
Infrastructure: Capitalised	17 254 022 961	385 638 198	(91 831 274)	1 282 574 326	13 624 415	-	(902 568 928)	-	17 941 459 698
Infrastructure: Asset under construction	5 264 300 038	2 942 011 423	(149 570 629)	(1 325 995 204)	28 128 102	-	-	-	6 758 873 730
Community: Capitalised	2 510 813 863	98 494 000	(3 357 246)	229 300 100	(51 231 905)	-	(135 048 083)	-	2 648 970 729
Community: Asset under construction	309 040 185	177 487 893	-	(215 865 286)	(43 774 757)	-	-	-	226 888 035
Other: Capitalised (refer to accounting policy 1.6)	1 195 355 361	132 860 653	(4 334 910)	38 946 977	(25 967 259)	-	(244 393 456)	(362 767)	1 092 104 599
Other: Asset under construction (refer to accounting policy 1.6)	91 916 004	225 505 718	(167 295)	(118 757 921)	76 964 858	-	-	-	275 461 364
Housing: Capitalised	384 834 236	-	(4 210 944)	227 485 184	(25 504 781)	-	(13 017 170)	-	569 586 525
Housing: Asset under construction	389 210 083	322 535 600	-	(197 945 148)	3 740 700	-	-	-	517 541 235
	28 169 306 312	4 969 320 852	(254 221 561)	(70 371 366)	(44 420 480)	2 313 772	(1 326 097 085)	(362 767)	31 445 467 677

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	1 347 930 583	1 261 147 038
Rehabilitation assets	84 245 342	64 950 047
	1 432 175 925	1 326 097 085

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
13. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	-	733 365 230
Infrastructure	8 439 542 200	6 758 873 730
Community	279 265 841	226 888 035
Housing	359 975 636	517 541 235
Other	462 652 772	275 461 364
	9 541 436 449	8 512 129 594
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Awaiting completion documentation from contractor	408 527 136	178 106 322
Project still at commissioning stage	46 104 114	37 156 647
Contractor not yet appointed	163 187	-
Project still in planning stage	17 921 464	129 188 371
Project dependant on relocation of residents	1 572 250	3 664 591
Project dependant on registration of servitudes	2 488 206	2 488 206
Project still under construction	300 225 239	57 190 891
Project dependant on obtaining water licences	5 091 399	47 590 789
	782 092 995	455 385 817
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Project halted due legal proceedings	210 429 909	137 866 772
Project halted due discontinued smart meter project	38 830 656	-
Project halted due to insurance claims	69 840 839	1 814 557
Project halted due to funding constraints and reprioritisation of projects	267 292 255	127 254 764
	586 393 659	266 936 093
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance can be split as follows:		
Contracted services	552 170 743	714 260 269
General expenses	426 205 838	631 420 721
Other materials	5 385 479	2 881 841
	983 762 060	1 348 562 831

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.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated*
		R

13. Property, plant and equipment (continued)

Useful lives:

According to GRAP 17: Property, plant and equipment, all useful lives of property, plant and equipment are reviewed annually on an indicator 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 2016/17 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 2016. The following were the reasons for the review of useful life adjustments:

Water and Sanitation assets:

In 2016/17 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.

Consumer meters:

For all consumer meters having a RUL of less than equal to 24 months, the RUL as at 1 July 2016, was increased with an additional 60 months.

All other assets:

The following condition grading scale was used in 2016/17 to test the remaining useful lives (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 91% indicative RUL
- Grade 2: Good - Serves needs but minor deterioration (<5%), minor maintenance required : Average 71% indicative RUL
- Grade 3: Fair - Marginal, clearly evident deterioration (10 - 20%), significant maintenance required : Average 51% indicative RUL
- Grade 4: Poor - Significant deterioration of structure and/or appearance, significant impairment of functionality (20 - 40%, significant renewal/upgrade required : Average 31% indicative RUL
- Grade 5: Very poor - Unsound, failed needs reconstruction/replacement (50% needs replacement) : Average 11% 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 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 13 months for assets with a condition of very poor, the RUL for the 2016/17 financial year was extended to 13 months preventing the asset to depreciate to R0 during the year. Ideally during the 2017/18 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 18 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 2016, 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, if realistic.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated*
		R

13. Property, plant and equipment (continued)

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 2016 and a decision was taken by management to amend the RUL as follows:

- For movable assets, the RUL were adjusted to 25 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 37 months seeing that these assets are used in the ordinary delivery of services to the community. 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 713648 assets were affected. The change in annual depreciation is a decrease of R25 504 672.

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 2016/17 financial year are held for the purpose of generating a commercial return.

In 2016/17 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 2017

Notes to the Financial Statements

Figures in Rand

14. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	936 660 491	(188 404 630)	748 255 861	936 428 150	(184 807 481)	751 620 669
Investment property: Asset under construction	1 154 596	-	1 154 596	397 900	-	397 900
Total	937 815 087	(188 404 630)	749 410 457	936 826 050	(184 807 481)	752 018 569

Reconciliation of investment property - 2017

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers: Purification	Depreciation	Total
Investment property: Capitalised	751 620 669	-	(165 560)	397 900	1	(3 597 149)	748 255 861
Investment property: Asset under construction	397 900	1 154 596	-	(397 900)	-	-	1 154 596
	752 018 569	1 154 596	(165 560)	-	1	(3 597 149)	749 410 457

Reconciliation of investment property - 2016

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers: Purification	Depreciation	Total
Investment property: Capitalised	714 279 648	4 019 978	(12 595 565)	6 570 878	44 450 132	(5 104 402)	751 620 669
Investment property: Asset under construction	-	6 968 778	-	(6 570 878)	-	-	397 900
	714 279 648	10 988 756	(12 595 565)	-	44 450 132	(5 104 402)	752 018 569

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
14. Investment property (continued)		
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.		
Investment property in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of Investment property		
Investment property - Cost	1 154 596	397 900
No projects under investment property took significantly longer period time than expected or were halted.		
Expenditure incurred to repair and maintain Investment properties		
Sidings	273 177	293 113
	273 177	293 113

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

15. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	397 500 288	(214 058 350)	183 441 938	367 238 593	(158 491 639)	208 746 954
Servitudes	201 592 005	-	201 592 005	199 165 590	-	199 165 590
Total	599 092 293	(214 058 350)	385 033 943	566 404 183	(158 491 639)	407 912 544

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Amortisation	Impairment loss	Total
Computer software	208 746 954	21 498 414	-	8 763 281	(55 554 048)	(12 663)	183 441 938
Servitudes	199 165 590	811 938	-	1 614 477	-	-	201 592 005
	407 912 544	22 310 352	-	10 377 758	(55 554 048)	(12 663)	385 033 943

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Transfers: Capitalisation	Transfers: Purification	Amortisation	Impairment loss	Total
Computer software	135 189 826	46 265 624	70 371 373	(29 656)	(43 050 213)	-	208 746 954
Servitudes	199 165 590	-	-	-	-	-	199 165 590
	334 355 416	46 265 624	70 371 373	(29 656)	(43 050 213)	-	407 912 544

Pledged as security

No intangible assets are pledged as security.

Expenditure incurred to repair and maintain Intangible assets

Computer software, processor ware, etc	77 431 130	79 643 033
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City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R

15. Intangible assets (continued)

Intangible assets in the process of being constructed or developed

Currently there is no intangible assets in the process of being constructed or developed.

16. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	455 908 633	-	455 908 633	448 570 918	-	448 570 918
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	3 157 787 330	-	3 157 787 330	3 157 787 330	-	3 157 787 330
Stamp collections, military insignia, medals, coin	11 853 750	-	11 853 750	577 500	-	577 500
Assets under construction	19 718 699	-	19 718 699	19 718 699	-	19 718 699
Total	3 648 494 462	-	3 648 494 462	3 629 880 497	-	3 629 880 497

Reconciliation of heritage assets - 2017

	Opening balance	Additions	Disposals	Total
Art Collections, antiquities and exhibits	448 570 918	9 305 565	(1 967 850)	455 908 633
Collections of rare books, manuscripts and records	826 050	-	-	826 050
Historical monuments	2 400 000	-	-	2 400 000
Historical buildings	3 157 787 330	-	-	3 157 787 330
Stamp collections, military insignia, medals, coin	577 500	9 308 400	1 967 850	11 853 750
Assets under construction	19 718 699	-	-	19 718 699
	3 629 880 497	18 613 965	-	3 648 494 462

Reconciliation of heritage assets 2016

	Opening balance	Additions	Disposals	Total
Art Collections, antiquities and exhibits	445 940 321	2 630 597	-	448 570 918
Collections of rare books, manuscripts and records	826 050	-	-	826 050
Historical monuments	2 400 000	-	-	2 400 000
Historical buildings	3 157 787 330	-	-	3 157 787 330
Stamp collections, military insignia, medals, coin	577 500	-	-	577 500
Assets under construction	-	19 718 699	-	19 718 699
	3 607 531 201	22 349 296	-	3 629 880 497

Heritage assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Heritage assets

Historical buildings	19 718 699	19 718 699
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Expenditure incurred to repair and maintain heritage assets

Currently no expenditure has been incurred to repair and maintain heritage assets.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R

17. Leased assets

	2017			2016		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Vehicles	706 354 446	(277 855 350)	428 499 096	266 860 621	(151 831 686)	115 028 935

Reconciliation of leased assets - 2017

Vehicles	Opening balance 115 028 935	Additions 439 493 825	Depreciation (126 023 664)	Total 428 499 096
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Reconciliation of leased assets - 2016

Vehicles	Opening balance 204 414 497	Additions -	Depreciation (89 385 562)	Total 115 028 935
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Pledged as security:

The assets above are pledged as security for the lease liabilities (refer to Note 5).

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 office furniture and equipment, computer equipment, machinery and equipment and minor infrastructure items have been marked for disposal and were in the auction yard at year end.

During 2016/17 a number of properties were sold.

Carrying values

Assets in the auction yard (auction still to be held)	49 337	1 835 902
Sale of properties (completed)	125 560	14 748 522
Disposal of assets	1 944 697	251 410

Facts and circumstances of the disposal

The assets in the auction yard are mostly furniture and equipment, computer equipment, machinery and equipment and minor infrastructure items that 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

Approval by the City Manager is required to hold an auction.

The expected sale or transfer date is still to be determined.

Disposals completed during the year

During the 2016/17 financial year the transfer of 3 properties were completed for which legal agreements were signed, with a carrying value of R125 560.

A number of movable assets were sold during the 2016/17 financial year with a carrying value of R1 944 697. The fair value of these assets were determined as R8 333 765.

Circumstances that may have resulted in a decision to dispose of an asset being reversed during the reporting period

None.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
19. Investments		
Available-for-sale Investments		
Short-term investments	1 712 108 929	1 087 430 061
Held to maturity investments		
Municipal stock	710 520	710 520
Total investments	1 712 819 449	1 088 140 581
Non-current assets		
Long-term investments (at amortised cost)	710 520	710 520
Current assets		
Short-term investments (at amortised cost - refer note 24)	1 712 108 929	1 087 430 061
No financial assets were disposed of during the year under review.		
The market value (indicated below) was obtained from balance certificates from the various financial institutions.		
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
Capital Alliance no 28 (unceded)	695 879	665 869
Capital Alliance no 29 (unceded)	2 181 297	2 094 822
ABSA Money Market investment no 32 (interest capitalised monthly) (ceded to DBSA sinking fund loan repayable at 30 April 2018)	31 667 477	29 375 840
ABSA Money Market investment no 33 (interest capitalised monthly) (unceded)	11 097 423	10 294 351
ABSA Money Market investment no 34 (interest capitalised monthly) (ceded to DBSA sinking fund loan repayable at 30 September 2019)	8 311 764	7 710 278
ABSA Money Market investment no 35 (interest capitalised monthly) (ceded to DBSA sinking fund loan repayable at 30 September 2019)	182 992	169 750
Investec Money Market investment no 37 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	27 793 917	25 783 185
Investec Money Market investment no 38 (interest capitalised monthly) (unceded)	8 883 477	8 240 809
Investec Money Market investment no 39 (interest capitalised monthly) (unceded)	1 190 067	1 103 972
Standard Bank Money Market investment no 40 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	100 711 845	93 333 343
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	3 125 968	2 896 949
Investec Money Market investment no 108 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	31 884 566	29 779 404
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	73 043 244	68 220 819
Standard Bank call investment - short term investment	459 048 777	25 318 421
Nedbank call investment - short term investment	1 026 760	25 443 938
ABSA call investment - short term investment	1 016 413	51 358 980
Stanlib Contingency fund investment - short term investment	247 063	28 196 762
Sinking fund investment - call investment at Standard bank at an interest rate of 5.1% #	950 000 000	677 442 569
	1 712 819 449	1 088 140 581
Average rate of return		
On long-term investments	16,45 %	16,45 %
On short-term investments	6,91 %	6,28 %

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

Provision is made for the payment of the Advanced Metering and Vending Infrastructure in terms of the Interim Services Agreement.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
19. Investments (continued)		
Financial assets pledged as collateral		
Secured and unsecured investments		
Secured investments against long-term liabilities (refer Note 4)	128 505 761	119 116 528
Unsecured investments	1 584 313 688	969 024 053
	1 712 819 449	1 088 140 581
Investments pledged (secured investments) against long-term liabilities		
Secured investments against long-term liabilities	128 505 761	119 116 528
The City of Tshwane assigns, transfers and makes over unto and in favour of the Cessionary all the cedent's rights, title and interest in and to the ceded subject matter.		
The investments are ceded together with all dividends, interest, distributions, accruals, rights, income and other benefits of a capital or revenue nature, arising there from or accruing to the holder thereof.		
Terms and conditions associated with the use of the collateral: In the event of the cedent failing to effect payment, on due date, of any amount due in terms of either one of the loan agreements, or committing any other breach of the terms and conditions thereof, and the cedent failing to make that payment or remedy the breach with the notice period provided in the loan agreements, then in such event, the cessionary shall be entitled, in addition to its common law rights as cessionary, to the following rights and powers:		
* to realise the ceded subject matter, or any portion thereof, in such a manner in order to procure the discharge of the indebtedness then outstanding.		
* to apply the proceeds of realisation in reduction of the indebtedness due to the cessionary and to account within 14 days to the cedent for any excess.		
20. Long-term receivables		
Consumer: Arrangement debtors (refer to note 22)	116 995 623	114 819 043
Housing loans	10 156 272	9 915 323
Loans to sport clubs	1 041 030	1 088 333
Sale of land	69 397 504	67 735 412
	197 590 429	193 558 111
Current portion of long-term receivables	(91 005 216)	(95 249 478)
	106 585 213	98 308 633
Impairment allowance	(80 923 717)	(79 482 793)
	25 661 496	18 825 840
Reconciliation of impairment allowance		
Balance at the beginning of year	(79 482 793)	(66 776 468)
Contribution to provision during the year	(1 440 924)	(12 706 325)
	(80 923 717)	(79 482 793)
Consumer: Arrangement debtors		
A policy exists granting consumer receivables 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.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
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	89 483 738	93 692 788
> 365 days	27 511 885	21 126 255
	116 995 623	114 819 043
Housing loans		
121 - 365 days	430 572	432 361
> 365 days	9 725 700	9 482 962
	10 156 272	9 915 323
Loans to sport clubs		
121 - 365 days	579 149	579 149
> 365 days	461 881	509 184
	1 041 030	1 088 333
Sale of land		
121 - 365 days	511 757	542 680
> 365 days	68 885 747	67 192 732
	69 397 504	67 735 412
21. Inventories		
Raw materials, components	528 277 098	417 220 103
Water	9 370 584	6 031 783
Food and beverage (restaurant)	-	2 496
Fuel (Diesel, Petrol)	1 223 394	8 125 517
Bus tickets	3 241 377	2 248 822
Plants (nursery)	135 257	68 596
Quarries	1 852 570	1 357 513
Coal (power stations)	144 794 307	138 735 004
	688 894 587	573 789 834
Inventory pledged as security		
No inventory is pledged as security.		
The write down of the general inventory is only done at year end. During July 2016 the inventory of the TLMA restaurant to the value of R1 896 was written down as the items were damaged. The figure shown below is the net of surplusses and losses.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
21. Inventories (continued)		
Write-down/write-up of inventory (Included in general expenditure)		
Surplus inventory (items identified during stock take)	195 989	834 696
Shortages	(88 987)	(1 513 791)
Theft	(2 727 121)	(2 482 491)
Revaluation of inventory	(435 674)	(75 068)
Damaged inventory	(336 316)	(1 116 675)
Obsolete inventory	(779 950)	(1 058 378)
Rounding differences	366	118
	(4 171 693)	(5 411 589)
22. Consumer receivables		
The City of Tshwane has a consolidated account billing system. The split of receivables 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 receivables:		
Rates	2 171 325 947	2 262 571 162
Electricity	1 349 353 198	1 423 117 010
Water	2 632 463 749	2 183 822 581
Other fees and levies	1 309 353 136	540 270 324
Sewerage	372 698 617	377 880 280
Refuse	613 179 348	554 743 942
Interest	1 671 732 216	1 254 836 035
	10 120 106 211	8 597 241 334
Less: Arrangement debtors (refer note 20)	(116 995 623)	(114 819 043)
	10 003 110 588	8 482 422 291
Less: Allowance for impairment		
Rates	(905 475 741)	(552 305 299)
Electricity	(472 538 451)	(284 988 859)
Water	(73 905 425)	(217 600 954)
Sewerage	(71 879 431)	(46 283 512)
Refuse	(98 253 829)	(75 358 180)
General: Other	(432 796 987)	(483 332 043)
	(2 054 849 864)	(1 659 868 847)
Net balance		
Rates	1 265 850 206	1 710 265 863
Electricity	876 814 747	1 138 128 151
Water	2 558 558 324	1 966 221 627
Other fees and levies	1 309 353 136	540 270 324
Sewerage	300 819 186	331 596 768
Refuse	514 925 519	479 385 762
Interest	1 671 732 216	1 254 836 035
Arrangement debtors	(116 995 623)	(114 819 043)
Less: Impairment allowance	(432 796 987)	(483 332 043)
	7 948 260 724	6 822 553 444

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
22. Cash and cash equivalents (continued)		
Included in above is receivables from exchange transactions		
Electricity	1 349 353 198	1 423 117 010
Water	2 632 463 749	2 183 822 581
Other fees and levies	1 309 353 136	540 270 324
Sewerage	372 698 617	377 880 280
Refuse	613 179 348	554 743 942
Interest	1 671 732 216	1 254 836 035
	<u>7 948 780 264</u>	<u>6 334 670 172</u>
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	2 171 325 947	2 262 571 162
	<u>10 120 106 211</u>	<u>8 597 241 334</u>
Gross balance		
	<u>10 120 106 211</u>	<u>8 597 241 334</u>
2016/17 to date:		
An amount of R343 324 012 exclusive of VAT was written off up to 30 June 2017 (R391 389 374 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.		
2015/16:		
An amount of R383 849 303 exclusive of VAT was written off up to 30 June 2016 (R437 588 200 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.		
AGEING (of gross receivables):		
Rates		
Current (0 -30 days)	141 958 496	556 114 408
31 - 60 days	102 638 858	62 549 425
61 - 90 days	78 675 480	44 453 107
91 - 120 days	58 743 491	60 041 148
121 - 150 days	52 088 498	39 518 803
151 - 180 days	58 101 688	47 343 343
181 - 365 days	297 007 639	240 620 357
365 + days	1 382 111 797	1 211 930 571
	<u>2 171 325 947</u>	<u>2 262 571 162</u>
Electricity		
Current (0 -30 days)	330 847 792	538 362 090
31 - 60 days	35 974 237	20 483 610
61 - 90 days	46 410 535	19 309 587
91 - 120 days	26 623 329	25 212 358
121 - 150 days	18 123 864	13 015 366
151 - 180 days	24 604 072	21 241 073
181 - 365 days	146 721 893	99 802 092
365 + days	720 047 476	685 690 834
	<u>1 349 353 198</u>	<u>1 423 117 010</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
22. Cash and cash equivalents (continued)		
Water		
Current (0 -30 days)	581 117 520	700 192 903
31 - 60 days	104 816 978	68 687 504
61 - 90 days	113 250 357	48 054 150
91 - 120 days	70 397 151	67 072 751
121 - 150 days	45 015 071	21 513 794
151 - 180 days	65 331 063	72 687 789
181 - 365 days	324 466 625	286 304 334
365 + days	1 328 068 984	919 309 356
	<u>2 632 463 749</u>	<u>2 183 822 581</u>
Other fees and levies		
Current (0 -30 days)	295 314 211	51 913 353
31 - 60 days	38 090 346	4 391 382
61 - 90 days	48 832 402	(2 071 560)
121 - 150 days	33 904 841	2 371 488
151 - 180 days	17 543 971	(2 619 410)
181 - 365 days	32 751 911	6 626 161
181 - 365 days	146 906 199	50 897 223
365 + days	696 009 255	428 761 687
	<u>1 309 353 136</u>	<u>540 270 324</u>
Sanitation		
Current (0 -30 days)	71 184 035	135 195 851
31 - 60 days	9 592 163	6 639 234
61 - 90 days	13 941 177	6 606 615
91 - 120 days	10 888 600	9 958 967
121 - 150 days	6 383 161	3 933 281
151 - 180 days	9 511 134	7 539 805
181 - 365 days	44 361 740	37 912 560
365 + days	206 836 607	170 093 967
	<u>372 698 617</u>	<u>377 880 280</u>
Solid waste		
Current (0 -30 days)	38 541 106	118 379 435
31 - 60 days	17 176 124	13 814 558
61 - 90 days	22 608 399	13 495 850
91 - 120 days	17 459 169	17 005 288
121 - 150 days	15 137 234	9 264 499
151 - 180 days	18 287 012	14 985 747
181 - 365 days	88 267 389	72 258 931
365 + days	395 702 915	295 539 634
	<u>613 179 348</u>	<u>554 743 942</u>
Interest		
Current (0 -30 days)	154 950 011	97 695 033
31 - 60 days	41 361 348	28 532 815
61 - 90 days	51 850 518	30 414 699
91 - 120 days	48 653 412	37 508 438
121 - 150 days	39 705 222	26 144 207
151 - 180 days	46 576 377	32 032 335
181 - 365 days	222 091 005	171 949 429
365 + days	1 066 544 323	830 559 079
	<u>1 671 732 216</u>	<u>1 254 836 035</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
22. Cash and cash equivalents (continued)		
Ageing: Total gross receivables		
Current (0 -30 days)	1 613 913 170	2 197 853 072
31 - 60 days	349 650 054	205 098 526
61 - 90 days	375 568 868	160 262 448
91 - 120 days	266 669 994	219 170 438
121 - 150 days	193 997 020	110 770 541
151 - 180 days	255 163 257	202 456 252
181 - 365 days	1 269 822 490	959 744 925
365 + days	5 795 321 358	4 541 885 132
	10 120 106 211	8 597 241 334
Consumer receivables - past due and impaired		
60 days and beyond	2 054 849 864	1 659 868 847
Consumer receivables - past due and not impaired		
31 - 60 days	6 451 343 177	4 739 519 415
<p>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 receivables, impairment may have happened earlier than 60 days.</p>		
<p>Restatement: During 2016/17 the provision for impairment was corrected and prior years restated. The provision for impairment was restated from R5 887 774 102 to R1 659 868 847 (a decrease of R4 227 905 255).</p>		
Summary of consumer receivables by customer classification		
Consumers		
Household/residential	6 197 365 077	4 774 682 216
Industrial/Commercial	2 520 508 152	1 996 908 084
National and Provincial Government	969 102 881	1 430 065 057
Other	433 130 101	395 585 977
	10 120 106 211	8 597 241 334
Households		
Current (0 -30 days)	1 378 751 472	1 213 014 271
31 - 60 days	192 428 244	95 929 039
61 - 90 days	185 258 365	90 163 211
91 - 120 days	151 213 622	119 529 510
121 - 150 days	108 136 125	68 214 016
151 - 180 days	136 643 787	102 632 617
181 -365 days	711 359 949	550 291 715
365 + days	3 333 573 513	2 534 907 838
	6 197 365 077	4 774 682 217
Industrial/ commercial		
Current (0 -30 days)	712 662 485	597 491 581
31 - 60 days	90 097 936	45 950 437
61 - 90 days	92 662 200	29 638 290
91 - 120 days	58 962 447	55 038 450
121 -150 days	42 089 351	33 865 270
151 - 180 days	59 210 233	35 933 652
181 - 365 days	256 105 916	191 840 649
365 + days	1 208 717 584	1 007 149 755
	2 520 508 152	1 996 908 084

