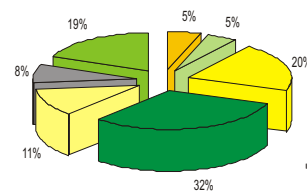


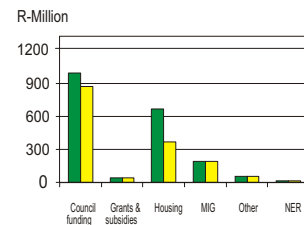
# CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

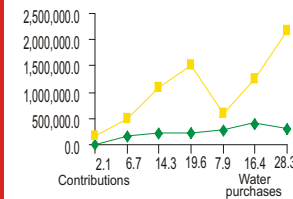
OPERATING REVENUE 2005/06



PROPERTY, PLANT & EQUIPMENT FUNDING SOURCES 2005/06



OPERATING EXPENDITURE 2005/06



<b>CONTENT</b>	<b>PAGE</b>
■ REPORT OF THE AUDITOR-GENERAL	1
■ REPORT OF THE CHIEF FINANCIAL OFFICER	4
■ CERTIFICATION BY THE MUNICIPAL MANAGER	17
■ MUNICIPAL ENTITIES	18
■ STATEMENT OF FINANCIAL POSITION	19
■ STATEMENT OF FINANCIAL PERFORMANCE	20
■ STATEMENT OF CHANGES IN NET ASSETS	21
■ CASH FLOW STATEMENT	23
■ GROUP ACCOUNTING POLICIES	24
■ NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS	41
■ APPENDIX A Schedule of External Loans	65
■ APPENDIX B Analysis of property, plant and equipment	66
■ APPENDIX C Segmental analysis of property, plant and equipment	70
■ APPENDIX D Segmental Statement of Financial Performance	72
■ APPENDIX E (1) Actual Operating Revenue and Expenditure versus Budget	73
■ APPENDIX E (2) Actual Capital Expenditure versus Budget	74
■ APPENDIX F Disclosures of Grants and Subsidies in Terms of Section 123 of the MFMA, (Act 56 of 2003)	77

To Council on the Consolidated Annual Financial Statements of the City of Tshwane Metropolitan Municipality (Tshwane) for the Year ended 30 June 2006

## 1. AUDIT ASSIGNMENT

The consolidated financial statements as set out on pages 17 to 77, for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

## 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 1512 of 2006*, issued in *Government Gazette no. 29326 of 27 October 2006*. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
- assessing the accounting principles used and significant estimates made by management.
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

## 3. BASIS OF ACCOUNTING

The municipality is required to prepare consolidated financial statements on the basis of accounting determined by the National Treasury, as described in the accounting policy note 1 to the financial statements.

## 4. QUALIFICATION

### 4.1 Assessment Rates

A periodic comprehensive reconciliation between the valuation roll and the relevant billing system regarding assessment rates was not maintained and independently reviewed for accuracy and follow up, due to the fact that adequate policies and procedures monitoring controls were not prescribed and implemented. The control procedures were evaluated and it was determined that I could not rely on them for purposes of audit and there were no satisfactory procedures that I could perform to obtain reasonable assurance that all assessment rates were properly recorded. Consequently, I was unable to satisfy myself as to the completeness and occurrence of the accounting records relating to assessment rates totalling R 1.6 billion.

### 4.2 Property Plant and Equipment

As previously reported, Tshwane implemented a comprehensive property, plant and equipment (PPE) asset register on 1 January 2005 and a position paper was approved on 31 March 2005 by the Council to take advantage of the transitional arrangements in GAMAP 17 : Property, Plant and Equipment. Tshwane is now in year 2 of a 3-year cycle to purify the data on the fixed asset register as disclosed in note 9 of the financial statements.

- Due to the current status of the asset register, I was not able to perform all the necessary procedures on the fixed assets acquired in prior years before 1 July 2004 with a carrying value of R 4 564 million that are recorded as a globular figure per classification. For these assets, I was unable to evaluate the individual cost, depreciation, valuation and useful lives.
- The classification of assets was not in all instances in accordance with GAMAP 17 and consequently the nature of the assets may be incorrectly reflected in the financial statements.

- The disclosure of the note on Investment Property represents only certain investment property balances while the rest of the investment property assets were included under other asset groups or are recorded at R Nil carrying value. The values were not separately disclosed as they could not be determined due to the status of the asset register.
- Certain infrastructure assets, note 9, were recorded at R Nil carrying value.
- The exercise to assess whether assets should be impaired as required by International Accounting Standard (IAS) 36 Impairment of Assets was not undertaken by management.
- Due to the current status of the asset register I was not in a position to evaluate the adequacy of the asset information.
- Procedures to safeguard assets were not properly adhered to by some internal departments as they did not certify the existence of assets at year end, and all property plant and equipment was not bar coded.

Tshwane has a policy in place to expense Property Plant and Equipment if it is below a certain threshold. During the financial year under review, the threshold was increased from the previous year value of R10 000 to R100 000. This excluded certain items, for example vehicles and computer equipment. For the financial year under review, the assets that were expensed at cost, amounted to R23 million. If an asset meets the definition of Property Plant and Equipment it must be capitalised. In terms of GAMAP 17, Property Plant and Equipment are tangible assets that are held by an entity for use in the production or supply of goods and services, for rental to others, or for administration purposes, and are expected to be used in more than one reporting period.

#### 4.3 Post employee benefit plans

Tshwane did not fully comply with the requirements of the IAS19 Employee Benefits as the liabilities have not been accounted for in terms of the accounting policy. Although the full liability could not be determined there were indicators that this amount is material. This was due to the lack of independent review not being performed to ensure compliance with the accounting policy.

### 5. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the consolidated financial statements of the matters referred to in the preceding paragraph, the financial statements fairly present, in all material respects, the financial position of Tshwane at 30 June 2006 and the results of its operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in the accounting policy note 1 to the financial statements, and in the manner required by Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### 6. EMPHASIS OF MATTER

Without further qualifying the audit opinion, attention is drawn to the following matters:

#### 6.1 Municipal Entities

6.1.1 As previously reported on in the 2004-05 report, Tshwane has 26 municipal entities of which 19 were dormant as per management. Subsequent to the previous report Tshwane investigated the entities and they also tabled a progress report on the current status and the way forward in the winding up and disestablishment of the existing entities at the Mayoral Committee. I was unable to perform audits on these entities as no accounting and statutory records could be obtained. The impact of the 19 unconsolidated entities on the consolidated financial statements could consequently not be determined.

6.1.2 The audit opinions on the financial statements of the following entities were disclaimed –

- Trade Point Pretoria (Association incorporated under section 21).
- Sandspruit Works Association (Association incorporated under section 21): Division – ODI water sales.
- Tshwane Centre for Business Information and Support (Incorporated in terms of Section 21).
- Housing Company Tshwane (Association incorporated under section 21).

6.1.3 The audit opinions on the financial statements of the following entities were qualified –

- Sandspruit Works Association (Association incorporated under section 21): Waste Water Treatment.
- Roodeplaat Temba Water Services Trust.
- Civirelo Water (Association incorporated in terms of Section 21).

**6.1.4** The following is a summary of significant matters included in the reports of the above entities –

- Basis of accounting policies – for all the above entities.
- The entities did not comply with GRAP 1, 2 and 3 in the preparation of their financial statements for the year ended 30 June 2006.
- The entities did not in all instances adhere in full to the following (Refer to individual reports for more detail) as applicable –
  - o South African Statements of Generally Accepted Accounting Practise (SA GAAP).
  - o Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
  - o Municipal Systems Act, 2000 (Act No. 32 of 2000).
  - o Generally Accepted Municipal Accounting Practice (GAMAP).
  - o Companies Act, 1973 (Act No. 61 of 1973).

For more detail please refer to the separate audit reports on the entities in the annual report.

**6.2 Control weaknesses**

As a result of a lack of proper monitoring to ensure compliance with policies and procedures, control weaknesses were identified in the following areas:

- The last internal control reconciliation between the ticket sales registers and the general ledger was done by management in April 2005. Management has committed to ensure future reconciliations of transport income on a monthly basis to address the control weaknesses. Incorrect bus tariffs were used on invoices as a result of a lack of independent management reviews to ensure correct and proper application of the tariffs.
- Obsolete inventory reflected at a cost value of R27 million was not evaluated to ensure that such obsolete inventory is written down from cost to net realisable value. This was due to proper procedures not being in place to ensure that Tshwane complies with the accounting policy.
- Shortcomings in the administration of tenders.
- Effective management of unregistered stores, which at year end was valued at R5 million (R21 million 2005).
- Delays in the process of updating policies and procedures to ensure that Tshwane complies with business processes and new accounting requirements.

**6.3 Information Systems : General Control Review**

Access controls relating to the systems pre-implementation phase had not yet been reviewed after the implementation phase. This is due to the fact that post implementation reviews were not performed to ensure proper segregation of duties. As a result the following specific shortcomings that require urgent attention were noted:

- Security administration of the new financial system was not yet fully implemented to ensure the proper segregation of duties and the limiting of excessive access rights of users and information technology (IT) staff. Furthermore, the actions performed on the system by the IT staff were not logged to ensure the detection of unauthorised changes. Unauthorised user access attempts were also not logged for review. The access and password controls in respect of all other systems were also inadequate to prevent unauthorised access.
- Change control documentation, to ensure that all changes to the financial system have been properly requested, tested and approved before the implementation thereof was not available.
- The input, generated by sub-systems for processing by the financial system, was not made available accurately, completely and on a timely basis to support accurate financial reporting.

**7. APPRECIATION**

The assistance rendered by the staff of Tshwane during the audit is sincerely appreciated.



**T.M. NOMBEMBE**  
AUDITOR-GENERAL  
Pretoria

30 December 2006

# Report of the Chief Financial Officer

## 1. INTRODUCTION

In view of its strategic priorities, The City of Tshwane Metropolitan Municipality has followed a programme of reconstruction and development that included:-

- The provision of basic services
- The progressive redressing of backlogs in infrastructure
- Job creation and
- The enhancement of service delivery and financial management capacity.

The 2005/06 medium-term budget sought to address development and transformation challenges by deliberately and purposefully directing resources to the key priorities of the Municipality. This includes additional resources for economic development, safety and security and service delivery.

To be able to align the strategies to the national and provincial government's growth strategies, the Municipality developed a comprehensive city development strategy, which formed the basis for resource allocations in the 2005/06 financial year. Financial sustainability and viability remained the key principles and to ensure compliance with the Municipal Finance Management Act, a long-term financial strategy was developed. This strategy sets clear targets in terms of tariffs, employee related costs, repairs and maintenance, capital expenditure levels and revenue collection for the next ten years.

The Municipality, having played a leading role in piloting the implementation of the National Treasury Financial Management Reforms, is proud of the continued implementation and roll-out of reforms and of the key developments and shifts that have taken place in financial management in the last two financial years.

The priorities of the Municipality for 2005/06 were:

- Managing and developing our infrastructure
- Developing our economy
- Ensuring community safety
- Building and sustaining our communities
- Developing and enhancing our natural resources
- Building our institution and governing well
- Enhancing our image as the capital city

The City Development Strategy (CDS) was a bold initiative by the City of Tshwane to influence the development path of the City over the next 20 years. The CDS proposes a substantial programme of public-led investment to develop new patterns for housing, transport links and business opportunities in the northern part of the municipality. The CDS aims to provide the basis for a social compact process of sustainable growth to offer new opportunities for poor and marginalised communities. The 7 focus areas of the CDS are:

- Infrastructure-led expansion of development potential of the North to tackle poverty
- Continued sound management and development of the established urban areas by maintaining services and supporting market-driven initiatives to support the overall development of Tshwane
- Strengthening key economic clusters to gain leverage from growth trends in manufacturing, government and business services
- Celebrating the National Capital and repositioning the Inner City as a vibrant cultural and government centre
- Building high levels of social cohesion and civic responsibility to maximise development opportunities
- Ensuring a Solid Foundation: Modernising the administration for developmental service delivery through phase restructuring and institution building
- Ensuring a Solid Foundation: Ensuring Municipal financial fundamentals as platform for services and development.

The financial strategy recognises that the development and implementation of the various financial planning reforms (e.g. MFMA, GAMAP/GRAP and National Treasury Financial Reforms) will fundamentally change the approach adopted in terms of financial planning. The need for an integrated approach when appropriating resources has become essential for sustainable outcomes, especially taking into consideration the size and diverse challenges the Municipality faces.

The long-term financial strategy was based on various factors and financial variables which ultimately influence the budget and the financial performance of the Municipality. The following are the major factors that have been taken into consideration, and which primarily determines the financial approach:

- Employee related costs
- Debt recovery
- Tariff increases
- Cost increases
- Borrowing levels
- Asset Management

At the opening of the national forum on Municipal Finance, Minister Sydney Mafumadi said:

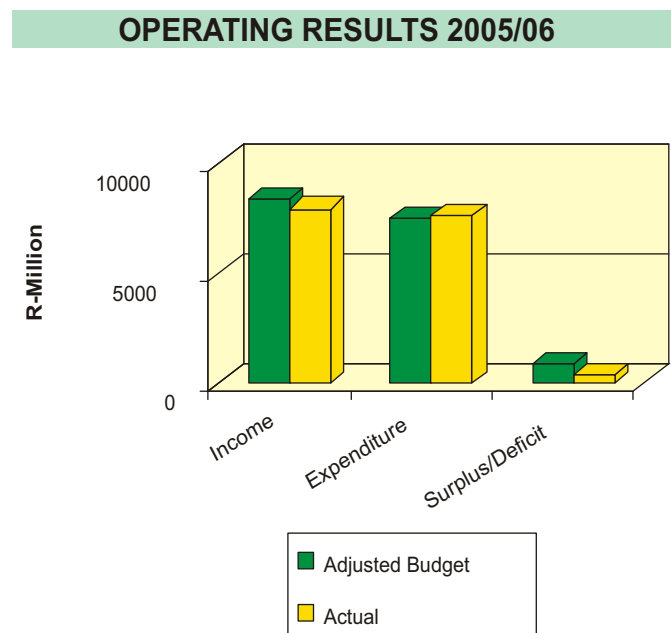
*“Government takes the view that the basic tasks of development and democratic institution-building cannot be undertaken without a sound municipal fiscal base. We are also of the opinion that municipal finances play an important role in the daily lives of our people. Our ability to access such basic services as water, electricity, refuse removal and sanitation depends on the efficiency with which the finances of our municipalities are managed and the efficient way in which these and other resources are allocated.”*

## 2. REVIEW OF OPERATING RESULTS

The 2005/06 budget of the City of Tshwane was approved by Council on 26 May 2005. Figures with regard to the 2005/06 original budget as well as the adjusted budget are included in this report.

### 2.1 General

Details of the 2005/06 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and appendix D. A graphical presentation of the operating results is shown in the graph below:



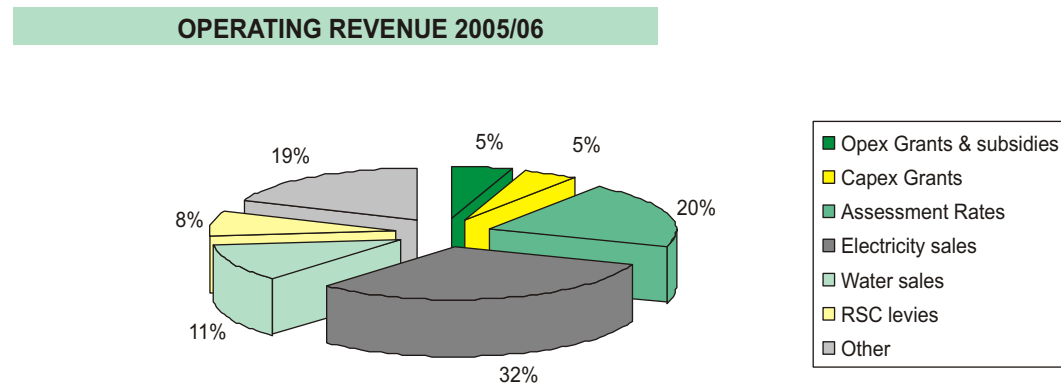
The overall operating results for the year ending 30 June 2006 are as follows:

Description	Original Budget 2006	Adjusted Budget 2006	Municipality Actual 2006	Group Actual 2006	Variance Actual/ Adjusted Budget Municipality	Municipality Actual 2005	Group Actual 2005
	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>REVENUE</b>							
Accumulated surplus: Beginning of year			293 818	374 064		29 647	49 798
Operating revenue for the year	7 278 863	8 387 559	7 951 451	8 181 263	(5,2)	7 213 676	7 297 548
	7 278 863	8 387 559	8 245 269	8 555 327		7 243 323	7 347 346
<b>EXPENDITURE</b>							
Operating expenditure for the year	7 278 863	7 484 569	7 636 099	7 825 274	2,0	6 618 310	6 632 089
Sundry transfers		902 990	340 712	339 999		331 195	341 193
Accumulated surplus: End of year			268 458	390 054		293 818	374 064
	7 278 863	8 387 559	8 245 269	8 555 327		7 243 323	7 347 346

The actual net expenditure of the Municipality reflects an increase of 15,4 % while the actual revenue of the Municipality has increased by 10,2 % since 2005.

## 2.2 Operating Revenue

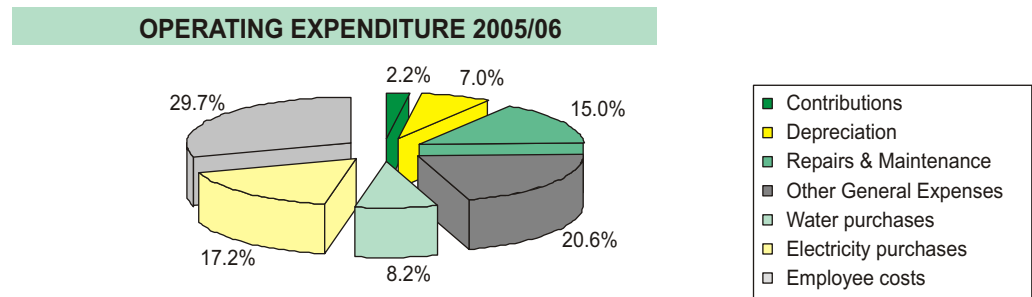
The following graph indicates a break down of the largest categories of revenue.





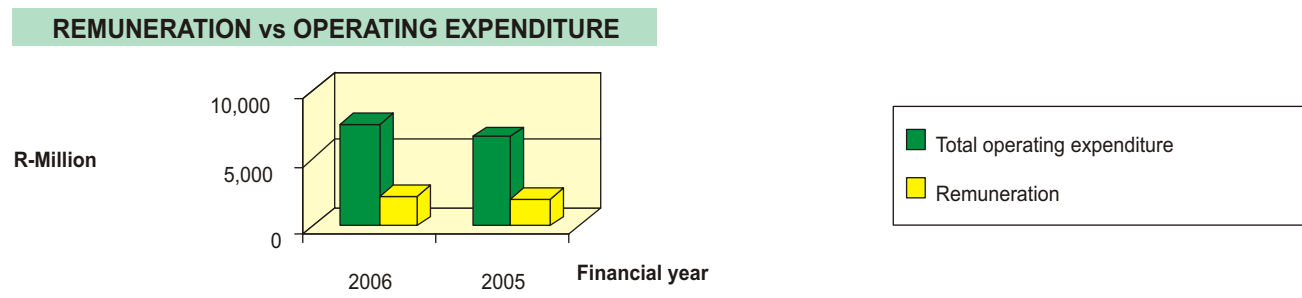
### 2.3 Operating expenditure

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



### Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a decrease from 31,28 % (group = 31,24 %) in 2004/05 to 28,29 % (group = 28,01%) in 2005/06. According to INCA a benchmark of less than 35 % is acceptable. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive.

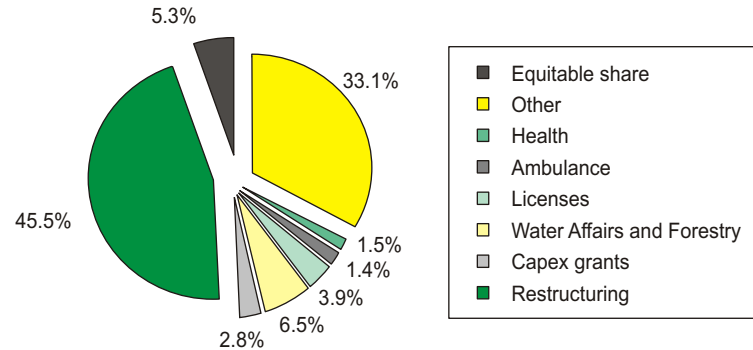


### 2.4 Government grants and subsidies

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

Description	Municipality 2005/06	Group 2005/06	Municipality 2004/05	Group 2004/05
	R'000	R'000	R'000	R'000
Equitable share	261 870	261 870	192 482	192 482
Provincial Health Subsidy	10 912	10 912	10 495	10 495
Provincial Ambulance Subsidy	30 641	30 641	27 109	27 109
National Safety grant	757	757	413	413
Provincial Motor vehicle licenses refund	51 325	51 325	43 148	43 148
Capex: grants and donations	360 157	360 157	363 099	363 099
Opex: grants and donations	1 530	1 530	53 468	90 945
Finance Management Grant	2 956	2 956	4 351	4 351
Restructuring Grant	42 550	42 550	7 044	7 044
Department of Water Affairs and Forestry	2 150	20 972	0	10 520
IMEI grant	410	410	0	0
Magalies Water		1 348	0	0
Roodplaat Temba Water Services Trust	20 000	0	0	0
	<b>785 258</b>	<b>785 428</b>	<b>701 609</b>	<b>749 606</b>

## GOVERNMENT GRANTS & SUBSIDIES 2005/06



### 3. DEBTORS

Details regarding the debtors are provided in Note 11 (Long-term receivables), Note 13 (Consumer Debtors) and Note 14 (Other Debtors) of the Notes to the Consolidated Annual Financial Statements.

The long-term receivables showed a decrease of R34,020 million (9,4 %). This decrease can mainly be ascribed to the phasing out of motor car loans to officials (decrease of R29,169 million) as well as a decrease in the arrangement consumer debtors (decrease of R10,797 million).

The consumer debtors increased in total with an amount of R248,482 million (9,2 %) for the Municipality. For the Group the consumer debtors increased in total with R499,888 million (18,4 %). The increase in debt per customer classification is made up as follows:

Customer classification	Municipality		Group	
	Total R-Million	Increase R-million	Total R-million	Increase R-million
Households	2,104,324	176,671	2,355,730	428,076
Industrial/Commercial	600,813	50,442	600,813	50,442
National and Provincial government	50,314	4,224	50,314	4,224
Other	204,217	17,145	204,217	17,145

The increase in the household debt for the group can be ascribed to the consolidation of the municipal entity Sandspruit ODI Water from 1 July 2005.

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

Age analysis group	Municipality		Group	
	Total R-Million	Increase R-million	Total R-million	Increase R-million
Current (0–30 days)	689,715	(389,164)	941,120	(137,759)
31 – 60 days	115,850	(4,656)	115,850	(4,656)
61 – 90 days	93,641	(42,457)	93,641	(42,457)
91 + days	2,060,462	684,760	2,060,462	684,760

The Other Debtors for the Municipality in total decreased with an amount of R253,825 million (48,7 %). This can mainly be attributed to amounts paid in advance (Insurance Contingency Policy) which decreased with R217,336 million as the policy was repaid to the Municipality in July 2005. Other current debtors showed a decrease of R46,051 million which can mainly be ascribed to a decrease in sundry rentals. For the Group the Other debtors decreased in total with an amount of R245,353 million (40,7 %).

### 3.1 Consumer debtors

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

Description	2005/06		2004/05	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Debits levied : Consumer debtors	5 498 619	5 577 326	5 177 571	5 177 372
Balance on 1 July	2 711 187	2 711 187	2 174 887	2 174 887
Balance on 30 June	2 959 669	3 211 075	2 711 187	2 711 187
Average balance	2 835 428	2 961 131	2 443 037	2 443 037
Turnover: Number of times	1,94	1,88	2,12	2,13
Days	365	365	365	365
Turnover: Number of days	188	194	172	172

From the table it is clear that outstanding consumer debt of the Municipality are at unacceptable levels. For the Municipality the number of days to recover these debts has increased from 172 to 188 since 2004/05. This has serious implications on the cash flow of the Municipality.

A collection rate (for the Municipality only) calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy started producing positive results, since an average collection rate of 101 % (2004/05 = 94 %) was maintained by the Municipality during the 2005/06 financial year.

### 4. CAPITAL EXPENDITURE AND FINANCING (only with regard to the Municipality)

The Municipality's original approved Capital Expenditure Budget for 2005/06 amounted to R1,640,529 million and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council on 17 February 2006 to R1,974,269 million in total.

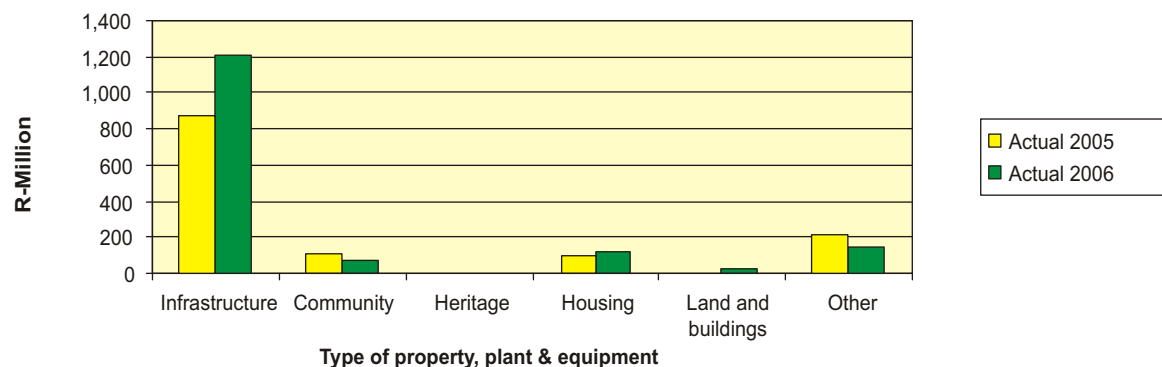
Actual capital expenditure incurred during the year in respect of property, plant and equipment amounted to R1,549,586 million. The actual capital expenditure is 21,7 % more than the previous financial year, but only relates to a 78,5 % performance against the adjusted budget for 2005/06. The actual expenditure amounted to 94,4 % of the original budget. The actual expenditure is 21,5 % less than the adjusted budget, which can mainly be attributed to the additional external funding sources introduced with the 2005/06 Adjustments Budget, especially with regard to Government Housing to the amount of R327,8 million which did not realise.

