



CITY OF TSHWANE METROPOLITAN MUNICIPALITY
Financial Statements
for the year ended 30 June 2016

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Category A municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa, 1996
Executive Mayor (as at 30 June 2016)	Ramokgopa, Kgositso
Speaker (as at 30 June 2016)	Mosupyoe-Letsholo, Morakane (Ms)
Chief Whip (as at 30 June 2016)	Mabona, Jabulane
Mayoral committee Members (as at 30 June 2016)	Mabiletsa, Dorothy (Ms) (MMC: Finance) Mabusela, Eulanda (Ms) (MMC: Health and Social Development) Masango, Jacob (MMC: Infrastructure) Mashaba, Petunia (Ms) (MMC: Agriculture and Environmental Management) Mashego, Terence (MMC: Community Safety) Matjila, George (MMC: Roads and Transport) Mmoko, Thembi (Ms) (MMC: Corporate and Shared Services) Ngonyama, Joshua (MMC: Housing and Human Settlement) Pillay, Subesh (MMC: Economic Development and Planning) Tyobeka-Makeke, Nosipho (Ms) (MMC: Sport, Recreation, Arts and Culture)
Grading of local authority	Category A Grade 6 urban municipality (demarcation code - TSH)
Accounting Officer	Kwele, Lindiwe (Ms) (acting) Telephone: 012 358 4901
Group Chief Financial Officer (GCFO)	Banda, Umar, CA (SA) (acting) Telephone: 012 358 8100
Registered office	Isivuno House cnr Madiba and Lilian Ngoyi Street PRETORIA 0002
Postal address	PO Box 408 PRETORIA 0002
Bankers	Standard Bank
Auditors	Auditor-General South Africa (AGSA)
Legislation governing the Municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa, 1996 Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Entities to be consolidated at year end	Consistent with the prior financial year the following municipal entities will be included in the Consolidated Annual Financial Statements: Housing Company Tshwane NPC (Registration nr 2001/029821/08) Sandspruit Works Association Soc Ltd (Registration nr 1999/019160/08) Tshwane Economic Development Agency Soc Ltd (TEDA) (Registration nr 2006/019396/07)
Entities dormant	Metsweding Economic Development Agency (MEDA) - Council decision of 25 August 2011 to disestablish MEDA. All operations were taken over by the Municipality on 1 July 2011. (Deregistration still in progress)

City of Tshwane Metropolitan Municipality

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

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

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Certification by City Manager

The accounting officer is required by the Local Government: Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent audit opinion on the financial statements and are given unrestricted access to all financial records and related data of the municipality.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in light of this review and the current financial position, she is satisfied that the municipality has adequate resources to continue operations for the foreseeable future, or has access to such resources.

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

The financial statements set out on pages 4 to 130, which have been prepared on a going concern basis, were approved by the accounting officer on 30 June 2016.

I am responsible for the preparation of these financial statements, which are set out from pages 4 to 128, in terms of Section 126(1) of the Local Government: Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office, if any, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Lindiwe Kwele
City Manager (acting)

Umar Banda CA (SA)
Group Chief Financial Officer (acting)

Pretoria

30 June 2016

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 Restated* R
Assets			
Current Assets			
Inventories	21	573,789,834	482,345,921
Current portion of long-term receivables	20	95,249,478	102,165,612
Other receivables	23	972,799,863	1,214,280,584
Consumer debtors	22	2,594,648,189	2,524,606,807
Investments	19	1,087,430,061	493,261,328
Cash and bank	24	75,890,080	57,158,390
		5,399,807,505	4,873,818,642
Non-Current Assets			
Investment property	14	802,542,442	765,064,140
Property, plant and equipment	13	31,578,736,383	28,184,930,313
Leased assets	17	115,028,935	204,414,497
Intangible assets	15	343,443,083	322,383,387
Heritage assets	16	3,629,977,497	3,607,628,201
Investments	19	710,520	710,520
Long-term receivables	20	19,851,340	58,404,812
Interest rate swap asset	69	43,936,952	130,122,756
		36,534,227,152	33,273,658,626
Total Assets		41,934,034,657	38,147,477,268
Liabilities			
Current Liabilities			
Loans and bonds	4	622,111,885	601,384,353
Lease liabilities	5	110,418,332	85,909,835
Payables from exchange transactions	10	7,215,230,578	5,839,547,917
VAT payable	12	486,740,150	78,914,004
Consumer deposits	9	375,949,547	351,259,691
Unspent grants and receipts	11	81,737,947	121,812,407
		8,892,188,439	7,078,828,207
Non-Current Liabilities			
Loans and bonds	4	10,319,939,692	9,658,583,062
Lease liabilities	5	33,634,395	122,953,054
Employee benefit obligation	44	2,235,476,868	2,136,304,867
Provisions	6	806,541,911	655,529,112
Interest rate swap liability	69	147,119,727	85,625,408
Service concession arrangements	61	672,256,650	-
		14,214,969,243	12,658,995,503
Total Liabilities		23,107,157,682	19,737,823,710
Net Assets		18,826,876,975	18,409,653,558
Net Assets			
Accumulated surplus and reserves	43	18,826,876,975	18,409,653,558