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
22. Cash and cash equivalents (continued)		
National and provincial government		
Current (0 -30 days)	238 468 306	1 065 501 558
31 - 60 days	33 562 419	47 514 366
61 - 90 days	60 641 172	23 022 115
91 - 120 days	28 779 911	27 665 605
121 - 150 days	22 977 279	5 105 186
151 - 180 days	31 352 498	44 467 780
181 - 365 days	154 705 381	120 575 777
365 + days	398 615 915	96 212 670
	969 102 881	1 430 065 057
Other		
Current (0 -30 days)	23 365 933	6 522 337
31 - 60 days	4 354 064	(5 902 997)
61 - 90 days	8 405 336	178 126
91 - 120 days	5 059 560	(6 395 223)
121 - 150 days	4 384 536	(8 353 334)
151 - 180 days	5 357 458	(2 350 187)
181 - 365 days	36 940 049	(5 818 225)
365 + days	345 263 165	417 705 481
	433 130 101	395 585 978
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 659 868 847)	(1 544 843 775)
Contributions to allowance	(350 105 951)	(210 344 384)
Contribution to allowance: corrections	-	34 259 748
VAT on additional contribution to allowance	(423 075 975)	(332 198 388)
Debt impairment written off against allowance	383 849 303	383 849 303
Reversal/corrections of allowance	(5 648 394)	9 408 649
	(2 054 849 864)	(1 659 868 847)
23. Other receivables		
AARTO fine debtor (i.t.o. IGRAP1)	660 253 266	502 421 916
Creditors reclassification	38 440 242	5 515 892
Housing debtors	59 328 604	51 244 153
Pre-payment Sanral	174 449 852	174 449 852
Miscellaneous	362 177 480	281 018 162
Lease revenue	34 531 227	33 199 643
Waste management	3 122 543	2 269 814
Sundry rentals	115 108 508	97 305 634
Sundry Persons	292 050 687	224 175 049
Public contributions	340 077 657	368 981 675
Sandspruit	34 298 530	34 298 530
RTMC: AARTO debtor	1 256 293	1 256 293
Social infrastructure grant debtor	4 393 468	-
	2 119 488 357	1 776 136 613
Less: Allowance for impairment	(957 034 320)	(675 166 090)
	1 162 454 037	1 100 970 523
AGEING		
Pre-payment Sanral		
> 365 days	174 449 852	174 449 852

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
23. Other receivables (continued)		
Housing debtors		
31 - 60 days	6 145 923	-
121 - 365 days	53 182 681	51 244 153
	59 328 604	51 244 153
Creditors reclassification		
31 - 60 days	38 440 242	5 515 892
Miscellaneous		
31 - 60 days	143 958 881	-
121 - 365 days	218 218 599	281 018 162
	362 177 480	281 018 162
Lease revenue		
31 - 60 days	34 531 227	33 199 643
AARTO fine debtor (ito IGRAP 1)		
31 - 60 days	4 260 075	-
61 - 90 days	153 571 275	-
121 - 365 days	247 762 566	247 762 566
> 365 days	254 659 350	254 659 350
	660 253 266	502 421 916
Waste Management		
31 - 60 days	685 738	-
61 - 90 days	2 436 805	2 269 814
	3 122 543	2 269 814
Sundry rentals		
31 - 60 days	22 081 849	-
61 - 90 days	93 026 659	97 305 634
	115 108 508	97 305 634
Sundry Persons		
61 - 90 days	53 130 231	-
91 - 120 days	238 920 456	224 175 049
	292 050 687	224 175 049
Public contributions		
121 - 365 days	28 904 018	97 278 498
> 365 days	311 173 639	271 703 177
	340 077 657	368 981 675
Sandspruit Works Association		
> 365 days	34 298 530	34 298 530
RTMC: AARTO debtor		
> 365 days	1 256 293	1 256 293
Social infrastructure grant debtor		
31 - 60 days	4 393 468	-

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
23. Other receivables (continued)		
Reconciliation of allowance for impairment		
Opening balance	(675 166 090)	(383 468 362)
Contributions to provision	(286 269 472)	(316 859 538)
Write-off against the provision	4 328 492	23 936 177
Corrections of write-offs against allowance	72 750	1 225 633
	(957 034 320)	(675 166 090)
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 2017, R1 162 454 037 (2016: R 1 100 970 523) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
2 months past due	1 162 454 037	1 100 970 523
Other receivables from exchange and non-exchange transactions past due and impaired		
As of 30 June 2017, trade and other receivables of R 2 119 488 357 (2016: R 1 776 136 613) were impaired and provided for.		
The amount of the impairment was R (957 034 320) as of 30 June 2017 (2016: R (790 112 559)).		
The ageing of these receivables is as follows:		
Over 2 months	957 034 320	675 166 090
Up to June 2017 an amount of R4 328 492 has been written off with regard to Sundry/Other debtors against the allowance.		
Up to 30 June 2016 an amount of R23 936 177 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	501 975	383 687
Cashbook (bank account) balances	398 273 522	74 197 479
Short-term investments (refer note 19)	1 712 108 929	1 087 430 061
	2 110 884 426	1 162 011 227
Cash and bank	398 775 497	74 581 166
Short-term investments (refer note 19)	1 712 108 929	1 087 430 061
	2 110 884 426	1 162 011 227

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017			2016		
	R			Restated*		
	R			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 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Absa - 4060738263	42 119 748	40 441 784	24 355 342	40 964 322	(32 618 750)	(25 654 420)
FNB - 51420107207	45 170 960	29 858 205	17 291 903	40 928 039	(213 512)	(6 402 849)
Standard - 410801453	257 292 116	131 981 676	163 315 841	274 678 695	74 198 061	51 147 872
Insurance Contingency - Absa - 4062593950	38 133 509	2 784	232 135	-	2 784	232 135
Tshwane Market - Absa - 4068829119	-	41 169 203	36 158 223	34 058 668	37 383 039	32 814 759
Nedbank - 1454121963	7 759 241	5 543 238	9 455 310	7 643 798	(4 554 143)	4 662 838
Total	390 475 574	248 996 890	250 808 754	398 273 522	74 197 479	56 800 335

25. Property rates

Rates received

Property rates	5 964 037 708	5 425 241 074
Less: Interdepartmental charges - assessment rates	(30 133 267)	(41 221 936)
Less: Grants-in-aid: Assessment rates	(21 043 548)	(23 264 515)
	5 912 860 893	5 360 754 623

Valuations

Residential	289 278 507 839	282 994 595 304
Other	128 794 446 921	125 578 903 411
	418 072 954 760	408 573 498 715

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	10 901 220 484	9 699 511 315
Sale of water	3 341 960 023	3 318 948 220
Solid waste	1 275 795 066	1 153 332 147
Sewerage and sanitation charges	802 715 732	770 444 414
Other service charges	315 003 382	231 378 360
	16 636 694 687	15 174 923 370
Less: Interdepartmental - Electricity	(130 921 855)	(359 301 915)
Less: Interdepartmental - Water	(160 530 404)	(92 434 279)
Less: Interdepartmental - Solid Waste	(23 879 033)	(25 286 367)
Less: Interdepartmental - Sanitation	(22 730 675)	(9 750 945)
Net Service charges per statement of financial performance	16 298 632 720	14 686 840 950

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
27. Government grants, subsidies, awards & donations		
Operating grants		
Equitable share	1 864 839 007	1 654 389 319
Emergency Management Services subsidy	62 850 000	59 687 000
Fuel levy	1 440 100 000	1 395 849 000
Finance Management grant (FMG)	2 875 000	3 925 000
Public Transport Network Operating Grant (PTNOG)	200 266 208	160 258 853
Research and Technology grant	-	1 711 026
Broadband (Wifi)	-	7 763 443
Research and development grant	3 899 747	-
Municipal Human Settlement Capacity grant	-	28 215 380
Health subsidy	44 325 000	42 085 000
HIV/AIDS subsidy	12 649 000	11 948 000
Community Libraries	6 103 292	4 476 874
Expanded Public Works Program (EPWP)	50 247 000	31 143 000
Gautrans	109 814	-
Urban Settlement Development Grant (USDG) - operational	46 180 020	-
Municipal Disaster Recovery grant	-	12 438 403
Integrated City Development	6 145 485	16 531 764
Human Settlement Development: Topstructures	72 555 231	86 404 116
	<u>3 813 144 804</u>	<u>3 516 826 178</u>
Capital grants		
INEP	40 000 000	36 801 599
PTIS Roads and storm water	729 712 536	768 350 658
Neighbourhood Development (NDPG)	48 500 000	62 619 000
Libraries	5 709 772	6 276 401
Finance Management Grant (FMG)	-	156 708
Urban Settlement Development Grant (USDG) - capital	1 490 264 951	1 537 550 333
Social infrastructure grant	41 000 000	38 682 211
DPSA: Smart connect	200 000	1 773 260
	<u>2 355 387 259</u>	<u>2 452 210 170</u>
	<u>6 168 532 063</u>	<u>5 969 036 348</u>
Conditional and unconditional		
Included above are the following categories of grants and subsidies recognised as revenue:		
Conditional grants received	3 304 939 007	2 918 798 029
Unconditional grants received	2 863 593 056	3 050 238 319
	<u>6 168 532 063</u>	<u>5 969 036 348</u>
Equitable Share (DoRA)		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R561.81 (2016 = R511.90), which is funded from the grant.		
Current year receipts	1 864 839 007	1 654 389 319
Conditions met - transferred to revenue	(1 864 839 007)	(1 654 389 319)
	<u>-</u>	<u>-</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R

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

Fuel levy (DoRA)

Current-year receipts	1 440 100 000	1 395 849 000
Conditions met - transferred to revenue	(1 440 100 000)	(1 395 849 000)
	<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.

Primary Health Care Subsidy (Provincial)

Current-year receipts	44 325 000	42 085 000
Conditions met - transferred to revenue	(44 325 000)	(42 085 000)
	<u>-</u>	<u>-</u>

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 is used exclusively to fund clinic services. The conditions of the subsidy are always met.

Emergency Management Services Subsidy (Provincial)

Current-year receipts	62 850 000	59 687 000
Conditions met - transferred to revenue	(62 850 000)	(59 687 000)
	<u>-</u>	<u>-</u>

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.

Research and Development Grant (DoRA)

Current-year receipts	3 899 747	-
Conditions met - transferred to revenue	(3 899 747)	-
	<u>-</u>	<u>-</u>

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

The grant is from the Department of Public Service and Administration (DPSA) and is intended to support programmes in the research, development and piloting of new ways of delivering front-line public services.

Electricity for All (INEP) (DoRA)

Balance unspent at beginning of year	199 351	950
Current-year receipts	40 000 000	37 000 000
Conditions met - transferred to revenue	(40 000 000)	(36 801 599)
Returned to National Treasury	(199 351)	-
	<u>-</u>	<u>199 351</u>

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

The request to roll over of the balance of R199 351 was not approved by National Treasury and was set off against the next transfer of the equitable share.

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 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Finance Management Grant (FMG) (DoRA)		
Balance unspent at beginning of year	93 292	921 685
Current-year receipts	2 875 000	4 175 000
Conditions met - transferred to revenue	(2 875 000)	(4 081 708)
Returned to National Treasury	(93 292)	(921 685)
	<u>-</u>	<u>93 292</u>
Conditions still to be met - remain liabilities (see note 11)		
The request for the roll forward of the balance of R93 292 was not approved by National Treasury and was set off against the next transfer of the equitable share.		
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).		
Human Settlement Development Grant (HSDG) (Provincial)		
Balance unspent at beginning of year	68 644 888	68 393 290
Current-year receipts	203 033 010	86 655 714
Conditions met - transferred to revenue	(72 555 231)	(86 404 116)
Returned to National Treasury	(19 800 000)	-
	<u>179 322 667</u>	<u>68 644 888</u>
Conditions still to be met - remain liabilities (see note 11)		
The request submitted to National Treasury for the roll forward of the balance of 2015/16 was not approved and was returned to National Treasury.		
Government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approve housing subsidies and projects and provide support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads and in many cases electricity.		
Urban Settlement Development Grant (USDG) (DoRA)		
Balance unspent at beginning of year	-	36 867 333
Current-year receipts	1 539 334 000	1 500 683 000
Conditions met - transferred to revenue	(1 536 444 971)	(1 537 550 333)
	<u>2 889 029</u>	<u>-</u>
The grant is intended to supplement the capital revenue of metropolitan municipalities in order to support the National Human Settlements Development programme, focussing on poor households.		
Public Transport Grant (PTIS) (DoRA)		
Balance unspent at beginning of year	2 258 342	224 108
Current-year receipts	750 000 000	770 609 000
Conditions met - transferred to revenue	(729 712 536)	(768 350 658)
Returned to National Treasury	-	(224 108)
	<u>22 545 806</u>	<u>2 258 342</u>
Conditions still to be met - remain liabilities (see note 11)		
The request for the roll over of the 2015/16 balance was approved by National Treasury.		
The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
HIV and AIDS (Provincial Health Department)(Provincial)		
Current-year receipts	12 649 000	11 948 000
Conditions met - transferred to revenue	(12 649 000)	(11 948 000)
	<u>-</u>	<u>-</u>

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

Gautrans (operational and capital)

Balance unspent at beginning of year	12 071 107	12 071 107
Conditions met - transferred to revenue	(109 813)	-
	<u>11 961 294</u>	<u>12 071 107</u>

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

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	-	1 526
Current-year receipts	48 500 000	62 619 000
Conditions met - transferred to revenue	(48 500 000)	(62 619 000)
Returned to National Treasury	-	(1 526)
	<u>-</u>	<u>-</u>

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

Balance unspent at beginning of year	74 688	892 857
Current-year receipts	-	892 857
Conditions met - transferred to revenue	-	(1 711 026)
	<u>74 688</u>	<u>74 688</u>

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

A request for roll over of the balance of 2015/16 was approved by National Treasury.

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

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	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	3 867 830	1 185 105
Current-year receipts	13 000 000	13 436 000
Conditions met - transferred to revenue	(11 813 064)	(10 753 275)
Returned to National Treasury	(2 745 061)	-
	<u>2 309 705</u>	<u>3 867 830</u>
Conditions still to be met - remain liabilities (see note 11).		
A request for roll over of the balance of 2015/16 was submitted to National Treasury, but roll over of an amount of R2 745 061 has been rejected by National Treasury and was set off against the next transfer of the equitable share..		
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.		
Municipal Human Settlement Capacity grant		
Balance unspent at beginning of year	1 035 104	16 419 484
Current-year receipts	-	12 831 000
Conditions met - transferred to revenue	-	(28 215 380)
Returned to National Treasury	(1 035 104)	-
	<u>-</u>	<u>1 035 104</u>
Conditions still to be met - remain liabilities (see note 11).		
The request for the roll over of the balance of R1 035 104 was not approved by National Treasury and was set off against the transfer of the equitable share.		
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.		
Expanded Public Works Programme(EPWP) (DoRA)		
Current-year receipts	50 247 000	31 143 000
Conditions met - transferred to revenue	(50 247 000)	(31 143 000)
	<u>-</u>	<u>-</u>
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.		
Broadband (Wifi)		
Balance unspent at beginning of year	1 086 882	-
Current-year receipts	-	8 850 325
Conditions met - transferred to revenue	-	(7 763 443)
	<u>1 086 882</u>	<u>1 086 882</u>
Conditions still to be met - remain liabilities (see note 11).		
The request for roll over of the 2015/16 balance was approved by National Treasury.		
Funding was received from the Department of Telecommunication and Postal Services for the implementation of free wifi in Tshwane.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Delft Housing grant		
Balance unspent at beginning of year	2 293 422	2 293 422
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		
Balance unspent at beginning of year	1 447 864	13 886 268
Conditions met - transferred to revenue	-	(12 438 404)
	1 447 864	1 447 864
Conditions still to be met - remain liabilities (see note 11).		
The request for roll over of the 2015/16 balance was not approved by National Treasury, however, an appeal was lodged to National Treasury.		
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.		
Social Infrastructure grant		
Balance unspent at beginning of year	-	5 682 211
Current-year receipts	36 606 532	33 000 000
Conditions met - transferred to revenue	(41 000 000)	(38 682 211)
Debtor at year end for last tranche	4 393 468	-
	-	-
The last tranche of 2016/17 was not yet paid over upon year-end closure and a debtor was created for the amount of R4 393 468 as the municipality already incurred the expenditure. The receipt of the amount will be offset against the debtor in the 2017/18 financial year.		
20 Priority Township project - the purpose of this grant is to plan, design and construct in Hammanskraal, Winterveldt and Mabopane social development centres.		
LG SETA Merit awards		
Balance unspent at beginning of year	-	266 921
Conditions met - transferred to revenue	-	(266 921)
	-	-
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.		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
DPSA Smart connect grant		
Balance unspent at beginning of year	-	378 440
Current-year receipts	200 000	1 394 820
Conditions met - transferred to revenue	(200 000)	(1 773 260)
	<u>-</u>	<u>-</u>

The grant is intended 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.

Public Transport Network (PTNOG) (DoRA)

Balance unspent at beginning of year	741 147	-
Current-year receipts	200 011 000	161 000 000
Conditions met - transferred to revenue	(200 266 207)	(160 258 853)
	<u>485 940</u>	<u>741 147</u>

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

The request for the roll over of the balance of R741 147 was not approved by National Treasury, however an appeal was lodged in this regard.

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

Sport and Recreation

Balance unspent at beginning of year	-	72 617
Transferred to other revenue	-	(72 617)
	<u>-</u>	<u>-</u>

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

Performance Management (DPLG) (DoRA)

Balance unspent at beginning of year	-	268 665
Transferred to other revenue	-	(268 665)
	<u>-</u>	<u>-</u>

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.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Electricity Demand Side		
Balance unspent at beginning of year	7 000 000	3 000 000
Current-year receipts	-	7 000 000
Returned to National Treasury	(7 000 000)	(3 000 000)
	<u>-</u>	<u>7 000 000</u>

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

The request for the roll over of the balance of 2015/16 was not approved by National Treasury and was set off against the transfer of the equitable share.

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 request for roll over was, however not approved and the amount was returned to National Treasury.

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

Revenue Enhancement

Balance unspent at beginning of year	-	1 224 800
Returned to Gauteng Provincial Treasury	-	(1 224 800)
	<u>-</u>	<u>-</u>

This once off allocation was received from the Department of Local Government to assist with revenue enhancement programmes. The balance of 2014/15 was repaid to the Gauteng Provincial Treasury during 2015/16.

Integrated City Development (DoRA)

Balance unspent at beginning of year	29 477 260	6 307 025
Current-year receipts	42 652 000	39 702 000
Conditions met - transferred to revenue	(6 145 485)	(16 531 765)
Returned to National Treasury	(29 477 260)	-
	<u>36 506 515</u>	<u>29 477 260</u>

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

The request for the roll over of the 2015/16 balance was not approved by National Treasury and was set off against the transfer of the equitable share.

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

Changes in level of government grants

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

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
28. Other income		
Market fees	170 009 449	169 869 175
Land sales	130 227	58 348
VAT audit refund	4 424 719	3 822 943
Fire services	5 750 536	5 059 487
Sale of unusable stock	4 730 287	6 714 902
Drain cleaning fees	192 843	1 085 164
Admission fees	17 894 461	19 232 101
Interest on property sales	272 148	661 124
Donated assets	3 737 563	1 077 284
Serving of summonses	14 150 972	14 884 562
Building fees	60 935 957	52 211 130
Income from grave services	6 178 466	6 288 945
Motor vehicles licences (refund from Province)	96 225 091	81 194 060
Training fees recovered	12 765 162	13 955 108
Newly identified assets	235 429 128	81 243 070
Insurance claims	52 184 351	39 027 587
A re Yeng revenue	5 952 293	8 133 352
Sundry fees	6 245 391	4 942 667
Airside income	6 771 465	5 019 604
Ambulance fees	1 943 470	3 268 976
Reminder fees	57 228 716	61 775 473
Discount on prompt payments	1 100 766	1 326 700
Approval fees: advertisements	35 866 057	43 611 007
LG Seta discretionary allocation	6 729 821	16 758 775
Cemetery fees	6 178 059	5 708 306
Application fees	6 652 545	4 787 110
Income fom bulk containers	1 066 686	1 502 119
Sales: Aeroplane fuel	7 438 641	7 263 147
Transport fees	19 452 378	22 225 219
Miscellaneous	59 714 831	55 353 314
	907 352 479	738 060 759
29. Employee related costs		
Salaries and wages	4 950 954 887	4 555 121 163
Medical aid contributions	521 287 206	472 800 414
UIF	37 478 792	34 957 994
Leave pay provision charge	313 035 493	320 615 797
Pension fund contributions	950 677 507	878 944 208
Defined contribution plans	18 762 449	99 172 001
Travel, motor car, subsistence and other allowances	305 328 415	303 285 817
Overtime payments	385 728 631	371 579 720
Long-service awards	4 983 808	5 515 715
Incentive bonusses	265 963	312 725
Other allowances	320 956 457	276 677 208
Housing benefits and allowances	39 231 372	35 178 793
Compensation commissioner (COIDA)	47 136 042	43 647 312
	7 895 827 022	7 397 808 867
Remuneration of City Manager (E M Mosola)		
Annual Remuneration (Jason Ngobeni)	443 032	3 217 814
Cell phone allowance (Jason Ngobeni)	3 304	24 000
Other (Jason Ngobeni)	-	18 248
Annual Remuneration (M Mosola)	822 917	-
	1 269 253	3 260 062

Mr Ngobeni was only employed until 19 August. Lindiwe Kwele was acting as City Manager until 31 January 2017 and Mayur Magnlal for February 2017.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
29. Employee related costs (continued)		
The new City Manager (Mr Moeketsi Mosola) was appointed from 1 March 2017.		
The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.		
Remuneration: Executive Mayor (Solly Msimanga)		
Annual Remuneration (Kgosientso D Ramokgopa)	101 283	931 807
Travel allowance (Kgosientso D Ramokgopa)	33 761	310 602
Cell phone allowance (Kgosientso D Ramokgopa)	-	41 820
Other (Kgosientso D Ramokgopa)	-	12 012
Annual Remuneration (Solly T Msimanga)	1 040 952	-
Travel allowance (Solly T Msimanga)	18 006	-
	1 194 002	1 296 241

Kgosientso Ramokgopa was executive mayor until 19 August 2016 when the municipal elections took place and Solly Msimanga was appointed as executive mayor.

Remuneration: Speaker (Rachel Kedibone Mathebe)

Annual Remuneration (Audrey W M K Mosupye)	75 120	689 785
Travel Allowance (Audrey W M K Mosupye)	27 296	250 848
Cell phone allowance (Audrey W M K Mosupye)	-	41 820
Other (Audrey W M K Mosupye)	-	75 022
Annual Remuneration (Rachel K Mathebe)	719 764	-
Travel allowance (Rachel K Mathebe)	133 604	-
	955 784	1 057 475

Audrey W M K Mosupye was speaker until 19 August 2016 when the municipal elections took place and Rachel Kedibone Mathebe was appointed as speaker.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
29. Employee related costs (continued)		
Remuneration: Members of the Mayoral Committee		
Annual Remuneration	8 373 406	6 595 684
Travel Allowance	493 713	2 116 530
Cell phone allowance	-	208 680
Other	-	783 248
	8 867 119	9 704 142

Refer to General information for the list of the individual members of the mayoral committee.

The municipal elections took place on 19 August 2016 and then the members of the mayoral committee were replaced.

Members of the Mayoral Committee

Subesh Pillay	89 387	969 143
Thembekile Elizabeth Mmoko	89 624	969 137
Petunia Faith Mashaba	102 248	970 589
Rasello Terence Mashego	103 959	969 548
Maidi Dorothy Mabiletsa	97 660	970 589
Theresa-Eulanda Mabusela	88 081	969 180
Nozipho Paulina Tyobeka-Makeke	92 204	977 889
Joshua John Ngonyama	102 248	969 905
Jacob Mlandu Masango	103 959	969 081
Maupe George Matjila	93 789	969 081
Anniruth Kissoonduth	708 326	-
Cilliers Brink	814 574	-
Darryl Moss	747 372	-
Nontsikelelo Lucia Mokhotho	814 574	-
Michael Mkhari	815 776	-
Isak Petrus Du Plooy	814 574	-
Mare-Lise Fourie	814 574	-
Randall Mervyn Williams	814 574	-
Sheila Lynn Senkubuge	767 834	-
Thomas Mandla Nkomo	791 782	-
	8 867 119	9 704 142

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R

30. Remuneration of Top Management

The organisational structure was reviewed and a new macro structure was approved in term of a council resolution dated 24 November 2016. The new macro structure was implemented on 1 February 2017.