The actual grant receipts for the 2005/06 financial year with regard to Housing projects was R122,242 million where as the actual capital expenditure on housing projects realised on R492,373 million (top structures = R119,322 million). Due to the fact that the external grant funding was not received the Municipality had to provide bridging finance for the Housing projects from other sources, such as own cash or external loans.

Actual Capital expenditure according to asset class		
Type of Asset	Actual 2006 R	Actual 2005 R
Infrastructure	1 213 252 166	873 059 689
Community	56 778 541	96 531 374
Heritage	947 857	1 488 932
Housing	120 631 425	96 280 741
Land and buildings	12 879 273	Not available
Other	145 096 291	206 134 884
<b>Total</b>	<b>1 549 585 552</b>	<b>1 273 495 620</b>

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

**CAPITAL EXPENDITURE 2005/06**

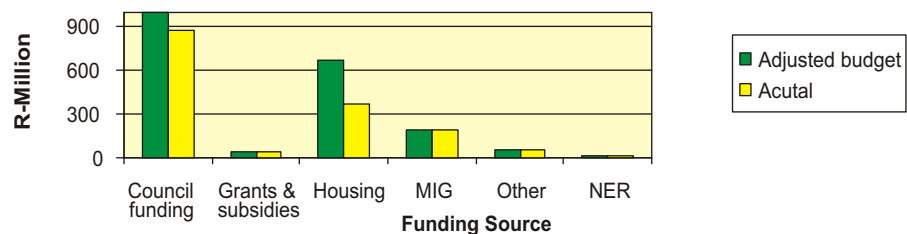


The above-mentioned property, plant and equipment were financed from the following sources:

Type of finance	Original Budget 2006 R	Adjusted Budget 2006 R	Actual 2006 R	Actual as % of Adjusted Budget 2006 %	Actual 2005 R
Council funding	998 068 400	997 068 400	883 077 713	88,57	910 396 669
Provincial Grants and subsidies	34 398 500	37 298 500	35 560 074	95,34	21 350 309
Government Housing grant	345 953 685	673 753 685	373 050 985	55,37	183 226 806
Municipal Infrastructure Grant(MIG)	198 203 000	198 203 000	195 554 584	98,66	149 108 923
National Electricity Regulator (NER)	5 950 000	8 989 000	8 895 099	98,96	9 412 913
Other funding	57 956 000	58 956 000	53 447 097	90,66	0
<b>Total</b>	<b>1 640 529 585</b>	<b>1 974 268 585</b>	<b>1 549 585 552</b>	<b>78,48</b>	<b>1 273 495 620</b>

The following is a graphic presentation according to financing sources:

### PROPERTY, PLANT & EQUIPMENT: FUNDING SOURCES 2005/06



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

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

The Municipality has minimal control over the commencement of projects funded from external funds, which are approved by that source and which must inevitably be included in the budget of the Municipality. It will typically include projects such as The Project Linked Housing Subsidy Scheme and the Municipal Infrastructure Grant.

## 5. ACCOUNTING RATIOS

### 5.1 Operating capital ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure.

This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The following table shows the calculation of the operating capital ratio:

Description	2005/06		2004/05	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
<b>CURRENT ASSETS:</b>				
Cash	18 812	240 360	9 178	56 281
Inventory	116 025	132 306	155 768	156 083
Debtors	2 206 761	2 309 320	2 288 650	2 369 104
Investments	858 112	911 564	1 105 011	1 138 822
Short-term portion of long-term debtors	16 321	16 321	29 898	29 898
Total	3 216 031	3 609 871	3 588 505	3 750 188
<b>CURRENT LIABILITIES:</b>				
Creditors	2 000 998	2 168 761	1 980 168	2 049 463
Short-term portion of long-term liabilities	59 411	75 328	180 259	180 259
Deposits	236 092	236 092	240 485	240 485
Provisions	0	4 459	0	0
Overdrawn bank account	29 715	29 721	38 962	40 755
Total	2 326 216	2 514 361	2 439 874	2 510 962
Net Operating Capital	889 815	1 095 510	1 148 631	1 239 226
Operating Capital Ratio	1,38:1	1,44:1	1,47:1	1,49:1

The ratio decreased for both the Municipality and the group since 2004/05. For the Municipality this is due to the fact that the current liabilities decreased with only 4,7 % whilst the current assets decreased with 10,4 %. The decrease in current assets can mainly be ascribed to the decrease in investments as well as a decrease in inventory and other debtors (amounts paid in advance). The decrease in current liabilities mainly lies with the decrease in the short-term portion of long-term liabilities and a decrease in the bank overdraft.

## 5.2 Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable.

The figures that follow reflect the Municipality's quick asset ratio for the following years:

Description	2005/06		2004/05	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Current assets	3 216 031	3 609 871	3 588 505	3 750 188
Less: Inventory	116 025	132 306	155 768	156 083
Total	3 100 006	3 477 565	3 432 737	3 594 105
Current liabilities	2 326 216	2 514 361	2 439 874	2 510 962
Quick asset ratio	1,33:1	1,38:1	1,41:1	1,43:1

## 5.3 Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

Description	2005/06		2004/05	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
<b>TOTAL ASSETS:</b>				
Current assets	3 216 031	3 609 871	3 588 505	3 750 188
Long-term receivables	294 668	294 668	362 995	362 995
Property, plant and equipment	7 458 749	7 932 429	6 415 334	6 776 011
Total	10 969 448	11 836 968	10 366 834	10 889 194
<b>TOTAL LIABILITIES:</b>				
Current liabilities	2 326 216	2 514 361	2 439 874	2 510 962
Plus: Outstanding loans	2 138 733	2 680 339	1 740 683	2 095 434
Non-current provisions	2 869	2 869	0	0
Accumulated funds	6 233 172	6 249 345	5 892 459	5 908 734
Total	10 700 990	11 446 914	10 073 016	10 515 130
Solvability Ratio	1,03:1	1,03:1	1,03:1	1,04:1

The total assets of the Municipality increased with 5,8 % (group increased with 8,7 %) while the total liabilities increased with only 6,2 % (group increased with only 8,9 %) resulting in the status quo of the solvability ratio as stated above. Property, plant and equipment increased with 16,3 % (group increased with 17,1 %) while external loans increased with 22,9 % (group increased with 27,9 %) and the accumulated funds increased with 5,8 % (group increased with 5,8 %).

#### 5.4 Total long-term debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50 %. It is concerning to see that this ratio increased from 26,63 % to 27,64 % since June 2005. This increase can be ascribed to the increase in external loans of 14,4 % (group = 21,1 %) and an increase of 10,2 % (group = 12,1 %) in total revenue.

	Municipality	Group
June 2006:	27,64 %	33,68 %
June 2005:	26,63 %	31,18 %

#### 5.5 Inventory turnover

Inventory turnover is considered a key measure of management efficiency. It is a measure of how often, during the course of a financial year, a company sells and replaces its inventory. As a general rule, a higher ratio for inventory turnover is better. The standard however varies dramatically from industry to industry. A ratio of 2,5 times per year is considered acceptable for the large municipalities.

June 2006:	2,2 times per year
June 2005:	1,5 times per year

The turnover of inventory increased due to a moratorium that was placed on the purchase of inventory between October 2005 and May 2006. Departments had to use the inventory that was already in the stores and were not allowed to buy in directly.

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

	Municipality	Group
June 2006:	1,12 %	1,28 %
June 2005:	3,04 %	3,03 %

According to credit rating companies, the benchmark is a ratio of less than 5 %.

#### 5.7 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years is as follows:

	Municipality	Group
June 2006:	4,28 : 1	4,51 : 1
June 2005:	5,10 : 1	5,20 : 1

The ratio shows a decrease for the Municipality as the interest paid on external loans increased with 14,7 % and the cash generated from operations decreased with 3,7 % (group 5,60 %) since 2004/05.

## 5.8 Debt to cash ratio

This ratio indicated below is a yardstick to measure the time (in years) that it will take a local authority to pay off its debt (loans) from cash generated by operating activities. The ratio for the past two financial years is as follows:

	Municipality	Group
June 2006:	1,92 : 1	2,15 : 1
June 2005:	1,62 : 1	1,88 : 1

The ratio shows an increase for the Municipality as the long-term debt increased with 14,4 % (group 21,1 %) while the cash generated from operations decreased with 3,7 % since 2004/05.

## 5.9 Financing to capital expenditure ratio

Local authorities normally finance their capital expenditure from external loans. This ratio enables the user to analyse the extent to which external loans are used to finance capital expenditure. The ratio for the past two financial years is as follows:

Description	2005/06		2004/05	
	Municipality R-million	Group R-million	Municipality R-million	Group R-million
Increase/(Decrease) in long-term loans	277,201	479,973	284,315	494,374
Cash used for capital expenditure	1,549,586	1,687,970	1,273,495	1,495,997
Ratio	0,18:1	0,28:1	0,22:1	0,33:1

A ratio smaller than 1:1 is an indication that more cash was spent on infrastructure (capital expenditure) than was borrowed. If this ratio exceeded 1:1 over several years, it indicates that too much funds are obtained externally which may even mean that loans are used to finance operating expenditure.

## 6. CREDIT RATING (only with regard to Municipality)

The firm Global Credit Ratings performed a credit rating of the Municipality during December 2006 (based on the annual financial statements for the year ending 30 June 2006) and the following rating was awarded to the City of Tshwane Metropolitan Municipality (stable rating outlook):

- **Long term: A+ (single A plus);** High credit quality. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.
- **Short term: A1 (single A one);** Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

## 7. MUNICIPAL ENTITIES

The Department Legal and Secretarial Services were tasked with investigating the entities and making them compliant with relevant legislation. The entities that were incorporated prior to amalgamation of the erstwhile municipalities into the City of Tshwane Metropolitan Municipality were not controlled by the relevant departments as the case should have been. This situation brought about difficulties in the accountability of these entities towards the City of Tshwane Metropolitan Municipality.

A report on the future of these entities in terms of new legislative requirements and the way to regularise the entities in line with current legislation was submitted to a Special Mayoral Committee Meeting on 25 May 2006.



## 7.1 Viable municipal entities

Of the entities evaluated the following were found to be viable and the process of restructuring them to be compliant with the Municipal Finance Management Act and the Local Government Systems Act is underway:

- Civirelo Water
- Sandspruit Water Association
- Tshwane Centre for Business
- Tradepoint Pretoria
- Housing Company Tshwane
- Roodeplaat Temba Water Services Trust

## 7.2 Entities not viable

The following companies are not viable:

- Enterprise South Africa
- Tswaing Electrical – liquidation process finalised during 2005/06

## 7.3 Withdrawal of stakeholder ship

The following is a company where the stakeholder ship by the City of Tshwane Metropolitan Municipality should be withdrawn:

- Centurion Community Protection Company

## 7.4 Deregistration of municipal entities

The following companies are in the process to be deregistered:

- BizAfrica 372
- Prelight
- Lebone Municipal Finance Corporation
- Museum Park
- Tswaing Crater Museum
- Greater Pretoria Metro Festival Company
- Tswaing Water and Sanitation Services
- Tswaing Environmental Health Services
- Moreletakloof Conservation Company
- Pretoria Inner City Association
- Tswaing Civil Projects
- Tswaing Waste Removal Services
- Rep Ba-Agi
- National Youth Festival
- Greater Pretoria Metro Festival
- Jacaranda Carnival

The deregistration process however, is hampered due to the fact that the directors cannot be traced. An invitation to all directors to come forward for purposes of deregistration, was placed in the newspapers and on the City of Tshwane's public website on 2 August 2006 with a closing date of 14 August 2006 for responses.

**7.5 Error in listing as municipal entity**

The following companies were erroneously listed as municipal entities under the control of the City of Tshwane Metropolitan Municipality; their status will be left as is in the interim, as the Gauteng Legislature is in the process of finalizing legislation for uniform regulation of all City Improvement Districts:

- Arcadia City Improvement District
- Kerkstreet City Improvement District
- Hatfield City Improvement District
- Esselen Street City Improvement District

The following company was erroneously listed as a municipal entity under the control of the City of Tshwane Metropolitan Municipality whilst it was never incorporated the error will be corrected with the new section 178(2) report of municipal entities:

- Tshwane Sport Foundation

**7.6 Consolidation of municipal entities**

Consolidated annual financial statements were compiled for the City of Tshwane and 8 municipal entities (2004/05 = 7), namely:

- Housing Company Tshwane
- Sandspruit Works Association: Waste Water Treatment
- Sandspruit Works Association: ODI (from 1 July 2005)
- Civirelo Water
- Tshwane Centre for Business Information and Support (Cenbis)
- Enterprise South Africa
- Trade Point Pretoria
- Roodeplaat/Temba Water Services Trust

**8. CHALLENGES SUCCESSFULLY ADDRESSED DURING 2005/06****8.1 Implementation of generally accepted municipal accounting practice/generally recognised accounting practice (GAMAP/GRAP)**

Although the 2004/05 financial statements was already compiled according to GAMAP/GRAP, the 2005/06 financial statements were further improved, to comply with the latest specimen financial statements issued by National Treasury.

**8.2 Implementation of a circular issued by national treasury on 4 October 2006 regarding the basis of preparation of the 2005/06 financial statements**

Although issued so late, most of the requirements as a result of this circular could be adhered to by the City of Tshwane Metropolitan Municipality. Only the requirements of IAS 19: Employee Benefits could not be complied with as a liability could not be raised for the post retirement benefits with regard to certain pension funds (defined benefit plans). The necessary information to calculate this possible liability could not be obtained in the required timeframes.

## Certification by the Municipal Manager

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 17 to 77, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 22 of these annual consolidated 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.



**BLAKE MOSLEY-LEFATOLA**  
MUNICIPAL MANAGER

29 September 2006

# Municipal Entities

## A. ENTITIES CONSOLIDATED

Housing Company Tshwane  
 Sandspruit Works Association  
 Sandspruit Works Association (ODI Water)  
 Civirelo Water  
 Tshwane Centre for Business Information and Support (Cenbis)  
 Enterprise South Africa (last statements 30 June 2005 voluntary liquidation certificate dated February 2006)  
 Trade Point Pretoria  
 Roodeplaat Temba Water Services Trust

*The budgets of the abovementioned entities were not consolidated as most of the budgets were not available.*

## B. ENTITIES NOT CONSOLIDATED

The information regarding the following entities are currently unavailable.

### 1. Application for deregistration was submitted to the Registrar of Companies by the following:

The Centurion Community Protection Company  
 Tswaing Crater Museum  
 Greater Pretoria Safety & Security Association  
 Lebone Municipal Finance Corporation  
 Greater Pretoria Metro Festival Company  
 Prelight (Pty) Ltd  
 Tswaing Water & Sanitation Services  
 Tswaing Environmental Health Services (Pty) Ltd  
 Greater Pretoria Metro Festival  
 Moreletakloof Conservation Company  
 Pretoria Inner City Association  
 Tswaing Civil Projects (Pty) Ltd  
 Tswaing Waste Removal Services  
 Rep-Ba Agi  
 BizAfrica 372

### 2. The following companies were deregistered on 10 March 2006:

Jacaranda Carnival	Duplicated is the same company as National Youth Festival
National Youth Festival	Final deregistration – 10 March 2006

### 3. The following company was liquidated:

Tswaing Electricity Project Management (Pty) Ltd (final liquidation completed during 2005/06)

### 4. Other companies not consolidated:

Museum Park

Currently has an agreement with the City of Tshwane Metropolitan Municipality for the rental of the parking lot at City Hall to generate income for the entity. The entity submitted financial statements for the year ended 28 February 2006. These financial statements were, however not consolidated due to the following:

- The directors are not councilors or employees of the Municipality
- According to the financial statements no income was received from the Municipality from 1 March 2005 to 28 February 2006
- The entity does not consist only of City of Tshwane Metropolitan Municipality museums but national museums and other projects
- The Municipality does not have any shareholding/relationship in the entity
- The difference between the reporting dates is more than 3 months as stipulated in the Specimen Consolidated Municipal Annual Financial Statements dated September 2006.

# Statement of Financial Position

Consolidated Statement of Financial Position at 30 June 2006

	Note	MUNICIPALITY		GROUP	
		June 2006	June 2005	June 2006	June 2005
		R	R	R	R
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net Assets</b>		6,501,629,770	6,186,277,657	6,639,399,517	6,282,797,500
Housing Development Fund	1	150,463,875	115,769,796	150,463,875	115,769,796
Capital replacement reserve		357,857,950	294,729,858	357,857,950	294,729,858
Capitalisation reserve		2,177,575,289	2,096,886,592	2,177,575,289	2,096,886,592
Government grant reserve		3,348,292,166	3,135,576,175	3,351,244,661	3,138,629,728
Self insurance reserve		128,555,010	184,096,536	128,555,010	184,096,536
COID reserve		70,050,967	64,980,064	70,050,967	64,980,064
Future depreciation reserve: Self insurance		376,331	420,175	376,331	420,175
Non-Distributable Reserve		0	0	13,219,924	13,219,924
Donations		0	0	1,200	1,200
Unappropriated surplus/(deficit)		268,458,182	293,818,461	390,054,310	374,063,627
<b>Non-current liabilities</b>		2,141,601,649	1,740,682,631	2,683,208,082	2,095,434,409
Long-term liabilities	2	2,138,732,424	1,740,682,631	2,680,338,857	2,095,434,409
Clearing of Alien vegetation	3	2,869,225	0	2,869,225	0
<b>Current liabilities</b>		2,326,216,535	2,439,873,892	2,514,360,843	2,510,962,475
Consumer deposits	5	236,092,389	240,484,925	236,092,389	240,484,925
Creditors	6	1,657,716,136	1,697,091,521	1,802,447,040	1,766,838,832
Unspent conditional grants and receipts	7	176,499,862	187,562,929	176,499,862	187,562,929
VAT	8	166,782,350	95,512,913	189,812,626	95,061,625
Bank overdraft	16	29,715,301	38,962,372	29,721,144	40,754,932
Provisions	4	0	0	4,459,530	0
Current portion of long-term liabilities	2	59,410,497	180,259,232	75,328,252	180,259,232
<b>Total Net Assets and Liabilities</b>		<b>10,969,447,954</b>	<b>10,366,834,180</b>	<b>11,836,968,442</b>	<b>10,889,194,384</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9	7,458,749,026	6,415,334,163	7,924,937,911	6,776,010,777
Investment Property	9			7,490,657	0
Investments	10	482,542,837	451,545,078	535,992,829	485,352,687
Long-term receivables	11	294,668,524	362,995,114	294,668,524	362,995,114
<b>Current assets</b>		2,733,487,567	3,136,959,825	3,073,878,521	3,264,835,806
Inventory	12	116,024,562	155,767,668	132,306,438	156,083,399
Consumer debtors	13	1,985,934,178	1,853,542,661	1,999,566,163	1,853,542,661
Other debtors	14	220,826,751	435,107,080	309,753,708	515,561,244
Current portion of long-term receivables	11	16,320,964	29,898,414	16,320,964	29,898,414
Call investment deposits	10 & 15	375,568,880	653,466,319	375,570,877	653,469,316
Bank balances and cash	16	18,812,232	9,177,683	240,360,371	56,280,772
<b>Total Assets</b>		<b>10,969,447,954</b>	<b>10,366,834,180</b>	<b>11,836,968,442</b>	<b>10,889,194,384</b>

# Statement of Financial Performance

Consolidated Statement of Financial Performance for the year ended 30 June 2006

	Note	MUNICIPALITY				GROUP			
		2006		2005		2006		2005	
		Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment budget
		R	R	R	R	R	R	R	R
<b>REVENUE</b>									
Property rates	17	1,624,061,411	1,553,500,000	1,468,347,319	1,446,500,000	1,624,061,411	1,553,500,000	1,468,347,319	1,446,500,000
Service charges	18	3,874,557,374	3,927,000,000	3,709,223,236	3,578,600,000	3,953,264,956	3,927,000,000	3,709,024,408	3,578,600,000
Regional Services Levies - turnover		444,787,270	400,000,000	433,503,764	374,040,000	444,193,714	400,000,000	433,350,596	374,040,000
Regional Services Levies - remuneration		199,824,239	180,000,000	194,762,548	166,160,000	199,824,239	180,000,000	194,761,313	166,160,000
Rental of facilities and equipment		57,845,796	47,656,617	62,588,451	45,952,284	65,318,263	47,656,617	63,774,404	45,952,284
Interest earned - external investments		103,544,892	40,421,000	104,901,456	67,500,000	113,798,238	40,421,000	107,915,572	67,500,000
Interest earned - outstanding debtors		50,335,097	120,000,000	57,336,252	100,000,000	72,187,793	120,000,000	57,336,252	100,000,000
Fines (traffic fines)		22,896,150	45,060,000	37,910,096	43,805,000	22,896,150	45,060,000	37,910,096	43,805,000
Licences and permits		19,712,738	24,182,580	21,900,632	22,645,780	19,712,738	24,182,580	21,900,632	22,645,780
Government grants and subsidies	19	785,258,061	1,610,343,679	701,609,248	707,177,238	785,427,554	1,610,343,679	749,606,069	707,177,238
Other income	20	599,961,664	370,394,742	333,603,384	397,561,291	711,911,341	370,394,742	365,406,626	397,561,291
Public contributions		146,433,866	69,000,000	86,078,829	0	146,433,866	69,000,000	86,304,579	0
Gains on disposal of property, plant and equipment		12,992,300	0	1,910,353	0	12,992,300	0	1,910,353	0
Gains on disposal of investment		9,239,965	0	0	0	9,239,965	0	0	0
<b>TOTAL REVENUE</b>		<b>7,951,450,823</b>	<b>8,387,558,618</b>	<b>7,213,675,568</b>	<b>6,949,941,593</b>	<b>8,181,262,528</b>	<b>8,387,558,618</b>	<b>7,297,548,219</b>	<b>6,949,941,593</b>
<b>EXPENDITURE</b>									
Employee related costs	21	2,160,602,277	2,340,229,068	2,069,897,971	2,205,775,719	2,191,596,373	2,340,229,068	2,072,007,160	2,205,775,719
Remuneration of Councillors	22	34,795,326	36,219,283	33,255,221	36,151,914	34,795,326	36,219,283	33,255,221	36,151,914
Bad debts: contribution		163,427,961	128,160,811	315,160,811	128,160,811	163,427,961	128,160,811	315,212,326	128,160,811
Bad debts: written off - consumer & sundry debtors		168,492,129	0	0	0	222,101,129	0	0	0
Bad debts: written off - ambulance debtors		1,020,765	0	0	0	1,020,765	0	0	0
Collection costs		47,409,666	47,037,274	37,775,260	39,019,200	47,409,666	47,037,274	37,775,260	39,019,200
Depreciation		509,425,753	515,238,852	465,337,097	528,316,225	534,010,119	515,238,852	466,908,061	528,316,225
Interest paid	23	266,630,167	297,000,000	232,505,916	270,000,000	284,046,441	297,000,000	233,321,732	270,000,000
Bulk purchases	24	1,853,026,444	1,854,880,000	1,628,481,385	1,647,936,640	1,828,614,565	1,854,880,000	1,603,081,208	1,647,936,640
Repairs and maintenance :		1,095,350,905	902,383,268	863,252,043	869,334,814	1,098,129,371	902,383,268	863,265,446	869,334,814
External		674,270,199	425,437,435	514,337,193	415,351,589	677,048,665	425,437,435	514,350,596	415,351,589
Internal		421,080,706	476,945,833	348,914,850	453,983,225	421,080,706	476,945,833	348,914,850	453,983,225
Grants and subsidies paid	25	10,225,682	10,560,000	6,505,043	10,005,000	10,297,629	10,560,000	6,505,043	10,005,000
General expenses :		2,610,882,555	2,795,325,282	2,067,261,234	2,306,919,017	2,695,015,302	2,795,325,282	2,101,879,451	2,306,919,017
External		1,746,772,341	1,829,805,777	1,315,054,386	1,452,255,475	1,830,905,088	1,829,805,777	1,349,672,603	1,452,255,475
Internal: Departmental charges		757,357,759	844,603,660	663,737,800	739,553,901	757,357,759	844,603,660	663,737,800	739,553,901
Internal: Activity types		106,752,455	120,915,845	88,469,048	115,109,641	106,752,455	120,915,845	88,469,048	115,109,641
<b>GROSS EXPENDITURE</b>		<b>8,921,289,630</b>	<b>8,927,033,838</b>	<b>7,719,431,981</b>	<b>8,041,619,340</b>	<b>9,110,464,647</b>	<b>8,927,033,838</b>	<b>7,733,210,908</b>	<b>8,041,619,340</b>
<b>Less: Internal cost charged out</b>		<b>(1,285,190,920)</b>	<b>(1,442,465,338)</b>	<b>(1,101,121,698)</b>	<b>(1,308,646,767)</b>	<b>(1,285,190,920)</b>	<b>(1,442,465,338)</b>	<b>(1,101,121,698)</b>	<b>(1,308,646,767)</b>
<b>NET EXPENDITURE</b>		<b>7,636,098,710</b>	<b>7,484,568,500</b>	<b>6,618,310,283</b>	<b>6,732,972,573</b>	<b>7,825,273,727</b>	<b>7,484,568,500</b>	<b>6,632,089,210</b>	<b>6,732,972,573</b>
<b>Net Surplus for the year</b>		<b>315,352,113</b>	<b>902,990,118</b>	<b>595,365,285</b>	<b>216,969,020</b>	<b>355,988,801</b>	<b>902,990,118</b>	<b>665,459,009</b>	<b>216,969,020</b>