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

	Note(s)	2016 R	2015 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	26	14,688,149,864	13,422,295,882
Rental of facilities and equipment		131,388,317	113,623,320
Interest received - outstanding consumer debtors		361,055,496	338,768,697
Licences and permits		48,743,171	53,243,503
Other income	28	748,562,814	802,431,681
Interest received - external investments	34	55,999,525	36,874,337
Total revenue from exchange transactions		16,033,899,187	14,767,237,420
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	5,360,754,623	4,866,550,478
Transfer revenue			
Government grants, subsidies, awards and donations	27	5,969,036,348	5,642,012,120
Public contributions and donations		276,873,503	257,515,681
Fines, penalties and forfeits		160,585,137	160,562,313
Total revenue from non-exchange transactions		11,767,249,611	10,926,640,592
Total revenue		27,801,148,798	25,693,878,012
Expenditure			
Employee related cost	29	(7,240,935,868)	(6,202,412,814)
Remuneration of councilors	31	(112,443,327)	(104,192,823)
Depreciation and amortisation	32	(1,416,085,617)	(1,369,381,029)
Impairment loss/ Reversal of impairments	62	(362,767)	(124,922,833)
Finance costs	33	(1,136,966,921)	(996,547,870)
Debt Impairment	35	(987,510,234)	(721,971,875)
Collection costs		(267,828,305)	(274,245,100)
Repairs and maintenance		(1,413,231,157)	(1,495,233,287)
Bulk purchases	36	(8,808,848,636)	(7,926,726,987)
Transfers and subsidies	37	(371,084,393)	(211,526,531)
General expenses	38	(5,547,471,946)	(5,343,112,180)
Total expenditure		(27,302,769,171)	(24,770,273,329)
Operating surplus		498,379,627	923,604,683
Gain/(loss) on disposal of assets and liabilities		65,888,349	(169,913,188)
Profit/(loss) on foreign exchange transactions		(1,678,206)	(183,984)
Fair value adjustments		(145,366,351)	52,091,422
		(81,156,208)	(118,005,750)
Surplus for the year		417,223,419	805,598,933

The National Treasury classification of expenditure is disclosed in note 67.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

	Accumulated surplus and reserves R	Total net assets R
Opening balance as previously reported	17,762,213,095	17,762,213,095
Adjustments		
Prior year adjustments (refer to Note 43 and 47)	(158,158,470)	(158,158,470)
Balance at 01 July 2014 as restated*	17,604,054,625	17,604,054,625
Changes in net assets		
Surplus for the year	805,598,933	805,598,933
Total changes	805,598,933	805,598,933
Opening balance as previously reported	18,782,030,936	18,782,030,936
Adjustments		
Prior year adjustments (refer to Note 43 and 47)	(372,377,380)	(372,377,380)
Balance at 01 July 2015 as restated*	18,409,653,556	18,409,653,556
Changes in net assets		
Surplus for the year	417,223,419	417,223,419
Total changes	417,223,419	417,223,419
Balance at 30 June 2016	18,826,876,975	18,826,876,975
Note(s)	43	