In terms of a council resolution dated 23 February 2017 the proposed section 56 positions were determined to be as follows:

- * Governance and Support Officer
- * Chief Financial Officer
- * Chief of Police
- * Head: Emergency Management Services
- * Chief Operations Officer
- * Chief Audit Executive
- * Head: Office of the Executive Mayor
- * Head: Group Communications and Marketing
- * Group Head: City Strategies and Organisational Performance.

The other positions will from 1 February report directly either to the Governance and Support Officer (GSO) or the Chief Operations Officer (COO).

Reporting directly to City Manager

July 2016 to January 2017

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total
Banda, U (acting)	Group Chief Financial Officer	845 833	-	10 500	91 568	947 901
Kwele, Lindiwe (resigned 31 January 2017)	Deputy City Manager	1 597 566	175 000	12 600	19 352	1 804 518
Mangcu, Lisa N (resigned 30 November 2016)	Deputy City Manager	966 417	25 000	9 000	-	1 000 417
Boshielo, Mokholela, K F (resigned 30 November 2016)	Deputy City Manager	966 417	75 000	9 000	-	1 050 417
Lukhwareni, Ndvihoniswani (resigned 30 November 2016)	Deputy City Manager	911 713	45 000	9 000	-	965 713
Seabela, Bruno S	SED: Group Legislative Services	1 254 292	105 000	12 600	-	1 371 892
Otumile, Dudlana (resigned 28 February 2017)	JSED: Group ICT	2 426 030	105 000	12 600	-	2 543 630
Manganye, Mahlomola (resigned 30 September 2016)	DSED: Community and Business Safety	418 316	45 000	5 400	-	468 716
De Beer, Joan K	Chief of Emergency Services	1 141 950	42 000	12 600	-	1 196 550
Ramulifho, Khathushelo C	SED: Corporate and Shared Services	1 042 757	50 400	12 600	-	1 105 757
Ngobeni, Khazamula S	Chief of Police	1 120 948	-	12 600	11 520	1 145 068
Thenga, Obed (resigned 15 September 2016)	Chief Audit Executive	346 094	12 500	4 500	-	363 094
		13 038 333	679 900	123 000	122 440	13 963 673

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

		2017			2016		
		R			Restated*		
				R			
30. Remuneration of Top Management (continued)							
February to June 2017							
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total	
Banda, Umar (acting)	Chief Financial Officer	604 167	-	7 500	29 223	640 890	
Manganlal, Mayur (acting)	Governance and Support Services	760 558	42 500	9 000	93 194	905 252	
Pillay, Navaneethan (acting)	Office of the Chief Operations Officer	1 637 217	116 754	18 000	70 941	1 842 912	
Ngobeni, Khazamula (resigned 30 April 2017)	SChief of Police	480 406	-	5 400	11 520	497 326	
De Beer, Joan K	Chief of Emergency Services	815 679	30 000	9 000	-	854 679	
Mhlongo, Jaftha E (acting)	Chief Audit Executive	1 226 769	84 000	18 000	91 066	1 419 835	
Aucamp, Marietha	Chief of Staff	508 193	-	-	-	508 193	
Ndlovu, Nomasonto (acting)	CGroup Head: Communication and Marketing	809 994	50 000	9 000	-	868 994	
Dharumrajh, Anisha (acting)	Group Head: City Strategy and Organisational Performance	1 633 133	-	18 000	34 559	1 685 692	
		8 476 116	323 254	93 900	330 503	9 223 773	

June 2016

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total	
Dyakala, Andile P	Group Chief Financial Officer	2 123 757	60 000	21 600	-	2 205 357	
Kwele, Lindiwe	Deputy City Manager	2 583 664	300 000	21 600	112 959	3 018 223	
Mangcu, Lisa N	Deputy City Manager	2 188 114	60 000	21 600	-	2 269 714	
Boshielo, Mokholela, K F	Deputy City Manager	2 188 114	180 000	21 600	18 248	2 407 962	
Lukhwareni, Ndvihoniswani	Deputy City Manager	2 188 110	108 000	21 600	-	2 317 710	
De Beer, Joan K	Chief of Emergency Services	1 846 819	72 000	21 600	-	1 940 419	
Ngobeni, Khazamula S	Chief of Police	1 812 853	-	21 600	15 436	1 849 889	
Thenga, Obed	Chief Audit Executive	1 673 252	60 000	21 600	-	1 754 852	
		16 604 683	840 000	172 800	146 643	17 764 126	

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

		2017	2016				
		R	Restated*				R
30. Remuneration of Top Management (continued)							
Reporting to the Deputy City Managers							
July 2016 to January 2017							
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total	
Letlonkane, Pheko I	SED: Transport	1 189 880	70 000	12 600	-	1 272 480	
Mhlekwana, Thembeke	SED: Economic Development	1 133 992	-	12 600	-	1 146 592	
Makgata, Makgorometje A	SED: City Planning	1 133 992	63 000	12 600	1 430	1 211 022	
Ndlovu, Nomasontho C	SED: Communication Marketing and Events	1 133 992	70 000	12 600	-	1 216 592	
Mothoagae, Amolemo G	SED: Housing and Human Settlements	1 075 218	140 000	12 600	-	1 227 818	
Kekana, Seoketsa E	SED: Health and Social Development	1 074 429	28 000	12 600	-	1 115 029	
Manganlal, Mayur	SED: City Strategies and Performance Management	1 064 781	59 500	12 600	-	1 136 881	
Matsena, Mapiti D (resigned 9 August 2016)	SEH: Office of the Speaker	174 785	25 494	2 348	-	202 627	
Babane, Tiyiselani J	SEH: Office of the Speaker	304 916	-	-	-	304 916	
Mkhwebane, Kgaugelo (resigned 30 September 2016)	WSEH: Office of the Chief Whip	443 415	22 500	5 400	-	471 315	
Moya, Hazel N	SEH: Office of the Chief Whip	304 916	15 000	5 400	-	325 316	
Nteo, Lemoa D (resigned 31 January 2017)	Chief Sustainability Specialist	991 654	49 000	12 600	-	1 053 254	
Kolisa, Mthobeli S	SED: Environmental Management	991 548	105 000	12 600	-	1 109 148	
Tshwale, Ngwako D	SED: Sport and Recreational Services	904 769	-	12 600	-	917 369	
Aucamp, Marietha	Chief of Staff	508 193	-	-	19 656	527 849	
Notoane, Stephens R	SED: Water and Sanitation	942 698	42 000	12 600	-	997 298	
Ncunyana, Zukiswa (resigned 30 April 2017)	SED: Strategy, Research and Innovation	1 133 992	42 000	12 600	-	1 188 592	
		14 507 170	731 494	164 348	21 086	15 424 098	

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

		2017	2016				
		R	Restated*				R
30. Remuneration of Top Management (continued)							
February to June 2017 (reporting to GSO or COO)							
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total	
Babane, Tiyiselani	Group Head: Office of the Speaker	508 193	-	-	-	508 193	
Moya, Hazel	Group Head: Office of the Chief Whip	508 193	25 000	9 000	-	542 193	
Shingange, Gerald (acting)	MGroup Head: Group Human Capital Management	1 653 516	120 000	18 000	144 960	1 936 476	
Seabelo, Bruno S (resigned 21 May 2017)	Group Head: Shared Services	716 738	60 000	7 200	-	783 938	
Mantsena, Tintswalo (resigned 30 June 2017)	PGroup Head: Legal and Secretariat Services	1 431 000	-	18 000	62 486	1 511 486	
Makgata, Makgorometje (acting)	AGroup Head: Economic Development and Spatial Planning	809 994	45 000	9 000	1 430	865 424	
Mmutlana, Pule M (acting)	Group Head: Group Property	1 229 841	-	18 000	107 818	1 355 659	
Pillay, Dayalan (acting)	Group Head: Customer Relations Management	1 629 169	120 000	18 000	47 061	1 814 230	
Kekana, Seoketsa E (acting)	Group Head: Health	767 450	20 000	9 000	-	796 450	
Notoane, Stephens (acting)	RGroup Head: Utility Services	673 356	30 000	9 000	-	712 356	
Letlonkane, Pheko I (acting)	Group Head: Roads and Transport	849 914	50 000	9 000	-	908 914	
Kolisa, Mthobeli S (acting)	Group Head: Environmental and Agriculture Management	708 249	75 000	9 000	-	792 249	
Tshwale, Ngwako D (acting)	Group Head: Community and Social Development Services	646 263	-	9 000	-	655 263	
Memela, Nontobeko (acting)	Group Head: Housing and Human Settlement	1 713 775	132 000	18 000	-	1 863 775	
Manganye, Matshwenyego (acting)	FGroup Head: REgional Operations and Coordination	744 480	130 693	7 200	70 018	952 391	
		14 590 131	807 693	167 400	433 773	15 998 997	

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

							2017	2016
							R	Restated*
								R
30. Remuneration of Top Management (continued)								
June 2016								
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Travel & subsistence and acting allowance	Total		
Seabela, Bruno S	SED: Group Legislative Services	2 028 503	180 000	21 600	-	2 230 103		
Mhlekwana, Thembeke S	SED: Economic Development	1 833 949	-	21 600	26 311	1 881 860		
Makgata, Makgorometje A	SED: City Planning	1 833 949	108 000	21 600	34 332	1 997 881		
Ncunyana, Zukiswa	SED: Strategy, Research and Innovation	1 833 949	72 000	21 600	18 390	1 945 939		
Ndlovu, Nomasonto Cynthia	SED: Communication, Marketing and Events	1 833 949	120 000	21 600	77 524	2 053 073		
Kekana, Seoketsa E	SED: Health and Social Development	1 737 621	48 000	21 600	-	1 807 221		
Shozi, Ernest W (resigned January 2016)	SEH: Office of the Executive Mayor	1 092 748	137 907	12 600	59 569	1 302 824		
Maganlal, Mayur	SED: City Strategies and Performance Management	1 722 017	102 000	21 600	-	1 845 617		
Nteo, Lemao D)	Chief Sustainability Specialist	1 603 753	84 000	21 600	105 728	1 815 081		
Kolisa, Mthobeli S	SED: Environmental Management	1 603 753	180 000	21 600	2 002	1 807 355		
Letlonkane, Pheko I	SED: Transport Development	1 924 503	120 000	21 600	-	2 066 103		
Mothoagae, Amolemo G	SED: Housing and Human Settlement	1 738 896	240 000	21 600	-	2 000 496		
Tshwale, Ngako D	SED: Sport and Recreational Services	1 463 237	-	21 600	1 430	1 486 267		
Mkhwebane, Kgaugelo W	SEH: Office of the Chief Whip	1 673 263	90 000	21 600	-	1 784 863		
Manganye, Mahlomola D	SED: Community and Business Safety	1 673 263	180 000	21 600	-	1 874 863		
Otumile, Dudlana J	SED: Group Information Officer	1 873 283	180 000	21 600	18 248	2 093 131		
Ramulifho, Khathutshelo C	SED: Corporate and Shared Services	1 686 400	86 400	21 600	-	1 794 400		
Matsena, Mapiti D	SEH: Office of the Speaker	1 673 267	234 546	21 600	-	1 929 413		
		30 830 303	2 162 853	379 800	343 534	33 716 490		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
31. Remuneration of councillors		
Councillors' allowances	115 513 604	109 968 280
Other (Caucus management)	2 489 596	2 475 047
	118 003 200	112 443 327
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 14)	3 597 149	5 104 402
Amortisation: Intangible assets (note 15)	55 554 048	43 050 213
Depreciation: Property, plant & equipment (note 13)	1 347 930 583	1 261 147 038
Depreciation: Leased assets (note 17)	126 023 664	89 385 563
Depreciation: Rehabilitation assets (note 13)	84 245 342	64 950 047
	1 617 350 786	1 463 637 263
33. Finance costs (Interest paid)		
Long-term liabilities (external loans)	1 123 785 524	989 920 103
Interest rate swaps	29 714 722	59 740 597
Finance leases	52 083 934	11 739 371
Bank overdraft	58 326	186 451
Other finance costs (bank charges, transit banking, etc)	15 638 758	11 257 816
Amortisation: provisions	75 963 758	64 122 583
	1 297 245 022	1 136 966 921
34. Investment revenue		
Interest revenue (interest received)		
Bank	58 590 616	18 510 640
Investments	25 136 833	16 713 466
Long-term investments	21 217 407	18 147 894
Contingency Insurance	90 864	2 627 525
Interest received - Conveyancing	191 573	-
	105 227 293	55 999 525

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated*
		R
35. Debt impairment		
Contributions to bad debt provision (refer to note 20, 22, 23)	<u>637 816 347</u>	<u>505 650 500</u>
Please note the amounts reflected above are the net balance in the expenditure accounts.		
For the 2015/16 financial year the total amount written off was R383 849 303 for consumer debtors and R23 936 177 for other debtors which was written off against the allowance.		
For the 2016/17 financial year the total amount written off was R391 389 374 for consumer debtors and R4 328 491 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	7 597 154 111	6 890 347 008
Water	1 985 221 704	1 918 501 628
	<u>9 582 375 815</u>	<u>8 808 848 636</u>
37. Grants and subsidies paid		
Grants paid to municipal entities		
Transfers to Sandspruit, TEDA and Housing Company Tshwane	<u>381 061 824</u>	<u>347 060 760</u>

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
38. General expenses		
National Health Insurance	19 607 482	25 079 812
Lost books	13 489 926	11 891 594
Auditors remuneration	21 879 318	23 957 496
Consumables	9 393 771	11 444 357
Disaster recovery grant	-	12 438 403
Commission paid	23 412 175	27 101 275
Wi-fi	78 809 200	106 363 642
Compensation commissioner	11 941 614	23 549 119
Integrated City Development grant	6 145 485	16 531 764
Protective clothing	34 160 350	40 663 302
Chemicals	32 024 173	33 003 351
Municipal Human Settlement Capacity grant	-	28 215 380
Gratuities	10 941 189	16 235 010
Ward committee: Administration	124 500	10 070 553
Greendesk	13 157 647	26 637 723
Rental of plant and equipment	303 026 292	413 377 001
HIV and AIDS	18 177 030	17 855 780
Refreshments meetings	15 700 590	14 955 298
Insurance	109 103 862	139 836 587
LED initiatives	20 580 733	25 424 983
Imbizo	5 926 806	50 480 656
Equipment	27 282 911	44 962 894
Implementation: OITPS	76 933 196	129 537 995
Postage	32 039 231	26 494 981
Vehicles	109 201 772	100 762 297
Drug and substance abuse	30 881 845	41 221 959
Membership fees	18 865 448	18 546 503
EPWP expenditure	50 247 000	31 143 000
Communications	6 779 148	36 235 788
Leasing of property	287 054 217	286 032 483
Advertising and marketing	11 573 072	11 263 398
Grounds	86 824 406	99 189 419
Telecommunication	62 041 087	75 353 686
Inventory write-down	4 171 693	5 411 589
Service providers	19 518 185	11 882 837
Project linked housing: topstructures	72 555 231	90 770 308
Internal Audit services	151 566 795	181 512 467
Tshwane Open (gholf day)	35 048 825	40 000 000
Lease expenses	126 671 372	107 832 675
Executive Mayor: donations	13 125 581	28 219 243
Security measures	22 207 186	25 673 659
Management information system	38 996 942	49 430 012
Subsistence and travelling	4 920 094	18 333 315
Buildings	66 526 276	111 251 469
Tshepo 10 000 Council	954 164	10 382 191
Locomotion allowance	25 309 243	25 857 199
Lights	48 374 610	63 843 617
Rental vehicles	23 204 590	108 523 026
Tanker water services	-	17 102 909
Petrol and diesel fuel	125 668 311	116 640 557
Re-aga-Tshwane	16 307 186	93 142 368
Licences	89 108 132	76 219 055
Stationery	23 601 888	35 744 241
PTIS grant expenditure	200 266 208	160 258 853
Tshwane House	10 306 488	2 296 099
Tshwane Inner City	1 166 072	3 905 627
Internet fees	20 458 683	33 075 854
Training board fees	66 042 124	60 670 079
Stipend learners	3 242	31 029 353
Events management	12 161 671	16 156 776
Other expenses	317 306 625	464 188 441
	3 082 872 893	3 965 211 308

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
39. Cash generated from operations		
Surplus	2 990 564 807	768 340 486
Adjustments for:		
Depreciation and amortisation	1 617 350 786	1 463 637 263
Gain (loss) on sale of assets and liabilities	64 865 196	(62 468 328)
Fair value adjustments	18 855 341	145 366 351
Impairment deficit	2 726 849	362 767
Debt impairment	637 816 347	505 650 500
Movements in retirement benefit assets and liabilities	18 762 449	99 172 001
Movements in provisions	162 394 025	151 012 799
Changes in working capital:		
Inventories	(115 104 753)	(91 443 913)
Other receivables	(61 483 514)	226 908 106
Consumer receivables	(1 763 523 627)	(1 259 558 057)
Payables from exchange transactions	(489 927 384)	1 593 749 577
VAT	1 023 055 696	470 882 881
Unspent grants and receipts	130 632 635	(40 074 460)
Consumer deposits	31 387 379	24 689 856
	4 268 372 232	3 996 227 829
40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	3 617 313	3 607 863
Amount paid - current year	(3 617 313)	(3 607 863)
	-	-
Audit fees		
Current year audit fee	21 879 318	22 592 444
Amount paid - current year	(21 879 318)	(22 592 444)
	-	-
PAYE and UIF		
Opening balance	97 311 193	83 275 234
Current year payroll deductions	1 196 956 479	1 065 954 475
Amount paid - current year	(1 094 212 100)	(968 643 282)
Amount paid - previous years	(97 311 193)	(83 275 234)
	102 744 379	97 311 193

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year payroll deductions and council contributions	2 098 788 280	1 916 116 814
Amount paid - current year	<u>(2 098 788 280)</u>	<u>(1 916 116 814)</u>
	<u>-</u>	<u>-</u>

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding as at 30 June 2017:

These councillors made arrangements to pay off their arrear debt.

30 June 2017	Less than 90 days	More than 90 days	Total R
Visser, G P	563	229	792
Mashola, M S	17 117	452	17 569
Ramumushi, J P	289	191	480
Disoloane, K B	11 877	3 482	15 359
Ditabo, D D	2 000	4 171	6 171
Magaseng, K G M	283	86	369
Boshomane, M J	4 293	493	4 786
Tau, A M	929	564	1 493
Mazwi, K C #	-	35 014	35 014
Strijdom, C E #	6 223	15 203	21 426
Marishane, M S #	(359)	13 830	13 471
Chauke, S R	558	53 782	54 340
Manaka, P N	141	13 668	13 809
	<u>43 914</u>	<u>141 165</u>	<u>185 079</u>

30 June 2016	Less than 90 days	More than 90 days	Total R
Kwenda, L H	495	23	518
Buthelezi, M M	1 462	2 023	3 485
Khumalo, Z C #	3 310	5 589	8 899
Mokhotho, D A (Heir) #	270	449	719
Ledwaba, D C	4 378	-	4 378
Makitla, N B #	774	8 083	8 857
Linde, E #	-	17 510	17 510
	<u>10 689</u>	<u>33 677</u>	<u>44 366</u>

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 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
41. Non-compliance with applicable legislation		
MFMA: Section 65(e) and Section 99(2)(b)		
All invoices are not paid within 30 days as required by section 65(e), although an accrual is done at year end to rectify this transgression.		
Supply Chain Management Regulations		
Certain deviations from the supply chain management process were not in accordance with: inter alia the requirements of Supply Chain Management Regulation 36(1).		
42. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	14 233 753 773	2 579 600 600
• Community	3 710 423 320	672 444 555
• Other	901 865 929	163 446 265
• Intangible assets	364 343 892	66 030 489
	19 210 386 914	3 481 521 909
Approved but not yet contracted for		
• Other	111 265 268	13 006 905
	19 210 386 914	3 481 521 909
Total capital commitments		
Approved and contracted for	19 210 386 914	3 481 521 909
Approved but not yet contracted for	111 265 268	1 300 626 843
	19 321 652 182	4 782 148 752
Authorised operational expenditure		
Approved and contracted for		
• City of Tshwane (various services)	4 707 185 009	939 995 615
	4 707 185 009	939 995 615
Approved but not yet contracted for		
• City of Tshwane (various services)	5 735 226 113	951 882 355
	5 735 226 113	951 882 355
Total operational commitments		
Approved and contracted for	4 707 185 009	939 995 615
Approved but not yet contracted for	5 735 226 113	951 882 355
	10 442 411 122	1 891 877 970
Total commitments		
Total commitments		
Authorised capital expenditure	19 321 652 182	3 494 528 814
Authorised operational expenditure	10 442 411 122	1 891 877 970
	29 764 063 304	5 386 406 784

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R

43. Accumulated surplus and reserves

Ring-fenced internal funds and reserves within accumulated surplus - 2017

	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	28 199 546	72 366 413	156 442 652	22 257 683 005	22 514 691 616
Net surplus for the year	-	-	-	2 990 564 807	2 990 564 807
Transfer to/(from) reserves	(27 953 813)	1 748 170	-	26 205 643	-
	245 733	74 114 583	156 442 652	25 274 453 455	25 505 256 423

Ring-fenced internal funds and reserves within accumulated surplus - 2016

	Insurance reserve	COVID reserve	Housing development fund	Other	Total
Opening balance	25 859 092	71 118 358	156 442 652	18 114 416 231	18 367 836 333
Net surplus for the year	-	-	-	310 938 897	310 938 897
Restatement of 2015/16	-	-	-	457 401 589	457 401 589
Restatement of 2014/15	-	-	-	3 514 272 543	3 514 272 543
Restatement of 2013/14 and prior	-	-	-	(135 757 745)	(135 757 745)
Transfers to/(from) reserves	2 340 455	1 248 055	-	(3 588 510)	-
Rounding errors	-	-	-	(3)	(3)
	28 199 547	72 366 413	156 442 652	22 257 683 002	22 514 691 614

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 an expense 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 5 889 (30.38 %) of the Municipality's employees are members of this fund.	375 950 283	345 797 890
Pension Fund for Municipal Councillors The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 76 (0.40 %) of the Municipality's employees are members of this fund.	5 397 461	6 580 007
National Fund for Municipal Workers 7 443 (38.392 %) of the Municipality's employees are members of this fund.	487 602 400	437 453 062
SALA Provident Fund/Gratuity Fund 55 (0.28 %) of the Municipality's employees are members of this fund.	1 380 148	1 267 502
SAMWU National Pension Fund 13 (0.07 %) of the Municipality's employees are members of this fund.	932 952	883 993
SAMWU National Provident Fund 1 104 (5.70 %) of the Municipality's employees are members of this fund.	65 204 489	62 915 514
Germiston Municipal Retirement Fund 4 (0.02 %) of the Municipality's employees are a member of this fund.	538 636	492 762
Meshawu National Local Authorities Retirement Fund 30 (0.15 %) of the Municipality's employees are a member of this fund.	1 372 757	1 380 511
	938 379 126	856 771 241