Refer to Appendix E(1) for the comparison with the approved budget

# Statement of Changes in Net Assets

## Statement Of Changes in Net Assets for the year ended 30 June 2006 - Municipality

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COID Reserve	Self Insurance Reserve	Self Insurance FDR:	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R
<b>2005</b>									
<b>Balance at 1 July 2004</b>	<b>110,519,580</b>	<b>892,489,736</b>	<b>1,363,434,359</b>	<b>2,910,824,046</b>	<b>56,193,159</b>	<b>184,096,536</b>	<b>0</b>	<b>29,646,199</b>	<b>5,547,203,615</b>
Correction of error (note 26)								44,155,469	44,155,469
Net surplus for the year								595,365,285	595,365,285
Asset purification/retirements prior year								2,375,179	2,375,179
Transfer to Capital replacement reserve (public contributions)		630,175						630,175	630,175
Transfer to Capital replacement reserve		311,416,115						(311,416,115)	0
Property, plant and equipment purchased		(909,806,168)	909,806,168	363,251,009			438,444	(363,251,009)	363,689,453
Capital grants used to purchase property, plant & equipment								(363,251,009)	(363,251,009)
Contribution: Workmens compensation (from employees)					8,786,905				8,786,905
Transfer to Housing Development Fund	5,250,216							(5,250,216)	0
Depreciation on purification			907,081	1,106,447					2,013,528
Asset purification			(2,669,887)	(12,021,056)					(14,690,943)
Offsetting of depreciation			(174,591,129)	(127,584,271)			(18,269)	302,193,669	0
<b>Balance at 30 June 2005</b>	<b>115,769,796</b>	<b>294,729,858</b>	<b>2,096,886,592</b>	<b>3,135,576,175</b>	<b>64,980,064</b>	<b>184,096,536</b>	<b>420,175</b>	<b>293,818,461</b>	<b>6,186,277,657</b>
<b>2006</b>									
Net surplus for the year								315,352,113	315,352,113
Asset purification/retirements			(3,714,660)	(11,682,409)				15,397,069	0
Property, plant & equipment purchased		(302,183,695)	302,183,695	360,156,571				(360,156,571)	360,156,571
Capital grants used to purchase PPE (revenue recognised)								(360,156,571)	(360,156,571)
Contribution: Workmens Compensation (from employees)					5,070,903			(5,070,903)	0
Transfer from Housing Development Fund	(195,092)							195,092	0
Transfer to Housing Development Fund	34,889,171							(34,889,171)	0
Transfer from Insurance Reserve						(50,446,212)		50,446,212	0
Transfer to Capital replacement reserve (Tshwane Market)		19,946,098						(19,946,098)	0
Transfer to Capital replacement reserve: General		181,084,046						(181,084,046)	0
Transfer to Capital replacement reserve (public contributions)		159,186,329						(159,186,329)	0
Transfer to Capital replacement reserve: Insurance replacement		5,095,314				(5,095,314)			0
Offsetting of depreciation			(217,780,338)	(135,758,171)			(43,844)	353,582,353	0
<b>Balance at 30 June 2006</b>	<b>150,463,875</b>	<b>357,857,950</b>	<b>2,177,575,289</b>	<b>3,348,292,166</b>	<b>70,050,967</b>	<b>128,555,010</b>	<b>376,331</b>	<b>268,458,182</b>	<b>6,501,629,770</b>

### Note: Capitalisation Reserve

The handling of the Capitalisation Reserve differs from the guidelines of National Treasury as indicated in the specimen financial statements in the sense that:

- \* The amount used to finance property, plant and equipment from the Capital Replacement Reserve since the implementation of GAMAP is not transferred to the Accumulated surplus, but to the Capitalisation Reserve

The reasons for this deviation are the following:

- \* To offset future depreciation charges via a transfer from the reserve to prevent double taxation of ratepayers
- \* To prevent distortion of the accumulated surplus which could possibly lead to utilisation other than the offsetting of depreciation
- \* An accumulated surplus are not used to finance deficits on future budgets as a result of depreciation charges
- \* The financing and offsetting of depreciation of property, plant and equipment financed from the Capital Replacement Reserve should be treated the same as property, plant and equipment financed from the Government Grant Reserve

The effect on the financial statements would be the following if the guidelines of National Treasury were followed:

- \* Accumulated surplus will increase with R302 183 695 (2004/05 = R 909 806 168)
- \* Capitalisation Reserve will decrease with R302 183 695 (2004/05 = R909 806 168)

## Statement Of Changes in Net Assets for the year ended 30 June 2006 - Group

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COID reserve	Self Insurance Reserve	Self Insurance: Future Depreciation Reserve	Roodeplaat Temba Water Services Trust: Debt Service Reserve	Roodeplaat Temba Water Services Trust: Statu- tory Donations Fund	Housing Company Tshwane: Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R	R	R
<b>2005</b>												
<b>Balance at 1 July 2004</b>	<b>110,519,580</b>	<b>892,489,736</b>	<b>1,363,434,359</b>	<b>2,910,824,046</b>	<b>56,193,159</b>	<b>184,096,536</b>	<b>0</b>	<b>3,219,924</b>	<b>1,200</b>	<b>3,053,553</b>	<b>49,797,641</b>	<b>5,573,629,734</b>
Correction of error (Note 26)											44,155,469	44,155,469
Net surplus for the year											665,459,009	665,459,009
Transfer to Reserves - entities								10,000,000			(10,000,000)	0
Asset purification/retirements prior year											2,375,179	2,375,179
Transfer to Capital replacement Reserve(public contributions)		630,175									630,175	630,175
Transfer to Capital replacement Reserve		311,416,115									(311,416,115)	0
Property, plant & equipment purchased		(909,806,168)	909,806,168	363,251,009			438,444				(363,251,009)	363,689,453
Capital grants used to purchase PPE											(363,251,009)	(363,251,009)
Contribution: Workmens Compensation (from employees)					8,786,905							8,786,905
Transfer to Housing Development Fund	5,250,216										(5,250,216)	0
Depreciation on purification			907,081	1,106,447								2,013,528
Asset purification			(2,669,887)	(12,021,056)								(14,690,943)
Offsetting of depreciation			(174,591,129)	(127,584,271)			(18,269)				302,193,669	0
<b>Balance at 30 June 2005</b>	<b>115,769,796</b>	<b>294,729,858</b>	<b>2,096,886,592</b>	<b>3,135,576,175</b>	<b>64,980,064</b>	<b>184,096,536</b>	<b>420,175</b>	<b>13,219,924</b>	<b>1,200</b>	<b>3,053,553</b>	<b>374,063,627</b>	<b>6,282,797,500</b>
<b>2006</b>												
Net surplus for the year											355,988,801	355,988,801
Sandspruit ODI Accumulated surplus 30 June 2005											714,274	714,274
Transfer to Reserves - entities										(101,058)	0	(101,058)
Asset purification/retirements			(3,714,660)	(11,682,409)							15,397,069	0
Property, plant & equipment purchased		(302,183,695)	302,183,695	360,156,571							(360,156,571)	360,156,571
Capital grants used to purchase PPE (revenue recognised)											(360,156,571)	(360,156,571)
Contribution: Workmens Compensation (from employees)					5,070,903						(5,070,903)	0
Transfer from Housing Development Fund	(195,092)										195,092	0
Transfer to Housing Development Fund	34,889,171										(34,889,171)	0
Transfer from Insurance Reserve						(50,446,212)					50,446,212	0
Transfer to Capital replacement reserve (Tshwane Market)		19,946,098									(19,946,098)	0
Transfer to Capital replacement reserve: General		181,084,046									(181,084,046)	0
Transfer to Capital replacement reserve (public contributions)		159,186,329									(159,186,329)	0
Transfer to Capital replacement reserve: Insurance replacement		5,095,314				(5,095,314)						0
Offsetting of depreciation			(217,780,338)	(135,758,171)			(43,844)				353,582,353	0
<b>Balance at 30 June 2006</b>	<b>150,463,875</b>	<b>357,857,950</b>	<b>2,177,575,289</b>	<b>3,348,292,166</b>	<b>70,050,967</b>	<b>128,555,010</b>	<b>376,331</b>	<b>13,219,924</b>	<b>1,200</b>	<b>2,952,495</b>	<b>390,054,310</b>	<b>6,639,399,517</b>



# Cash Flow Statement

Cash Flow Statement for the year ended 30 June 2006

	Note	MUNICIPALITY		GROUP	
		2006	2005	2006	2005
		R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from ratepayers, government and other		7,880,427,088	6,262,449,042	8,040,847,579	6,353,113,256
Cash paid to suppliers and employees		(6,738,412,828)	(5,076,899,537)	(6,760,246,584)	(5,140,650,279)
Cash generated from/(utilised by) operations	27	1,142,014,260	1,185,549,505	1,280,600,995	1,212,462,977
Interest received		103,544,892	104,901,456	113,798,238	107,915,571
Interest paid		(266,630,167)	(232,505,916)	(284,046,441)	(233,321,732)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>978,928,985</b>	<b>1,057,945,045</b>	<b>1,110,352,792</b>	<b>1,087,056,816</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(1,549,585,552)	(1,273,495,620)	(1,687,969,982)	(1,495,997,361)
Proceeds on disposal of fixed assets		12,992,300	1,910,353	13,053,663	1,910,353
Proceeds on disposal of investments		9,239,965	0	9,239,965	0
Decrease/(Increase) in non-current loans		47,597,720	24,648,721	47,597,720	24,648,721
Decrease/(increase) in non-current investments		(30,997,759)	(46,640,915)	(78,087,387)	(46,568,715)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(1,510,753,326)</b>	<b>(1,293,577,461)</b>	<b>(1,696,166,021)</b>	<b>(1,516,007,002)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
New loans raised/(repaid)		277,201,058	284,315,339	479,973,468	494,374,446
Increase/(decrease) in consumer deposits		(4,392,536)	24,264,664	(4,392,536)	24,264,664
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>272,808,522</b>	<b>308,580,003</b>	<b>475,580,932</b>	<b>518,639,110</b>
<b>NET CASH FLOW</b>		<b>(259,015,819)</b>	<b>72,947,587</b>	<b>(110,232,297)</b>	<b>89,688,924</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(259,015,819)</b>	<b>72,947,587</b>	<b>(110,232,297)</b>	<b>89,688,924</b>
Cash and cash equivalents at the beginning of the year	28	623,681,630	550,734,043	696,442,401	606,753,477
Cash and cash equivalents at the end of the year	28	364,665,811	623,681,630	586,210,104	696,442,401

## Group Accounting Policies for the year ended 30 June 2006

### 1. BASIS OF PRESENTATION

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

These financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005.

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies are consistent with those of the previous financial year.

The principle accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

### 2. BASIS OF CONSOLIDATION

The consolidated annual financial statements incorporate the financial statements of the Municipality and Municipal Entities controlled by the Municipality.

Investments in associates, subsidiaries and joint ventures are carried at cost in the financial statements of the Municipality. Separate consolidated financial statements are prepared to account for the Municipality's share of the net assets and post – acquisition results of these investments.

The results of municipal entities acquired or disposed during the year are included in the consolidated Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into line with those used by the Municipality and other municipal entities included in the group.

### 3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest rand.

### 4. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

#### 4.1 Municipal entities:

- Enterprise South Africa - Tshwane

The directors of the company intend to liquidate the company subsequent to balance sheet date. The financial statements have therefore been prepared on a liquidation basis of accounting.

- Trade Point Pretoria

At financial year end, the company has discontinued its operations, and is in the process of transferring all its assets to SEDA.

### 5. PROPERTY, PLANT AND EQUIPMENT (PPE)

#### 5.1 Fixed assets are stated:

- At cost less accumulated depreciation, or
- At fair value (market value) at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the original best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further developments of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold will be determined annually during the budget process.

#### 5.2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives (unless a technical assessment of an individual asset concludes that a material variation is necessary):

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<b>Community</b>		Specialized plant and equipment	10-15
Improvements	30		
Recreational Facilities	20-30	Other plant and equipment	2-5
Security	5		

#### 5.2.1 Heritage assets

These are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

#### 5.2.2 Land

Land is not depreciated as it is regarded as having an infinite life.

#### 5.2.3 Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

#### 5.3 Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

#### 5.4 Property, plant and equipment of Municipal entities

##### 5.4.1 Trade Point Pretoria (Association incorporated under Section 21)

Fixed assets are stated at cost. Depreciation is calculated to write off the cost of fixed assets on the straight line basis over their expected useful lives. The annual rates used for this purpose are:

Computers	20 %
Furniture and fittings	15 %

**5.4.2 Tshwane Centre for Business Information and Support (Cenbis) (Incorporated as a company not for gain under Section 21)**

All property, plant and equipment are initially recorded at cost.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Kitchen equipment	16,67 %
Furniture and fittings	16,67 %
Office equipment	16,67 %
Computer equipment	33,33 %

**5.4.3 Housing Company Tshwane (Association Incorporated under Section 21)**

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Furniture and fittings	20 %
Office equipment	20 %
Computer equipment	33,33 %

Land is not depreciated as it is deemed to have an indefinite life.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash-generating units are written down to their recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

**5.4.4 Civirelo Water (Association Incorporated under Section 21)**

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Office equipment	16,67 %
Computer equipment	33,33 %

**5.4.5 Roodeplaat Temba Water Services Trust**

All property, plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Property, plant and equipment are only depreciated once commissioned.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Construction work-in-progress	22 years
Leased assets	22 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash-generating units are written down to their recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the property, plant and equipment for its intended use, as part of the cost of the asset.

Repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that further economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the trust. Major renovations are depreciated over the remaining useful life of the related asset.

#### 5.4.6 Sandspruit Works (Association incorporated under Section 21)

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Buildings	30 years
Plant and equipment	10 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	2 years
Computer software	2 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash-generating units are written down to their recoverable amount.

#### 5.4.7 Sandspruit Works Association (ODI Water)

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

- It is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

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 it, 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.

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

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

Buildings	30 years
Plant and machinery	10 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	2 years
Computer software	2 years

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

The gain or loss arising from derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from 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.

#### 5.4.8 Enterprise South Africa Tshwane (Section 21 company)

Property, plant and equipment are shown at cost less accumulated depreciation. Depreciation is calculated on the straight line basis over the economic useful life of the asset. The following rates are used:

Books	3,33 %
Petty cash safe	0 %
Furniture and fittings	0 %
Motor vehicles	0 %
Computers and equipment	33,33 %
Computer software	50 %
Other assets	15 %

### 6. INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, 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, which is 30 years.

#### 6.1 Municipal entities

##### Housing Company Tshwane: Investment properties

Investment properties are held to earn rental income and appreciate capital value. Owner-occupied properties are held for production and administrative purposes. This distinguishes owner-occupied properties from investment properties.

Fair value - At the balance sheet date all investment property is measured at fair value. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

### 7. INVENTORY

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement 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.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its 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.

#### 7.1 Municipal Entities: Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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. The amount of any write-down of inventories to net realisable value 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## 8. CREDITORS

### 8.1 Trade creditors

Trade creditors are stated at their nominal value.

### 8.2 Municipal entities: Sandspruit Works (ODI)- Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method.

### 8.3 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the Municipality.

## 9. RESERVES

The municipality creates and maintains Reserves in terms of specific requirements.

### 9.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are transferred from the Statement of Financial Performance to the Capital replacement reserve in terms of the implementation guidelines on GAMAP/GRAP. These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation reserve (CR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in the Statement of Financial Performance.

### 9.2 Capitalisation reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation reserve relating to such item is transferred to the accumulated surplus/(deficit).



### 9.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

### 9.4 Self insurance reserve

A Self insurance reserve has been established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

- Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.
- The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the Statement of Financial Performance. These premiums do not affect the Self insurance reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in the Statement of Financial Performance.
- Claims received to meet repairs of damages on assets are reflected as income in the Statement of Financial Performance.

The Self Insurance reserve is based on recognized 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:
  - o Reported known outstanding claims;
  - o Statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
  - o 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 5-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a 5-year period.

#### 9.4.1 Self Insurance Future Depreciation Reserve

An amount equal to the carrying value of items of property, plant and equipment that had historically been utilised for the acquisition of property, plant and equipment from the Self Insurance Reserve have been transferred to a Self Insurance Future Depreciation Reserve instead of the accumulated surplus/(deficit). The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Self Insurance Future Depreciation Reserve equals the carrying value of the items of property, plant and equipment financed from the former Self Insurance Reserve. When items of property, plant and equipment are depreciated, a transfer is made from the Self Insurance Future Depreciation Reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment is disposed, the balance in the Self Insurance Future Depreciation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**9.5 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 has established a COID reserve to offset claims from employees.

Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve is based on 1 % of the annual remuneration of employees that qualify for COID benefits. All employees earning more than R189 840 are reinsured by what is called a "COID Wrap Around" policy.

Claims are paid as determined by the Compensation Commissioner and are reflected in the Statement of Financial Performance. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

**9.6 Donations and Public Contributions**

Revenue received from donations and public contributions may be transferred to the Capital Replacement Reserve (CRR) and utilised via the CRR to finance items of property, plant and equipment.

**9.7 Roodeplaat Temba Water Services Trust: Capital Reserve Account**

The Capital reserve account is to be created by the borrower and to be held in the capital reserve account for the payment of costs of upgrades, etc required by the Operating agreement.

**9.8 Roodeplaat Temba Water Services Trust: Debt Service Reserve Account**

The debt service reserve is to be created by the borrower and to be held in the debt service reserve account. If the required level is exceeded the excess can be deposited in the Distribution account. The amount in the account will be utilised for purposes of the repayment of the Term Loan.

**9.9 Roodeplaat Temba Water Services Trust: Operating reserve account**

The operating reserve is to be created by the borrower and be held in the operating reserve account for the payment of operating costs in respect of the Water project.

**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.

The following provisions are set for the creation and utilisation of the Housing Fund:

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

**11. PROVISIONS**

Provisions are recognised when

- a. the Municipality or municipal entity has a present obligation (legal or constructive) as a result of a past event and
- b. it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation,
- c. and a reliable estimate of the provision can be made.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

**11.1 Clearing out of alien vegetation**

Currently a backlog exists with regard to the clearing out of alien vegetation and a provision was established with effect from the 2005/6 financial year. This provision will be phased in over a period of time.

**11.2 Cleaning up of illegal dumping**

Currently the Municipality is cleaning up illegal dumping on an ongoing basis as part of maintenance; therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.

**11.3 Landfill sites**

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. However, a provision only needs to be created if and when backlogs exist. Currently the Municipality is rehabilitating its landfill sites on an ongoing basis as part of maintenance and therefore there is no backlog rehabilitation that needs to take place. No provision is currently made for the rehabilitation of landfill sites.

**12. RETIREMENT BENEFITS****12.1 Pension, Provident and Retirement Funds**

The Municipality and its employees contribute to various Pension, Provident and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis.

Current contributions are charged against the operating account of the Municipality at a percentage of the basic salary paid to employees, or allowances in the case of councillors.

Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred.

A provision is raised as the best estimate of the current cost of paying future pensions to employees who have become disabled as a result of injuries sustained whilst on duty.

**12.2 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, with which the Municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

**13. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts with regard to arrangement of consumer debtors are classified as long-term receivables.

**13.1 Provision for Bad Debt**

Provision for bad debt is made by means of an annual contribution of electricity and water levies, debtor's revenue from Fire Brigade Services and Rentals excluding housing schemes and the Tshwane Market.

The annual contribution is determined by calculating the estimated non payment by debtors for the financial year. The percentage contribution is calculated during the budget process each year and reviewed at year end.

**13.2 Sandspruit Works Association (ODI): Provision for Bad Debt**

The provision is based on past experiences of little prospect of collecting debtors over the age of 1 month. Therefore the provision is raised on 100 % of these debtors. All doubtful debts are recovered from the local councils.

**14. LEASES****The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the finance lease cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases which do not fall within the scope of the above definition. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

The Municipality will not incur a foreign currency lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

**The Municipality as Lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**Leases – Municipal Entities**

- **Roodeplaat Temba Water Services Trust**

Leases of property, plant and equipment where the trust assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the total lease payments at the commencement of the lease. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the Statement of Financial Performance over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the lease period of the assets.

Leases of assets under which all risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

## 15. FINANCIAL INSTRUMENTS

### 15.1 INVESTMENTS

The municipality may have the following types of investments.

- Held to maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.
- Held-for-sale investments are those financial assets that are designated as available for sale or not classified as held-to-maturity investments or financial assets at fair value through profit or loss.

INITIAL MEASUREMENT of financial instruments is at cost, which is the fair value of the consideration given. The fair value is usually the transaction price or market price.

Transaction costs are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges; and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

SUBSEQUENT MEASUREMENT of financial assets.

HTM investments and loans and receivables originated by the entity and not held for trading is subsequently recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The Municipality limits its counterparty exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

Investments are reviewed and approved by the Loans and Investment Advisory Committee.

### 15.2 INTEREST BEARING BORROWINGS

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Financial Performance over the period of the borrowings on an effective interest basis.

The interest risk is managed by maintaining an appropriate mix between fixed and variable rate borrowings. The Municipality borrows more than 50 % of funds at a fixed rate to reduce the risk of interest fluctuations. Refer to Appendix A for details.

### 15.3 MUNICIPAL ENTITIES: FINANCIAL INSTRUMENTS

#### 15.3.1 Sandspruit Works Association (ODI Water)

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not recognised at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Subsequent measurement:-

After initial recognition financial assets are measured as follows:

- Loans and receivables and held-to maturity investments are measured at amortised cost using the effective interest method.
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost;
- Other financial assets, including derivatives, at fair values, without any deduction for transaction costs which may incur on sale or other disposal.

After initial recognition financial liabilities are measured as follows:

- Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- Other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses:-

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as fair value through profit or loss is recognised in profit or loss.
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.
- Financial assets and financial liabilities carried at amortised cost; a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

### 15.3.2 Investment in Municipal Entities

Municipality - Investments in municipal entities under the ownership control of the Municipality are carried at cost in the Municipality's unconsolidated annual financial statements.

Group - The results and assets and liabilities of municipal entities are incorporated in the group annual financial statements using the equity method of accounting.

Where the Municipality transacts with its municipal entities or its municipal entities transact with each other, unrealised gains and losses are eliminated to the extent of the Municipality's interest in the relevant municipal entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the Municipality is no longer able to exercise control over the municipal entity, the equity method of accounting is discontinued. Such entity will either be accounted for as an associate, if the municipality is able to exercise significant influence, or an investment. The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

## 16. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling 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 expenses in the period in which they arise.

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

## 17. REVENUE RECOGNITION

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.

**17.1 Revenue from exchange transactions****17.1.1 Service charges relating to Electricity, Water and Sanitation**

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized 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 recognized as revenue in the invoicing period.

**17.1.2 Services provided on a prepayment basis**

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

**17.1.3 Interest earned on outstanding debtors**

Interest on outstanding debtors is recognized on a time proportionate basis.

**17.1.4 Dividends**

Dividends are recognised when the right to receive payment is established.

**17.1.5 Income from agency services**

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

**17.1.6 Housing rental and instalments**

Income in respect of housing rental and instalments are accrued monthly in advance.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

**17.1.7 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 buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**17.1.8 Interest earned on investments**

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

**17.1.9 Collection charges**

Collection charges are recognized when such amounts are incurred.

**17.2 Revenue from non-exchange transactions****17.2.1 Revenue from rates**

Revenue from rates is recognized when the legal entitlement to this revenue arises. A site rating system is applied. In terms of this system assessment rates are levied on the land value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

**17.2.2 Regional Establishment Levy and Regional Services Levy**

Regional establishment levies and regional services levies are recognised at the time of receipt of the RSC4 return submitted by all registered levy payers. The income received from 1 July to 20 July of the following financial year will be accrued as income of the previous financial year.

**17.2.3 Fines**

Income in respect of traffic fines, spot fines and certain licenses is accrued when received.

Revenue from the issuing of summonses is only recognised when notified by the public prosecutor of the amount actually collected.

**17.2.4 Donations and contributions**

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

**17.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**18. CONDITIONAL GRANTS AND RECEIPTS**

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

**18.1 Municipal entities: Sandspruit Works (ODI Water)**

Government grants are recognised when there is reasonable assurance that the company will comply with the conditions attached to them and the grants will be received.

**19. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

**20. VALUE ADDED TAX**

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



**Municipal Entities:**

- **Sandspruit Works Waste Water Treatment**

The company failed to register for VAT when it was founded in 1999. The necessary forms have been completed and submitted. The registration has not been finalised due to the fact that the company has neither rental rights nor ownership rights to the property it is currently occupying.

**21. SEGMENTAL INFORMATION**

The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure.

The primary basis is representative of the internal structure for both budgeting and management purposes.

The secondary basis classifies all operations based on the classification of income and expenditure.

**22. GRANTS-IN-AID**

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.

**23. AGRICULTURAL ASSETS**

Agricultural assets, which are defined as living animals or plants are recognised on the Statement of Financial Position of the Municipality, if the Municipality:

- Controls the asset as a result of a past event.
- Regards the inflow of future economic benefits from the use of the asset to be probable.
- Is able to measure the fair value of the asset reliably. This implies that an active market has to exist for the agricultural asset.

Agricultural assets are measured at fair value at each year end reporting date, less estimated point-of-sale costs.

Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction.

Point-of-sale costs include commissions to brokers, levies by regulatory agencies as well as transfer taxes and duties.

The changes in fair value less point-of-sale costs from one balance sheet date to the next are recognised as revenue in the Statement of Financial Performance.

**24. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**25. UNAUTHORISED EXPENDITURE**

Unauthorized expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**26. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1998 (Act 20 of 1998) or is in contravention of the Municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**27. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**28. COMPARATIVE INFORMATION****28.1 Current year comparatives**

Budgeted amounts have been included in the annual financial statements for the current financial year only.

**28.2 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.

**29. TAXATION**

The City of Tshwane Metropolitan Municipality and its entities are exempted from tax in terms of section 10(1)cB(i)(ff) of the Income Tax Act.