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
44. Employee benefit obligations (continued)		
Defined benefit plan (as classified by the relevant funds):		
Tshwane Municipal Pension Fund		
209 (1.08%) of the Municipality's employees are members of this fund.		
Included in general expenses are:		
Current service cost	28 484 701	28 956 983
Interest cost	230 430 665	210 921 809
Expected return on assets	(201 250 888)	(191 546 587)
Unrecognised Net (Gain)/Loss	41 237 883	62 084 627
Defined benefit expense	98 902 361	110 416 832
Post-employment benefit liability (funded status)		
Present value of the obligation	(2 578 166 365)	(2 532 205 108)
Fair value of plan assets	2 174 179 233	2 211 548 215
Liability recognised in statement of financial position	(403 987 132)	(320 656 893)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	2 532 205 108	2 459 626 867
Interest cost	230 430 665	210 921 809
Current service cost	28 484 701	28 956 983
Member contributions	6 221 123	6 269 948
Risk premiums	(1 839 296)	(1 912 879)
Benefits paid	(142 427 662)	(132 798 217)
Actuarial (gain)/loss on obligation	(74 908 274)	(38 859 403)
Present value of obligation at end of year	2 578 166 365	2 532 205 108
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	2 211 548 217	2 233 686 186
Expected return on plan assets	201 250 888	191 546 587
Contributions	21 793 245	21 970 570
Risk premiums	(1 839 296)	(1 912 879)
Benefits paid	(142 427 662)	(132 798 217)
Actuarial (gain)/loss on obligation	(116 146 157)	(100 944 030)
Other	(2)	-
Fair value of plan assets at end of year	2 174 179 233	2 211 548 217
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	201 250 888	191 546 587
Estimated contributions to be paid to the Tshwane Pension fund in the next financial period	21 793 245	21 970 570

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
44. Employee benefit obligations (continued)		
Municipal gratuity fund		
1 469 (7.58%) 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	5 122 585	1 509 667
Interest cost	5 204 799	4 128 753
Unrecognised Net (Gain)/Loss	(5 851 641)	5 729 409
Defined benefit expense	4 475 743	11 367 829
Post-employment benefit liability (funded status)		
Present value of the obligation	(60 512 849)	(56 330 086)
Net (expense)/income recognised in Statement of financial performance	5 008 757	(4 182 763)
Liability recognised in statement of financial position	(55 504 092)	(60 512 849)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	60 512 849	56 330 086
Interest cost	5 204 799	4 128 753
Current service cost	5 122 585	1 509 667
Benefits paid	(9 484 500)	(7 185 066)
Actuarial (gain)/loss on obligation	(5 851 641)	5 729 409
Present value of obligation at end of year	55 504 092	60 512 849
Estimated benefit payments to be paid iro Gratuities in the next financial period	7 072 993	9 484 500
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 GRAP 25. 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. 946 (4.88 %) of the Municipality's employees are members of this fund.	32 160 782	33 043 559
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%. 5 (0.02%) of the Municipality's employees are members of this fund.	500 342	507 896
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. 33 (0.17 %) of the Municipality's employees are members of this fund.	3 876 707	4 114 287
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%. 2 107 (10.87 %) of the Municipality's employees are members of this fund.	131 029 428	123 740 444
	167 567 259	161 406 186

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
44. Employee benefit obligations (continued)		
Medical aid funds		
Included in general expenses are:		
Current service cost	10 208 543	16 340 173
Interest cost	106 086 082	106 699 679
Expected Employer Benefit Payments	(54 308 220)	(47 780 436)
Unrecognised Net (Gain)/Loss	(135 123 325)	(128 602 323)
Defined benefit expense	(73 136 920)	(53 342 907)
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(1 235 637 623)	(1 226 994 125)
Recognised actuarial gains	135 123 325	53 342 907
Liability recognised in statement of financial position	(1 100 514 298)	(1 173 651 218)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	1 173 651 218	1 226 994 125
Interest cost	106 086 082	106 699 679
Current service cost	10 208 543	16 340 173
Employer contributions	(54 308 220)	(47 780 436)
Actuarial (Gains)/Losses	(135 123 325)	(128 602 323)
Present value of obligation at end of year	1 100 514 298	1 173 651 218
Actuarial (gains)/losses recognised in other comprehensive income:		
Tshwane Pension Fund	41 237 883	62 084 627
Gratuities	(5 851 641)	5 729 409
Medical aid funds	(135 123 325)	(128 602 323)
Total amount of actuarial (gains)/losses recognised	(99 737 083)	(60 788 287)
Estimated employer benefit payments to be paid iro Medical aid funds in the next financial period	61 813 613	54 308 220
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 at the end of period	1 100 514 298	1 173 651 218
Decrease of 1 %	990 234 898	1 067 933 618
% change	(10,0)%	(14,0)%
Increase of 1 %	1 220 416 198	1 314 763 118
% change	11,0 %	15,0 %

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
44. Employee benefit obligations (continued)		
Long service awards		
Included in general expenses are:		
Current service cost	63 740 054	57 264 387
Interest cost	45 644 619	49 165 308
Expected Employer Benefit Payments	(77 279 110)	(42 986 327)
Recognised Net (Gain)/Loss	(18 527 676)	(9 827 434)
Defined benefit expense	13 577 887	53 615 934
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(680 655 908)	(627 039 974)
Recognised actuarial gains	(13 577 887)	(53 615 934)
Liability recognised in statement of financial position	(694 233 795)	(680 655 908)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	680 655 908	627 039 974
Interest cost	45 644 619	49 165 308
Current service cost	63 740 054	57 264 387
Employer contributions	(77 279 110)	(42 986 327)
Actuarial gains/losses	(18 527 676)	(9 827 434)
Present value of obligation at end of year	694 233 795	680 655 908
Actuarial (gains)/losses recognised in the statement of financial performance		
Long service awards	(18 527 676)	(9 827 434)
Estimated employer benefit payments to be paid iro Long service awards in the next financial period	77 083 382	77 279 110
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 at the end of period	694 233 795	680 655 908
Decrease of 1 %	637 742 000	622 060 000
% change	(8,0)%	(9,0)%
Increase of 1 %	758 796 000	747 972 000
% change	9,0 %	10,0 %
Post-employment benefit liability:Statement of financial position		
Pension Fund	(403 987 132)	(320 656 893)
Municipal gratuity fund	(55 504 092)	(60 512 849)
Medical aid funds	(1 100 514 298)	(1 173 651 218)
Long service awards	(694 233 795)	(680 655 908)
	(2 254 239 317)	(2 235 476 868)

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	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	9,27 %	9,10 %
Inflation rate	6,07 %	6,73 %
Salary Increase rate	7,07 %	7,73 %
Expected rate of return on assets	9,27 %	9,10 %
Pension increase allowance	3,76 %	3,03 %
Health Care Cost Inflation	7,74 %	7,95 %

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 9.27% 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 6.07 % 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 (2.55%) and nominal bonds (9.27%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore determined as follows: $(9.27\% - 0.5\% - 2.55\%)/1.0255$.

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 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 9.27%.

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 5.31% p.a. will be awarded on average over the long-term. This implies a post-retirement interest rate of 3.76% (from $1.0927/1.0531 - 1.0$).

Health Care Cost Inflation:

A health care cost inflation rate of 7.74% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.24%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.56% which derives from $((1+9.42\%)/(1+7.74\%))-1$.

The expected inflation assumption of 6.24% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.53%) and those of fixed interest bonds (9.42%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.42\%-0.50\%)/(1+2.53\%))-1$.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016			
	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:					
	2017	2016	2015	2014	2013
	R	R	R	R	R
History of liabilities and assets					
Accrued liability	1 850 252 185	1 914 819 975	1 910 364 185	1 867 768 832	1 751 067 174
Plan assets	-	-	-	-	-
Surplus (deficit)	(1 850 252 185)	(1 914 819 975)	(1 910 364 185)	(1 867 768 832)	(1 751 067 174)
Experience adjustments on plan: (Gains) and Losses					
Liabilities	20 316 258	(62 213 676)	(50 675 976)	14 429 384	280 382 570

45. Events after the reporting date

2016/17:

Loans and investments:

No material events occurred with respect to the 2016/17 financial year end after date of the statement of financial position in respect of loans and investments.

Write-off of irrecoverable debt:

A Council resolution dated 27 July 2017 approved the write-off of an amount of R64 228 215 in respect of municipal accounts affected by the transfer and registration of the erven mentioned in the report. This amount will be written off in 2017/18.

Integrated Rapid Public Transport Network (IRPTN) - Permanent compensation-Buy out of Taxi operators:

In terms of a Council Resolution dated 27 July 2017 the payment of permanent compensation for Line 1A and Line 2A affected operators was approved. The amounts will be paid out during the 2017/18 financial year and consist of:

* R112 500 000 for Line 1A affected operators

* R232 817 274 for Line 2A affected operators

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
46. Related parties		
Relationships		
Name of entity		% Equity interest
City of Tshwane Metropolitan Municipality		Controlling entity
Housing Company Tshwane		100 % owned by City of Tshwane
Sandspruit Works Association		100% owned by City of Tshwane
Tshwane Economic Development Agency		100% owned by City of Tshwane
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
Related party balances		
Amounts included in trade payables/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	(196 506)	(196 506)
Housing Company Tshwane: Grant owed by City of Tshwane	-	13 408 050
Housing Company Tshwane: Service charges owed by City of Tshwane	16 881	16 881
Housing Company Tshwane: Deposit owed by City of Tshwane	22 640	22 290
Sandspruit Works Association: Operating loss account	20 833 458	17 164 741
Sandspruit Works Association: Water treatment works	35 055 369	19 575 206
Sandspruit Works Association: Water accounts	10 492 381	9 864 216
TEDA: City of Tshwane - other income	2 900	5 811
Related party transactions		
Sales to related parties		
Housing Company Tshwane: Rates	(277 186)	(200 381)
Housing Company Tshwane: Water and electricity	(85 559)	(220 007)
Housing Company Tshwane: Deposit paid	-	(22 290)
Sandspruit Works Association (water purchases from CoT)	226 329 388	209 862 624
Sandspruit Works Association (electricity purchases from CoT)	729 316	3 113 744
Purchases from related parties		
Sandspruit Works Association (water sales to CoT)	180 268 478	77 231 693
TEDA: Printing services	-	2 238
Expenses paid on behalf of related parties		
Housing Company Tshwane : Telephone expenses	83 221	82 260
Sandspruit: Salaries acting chief executive officer (seconded from City of Tshwane)	1 074 535	-
Sandspruit: Salaries acting chief financial officer (seconded from City of Tshwane)	688 860	-
TEDA: CoT for interns	60 000	131 432
TEDA: CoT for training and development	-	126 120
TEDA: SAP implementation MM and FICO	-	1 200 000
Grants to related parties		
Housing Company Tshwane	39 973 605	19 761 448
Sandspruit Works Association: CoT Subsidy: Waste water	43 062 700	35 054 126
Sandspruit Works Association: CoT subsidy: Water	232 432 192	238 095 186
TEDA: Grant	54 150 000	54 150 000
TEDA: Rental income	1 321 794	3 395 096

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated*
		R

46. Related parties (continued)

TEDA:

TEDA benefited from the use of the following services provided by the City of Tshwane (related party) at no cost to TEDA:

- * Use of risk management and internal audit resources;
- * Audit and Performance Committee from City of Tshwane
- * Use of network, telecommunication, desktop and server support;
- * mSCOA implementation by City of Tshwane;
- * Occupational Health and Safety (OHS) services and records management;
- * Insurance management and Joint Operational Committee (JOC) Services
- * QPR - Performance Management Solution.

Housing Company Tshwane:

Housing Company Tshwane benefited from the use of the following services provided by the City of Tshwane (related party) at no cost to Housing Company Tshwane:

- * Use of risk management and internal audit resources;
- * Audit and Performance Committee from City of Tshwane
- * Use of network, telecommunication, desktop and server support;
- * Occupational Health and Safety services and records management;
- * Insurance management by City of Tshwane.
- * Acting Head of Housing and Human Settlement was seconded to Housing Company Tshwane as acting CEO from April 2017 to June 2017.

Sandspruit Works Association:

Sandspruit Works Association benefited from the use of the following services provided by the City of Tshwane (related party) at no cost to Sandspruit:

- * Use of risk management and internal audit resources;
- * Audit and Performance Committee from City of Tshwane
- * Use of Group ICT assistance in the development of website, improvements in network connectivity,
- * QPR - Performance Management Solution
- * mSCOA implementation
- * Insurance management by City of Tshwane.

During the current financial year the Deputy City Manager was seconded as Acting Chief Executive Officer as acting CEO to Sandspruit at no cost.

Subsequent to the withdrawal of the deputy city manager as acting CEO, the Executive Head of Shareholder Representative was then seconded as acting CEO.

During 2016/17 Sandspruit Works Association did a restatement of water sales to City of Tshwane from Sandspruit Works Association from R66 052 114 to R77 231 693.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

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47. Prior period restatements

Change in accounting policy

No change in accounting policy occurred during the period under review.

Reclassification

Statement of financial performance:

A reclassification was done between repair and maintenance, collection cost, contracted services and general expenses. In terms of the Frequently Asked Questions (FAQ) of the Accounting Standards Board (ASB) repair and maintenance should not be shown on the face of the statement of financial performance, therefore these expenditure items had to be reclassified and it resorted under general expenses and contracted services. Of the total of R1 428 498 977 that was reclassified R793 903 302 was reclassified to contracted services and R634 595 675 was reclassified to general expenses.

Due to the reclassification of repair and maintenance, contracted services had to be shown on the face of the statement of financial performance and a reclassification had to be done from collection cost (R96 618 835) and from general expenses (R2 290 189 399) leading to the net reclassification on general expenses of R1 655 593 724.

Statement of financial position:

No reclassification occurred during the period under review.

Cash flow statement:

A reclassification between purchase of investment property and retirements and proceeds from the sale of investment property due to purification to the value of R12 595 565.

Correction of errors

The following material restatements are discussed below:

Revenue:

Service charges were decreased with an amount of R1 308 914 as errors were picked up in the allocation of money received for bulk containers.

Other income was decreased with an amount of R10 502 055 due to donation of assets.

Rental of facilities and equipment was increased with an amount of R592 174 as a result of the correction of the straightlining calculations. Refer to Other debtors on Statement of financial position restatement as well.

Expense:

Remuneration was increased with an amount of R54 139 by the Tshwane Market for part time cashiers for June 2016.

Depreciation and amortisation were increased with an amount of R32 296 771 as a result of the purification of the fixed asset register.

Gain/loss on disposal of assets was increased with an amount of R270 260 as a result of corrections on scrapping of assets and disposal of assets and the purification of the fixed asset register.

Repairs and maintenance was decreased with an amount of R39 715 due to the purification of the fixed asset register.

General expenses was increased with an amount of R120 084 051 due to the correction of errors on rental payments and purification of fixed asset register.

Contribution to debt impairment was decreased with an amount of R4 063 703 428 and consist of R620 812 650 relating to 2015/16 and R3 442 890 778 relating to 2015/16. This restatement was necessary as an error was identified in the calculation method.

Statement of Financial Position:

Cash and cash equivalents was decreased with an amount of R1 308 914 due to corrections of allocations from the bank to revenue from bulk containers.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

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47. Prior period restatements (continued)

Other receivables were increased with an amount of R97 383 928 consisting of a decrease of R17 562 541 as a result of correction on straightlining of rental income and an increase of R114 946 469 due to a correction in the provision for impairment.

Consumer receivables were increased with an amount of R4 227 905 255 due to a correction in the provision for impairment.

Investment property decreased with an amount of R50 507 281 due to purification of the fixed asset register.

The decrease of property, plant and equipment with an amount of R55 047 492 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.

Intangible assets were increased with an amount of R15 183 024 due to purification actions.

Heritage assets were decreased with an amount of R97 000 due to purification actions.

Long-term receivables were decreased with an amount of R1 025 500 due to correction of levies.

Trade payables were increased with an amount of R127 315 197 due to the correction of the accrual on remuneration by the Tshwane Market in respect of part time cashiers and corrections on rental payments as well as creditor accruals.

VAT payable and receivable was increased with a net amount of R269 254 436 consisting of a decrease of R9 893 860 mainly due to the VAT audit and an increase of R279 148 296 due to a correction on the provision for impairment of debtors.

Accumulated surplus was increased with a net amount of R3 835 916 387 consisting of a decrease in the surplus of 2015/16 of R457 401 589, an increase in the surplus of 2014/15 of R3 514 272 543 and a decrease in the surplus of 2013/14 and prior of R135 757 745.

Correction on disclosure notes:

Note 18 - Disposal of a significant asset(s)/ or group of assets and liabilities:

The sale of properties during 2015/16 have been restated with an amount of R55 046 from R14 693 476 to R14 748 522.

Note 46 - Related parties:

During 2016/17 Sandspruit Works Association did a restatement of water sales to City of Tshwane from Sandspruit Works Association from R66 052 114 to R77 231 693.

Note 55 - Contingencies (Pending claims):

The pending claims with regard to assets (motor and non-motor) for the 2015/16 financial year was incorrectly disclosed and are restated now in 2016/17. The value has been restated from R312 628 802 to R645 848 620 (refer to note 55).

Note 54 - Rental income straightlining:-

The total rental income was restated with an amount of R89 581 622 (from R335 455 314 to R245 873 692) during 2016/17 due to calculation errors picked up.

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 2017

Notes to the Financial Statements

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47. Prior period restatements (continued)

2016	As previously reported	Reclassi- fication	Correction of errors	Restated
Statement of Financial Performance				
Revenue:				
Property rates	5 360 754 623	-	-	5 360 754 623
Service charges	14 688 149 864	-	(1 308 914)	14 686 840 950
Rental of facilities and equipment	131 388 317	-	592 174	131 980 491
Interest received outstanding consumer debtors	361 055 496	-	(33 552)	361 021 944
Public contributions and donations	276 873 503	-	-	276 873 503
Fines	313 548 835	-	-	313 548 835
Licences and permits	48 743 171	-	-	48 743 171
Government grants, subsidies, awards and donations	5 969 036 348	-	-	5 969 036 348
Other income	748 562 814	-	(10 502 055)	738 060 759
Interest received - external investments	55 999 525	-	-	55 999 525
Gain: Disposal of assets and liabilities	62 231 796	-	236 532	62 468 328
Total Revenue	28 016 344 292	-	(11 015 815)	28 005 328 477
Expenditure:				
Remuneration	7 397 754 728	-	54 139	7 397 808 867
Remuneration of Councilors	112 443 327	-	-	112 443 327
Depreciation and amortisation	1 431 340 492	-	32 296 771	1 463 637 263
Impairment loss/reversal of impairments	362 767	-	-	362 767
Finance cost	1 136 966 921	-	-	1 136 966 921
Debt impairment	1 126 463 150	-	(620 812 650)	505 650 500
Collection costs	267 860 384	(96 618 835)	-	171 241 549
Repairs and maintenance	1 428 538 692	(1 428 498 977)	(39 715)	-
Bulk purchases	8 808 848 636	-	-	8 808 848 636
Contracted services	-	3 180 711 536	-	3 180 711 536
Grants and subsidies paid	347 060 760	-	-	347 060 760
General expenses	5 500 720 981	(1 655 593 724)	120 084 051	3 965 211 308
Fair value adjustments	145 366 351	-	-	145 366 351
Loss on foreign exchange transactions	1 678 206	-	-	1 678 206
Total expenditure	27 705 405 395	-	(468 417 404)	27 236 987 991
Surplus for the year	310 938 897	-	457 401 589	768 340 486

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

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47. Prior period restatements (continued)

2016	As previously reported	Reclassification	Correction of errors	Restated
Statement of Financial Position				
Current assets				
Inventory	573 789 834	-	-	573 789 834
Current portion of long-term receivables	95 249 478	-	-	95 249 478
Other receivables	1 003 586 595	-	97 383 928	1 100 970 523
Consumer debtors	2 594 648 189	-	4 227 905 255	6 822 553 444
Call investment deposits	1 087 430 061	-	-	1 087 430 061
Cash and cash equivalents	75 890 080	-	(1 308 914)	74 581 166
Non-current assets				
Investment property	802 525 850	-	(50 507 281)	752 018 569
Property, plant and equipment	31 500 515 169	-	(55 047 492)	31 445 467 677
Leased assets	115 028 935	-	-	115 028 935
Intangible assets	392 729 520	-	15 183 024	407 912 544
Heritage assets	3 629 977 497	-	(97 000)	3 629 880 497
Investments	710 520	-	-	710 520
Long-term receivables	19 851 340	-	(1 025 500)	18 825 840
Interest rate swaps	43 936 952	-	-	43 936 952
Current liabilities				
Trade and other payables from exchange transactions	7 316 614 459	-	127 315 197	7 443 929 656
Long-term liabilities	622 111 885	-	-	622 111 885
Lease liabilities	110 418 332	-	-	110 418 332
VAT payable	486 740 150	-	269 254 436	755 994 586
Unspent grants and receipts	130 291 177	-	-	130 291 177
Consumer deposits	375 949 547	-	-	375 949 547
Non-current liabilities				
Long-term liabilities	10 319 939 692	-	-	10 319 939 692
Lease liabilities	33 634 395	-	-	33 634 395
Retirement benefit obligation	2 235 476 868	-	-	2 235 476 868
Provisions	806 541 911	-	-	806 541 911
Service concession arrangements	672 256 650	-	-	672 256 650
Interest rate swap liability	147 119 727	-	-	147 119 727
Equity				
Accumulated surplus	18 678 775 227	-	3 835 916 387	22 514 691 614

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

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47. Prior period restatements (continued)

	As previously reported	Reclassification	Correction of errors	Restated
2016				
Cash flow statement				
Cash generated from operations				
Cash receipts from ratepayers and service charges	19 211 688 643	-	(1 308 914)	19 210 379 729
Cash receipts from other revenue sources	2 549 889 856	-	(198 184 801)	2 351 705 055
Grants	5 930 802 716	-	-	5 930 802 716
Cash paid to suppliers	(14 742 700 772)	-	184 321 450	(14 558 379 322)
Cash paid to employees	(7 510 198 055)	-	(54 139)	(7 510 252 194)
Transfers and grants	(347 060 760)	-	-	(347 060 760)
Finance costs (interest paid)	(1 136 966 921)	-	-	(1 136 966 921)
Interest Income	55 999 525	-	-	55 999 525
Net cash generated from operations	4 011 454 232	-	(15 226 404)	3 996 227 828
Cash flow from investing activities				
Purchase of property, plant & equipment	(4 982 392 526)	-	13 071 674	(4 969 320 852)
Proceeds from sale of assets (including gain/(loss))	315 588 558	-	1 101 331	316 689 889
Purchase of investment property and retirements	1 864 822	(12 595 565)	(258 013)	(10 988 756)
Purchase of other intangible assets/retirements	(46 265 624)	-	-	(46 265 624)
Purchase of heritage assets	(22 349 296)	-	-	(22 349 296)
Proceeds from sale of investment property	-	12 595 565	-	12 595 565
Movement in long-term receivables	45 469 606	-	2 499	45 472 105
Net cash from investing activities	(4 688 084 460)	-	13 917 491	(4 674 166 969)
Cash flow from financing activities				
Proceeds from long-term liabilities	1 200 000 000	-	-	1 200 000 000
Repayment of long-term liabilities	(517 915 839)	-	-	(517 915 839)
Finance lease repayments	(64 810 162)	-	-	(64 810 162)
Service concession arrangements	672 256 650	-	-	672 256 650
Net cash from financing activities	1 289 530 649	-	-	1 289 530 649
Net cash flow				
Net increase/(decrease) in cash and cash equivalents	612 900 423	-	(1 308 914)	611 591 509
Cash and cash equivalents at the beginning of the year	550 419 718	-	-	550 419 718
Cash and cash equivalents at the end of the year	1 163 320 141	-	(1 308 914)	1 162 011 227

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
48. Unauthorised expenditure		
Opening balance	1 657 852 448	785 504 172
Unauthorised expenditure in current year (refer Appendix D for detail)	634 084 861	1 657 852 448
Less: Approved/Condoned by Council in respect of previous financial year	(1 657 852 448)	(785 504 172)
	634 084 861	1 657 852 448

2016/17:

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

The over expenditure by departments can mainly be attributed to employee related cost, depreciation, finance charges, bulk purchases, contracted services, transfers and grants and loss on disposal of property, plant and equipment.

Unauthorised expenditure: Budget overspending - per strategic unit

Shared Services	43 195 844	56 270 527
Emergency Services	-	15 616 241
Group Financial Services	-	688 340 695
Health and Social Development	-	10 240 368
City Manager	3 560 305	-
Metro Police Services	105 211 623	101 426 283
Group Legal and Secretarial Services	66 947 200	81 865 918
Customer Relations Management	2 306 490	2 562 279
Group Audit and Risk	56 559 663	85 437 129
Service Delivery and Transformation Management	-	252 721 018
Utility Service: Electricity	135 425 518	67 992 114
Utility Service: Water and Sanitation	-	122 363 318
Sport and Recreation	-	27 651 278
Roads and Transport	-	124 971 216
Housing and Human Settlement	-	20 394 064
Group Property Management	58 815 395	-
Regional Operations and Coordination	161 032 626	-
Community and Social Development	1 030 197	-
	634 084 861	1 657 852 448

49. Fruitless and wasteful expenditure

Opening balance	1 475 934	1 068 137
Interest and penalties on late payments (Eskom accounts)	-	407 797
	1 475 934	1 475 934

Details of fruitless-and wasteful expenditure – current year

-

No instances of fruitless- and wasteful expenditure occurred in the period 1 July 2016 to 30 June 2017.

No fruitless- and wasteful expenditure were condoned between 1 July 2016 and 30 June 2017.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
50. Irregular expenditure		
Opening balance	1 918 244 772	1 580 723 364
Add: Irregular expenditure due to non-compliance with regulation 44 of MFMA - Persons in service of City of Tshwane	1 441 900	-
Add: Irregular expenditure ito section 32 of the MFMA	28 946 226	11 544 053
Add: Irregular expenditure due to procurement splitting	-	622 004
Add: Irregular expenditure due to prohibited supplier	-	56 235
Add: Irregular expenditure due to tender advertised for less than 30 days	-	14 154 907
Add: Irregular expenditure due to tnon-compliance with MFMA, SCM regulations and PPP regulations	-	32 688 701
Add: Irregular expenditure due to irregular award of tender	-	37 948 725
Add: Irregular expenditure due to deviation requirements not justified	-	38 697 350
Add: Irregular expenditure due to non-compliance with MFMA and SCM regulations (wi-fi)	78 809 200	113 938 611
Add: Irregular expenditure due to BRT system contract CB 239/2012	-	87 870 822
Less: Approved/condoned irregular expenditure in terms of Wi-Fi	(372 747 540)	-
	1 654 694 558	1 918 244 772
Details of irregular expenditure – current year		
Ex facto payments - section 32		
Non-compliance with MFMA and SCM regulations (wi-fi)		
Irregular expenditure due to non-compliance with section 44 of MFMA - Persons in employment of City of Tshwane		
Disciplinary steps taken/criminal proceedings		
Non-compliance with SCM regulations		28 946 226
Non-compliance with SCM regulations		78 809 200
Non-compliance with MFMA		1 441 900
		109 197 326
Details of irregular expenditure condoned		
Irregular expenditure due to non-compliance with MFMA and SCM regulations (wi-fi)		
Condoned by Council/City Manager/SED		
Council Resolution 29 June 2017 - City did not suffer any loss as a result of contract		372 747 540

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016	
	R	Restated* R	
51. Regulation 45 disclosure			
<p>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:</p> <ul style="list-style-type: none"> • 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 <p>The information regarding awards made for the financial year is indicated below.</p>			
Municipality			
Employee	Family member and capacity	Value of awards 30 June 2017	Value of awards 30 June 2016
A Springbok (Strategic Executive Director)	V Springbok (Spouse)	99 390	155 455
W J Snyman (Storekeeper)	Z Snyman (Spouse)	61 339	1 227 131
Mamouba Rahab (CIC Temp)	Mamouba Rahab Mogano (Spouse)	9 429 035	-
K A Maremane (Artisan)	M D Mamogobo (Spouse)	652 701	547 894
T T Phalane (Constable)	M E Phalane (Spouse)	188 820	363 315
S Maboate (General Worker)	M M Khothama (Spouse)	-	22 355
P S Kgasago (Internal Audit consultant)	M R Kgasago (Spouse)	-	11 700
S R Makole (Bus driver)	M L Makole (Spouse)	-	7 656
Mhlupheki Samuel (Supervisor)	M S Mahlangu (Spouse)	29 932 276	-
Benjamin Zacharia Tsela (Librarian)	J B Tsela	36 178 336	-
M B Masina (Administrative Officer)	B B Masina (Spouse)	189 320	47 000
P C Nkadimeng (Foreman)	L L Nkadimeng (Spouse)	-	184 266
J Masenya (Storekeeper)	L J Masenya (Spouse)	-	6 000
P V Mtshweni (Accountant)	Ikageng Rekopile Komane (Spouse)	2 262 943	82 029
P D Mabasa (Community Health nurse)	Prundance Malatji (Spouse)	5 611 695	-
		84 605 855	2 654 801

* See Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2017	2016
	R	Restated* R
52. In-kind donations and assistance		
Donation of properties to churches and NGO's		
Erf 3645 Refilwe extension 4 to Christ Saves Ministries	-	285 000
Erf 4480 Kudube Unit 1 to St Johns Apostolic Church of Prophecy	-	170 000
Erf 1989 Valhalla to Tshwane Islamic Centre Trust	-	2 900 000
Erf 1872 Eersterust extension 3 to Omega Community Centre	-	250 000
Portion of the remainder of portion 20 of the farm Olievenhoutbosch 389 JR to Enlightened Christian Gathering Church	-	13 327 000
Erf 33617 Mamelodi East to Evangelical Gospel Church	-	155 000
Erf 7018 Saulsville to Uniting Reformed Church in South Africa	-	60 000
	<u>-</u>	<u>17 147 000</u>

No properties were donated during the 2016/17 financial year.

2016/17:

The Municipality received the following in-kind- donations and assistance during the 2016/17 financial year to date:

Region 6: Libraries and Culture - Sabinet donated R5 000 to Rev J M Buthane for their "Tea for Senior Citizens" in December 2016. The donations were in the form of goods procured from Kit Kat.

Emergency Services:

- *1 Bottle Glenlivet whisky valued at R310 from Govest Fire
- * A braaier valued at R1 500 from The Voortrekkers
- * 300 x Squeeze bottles valued at R6 000 from the Office of the Executive Mayor
- * 300 x Nedbank T-shirts valued at R24 000 from the Office of the Executive Mayor
- * 35 x IDDR school bags valued at R6 431.25 from Provincial Disaster Management
- * Catering services and hire of equipment valued at R16 230 by Fleet Africa for the launching of Heuweloord Fire Station.
- * Catering services and hire of equipment valued at R16 230 by Marce for the laundhing of Heuweloord Fire Station.
- * Catering services and hire of equipment valued at R12 000 by Primat Construction for the launching of Heuweloord Fire Station.
- * 80 photo frames valued at R4 000 by Global Communications for acknowledgement of long service (30 and 40 years).
- * Gift pack of Johnnie Walker Black Label Wisky from Mercedes Benz (R500)
- * Lanyards and laptop sleeves from Centre for Public Service and Innovation (CPSI) as donation for the girls during take a girl child to work programme (R 1 100).

Tshwane Airport Services:

- * Professional Flight Centre - water and flower arrangements (R10 500); food for 200 guests (R40 000) and marque tent for event (R10 000)
- * Blue Chip - Petrol for Little Annie (R5 000)
- * Fly Jetstream (Caps for Children - R5 000)
- * Ahrlec (Refreshments and petrol for Little Annie (R16 000)
- * Giovannis restaurant - caps for children and sweets (R5 000)
- * Constantia metering - gifts for children and sweets (R5 000).
- * Signorama - artwork and signs (R5 000)
- * AME Aviation - hot dogs and hamburgers (R5 000).

The Municipality distributed the following in-kind- donations and assistance during the 2016/17 financial year to date:

- # Emergency Services: Blankets, mattresses, food parcels in various townships, wards and regions.
- # Emergency Services: Waiving of fire accounts to the value of R647 007
- # Emergency Services: Assistance rendered free of charge to various events to the value of R2 065 222.

2015/16:

The Municipality donated the following items during the 2015/16 financial year:

- # Emergency Services - blankets, mattresses, tents, food parcels
- # Emergency Services - assistance free of charge and waiving of accounts (estimated value = R833 891)
- # Emergency Services - free services (estimated value = R91 842)

The Municipality received the following in-kind- donations and assistance during the 2015/16 financial year:

* See Note 47

City of Tshwane Metropolitan Municipality

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	2017	2016
	R	Restated* R

52. In-kind donations and assistance (continued)

- Corporate and Shared Services Department received the following:
 - # 1 Overnight stay accommodation at Velmore Hotel Erasmia (value R1 300 per person)
 - # 1 Rietvlei voucher for a game drive and braai (value R1 750 per person)
 - # Cash donation paid into City's account from BBJ Group (value R50 000)
 - # Sponsored trophies from Fleet Africa (12) and Sekela Xabiso (20) for the TSEA Gala event (estimated value R260 000)
 - # Technical sponsor for the TSEA Gala event from Old Mutual (value R150 000)
 - # Technical sponsor for the TSEA Gala event from Huawei (value R100 000)
 - # 39 Ipad for winners from PSMA for the TSEA Gala event (value R234 000)
 - # Sponsored beverages for guests at the TSEA Gala event from Ntiyiso Consulting (value R9 000)
 - # Sponsored beverages for guests at the TSEA Gala event from Zimele Technology (value R10 105)
 - # Bed and breakfast vouchers for TSEA Project Steering Committee from Tsogo Sun, Garden Court, Hatfield (estimated value R15 000)
 - # Bed and breakfast vouchers for TSEA Project Steering Committee from Orion-Velmore Hotel group (estimated value R26 000)
 - # 10 mail vouchers received from Communication, Marketing and Events department (value R20 000)
 - # Vodacom #G TAB from Communication, Marketing and Events department (value R2 500)
 - # Powerbank and calendar received from Geldenhuis & Malatji (value R100 and R20 respectively)
 - # Diary received from Fleet Africa (value R60)
- Human Resource Management:
 - # Tshwane Pension Fund Board of Trustees - 2 employees attended a workshop in Cape Town: Flights, accommodation and conference fees were sponsored by ABSA.
- Emergency Services:
 - # 6 boxes of veld fire, drought and thunderstorm promotional material for awareness campaigns from Department of Rural Government (estimated value = R2 500)
 - # Memory sticks and pens from the Centre for Public Service Innovation (CPSI) and winter fleece blankets from PDMS for the take a girl child to work campaign (estimated value = R3 300)

53. Operating leases

Non-cancelable operating leases - Office equipment:

None for the 2016/17 financial year.

Non-cancelable operating leases - Vehicles (busses):

None for the 2016/17 financial year.

54. Rental income straightlining

Gross investment in the lease due

- within one year	13 047 451	14 470 636
- in second to fifth year inclusive	34 329 935	39 607 271
- later than five years	183 959 960	191 795 785
	<u>231 337 346</u>	<u>245 873 692</u>

Restatement of 2015/16:

The total rental income was restated with an amount of R89 581 622 in 2015/16 from R335 455 314 to R245 873 692.

55. Contingencies

Indemnification

Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	74 114 583	72 366 413
	<u>74 114 583</u>	<u>72 366 413</u>

The capitalised value as at 30 June 2017 which is calculated by the department of Labour amounted to R74 114 583. The actual amount is guaranteed with a bank guarantee during 2016/17.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
55. Contingencies (continued)		
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	102 872 223	65 540 408
Pending claims iro public liabilities	755 684 670	645 848 620
	858 556 893	711 389 028

Restatement of 2015/16:

Group Legal Services restated the figures of 2015/16 due to errors picked up. The restatement occurred in the figures of 2012 (R9 960 627 decrease); 2013 (R23 524 350 decrease) and 2016 (R366 704 796 increase). The huge increase in June 2016 mainly relates to a R300 million case in respect of the closure of a park.

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which, as at 30 June 2017 has a balance of R245 734.

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 - these cases are listed separately below. The claims where amounts are available are disclosed in the table below.

a. General Litigation

Housing and Sustainable Human Settlement Development Department:

Case 1:

Claim for compensation by a land owner in Soshanguve. The land owner alleges that CoT allowed a squatter camp to develop on privately owned land. Owner now wants compensation arguing constructive expropriation.

Case 2:

Summons has been issued and an appearance to defend has been entered. The crux of the action is to compel the CoT to allocate land to persons listed in the summons as former residents of Lady Selbourne as mentioned in the summons. 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. Awaiting court date. Amount claimed cannot be estimated.

Group Financial Services:

Case 3:

Applicant claim for refund of moneys over paid for electricity. Damages claim for wrong account calculation. Consumer is alleging that because the CoT had incorrectly charged for services accounts, they are now seeking damages in the form of a refund for overpayment. Amount claimed cannot be estimated.

Group Human Capital Management

Case 4:

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 5:

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

* See Note 47

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55. Contingencies (continued)

Case 6:

The applicant brought an application against the CoT and the City Manager for an order declaring that the CoT should contribute towards the monthly premium 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. Amount claimed cannot be estimated.

Case 7:

Unfair dismissal review application of an arbitration award for reinstatement and compensation. Amount claimed cannot be estimated.

Case 8:

Application to review an award granting employee a fixed travelling allowance. Amount claimed cannot be estimated.

Case 9:

Unfair dismissal application for review of an award for reinstatement and back pay. Amount claimed cannot be estimated.

Case 10:

Review of an award granting employee compensation, amounting to three months's salary. Amount claimed cannot be estimated.

Case 11:

Claim for promotion. Amount cannot be determined at this stage.

Case 12:

Unfair dismissal review application of an arbitration award for reinstatement and compensation. Amount cannot be determined at this stage.

Case 13:

Dispute regarding the compulsory deduction of leave days during festive season. MMM appointed to defend this matter. Amount cannot be determined at this stage.

Case 14:

Unfair dismissal application for review of an award for reinstatement and back pay. Amount cannot be determined at this stage.

Group Utility Services

Case 15:

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

Group Roads and Transport

Case 16:

The municipality expropriated properties belonging to the claimant. Claimant is objecting to the amount offered for compensation and is now seeking a higher amount compensation.

Tshwane House Contingencies

Default terminations:

The default termination comprise of the default terminations as per the service concession arrangement between City of Tshwane and Tshela Tsweu Consortiu (TTC). The termination scenarios are as follows:

Scenario 1: Termination pursuant to the City of Tshwane default prior to expiry of the concession period

Termination pursuant to the City default over the life of the project given equal probabilities is R747 million.

Scenario 2: Termination for Private Party default

If at any time during the concession period the City of Tshwane terminates the PPP pursuant to a default by Tshela Tsweu Consortium (TTC), the City of Tshwane will be obliged to pay TTC a compensation amount. The expected contingent liability for Private Party default, given the equal probabilities is R540 million.

* See Note 47

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55. Contingencies (continued)

Scenario 3: Termination for Force Majeure

If the PPP agreement is terminated by the City of Tshwane or TTC as a result of a Force Majeure event, the City of Tshwane is obliged to compensate TTC a Force Majeure Termination amount. The expected contingent liability for Force Majeure default over the life of the project, given equal probabilities is R663 million.

Scenario 4: Termination for Corrupt Acts and Fraud

If the City of Tshwane terminates the PPP agreement pursuant to corrupt gifts and payments, the City of Tshwane shall be liable to pay TTC a termination amount. The expected contingent liability under Corrupt Acts default scenario over the life of the project, given equal probabilities is R613 million.

There is uncertainty as to the timing of any of the termination scenarios, therefore simulation were used to arrive at the expected contingent liability.

Litigation (as at 30 June 2017)

	Short description of cases	
Group Economic Development and Spatial Planning	Expropriation. Compensation not paid	2 044 660
Housing and Sustainable Human Settlement Development	Winterveldt expropriation: claiming additional compensation	790 000
Housing and Sustainable Human Settlement Development	Expropriation: claiming additional compensation	790 000
Housing and Sustainable Human Settlement Development	Claim for payment of occupational rent/constitutional damages as well as declaratory order	14 100 000
Housing and Sustainable Human Settlement Development	Claim for compensation by land owner in Soshanguve due to squatter camp on privately owned property	16 925 581
Housing and Sustainable Human Settlement Development	Claim for interest on amount payable for compensation of expropriation of servitude on portion 241 Wonderboom 302 JR	371 900
Housing and Sustainable Human Settlement Development	Himalaya Heights: Claim for levies in respect of a sectional unit owned by CoT	11 578
Housing and Sustainable Human Settlement Development	Himalaya Heights: Claim for levies in respect of a sectional unit owned by CoT	10 172
Group Financial Services	Claiming interest due to incorrect clearance memorandum issued	80 000
Group Financial Services	Damages and refund claim: incorrect clearance certificate	71 296
Group Financial Services	Breach of contract: Work to be done before 2010 Soccer World Cup	33 594
Group Financial Services	Payment for services: Dispute regarding claim	2 622 000
Group Financial Services	Demand for legal fees for debt collection: services of firm of attorneys	1 657 251
Group Financial Services	Claim for refund: Over charged for water	5 111 360
Group Financial Services	Claim for damages: Tenant did not pay for services	1 097 937
Group Financial Services	Damages claim: wrong calculation of service charges	20 274
Group Financial Services	Claim for refund: Overpaid electricity due to wrong calculation	45 307
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini	288 789
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini.	265 661
Group Human Capital Management	Breach of contract: Contract concluded in Pretoria and put Magistrate Nigel as forum for adjudication.	100 000
Group Human Capital Management	Breach of contract: Constructive dismissal as position was not available on erstwhile Nokeng organogram. Claims compensation and performance bonuses.	159 705

* See Note 47

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55. Contingencies (continued)		
Group Human Capital Management		796 680
	Breach of Contract: 2 Councillors and an official procured work for City without following prescribed SCM procedures.	
Group Human Capital Management		97 734
	Unfair dismissal: Erstwhile Nokeng appointed traffic officers who did not meet minimum requirements - relieved of duties. Matter at bargaining council.	
Group Human Capital Management		42 000
	Unfair labour practice: Erstwhile Nokeng Municipality paid employer medical aid contributions directly to plaintiff in stead of medical aid. Matter is still pending.	
Group Human Capital Management		2 500 000
	Claim for damages: Unlawful termination of employment. Additional claim.	
Group Human Capital Management		5 464 800
	Claim for damages: Repudiation of contract of employment. Suing for constructive dismissal and claiming damages.	
Group Human Capital Management		8 000 000
	Claim for damages: Suspension pending investigation into alleged misconduct. City is to file amended plea.	
Group Human Capital Management		649 017
	Claim for stolen pension money. Referred to Commercial Crimes Unit of SAPS.	
Group Human Capital Management		327 211
	Claim for stolen pension money. Cheque for pension payout was issued to wrong person.	
Group Human Capital Management		338 848
	Unpaid pension fund	
Group Human Capital Management		1 000 000
	Compensation for unfair labour practices	
Group Human Capital Management		67 099
	Claim for payment of acting allowance	
Group Human Capital Management		30 000
	Application to make an award an order of court	
Group Human Capital Management		850 884
	Claimants allege that they were fixed term contract workers from 2010 to 2013 but were never paid. Hence they claim for payment of salaries.	
Group Human Capital Management		1 000 000
	Claim for an increase towards travelling allowance. Matter currently being opposed by attorneys	
Group Human Capital Management		850 884
	Constructive Dismissal damages claim. Plaintiff was diagnosed with PTS disorder which it was acknowledged was caused by the employee's conduct hence classified as an injury on duty. Plaintiff was then unable to perform her duties and was subsequently dismissed for mental incapacity. Plaintiff is now suing for damages as a result of the dismissal. Await a new trial date.	
Group Shared Services		6 964 617
	Tender for hiring of vehicles for use by electricity department. Services never paid for.	
Group Utility Services		2 858 037
	Breach of contract: Roads and water reticulation construction not properly done. Matter is defended.	
Group Utility Services		6 683 428
	Contractual claim for adverse physical conditions encountered during a project for laying of a sewer network in Babelegi. The matter is currently in the high court and the intention is to go for arbitration. An arbitration process is going to be initiated.	
Group Utility Services		98 724
	Breach of contract: Tender awarded to provide security services. Information not retrieved information from the company.	
Group Utility Services		1 401 516
	Breach of contract: Tender awarded for City wide communication system. Plaintiff failed to live up to tender specifications and municipality cancelled contract. Matter set down for trial.	
Group Utility Services		159 219
	Breach of contract: Plaintiff never paid for services rendered.	
Group Utility Services		952 952
	Breach of contract: Contribution payment for bulk services. Services inadequately rendered.	

* See Note 47

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55. Contingencies (continued)		
Group Utility Services		150 000
	Contribution payment for bulk services. Municipality took over services. Plaintiff claiming refund. Defended and trial date awaited.	
Group Utility Services		2 705 431
	Payment of bulk services contribution. Agreement with erstwhile Kungwini Municipality. Claiming refund.	
Group Utility Services		2 081 409
	Application for rescission: Applicant wants reversal of decision of Court. Municipality has already made payment to someone else in accordance with court order. Await trial date.	
Group Utility Services		4 607 784
	Municipality cancelled agreement for security services. Company is suing for repudiation of contract.	
Group Utility Services		4 314 672
	Contractor who was hired to construct a depot in Soshanguve is being sued by CoT in arbitration. Contractor brought counter claim	
Group Utility Services		951 078
	Claim for compensation in respect of expropriation. Property owner suing CoT for high compensation.	
Group Utility Services		377 002
	Action for payment of the sum of R4 893 617,32 arising out of breach of contract on tender awarded by letter dated 1 July 2011.	
Group Utility Services		696 504
	Breach of contract iro services rendered for the provision of maintenance and connection work.	
Group Roads and Transport		29 238
	Motor vehicle accident caused by traffic officer at Poort Primary School. Matter is defended to set aside default judgement. Trial date awaited.	
Group Roads and Transport		120 000
	Damages claim: Construction of road on private property. Negotiations underway to expropriate land.	
Group Roads and Transport		100 000
	Personal injuries claim: Vehicle collided with barrier on road. Awaiting trial date	
Group Roads and Transport		25 762 057
	Breach of contract: Construction of roads - work done and contractor never paid. Awaiting court date	
Group Roads and Transport		30 390 000
	Expropriation of land intended for road construction.	
Group Roads and Transport		10 233 866
	Bill of costs for the upgrading of motorway in Atteridgeville, Maunde Street	
Group Roads and Transport		466 706
	Bill of costs for the upgrading of motorway in Atteridgeville, Maunde Street	
Group Roads and Transport		811 940
	City of Tshwane expropriated properties belonging to claimant. Claimant is objecting to compensation offered and claims more money. Claim	
Group Roads and Transport		137 082
Group Roads and Transport		690 446
	Breach of contract: Roads and water reticulation services by tenderer who was incompetent and work was completed by another contractor. Original contractor claims full payment. Matter is before court.	
Group Roads and Transport		4 943 153
	Claim for payment in respect of upgrade of roads and storm water in Soshanguve.	
Group Environment and Agriculture Management		432 221
	Plaintiff issued summons for damages for alleged breach of contract by appointing 2 new contractors before expiry of tender. Matter awaiting trial.	
Group Environment and Agriculture Management		1 120 885
	Breach of contract: Claim for payment of services rendered.	
Group Environment and Agriculture Management		1 210 877
	Breach of contract: Work allegedly done which relevant department disputes. Matter is defended.	
Group Environment and Agriculture Management		2 299 500
	Breach of contract: Claim for rubbish bins for sandblasting and painting as well as storage costs.	