# Notes to the Consolidated Annual Financial Statements

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>1 HOUSING DEVELOPMENT FUND</b>				
Housing Development Fund	150,463,876	115,769,796	150,463,876	115,769,796
Unappropriated surplus	219,470,339	184,776,259	219,470,339	184,776,259
Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463	69,006,463	69,006,463
The Housing Development Fund is represented by the following assets and liabilities:				
Housing selling scheme loans	97,667,737	94,596,663	97,667,737	94,596,663
Other debtors	7,912,349	20,347,792	7,912,349	20,347,792
Bank and cash	44,883,790	825,341	44,883,790	825,341
Subtotal	150,463,876	115,769,796	150,463,876	115,769,796
Creditors	0	0	0	0
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>150,463,876</b>	<b>115,769,796</b>	<b>150,463,876</b>	<b>115,769,796</b>
<b>2 LONG-TERM LIABILITIES</b>				
Local Registered Stock	314,780,812	440,992,288	314,780,812	440,992,288
Long-term loans:	1,883,362,109	1,479,949,575	2,440,886,297	1,834,701,353
Annuity loans	1,257,690,062	839,041,298	1,257,690,062	839,041,298
Term loans	625,672,047	640,908,277	1,164,079,818	976,543,638
Capitalised Lease liability	0	0	19,116,417	19,116,417
	2,198,142,921	1,920,941,863	2,755,667,109	2,275,693,641
LESS: Current portion transferred to current liabilities	59,410,497	180,259,232	75,328,252	180,259,232
Local Registered Stock	0	125,005,000	0	125,005,000
Annuity loans	46,185,641	40,341,797	46,185,641	40,341,797
Term loans	13,224,856	14,912,435	29,142,611	14,912,435
<b>Total External Loans (Refer to Appendix A for more detail on long-term liabilities)</b>	<b>2,138,732,424</b>	<b>1,740,682,631</b>	<b>2,680,338,857</b>	<b>2,095,434,409</b>
<b>Amount invested specifically for the repayment of long-term liabilities. (See note 29 for more detail.)</b>	<b>580,454,336</b>	<b>502,407,243</b>	<b>580,454,336</b>	<b>502,407,243</b>
<b>Maturity value of amount invested as security for long-term liabilities</b>	<b>1,244,224,512</b>	<b>972,723,789</b>	<b>1,244,224,512</b>	<b>972,723,789</b>
<b>Roodeplaat/Temba Water Services Trust:</b>				
<b>Capitalised Lease liability:</b>				
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default, subject to the cession of the lease agreement as security for the bank borrowings.				
<b>Term loans: are secured by:-</b>				
1. A general notarial bond over the movable assets of the Trust. 2. Cession of the Temba Lease Agreement. 3. The Debt Service Reserve Account, the Capital Reserve Account and the Operating Reserve Account. These loans are repayable within 3 months of the final date of completion of construction.				
<b>Housing Company Tshwane</b>				
A secured loan bearing interest at 14 % per annum from National Housing Finance Corporation Ltd - repayable in 240 monthly installments. Secured by a mortgage bond over the investment property with a book value of R7 490 657 (2004 = R7 490 657) plus a cession of all banking accounts, debtors books, all risk insurance policies.				
Interest free loan convertible to a grant on meeting certain criteria from the Gauteng Partnership Fund				
<b>3 NON-CURRENT PROVISIONS</b>				
<b>3.1 CLEARING OF ALIEN VEGATATION</b>				
Opening balance at the beginning of the year	0		0	0
Contributions during the year	2,869,225		2,869,225	0
<b>Closing balance at the end of the year</b>	<b>2,869,225</b>	<b>0</b>	<b>2,869,225</b>	<b>0</b>
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 2005/6 as a start to address the backlogs that exist. The provision will be phased in over a period of time.				
<b>3.2 REHABILITATION OF LANDFILL SITES</b>				
No provision for the rehabilitation of the landfill sites have been made as no back log currently exist. The rehabilitation is done as part of normal repair and maintenance. See paragraph 11.3 of the Group Accounting Policies)				

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>4 CURRENT PROVISIONS</b>				
Performance bonus	0	0	1,964,363	0
Special projects	0	0	2,495,167	0
	<b>0</b>	<b>0</b>	<b>4,459,530</b>	<b>0</b>
<b>4.1 RECONCILIATION OF CURRENT PROVISIONS</b>				
<b>4.1.1 Performance bonus:</b>				
Balance at the beginning of the year			0	0
Contributions to provision			1,964,363	0
Utilisation of provision			0	0
Balance at the end of the year			<b>1,964,363</b>	<b>0</b>
<b>4.1.2 Special projects</b>				
Balance at the beginning of the year			0	0
Contributions to provision			7,810,176	0
Utilisation of provision			(5,315,009)	0
Balance at the end of the year			<b>2,495,167</b>	<b>0</b>
<b>5 CONSUMER DEPOSITS</b>				
Electricity and Water	236,092,389	240,484,925	236,092,389	240,484,925
Interest	0	0	0	0
<b>Total Consumer deposits</b>	<b>236,092,389</b>	<b>240,484,925</b>	<b>236,092,389</b>	<b>240,484,925</b>
Council resolution dated 27 May 2004 rescinded the payment of interest on consumer deposits with effect from 1 July 2004.				
<b>Guarantees held in lieu of Electricity and Water deposits</b>	<b>93,626,411</b>	<b>125,077,884</b>	<b>93,626,411</b>	<b>125,077,884</b>
<b>6 CREDITORS</b>				
Trade creditors	1,026,813,126	1,215,576,769	1,035,778,785	1,189,701,413
Payments received in advance	6,997,383	23,259,044	110,374,496	116,024,243
Retentions	68,291,428	24,044,955	76,687,870	26,552,883
Staff Leave	195,073,278	189,897,457	195,088,738	189,908,690
Deposits	10,552,337	10,458,605	10,552,337	10,458,605
Other creditors	349,988,584	233,854,691	373,964,814	234,192,998
<b>Total creditors</b>	<b>1,657,716,136</b>	<b>1,697,091,521</b>	<b>1,802,447,040</b>	<b>1,766,838,832</b>
<b>7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>				
<b>7.1 Conditional Grants from other spheres of Government</b>	<b>170,698,389</b>	<b>183,602,557</b>	<b>170,698,389</b>	<b>183,602,557</b>
Municipal Infrastructure Grant (MIG)	0	38,042,268	0	38,042,268
Housing projects	3,873,808	36,623,795	3,873,808	36,623,795
Department of Water Affairs & Forestry (DWAf)	13,990,911	12,095,317	13,990,911	12,095,317
Finance Management Grant (FMG)	3,121,266	3,077,229	3,121,266	3,077,229
Municipal System Improvement Grant (MSIG)	5,000,000	2,000,000	5,000,000	2,000,000
Restructuring Grant	102,292,860	79,842,618	102,292,860	79,842,618
Department of Provincial & Local Government HIV AIDS Operational Grant	5,443,600	3,100,000	5,443,600	3,100,000
Transportation and Engineering	6,616,440	0	6,616,440	0
Department Public Works	8,722,068	0	8,722,068	0
Transport : World Cup Soccer	13,150,000	0	13,150,000	0
National Lottery Fund Operational grant	0	352,000	0	352,000
Provincial Local Economic Development Projects grant	8,487,436	8,469,330	8,487,436	8,469,330
<b>7.2 Other conditional Receipts</b>	<b>5,801,473</b>	<b>3,960,372</b>	<b>5,801,473</b>	<b>3,960,372</b>
National Electrification Fund	4,054,573	3,960,372	4,054,573	3,960,372
Bontle ke Botho	360,000	0	360,000	0
Gauteng: Agriculture, Conservation & Environment	460,000	0	460,000	0
Gauteng: Tourism	400,000	0	400,000	0
Gauteng: Library & Information	526,900	0	526,900	0
<b>Total Conditional Grants and Receipts</b>	<b>176,499,862</b>	<b>187,562,929</b>	<b>176,499,862</b>	<b>187,562,929</b>

See Note 18 for reconciliation of grants from other spheres of government. These amounts are invested until utilised.

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
8	<b>VAT</b>			
	<b>VAT payable</b>	166,782,350	95,512,913	189,812,626
	VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS			95,061,625
9	<b>PROPERTY, PLANT AND EQUIPMENT</b>			
	<b>Reconciliation of Carrying values</b>			
9.1	<b>INFRASTRUCTURE</b>			
	<b>Carrying value at 1 July</b>			
	Cost	3,641,750,954	3,033,934,378	3,647,269,273
	Accumulated Depreciation - cost	5,237,396,821	4,366,902,665	5,243,314,147
		(1,595,645,867)	(1,332,968,287)	(1,596,044,874)
	<b>Acquisitions</b>			
	Additions	720,912,186	609,179,536	721,545,954
	Capital under construction	493,541,052	266,402,885	494,810,956
	Depreciation - based on cost	506,954,620	605,335,607	506,954,620
		(279,583,486)	(262,558,956)	(280,219,622)
	<b>Carrying value of purification/transfers</b>			
	Cost	210,105,646	(1,362,961)	210,105,646
	Accumulated depreciation - cost	212,756,494	(1,244,337)	212,756,494
		(2,650,848)	(118,624)	(2,650,848)
	<b>Carrying values at 30 June:</b>			
	Cost	4,572,768,786	3,641,750,954	4,578,920,873
	Accumulated depreciation - cost	6,450,648,987	5,237,396,821	6,457,836,217
		(1,877,880,201)	(1,595,645,867)	(1,878,915,344)
9.2	<b>COMMUNITY</b>			
	<b>Carrying value at 1 July</b>			
	Cost	188,785,942	146,072,564	188,785,942
	Accumulated Depreciation - cost	332,868,072	272,452,971	332,868,072
		(144,082,130)	(126,380,407)	(144,082,130)
	<b>Acquisitions</b>			
	Additions	(6,768,052)	42,713,377	(6,768,052)
	Capital under construction	5,424,497	7,890,411	5,424,497
	Depreciation - based on cost	5,937,251	52,524,690	5,937,251
		(18,129,800)	(17,701,724)	(18,129,800)
	<b>Carrying value of purification/transfers</b>			
	Cost	30,712,869	0	30,712,869
	Accumulated depreciation - cost	45,416,793	0	45,416,793
		(14,703,924)	0	(14,703,924)
	<b>Carrying values at 30 June:</b>			
	Cost	212,730,759	144,785,942	212,730,759
	Accumulated depreciation - cost	389,646,613	332,868,072	389,646,613
		(176,915,854)	(188,082,130)	(176,915,854)
9.3	<b>HERITAGE</b>			
	<b>Carrying value at 1 July</b>			
	Cost	1,999,308	1,259,360	1,999,308
	Accumulated Depreciation - cost	2,273,245	1,533,297	2,273,245
		(273,937)	(273,937)	(273,937)
	<b>Acquisitions</b>			
	Additions	947,857	739,948	947,857
	Capital under construction	947,857	739,948	947,857
	Depreciation - based on cost	0	0	0
		0	0	0
	<b>Carrying value of purification/transfers</b>			
	Cost	273,937	0	273,937
	Accumulated depreciation - cost	0	0	0
		273,937	0	273,937
	<b>Carrying values at 30 June:</b>			
	Cost	3,221,102	1,999,308	3,221,102
	Accumulated depreciation - cost	3,221,102	2,273,245	3,221,102
		0	(273,937)	0

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>PROPERTY, PLANT AND EQUIPMENT (continued)</b>				
<b>9.4 HOUSING</b>				
<b>Carrying value at 1 July</b>				
Cost	100,757,749	25,377,888	100,757,749	25,377,888
Accumulated Depreciation - cost	(5,839,809)	(4,537,207)	(5,839,809)	(4,537,207)
<b>Acquisitions</b>				
Additions	119,316,606	75,379,861	119,316,606	75,379,861
Capital under construction	(22,445)	437,448	(22,445)	437,448
Depreciation - based on cost	120,653,870	76,245,015	120,653,870	76,245,015
	(1,314,819)	(1,302,602)	(1,314,819)	(1,302,602)
<b>Carrying values at 30 June:</b>				
Cost	220,074,355	100,757,750	220,074,355	100,757,750
Accumulated depreciation -cost	(227,228,983)	(106,597,558)	(227,228,983)	(106,597,558)
	(7,154,628)	(5,839,808)	(7,154,628)	(5,839,808)
<b>9.5 OTHER</b>				
<b>Carrying value at 1 July</b>				
Cost	628,912,379	583,709,121	958,959,349	692,588,037
Accumulated Depreciation - cost	(893,322,652)	(711,480,178)	(1,224,210,050)	(821,151,792)
	(264,410,273)	(127,771,057)	(265,250,701)	(128,563,755)
<b>Acquisitions</b>				
Additions	(145,701,687)	55,291,923	(36,334,902)	276,459,977
Capital under construction	69,350,660	94,105,998	205,328,377	94,875,164
Depreciation - based on cost	(70,791,394)	99,969,490	(70,791,394)	320,684,115
	(144,260,953)	(138,783,565)	(170,871,885)	(139,099,302)
<b>Carrying value of purification/transfers/disposals</b>				
Cost	134,514,543	(4,571,407)	134,453,180	(4,571,407)
Accumulated depreciation - cost	(145,213,635)	(12,233,014)	(144,998,898)	(12,233,014)
	(10,699,092)	7,661,607	(10,545,718)	7,661,607
<b>Carrying values at 30 June:</b>				
Cost	617,725,235	634,429,635	1,057,077,627	964,476,606
Accumulated depreciation - cost	(1,037,095,553)	(893,322,652)	(1,503,745,931)	(1,224,210,051)
	(419,370,318)	(258,893,017)	(446,668,304)	(259,733,445)
<b>9.6 INVESTMENT PROPERTY</b>				
<b>Carrying value at 1 July</b>				
Cost	371,109	383,906	7,861,766	7,874,563
Accumulated Depreciation - cost	(383,906)	383,906	(7,874,563)	(7,874,563)
	(12,797)	0	(12,797)	0
<b>Acquisitions</b>				
Additions	366,780	(12,797)	366,780	(12,797)
Capital under construction	383,253	0	383,253	0
Depreciation - based on cost	0	0	0	0
	(16,473)	(12,797)	(16,473)	(12,797)
<b>Carrying value of purification/transfers/disposals</b>				
Cost	940,137	0	940,137	0
Accumulated depreciation - cost	940,137	0	940,137	0
	0	0	0	0
<b>Carrying values at 30 June:</b>				
Cost	1,678,026	371,109	9,168,683	7,861,766
Accumulated depreciation - cost	(1,707,296)	(383,906)	(9,197,953)	(7,874,563)
	(29,270)	(12,797)	(29,270)	(12,797)
The Municipality is still busy with the purification process of the Property, plant and equipment register and therefor the values reflected under Investment Properties might be a misrepresentation of the actual asset situation. Most investment properties are still included under land and buildings. Due to this reason, investment properties are also not shown separately in the Statement of Financial Position.				
<b>9.7 CAPITALISED LEASED ASSETS</b>				
<b>Carrying value at 1 July</b>				
Cost			17,523,382	18,392,310
Accumulated Depreciation - cost			(19,116,417)	(19,116,417)
			(1,593,035)	(724,107)
<b>Acquisitions</b>				
Additions			(868,928)	(868,928)
Capital under construction			0	0
Depreciation - based on cost			0	0
			(868,928)	(868,928)
<b>Carrying values at 30 June:</b>				
Cost			16,654,454	17,523,382
Accumulated depreciation -cost			(19,116,417)	(19,116,417)
			(2,461,963)	(1,593,035)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2006	2005	2006	2005
		R	R	R	R
9.8	<b>PROPERTY, PLANT AND EQUIPMENT (continued)</b>				
	<b>LAND AND BUILDINGS</b>				
	<b>Carrying value at 1 July</b>	1,852,756,722	1,823,786,907	1,852,854,006	1,823,786,907
	Cost	2,204,441,326	2,135,032,667	2,204,540,771	2,135,032,667
	Accumulated Depreciation - cost	(351,684,604)	(311,245,760)	(351,686,765)	(311,245,760)
	<b>Acquisitions</b>	25,859,647	23,900,223	29,792,315	23,997,507
	Additions	95,858,950	69,844,128	100,430,184	69,943,573
	Capital under construction	0	0	0	0
	Depreciation - based on cost	(69,999,303)	(45,943,905)	(70,637,869)	(45,946,066)
	<b>Carrying value of purification/transfers</b>	(48,065,607)	(447,663)	(48,065,607)	(447,663)
	Cost	(82,979,677)	(435,466)	(82,979,677)	(435,466)
	Accumulated depreciation - cost	34,914,070	(12,197)	34,914,070	(12,197)
	<b>Carrying values at 30 June:</b>	1,830,550,762	8,420,081,718	1,834,580,716	8,420,179,002
	Cost	2,217,320,599	8,777,283,580	2,221,991,278	8,777,383,025
	Accumulated depreciation - cost	(386,769,837)	(357,201,862)	(387,410,562)	(357,204,023)
9.9	<b>TOTAL</b>				
	<b>Carrying value at 1 July</b>	6,415,334,163	5,614,524,123	6,776,010,775	5,754,269,957
	Cost	8,777,283,580	7,517,700,777	9,140,794,823	7,658,978,283
	Accumulated Depreciation - cost	(2,361,949,417)	(1,903,176,654)	(2,364,784,048)	(1,904,708,326)
	<b>Acquisitions</b>	714,933,338	807,192,071	827,997,631	1,028,122,849
	Additions	665,483,824	439,420,818	807,302,679	661,922,562
	Capital under construction	562,754,347	834,074,802	562,754,347	834,074,802
	Depreciation - based on cost	(513,304,833)	(466,303,549)	(542,059,395)	(467,874,515)
	<b>Carrying value of purification/transfers</b>	328,481,525	(6,382,031)	328,420,162	(6,382,031)
	Cost	321,347,382	(13,912,817)	321,132,645	(13,912,817)
	Accumulated depreciation - cost	7,134,143	7,530,786	7,287,517	7,530,786
	<b>Carrying values at 30 June:</b>	7,458,749,026	6,415,334,163	7,932,428,568	6,776,010,776
	Cost	10,326,869,133	8,777,283,580	10,831,984,494	9,141,062,831
	Accumulated depreciation - cost	(2,868,120,107)	(2,361,949,417)	(2,899,555,926)	(2,365,052,055)
	Upon implementation of GAMAP 17 on 1 July 2004, all assets in the Capital Ledger were transferred to the Asset Register in the format of globular assets per asset class/type. Individual assets were shown in the Asset Register, but with a nil value as the value is reflected in the globular asset.				
	A process has been approved by Council for the purification of these globular assets to the individual assets. The Municipality is now in year 2 of a 3-year cycle to purify the data of the fixed asset register. All major assets are purified per asset class and 25 % has been completed by the end of the 2005/06 financial year. All new assets acquired since 1 July 2004 are recognized and depreciated individually as per the requirements of GAMAP 17.				
	Note must be taken that no revaluation and/or impairment of assets can be undertaken until the purification process is finalised.				
	<b>The purification process entails the following:</b>				
	<ul style="list-style-type: none"> <li>■ Compilation of policies and procedures, revision of asset class structure and modification of business processes to ensure compliance with GAMAP 17</li> <li>■ Analysis of capital ledger transactions to ensure correct recording thereof on the fixed asset register</li> <li>■ Complete verification and take-up of the physical assets with the assistance of the departments</li> <li>■ Purification of the fixed asset register by merging the two sets of data with the assistance of the departments</li> </ul>				
10	<b>INVESTMENTS</b>				
10.1	<b>HELD-FOR-MATURITY INVESTMENTS</b>				
	<b>Listed:</b>				
	Stock and shares	5,000,000	5,000,000	5,000,000	5,000,000
	<b>Unlisted:</b>				
	Municipal stock	6,056,959	6,056,959	6,056,959	6,056,959
	<b>Financial instruments:</b>				
	Fixed deposits	466,780,248	435,219,419	520,230,240	469,027,028
	Assurance companies	4,705,630	5,264,600	4,705,630	5,264,600
		471,485,878	440,484,019	524,935,870	474,291,628
	<b>Total Held-for-Maturity Investments</b>	<b>482,542,837</b>	<b>451,540,978</b>	<b>535,992,829</b>	<b>485,348,587</b>
10.2	<b>HELD-FOR-SALE INVESTMENTS</b>				
	Investments (Shares) in municipal entities	0	4,100	0	4,100
	Short-term deposits and Call deposits	375,568,880	653,466,319	375,570,877	653,469,316
		375,568,880	653,470,419	375,570,877	653,473,416
	<b>TOTAL INVESTMENTS</b>	<b>858,111,717</b>	<b>1,105,011,397</b>	<b>911,563,706</b>	<b>1,138,822,003</b>
	Market value of listed investments, and management's valuation of unlisted investments:				
	Listed investments	5,000,000	5,000,000	5,000,000	5,000,000
	Unlisted investments	853,111,717	1,100,011,397	906,563,706	1,133,822,003
	Average rate of return on investments	13,25 %	13,14 %	13,25 %	13,14 %
	The Local Government Transition Act, 1993 (Act 209 of 1993) as amended requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty interest rate to meet commitments.				

	DESCRIPTION	MUNICIPALITY		GROUP	
		2006	2005	2006	2005
		R	R	R	R
	<b>IMPAIRMENT GAIN/LOSS ON INVESTMENTS</b>				
	During the financial year Tswaing Electricity Project (Pty) Ltd and Lebone Municipal Finance Corporation were liquidated.				
	Impairment Gain: Tswaing Electricity Project (Pty) Ltd	9,239,965		9,239,965	
	Impairment Loss: Lebone Municipal Finance Corporation	(100)		(100)	
	No amount was received from Lebone Municipal Finance Corporation				
11	<b>LONG-TERM RECEIVABLES</b>				
	Consumers: Arrangement debtors	143,061,938	153,858,604	143,061,938	153,858,604
	Housing loans	97,667,736	99,405,837	97,667,736	99,405,837
	Motor car loans	20,383,146	49,552,639	20,383,146	49,552,639
	Loans to Sports Clubs	1,786,494	2,245,270	1,786,494	2,245,270
	Computer loans	3,821	55,888	3,821	55,888
	Study loans	23,096	263,439	23,096	263,439
	Sale of land	64,217,013	69,359,287	64,217,013	69,359,287
	Samrand Development (Pty) Ltd	18,152,564	18,152,564	18,152,564	18,152,564
		<u>345,295,808</u>	<u>392,893,528</u>	<u>345,295,808</u>	<u>392,893,528</u>
	Less: Current portion transferred to current receivables	16,320,964	29,898,414	16,320,964	29,898,414
		<u>328,974,844</u>	<u>362,995,114</u>	<u>328,974,844</u>	<u>362,995,114</u>
	Less: Provision for bad debt: Housing loans	34,306,320		34,306,320	
	<b>Total Long-term receivables</b>	<u>294,668,524</u>	<u>362,995,114</u>	<u>294,668,524</u>	<u>362,995,114</u>
	<b>CONSUMER: ARRANGEMENT DEBTORS</b>				
	Arrangement debtors exist due to the policy granting consumer debtors to make arrangements to pay off their arrear debt over a certain period.				
	<b>HOUSING LOANS</b>				
	Housing loans are granted to qualifying individuals in terms of the Provincial Administration's Housing Programme. These loans attract interest of 13,5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable.				
	<b>MOTOR CAR LOANS</b>				
	Senior staff were entitled to motor car loans which attract interest at 8,5 % per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in October 2009.				
	<b>LOANS TO SPORT CLUBS</b>				
	Sport Clubs that do qualify, sign a 99 year lease hold agreement with the Municipality at a nominal amount and are provided with financial assistance from the Municipality to build or improve a facility of which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.				
	<b>COMPUTER LOANS</b>				
	Staff were entitled to an interest free computer loan which was repayable over a period of 5 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in 2009.				
	<b>STUDY LOANS</b>				
	Employees were entitled to interest free study loans which were repayable over a period of one year after the completion of their studies. This practice has been terminated in terms of the MFMA. The last payment cannot be determined at present as some of the employees are still studying.				
	Children of employees of the Municipality also qualified for study loans which attracted an interest rate applicable during the period of application as determined by the Municipality at the time of the application and the approval thereof. No more new study loans are issued by the Municipality.				
	<b>SALE OF LAND DEBTORS</b>				
	Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14 %) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 11 %. Interest is calculated monthly on the outstanding balance of the property.				
	<b>SAMRAND DEVELOPMENT (PTY) LTD</b>				
	This debtor refers to long outstanding consumer debt of Samrand.				
12	<b>INVENTORY</b>				
	Stock represents consumable stock, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock.				
	Quarry	105,282,905	155,718,147	121,564,781	156,033,878
	Livestock	281,373	454,841	281,373	454,841
	Plants	10,458,980	0	10,458,980	0
	Bulk water	75,415	87,605	75,415	87,605
		<u>2,825,889</u>	<u>2,407,075</u>	<u>2,825,889</u>	<u>2,407,075</u>
		<u>118,924,562</u>	<u>158,667,668</u>	<u>135,206,438</u>	<u>158,983,399</u>
	Less: Provision for obsolete stock	2,900,000	2,900,000	2,900,000	2,900,000
	<b>Net Inventory</b>	<u>116,024,562</u>	<u>155,767,668</u>	<u>132,306,438</u>	<u>156,083,399</u>



DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>13 CONSUMER DEBTORS</b>				
The City of Tshwane has a consolidated account billing system. The division of Debtors per service category is done on a pro rata basis based on the levies. The provision for bad debt is therefore also not available per income group.				
Service debtors	2,959,669,372	2,711,187,239	3,211,074,853	2,711,187,239
Rates	831,081,071	764,554,802	831,081,071	764,554,802
Electricity	1,163,640,622	1,285,102,751	1,163,640,622	1,285,102,751
Water	580,090,538	444,634,707	831,496,019	444,634,707
Sewerage	144,602,857	103,025,115	144,602,857	103,025,115
Refuse removal	240,254,284	113,869,864	240,254,284	113,869,864
Less: Arrangement debtors	143,061,938	153,858,604	143,061,938	153,858,604
	2,816,607,434	2,557,328,635	3,068,012,915	2,557,328,635
Less: Provision for Bad debt	830,673,256	703,785,974	1,068,446,752	703,785,974
<b>Consumer debtors per balance sheet</b>	<b>1,985,934,178</b>	<b>1,853,542,661</b>	<b>1,999,566,163</b>	<b>1,853,542,661</b>
A total amount of R168 492 129 (2005: R148 763 549) was written off as bad debt. This represents 2,06 % (2004: 5,7%) of the total operating income for the year.				
<b>Ageing: Total</b>				
Current (0 - 30 days)	689,715,136	1,078,879,386	941,120,617	1,078,879,386
31 - 60 days	115,850,492	120,506,619	115,850,492	120,506,619
61 - 90 days	93,641,547	136,098,977	93,641,547	136,098,977
91 + days	2,060,462,197	1,375,702,257	2,060,462,197	1,375,702,257
	2,959,669,372	2,711,187,239	3,211,074,853	2,711,187,239
<b>Rates: Ageing</b>				
Current (0 - 30 days)	113,917,075		113,917,075	0
31 - 60 days	35,043,713		35,043,713	0
61 - 90 days	23,144,317		23,144,317	0
91 + days	658,975,966		658,975,966	0
	831,081,071		831,081,071	0
<b>Electricity: Ageing</b>				
Current (0 - 30 days)	363,365,851		363,365,851	0
31 - 60 days	42,225,333		42,225,333	0
61 - 90 days	41,481,404		41,481,404	0
91 + days	716,568,034		716,568,034	0
	1,163,640,622		1,163,640,622	0
<b>Water: Ageing</b>				
Current (0 - 30 days)	144,304,035		395,709,516	0
31 - 60 days	26,752,755		26,752,755	0
61 - 90 days	18,901,690		18,901,690	0
91 + days	390,132,058		390,132,058	0
	580,090,538		831,496,019	0
<b>Sanitation: Ageing</b>				
Current (0 - 30 days)	32,182,355		32,182,355	0
31 - 60 days	4,284,728		4,284,728	0
61 - 90 days	3,702,793		3,702,793	0
91 + days	104,432,981		104,432,981	0
	144,602,857		144,602,857	0
<b>Solid Waste: Ageing</b>				
Current (0 - 30 days)	35,945,820		35,945,820	0
31 - 60 days	7,543,965		7,543,965	0
61 - 90 days	6,411,342		6,411,342	0
91 + days	190,353,157		190,353,157	0
	240,254,284		240,254,284	0
<b>Summary of consumer debtors by customer classification:</b>				
Household	2,104,324,923	1,927,654,127	2,355,730,404	1,927,654,127
Industrial/Commercial	600,812,883	550,371,010	600,812,883	550,371,010
National and Provincial Government	50,314,379	46,090,183	50,314,379	46,090,183
Other	204,217,187	187,071,919	204,217,187	187,071,919
<b>Total consumer debtors by customer classification</b>	<b>2,959,669,372</b>	<b>2,711,187,239</b>	<b>3,211,074,853</b>	<b>2,711,187,239</b>

	DESCRIPTION	MUNICIPALITY		GROUP	
		2006	2005	2006	2005
		R	R	R	R
	<b>RECONCILIATION OF BAD DEBT PROVISION</b>				
	Balance at the beginning of the year	703,785,974	535,388,712	703,785,974	535,388,712
	Contributions to provision	126,887,282	168,397,262	364,660,778	168,397,262
	<b>Balance at the end of the year</b>	<b>830,673,256</b>	<b>703,785,974</b>	<b>1,068,446,752</b>	<b>703,785,974</b>
14	<b>OTHER DEBTORS</b>				
	Housing debtors*	7,912,349	16,380,826	7,912,349	16,380,826
	Government subsidies	2,820,000	5,220,500	2,820,000	5,220,500
	RSC levies debtor	75,778,396	55,358,983	75,778,396	55,358,983
	Amounts paid in advance	11,032	217,336,572	76,654,046	297,557,826
	Other Current debtors	181,300,164	227,350,912	193,701,873	227,701,588
		267,821,941	521,647,793	356,866,664	602,219,723
	Less: Provision for Bad debt	46,995,190	86,540,713	47,112,956	86,658,479
	<b>Total Other Debtors</b>	<b>220,826,751</b>	<b>435,107,080</b>	<b>309,753,708</b>	<b>515,561,244</b>
	* Due to the change over to the new SAP system during the financial year all monies received were allocated to one general ledger account. It could not be split between long-term and short-term Housing debtors for 2004/5				
	<b>RECONCILIATION OF BAD DEBT PROVISION</b>				
	Balance at the beginning of the year	86,540,713	25,534,055	86,540,713	25,534,055
	Correction of balance of 2004/5	(41,779,882)	0	(41,779,882)	0
	Contributions to provision	2,234,359	61,006,658	2,352,125	61,124,424
	<b>Balance at the end of the year</b>	<b>46,995,190</b>	<b>86,540,713</b>	<b>47,112,956</b>	<b>86,658,479</b>
15	<b>CALL INVESTMENT DEPOSITS</b>				
	Other deposits/call investments				
	Other deposits of R357 857 950 (2005 = R294 729 858) are ring-fenced and attributable to the Capital replacement reserve. Fixed deposits amounting to R580 454 336 (2005 =R502 407 243) have also been ring-fenced for the purposes of repaying long-term liabilities. Refer to Note 29	375,568,880	653,466,319	375,568,880	653,466,319
16	<b>BANK, CASH AND OVERDRAFT BALANCES</b>				
	The Municipality has the following bank accounts:-				
16.1	<b>Current Account (Primary Bank account)</b>				
	ABSA Main - Pretoria Branch (Account nr 4053381912)				
	FNB Main - Pretoria Branch (Account nr 51420107207)				
	FNB - Pretoria Collection ( Account nr 51420108130)				
	FNB - Centurion Collection (Account nr 62027802869)				
	FNB - Akasia Collection (Account nr 62027803023)				
	FNB - Housing Collection ( Account nr 51421127486)				
	FNB - SAP Collection (Account nr 62074177786)				
	FNB - Traffic Collection (Account nr 62067460586)				
	<b>ABSA</b>				
	Cash book balance at the beginning of the year - overdrawn	(38,962,372)	(90,817,347)	(38,962,372)	(90,817,347)
	Cash book balance at the end of the year - overdrawn	(29,715,301)	(38,962,372)	(29,715,301)	(38,962,372)
	Bank statement balance at the beginning of the year	56,479,853	19,210,844	56,479,853	19,210,844
	Bank statement balance at the end of the year	60,295,912	56,479,853	60,295,912	56,479,853

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>BANK, CASH AND OVERDRAFT BALANCES (continued)</b>				
<b>FNB</b>				
Cash book balance at the beginning of the year	2,498,456	0	2,498,456	0
Cash book balance at the end of the year	3,509,343	2,498,456	3,509,343	2,498,456
Bank statement balance at the beginning of the year	2,716,551	4,625,026	2,716,551	4,625,026
Bank statement balance at the end of the year	3,517,003	2,716,551	3,517,003	2,716,551
<b>16.2 Insurance Contingency (Opened 1 July 2005)</b>				
ABSA (Account nr: 4062593950)				
Cash book balance at the beginning of the year	0	0	0	0
Cash book balance at the end of the year	7,972,921	0	7,972,921	0
Bank statement balance at the beginning of the year	0	0	0	0
Bank statement balance at the end of the year	7,972,921	0	7,972,921	0
<b>16.3 Tshwane Market (Primary account)</b>				
First National Bank - Church Square Branch (Account nr: 51421161509)				
Cash book balance at the beginning of the year	6,442,133	2,309,436	6,442,133	2,309,436
Cash book balance at the end of the year	7,073,890	6,442,133	7,073,890	6,442,133
Bank statement balance at the beginning of the year	6,170,004	4,653,751	6,170,004	4,653,751
Bank statement balance at the end of the year	6,665,740	6,170,004	6,665,740	6,170,004
<b>16.4 Petty cash/cashiers floats</b>	<b>256,078</b>	<b>237,094</b>	261,061	238,277
<b>16.5 BANK ACCOUNTS: MUNICIPAL ENTITIES</b>				
<b>16.5.1 Roodeplaat/Temba Water Services Trust</b>				
<b>Absa - Current account (Account nr 4058159742)</b>				
Cash book balance at the beginning of the year			1,074,955	7,552,253
Cash book balance at the end of the year			39,183,111	1,074,955
Bank statement balance at the beginning of the year			1,074,955	8,903,628
Bank statement balance at the end of the year			39,183,111	1,074,955
<b>Absa - Deposit account - Roodeplaat (Account nr 4059250408)</b>				
Cash book balance at the beginning of the year			11,697,447	25,308,891
Cash book balance at the end of the year			22,074,114	11,697,447
Bank statement balance at the beginning of the year			11,697,447	13,774,147
Bank statement balance at the end of the year			22,074,114	11,697,447
<b>Absa - Debt Service Reserve account (Account nr 4058337269)</b>				
Cash book balance at the beginning of the year			13,423,318	0
Cash book balance at the end of the year			90,045,565	13,423,318
Bank statement balance at the beginning of the year			13,423,318	0
Bank statement balance at the end of the year			90,045,565	13,423,318
<b>Absa - Deposit account - Temba (Account nr 405832325)</b>				
Cash book balance at the beginning of the year			13,446,728	0
Cash book balance at the end of the year			30,685,615	13,446,728
Bank statement balance at the beginning of the year			13,446,728	11,534,743
Bank statement balance at the end of the year			30,685,615	13,446,728
<b>Absa - Operating Reserve account (Account nr 4058337073)</b>				
Cash book balance at the beginning of the year			1,114	0
Cash book balance at the end of the year			501,538	1,114
Bank statement balance at the beginning of the year			1,114	0
Bank statement balance at the end of the year			500,338	1,114

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>BANK ACCOUNTS: MUNICIPAL ENTITIES (continued)</b>				
<b>Roodeplaat/Temba Water Services Trust (continued)</b>				
<b>Absa - Capital Reserve account (Account nr 4058337358)</b>				
Cash book balance at the beginning of the year			(1,786,802)	0
Cash book balance at the end of the year			10,000,341	(1,786,717)
Bank statement balance at the beginning of the year			(85)	0
Bank statement balance at the end of the year			10,000,341	0
<b>16.5.2 Trade Point Pretoria</b>				
<b>Absa - Current account (Account nr 4054625800)</b>				
Cash book balance at the beginning of the year			133,226	157,502
Cash book balance at the end of the year			112,278	133,226
Bank statement balance at the beginning of the year			192,346	168,732
Bank statement balance at the end of the year			176,645	192,346
<b>16.5.3 Sandspruit Works Waste Water Treatment</b>				
<b>Absa - Current account (Account nr 4051139634)</b>				
Cash book balance at the beginning of the year			4,157,827	1,201,521
Cash book balance at the end of the year			4,469,149	4,157,827
Bank statement balance at the beginning of the year			4,205,554	1,212,854
Bank statement balance at the end of the year			4,517,902	4,205,554
<b>16.5.4 Sandspruit Works ODI Water</b>				
<b>Standard Bank - Current account (Account nr 032250738000)</b>				
Cash book balance at the beginning of the year			0	0
Cash book balance at the end of the year			11,518,431	0
Bank statement balance at the beginning of the year			0	0
Bank statement balance at the end of the year			12,958,687	0
<b>Standard Bank - Current account (Account nr 031906842000)</b>				
Cash book balance at the beginning of the year			0	0
Cash book balance at the end of the year			105,948	0
Bank statement balance at the beginning of the year			0	0
Bank statement balance at the end of the year			439,551	0
<b>Standard Bank - Call account (Account nr 738717959002)</b>				
Cash book balance at the beginning of the year			0	0
Cash book balance at the end of the year			14,197	0
Bank statement balance at the beginning of the year			0	0
Bank statement balance at the end of the year			14,197	0
<b>Standard Bank - Call account (Account nr 738717959003)</b>				
Cash book balance at the beginning of the year			0	0
Cash book balance at the end of the year			618,109	0
Bank statement balance at the beginning of the year			0	0
Bank statement balance at the end of the year			618,109	0

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>BANK ACCOUNTS: MUNICIPAL ENTITIES (continued)</b>				
<b>Sandspruit Works ODI Water (continued)</b>				
<b>Standard Bank - Call account (Account nr 738717959001)</b>				
Cash book balance at the beginning of the year			0	0
Cash book balance at the end of the year			4,236,574	0
Bank statement balance at the beginning of the year			0	0
Bank statement balance at the end of the year			4,236,574	0
<b>16.5.5 Enterprise South Africa</b>				
<b>Absa - Current account (Account nr 4059489340)</b>				
Cash book balance at the beginning of the year			(5,843)	25,479
Cash book balance at the end of the year			(5,843)	(5,843)
Bank statement balance at the beginning of the year			8,740	29,417
Bank statement balance at the end of the year			8,740	8,740
<b>16.5.6 Civirelo Water</b>				
<b>Absa - Current account (Account nr 4052561692)</b>				
Cash book balance at the beginning of the year			1,799,426	20,436,735
Cash book balance at the end of the year			4,117,177	1,799,426
Bank statement balance at the beginning of the year			2,055,730	22,684,790
Bank statement balance at the end of the year			4,117,177	2,055,730
<b>16.5.7 Housing Company Tshwane</b>				
<b>Absa - Current account (Account nr 4057481879)</b>				
Cash book balance at the beginning of the year			1,273,180	1,025,110
Cash book balance at the end of the year			3,805,095	1,273,180
Bank statement balance at the beginning of the year			990,484	889,530
Bank statement balance at the end of the year			3,742,286	990,484
<b>16.5.8 Tshwane Centre for Business Information and Support</b>				
<b>Absa - Current account (Account nr 4050437263)</b>				
Cash book balance at the beginning of the year			94,686	137,225
Cash book balance at the end of the year			55,914	94,686
Bank statement balance at the beginning of the year			71,884	10,892
Bank statement balance at the end of the year			53,375	71,884

	DESCRIPTION	MUNICIPALITY		GROUP	
		2006	2005	2006	2005
		R	R	R	R
17	<b>PROPERTY RATES</b>				
	<b>Actual Income</b>	1,624,061,411	1,468,347,319	1,624,061,411	1,468,347,319
	<b>Site Values as at 1 July:</b>				
	Residential	15,451,995,608	11,787,861,427	15,451,995,608	11,787,861,427
	Other	9,369,325,676	7,053,432,645	9,369,325,676	7,053,432,645
	<b>Total property valuation</b>	<b>24,821,321,284</b>	<b>18,841,294,072</b>	<b>24,821,321,284</b>	<b>18,841,294,072</b>
	Valuations on land are performed every 3 years. The last valuation came into effect on 1 July 2002. Rates are levied on the site valuations. A rebate is granted to owners of special dwellings. Persons of 65 years or older, and physically or mentally handicapped persons who can substantiate receipt of a social pension, and persons certified by the Medical Officer of Health as physically or mentally handicapped, can qualify for a rebate, subject to certain other conditions. The tariff applicable is 12.72c/Rand (2004/5 = 11.88c/Rand)				
18	<b>SERVICE CHARGES</b>				
	Sale of electricity	2,513,150,345	2,457,730,949	2,513,101,970	2,457,695,235
	Sale of water	905,434,503	835,878,098	984,016,492	835,775,476
	Refuse removal	240,037,915	221,216,147	240,037,915	221,216,147
	Sewerage and sanitation charges	215,934,611	194,398,042	216,108,579	194,337,550
	<b>Total service charges</b>	<b>3,874,557,374</b>	<b>3,709,223,236</b>	<b>3,953,264,956</b>	<b>3,709,024,408</b>
19	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>				
	Equitable share	261,870,276	192,481,837	261,870,276	192,481,837
	Department of Water Affairs	0	0	2,668,663	10,519,821
	Magalies Water	0	0	1,348,465	0
	Gauteng Partnership Fund	0	0	0	0
	Sandspruit: Department Water Affairs & Forestry	0	0	15,921,068	0
	Provincial Health subsidies	10,911,995	10,494,750	10,911,995	10,494,750
	Provincial Ambulance subsidy	30,641,169	27,109,445	30,641,169	27,109,445
	National Safety grant	756,565	412,620	756,565	412,620
	Provincial motor vehicle licences refund	51,325,305	43,147,863	51,325,305	43,147,863
	Capex: grants & donations	360,156,572	363,098,951	360,156,572	363,098,951
	Opex: grants & donations	1,530,458	53,468,626	1,530,458	90,945,626
	Finance Management grant	2,955,963	4,351,418	2,955,963	4,351,418
	Restructuring grant	42,549,758	7,043,738	42,549,758	7,043,738
	DWAF Grant	2,150,000	0	2,150,000	0
	IMEI grant	410,000	0	410,000	0
	RTWST grant	20,000,000	0	0	0
	Ntsika	0	0	151,797	0
	SEDA	0	0	79,500	0
	Gauteng Provincial Government: Housing	0	0	0	0
	<b>Total Government grants and subsidies</b>	<b>785,258,061</b>	<b>701,609,248</b>	<b>785,427,554</b>	<b>749,606,069</b>
19.1	<b>Equitable share</b>				
	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 which is funded from this grant.				
	<b>Total amount of equitable share received</b>	<b>261,870,276</b>	<b>192,481,838</b>	<b>261,870,276</b>	<b>192,481,838</b>
	<b>Monthly grant received by all registered indigents</b>	<b>166</b>	<b>140</b>	<b>166</b>	<b>140</b>
19.2	<b>Provincial Health Subsidies</b>				
	Balance unspent at beginning of year	0	0	0	0
	Current year receipts - included in public health vote	10,911,995	10,494,750	10,911,995	10,494,750
	Conditions met - transferred to revenue	(10,911,995)	(10,494,750)	(10,911,995)	(10,494,750)
	<b>Conditions still to be met - transferred to liabilities (see note 7)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	The Municipality renders health services on behalf of the Provincial Government This grant has been used exclusively to fund clinic services (included in the Social Development vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.				
	<b>Percentage of expenditure incurred refunded = 71.4 %</b>				

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>19.3 Provincial Ambulance subsidy</b>				
Balance unspent at beginning of year	0	0	0	0
Current year receipts - included in emergency medical services vote	30,641,169	27,109,445	30,641,169	27,109,445
Conditions met - transferred to revenue	(30,641,169)	(27,109,445)	(30,641,169)	(27,109,445)
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
The Municipality renders ambulance services on behalf of the provincial government and is reimbursed. 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 grant have been met. There was no delay or withholding of the subsidy.				
<b>Percentage of expenditure incurred refunded = 65,5 % (2004 = 64,9 %)</b>				
<b>19.4 MIG</b>				
Balance unspent at beginning of year	38,042,268	18,039,493	38,042,268	18,039,493
Current year receipts	155,019,913	175,345,097	155,019,913	212,822,097
Conditions met - transferred to revenue	(193,062,181)	(155,342,322)	(193,062,181)	(192,819,322)
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>	<b>0</b>	<b>38,042,268</b>	<b>0</b>	<b>38,042,268</b>
This grant is used to construct roads and sewerage infrastructure as part of the capital expenditure (included in the roads and sewerage votes in Appendix B). No funds have been withheld.				
<b>19.5 FINANCE MANAGEMENT GRANT</b>				
Balance unspent at beginning of year	3,077,229	4,428,647	3,077,229	4,428,647
Current year receipts	3,000,000	3,000,000	3,000,000	3,000,000
Conditions met - transferred to revenue	(2,955,963)	(4,351,418)	(2,955,963)	(4,351,418)
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>	<b>3,121,266</b>	<b>3,077,229</b>	<b>3,121,266</b>	<b>3,077,229</b>
This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Financial Management and Budget Reforms, as part of the National Reform program. No funds have been withheld.				
<b>19.6 MUNICIPAL SYSTEM IMPROVEMENT GRANT</b>				
Balance unspent at beginning of year	2,000,000	0	2,000,000	0
Current year receipts	3,000,000	2,000,000	3,000,000	2,000,000
Conditions met - transferred to revenue	0	0	0	0
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>	<b>5,000,000</b>	<b>2,000,000</b>	<b>5,000,000</b>	<b>2,000,000</b>
This grant is used to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000. No funds have been withheld.				
<b>19.7 RESTRUCTURING GRANT</b>				
Balance unspent at beginning of year	79,842,618	36,886,356	79,842,618	36,886,356
Current year receipts	65,000,000	50,000,000	65,000,000	50,000,000
Conditions met - transferred to revenue	(42,549,758)	(7,043,738)	(42,549,758)	(7,043,738)
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>	<b>102,292,860</b>	<b>79,842,618</b>	<b>102,292,860</b>	<b>79,842,618</b>
This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Institutional, Financial and Economic restructuring in line with the City Development Strategy, which is aligned to the National Government's Development Strategy. No funds were withheld.				

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>				
<b>19.8 DEPARTMENT OF WATER AFFAIRS AND FORESTRY</b>				
Balance unspent at beginning of year	29,988,284		29,988,284	0
Current year receipts	0		4,388,663	10,519,821
Conditions met - transferred to revenue	(15,997,373)		(20,386,036)	(10,519,821)
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>	<b>13,990,911</b>		<b>13,990,911</b>	<b>0</b>
This grant was received for the supply of water services for community upliftment.				
<b>19.9 CITY OF TSHWANE METROPOLITAN MUNICIPALITY (HOUSING COMPANY)</b>				
Balance unspent at beginning of year			0	0
Current year receipts			0	0
Conditions met - transferred to revenue			0	0
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>			<b>0</b>	<b>0</b>
This grant was received for the administration and operation of the Housing Company Tshwane.				
<b>19.10 GAUTENG PARTNERSHIP FUND</b>				
Balance unspent at beginning of year			0	0
Current year receipts			0	0
Conditions met - transferred to revenue			0	0
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>			<b>0</b>	<b>0</b>
This grant was received for the administration and operation of the Housing Company Tshwane.				
<b>19.11 GAUTENG PROVINCIAL GOVERNMENT: HOUSING</b>				
Balance unspent at beginning of year			22,767,419	53,241,684
Current year receipts			0	0
Conditions met - transferred to revenue			(22,767,419)	(30,474,265)
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>			<b>0</b>	<b>22,767,419</b>
This grant was received for the installation of sanitation, water and roads for communal benefit.				
<b>19.12 MAGALIES WATER</b>				
Balance unspent at beginning of year			0	0
Current year receipts			1,348,465	0
Conditions met - transferred to revenue			(1,348,465)	0
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>			<b>0</b>	<b>0</b>
This grant was received for the installation of water for communal benefit.				
<b>19.13 SANDSPRUIT: DEPARTMENT OF WATER AFFAIRS AND FORESTRY</b>				
Balance unspent at beginning of year			0	0
Current year receipts			15,921,068	0
Conditions met - transferred to revenue			(15,921,068)	0
<b>Conditions still to be met - transferred to liabilities (see note 7)</b>			<b>0</b>	<b>0</b>
This grant was received for the refurbishment at Klippgat and Temba Waste Water Treatment plants.				
<b>19.14 Changes in levels of government grants</b>				
Based on the allocations set out in the Division of Revenue Act (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.				



20	DESCRIPTION	MUNICIPALITY		GROUP	
		2006	2005	2006	2005
		R	R	R	R
	<b>OTHER INCOME</b>				
	Drain cleaning fees	1,082,283	0	1,082,283	0
	Reconnections fees	19,336,395	23,222,351	19,336,395	23,222,351
	Sewerage fees: Industrial effluent	15,904,897	12,791,676	15,904,897	12,791,676
	Interest on housing sales	7,802,403	1,347,353	7,802,403	1,347,353
	Interest on property sales	5,054,322	0	5,054,322	0
	Reminder fees	5,264,524	2,684,441	5,264,524	2,684,441
	Ambulance fees	2,352,944	2,112,005	2,352,944	2,112,005
	Airside income	1,689,516	1,635,815	1,689,516	1,635,815
	Connection fees: Urban areas	6,600,830	5,427,140	6,600,830	5,427,140
	Disconnection investigation fees	14,795,291	0	14,795,291	0
	Cemetery fees	2,473,798	2,787,462	2,473,798	2,787,462
	Fees for relaxation of building line	1,276,604	1,983,543	1,276,604	1,983,543
	Building plan fees	34,807,691	26,846,108	34,807,691	26,846,108
	Library fines	1,148,275	1,303,008	1,148,275	1,303,008
	Restaurant sales	1,489,921	1,713,282	1,489,921	1,713,282
	Sundry fees	11,140,239	4,956,886	11,140,239	4,956,886
	Income from grave services	3,721,529	3,160,581	3,721,529	3,160,581
	Application fees	3,461,865	3,426,475	3,461,865	3,426,475
	Connection fees	22,161,026	18,772,156	22,161,026	18,772,156
	Approval fees: advertisements	11,813,765	11,770,852	11,813,765	11,770,852
	Discount on prompt payments	12,337,723	10,469,828	12,337,723	10,469,828
	Market fees	51,263,922	44,083,828	51,263,922	44,083,828
	Lodging fees	1,008,045	1,651,463	1,008,045	1,651,463
	Parking fees: vehicles	2,182,549	2,004,814	2,182,549	2,004,814
	Training fees recovered	14,554,674	6,174,559	14,554,674	6,174,559
	Dumping fees	7,205,581	5,262,382	7,205,581	5,262,382
	Income from bulk containers	24,191,144	15,093,528	24,191,144	15,093,528
	Sale of livestock and introduction of inventory of livestock	10,488,341	0	10,488,341	0
	Sale of stone	4,038,088	3,148,800	4,038,088	3,148,800
	Sale unusable stock	3,359,926	2,803,498	3,359,926	2,803,498
	Sales: Aeroplane fuel	21,822,197	13,903,168	21,822,197	13,903,168
	Transport fees	38,612,706	42,130,012	38,612,706	42,130,012
	Capital income recovered insurance claims	20,359,957	0	20,359,957	0
	Claims recovered compensation commissioner	11,606,567	0	11,606,567	0
	Bad debt recovered	11,202,755	0	11,202,755	0
	Housing schemes: sale of houses	31,250,221	0	31,250,221	0
	Land sales	10,522,993	7,471,073	10,522,993	7,471,073
	Other	150,576,157	53,465,297	262,525,834	85,268,539
	<b>Total other income</b>	<b>599,961,664</b>	<b>333,603,384</b>	<b>711,911,341</b>	<b>365,406,626</b>

21	DESCRIPTION	MUNICIPALITY		GROUP	
		2006	2005	2006	2005
		R	R	R	R
	<b>EMPLOYEE RELATED COSTS</b>				
	Salaries and wages	1,380,012,131	1,259,712,791	1,411,006,227	1,261,805,917
	Contributions to UIF, pensions and medical aids	422,396,813	478,390,273	422,396,813	478,406,336
	Overtime payments	107,473,054	97,163,654	107,473,054	97,163,654
	Long-service awards	8,114,054	10,527,359	8,114,054	10,527,359
	Travel allowance	154,356,772	139,081,205	154,356,772	139,081,205
	Housing benefits and allowance	20,723,638	23,980,285	20,723,638	23,980,285
	Performance bonus	369,532	3,953,499	369,532	3,953,499
	Other allowances	67,156,283	57,088,905	67,156,283	57,088,905
	<b>Total employee related cost</b>	<b>2,160,602,277</b>	<b>2,069,897,971</b>	<b>2,191,596,373</b>	<b>2,072,007,160</b>
	<b>REMUNERATION OF THE MUNICIPAL MANAGER</b>				
	Annual remuneration	705,564	650,556	705,564	650,556
	Performance bonuses	163,178	67,150	163,178	67,150
	Car allowance	240,000	240,000	240,000	240,000
	Medical and pension fund contributions	26,172	16,172	26,172	16,172
	<b>Total</b>	<b>1,134,914</b>	<b>973,878</b>	<b>1,134,914</b>	<b>973,878</b>
	<b>REMUNERATION OF THE CHIEF FINANCIAL OFFICER</b>				
	Annual remuneration	548,447	616,392	548,447	616,392
	Performance bonuses	152,264	132,182	152,264	132,182
	Car allowance	100,000	120,000	100,000	120,000
	Medical and pension fund contributions	90,573	100,224	90,573	100,224
	<b>Total</b>	<b>891,284</b>	<b>968,798</b>	<b>891,284</b>	<b>968,798</b>
	<b>REMUNERATION OF STRATEGIC EXECUTIVE OFFICERS</b>				
	<b>Annual remuneration:</b>				
	Technical services	1,235,502	932,492	1,235,502	932,492
	Corporate services	2,384,737	2,377,306	2,384,737	2,377,306
	Community services	3,251,601	2,787,827	3,251,601	2,787,827
	<b>Performance bonuses:</b>				
	Technical services	195,861	90,937	195,861	90,937
	Corporate services	254,410	338,472	254,410	338,472
	Community services	542,173	448,120	542,173	448,120
	<b>Car allowance:</b>				
	Technical services	238,800	208,800	238,800	208,800
	Corporate services	388,973	328,800	388,973	328,800
	Community services	496,086	379,200	496,086	379,200
	<b>Medical and pension fund contributions:</b>				
	Technical services	135,606	128,640	135,606	128,640
	Corporate services	48,717	115,808	48,717	115,808
	Community services	156,162	215,628	156,162	215,628
	<b>Total:</b>	<b>9,328,628</b>	<b>8,352,030</b>	<b>9,328,628</b>	<b>8,352,030</b>
	<b>Total:</b>				
	Technical services	1,805,769	1,360,869	1,805,769	1,360,869
	Corporate services	3,076,837	3,160,386	3,076,837	3,160,386
	Community services	4,446,022	4,446,022	4,446,022	4,446,022
	<b>Total</b>	<b>9,328,628</b>	<b>8,352,030</b>	<b>9,328,628</b>	<b>8,352,030</b>
22	<b>REMUNERATION OF COUNCILLORS</b>				
	Mayor's allowance	280,764	271,599	280,764	271,599
	Councillor's allowances	24,608,991	23,426,558	24,608,991	23,426,558
	Allowance of the Speaker	51,241	35,709	51,241	35,709
	Councillor's pension contributions	2,749,668	2,827,710	2,749,668	2,827,710
	Travelling allowance	5,989,758	5,625,661	5,989,758	5,625,661
	Councillor's medical contributions	625,186	577,898	625,186	577,898
	Councillor's Housing allowances	489,718	490,086	489,718	490,086
	<b>Total remuneration of councillors</b>	<b>34,795,326</b>	<b>33,255,221</b>	<b>34,795,326</b>	<b>33,255,221</b>
	<b>In-kind Benefits</b>				
	The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.				
	The Executive Mayor has 20 full-time bodyguards				