* See Note 47

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55. Contingencies (continued)		
Group Environment and Agriculture Management	Breach of contract: Refuse removal tender and dispute over its terms. Matter is in court.	200 813
Group Environment and Agriculture Management	Delivery of refuse bins - contractor never paid. Refuse bins was defective.	158 232
Group Environment and Agriculture Management	Claim for payment of preliminary and general items, payment for the additional work and claim for payment retention moneys in respect of the construction of a cemetery in Soshanguve.	3 612 512
Community Safety - Metro Police	Tender for provision of security services at 5 locations in erstwhile Kungwini Municipality. Service provider never paid.	16 720 095
Community Safety - Metro Police	Breach of contract: Security services provided but never paid for.	620 103
Community Safety - Metro Police	Breach of contract-Security services were provided and never paid for hence claim for payment.	6 415 122
Community Safety - Metro Police	Breach of contract-Security services were provided and never paid for hence claim for payment	2 415 091
Community Safety - Metro Police	Failure to effect payment for services rendered iro guarding services.	2 293 653
Community Safety - Metro Police	Failure to effect payment for services rendered iro guarding services.	4 620 799
Community Safety - Metro Police	Failure to effect payment for services rendered iro guarding services.	4 319 915
Community Safety - Metro Police	Failure to effect payment for services rendered iro guarding services iro demolition, prevention and monitoring.	4 399 720
Community Safety - Metro Police	Failure to effect payment for services rendered iro guarding services iro demolition, prevention and monitoring.	3 251 850
Community Safety - Metro Police	Failure to pay for guarding services	7 401 917
Community Safety - Metro Police	Failure to pay for services rendered iro prevention, demolition and monitoring services.	2 288 618
Health and Social Development	Breach of contract: Tender for pesticides and insecticides. Work done and never paid for. Payment for damages claimed.	64 994
Office of Executive Mayor	Claim for damages following cancellation of contract for upgrading City Hall.	4 900 000
Office of the Speaker	Claim for services rendered. Dispute over terms of tender. Contractor did work which department denies receiving. Matter is before court.	2 360 610
Group Property Management	Claim that development agreement was entered into with municipality on certain properties. Municipality allegedly breached agreement.	51 507 439
Group Property Management	Claim for payment of additional contract amount based on changed design.	986 502
Group Property Management	Claim for payment of rental. Outstanding rental for the Bothongo Plaza East Building.	16 446 218
Group Property Management	Claim for damages	10 000 000
Group Property Management	Claim for compensation for Redefine for having demolished the Sammy Marks/Munitoria walk-bridge.	172 794
Group Property Management	Contractor is suing for payment of additional contract amount based on the changed design the contractor was given to work on.	986 502
Community and Social Development	Construction claim for City Hall Construction Cullinan Library. Claims for escalation, preliminary general costs and loss and expenditure.	25 430 598
		353 936 663

* See Note 47

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56. Change in estimate		
Property, plant and equipment		
2016/17:		
The useful lives of all asset classes was reviewed and adjusted during 2016/17 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 13 under property, plant and equipment for a discussion on the basis on which the review of useful lives was done.		
The effect of changing the remaining useful lives during 2016/17 has decreased the depreciation charge for the current and future periods. The total number of assets affected was 713 648.		
Effect of change in estimates		
Other and infrastructure assets	<u>(25 504 672)</u>	<u>(55 723 629)</u>
57. Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the financial statements.		
In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:		
<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)		
Emergency	21 298 280	3 750 000
Sole providers	186 745 722	144 371 460
Works of art	-	2 998 880
Other exceptional cases	899 612 643	1 436 100 150
	<u>1 107 656 645</u>	<u>1 587 220 490</u>
Deviation from quotation process (amounts below R200 000)		
Other exceptional cases	<u>-</u>	<u>306 391</u>

* 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%.

2016/17 financial year:

The following revenue and expenditure line items show a material variance for the period ending 30 June 2017 against the final budget:

Other own revenue category:

- Government grants and subsidies (2.90% under) - spending of transfers of grants did not realise as indicated on the payment schedules.
- Rental of facilities and equipment (5.40% under) - this line item is based on demand from users of the facilities and equipment.
- Interest on external investments (139.70 % over) - increase in interest earned due to increase in investments held (sinking fund)
- Interest on outstanding debtors (40.10% over) - over recovery is due to increase in levying of interest on long overdue accounts.
- Fines (33.5% under) - this is due to the IGRAP1 accounting requirements on AARTO fines (more fines issued).
- Other revenue (21.20% over) - over recovery is mostly due to accounting for newly identified assets.
- Public contributions (11.20% over) - due to more contributions received than originally anticipated.
- Licenses and permits (3.2 % under) - under recovery due to number of licenses renewed and permit applications not realising as anticipated.

Other expenditure category:

- Debt impairment (36.7% under) - under expenditure is due to adequacy testing at year end and change in calculation method at year end.
- Transfers and grants (42.2% over) - due to payments to municipal entities - mostly Sandspruit.
- Depreciation (8.9% over) - due to purification of asset register and new leases.
- Other expenditure (7.1% under) due to the fact that not all of the expenses budgeted realised as anticipated.
- Collection costs (6.3 % over) - due to collection cost realising higher than planned.

Capital expenditure:

- The capital expenditure shows a 71.0 % spending level against the total budget for the period ending 30 June 2017 as various capital projects did not start or the expenditure on the work was slow.

Changes from the approved budget to the final budget

The mid-year budget review report approved by the Council on 23 February 2017, indicated the necessity for an Adjustments Budget for the 2016/17 financial year for, inter alia the following:

- The City ended the 2015/16 financial year with an operating deficit of about R2 billion, which means that the City had a funding compliance gap (MFMA Circular 42) of approximately R2 billion which must be addressed within the 2016/17 adjustments budget.
- Based on the mid-term results, it is clear that the City will not achieve its budgeted revenue targets due to various factors, such as under-billing, decline in electricity sales, reduction in water revenue due to water restrictions, increased distribution losses, etc; and
- Ensuring that provision for all non-cash items, such as depreciation and provision for leave, is adequate.
- To facilitate the inclusion of rolled over/transfer grant funding.

The Council approved the 2016/17 Original Revenue Budget to the amount of R31.948 billion which was decreased with R0.327 billion to R31.621 billion (decrease of 1.02%). Furthermore, the total expenditure of R27.648 billion was increased with an amount of R426.426 million to R28.073 billion (increase of 1.5%). As a result the budgeted surplus of R4.301 billion was decreased to R3.548 billion, indicating that contractual obligations compromised the downscaling of expenditure.

* See Note 47

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59. Distribution losses: Water		
Non-revenue Water (NRW) - kilolitre		
Technical	53 207 780	59 659 954
Non-technical	13 301 945	14 914 989
	66 509 725	74 574 943
Non-revenue Water (NRW) - Rand value		
Technical	402 436 719	403 250 852
Non-technical	100 609 180	100 812 713
	503 045 899	504 063 565

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
- * Non-technical 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 2016 the NRW in the city was calculated at 74 574 943 kl (23.53% of the total input into the system). This indicates a deterioration of NRW in the city when compared to June 2015 where the NRW was 58 251 245 kl (18.94% of the total input into the system). The losses in R-value amounts to R504.1 million (2015 = R349.8 million). The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R6.76 for 2015/16 and R6.00 for 2014/15.

For the 2016/17 financial year the NRW in the city was calculated at 66 509 725 kl (23.66% of the total input into the system). This indicates an improvement of NRW in the city when compared to June 2016 where the NRW was 74 574 943 kl (23.53% of the total input into the system). The losses in R-value amounts to R503 045 898. The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R7.563494 for 2016/17.

* See Note 47

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60. Distribution losses: Electricity		
Distribution loss: kWh		
Technical	692 388 294	680 678 967
Non-technical	1 343 233 290	1 194 105 387
	2 035 621 584	1 874 784 354
Distribution loss - Rand value		
Technical	536 739 405	489 203 973
Non-technical	1 041 274 447	858 203 542
	1 578 013 852	1 347 407 515

2016/17:

The electricity distribution loss for the 2016/17 financial year is calculated at 2 035 621 584 kWh (20.58 % of the total electricity bulk purchases) The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

The electricity distribution loss for the 2015/16 financial year is calculated at 1 874 784 354 kWh (19,28% of the total electricity bulk purchases) The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

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 2015/16 financial year the value of non-technical loss amounts to R858.204 million or 1 194 105 387 kWh based on the cost per unit purchased namely 71.87 c/kWh.

For the 2016/17 financial year the value of non-technical loss amounts to R1 041 274 447 or 1 343 233 290 kWh based on the cost per unit purchased namely 77.52 c/kWh.

The City of Tshwane's Services Infrastructure Department is continuously 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 2015/16 financial year the value of technical loss amounts to R489.204 million or 680 678 967 kWh based on the cost per unit purchased namely 71.87 c/kWh.

For the 2016/17 financial year the value of technical loss amounts to R536 739 405 or 692 388 294 kWh based on the cost per unit purchased namely 77.52 c/kWh.

The City of Tshwane's Services Infrastructure Department is further also busy addressing the technical losses by:

- Refurbishing and replacing old equipment in the network
- Strengthening over-headlines

* See Note 47

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61. Service concession arrangements

Tshwane House:

The City of Tshwane Metropolitan Municipality has entered into a service concession agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years would be to construct the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement ownership of the building would pass to the City of Tshwane. City of Tshwane will pay the Consortium a fixed unitary fee for the construction and operation of the asset for the 27 year period. The first fee would begin on the completion of the first block of the building. This unitary payment would escalate with inflation each year.

Construction started 1 April 2015 and as at 30 June 2016 the building is approximately 65% complete. In terms of the Guideline on Accounting for Public Private Partnerships the fair value of the building should be recognised on a percentage of completion during construction. The capex quoted in the final close-out report is R1 034 240 000. The value of the asset and liability as at 30 June 2016 amounted to R672 256 650.

For the 2016/17 financial statements the building was 100% complete and occupation took place in June 2017. The value of the asset and liability as at 30 June 2017 amounted to R1 123 634 344 and R1 034 240 000 respectively.

Tshwane Broadband Network:

The City of Tshwane Metropolitan Municipality has entered into a Build Operate and Transfer agreement with Newsshelf 1327 Pty Ltd (in the process of being renamed as Thobela Telecoms (RF) Pty Ltd), to finance, construct and operate a municipal broadband network. This agreement will be subject to review once every three (3) years. The service provider is appointed to build the Network and to provide the operate services, additional services and maintenance services to City of Tshwane.

The private party will obtain project finance for the Build phase of the network and once the minimum threshold is achieved then the municipality shall make payment to the private party on the basis set out in the agreement. From the effective date until the acceptance date of the last section of the Network Built ("First phase") the municipality commits to pay a monthly amount to the service provider as calculated in the formula set out in clause 37.2 (the "Build Payment Formula"). This payment will only start once the minimum threshold is achieved.

In terms of a Council resolution dated 29 June 2017 it was resolved that a notice of intention to amend the contract with Africa NPC, registration number 2013/146023/08, trading as Project Isizwe, as envisaged in the MFMA section 116(3) was published and that no representation, comments or objections was received. The following amendments to the contract was approved:

- * Single expiry date for all phases (excluding phases 5-8 expiring in July 2018 for value added services) to 3 December 2017
- * That the proof of concepts on the commercialisation model for the Free-WiFi model be completed prior to 3 December 2017 in order for the outcome thereof to be incorporated into the tender specifications; and
- * That the network be upgraded so as to maintain the higher levels of service at a cost of R9.45 million.

The service concession liability in respect of Tshwane House is indicated below:

Minimum future payments

No later than one year	257 466 033	-
Later than one year but not later than 5 years	1 520 443 466	-
Later than 5 years	11 446 665 504	-
Less: Future finance charges on finance lease	(10 674 939 097)	-
Less: Future service cost on finance lease	(1 507 090 136)	-
Present value of finance lease liability	1 042 545 770	-

Present value of service concession liability

No later than one year	(57 645 018)	-
Later than one year but not later than 5 years	(330 666 387)	-
Later than 5 years	1 430 857 175	-
	1 042 545 770	-

Fair value of liability (amortised cost i.e. present value)	1 042 545 770	-
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Collateral held on the above service concession (Net book value of assets) (Refer to note 13 - Tshwane House)	1 123 634 344	-
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* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
62. Impairment of assets		
Impairments		
Property, plant and equipment (refer to note 13)	2 714 185	362 767
Intangible assets (refer to note 15)	12 664	-
	2 726 849	362 767
<p>2016/17: Assets were impaired according to specific indicators such as its physical condition. The main class of assets affected by impairment losses is movable assets. For the 2016/17 year included in the impairment figure is also impairment on assets under construction (AUC).</p>		
63. Contracted services (refer to Note 67)		
Consultant fees	56 611 859	105 428 543
Service fee (smart pre-paid)	701 971 497	639 377 289
Professional services	122 119 635	148 292 459
IT services	91 444 647	92 253 534
Labour services	376 954 507	501 269 919
Housing services	108 153 052	158 950 470
Electricity services and network	291 958 474	435 710 145
Household refuse removal	429 853 365	427 695 516
Transport and roads	149 664 471	94 486 833
Cleaning services	17 820 187	20 399 496
Rudimentary services	120 020 137	72 249 368
Sewerage networks	58 478 010	64 157 784
Restrictions: credit control	20 606 255	25 205 421
Water network services	119 255 897	140 599 071
Traffic control	27 431 572	31 836 829
Other	87 081 194	222 798 859
	2 779 424 759	3 180 711 536
64. Repair and maintenance		
Contracted services	629 601 873	793 903 302
General expense	426 479 015	631 713 835
Other materials	5 385 479	2 881 840
	1 061 466 367	1 428 498 977
65. Fair value adjustments		
Game and livestock	2 214 710	2 313 772
Interest rate swaps	(21 070 051)	(147 680 123)
	(18 855 341)	(145 366 351)
66. Going concern		
<p>We draw attention to the fact that at 30 June 2017, the municipality had an accumulated surplus of R25 274 453 455 and that the municipality's total assets exceed its liabilities by R 25 505 256 423. The difference consist of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R230 802 968.</p>		
<p>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.</p>		
67. Actual operating expenditure versus budgeted operating expenditure		
<p>For additional information on the comparison of actual operating expenditure versus budgeted expenditure please refer to Appendix C,D and E.</p>		

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated* R
68. 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 .		
69. Expenditure by National Treasury classification		
Expenditure type		
Employee-related cost	7 895 827 022	7 397 808 866
Remuneration of councillors	118 003 200	112 443 327
Debt impairment	637 816 347	505 650 500
Depreciation and amortisation	1 620 077 635	1 464 033 758
Finance charges	1 297 245 021	1 136 966 921
Bulk purchases	9 582 375 815	8 808 848 636
Other materials	235 342 525	227 064 298
Contracted services (refer to Note 63)	2 779 424 758	3 180 711 536
Transfers and grants	381 061 824	347 060 760
Other expenditure	2 961 808 342	4 017 079 767
Loss on disposal of property, plant and equipment	68 436 188	105 100 802
	<u>27 577 418 677</u>	<u>27 302 769 171</u>
Total expenditure per statement of financial performance	<u>27 577 418 677</u>	<u>27 302 769 171</u>

70. Public Private Partnerships (PPP)

Tshwane House:

The City of Tshwane Metropolitan Municipality has entered into a PPP agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years would be to construct the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement ownership of the building would pass to the City of Tshwane.

City of Tshwane will pay the Consortium a fixed unitary fee for the construction and operation of the asset for the 27 year period. The first fee started on the completion of the first block of the building. This unitary payment would escalate with inflation each year.

Fleet vehicles and fleet related services:

The City of Tshwane Metropolitan Municipality has entered into a PPP agreement with Moipone Group of Companies (Pty) Ltd for the supply of Category A of fleet vehicles and fleet related services. The agreement is for a period of 5 years from the service commencement date where after it will automatically terminate, provided that the City may extend the agreement on written notice which shall be given at least 90 days prior to the expiry of the termination date.

During the life of this agreement the City will make unitary payments to the private party in accordance with the provisions of the payment mechanism. The unitary payment will be the amount payable with respect to the leased vehicles, monthly in arrears.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated*
		R

71. Interest rate swaps

The municipality holds derivative financial instruments to hedge its interest rate risk exposures. The municipality entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige the municipality to pay interest at variable rates/fixed rates on the same amounts. The interest rate swap allows the municipality to raise long-term borrowings at variable rates/fixed rates and effectively swap them into fixed rates/floating 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: R641 000 000

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

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 312 448

Fixed rate: 9.31% and Variable rate: Jibar + 2.22 basis points

Payable: Semi-annual

Fair values of financial assets measured or disclosed at fair value:

Class 1 : Interest rate swaps -

The method to determine the fair value of the interest rate swaps is the discounted cash flow method. Various parameters are used to value the swaps, e.g. start date, end date, payment dates in between, fixed rate, floating rate spread, payment frequency, yield curve, etc. Cash flows are discounted using the zero curve.

Fair value hierarchy of financial assets at fair value -

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurement. The fair value hierarchy have the following levels:

Level 1: represents those assets which are measured using unadjusted quoted prices in active markets for identical assets

Level 2: applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: applies inputs which are not based on observable market data.

* See Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

	2017	2016
	R	Restated*
		R

The City of Tshwane classifies its interest rate swaps as level 2 and no transfers were made between the different levels of the hierarchy in the year under review. None of the financial assets that are fully performing have been renegotiated in the last year.

Nominal value of financial assets at fair value:

The nominal value of the existing interest rate swaps are R5 424 547 164 as at 30 June 2016.

The nominal value of the existing interest rate swaps are R5 575 078 615 as at 30 June 2017.

Interest paid on the interest rate swaps to the amount of R59 740 597 were recognised in surplus or deficit during 2015/16 as part of finance cost - refer note 33 .

Interest paid on the interest rate swaps to the amount of R29 714 722 were recognised in surplus or deficit during 2016/17 as part of finance cost - refer note 33 .

The fair value of interest rate swaps for the period under review is as indicated below. Fair value calculations are only done at year end and is not available for the interim financial statements.

Interest rate swap - amounts (in total)

Interest rate swap asset	18 743 157	43 936 952
Interest rate swap liability	(142 995 983)	(147 119 727)
	<u>(124 252 826)</u>	<u>(103 182 775)</u>

* See Note 47

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2017

Interest Rate (%)	Redeemable	Balance at June 30, 2016	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2017	Carrying Value of Property, Plant & Equipment
		Rand	Rand	Rand	Rand	Rand	Rand
TERM LOANS							
DBSA: bullet portion	13.50	2018.04.30	51 682 877	-	-	51 682 877	61 010 041
DBSA: Floating rate	Variable	2019.10.31	78 331 528	-	-	78 331 528	92 467 952
DBSA Bullet repayment loan	Jibar +2.5 margin	2034.06.30	1 600 000 000	-	-	1 600 000 000	1 888 750 627
Nedbank Bullet repayment loan	11.44%	2026.06.24	1 200 376 110	-	(376 110)	1 200 000 000	1 416 562 970
DBSA Bullet repayment loan	Jibar +2.5 margin	2035.06.30	1 500 000 000	-	-	1 500 000 000	1 770 703 713
			4 430 390 515	-	(376 110)	4 430 014 405	6 751 491 617
ANNUITY LOANS:							
DBSA	13.5	2018.04.30	89 268 375	-	31 218 937	(1 050 752)	56 998 686
DBSA (Restructuring)	10.97	2018.12.31	82 005 387	-	30 202 226	-	51 803 161
INCA	11.03	2019.06.30	6 929 546	-	2 066 750	-	4 862 796
INCA	9.52	2020.03.31	93 999 871	-	19 859 347	(452 588)	73 687 936
INCA	11.01	2020.06.30	21 807 413	-	4 609 268	-	17 198 145
DBSA	9.36	2020.12.31	124 279 961	-	23 374 687	-	100 905 274
INCA	10.92	2020.12.31	47 702 096	-	8 722 424	-	38 979 672
INCA	10.81	2021.06.30	41 258 358	-	6 612 202	-	34 646 156
DBSA	5.0	2021.12.31	41 632 549	-	7 524 537	-	34 108 012
DBSA	9.84	2021.12.31	197 482 196	-	32 292 533	-	165 189 663
Ivuzi	8.74	2021.12.31	103 863 447	-	15 434 071	-	88 429 376
DBSA	6.25	2028.06.30	73 569 020	-	4 273 350	-	69 295 670
DBSA	12.81	2028.06.30	168 937 757	-	6 515 045	-	162 422 712
DBSA	11.32	2028.06.30	168 013 243	-	6 608 484	-	161 404 759
ABSA Roodeplaat Temba	12.5	2021.03.31	135 788 674	-	20 198 350	(646 590)	114 943 734
DBSA Roodeplaat Temba	11.99	2021.03.31	69 478 929	-	10 474 166	(316 145)	58 688 618
Nedbank Roodeplaat Temba	12.51	2021.03.31	93 341 438	-	13 886 382	(469 584)	78 985 472
DBSA TIP	6.75	2029.06.30	118 009 576	-	5 911 685	-	112 097 891
Nedbank	9.27	2020.05.18	182 163 079	-	38 950 824	-	143 212 255
Nedbank	9.32	2020.06.16	181 256 744	-	38 796 231	-	142 460 513
Standard Bank	7.72	2026.06.30	784 656 277	-	54 096 057	(14 009)	730 546 211
DBSA	5.00	2016.08.31	37 926	-	37 926	-	-
ABSA Roodeplaat Temba	Jibar	2027.06.30	-	1 000 000 000	-	2 459 589	1 002 459 589
Nedbank	Jibar	2029.06.29	520 434 669	-	51 794 262	(1 774 802)	466 865 605
Nedbank	Jibar	2025.12.01	294 341 778	-	28 981 899	(1 024 134)	264 335 745
iVuzi (Firststrand bank)	Jibar	2022.06.30	315 789 474	-	52 631 579	-	263 157 895
iVuzi (Firststrand bank)	Jibar	2027.12.01	379 310 344	-	34 482 759	-	344 827 585
			4 335 358 127	1 000 000 000	549 555 981	(3 289 015)	4 782 513 131
							5 645 609 169

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2017

Interest Rate (%)	Redeemable	Balance at June 30, 2016	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2017	Carrying Value of Property, Plant & Equipment	
		Rand	Rand	Rand	Rand	Rand	Rand	
MUNICIPAL BONDS								
CoT1: Standard bank	10.20	2023.04.02	573 614 904	-	-	312 986	573 927 890	677 504 164
CoT2: Standard bank	9.11	2023.04.02	848 022 825	-	-	414 317	848 437 142	1 001 553 865
CoT3: Standard bank	9.46	2028.06.05	754 665 205	-	-	388 768	755 053 973	891 317 915
			-	-	-	-	-	-
			-	-	-	-	-	-
			2 176 302 934	-	-	1 116 071	2 177 419 005	2 570 375 944
			10 942 051 576	1 000 000 000	549 555 981	(2 549 054)	11 389 946 541	14 967 476 730
FINANCE LEASES								
ABSA	Variable *		-	-	-	-	-	-
AMASONDO	Variable *		-	-	-	-	-	-
DATA CENTRIX	Variable *		-	-	-	-	-	-
Super Group	Variable *		-	30 081 044	2 496 761	1 215 705	28 799 988	28 532 887
Talis Fleetmatics	Variable *		-	212 118 533	33 958 708	20 904 630	199 064 455	192 316 977
IMPERIAL /EQSTRA	Variable *		-	-	-	-	-	-
MAN FINANCIAL SERVICES	Variable *		-	-	-	-	-	-
McCarthy	Variable *		-	-	-	-	-	-
Moipone	Variable *		-	197 294 248	28 665 711	17 518 703	186 147 240	181 573 837
STANDARD BANK	Variable *		-	-	-	-	-	-
ZEDA	Variable *		-	-	-	-	-	-
TSHWANE AUTO LEASING	Variable *		-	-	-	-	-	-
MAN	Variable *		-	-	-	-	-	-
ABSA SOL	Variable *		-	-	-	-	-	-
MAN	Variable *		-	-	-	-	-	-
			144 052 729	-	126 293 193	11 257 401	29 016 937	26 075 395
			144 052 729	439 493 825	191 414 373	50 896 439	443 028 620	428 499 096