	DESCRIPTION	MUNICIPALITY		GROUP	
		2006	2005	2006	2005
		R	R	R	R
23	<b>INTEREST PAID</b>				
	Long-term liabilities	265,790,172	232,445,766	283,105,853	233,261,173
	Bank overdrafts	839,995	60,150	940,588	60,559
	<b>Total Interest on External Borrowings</b>	<b>266,630,167</b>	<b>232,505,916</b>	<b>284,046,441</b>	<b>233,321,732</b>
24	<b>BULK PURCHASES</b>				
	Electricity	1,253,088,580	1,109,201,228	1,253,122,177	1,109,201,228
	Water	599,937,864	519,280,157	575,492,388	493,879,980
	<b>Total Bulk Purchases</b>	<b>1,853,026,444</b>	<b>1,628,481,385</b>	<b>1,828,614,565</b>	<b>1,603,081,208</b>
25	<b>GRANTS AND SUBSIDIES PAID</b>				
	Grants-in-aid	1,060,000	510,713	1,060,000	510,713
	Donations- SEDA			71,947	0
	Grants-in-aid: Assessment rates	9,165,682	5,994,330	9,165,682	5,994,330
	<b>Total Grants and Subsidies Paid</b>	<b>10,225,682</b>	<b>6,505,043</b>	<b>10,297,629</b>	<b>6,505,043</b>
	The grant in aid is in respect of the funding of Non Governmental Organisations involved in empowerment programmes for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.				
	The Municipality has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in Section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the Council in writing, for such grant-in-aid.				
26	<b>CORRECTION OF ERROR (CORRECTIONS PREVIOUS YEAR)</b>				
	VAT on Insurance claims prior to 2004/5	0	3,695,915	0	3,695,915
	Accumulated depreciation incorrectly calculated on land on 1 July 2004	0	(5,517,258)	0	(5,517,258)
	Consumer debtors (correction of levies with regard to water, electricity, etc)	0	38,024,004	0	38,024,004
	Provisioning and stock (correction of orders relating to prior years)	0	1,465,035	0	1,465,035
	Cashbook (correction of bank reconciliation differences, deposits, etc)	0	(6,839,074)	0	(6,839,074)
	Sundry debtors (correction of levies, interest, etc)	0	(464,815)	0	(464,815)
	Salaries (correction of payments and deductions)	0	63,883	0	63,883
	Creditors (correction of retention and contract payments)	0	(1,322,182)	0	(1,322,182)
	Capital works (correction of Capital Ledger - audit adjustments 2003/4)	0	(4,399,868)	0	(4,399,868)
	Income previous years/contributions (correct provision of last quarter subsidies)	0	255,739	0	255,739
	Assets (correction of Capital Ledger transactions - audit adjustments 2003/4)	0	(2,470,669)	0	(2,470,669)
	Other	0	(2,103,835)	0	(2,103,835)
	Capital Grants and Donations of previous years (transfer to revenue - expenditure financed from own sources in previous years)	0	(10,041,262)	0	(10,041,262)
	Write back of reserves in terms of GAMAP/GRAP	0	(6,705,270)	0	(6,705,270)
	Stale cheques prior years	0	(4,638,115)	0	(4,638,115)
	Stock shortages	0	11,010,629	0	11,010,629
	Stock surplusses	0	(6,422,552)	0	(6,422,552)
	Unclaimed monies prior years (transferred to revenue)	0	(48,280,492)	0	(48,280,492)
	Damaged stock written off	0	34,718	0	34,718
	Additional provision for obsolete stock	0	500,000	0	500,000
	<b>Total</b>	<b>0</b>	<b>(44,155,469)</b>	<b>0</b>	<b>(42,334,126)</b>

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>27 CASH GENERATED BY OPERATIONS</b>				
Net surplus/(deficit) for the year	315,352,113	595,365,285	355,988,801	665,459,009
<b>Adjustment for:-</b>	0	0	0	0
Depreciation	510,951,723	466,303,549	536,271,862	467,874,513
Depreciation corrections	2,353,110	0	2,353,110	0
Depreciation on disposals, transfers and adjustments	(7,134,143)	0	(7,134,143)	0
Gain on disposal of property, plant and equipment	(12,992,300)	(1,910,353)	(12,992,300)	(1,910,353)
Gain on disposal of investment (liquidation of municipal entities)	(9,239,965)	0	(9,239,965)	0
Contribution to Provision for Clearing up Alien Vegetation	2,869,225	0	2,869,225	0
Contribution to Capital Replacement reserve (public contributions via Capital Grants & Donations debtor)	0	630,175	0	630,175
Contribution to Insurance Reserve	0	8,786,904	0	8,786,904
Contribution to Provision for Obsolete stock	0	900,000	0	900,000
Correction: Provision for bad debt housing	(41,779,882)	0	(41,779,882)	0
Contribution to bad debt provision	163,427,961	280,815,332	401,201,457	280,815,332
Transfer from Future Depreciation Reserve: Asset purification/retirements	0	2,375,179	0	2,375,179
Insurance claim previous financial year	0	438,444	0	438,444
Restatement of advances from External Financing Fund	0	(778,126)	0	(778,126)
Investment income	(103,544,892)	(104,901,456)	(113,798,238)	(107,915,572)
Interest paid	266,630,167	232,505,916	284,046,441	233,321,732
Previous years operating transactions	0	44,155,469	(110,882)	44,155,469
Accumulated depreciation on land incorrectly calculated on 1 July 2004	0	(5,517,258)	0	(5,517,258)
<b>Operating surplus before working capital changes:</b>	<b>1,086,893,117</b>	<b>1,519,169,060</b>	<b>1,397,675,486</b>	<b>1,588,635,448</b>
Decrease/(Increase) in inventories	39,743,106	(4,078,024)	23,776,961	(4,393,755)
(Increase)/decrease in debtors	(259,278,799)	(565,926,624)	(510,684,280)	(637,681,870)
(Increase)/decrease in other debtors	253,825,852	(242,361,623)	245,353,059	(241,898,689)
(Decrease)/increase in conditional grants and receipts	(11,063,068)	(55,221,507)	(11,164,125)	(55,221,507)
Increase in provisions	0	0	4,459,530	0
Increase/(decrease) in creditors	(39,375,385)	558,715,801	36,433,363	587,770,928
Increase/ (Decrease) in VAT	71,269,437	(24,747,578)	94,751,001	(24,747,578)
<b>Cash generated by operations</b>	<b>1,142,014,260</b>	<b>1,185,549,505</b>	<b>1,280,600,995</b>	<b>1,212,462,977</b>
<b>28 CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position				
Bank balances and cash	18,812,232	9,177,683	240,360,371	56,280,772
Call investment deposits	375,568,880	653,466,319	375,570,877	680,916,561
Bank overdraft	(29,715,301)	(38,962,372)	(29,721,144)	(40,754,932)
<b>Total cash and cash equivalents</b>	<b>364,665,811</b>	<b>623,681,630</b>	<b>586,210,104</b>	<b>696,442,401</b>

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>29 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>				
Long-term liabilities (see Note 2)	2,197,367,109	1,918,954,575	2,197,367,109	1,918,954,575
Used to finance property, plant & equipment - at cost	1,931,694,790	1,175,148,466	1,931,694,790	1,175,148,466
Sub Total	265,672,319	743,806,109	265,672,319	743,806,109
Cash set aside for the repayment of long-term liabilities	580,454,336	502,407,243	580,454,336	502,407,243
<b>Cash invested for repayment of long-term liabilities (see Note 15)</b>	<b>(314,782,017)</b>	<b>241,398,866</b>	<b>(314,782,017)</b>	<b>241,398,866</b>
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.				
<b>30 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>30.1 Contributions to organized local government</b>				
Opening balance	0	0	0	0
Council subscriptions	(832,788)	(834,269)	(832,788)	(834,269)
Amount paid - current year	832,788	834,269	832,788	834,269
Amount paid - previous years	0	0	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>30.2 Audit fees</b>				
Opening balance	(785,710)	(5,789,667)	(828,747)	(5,864,667)
Current year audit fee	3,192,349	0	2,729,024	(266,036)
Amount paid - current year	(3,192,349)	0	(2,754,024)	221,036
Amount paid - previous years	785,710	5,003,957	814,694	5,080,920
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>(785,710)</b>	<b>(39,053)</b>	<b>(828,747)</b>
<b>30.3 VAT</b>				
VAT inputs receivables and VAT outputs receivables are shown in note 8.				
All VAT returns have been submitted by the due date throughout the financial year.				
<b>30.4 PAYE AND UIF</b>				
Opening balance	25,831,261	24,061,263	26,715,862	25,022,687
Current year payroll deductions	319,487,165	312,453,121	323,500,051	312,803,013
Amount paid - current year	(293,885,437)	(286,621,860)	(297,898,323)	(286,935,674)
Amount paid - previous years	(25,831,262)	(24,061,263)	(25,934,217)	(24,174,164)
<b>Balance unpaid (included in creditors)</b>	<b>25,601,727</b>	<b>25,831,261</b>	<b>26,383,373</b>	<b>26,715,862</b>
<b>30.5 Pension and Medical aid deductions</b>				
Opening balance	0	0	0	0
Current year payroll deductions and council contributions	667,615,113	531,103,418	667,615,113	531,116,135
Amount paid - current year	(667,615,113)	(531,103,418)	(667,615,113)	(531,116,135)
Amount paid - previous years	0	0	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>30.6 Councillor's arrear consumer accounts</b>				
<b>AMOUNTS OUSTANDING FOR MORE THAN 90 DAYS:</b>				
<b>Councillors without payoff arrangements:</b>				
S S Dlamini	365	411	365	411
E Sape	0	2,725	0	2,725
C S Mamabolo	8,706	6,224	8,706	6,224
K C Kekana	2,424	952	2,424	952
D K S Monnamorwa	9,224	1,580	9,224	1,580
T B Modisakeng	340	107	340	107
G Ndoko	3,496	1,853	3,496	1,853
M M Motobatse	1,585	411	1,585	411
S E Huma	3,368	567	3,368	567
D P Mokoete	56,826	0	56,826	0
G Seoketsa	24,118	0	24,118	0
Nkuna G & MM	8,547	0	8,547	0
Isabel Peach Family Trust	18,644	0	18,644	0
Joubert J H	1,354	0	1,354	0
<b>Total</b>	<b>138,998</b>	<b>14,829</b>	<b>138,998</b>	<b>14,829</b>
<b>Councillors with payoff arrangements:</b>				
E T Makhaya	0	35,219	0	35,219
T V Rambau	0	2,027	0	2,027
N E Vilakazi	25,942	15,758	25,942	15,758
K W & N Y Matjokane	0	38,184	0	38,184
B P & F T Zitha	0	3,845	0	3,845
Jan Kutumela	0	8,809	0	8,809
M J Kutumela	10,430	9,224	10,430	9,224
K E & M M Khubeka	24,333	17,561	24,333	17,561
Makola & Manchidi	0	2,762	0	2,762
<b>Total</b>	<b>60,705</b>	<b>133,388</b>	<b>60,705</b>	<b>133,388</b>
<b>TOTAL AMOUNT OUTSTANDING:</b>				
S S Dlamini	365	522	365	522
E Sape	0	3,010	0	3,010
C S Mamabolo	8,706	8,103	8,706	8,103
K C Kekana	2,424	2,050	2,424	2,050
D K S Monnamorwa	9,224	1,276	9,224	1,276
T B Modisakeng	340	200	340	200
G Ndoko	3,496	2,243	3,496	2,243
M M Motobatse	1,585	886	1,585	886
S E Huma	3,368	787	3,368	787
D P Mokoete	56,826	0	56,826	0
G Seoketsa	24,118	0	24,118	0
G & MM Nkuna	8,547	0	8,547	0
Isabel Peach Family Trust	18,644	0	18,644	0
J H Joubert	1,354	0	1,354	0
E T Makhaya	0	37,406	0	37,406
T V Rambau	0	3,255	0	3,255
N E Vilakazi	25,942	19,925	25,942	19,925
K W & N Y Matjokane	0	44,035	0	44,035
B P & F T Zitha	0	4,498	0	4,498
Jan Kutumela	0	11,255	0	11,255
M J Kutumela	10,430	9,931	10,430	9,931
K E & M M Khubeka	24,333	22,783	24,333	22,783
Makola & Manchidi	0	4,905	0	4,905
<b>Total arrear consumer accounts</b>	<b>199,703</b>	<b>177,070</b>	<b>199,703</b>	<b>177,070</b>

Information regarding arrear accounts for more than 90 days of Councillors during the financial year is not available.

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>31 CAPITAL COMMITMENTS</b>				
<b>Commitments in respect of capital expenditure:</b>				
<b>- Approved and contracted for</b>	1,414,399,500	249,061,000	1,414,399,500	249,061,000
Infrastructure	975,024,500	151,370,000	975,024,500	151,370,000
Community	76,972,000	34,357,000	76,972,000	34,357,000
Other	109,080,000	63,334,000	109,080,000	63,334,000
Housing	253,323,000	0	253,323,000	0
<b>- Approved but not contracted for</b>	310,367,500	1,391,467,000	310,367,500	1,391,467,000
Infrastructure	139,375,000	950,253,000	139,375,000	950,253,000
Community	137,665,000	83,442,000	137,665,000	83,442,000
Other	33,327,500	103,050,000	33,327,500	103,050,000
Housing	0	254,722,000	0	254,722,000
	<b>1,724,767,000</b>	<b>1,640,528,000</b>	<b>1,724,767,000</b>	<b>1,640,528,000</b>
<b>This expenditure will be financed from:</b>				
- Council Own Funding (External loans and/or Capital replacement reserve)	1,200,000,000	998,068,000	1,200,000,000	998,068,000
- Provincial grants	20,100,000	34,398,000	20,100,000	34,398,000
- Government Housing	273,723,000	345,953,000	273,723,000	345,953,000
- MIG	205,944,000	198,203,000	205,944,000	198,203,000
- National Electrification Fund	25,000,000	5,950,000	25,000,000	5,950,000
- Own resources	0	57,956,000	0	57,956,000
	<b>1,724,767,000</b>	<b>1,640,528,000</b>	<b>1,724,767,000</b>	<b>1,640,528,000</b>
<b>32 RETIREMENT BENEFIT INFORMATION</b>				
Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.				
<b>DEFINED CONTRIBUTION PLANS (AS CLASSIFIED BY THE FUND):</b>				
<b>32.1</b> <u>Tshwane Municipal Provident Fund</u> , which is a defined contribution plan and subject to the Pension Funds Act of 1956. The fund is not required to be actuarially valued. No benefits can be unfunded and the Municipality therefore has no commitment in this regard. 2 011 (16.36 %) of the Municipality's employees are members of this fund.				
<b>32.2</b> The Councillors of the City of Tshwane Metropolitan Municipality are members of the <u>Pension Fund for Municipal Councillors</u> which is a defined contribution fund and governed by the Pension Funds Act of 1956. The fund was established in 1988. The actuarial valuation carried out on 30 June 2006 reported the fund to be in a sound financial position. 143 (1.16 %) of the Municipality's employees are members of this fund.				
<b>32.3</b> The <u>National Fund for Municipal Workers</u> is a defined contribution fund and there is no statutory requirements to do an actuarial valuation. The Municipality has no commitment to finance any deficit. The latest voluntary actuarial valuation as at 30 June 2005 reported the fund to be in a sound financial position. 3 333 (27,11%) of the Municipality's employees are members of this fund.				
<b>32.4</b> <u>SALA Provident Fund</u> is a defined benefit fund. An actuarial valuation is carried out every 3 years. The Municipality has no commitment to finance any deficit. The actuarial valuation performed on 30 June 2004 reported the fund to be financially sound. 110 (0,89%) of council employees are members of this fund.				
<b>32.5</b> <u>SAMWU National Provident Fund</u> is a defined contribution fund. The fund is subject to actuarial valuation. The fund is not underwritten. The actuarial valuation performed on 30 June 2005 reported the fund to be in a sound financial position. 1 057 (8,60 %) of the Municipality's employees are members of this fund.				
<b>32.6</b> The <u>Germiston Municipal Retirement Fund</u> is a defined contribution fund and is governed by the Pension Funds Act of 1956. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 June 2005 reported the fund to be in a sound financial position. 3 (0,02 %) of the Municipality's employees are members of this fund.				
<b>32.7</b> <u>Meshawu National Local Authorities Retirement Fund</u> is a defined contribution fund (established on 1 August 1996) and is governed by the Pension Funds Act of 1956. The actuarial valuation done on 31 January 2001 reported the fund to be in a sound financial position with a funding level of 118,8 %. 66 (0,54 %) of the Municipality's employees are members of this fund.				
<b>32.8</b> <u>Municipal Gratuity Fund</u> . This is a defined benefit plan which is governed by the Pension Funds Act of 1956. The Municipality has no commitment to meet unfunded benefits. The actuarial valuation is carried out every 2 years. The actuarial valuation done on 30 June 2004 showed the fund to be in a sound financial position. 1 604 (13,05 %) of the Municipality's employees are members of this fund.				

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>RETIREMENT BENEFIT INFORMATION (continued)</b>				
<b>DEFINED BENEFIT PLANS (AS CLASSIFIED BY THE FUND):</b>				
32.9 <u>Tshwane Municipal Pension Fund</u> , which is a defined benefit plan and is governed by the Pension Funds Act of 1956. The Consulting Actuaries reported that the Fund was in a deficit position with liabilities exceeding assets by R39 594 000 as at 31 December 2005. 566 (4.60%) of the Municipality's employees are members of this fund.				
32.10 <u>SALA Pension Fund is a private fund</u> . 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. 1 095 (8.91 %) of the Municipality's employees are members of this fund.				
32.11 <u>The Government Employees Pension Fund</u> is a defined benefit fund and is governed by the Government Employees Pension Fund Law, 1996 in terms of Proclamation 21 of 19 April 1996. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2004 reported the fund to be in a sound financial position with a funding level of 96,5 %. 241 (1.96 %) of the Municipality's employees are members of this fund.				
32.12 <u>Joint Municipal Pension Fund</u> is not a pure defined benefit fund, but is a hybrid fund (which has qualities of both a defined benefit and defined contribution fund) and is governed by the Pension Funds Act of 1956. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 December 2004 reported a funding level of 99,7 % resulting in a shortfall of R15,662 million. The Municipality's employees make up approximately 1,78 % of the total membership. The Municipality's possible liability with regard to unfunded benefits is calculated to be R4 737 363. 75 ( 0,61 %) of the Municipality's employees are members of this fund.				
32.13 <u>Municipal Employees Pension Fund</u> is a defined benefit fund and is governed by the Pension Funds Act of 1956. The actuarial valuation performed on 29 February 2004 reported the fund to be in a sound financial position with a funding level of 100 %. 1 990 (16,19 %) of the Municipality's employees are members of this fund.				
33 <b>CONTINGENT LIABILITIES</b>				
33.1 <b>HOUSING LOANS</b> Guarantees for housing loans to employees at financial institutions	2,759,796	3,633,205	2,759,796	3,633,205
With the implementation of the MFMA no new guarantees are issued, the liability will therefore decrease in future. The property is used as collateral in cases of default on payments				
33.2 <b>INDEMNIFICATION</b> Value of investments ceded to the Workmen's Compensation Commissioner in compliance with the requirements of the Compensation for Occupational Injuries and Diseases Act, 1993.	20,801,187	20,801,187	20,801,187	20,801,187
33.3 <b>INSURANCE CLAIMS</b> Pending claims against the Council in respect of vehicle accidents and Public Liabilities which originated before 30 June. The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R128.6 million.	76,783,015	74,068,490	76,783,015	74,068,490
33.4 <b>RETIREMENT OF REDUNDANT EMPLOYEES</b> The retirement of redundant employees resulted in the following estimated long term liabilities (these liabilities are budgeted for annually):  *Pension fund contribution with regard to all employees who received packages and who qualify for a monthly pension up to the approved age of retirement.	6,089,300	58,520,335	6,089,300	58,520,335
*Sick fund contribution payable to Pretmed with regard to all employees who received packages and who are deemed to be full members of the fund up to the approved age of retirement.	44,834,675	33,848,000	44,834,675	33,848,000
33.5 <b>PENSIONERS</b> A monthly sick fund contribution payable to Medical funds with regard to pensioners (which are budgeted for annually ) amounts to approximately	24,479,353	1,848,967	24,479,353	1,848,967
33.6 <b>GUARANTEES</b> Guarantees issued in favour of Eskom (this guarantee expired on 30 September 2005)	0	213,500	0	213,500
33.7 <b>ENTERPRISE SOUTH AFRICA (Section 21 Company)</b> The company failed to register for VAT when it was founded in 1999. The company will be liable for output VAT of approximately R1 013 000, excluding possible interest and penalties. The company will be able to claim input tax on its qualifying expenses, but the amount cannot be determined at this time (the saving as a result of the input tax will not be significant).				



DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>34 IN-KIND DONATIONS AND ASSISTANCE</b>				
The Municipality received the following in-kind donations and assistance <b>Description:</b> - Secondment of International Finance Advisor by National Treasury				
<b>35 PRIVATE PUBLIC PARTNERSHIPS</b>				
The City of Tshwane had only one such partnership, i.e. Tswaing Electrical Project (Pty) Ltd. The liquidation of this company was started during the 2004/5 financial year. The liquidation process was finalised during 2005/6				
<b>36 EVENTS AFTER THE REPORTING PERIOD</b>				
<b>36.1 External loans</b>				
DBSA loan disbursed during July 2005	0	275,000,000	0	275,000,000
Momentum Group Ltd matured on 4 July 2005	0	25,000,000	0	25,000,000
DBSA: Loan at 5 % (nacs) Targeted Infrastructure Programme (TIP)	100,000,000	0	100,000,000	0
DBSA: Loan at 121.5 basis points over the R156 (Government Bond rate)	400,000,000	0	400,000,000	0
The offer of the R100 million is conditional on the R400 million being accepted. The term is 15 year from date of disbursement. The loan is amortised over the period of the loan. The repayment is six-monthly (nacs) This will be an unsecured loan.				
<b>36.2 External investments</b>				
Investment of Contingency Insurance Policy during August 2005	0	301,420,703	0	301,420,703
<b>37 COMPARISON WITH THE BUDGET</b>				
The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendices E(1) and E(2)				
<b>38 DIRECTORS EMOLUMENTS</b>				
<b>38.1 Civirelo Water</b>				
Paid by company for services as directors			172,000	0
<b>38.2 Housing Company Tshwane</b>				
Paid by company for services as directors			66,500	189,885
Expense allowances			6,000	0
<b>38.3 Roodeplaat Temba Water Services Trust</b>				
Paid by company for Trustee services			0	15,000
<b>39 RELATED PARTY DISCLOSURES</b>				
<b>39.1 Parent</b>				
The following municipal entities were under the control of the erstwhile/disestablished municipalities. The City of Tshwane Metropolitan Municipality became the parent municipality on 5 December 2000 as a result of the successor in law principle.				
<b>39.1.1 Transactions between related parties</b>				
<b>Tshwane Centre for Business Information and Support (Cenbis) parent is the CTMM. Details and amounts of the transactions are as follows:</b>				
Received RSC Levies	6,870	5,930	6,870	5,930
Paid General Expenses	0	1,350,109	0	1,350,109
<b>Enterprise South Africa's parent is the CTMM. Details and amounts of the transactions are as follows:</b>				
Paid General Expenses	0	207,250	0	207,250

DESCRIPTION	MUNICIPALITY		GROUP	
	2006	2005	2006	2005
	R	R	R	R
<b>RELATED PARTY DISCLOSURES (continued)</b>				
<b>39.1.1 Transactions between related parties (continued)</b>				
<b>Civirelo Water's parent is the CTMM. Details and amounts of the transactions are as follows:</b>				
Received RSC Levies	119,286	94,497	119,286	94,497
Sundry Debtor RSC levies	0	7,494	0	7,494
<b>Housing Company Tshwane's parent is the CTMM. Details and amounts of the transactions are as follows:</b>				
Received RSC Levies	6,769	0	6,769	0
Received Electricity and Water sales	270,888	284,418	270,888	284,418
Paid General Expenses	0	111,873	0	111,873
<b>Roodeplaat Temba Water Services Trust's parent is the CTMM. Details and amounts of the transactions are as follows:</b>				
Received RSC Levies	122,638	40,212	122,638	40,212
Paid Water	89,604,011	29,786,345	89,604,011	29,786,345
Received Grant	20,000,000	0	20,000,000	0
Paid General Expenses	1,720,000	0	1,720,000	0
<b>Sandspruit Works Association Division: ODI Water Sales' parent is the CTMM. Details and amounts of the transactions are as follows:</b>				
Received RSC Levies	289,729	0	289,729	0
Paid Water	38,296,000	0	38,296,000	0
Sundry creditor (water)	4,398,120	0	4,398,120	0
<b>Sandspruit Works Association Division: Waste Water Treatment's parent is the CTMM. Details and amounts of the transactions are as follows:</b>				
Received RSC Levies	48,264	13,764	48,264	13,764
Paid Water	25,505,855	9,868,840	25,505,855	9,868,840
Sundry creditor (water)	5,424,524	1,076,595	5,424,524	1,076,595
<b>Trade Point Pretoria's parent is the CTMM. Details and amounts of the transactions are as follows:</b>				
Paid General Expenses	191,102	461,489	191,102	461,489
<b>39.1.2 No transactions between related parties</b>				
No transactions took place between the City of Tshwane Metropolitan Municipality and the entities listed below as the entities are dormant for a number of years and therefore did not engage in any financial transactions. Further these entities did not compile financial statements. The legal status of the entities currently is as follows:				
<b>Application for deregistration was submitted to the Registrar of Companies by the following:</b>				
The Centurion Community Protection Company				
Tswaing Crater Museum				
Greater Pretoria Safety & Security Association				
Lebone Municipal Finance Corporation				
Greater Pretoria Metro Festival Company				
Prelight (Pty) Ltd				
Tswaing Water & Sanitation Services				
Tswaing Environmental Health Services (Pty) Ltd				
Greater Pretoria Metro Festival				
Moreletakloof Conservation Company				
Pretoria Inner City Association				
Tswaing Civil Projects (Pty) Ltd				
Tswaing Waste Removal Services				
Rep-Ba Agi				
Biz Africa 372				
<b>The following companies were deregistered on 10 March 2006:</b>				
Jacaranda Carnival - Duplicated - is the same company as National Youth Festival				
National Youth Festival - Final deregistration 10 March 2006				
<b>The following company was liquidated:</b>				
Tswaing Electricity Project Management (Pty) Ltd (final liquidation completed during 2005/06)				
<b>Other companies not consolidated:</b>				
Museum Park :				
Currently has an agreement with the City of Tshwane Metropolitan Municipality for the rental of the parking lot at City Hall to generate income for the entity. The entity submitted financial statements for the year ended 28 February 2006. These financial statements were, however not consolidated due to the following:				
<ul style="list-style-type: none"> <li>• The directors are not councilors or employees of the Municipality</li> <li>• According to the financial statements no income was received from the Municipality from 1 March 2005 to 28 February 2006</li> <li>• The entity does not consist only of City of Tshwane Metropolitan Municipality museums but national museums and other projects</li> <li>• The Municipality does not have any shareholding/relationship in the entity</li> <li>• The difference between the reporting dates is more than 3 months as stipulated in the Specimen Consolidated Municipal Annual Financial Statements dated September 2006.</li> </ul>				