City of Tshwane Metropolitan Municipality

Appendix B
Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2017

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	6 882 089 830	2 487 446 103	-	(805 208 936)	(9 219)	8 564 317 778	(123 216 100)	-	-	-	-	(123 216 100)	8 441 101 678
Electricity	6 241 073 525	78 174 300	(17 208 916)	175 862 735	(2 055 805)	6 475 845 839	(1 814 421 908)	(248 763 886)	-	8 786 041	676 361	(2 053 723 392)	4 422 122 447
General	237 332 279	-	(1 640 639)	-	(37 463 843)	198 227 797	(189 377 061)	(10 621 390)	-	1 640 143	33 378 121	(164 980 187)	33 247 610
Roads	10 462 804 087	128 294 100	(53 595)	590 801 512	13 805 308	11 195 651 412	(2 919 436 941)	(407 942 361)	-	-	46 245	(3 327 333 057)	7 868 318 355
Water and sanitation	7 991 903 992	200 530 856	(67 489 662)	29 624 826	54 160	8 154 624 172	(2 068 418 276)	(279 355 389)	-	14 404 435	-	(2 333 369 230)	5 821 254 942
	31 815 203 713	2 894 445 359	(86 392 812)	(8 919 863)	(25 669 399)	34 588 666 998	(7 114 870 286)	(946 683 026)	-	24 830 619	34 100 727	(8 002 621 966)	26 586 045 032
Community Assets													
General	3 705 226 287	36 048 876	(15 161 192)	39 625 009	1 954 752	3 767 693 732	(1 056 255 558)	(147 535 230)	(83 553)	12 835 383	(2 236 560)	(1 193 275 518)	2 574 418 214
Assets under construction	226 888 035	94 005 673	(2 066 338)	(39 561 529)	-	279 265 841	-	-	-	-	-	-	279 265 841
	3 932 114 322	130 054 549	(17 227 530)	63 480	1 954 752	4 046 959 573	(1 056 255 558)	(147 535 230)	(83 553)	12 835 383	(2 236 560)	(1 193 275 518)	2 853 684 055
Housing													
Housing assets	673 092 365	-	(70 000)	188 535 600	(10 306 150)	851 251 815	(103 505 840)	(13 209 830)	-	-	(222 742)	(116 938 412)	734 313 403
Assets under construction	517 541 235	30 970 000	-	(188 535 600)	-	359 975 635	-	-	-	-	-	-	359 975 635
	1 190 633 600	30 970 000	(70 000)	-	(10 306 150)	1 211 227 450	(103 505 840)	(13 209 830)	-	-	(222 742)	(116 938 412)	1 094 289 038
Biological assets													
Game (livestock)	16 792 560	-	-	-	2 214 710	19 007 270	-	-	-	-	-	-	19 007 270
	16 792 560	-	-	-	2 214 710	-	-	-	-	-	-	-	19 007 270
Land													
Land	266 489 280	3 925 276	(27 291)	-	(6 762 554)	263 624 711	-	-	-	-	-	-	263 624 711
	266 489 280	3 925 276	(27 291)	-	(6 762 554)	263 624 711	-	-	-	-	-	-	263 624 711
Buildings													
Buildings	965 319 345	23 111 215	(645 500)	-	3 132 928	990 917 988	(567 384 653)	(31 292 244)	-	352 257	1 270 568	(597 054 072)	393 863 916
Assets under construction	733 365 230	-	-	-	(733 365 230)	-	-	-	-	-	-	-	-
Tshwane House	-	361 983 350	-	34 563 052	733 365 230	1 129 911 632	-	(6 277 287)	-	-	-	(6 277 287)	1 123 634 345
	1 698 684 575	385 094 565	(645 500)	34 563 052	3 132 928	2 120 829 620	(567 384 653)	(37 569 531)	-	352 257	1 270 568	(603 331 359)	1 517 498 261

City of Tshwane Metropolitan Municipality

Appendix B
Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2017

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	2 079 677 533	237 927 379	(15 164 550)	4 573 875	37 650 423	2 344 664 660	(1 283 811 259)	(202 932 966)	(2 630 632)	12 437 147	(32 911 994)	(1 509 849 704)	834 814 956
Rehabilitation assets	529 954 003	46 596 684	-	-	-	576 550 687	(233 711 673)	(84 245 342)	-	-	-	(317 957 015)	258 593 672
Assets under construction	275 461 364	227 858 711	(9 000)	(40 658 304)	-	462 652 771	-	-	-	-	-	-	462 652 771
	2 885 092 900	512 382 774	(15 173 550)	(36 084 429)	37 650 423	3 383 868 118	(1 517 522 932)	(287 178 308)	(2 630 632)	12 437 147	(32 911 994)	(1 827 806 719)	1 556 061 399
Total property plant and equipment													
	41 805 010 950	3 956 872 523	(119 536 683)	(10 377 760)	2 214 710	45 634 183 740	(10 359 539 269)	1 432 175 925)	(2 714 185)	50 455 406	(1)	(11 743 973 974)	33 890 209 766
Heritage assets													
General	3 629 880 497	18 613 965	-	-	-	3 648 494 462	-	-	-	-	-	-	3 648 494 462
	3 629 880 497	18 613 965	-	-	-	3 648 494 462	-	-	-	-	-	-	3 648 494 462
Investment properties													
Investment assets	936 428 150	-	(165 560)	397 900	1	936 660 491	(184 807 481)	(3 597 149)	-	-	-	(188 404 630)	748 255 861
Assets under construction	397 900	1 154 596	-	(397 900)	-	1 154 596	-	-	-	-	-	-	1 154 596
	936 826 050	1 154 596	(165 560)	-	1	937 815 087	(184 807 481)	(3 597 149)	-	-	-	(188 404 630)	749 410 457
Intangible assets													
Computer software	367 238 593	21 498 414	-	8 763 282	-	397 500 289	(158 491 639)	(55 554 048)	(12 664)	-	-	(214 058 351)	183 441 938
Servitudes	199 165 590	811 938	-	1 614 477	-	201 592 005	-	-	-	-	-	-	201 592 005
	566 404 183	22 310 352	-	10 377 759	-	599 092 294	(158 491 639)	(55 554 048)	(12 664)	-	-	(214 058 351)	385 033 943
Total													
Land	266 489 280	3 925 276	(27 291)	-	(6 762 554)	263 624 711	-	-	-	-	-	-	263 624 711
Infrastructure	31 815 203 713	2 894 445 359	(86 392 812)	(8 919 863)	(25 669 399)	34 588 666 998	(7 114 870 286)	(946 683 026)	-	24 830 619	34 100 727	(8 002 621 966)	26 586 045 032
Community Assets	3 932 114 322	130 054 549	(17 227 530)	63 480	1 954 752	4 046 959 573	(1 056 255 558)	(147 535 230)	(83 553)	12 835 383	(2 236 560)	(1 193 275 518)	2 853 684 055
Housing	1 190 633 600	30 970 000	(70 000)	-	(10 306 150)	1 211 227 450	(103 505 840)	(13 209 830)	-	-	(222 742)	(116 938 412)	1 094 289 038
Other	2 885 092 900	512 382 774	(15 173 550)	(36 084 429)	37 650 423	3 383 868 118	(1 517 522 932)	(287 178 308)	(2 630 632)	12 437 147	(32 911 994)	(1 827 806 719)	1 556 061 399
Heritage assets	3 629 880 497	18 613 965	-	-	-	3 648 494 462	-	-	-	-	-	-	3 648 494 462
Intangible assets	566 404 183	22 310 352	-	10 377 759	-	599 092 294	(158 491 639)	(55 554 048)	(12 664)	-	-	(214 058 351)	385 033 943
Investment properties	936 826 050	1 154 596	(165 560)	-	1	937 815 087	(184 807 481)	(3 597 149)	-	-	-	(188 404 630)	749 410 457
Buildings	1 698 684 575	385 094 565	(645 500)	34 563 052	3 132 928	2 120 829 620	(567 384 653)	(37 569 531)	-	352 257	1 270 568	(603 331 359)	1 517 498 261
Biological assets	16 792 560	-	-	-	2 214 710	19 007 270	-	-	-	-	-	-	19 007 270
	46 938 121 680	3 998 951 436	(119 702 243)	(1)	2 214 711	50 819 585 583	(10 702 838 389)	1 491 327 122)	(2 726 849)	50 455 406	(1)	(12 146 436 955)	38 673 148 628

Appendix C
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the period ended 30 June 2017

	2016/17					2015/16 Restated					
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	9 386 466 584	220 962 787	9 607 429 371		9 607 429 371	9 965 298 855		357 869 484	104 %	106 %	9 159 332 955
Executive and council	64 255 159	5 594 376	69 849 535		69 849 535	83 381 193		13 531 658	119 %	130 %	74 581 292
Budget and Treasury Office	9 140 678 585	213 323 514	9 354 002 099		9 354 002 099	9 594 638 815		240 636 716	103 %	105 %	8 699 631 553
Corporate services	181 532 840	2 044 897	183 577 737		183 577 737	287 278 847		103 701 110	156 %	158 %	385 120 110
Community and public safety	1 214 393 278	137 752 409	1 352 145 687		1 352 145 687	1 244 999 621		(107 146 066)	92 %	103 %	1 435 842 930
Community and social services	41 984 190	21 465 066	63 449 256		63 449 256	99 772 649		36 323 393	157 %	238 %	83 393 415
Sport and recreation	19 744 144	6 974 466	26 718 610		26 718 610	57 271 819		30 553 209	214 %	290 %	38 482 383
Public safety	210 095 583	104 112 877	314 208 460		314 208 460	227 001 381		(87 207 079)	72 %	108 %	335 149 785
Housing	813 745 015	5 200 000	818 945 015		818 945 015	730 708 312		(88 236 703)	89 %	90 %	857 421 375
Health	128 824 346	-	128 824 346		128 824 346	130 245 460		1 421 114	101 %	101 %	121 395 972
Economic and environmental services	1 746 671 874	44 045 015	1 790 716 889		1 790 716 889	1 678 447 087		(112 269 802)	94 %	96 %	1 734 050 558
Planning and development	208 125 305	78 947 072	287 072 377		287 072 377	232 631 704		(54 440 673)	81 %	112 %	245 451 300
Road transport	1 538 261 993	(34 902 057)	1 503 359 936		1 503 359 936	1 445 634 991		(57 724 945)	96 %	94 %	1 488 039 225
Environmental protection	284 576	-	284 576		284 576	180 392		(104 184)	63 %	63 %	560 033
Trading services	19 368 792 136	(744 627 094)	18 624 165 042		18 624 165 042	17 851 929 919		(772 235 123)	96 %	92 %	16 116 178 451
Electricity	13 025 753 693	(562 918 175)	12 462 835 518		12 462 835 518	11 634 658 972		(828 176 546)	93 %	89 %	10 368 924 981
Water	3 886 086 332	(189 116 887)	3 696 969 445		3 696 969 445	3 652 951 956		(44 017 489)	99 %	94 %	3 482 856 704
Waste water management	1 169 283 306	(30 349 953)	1 138 933 353		1 138 933 353	1 239 642 628		100 709 275	109 %	106 %	1 049 932 676
Waste management	1 287 668 805	37 757 921	1 325 426 726		1 325 426 726	1 324 676 363		(750 363)	100 %	103 %	1 214 464 090
Other	207 917 348	14 040 079	221 957 427		221 957 427	222 357 735		400 308	100 %	107 %	216 919 910
Other	207 917 348	14 040 079	221 957 427		221 957 427	222 357 735		400 308	100 %	107 %	216 919 910
Total Revenue - Standard	31 924 241 220	(327 826 804)	31 596 414 416		31 596 414 416	30 963 033 217		(633 381 199)	98 %	97 %	28 662 324 804

Appendix C
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the period ended 30 June 2017

2016/17

2015/16
Restated

	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	5 419 214 221	363 093 434	5 782 307 655	-	5 782 307 655	5 849 776 479	302 066 014	67 468 824	101 %	108 %	5 930 318 055
Executive and council	1 476 361 178	215 673 996	1 692 035 174	26 107 771	1 718 142 945	1 680 943 565	-	(37 199 380)	98 %	114 %	1 407 912 181
Budget and treasury office	876 312 925	(71 339 338)	804 973 587	(4 488 000)	800 485 587	588 281 234	-	(212 204 353)	73 %	67 %	599 374 253
Corporate services	3 066 540 118	218 758 776	3 285 298 894	(6 813 228)	3 278 485 666	3 580 551 680	302 066 014	302 066 014	109 %	117 %	3 923 031 621
Community and public safety	4 008 121 465	23 887 896	4 032 009 361	(11 852 808)	4 020 156 553	4 080 030 384	131 592 408	59 873 831	101 %	102 %	4 343 728 401
Community and social services	648 858 443	(26 898 135)	621 960 308	(5 071 006)	616 889 302	618 377 402	1 488 100	1 488 100	100 %	95 %	643 138 025
Sport and recreation	474 224 352	90 488 768	564 713 120	(9 169 209)	555 543 911	621 220 983	65 677 072	65 677 072	112 %	131 %	583 030 834
Public safety	1 776 048 949	(110 960 296)	1 665 088 653	3 634 260	1 668 722 913	1 733 150 149	64 427 236	64 427 236	104 %	98 %	2 012 853 777
Housing	605 207 316	54 183 311	659 390 627	(343 090)	659 047 537	591 194 723	-	(67 852 814)	90 %	98 %	599 499 270
Health	503 782 405	17 074 248	520 856 653	(903 763)	519 952 890	516 087 127	-	(3 865 763)	99 %	102 %	505 206 495
Economic and environmental services	2 482 734 994	179 709 862	2 662 444 856	3 676 769	2 666 121 625	2 462 710 811	-	(203 410 814)	92 %	99 %	2 516 703 868
Planning and development	702 786 770	3 079 004	705 865 774	(775 449)	705 090 325	653 161 834	-	(51 928 491)	93 %	93 %	675 136 171
Road transport	1 746 832 342	176 886 543	1 923 718 885	3 910 923	1 927 629 808	1 778 969 223	-	(148 660 585)	92 %	102 %	1 809 032 655
Environmental protection	33 115 882	(255 685)	32 860 197	541 295	33 401 492	30 579 754	-	(2 821 738)	92 %	92 %	32 535 042
Trading services	15 537 014 757	(162 597 927)	15 374 416 830	(5 260 374)	15 369 156 456	15 368 611 520	199 817 286	(544 936)	100 %	99 %	14 918 074 700
Electricity	10 570 121 848	(268 666 307)	10 301 455 541	121 465 164	10 422 920 705	10 602 718 110	179 797 405	179 797 405	102 %	100 %	10 184 104 049
Water	3 189 285 817	(2 492 723)	3 186 793 094	(124 883 888)	3 061 909 206	2 868 667 353	-	(193 241 853)	94 %	90 %	2 846 309 769
Waste water management	555 494 795	80 584 391	636 079 186	(3 271 963)	632 807 223	625 686 854	-	(7 120 369)	99 %	113 %	641 116 704
Waste management	1 222 112 297	27 976 712	1 250 089 009	1 430 313	1 251 519 322	1 271 539 203	20 019 881	20 019 881	102 %	104 %	1 246 544 178
Other	176 277 071	22 332 396	198 609 467	(1 370 053)	197 239 414	197 239 414	14 099 800	14 099 800	107 %	120 %	185 159 294
Other	176 277 071	22 332 396	198 609 467	(1 370 053)	197 239 414	211 339 214	14 099 800	14 099 800	107 %	120 %	185 159 294
Total Expenditure - Standard	27 623 362 508	426 425 661	28 049 788 169	77	28 049 788 246	27 972 468 408	647 575 508	(77 319 838)	100 %	101 %	27 893 984 318
Surplus/(Deficit) for the year	4 300 878 712	(754 252 465)	3 546 626 247		3 546 626 170	2 990 564 809		(556 061 361)	84 %	70 %	768 340 486

Appendix D
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the period ended 30 June 2017

	2016/17				2015/16 Restated						
	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 Manager	48 500 000	-	48 500 000		48 500 000	50 193 606		1 693 606	103 %	103 %	62 632 986
Economic Development & Spatial Planning	164 048 206	76 947 072	240 995 278		240 995 278	194 256 545		(46 738 733)	81 %	118 %	201 836 320
Emergency Management Services	77 358 409	3 708	77 362 117		77 362 117	82 199 427		4 837 310	106 %	106 %	85 606 324
Environment & Agriculture Management	1 436 485 854	60 970 744	1 497 456 598		1 497 456 598	1 536 255 128		38 798 530	103 %	107 %	1 397 927 884
Group Communication & Marketing	45 210 099	2 000 000	47 210 099		47 210 099	37 057 362		(10 152 737)	78 %	82 %	43 628 646
Group Financial Services Cluster	9 191 283 626	215 323 514	9 406 607 140		9 406 607 140	9 722 058 799		315 451 659	103 %	106 %	8 763 140 461
Group Human Capital Management	23 017 987	(993 411)	22 024 576		22 024 576	25 234 726		3 210 150	115 %	110 %	33 802 732
Health Department	57 144 349	-	57 144 349		57 144 349	62 535 325		5 390 976	109 %	109 %	55 453 786
Housing & Human Settlement	979 336 391	(190 250 000)	789 086 391		789 086 391	756 972 250		(32 114 141)	96 %	77 %	972 101 885
Metro Police	204 503 369	104 109 169	308 612 538		308 612 538	214 400 686		(94 211 852)	69 %	105 %	315 597 030
Regional Operations & Coordination	237 234 011	(4 069 904)	233 164 107		233 164 107	304 297 618		71 133 511	131 %	128 %	248 866 787
Roads & Transport	1 427 003 230	(29 122 047)	1 397 881 183		1 397 881 183	1 326 259 104		(71 622 079)	95 %	93 %	1 386 070 234
Shared Services	392 742	810 482	1 203 224		1 203 224	22 020 299		20 817 075	1 830 %	5 607 %	9 551 505
Utility Service: Water and Sanitation	5 055 367 269	(219 466 840)	4 835 900 429		4 835 900 429	4 891 399 385		55 498 956	101 %	1 %	4 532 777 899
Utility Service: Electricity	12 833 887 367	(371 468 175)	12 462 419 192		12 462 419 192	11 553 577 516		(908 841 676)	93 %	90 %	10 219 382 663
Group Audit and Risk	45 111 896	(5 000 000)	40 111 896		40 111 896	51 844 904		11 733 008	129 %	115 %	40 380 632
Office of the Executive Mayor	-	3 899 747	3 899 747		3 899 747	6 525 255		2 625 508	167 %	DIV/0 %	7 459
Group Legal and Secretarial Service	386 971	-	386 971		386 971	820 257		433 286	212 %	212 %	53 426
Group Property	64 685 782	5 027 826	69 713 608		69 713 608	61 893 386		(7 820 222)	89 %	96 %	238 015 344
Office of the Chief Whip	-	-	-		-	349 422		349 422	DIV/0 %	DIV/0 %	-
Office of the Speaker	-	-	-		-	1 882 603		1 882 603	DIV/0 %	DIV/0 %	112
Community & Social Development Services	33 283 662	23 451 311	56 734 973		56 734 973	60 352 665		3 617 692	106 %	181 %	55 470 295
Customer Relations Management	-	-	-		-	646 946		646 946	DIV/0 %	DIV/0 %	20 394
Total Revenue by Vote	31 924 241 220	(327 826 804)	31 596 414 416		31 596 414 416	30 963 033 214		(633 381 202)	98 %	97 %	28 662 324 804

Appendix D
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the period ended 30 June 2017

	2016/17							2015/16 Restated			
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 Manager	143 898 532	(12 148 005)	131 750 527	-	131 750 527	135 310 832	3 560 305	3 560 305	103 %	94 %	134 276 900
Economic Development & Spatial Planning	656 766 429	(5 289 468)	651 476 961	-	651 476 961	597 215 804	-	(54 261 157)	92 %	91 %	629 481 735
Emergency Management Services	620 381 741	11 353 358	631 735 099	-	631 735 099	630 639 875	-	(1 095 224)	100 %	102 %	614 776 727
Environment & Agriculture Management	677 525 293	63 118 171	740 643 464	-	740 643 464	734 037 638	-	(6 605 826)	99 %	108 %	669 596 685
Group Communications & Marketing	148 697 222	(21 014 772)	127 682 450	-	127 682 450	122 106 014	-	(5 576 436)	96 %	82 %	160 702 446
Group Financial Services Cluster	1 478 306 403	145 195 361	1 623 501 764	-	1 623 501 764	1 494 114 035	-	(129 387 729)	92 %	101 %	1 606 127 415
Group Human Capital Management	273 672 969	(608 313)	273 064 656	40 000	273 104 656	269 033 585	-	(4 071 071)	99 %	98 %	269 577 691
Health Department	310 609 591	13 941 439	324 551 030	-	324 551 030	323 715 320	-	(835 710)	100 %	104 %	317 875 482
Housing and Human Settlement	741 571 754	(92 282 556)	649 289 198	-	649 289 198	509 539 480	-	(139 749 718)	78 %	69 %	656 023 197
Metro Police	1 841 714 957	234 849 560	2 076 564 517	-	2 076 564 517	2 181 776 140	105 211 623	105 211 623	105 %	118 %	2 034 929 337
Regional Operations & Coordination	3 401 965 793	59 820 447	3 461 786 240	-	3 461 786 240	3 622 818 866	161 032 626	161 032 626	105 %	106 %	3 746 002 997
Roads and Transport	1 230 897 328	209 785 817	1 440 683 145	-	1 440 683 145	1 316 113 562	-	(124 569 583)	91 %	107 %	1 316 719 651
Shared Services	1 351 747 006	(55 332 607)	1 296 414 399	(40 000)	1 296 374 399	1 339 570 242	43 195 843	43 195 843	103 %	99 %	1 490 435 238
Utility Service: Water and Sanitation	3 461 583 836	68 663 944	3 530 247 780	(120 588 607)	3 409 659 173	3 201 260 271	-	(208 398 902)	94 %	92 %	3 192 525 495
Utility Service: Electricity	9 577 038 115	(187 710 345)	9 389 327 770	120 588 607	9 509 916 377	9 645 341 897	135 425 520	135 425 520	101 %	101 %	9 046 318 592
Group Audit and Risk	306 160 892	2 091 257	308 252 149	-	308 252 149	364 811 812	56 559 663	56 559 663	118 %	119 %	437 196 742
Office of the Executive Mayor	280 043 147	(48 697 537)	231 345 610	-	231 345 610	202 209 071	-	(29 136 539)	87 %	72 %	287 000 167
Group Legal and Secretarial Service	115 386 922	3 342 984	118 729 906	-	118 729 906	185 677 106	66 947 200	66 947 200	156 %	161 %	200 714 647
Group Property	299 160 585	63 483 176	362 643 761	-	362 643 761	421 459 156	58 815 395	58 815 395	116 %	141 %	396 379 930
Office of the Chief Whip	34 374 726	(3 326 473)	31 048 253	-	31 048 253	30 035 355	-	(1 012 898)	97 %	87 %	31 273 499
Office of the Speaker	273 174 357	(17 657 226)	255 517 131	-	255 517 131	248 813 300	-	(6 703 831)	97 %	91 %	256 989 190
Community and Social Development Services	298 143 528	(358 251)	297 785 277	-	297 785 277	298 815 473	1 030 196	1 030 196	100 %	100 %	304 534 105
Customer Relations Management	100 541 382	(4 794 302)	95 747 080	1	95 747 081	98 053 571	2 306 490	2 306 490	102 %	98 %	94 526 450
Total Expenditure by Vote	27 623 362 508	426 425 659	28 049 788 167	1	28 049 788 168	27 972 468 405	634 084 861	(77 319 763)	100 %	101 %	27 893 984 318
Surplus/(Deficit) for the year	4 300 878 712	(754 252 463)	3 546 626 249		3 546 626 248	2 990 564 809		(556 061 439)	84 %	70 %	768 340 486

Appendix E
Budgeted Financial Performance (revenue and expenditure)
for the period ended 30 June 2017

	2016/17							2015/16 Restated						
	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	5 739 916 595	120 000 000	5 859 916 595		5 859 916 595	5 912 860 893		52 944 298	101 %	103 %				5 360 754 623
Service charges - electricity revenue	11 360 245 985	(506 882 000)	10 853 363 985		10 853 363 985	10 770 298 629		(83 065 356)	99 %	95 %				9 340 209 400
Service charges - water revenue	3 815 497 952	(429 417 936)	3 386 080 016		3 386 080 016	3 181 429 619		(204 650 397)	94 %	83 %				3 226 513 940
Service charges - sanitation revenue	894 777 408	(100 006 000)	794 771 408		794 771 408	779 985 057		(14 786 351)	98 %	87 %				760 693 469
Service charges - refuse revenue	1 205 390 340	20 000 000	1 225 390 340		1 225 390 340	1 251 916 033		26 525 693	102 %	104 %				1 128 045 780
Service charges - other	209 559 840	62 000 000	271 559 840		271 559 840	315 003 382		43 443 542	116 %	150 %				231 378 360
Rental of facilities and equipment	127 396 900	8 759 670	136 156 570		136 156 570	128 862 904		(7 293 666)	95 %	101 %				131 980 491
Interest earned: External investments	41 895 300	2 000 000	43 895 300		43 895 300	105 227 293		61 331 993	240 %	251 %				55 999 525
Interest earned: Outstanding debtors	187 511 500	207 404 100	394 915 600		394 915 600	553 456 804		158 541 204	140 %	295 %				361 021 944
Fines	198 658 314	104 689 473	303 347 787		303 347 787	201 694 980		(101 652 807)	66 %	102 %				313 548 835
Licences and permits	60 563 790	(9 668 320)	50 895 470		50 895 470	49 266 169		(1 629 301)	97 %	81 %				48 743 171
Transfers recognised - operational	3 976 476 420	(32 354 453)	3 944 121 967		3 944 121 967	3 813 144 804		(130 977 163)	97 %	96 %				3 516 826 178
Other revenue	1 736 142 189	(770 229 060)	965 913 129		965 913 129	1 151 689 614		185 776 485	119 %	66 %				1 017 248 035
Gains on disposal of PPE	-	950 000 000	950 000 000		950 000 000	3 570 992		(946 429 008)	- %	- %				165 890 924
Total Revenue (excluding capital transfers and contributions)	29 554 032 533	(373 704 526)	29 180 328 007		29 180 328 007	28 218 407 173		(961 920 834)	97 %	95 %				25 658 854 675

Appendix E
Budgeted Financial Performance (revenue and expenditure)
for the period ended 30 June 2017

	2016/17							2015/16 Restated						
	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	7 716 877 064	243 485 792	7 960 362 856	-	7 960 362 856	7 895 827 022	-	(64 535 834)	99 %	102 %	-	-	-	7 397 808 866
Remuneration of councillors	120 466 574	1 000 000	121 466 574	-	121 466 574	118 003 200	-	(3 463 374)	97 %	98 %	-	-	-	112 443 327
Debt impairment	849 491 950	158 476 628	1 007 968 578	-	1 007 968 578	637 816 347	-	(370 152 231)	63 %	75 %	-	-	-	505 650 500
Depreciation & asset impairment	1 254 566 602	252 854 590	1 507 421 192	(20 000 000)	1 487 421 192	1 620 077 635	132 656 443	132 656 443	109 %	129 %	-	-	-	1 464 000 030
Finance charges	1 057 637 963	226 439 404	1 284 077 367	7 452 973	1 291 530 340	1 297 245 021	5 714 681	5 714 681	100 %	123 %	-	-	-	1 136 966 921
Bulk purchases	9 748 735 783	(202 800 000)	9 545 935 783	-	9 545 935 783	9 582 375 815	36 440 032	36 440 032	100 %	98 %	-	-	-	8 808 848 636
Other materials	272 960 566	(14 140 757)	258 819 809	1 704 875	260 524 684	235 342 525	-	(25 182 159)	90 %	86 %	-	-	-	227 064 298
Contracted services	2 678 690 227	(13 835 556)	2 664 854 671	8 753 634	2 673 608 305	2 779 424 758	105 816 453	105 816 453	104 %	104 %	-	-	-	3 180 711 536
Transfers and grants	263 846 888	(5 274 103)	258 572 785	-	258 572 785	381 061 824	122 489 039	122 489 039	147 %	144 %	-	-	-	347 060 760
Other expenditure	3 660 087 891	(219 780 336)	3 440 307 555	2 012 518	3 442 320 073	2 967 619 288	-	(474 700 785)	86 %	81 %	-	-	-	4 057 068 683
Loss on disposal of PPE	1 000	-	1 000	76 000	77 000	68 436 188	68 359 188	68 359 188	88 878 %	89 946 %	-	-	-	105 100 802
Total Expenditure	27 623 362 508	426 425 662	28 049 788 170	-	28 049 788 170	27 583 229 623	471 475 836	(466 558 547)	98 %	100 %	-	-	-	27 342 724 359
Surplus/(Deficit)	1 930 670 025	(800 130 188)	1 130 539 837		1 130 539 837	635 177 550	(471 475 836)	(495 362 287)	56 %	33 %				(1 683 869 684)
Transfers recognised - capital	2 370 208 687	45 877 722	2 416 086 409		2 416 086 409	2 355 387 259		(60 699 150)	97 %	99 %				2 452 210 170
Contributions recognised - capital	-	-	-		-	-		-	- %	- %				-
Contributed assets	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) after capital transfers & contributions	4 300 878 712	(754 252 466)	3 546 626 246		3 546 626 246	2 990 564 809		(556 061 437)	84 %	70 %				768 340 486
Taxation	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) after taxation	4 300 878 712	(754 252 466)	3 546 626 246		3 546 626 246	2 990 564 809		(556 061 437)	84 %	70 %				768 340 486
Attributable to minorities	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) attributable to municipality	4 300 878 712	(754 252 466)	3 546 626 246		3 546 626 246	2 990 564 809		(556 061 437)	84 %	70 %				768 340 486
Share of surplus/ (deficit) of associate	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) for the year	4 300 878 712	(754 252 466)	3 546 626 246		3 546 626 246	2 990 564 809		(556 061 437)	84 %	70 %				768 340 486

**Appendix F
Budgeted Capital Expenditure by vote, standard classification and funding
for the period ended 30 June 2017**

	2016/17								2015/16 Restated						
	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 Manager	37 000 000	31 500 000	68 500 000	-	-	68 500 000	48 002 376	-	(20 497 624)	70 %	130 %	-	-	-	82 337 695
Group Audit and Risk	30 000 000	(20 000 000)	10 000 000	-	-	10 000 000	5 856 317	-	(4 143 683)	59 %	20 %	-	-	-	16 588 366
Group Communication and Marketing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Office of the Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic Development & Spatial Planning	212 650 000	(114 995 800)	97 654 200	-	-	97 654 200	47 537 898	-	(50 116 302)	49 %	22 %	-	-	-	21 819 314
Group Human Capital Management	-	10 000 000	10 000 000	-	-	10 000 000	4 298 406	-	(5 701 594)	43 %	- %	-	-	-	8 059 617
Group Legal and Secretarial Service	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Group Property	3 158 657	(1 158 657)	2 000 000	-	-	2 000 000	-	-	(2 000 000)	- %	- %	-	-	-	-
Office of the Chief Whip	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Shared Services	231 258 750	(26 558 750)	204 700 000	-	-	204 700 000	160 031 342	-	(44 668 658)	78 %	69 %	-	-	-	110 661 405
Group Financial Services Cluster	166 000 000	(136 000 000)	30 000 000	-	-	30 000 000	22 200 226	-	(7 799 774)	74 %	13 %	-	-	-	42 010 256
Emergency Management Services	66 000 000	(55 000 000)	11 000 000	-	-	11 000 000	10 895 317	-	(104 683)	99 %	17 %	-	-	-	5 938 642
Metro Police	5 000 000	25 000 000	30 000 000	-	-	30 000 000	29 997 108	-	(2 892)	100 %	600 %	-	-	-	8 852 430
Community and Social Development Services	98 450 000	17 557 878	116 007 878	-	-	116 007 878	92 131 373	-	(23 876 505)	79 %	94 %	-	-	-	89 978 601
Environment and Agriculture Management	76 033 600	(37 533 600)	38 500 000	-	-	38 500 000	37 796 604	-	(703 396)	98 %	50 %	-	-	-	97 706 676
Health Department	755 442 704	(733 242 704)	22 200 000	-	-	22 200 000	14 031 486	-	(8 168 514)	63 %	2 %	-	-	-	46 525 161
Housing and Human Settlement	522 445 251	47 258 750	569 704 001	-	-	569 704 001	598 492 122	28 788 121	28 788 121	105 %	115 %	-	-	-	865 067 075
Roads and Transport	588 045 964	640 489 265	1 228 535 229	-	-	1 228 535 229	1 147 556 265	-	(80 978 964)	93 %	195 %	-	-	-	1 428 678 275
Utility Service - Water and Sanitation	330 285 000	118 682 981	448 967 981	-	-	448 967 981	421 561 237	-	(27 406 744)	94 %	128 %	-	-	-	492 398 621
Utility Service - Electricity	308 163 389	1 171 596 790	1 479 760 179	-	-	1 479 760 179	488 468 982	-	(991 291 197)	33 %	159 %	-	-	-	430 984 288
Regional Operations and Coordination	29 000 000	(26 000 000)	3 000 000	-	-	3 000 000	2 832 193	-	(167 807)	94 %	- %	-	-	-	-
Capital multi-year expenditure sub-total	3 458 933 315	911 596 153	4 370 529 468	-	-	4 370 529 468	3 131 689 252	28 788 121	1 238 840 216	72 %	91 %	-	-	-	3 747 606 422
Single-year expenditure															
Economic Development and Spatial Planning	200 000	3 800 000	4 000 000	-	-	4 000 000	-	-	(4 000 000)	- %	DIV/0 %	-	-	-	2 970 000
Shared Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	75 773 260
Group Financial Services Cluster	8 000 000	40 500 000	48 500 000	-	-	48 500 000	21 313 239	-	(27 186 761)	- %	- %	-	-	-	-
Community and Social Development	-	18 670 351	18 670 351	-	-	18 670 351	9 936 346	-	(8 734 005)	53 %	100 %	-	-	-	3 897 669
Housing and Human Settlement	5 000 000	72 886 590	77 886 590	-	-	77 886 590	65 406 313	-	(12 480 277)	84 %	- %	-	-	-	113 214 045
Roads and Transport	950 000 000	(949 000 000)	1 000 000	-	-	1 000 000	963 848	-	(36 152)	96 %	- %	-	-	-	20 134 603
Utility Service - Electricity	5 000 000	(1 000 000)	4 000 000	-	-	4 000 000	3 518 754	-	(481 246)	88 %	70 %	-	-	-	-
Capital single-year expenditure sub-total	968 200 000	(814 143 059)	154 056 941	-	-	154 056 941	101 138 500	-	(52 918 441)	66 %	10 %	-	-	-	220 987 765
Total Capital Expenditure - Vote	4 427 133 315	97 453 094	4 524 586 409	-	-	4 524 586 409	3 232 827 752	28 788 121	1 291 758 657	71 %	73 %	-	-	-	3 968 594 187

Appendix F
Budgeted Capital Expenditure by vote, standard classification and funding
for the period ended 30 June 2017

	2016/17								2015/16 Restated						
	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	475 417 407	(101 717 407)	373 700 000	-	-	373 700 000	261 701 906	-	(111 998 094)	70 %	55 %	-	-	-	335 430 599
Executive and Council	34 000 000	33 000 000	67 000 000	-	-	67 000 000	56 407 107	-	(10 592 893)	84 %	166 %	-	-	-	72 657 751
Budget and treasury office	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	156 708
Corporate services	441 417 407	(134 717 407)	306 700 000	-	-	306 700 000	205 294 799	-	(101 405 201)	67 %	47 %	-	-	-	262 616 140
Community and public safety	1 516 621 555	(742 539 325)	774 082 230	-	-	774 082 230	761 732 123	28 620 314	(12 350 107)	98 %	50 %	-	-	-	1 058 034 291
Community and social services	104 983 600	(26 195 183)	78 788 417	-	-	78 788 417	63 688 081	-	(15 100 336)	81 %	61 %	-	-	-	76 583 348
Sport and recreation	33 750 000	25 639 812	59 389 812	-	-	59 389 812	41 795 816	-	(17 593 996)	70 %	124 %	-	-	-	90 834 738
Public safety	71 000 000	(30 000 000)	41 000 000	-	-	41 000 000	40 892 425	-	(107 575)	100 %	58 %	-	-	-	14 791 072
Housing	551 445 251	21 258 750	572 704 001	-	-	572 704 001	601 324 315	28 620 314	28 620 314	105 %	109 %	-	-	-	829 299 972
Health	755 442 704	(733 242 704)	22 200 000	-	-	22 200 000	14 031 486	-	(8 168 514)	63 %	2 %	-	-	-	46 525 161
Economic and environmental services	1 717 080 281	(404 390 852)	1 312 689 429	-	-	1 312 689 429	1 177 984 552	-	(134 704 877)	90 %	69 %	-	-	-	1 455 793 589
Planning and development	212 850 000	(111 195 800)	101 654 200	-	-	101 654 200	47 537 898	-	(54 116 302)	47 %	22 %	-	-	-	24 789 314
Road transport	1 499 230 281	(291 195 052)	1 208 035 229	-	-	1 208 035 229	1 127 731 575	-	(80 303 654)	93 %	75 %	-	-	-	1 428 678 275
Environmental protection	5 000 000	(2 000 000)	3 000 000	-	-	3 000 000	2 715 079	-	(284 921)	91 %	54 %	-	-	-	2 326 000
Trading services	672 448 389	1 359 166 361	2 031 614 750	-	-	2 031 614 750	999 777 633	-	(1 031 837 117)	49 %	149 %	-	-	-	1 089 357 962
Electricity	318 163 389	1 243 483 380	1 561 646 769	-	-	1 561 646 769	557 394 050	-	(1 004 252 719)	36 %	175 %	-	-	-	579 965 436
Water	52 285 000	41 369 571	93 654 571	-	-	93 654 571	83 795 139	-	(9 859 432)	89 %	160 %	-	-	-	97 526 472
Waste water management	278 000 000	77 313 410	355 313 410	-	-	355 313 410	337 766 098	-	(17 547 312)	95 %	121 %	-	-	-	394 872 149
Waste management	24 000 000	(3 000 000)	21 000 000	-	-	21 000 000	20 822 346	-	(177 654)	99 %	87 %	-	-	-	16 993 905
Other	45 565 683	(13 065 683)	32 500 000	-	-	32 500 000	31 631 539	-	(868 461)	97 %	69 %	-	-	-	29 977 747
Other	45 565 683	(13 065 683)	32 500 000	-	-	32 500 000	31 631 539	-	(868 461)	97 %	69 %	-	-	-	29 977 747
Total Capital Expenditure - Standard	4 427 133 315	97 453 094	4 524 586 409	-	-	4 524 586 409	3 232 827 753	28 620 314	(1 291 758 656)	71 %	73 %	-	-	-	3 968 594 188
Funded by:															
National Government	2 089 964 641	241 689 339	2 331 653 980	-		2 331 653 980	2 307 312 097		(24 341 883)	99 %	110 %				2 405 478 294
Provincial Government	44 700 000	3 278 229	47 978 229	-		47 978 229	46 709 633		(1 268 596)	97 %	104 %				44 958 554
Other transfers and grants	50 000 000	(39 800 000)	10 200 000	-		10 200 000	4 498 406		(5 701 594)	44 %	9 %				9 832 877
Transfers recognised - capital	2 184 664 641	205 167 568	2 389 832 209	-		2 389 832 209	2 358 520 136		(31 312 073)	99 %	108 %				2 460 269 725
Public contributions & donations	72 900 000	63 354 200	136 254 200	-		136 254 200	93 627 125		(42 627 075)	69 %	128 %				147 067 080
Borrowing	2 107 568 674	1 107 568 674	1 000 000 000	-		1 000 000 000	751 761 635		(248 238 365)	75 %	36 %				1 194 839 429
Internally generated funds	62 000 000	936 500 000	998 500 000	-		998 500 000	28 918 857		(969 581 143)	3 %	47 %				166 417 952
Total Capital Funding	4 427 133 315	97 453 094	4 524 586 409	-		4 524 586 409	3 232 827 753		(1 291 758 656)	71 %	73 %				3 968 594 186

**Appendix G
Budgeted Cash Flows
for the period ended 30 June 2017**

2016/17

**2015/16
Restated**

	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	2 117 665 317	288 647 639	2 406 312 956	2 406 312 956	2 808 159 077	401 846 121	117 %	133 %	2 351 671 328
Ratepayers/consumers	22 326 777 685	(427 874 662)	21 898 903 023	21 898 903 023	20 688 628 736	(1 210 274 287)	94 %	93 %	19 210 379 729
Government - operating	3 976 476 420	(32 354 453)	3 944 121 967	3 944 121 967	3 980 677 184	36 555 217	101 %	100 %	3 511 770 896
Government - capital	2 370 208 687	45 877 722	2 416 086 409	2 416 086 409	2 378 837 580	(37 248 829)	98 %	100 %	2 419 031 820
Interest received	229 406 800	11 946 300	241 353 100	241 353 100	105 227 293	(136 125 807)	44 %	46 %	55 999 525
Payments									
Suppliers	(16 157 401 816)	786 220 848	(15 371 180 968)	(15 371 180 968)	(16 001 020 569)	(629 839 601)	104 %	99 %	(14 558 345 594)
Employees	(7 837 343 638)	(244 485 792)	(8 081 829 430)	(8 081 829 430)	(8 013 830 223)	67 999 207	99 %	102 %	(7 510 252 194)
Interest paid	(1 057 637 958)	(226 439 409)	(1 284 077 367)	(1 284 077 367)	(1 297 245 022)	(13 167 655)	101 %	123 %	(1 136 966 921)
Transfers and grants	(288 054 588)	5 274 103	(282 780 485)	(282 780 485)	(381 061 824)	(98 281 339)	135 %	132 %	(347 060 760)
Net cash flow from/used operating activities	5 680 096 909	206 812 296	5 886 909 205	5 886 909 205	4 268 372 232	(1 618 536 973)	73 %	75 %	3 996 227 829
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	(950 000 000)	(950 000 000)	(950 000 000)	4 377 637	954 377 637	- %	- %	316 689 889
Proceeds on disposal of investment property	-	-	-	-	-	-	- %	- %	12 595 565
Decrease/(increase) other non-current receivables	(238 813 529)	221 713 859	(17 099 670)	(17 099 670)	(2 591 394)	14 508 276	15 %	1 %	45 472 106
Decrease/(increase) in financial assets	(302 990 864)	(10 151 325)	(313 142 189)	(313 142 189)	-	313 142 189	- %	- %	-
Payments									
Capital assets	(4 331 252 426)	892 285 948	(3 438 966 478)	(3 438 966 478)	(4 438 445 260)	(999 478 782)	129 %	102 %	(5 048 924 529)
Net cash flow from/used investing activities	(4 873 056 819)	153 848 482	(4 719 208 337)	(4 719 208 337)	(4 436 659 017)	282 549 320	94 %	91 %	(4 674 166 969)
Cash flow from financing activities									
Increase in finance lease payments									
Borrowing long term/refinancing	1 000 000 000	-	1 000 000 000	1 000 000 000	1 000 000 000	-	100 %	100 %	1 200 000 000
Borrowing short term	-	-	-	-	-	-	- %	- %	-
Service concession arrangements	-	-	-	-	370 289 121	370 289 121	- %	- %	672 256 650
Payments									
Repayment of borrowing(long-term)	(701 767 403)	(280 719 977)	(982 487 380)	(982 487 380)	(552 105 035)	430 382 345	56 %	79 %	(517 915 839)
Repayment of borrowing (short-term)	-	-	-	-	-	-	- %	- %	-
Repayment of finance leases	-	-	-	-	298 975 898	298 975 898	- %	- %	(64 810 162)
Net cash flow from/used financing activities	298 232 597	(280 719 977)	17 512 620	17 512 620	1 117 159 984	1 099 647 364	6 379 %	375 %	1 289 530 649
Net increase/(decrease) in cash held	1 105 272 687	79 940 801	1 185 213 488	1 185 213 488	948 873 199	(236 340 289)	80 %	86 %	611 591 509
Cash/cash equivalents at the year begin:	1 991 057 021	(827 736 880)	1 163 320 141	1 163 320 141	1 162 011 227	827 736 880	100 %	58 %	550 419 718
Cash/cash equivalents at the year end:	3 096 329 708	(747 796 079)	2 348 533 629	2 348 533 629	2 110 884 426	591 396 591	90 %	68 %	1 162 011 227

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	-	-	-	-	-	-	200 000	200 000	200 000	-	None	None	Yes
Integrated national electrification programme (INEP)	Department of Mineral & Energy (DME)	199 351	-	(199 351)	21 465 000	420 000	18 115 000	-	40 000 000	40 000 000	-	None	None	Yes
Gauteng Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	16 409 130	-	-	-	-	-	-	-	-	16 409 130	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	-	298 630 996	424 855 984	769 667 000	-	1 493 153 980	1 490 264 951	2 889 029	None	None	Yes
Gautrans Job Creation PTIS: Transport	Gauteng: Transport (GDoT)	12 071 107	-	(12 071 107)	-	-	-	-	-	-	-	None	None	Yes
Delft grant	Municipality of Delft	2 258 342	-	-	187 502 000	187 502 000	374 996 000	-	750 000 000	729 712 536	22 545 806	None	None	Yes
Housing Accreditation	Gauteng:Local Government & Housing (GLGH)	2 293 422	-	-	-	-	-	-	-	-	2 293 422	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	67 394	-	-	-	-	-	-	-	-	67 394	None	None	Yes
Blue IQ	Blue IQ	7 000 000	-	(7 000 000)	-	-	-	-	-	-	-	None	None	Yes
Local Economic Development: Winterveldt Integrated City Development	Gauteng:Economic Development (GPGDED)	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Community Libraries Services	National Treasury	-	-	36 254 200	-	-	-	-	-	-	36 254 200	None	None	Yes
Finance Management Grant (FMG)	Gauteng: Sport, Arts, Culture & Recreation	1 208 358	-	(85 588)	4 000 000	1 283 600	700 000	-	5 983 600	5 709 773	1 396 597	None	None	Yes
Social Infrastructure Grant) Neighbourhood Development (NDPG)	National Treasury	93 292	-	(93 292)	-	-	-	-	-	-	-	None	None	Yes
	National Treasury	-	-	-	5 669 803	-	30 936 729	4 393 468	41 000 000	41 000 000	-	None	None	Yes
	National Treasury	-	-	-	13 800 000	-	34 700 000	-	48 500 000	48 500 000	-	None	None	Yes
		41 600 396	-	16 804 862	531 067 799	614 061 584	1 229 114 729	4 593 468	2 378 837 580	2 355 387 260	81 855 578			

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	-	-	-	7 589 400	5 059 600	-	-	12 649 000	12 649 000	-	None	None	Yes
Primary Healthcare	Gauteng: Department of Health & Social Development	-	-	-	-	-	-	44 325 000	44 325 000	44 325 000	-	None	None	Yes
Emergency Medical Services (EMS)	Gauteng: Department of Health & Social Development	-	-	-	25 140 000	18 855 000	18 855 000	-	62 850 000	62 850 000	-	None	None	Yes
Human Settlement Development:Topstructure	Gauteng:Local Government & Housing (GLGH)	50 933 131	-	(19 800 000)	203 033 010	-	-	-	203 033 010	72 555 231	161 610 910	None	None	Yes
Finance Management Grant (FMG)	National Treasury	-	-	-	2 875 000	-	-	-	2 875 000	2 875 000	-	None	None	Yes
Equitable share	National Treasury	-	-	-	777 015 000	621 613 007	466 211 000	-	1 864 839 007	1 864 839 007	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	-	9 236 004	36 944 016	-	-	46 180 020	46 180 020	-	None	None	Yes
Human Settlements Capacity Grant	Department of Water Affairs and Forestry (DWAf)	1 035 104	-	(1 035 104)	-	-	-	-	-	-	-	None	None	Yes
Municipal Disaster Recovery	Department Local Government	1 447 864	-	-	-	-	-	-	-	-	1 447 864	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	74 688	-	-	-	-	-	-	-	-	74 688	None	None	Yes
Community Libraries and Services	Gauteng: Sport, Arts, Culture & Recreation	2 659 472	-	(2 659 472)	5 000 000	1 716 400	300 000	-	7 016 400	6 103 292	913 108	None	None	Yes
Performance Management Broadband (Wifi)	Department of Local Government and Postal Services	-	-	-	-	-	-	-	-	-	-	None	None	Yes
PTNOG	Department Telecommunication and Postal Services	1 086 882	-	-	-	-	-	-	-	-	1 086 882	None	None	Yes
Gautrans	Gauteng: Transport	741 147	-	-	50 003 000	50 000 000	100 008 000	-	200 011 000	200 266 208	485 939	None	None	Yes
Equitable Share: Fuel levy	Gauteng: Transport	-	-	12 071 107	-	-	-	-	-	109 814	11 961 293	None	None	Yes
Research and Development	Department Local Government	-	-	-	480 033 000	480 033 000	480 034 000	-	1 440 100 000	1 440 100 000	-	None	None	Yes
EPWP	Department of Public Service and Administration (DPSA)	-	-	-	3 899 747	-	-	-	3 899 747	3 899 747	-	None	None	Yes
Integrated City Development	Department of Public Works	-	-	-	12 561 000	22 612 000	15 074 000	-	50 247 000	50 247 000	-	None	None	Yes
	National Treasury	29 477 261	-	(65 731 461)	21 326 000	21 326 000	-	-	42 652 000	6 145 485	252 315	None	None	Yes
		88 690 782	-	(77 154 930)	1 597 711 161	258 159 023	1 080 482 000	44 325 000	3 980 677 184	3 813 144 804	179 068 232			
Revenue per Statement of Financial Performance (see note 27)		5 969 036 347	-							6 168 532 064				
Unspent conditional grants per Statement of Financial Position (see note 11)			(130 291 178)								260 923 810			