# Appendix A

## Schedule Of External Loans as at 30 June 2006: Municipality & Group

				Opening balance	Received during the year	Redeemed during the year	Closing balance	Carrying value of Property, Plant & Equipment	Other Costs in accordance with the MFMA	
				R	R	R	R	R	R	
<b>EXTERNAL LOANS:</b>										
<b>LOCAL REGISTERED STOCK:</b>										
Issued	Loan number	Interest rate (%)	Redeemable							
1992	102	15.50	2005.12.31	50,000,000		50,000,000	0	0		
1997	105	16.65	2006.06.30	50,000,000		50,000,000	0	0		
1997	105	16.65	2014.06.30	96,434,379		1,704,528	94,729,851	87,909,516		
1993	104	14.15	2008.09.30	40,000,000			40,000,000	35,163,806		Not
1984	43	16.25	2004.04.30	5,000			5,000	4,395		Applicable
1990	55	16.40	2011.06.30	14,806,384		38,350	14,768,034	13,186,427		
1992	62	13.50	2011.06.30	21,494,590		236,327	21,258,263	17,581,903		
1993	63	14.00	2011.06.30	34,251,935	767,729		35,019,664	26,372,855		
1995	64	15.67	2005.07.04	25,000,000		25,000,000	0	0		
1997	65	15.75	2011.06.30	50,000,000			50,000,000	43,954,758		
2000	66	16.50	2011.06.30	59,000,000			59,000,000	51,866,614		
<b>TOTAL LOCAL REGISTERED STOCK</b>				<b>440,992,288</b>	<b>767,729</b>	<b>126,979,205</b>	<b>314,780,812</b>	<b>276,040,274</b>		
<b>TERM LOANS:</b>										
<b>DBSA: Bullet portion</b>		13.50	2018.04.30	50,000,000			50,000,000	43,954,758		
<b>DBSA: Floating rate</b>		Variable	2019.10.31	78,331,528			78,331,528	68,860,867		
<b>DBSA (Roodeplaat/Temba Trust)</b>				77,529,891	44,241,560		121,771,451	104,249,540		
<b>Nedbank loan B1</b>		Variable	2008.05.28	30,000,000			30,000,000	26,372,855		
<b>Nedbank (Roodeplaat/Temba Trust)</b>				102,767,901	71,381,945		174,149,846	134,655,655		Not
<b>ABSA Bank loan B3</b>		Variable	2011.06.30	84,000,000			84,000,000	73,843,993		applicable
<b>ABSA (Roodeplaat/Temba Trust)</b>				149,309,793	84,768,004		234,077,797	195,467,887		
<b>National Housing Finance Corp</b>		14.00		5,734,776	(316,116)		5,418,660	5,418,660		
<b>Gauteng Partnership Fund</b>		0.00		293,000			293,000	293,000		
<b>Rand Water (ODI)</b>		0.00			2,697,017		2,697,017	0		
<b>INCA loan</b>		17.15	2011.06.30	45,000,000			45,000,000	39,559,282		
<b>ABSA Bank BA rate</b>		Variable	2007.01.31	1,500,000		1,000,000	500,000	439,548		
<b>Future Syndications</b>		Variable	2008.06.30	125,000,000			125,000,000	109,886,895		
<b>Rand Merchant Bank</b>		Variable	2014.04.30	27,076,748		14,236,229	12,840,519	11,288,038		
<b>ABSA Bank Arbitrage</b>		19.13	2011.10.31	200,000,000			200,000,000	175,819,032		
<b>TOTAL TERM LOANS</b>				<b>976,543,637</b>	<b>202,772,410</b>	<b>15,236,229</b>	<b>1,164,079,818</b>	<b>990,110,010</b>		
<b>ANNUITY LOANS:</b>										
<b>DBSA</b>		13.50	2018.04.30	256,769,113		7,438,107	249,331,006	219,185,680		
<b>DBSA Local Authorities</b>		13.50	2012.12.31	20,549,663		1,723,474	18,826,189	16,550,012		
<b>DBSA (Restructuring)</b>		10.87	2018.12.31	267,162,277		9,331,822	257,830,455	226,657,505		
<b>INCA</b>		11.66	2019.06.30	19,560,246		635,170	18,925,076	16,636,943		Not
<b>INCA</b>		9.52	2020.03.31	225,000,000		9,890,975	215,109,025	189,101,303		Applicable
<b>INCA</b>		11.01	2020.06.30	50,000,000		1,419,833	48,580,167	42,706,591		
<b>DBSA</b>		9.36	2020.12.31		275,000,000	4,475,638	270,524,362	237,816,657		
<b>INCA</b>		10.92	2020.12.31		100,000,000	1,436,218	98,563,782	86,646,944		
<b>INCA</b>		10.81	2021.06.30		80,000,000		80,000,000	70,327,613		
<b>TOTAL ANNUITY LOANS</b>				<b>839,041,299</b>	<b>455,000,000</b>	<b>36,351,237</b>	<b>1,257,690,062</b>	<b>1,105,629,248</b>		
<b>LEASE LIABILITY (Roodeplaat/TembaTrust)</b>				<b>19,116,417</b>			<b>19,116,417</b>	<b>19,116,417</b>		
<b>TOTAL EXTERNAL LOANS</b>				<b>2,275,693,641</b>	<b>658,540,139</b>	<b>178,566,671</b>	<b>2,755,667,109</b>	<b>2,390,895,949</b>		

## Appendix B

## Analysis of Property, Plant and Equipment as at 30 June 2006 : Municipality

Asset class	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
<b>INFRASTRUCTURE</b>										
Airport	7,703,778				7,703,778	2,128,076	402,580		2,530,656	5,173,122
Electricity	1,417,027,850	137,401,888		37,969,746	1,592,399,484	517,578,382	71,992,363		589,570,745	1,002,828,739
Information Technology	355,032,925	33,385,882		3,860,411	392,279,218	145,090,066	44,254,063	1,361,996	190,706,125	201,573,093
Roads	1,812,622,045	153,638,787		60,493,261	2,026,754,093	662,020,190	98,881,325	(350,778)	760,550,737	1,266,203,356
Security	43,530,024	2,957,263		5,256,100	51,743,387	8,770,425	10,342,510	683,462	19,796,397	31,946,990
Sewerage	504,141,690	60,660,165		37,289,911	602,091,766	166,856,248	25,513,331		192,369,579	409,722,187
Water	481,432,954	95,516,561		65,195,533	642,145,048	88,590,571	27,620,579		116,211,150	525,933,898
General	10,569,948	9,980,506		2,691,532	23,241,986	4,611,909	576,735	956,168	6,144,812	17,097,174
Asset under construction	605,335,607		506,954,620		1,112,290,227					1,112,290,227
	5,237,396,821	493,541,052	506,954,620	212,756,494	6,450,648,987	1,595,645,867	279,583,486	2,650,848	1,877,880,201	4,572,768,786
<b>COMMUNITY ASSETS</b>										
Global: General	143,487,429			55,839,400	199,326,829	91,251,360	8,638,340	18,571,565	118,461,265	80,865,564
Recreation	136,855,953	5,424,497		(10,422,607)	131,857,843	52,830,770	9,491,460	(3,867,641)	58,454,589	73,403,254
Assets under construction	52,524,690		5,937,251		58,461,941					58,461,941
	332,868,072	5,424,497	5,937,251	45,416,793	389,646,613	144,082,130	18,129,800	14,703,924	176,915,854	212,730,759
<b>HERITAGE ASSETS</b>										
Museum pieces & art works	386,428				386,428	270,337		(270,337)		386,428
General	1,886,817	947,857			2,834,674	3,600		(3,600)		2,834,674
	2,273,245	947,857	0	0	3,221,102	273,937	0	(273,937)	0	3,221,102
<b>INVESTMENT PROPERTY</b>										
Parking		383,253		940,137	1,323,390		3,676		3,676	1,319,714
Industrial Sidings	383,906				383,906	12,797	12,797		25,594	358,312
	383,906	383,253	0	940,137	1,707,296	12,797	16,473	0	29,270	1,678,026

## Analysis of Property, Plant and Equipment as at 30 June 2006 : Municipality (continued)

Asset class	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
<b>HOUSING</b>										
Dwellings: Indigent	1,156,316				1,156,316	93,257	42,753		136,010	1,020,306
General	29,196,227	(22,445)			29,173,782	5,746,552	1,272,066		7,018,618	22,155,164
Assets under construction	76,245,015		120,653,870		196,898,885					196,898,885
	106,597,558	(22,445)	120,653,870	0	227,228,983	5,839,809	1,314,819	0	7,154,628	220,074,355
<b>OTHER</b>										
General	171,708,937	22,579,009		167,048,528	361,336,474	50,089,851	33,215,519	16,725,191	100,030,561	261,305,913
Books	13,127,073			(44,667)	13,082,406	4,375,723	4,366,090	(19,996)	8,721,817	4,360,589
Emergency equipment	8,780,239	1,486,643		(426,746)	9,840,136	2,546,196	2,347,196	(262,199)	4,631,193	5,208,943
Furniture & fittings	22,087,308	300,927		(4,553,608)	17,834,627	2,265,215	1,974,760	(648,137)	3,591,838	14,242,789
Computer equipment	168,833,571	10,252,981		(2,903,063)	176,183,489	73,681,561	37,967,383	(1,217,685)	110,431,259	65,752,230
Office equipment	9,450,589	3,385,377		(1,399,776)	11,436,190	1,953,544	1,724,724	(372,527)	3,305,741	8,130,449
Plant and equipment	139,074,698	10,557,272		(11,336,323)	138,295,647	37,973,765	25,434,767	(3,223,598)	60,184,934	78,110,713
Vehicles	260,290,747	20,788,451		(1,170,710)	279,908,488	91,524,418	37,230,514	(281,957)	128,472,975	151,435,513
Assets under construction	99,969,490		(70,791,394)	0	29,178,096				0	29,178,096
	893,322,652	69,350,660	(70,791,394)	145,213,635	1,037,095,553	264,410,273	144,260,953	10,699,092	419,370,318	617,725,235
<b>LAND AND BUILDINGS</b>										
Land	3,538,655	4,155,229		(603,031)	7,090,853	638,247	382,823	(1,021,070)	0	7,090,853
Buildings	1,015,097			1,321,197	2,336,294	325,709	56,210	121,110	503,029	1,833,265
Land	72,575,701			(56,270,139)	16,305,562	13,545,696	8,731,843	(20,289,457)	1,988,082	14,317,480
Buildings	272,968,087	77,104,864		43,293,244	393,366,195	69,074,136	13,455,828	4,956,230	87,486,194	305,880,001
Buildings: Historical	748,984	1,179,488		129,770	2,058,242			11,518	11,518	2,046,724
Undeveloped land	19,774,145	3,510,657			23,284,802				0	23,284,802
Land	1,123,723,824			(74,766,846)	1,048,956,978	8,737,030	12,924,619	(17,848,664)	3,812,985	1,045,143,993
Buildings	710,096,833	9,908,712		3,916,128	723,921,673	259,363,786	34,447,980	(843,737)	292,968,029	430,953,644
	2,204,441,326	95,858,950	0	(82,979,677)	2,217,320,599	351,684,604	69,999,303	(34,914,070)	386,769,837	1,830,550,762
<b>TOTAL</b>	<b>8,777,283,580</b>	<b>665,483,824</b>	<b>562,754,347</b>	<b>321,347,382</b>	<b>10,326,869,133</b>	<b>2,361,949,417</b>	<b>513,304,833</b>	<b>(7,134,143)</b>	<b>2,868,120,107</b>	<b>7,458,749,026</b>

## Analysis of Property, Plant and Equipment as at 30 June 2006 : Group

Asset class	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
<b>INFRASTRUCTURE</b>										
Airport	7,703,778				7,703,778	2,128,076	402,580		2,530,656	5,173,122
Electricity	1,417,027,850	137,401,888		37,969,746	1,592,399,484	517,578,382	71,992,363		589,570,745	1,002,828,739
Information Technology	355,032,925	33,385,882		3,860,411	392,279,218	145,090,066	44,254,063	1,361,996	190,706,125	201,573,093
Roads	1,812,622,045	153,638,787		60,493,261	2,026,754,093	662,020,190	98,881,325	(350,778)	760,550,737	1,266,203,356
Security	43,530,024	2,957,263		5,256,100	51,743,387	8,770,425	10,342,510	683,462	19,796,397	31,946,990
Sewerage	504,141,690	60,660,165		37,289,911	602,091,766	166,856,248	25,513,331		192,369,579	409,722,187
Water	481,432,954	95,516,561		65,195,533	642,145,048	88,590,571	27,620,579		116,211,150	525,933,898
General	10,569,948	9,980,506		2,691,532	23,241,986	4,611,909	576,735	956,168	6,144,812	17,097,174
Asset under construction	605,335,607		506,954,620		1,112,290,227				0	1,112,290,227
Sandspruit Waste Water	5,917,326	1,269,904			7,187,230	399,007	636,136		1,035,143	6,152,087
	5,243,314,147	494,810,956	506,954,620	212,756,494	6,457,836,217	1,596,044,874	280,219,622	2,650,848	1,878,915,344	4,578,920,873
<b>COMMUNITY ASSETS</b>										
Global: General	143,487,429			55,839,400	199,326,829	91,251,360	8,638,340	18,571,565	118,461,265	80,865,564
Recreation	136,855,953	5,424,497		(10,422,607)	131,857,843	52,830,770	9,491,460	(3,867,641)	58,454,589	73,403,254
Assets under construction	52,524,690		5,937,251		58,461,941					58,461,941
	332,868,072	5,424,497	5,937,251	45,416,793	389,646,613	144,082,130	18,129,800	14,703,924	176,915,854	212,730,759
<b>HERITAGE ASSETS</b>										
Museum pieces & art works	386,428				386,428	270,337		(270,337)		386,428
General	1,886,817	947,857			2,834,674	3,600		(3,600)		2,834,674
	2,273,245	947,857	0	0	3,221,102	273,937	0	(273,937)	0	3,221,102
<b>INVESTMENT PROPERTY</b>										
Parking		383,253		940,137	1,323,390		3,676		3,676	1,319,714
Industrial Sidings	383,906				383,906	12,797	12,797		25,594	358,312
Housing Company: Investment property	7,490,657				7,490,657	0			0	7,490,657
	7,874,563	383,253	0	940,137	9,197,953	12,797	16,473	0	29,270	9,168,683

## Analysis of Property, Plant and Equipment as at 30 June 2006 : Group (continued)

Asset class	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
<b>HOUSING</b>										
Dwellings: Indigent	1,156,316				1,156,316	93,257	42,753		136,010	1,020,306
General	29,196,227	(22,445)			29,173,782	5,746,552	1,272,066		7,018,618	22,155,164
Assets under construction	76,245,015		120,653,870		196,898,885					196,898,885
	106,597,558	(22,445)	120,653,870	0	227,228,983	5,839,809	1,314,819	0	7,154,628	220,074,355
<b>OTHER</b>										
General	171,708,937	22,579,009		167,048,528	361,336,474	50,089,851	33,215,519	16,725,191	100,030,561	261,305,913
Books	13,127,073			(44,667)	13,082,406	4,375,723	4,366,090	(19,996)	8,721,817	4,360,589
Emergency equipment	8,780,239	1,486,643		(426,746)	9,840,136	2,546,196	2,347,196	(262,199)	4,631,193	5,208,943
Furniture & fittings	22,087,308	300,927		(4,553,608)	17,834,627	2,265,215	1,974,760	(648,137)	3,591,838	14,242,789
Computer equipment	168,833,571	10,252,981		(2,903,063)	176,183,489	73,681,561	37,967,383	(1,217,685)	110,431,259	65,752,230
Office equipment	9,450,589	3,385,377		(1,399,776)	11,436,190	1,953,544	1,724,724	(372,527)	3,305,741	8,130,449
Plant and equipment	139,074,698	10,557,272		(11,336,323)	138,295,647	37,973,765	25,434,767	(3,223,598)	60,184,934	78,110,713
Vehicles	260,290,747	20,788,451		(1,170,710)	279,908,488	91,524,418	37,230,514	(281,957)	128,472,975	151,435,513
Assets under construction	99,969,490		(70,791,394)	0	29,178,096				0	29,178,096
Trade point Pretoria	214,737			(214,737)	0	109,319	44,055	(153,374)	0	0
Cenbis: Furniture & equipment	580,824	0			580,824	496,252	54,211		550,463	30,361
Housing Company: Equipment & furniture	289,720	12			289,732	93,560	59,909		153,469	136,263
Sandspruit ODI: Other equipment		5,226,912			5,226,912		3,523,231		3,523,231	1,703,681
Sandspruit: Office equipment, IT equipment	814,115	15,173			829,288	131,077	104,109		235,186	594,102
Civirelo: Office, IT equipment & software	28,040	57,900			85,940	10,220	22,780		33,000	52,940
Roodeplaat Temba: Work in progress	328,959,962	130,677,720			459,637,682	0	22,802,637		22,802,637	436,835,045
	1,224,210,050	205,328,377	(70,791,394)	144,998,898	1,503,745,931	265,250,701	170,871,885	10,545,718	446,668,304	1,057,077,627
<b>LAND AND BUILDINGS</b>										
Land	3,538,655	4,155,229		(603,031)	7,090,853	638,247	382,823	(1,021,070)	0	7,090,853
Buildings	1,015,097			1,321,197	2,336,294	325,709	56,210	121,110	503,029	1,833,265
Land	72,575,701			(56,270,139)	16,305,562	13,545,696	8,731,843	(20,289,457)	1,988,082	14,317,480
Buildings	272,968,087	77,104,864		43,293,244	393,366,195	69,074,136	13,455,828	4,956,230	87,486,194	305,880,001
Buildings: Historical	748,984	1,179,488		129,770	2,058,242			11,518	11,518	2,046,724
Undeveloped land	19,774,145	3,510,657			23,284,802				0	23,284,802
Land	1,123,723,824			(74,766,846)	1,048,956,978	8,737,030	12,924,619	(17,848,664)	3,812,985	1,045,143,993
Buildings	710,096,833	9,908,712		3,916,128	723,921,673	259,363,786	34,447,980	(843,737)	292,968,029	430,953,644
Sandspruit ODI: Land and buildings		3,100,039			3,100,039		635,252		635,252	2,464,787
Sandspruit Waste water: Land and buildings	99,445	1,471,195			1,570,640	2,161	3,314		5,475	1,565,165
	2,204,540,771	100,430,184	0	(82,979,677)	2,221,991,278	351,686,765	70,637,869	(34,914,070)	387,410,564	1,834,580,714
<b>LEASED ASSETS</b>										
Roodeplaat Temba: Plant & equipment	19,116,417			0	19,116,417	1,593,035	868,928	0	2,461,963	16,654,454
	19,116,417	0	0	0	19,116,417	1,593,035	868,928	0	2,461,963	16,654,454
<b>TOTAL</b>	<b>9,140,794,823</b>	<b>807,302,679</b>	<b>562,754,347</b>	<b>321,132,645</b>	<b>10,831,984,494</b>	<b>2,364,784,048</b>	<b>542,059,395</b>	<b>(7,287,517)</b>	<b>2,899,555,926</b>	<b>7,932,428,568</b>

## Appendix C

## Segmental Analysis Of Property, Plant And Equipment As At 30 June 2006 : Municipality

Service	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
Governing Services	1,982,641	99,500		(15,109)	2,067,032	518,679	479,700	(672)	997,707	1,069,325
Municipal Manager	301,142	181,833		(16,613)	466,362	55,037	53,455	(1,938)	106,554	359,808
Chief Operating Officer	55,966,639	4,515,557		(92,339)	60,389,857	507,241	480,858	(22,226)	965,873	59,423,984
Emergency Management Services	141,645,360	16,062,857	(2,126,390)	(2,838,183)	152,743,644	40,414,723	16,789,370	(743,377)	56,460,716	96,282,928
Corporate Services	1,762,974,600	65,792,562	(78,428,432)	94,242,249	1,844,580,979	261,964,484	90,013,370	(563,848)	351,414,006	1,493,166,973
Economic Development	270,201,118	26,966,368	(180,179)	10,881,045	307,868,352	62,457,514	16,458,787	(1,553)	78,914,748	228,953,604
Finance	62,655,692	200,386		(8,477,201)	54,378,877	21,053,030	8,391,996	(308,143)	29,136,883	25,241,994
Housing, Planning & Environmental Services	1,280,920,574	40,163,515	480,641,944	42,046,687	1,843,772,720	266,492,231	81,314,839	(3,322,464)	344,484,606	1,499,288,114
Legal and Secretarial Services	22,862,033	3,593,016		(932,395)	25,522,654	864,925	700,457	(321,263)	1,244,119	24,278,535
Marketing and Tourism	829,981			(120,023)	709,958	106,307	74,306	(44,856)	135,757	574,201
Metro Police	86,426,841	11,149,490	447,233	(6,961,696)	91,061,868	19,571,242	12,205,317	(1,317,603)	30,458,956	60,602,912
Social Development	286,589,950	46,318,816	24,248,240	15,844,054	373,001,060	82,039,703	19,810,821	(388,466)	101,462,058	271,539,002
Service Delivery:	3,118,257,662	309,286,584	32,675,991	131,898,215	3,592,118,452	1,008,560,777	171,121,717	(343,190)	1,179,339,304	2,412,779,148
Roads and Storm water	1,785,749,185	157,423,073	17,078,947	56,068,820	2,016,320,025	636,087,199	91,480,726	(343,190)	727,224,735	1,289,095,290
Waste water treatment	159,480,504	6,350,566	40,704,812	105,002	206,640,884	67,312,178	8,095,791		75,407,969	131,232,915
Waste water collection	307,634,384	60,547,124	(2,136,180)	33,636,858	399,682,186	80,118,790	13,327,947		93,446,737	306,235,449
Water supply	865,393,589	84,965,821	(22,971,588)	42,087,535	969,475,357	225,042,610	58,217,253		283,259,863	686,215,494
Electricity	1,685,669,347	141,153,340	105,475,940	45,888,691	1,978,187,318	597,343,524	95,409,840	245,456	692,998,820	1,285,188,498
	<b>8,777,283,580</b>	<b>665,483,824</b>	<b>562,754,347</b>	<b>321,347,382</b>	<b>10,326,869,133</b>	<b>2,361,949,417</b>	<b>513,304,833</b>	<b>(7,134,143)</b>	<b>2,868,120,107</b>	<b>7,458,749,026</b>



## Segmental Analysis Of Property, Plant And Equipment As At 30 June 2006 : Group

Service	Cost/Revaluation					Accumulated Depreciation				
	Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R
Governing Services	1,982,641	99,500		(15,109)	2,067,032	518,679	479,700	(672)	997,707	1,069,325
Municipal Manager	301,142	181,833		(16,613)	466,362	55,037	53,455	(1,938)	106,554	359,808
Chief Operating Officer	55,966,639	4,515,557		(92,339)	60,389,857	507,241	480,858	(22,226)	965,873	59,423,984
Emergency Management Services	141,645,360	16,062,857	(2,126,390)	(2,838,183)	152,743,644	40,414,723	16,789,370	(743,377)	56,460,716	96,282,928
Corporate Services	1,762,974,600	65,792,562	(78,428,432)	94,242,249	1,844,580,979	261,964,484	90,013,370	(563,848)	351,414,006	1,493,166,973
Economic Development	270,996,679	26,966,368	(180,179)	10,666,308	308,449,176	63,063,085	16,557,053	(154,927)	79,465,211	228,983,965
Finance	62,655,692	200,386		(8,477,201)	54,378,877	21,053,030	8,391,996	(308,143)	29,136,883	25,241,994
Housing, Planning & Environmental Services	1,288,700,951	40,163,527	480,641,944	42,046,687	1,851,553,109	266,585,791	81,374,748	(3,322,464)	344,638,075	1,506,915,034
Legal and Secretarial Services	22,862,033	3,593,016		(932,395)	25,522,654	864,925	700,457	(321,263)	1,244,119	24,278,535
Marketing and Tourism	829,981			(120,023)	709,958	106,307	74,306	(44,856)	135,757	574,201
Metro Police	86,426,841	11,149,490	447,233	(6,961,696)	91,061,868	19,571,242	12,205,317	(1,317,603)	30,458,956	60,602,912
Social Development	286,589,950	46,318,816	24,248,240	15,844,054	373,001,060	82,039,703	19,810,821	(388,466)	101,462,058	271,539,002
Service Delivery:	3,473,192,967	451,105,427	32,675,991	131,898,215	4,088,872,600	1,010,696,277	199,718,104	(343,190)	1,210,071,191	2,878,801,409
Roads and Storm water	1,785,749,185	157,423,073	17,078,947	56,068,820	2,016,320,025	636,087,199	91,480,726	(343,190)	727,224,735	1,289,095,290
Waste water treatment	166,311,390	9,106,838	40,704,812	105,002	216,228,042	67,844,423	8,839,350		76,683,773	139,544,269
Waste water collection	307,634,384	68,874,075	-2,136,180	33,636,858	408,009,137	80,118,790	17,486,430		97,605,220	310,403,917
Water supply	1,213,498,008	215,701,441	-22,971,588	42,087,535	1,448,315,396	226,645,865	81,911,598		308,557,463	1,139,757,933
Electricity	1,685,669,347	141,153,340	105,475,940	45,888,691	1,978,187,318	597,343,524	95,409,840	245,456	692,998,820	1,285,188,498
	<b>9,140,794,823</b>	<b>807,302,679</b>	<b>562,754,347</b>	<b>321,132,645</b>	<b>10,831,984,494</b>	<b>2,364,784,048</b>	<b>542,059,395</b>	<b>(7,287,517)</b>	<b>2,899,555,926</b>	<b>7,932,428,568</b>

## Appendix D

## Consolidated Segmental Statement of Financial Performance for the year ended 30 June 2006

SERVICE	MUNICIPALITY								GROUP							
	2006				2005				2006				2005			
	Actual Revenue	Actual Expenditure	Surplus/(Deficit)	Original Budget Surplus/(Deficit)	Actual Revenue	Actual Expenditure	Surplus/(Deficit)	Original Budget Surplus/(Deficit)	Actual Revenue	Actual Expenditure	Surplus/(Deficit)	Original Budget Surplus/(Deficit)	Actual Revenue	Actual Expenditure	Surplus/(Deficit)	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Governing Services	559,709	90,039,859	(89,480,150)	(90,768,949)	312,629	83,387,628	(83,074,999)	(90,768,949)	559,709	90,039,859	(89,480,150)	(90,768,949)	312,629	83,387,628	(83,074,999)	
Municipal Manager	5,281	26,578,403	(26,573,122)	(33,772,812)	0	24,198,087	(24,198,087)	(33,772,812)	5,281	26,578,403	(26,573,122)	(33,772,812)	0	24,198,087	(24,198,087)	
Chief Operating Officer	4,640	13,480,170	(13,475,530)	(14,903,998)	0	11,410,942	(11,410,942)	(14,903,998)	4,640	13,480,170	(13,475,530)	(14,903,998)	0	11,410,942	(11,410,942)	
Emergency Management Services	35,556,025	203,691,779	(168,135,754)	(175,690,240)	30,980,106	192,046,174	(161,066,068)	(175,690,240)	35,556,025	203,691,779	(168,135,754)	(175,690,240)	30,980,106	192,046,174	(161,066,068)	
Corporate Services	48,883,154	863,860,425	(814,977,271)	(558,142,868)	47,812,461	377,217,237	(329,404,776)	(558,142,868)	48,883,154	863,860,425	(814,977,271)	(558,142,868)	47,812,461	377,217,237	(329,404,776)	
Economic Development	141,146,200	317,552,221	(176,406,021)	(104,410,230)	125,505,373	327,154,650	(201,649,277)	(104,410,230)	142,321,805	319,152,680	(176,830,875)	(104,410,230)	126,837,108	328,642,916	(201,805,808)	
Finance	3,408,249,631	1,434,004,442	1,974,245,189	2,671,892,606	2,838,099,927	808,856,726	2,029,243,201	2,671,892,606	3,408,249,631	1,434,004,442	1,974,245,189	2,671,892,606	2,838,099,927	808,856,726	2,029,243,201	
Housing, Planning & Environmental Services	419,221,532	1,103,001,886	(683,780,354)	(394,768,972)	477,490,308	899,271,442	(421,781,134)	(394,768,972)	419,221,532	1,103,001,886	(683,780,354)	(394,768,972)	477,490,308	899,271,442	(421,781,134)	
Legal and Secretarial Services	1,219,138	68,981,897	(67,762,759)	(66,180,105)	75	61,250,275	(61,250,200)	(66,180,105)	1,219,138	68,981,897	(67,762,759)	(66,180,105)	75	61,250,275	(61,250,200)	
Marketing and Tourism	0	19,853,021	(19,853,021)	(23,578,053)	0	19,584,892	(19,584,892)	(23,578,053)	0	19,853,021	(19,853,021)	(23,578,053)	0	19,584,892	(19,584,892)	
Metro Police	99,326,805	407,151,115	(307,824,310)	(282,789,177)	108,033,562	392,757,896	(284,724,334)	(282,789,177)	99,326,805	407,151,115	(307,824,310)	(282,789,177)	108,033,562	392,757,896	(284,724,334)	
Social Development	18,176,317	258,618,479	(240,442,162)	(238,072,360)	18,191,088	275,077,944	(256,886,856)	(238,072,360)	25,682,190	264,606,168	(238,923,978)	(238,072,360)	19,189,334	276,911,437	(257,722,103)	
Service Delivery:	1,203,137,144	1,654,343,024	(451,205,880)	(167,843,053)	1,070,763,004	1,546,013,003	(475,249,999)	(167,843,053)	1,424,267,371	1,835,929,893	(411,662,522)	(167,843,053)	1,152,305,674	1,556,470,171	(404,164,497)	
Roads & Stormwater	13,451,459	503,193,540	(489,742,081)	(366,237,251)	6,782,886	407,619,676	(400,836,790)	(366,237,251)	13,451,459	503,193,540	(489,742,081)	(366,237,251)	6,782,886	407,619,676	(400,836,790)	
Waste water treatment	1,875,394	129,226,504	(127,351,110)	(104,971,556)	1,547,037	95,507,633	(93,960,596)	(104,971,556)	158,636,644	275,255,494	(116,618,850)	(104,971,556)	2,112,395	90,957,544	(88,845,149)	
Waste water collection	234,447,622	65,622,001	168,825,621	165,530,256	207,811,234	78,163,156	129,648,078	165,530,256	234,447,622	65,622,001	168,825,621	165,530,256	207,811,234	78,163,156	129,648,078	
Water supply	953,362,669	956,300,979	(2,938,310)	137,835,498	854,621,847	964,722,538	(110,100,691)	137,835,498	1,017,731,646	991,858,858	25,872,788	137,835,498	935,599,159	979,729,795	(44,130,636)	
Electricity	2,575,965,247	2,460,132,909	115,832,338	455,911,345	2,496,487,035	2,263,821,188	232,665,847	455,911,345	2,575,965,247	2,460,132,909	115,832,338	455,911,345	2,496,487,035	2,263,821,188	232,665,847	
<b>Subtotal</b>	<b>7,951,450,823</b>	<b>8,921,289,630</b>	<b>(969,838,807)</b>	<b>976,883,134</b>	<b>7,213,675,568</b>	<b>7,282,048,084</b>	<b>(68,372,516)</b>	<b>976,883,134</b>	<b>8,181,262,528</b>	<b>9,110,464,647</b>	<b>(929,202,119)</b>	<b>976,883,134</b>	<b>7,297,548,219</b>	<b>7,295,827,011</b>	<b>1,721,208</b>	
Less: Departmental charges and other internal costs			1,285,190,920				663,737,800				1,285,190,920				663,737,800	
<b>SURPLUS FOR THE YEAR</b>			<b>315,352,113</b>				<b>595,365,284</b>				<b>355,988,801</b>				<b>665,459,009</b>	

# Appendix E(1)

## Actual Operating Revenue and Expenditure versus Budget for the year ended 30 June 2006: Municipality

DESCRIPTION	Actual	Budget	Variance	Variance	Explanation of significant Variances (greater than 10%) versus Budget
	R	R	R	%	
<b>REVENUE</b>					
Property rates	1,624,061,411	1,553,500,000	70,561,411	4.54	Due to economic growth and the resulting new property developments the actual income realised higher than budgeted
Service Charges	3,874,557,374	3,927,000,000	(52,442,626)	(1.34)	
Regional Service Levies – turnover	444,787,270	400,000,000	44,787,270	11.20	Levies are based on turnover of companies. An increase therein will ultimately result in an increase in the levied income.
Regional Service Levies – Remuneration	199,824,239	180,000,000	19,824,239	11.01	Levies are based on remuneration of companies. An increase therein will ultimately result in an increase in the levied income.
Rental of facilities and equipment	57,845,796	47,656,617	10,189,179	21.38	Sale of property and land not budgeted for.
Interest earned – external investments	103,544,892	40,421,000	63,123,892	156.17	Budget was totally under provided as the budget is normally done conservatively.
Interest earned – outstanding debtors	50,335,097	120,000,000	(69,664,903)	(58.05)	The levying of interest on arrear debt was suspended due to problems with the configuration of SAP and data verification i.r.o. billing
Fines (traffic fines)	22,896,150	45,060,000	(22,163,850)	(49.19)	The end process of law enforcement now resides with Municipal Courts. The discretion to prosecute and to decrease a fine is vested in the Presiding Officer of the Court.
Licences and permits	19,712,738	24,182,580	(4,469,842)	(18.48)	Fewer drivers' licences were applied for and motor vehicle licences were over budgeted.
Government grants and subsidies	785,258,061	1,610,343,679	(825,085,618)	(51.24)	Project Linked Housing grants budgeted for but not received
Other income	599,961,664	370,394,742	229,566,922	61.98	Insurance claims recovered, land sales and housing sales were not budgeted for. Livestock inventory were brought into account for the first time.
Public contributions	146,433,866	69,000,000	77,433,866	112.22	Budgeted conservatively. Uncertainty exists regarding the contributions from developers.
Gains on disposal of property, plant and equipment	12,992,300		12,992,300	100.00	Income was not budgeted for.
Gains on disposal of investment	9,239,965		9,239,965	100.00	Income was not budgeted for. Liquidation of municipal entities.
<b>Total Revenue</b>	<b>7,951,450,823</b>	<b>8,387,558,618</b>	<b>(436,107,795)</b>	<b>(5.20)</b>	
<b>EXPENDITURE</b>					
Governing Services	90,039,859	90,944,449	(904,590)	(0.99)	
Municipal Manager	26,578,403	33,772,812	(7,194,409)	(21.30)	A delay in the finalisation of the organisational structure of the Office of the Municipal Manager, vacancies were only filled towards the end of the financial year.
Chief Operating Officer	13,480,170	14,903,998	(1,423,828)	(9.55)	There was a delay as projects for Special events were being conceptualised.
Emergency Management Services	203,691,779	210,062,592	(6,370,813)	(3.03)	
Corporate Services	863,860,425	893,501,704	(29,641,279)	(3.32)	
Economic Development	317,552,221	303,844,763	13,707,458	4.51	
Finance	1,434,004,442	1,487,256,426	(53,251,984)	(3.58)	
Housing, Planning & Environmental Services	1,103,001,886	1,142,101,755	(39,099,869)	(3.42)	
Legal and Secretarial Services	68,981,897	70,355,551	(1,373,654)	(1.95)	
Marketing and Tourism	19,853,021	23,578,053	(3,725,032)	(15.80)	A number of projects and events were cancelled and postponed e.g. Coat of Arms, Mayors Hero's awards and Airport exhibition. Only essential repairs were done.
Metro Police	407,151,115	429,983,771	(22,832,656)	(5.31)	
Social Development	258,618,479	266,892,523	(8,274,044)	(3.10)	
Service Delivery:	1,654,343,024	1,669,434,585	(15,091,561)	(0.90)	
Roads & Stormwater	503,193,540	533,849,912	(30,656,372)	(5.74)	The internal costing amount was included in the budget but not in the actual due to configuration of SAP
Waste water treatment	129,226,504	112,609,512	16,616,992	14.76	Repair and maintenance increased due to the high rainfall and storm water ingress into the sewer systems.
Waste water collection	65,622,001	65,573,744	48,257	0.07	
Water supply	956,300,979	957,401,417	(1,100,438)	(0.11)	
Electricity	2,460,132,909	2,290,400,856	169,732,053	7.41	
<b>Nett Expenditure</b>	<b>8,921,289,630</b>	<b>8,927,033,838</b>	<b>(5,744,208)</b>	<b>0.34</b>	
<b>Less: Departmental charges and other internal costs</b>	<b>1,285,190,920</b>	<b>1,442,465,338</b>	<b>(157,274,418)</b>		
<b>Nett Expenditure</b>	<b>7,636,098,710</b>	<b>7,484,568,500</b>	<b>151,530,210</b>		
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>315,352,113</b>	<b>902,990,118</b>	<b>(587,638,005)</b>		

## Appendix E(2)

### Actual Capital Expenditure versus Budget for the year ended 30 June 2006 : Municipality

SERVICE	Additions/Actual	Assets under construction	* Total Additions	Budget	Variance	Variance	Explanation of Significant Variances (greater than 5%) versus Budget
	R	R	R	R	R	%	
Chief Operating Officer	4,515,557		4,515,557	5,000,000	484,443	9.69	See Appendix E(2.1)
Emergency Management Services	20,184,794	(2,126,390)	18,058,404	20,600,000	2,541,596	12.34	See Appendix E(2.1)
Corporate Services	166,528,684	(78,428,432)	88,100,252	93,820,000	5,719,748	6.10	See Appendix E(2.1)
Economic Development	37,943,036	(180,179)	37,762,857	59,662,000	21,899,143	36.71	See Appendix E(2.1)
Finance	5,095,314		5,095,314	20,000,000	14,904,686	74.52	See Appendix E(2.1)
Housing, Planning & Environmental Services	84,505,573	480,641,944	565,147,517	877,790,043	312,642,526	35.62	See Appendix E(2.1)
Legal and Secretarial Services	3,510,657		3,510,657	25,000,000	21,489,343	85.96	See Appendix E(2.1)
Metro Police	10,124,968	447,233	10,572,201	13,500,000	2,927,799	21.69	See Appendix E(2.1)
Social Development	56,499,534	24,248,240	80,747,774	82,604,400	1,856,626	2.25	
Service Delivery:	436,766,591	32,675,991	469,442,582	488,808,142	19,365,560	3.96	
Roads & Stormwater	211,194,213	17,078,947	228,273,160	241,859,642	13,586,482	5.62	See Appendix E(2.1)
Waste water treatment	6,455,567	40,704,812	47,160,379	48,700,000	1,539,621	3.16	
Waste water collection	93,881,283	(2,136,180)	91,745,103	92,104,650	359,547	0.39	
Water supply	125,235,528	(22,971,588)	102,263,940	106,143,850	3,879,910	3.66	
Electricity	179,369,499	105,475,940	284,845,439	287,484,000	2,638,561	0.92	
<b>Nett Expenditure</b>	<b>1,005,044,207</b>	<b>562,754,347</b>	<b>1,567,798,554</b>	<b>1,974,268,585</b>	<b>406,470,031</b>	<b>20.59</b>	

\* Note: The total additions on this appendix does not include any purification amounts of assets. Refer to reconciliation below

SERVICE	* Total Additions	Purification	Total
	R	R	R
Chief Operating Officer	4,515,557	37,249	4,552,806
Emergency Management Services	18,058,404	(6,960,120)	11,098,284
Corporate Services	88,100,252	(6,493,873)	81,606,379
Economic Development	37,762,857	(95,623)	37,667,234
Finance	5,095,314	(13,372,129)	(8,276,815)
Housing, Planning & Environmental Services	565,147,517	(2,295,371)	562,852,146
Legal and Secretarial Services	3,510,657	(850,036)	2,660,621
Metro Police	10,572,201	(5,937,174)	4,635,027
Social Development	80,747,774	5,663,336	86,411,110
Service Delivery:	469,442,582	4,418,208	473,860,790
Roads & Stormwater	228,273,160	2,297,680	230,570,840
Waste water treatment	47,160,379	0	47,160,379
Waste water collection	91,745,103	302,700	92,047,803
Water supply	102,263,940	1,817,828	104,081,768
Electricity	284,845,439	7,672,532	292,517,971
<b>Nett Expenditure</b>	<b>1,567,798,554</b>	<b>(18,213,001)</b>	<b>1,549,585,553</b>

## Appendix E(2.1)

Actual Capital Expenditure versus Budget for the year ended 30 June 2006 : Municipality – Explanation of variances

### Chief Operating Officer

This budget is earmarked for petitions to the Executive Mayor and Municipal Manager for special purpose projects and expenditure is dependent on the number of petitions received and approved.

### Emergency Management Services

Project 9.712458.1 Provision/Installation Of Radio/Data Links To Mabopane R1,08 million - A Council appointed contractor had to be used for this project. The company informed this Department that they were unable to deliver the goods in time for the closing of the financial year. Subsequently the order had to be cancelled as no provision was made in the new financial year for this project. Project 9.712455.1 Acquisition Of Fire Safety Services Software And Hardware - The pricing as per contract was much higher than the actual pricing invoiced by the contractor due to exchange rate fluctuations - saving of R250 485. Project 9.710564.1 Acquisition of Fire Fighting Vehicles - the pricing as per contract was much higher than the actual pricing invoiced by the contractor due to exchange rate fluctuations - saving of R331 990. Several other savings on project expenditure was realised owing to VAT savings.

### Corporate Services

Project 9.710213.1 OITPS R2,8 million saving - Project amount was earmarked for new developments on SAP system. Maximum developments as enhancements were done so that the team and business could handle together with addressing of backlog issues after final "go-live" in August 2005. Project 9.711538.1 R2,01 million saving - Purchase of Kern Multi Mailer is completed and exchange rate favoured the rand. Other projects also realised savings due to exchange rate fluctuation.

### Economic Development

Project 9.710488.2 Establish Informal Trade Markets Inner City Mabopane - R946 000 saving - Contractors took longer than expected. One of the contracts had to be cancelled due to a lack of performance. Project 9.710657.2 Mabopane Station Modal Interchange - R1,74 million saving - The implementation strategy for the project, approved by Council in June 2004, could not be implemented as a result of restrictions by the MFMA, preventing payment for pre-implementation work out of the capital budget. Due to a lack of operational funds, City Planning could not get the rezoning/township establishment done. Construction tenders procured for the taxi rank therefore had to be cancelled. In November 2005 the Municipal Manager ordered that implementation must proceed despite the above. The procurement process was immediately re-activated, but due to the long procurement process, it was only possible to have the design engineers appointed before June 2006. Hence no expenditure on physical infrastructure was possible in 2005/06. Budget reduced by R4,6 million by means of approved Fund Transfers / reallocation of funds. Project 9.710663.1 Prinsloo Taxi Rank - R1,5 million saving - Project did not proceed. Project 9.710667.1 Dairy Mall Taxi Rank - R2 million saving - Due to the taxi associations' withdrawal from the project in November 2004, tenders procured at that stage had to be cancelled. Despite various efforts, the dispute with the taxi stakeholders could not be resolved. In November 2005, the Municipal Manager instructed that the project must proceed despite the above. Hence, the procurement process was re-activated but it was impossible to have construction tenders approved by the Bid Committee before the end of June 2006. Consulting engineers have however been appointed, construction tenders have been procured and construction will proceed within the second quarter of 2006/07. Project 9.710671.2 East Lynne Bus & Taxi Facilities - R3 million saving - The funds could not be spent in time on land acquisition, as the proposed site is on state land which could not be expropriated. A process of negotiation is in progress. Project 9.710743.1 Saulsville Station Pedestrian - R1,24 million saving - The design work has been completed and the project put out on tender, but the lowest recommendable tender was more than the amounts on the budget in 2005/06 & 2006/07. At present additional funds are being sought for the project. Project 9.710790.2 Upgrade of Denneboom Intermodal Facility - R1 million saving - The lack of operational funds to maintain and secure infrastructure at Denneboom makes it impossible to develop further infrastructure at that precinct. Furthermore, Eerste Fabrieke was recently identified as the urban core for Mamelodi. Hence, efforts are being focused towards the development of Eerste Fabrieke Station. An amount of R4 030 000 was reallocated by means of approved MIG fund transfer.

## Actual Capital Expenditure versus Budget for the year ended 30 June 2006 : Municipality – Explanation of variances (Continued)

### **Economic Development (continued)**

Project 9.711754.2 Klipkruisfontein Multimodal Transfer Facility - R5,8 million saving - Approximately 95,5% of the budget originally allocated to this project has been spent. The additional R5,48m transferred to this project was not spent due to delays in approval of the funds. Approval was requested in October 2005 but only granted in January 2006 during the Adjustments Budget. This left very little time for procurement and construction. Furthermore, three unsuccessful attempts were made to procure tenders for electrical works, as specialist contractors are apparently not willing to work in that area due to security risks. Limited internal capacity also made it impossible for internal teams to do the work. This has caused a delay in commissioning of the facility.

### **Finance**

Insurance replacements are dependant on the claims during the year and the subsequent procurement (replacement or reinstatement) by departments. This budget is therefore a provision for such insurance contingency claims.

### **Housing, Planning and Environmental Services**

Projects were affected by the non-realization of expected external funding and/or legal intervention (report submitted).

### **Legal and Secretarial Services**

Land purchases are dependant upon departmental requirements for expropriations or purchase of land for servitudes, etc throughout the year. The budget is a provision for such contingency requirements as it arises.

### **Metro Police**

Project 9.711524.1 Camera Speed Law Enforcement R1,04 million saving - The initial project cost was estimated at R8 000 000. The competitive bidding process was finalised at the end of March due to the competitive costing saving of this project. The delay in the corporate IDP process during November 2005 to reprioritise projects for the 2010 process caused an under expenditure on project 9.712022.1 (Establishment of Metro Police Office – Region 1) to the value of R 350 000. Project 9.712348.1 Upgrading of MP Control Room R500 000 saving - Report was submitted to the Evaluation Committee but referred back. The revised report is ready for re-submission during August 2006.

### **Roads and Storm water**

Project 9.710402.1 Implement real time traffic control pilot project R1 million saving - Feasibility regarding various systems to implement not finalised. Project 9.710610.1 Pedestrian Safety R1 million saving - The project has been cancelled and should have been excluded from the financial year's IDP programme. Various other large projects realised savings across the board which culminates in an accumulative saving for the Capital Programme as a whole, although the deviations per individual project is lower than 5%.

# Appendix F

## Disclosures of Grants and Subsidies in Terms of Section 123 of the MFMA, (Act 56 of 2003)

Name of Grant	Name of Organ of state or municipal entity	Quarterly Receipts						Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/funds withholding of funds	Did your municipality comply with the grant conditions terms of grant in framework in the latest Division of Revenue Act	Reason for non compliance
		Opening balance	Sept	Dec	March	June	Total						
<b>Capital Grants:</b>													
Roodeplaat Temba: Magalies Water	Magalies Water	0				1,348,465	1,348,465	1,348,465	0	None	None	Yes	n/a
Roodeplaat Temba: DWAF	Department Water Affairs and forestry	0				4,388,663	4,388,663	4,388,663	0	None	None	Yes	n/a
Sandspruit Waste Water	Department Water Affairs and forestry	0				3,150,000	3,150,000	3,150,000	0	None	None	Yes	n/a
Sandspruit ODI	Department Water Affairs and forestry	0				12,771,068	12,771,068	12,771,068	0	None	None	Yes	n/a
Economic Development	Gauteng: Sport, Recreation	7,692,384		1,710,000	1,500,000	3,150,000	14,052,384	5,564,948	8,487,436	None	None	Yes	n/a
National Electricity Fund	National Electricity Regulator	1,885,001			4,548,362		6,433,363	2,378,790	4,054,573	None	None	Yes	n/a
Gauteng Project Linked Housing	Gauteng: Housing Department			11,376,340		44,864,301	56,240,641	56,240,641	0	None	None	Yes	n/a
North West: Project Linked Housing	North West: Housing	18,730,828		30,870,898		34,668,412	84,270,138	80,396,330	3,873,808	None	None	Yes	n/a
Municipal Infrastructure Grant (MIG)	Department: Provincial and Local Government	38,042,268	44,000,000	47,000,000	44,019,912	20,000,000	193,062,180	193,062,180	0	None	None	Yes	n/a
Gautrans Job Creation	Gautrans			5,000,000			5,000,000	0	5,000,000	None	None	Yes	n/a
Water & Sanitation	Department Water Affairs and Forestry	29,988,284					29,988,284	15,997,373	13,990,911	None	None	Yes	n/a
Electricity for All	Department Mineral & Energy Affairs	2,075,371				4,440,938	6,516,309	6,516,309	0	None	None	Yes	n/a
Transportation	Gauteng Department Transportation Engineering	500,000	1,000,000				1,500,000	0	1,500,000	None	None	Yes	n/a
World Cup Soccer 2010	Gauteng Department Transportation Engineering					13,150,000	13,150,000	0	13,150,000	None	None	Yes	n/a
Unforeseen water problems	Gauteng: Department of Public Works					8,722,068	8,722,068	0	8,722,068	None	None	Yes	n/a
		<b>98,914,136</b>	<b>45,000,000</b>	<b>95,957,238</b>	<b>50,068,274</b>	<b>128,995,719</b>	<b>418,935,367</b>	<b>360,156,571</b>	<b>58,778,796</b>				
<b>Operational grants/subsidies:</b>													
HIV/AIDS	Department: Provincial & Local Government	3,100,000		5,443,600			8,543,600	3,100,000	5,443,600	None	None	Yes	n/a
Transportation	Gauteng Department of Transportation					342,228	342,228	225,788	116,440	None	None	Yes	n/a
Ambulance subsidy	Gauteng Department of Health		7,944,894	7,463,025	7,466,000	7,767,250	30,641,169	30,641,169	0	None	None	Yes	n/a
Health subsidy	National Department of Health		2,820,000	2,820,000	2,451,995	2,820,000	10,911,995	10,911,995	0	None	None	Yes	n/a
National Safety grant	National Department of Safety	0		43,330		713,235	756,565	756,565	0	None	None	Yes	n/a
Finance Management Grant	National Treasury	3,077,229			3,000,000		6,077,229	2,955,963	3,121,266	None	None	Yes	n/a
Restructuring Grant	National Treasury	79,842,618				65,000,000	144,842,618	42,549,758	102,292,860	None	None	Yes	n/a
Municipal System Improvement Grant	National Treasury	2,000,000				3,000,000	5,000,000	0	5,000,000	None	None	Yes	n/a
Equitable share	Department: Provincial and Local Government					261,870,276	261,870,276	261,870,276	0	None	None	Yes	n/a
Refurbishment of Temba Works	Department of Water Affairs and Forestry					2,150,000	2,150,000	2,150,000	0	None	None	Yes	n/a
IMEI	Gauteng Department of Agriculture, Conservation and Environment					410,000	410,000	410,000	0	None	None	Yes	n/a
Bontle Ke Botho Cleaning & Greening campaign	Gauteng Department of Agriculture, Conservation and Environment				360,000		360,000	0	360,000	None	None	Yes	n/a
Library	Gauteng Department: Library and Information					526,900	526,900	0	526,900	None	None	Yes	n/a
Tourism	Gauteng Department of Tourism					400,000	400,000	0	400,000	None	None	Yes	n/a
Environmental	Gauteng Department of Agriculture, Conservation and Environment					460,000	460,000	0	460,000	None	None	Yes	n/a
Roodeplaat Temba Water Services Trust	Roodeplaat Temba Water Services Trust					20,000,000	20,000,000	20,000,000	0	None	None	Yes	n/a
Motor vehicle licences refund	Gauteng Department of Transport	0	4,062,839	8,682,785	11,598,489	26,981,192	51,325,305	51,325,305	0	None	None	Yes	n/a
		<b>88,019,847</b>	<b>10,764,894</b>	<b>15,769,955</b>	<b>13,277,995</b>	<b>365,459,889</b>	<b>493,292,580</b>	<b>375,571,514</b>	<b>117,721,066</b>				
<b>Unspent conditional grants per statement of Financial Position</b>									<b>176,499,862</b>				