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Cash Flow Statement

		2016	2015
		R	Restated* R
Cash flows from operating activities			
Receipts			
Cash receipts from other revenue sources		2,549,889,856	1,448,979,376
Cash receipts from rate payers and service charges		19,211,688,643	17,911,009,109
Grants		5,930,802,716	5,677,719,992
Interest income		55,999,525	36,874,337
		<u>27,748,380,740</u>	<u>25,074,582,814</u>
Payments			
Cash paid to employees		(7,379,167,842)	(6,306,605,637)
Cash paid to suppliers		(14,849,707,351)	(14,439,903,288)
Finance costs (Interest paid)		(1,136,966,921)	(996,547,870)
Transfers and grants		(371,084,393)	(211,526,531)
		<u>(23,736,926,507)</u>	<u>(21,954,583,326)</u>
Net cash flows from operating activities	39	<u>4,011,454,233</u>	<u>3,119,999,488</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(4,982,392,526)	(4,435,287,528)
Purchase/redemption of leased assets	17	-	(266,860,619)
Proceeds from sale of assets (including gain/(loss))	13	315,588,558	(59,007,926)
Purchase of investment property and retirements	14	(10,958,755)	(6,338,103)
Proceeds from sale of investment property	14	12,823,578	-
Purchase of other intangible assets and retirements	15	(46,265,624)	76,646,301
Purchase of heritage assets	16	(22,349,296)	(6,491)
Movement in long-term receivables		45,469,606	109,762,466
Movement in long-term investments		-	5,096,572
		<u>(4,688,084,459)</u>	<u>(4,575,995,328)</u>
Net cash flows from investing activities		<u>(4,688,084,459)</u>	<u>(4,575,995,328)</u>
Cash flows from financing activities			
Proceeds from loans and bonds		1,200,000,000	1,500,000,000
Repayment of loans and bonds	4	(517,915,839)	(490,727,044)
Movement in service concession arrangements		672,256,650	-
Finance lease payments	5	(64,810,162)	199,894,504
		<u>1,289,530,649</u>	<u>1,209,167,460</u>
Net cash flows from financing activities		<u>1,289,530,649</u>	<u>1,209,167,460</u>
Net increase/(decrease) in cash and cash equivalents		<u>612,900,423</u>	<u>(246,828,380)</u>
Cash and cash equivalents at the beginning of the year		550,419,718	797,248,099
Cash and cash equivalents at the end of the year	24	<u>1,163,320,141</u>	<u>550,419,719</u>

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Statement of comparison of budget and actual amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
June 2016											
Financial Performance											
Property rates	5,212,179,600	393,200	5,212,572,800	-	-	5,212,572,800	5,360,754,623		148,181,823	103 %	103 %
Service charges	15,638,212,250	221,818,712	15,860,030,962	-	-	15,860,030,962	14,688,149,864		(1,171,881,098)	93 %	94 %
Investment revenue	69,774,338	(28,598,430)	41,175,908	-	-	41,175,908	55,999,525		14,823,617	136 %	80 %
Transfers recognised - operational	3,419,706,000	133,458,959	3,553,164,959	-	-	3,553,164,959	3,516,826,178		(36,338,781)	99 %	103 %
Other own revenue	1,360,782,800	698,688,701	2,059,471,501	-	-	2,059,471,501	1,894,790,428		(164,681,073)	92 %	139 %
Total revenue (excluding capital transfers and contributions)	25,700,654,988	1,025,761,142	26,726,416,130	-	-	26,726,416,130	25,516,520,618		(1,209,895,512)	95 %	99 %
Employee costs	(6,917,257,285)	(5,489,905)	(6,922,747,190)	-	-	(6,922,747,190)	(7,240,935,868)	318,188,678	(318,188,678)	105 %	105 %
Remuneration of councillors	(111,749,118)	(1,000,000)	(112,749,118)	-	-	(112,749,118)	(112,443,327)	-	305,791	100 %	101 %
Debt impairment	(1,018,115,542)	261,432,541	(756,683,001)	-	-	(756,683,001)	(987,510,234)	230,827,233	(230,827,233)	131 %	97 %
Depreciation and asset impairment	(1,186,841,000)	99,576,100	(1,087,264,900)	-	-	(1,087,264,900)	(1,416,448,384)	329,183,484	(329,183,484)	130 %	119 %
Finance charges	(1,029,202,100)	(10,112,180)	(1,039,314,280)	-	-	(1,039,314,280)	(1,136,966,921)	97,652,641	(97,652,641)	109 %	110 %
Materials and bulk purchases	(8,653,633,730)	(150,655,223)	(8,804,288,953)	-	-	(8,804,288,953)	(8,813,372,154)	9,083,201	(9,083,201)	100 %	102 %
Transfers and grants	(235,090,100)	5,150,000	(229,940,100)	-	-	(229,940,100)	(371,084,393)	141,144,293	(141,144,293)	161 %	158 %
Other expenditure	(5,963,851,000)	(1,113,680,640)	(7,077,531,640)	-	-	(7,077,531,640)	(7,472,746,088)	395,214,448	(395,214,448)	106 %	125 %
Total expenditure	(25,115,739,875)	(914,779,307)	(26,030,519,182)	-	-	(26,030,519,182)	(27,551,507,369)	1,521,293,978	(1,520,988,187)	106 %	110 %
Surplus/(Deficit)	584,915,113	110,981,835	695,896,948	-	-	695,896,948	(2,034,986,751)		(2,730,883,699)	(292)%	(348)%
Contributions recognised - capital and contributed assets	2,453,159,682	2,876,072	2,456,035,754	-	-	2,456,035,754	2,452,210,170		(3,825,584)	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	3,038,074,795	113,857,907	3,151,932,702	-	-	3,151,932,702	417,223,419		(2,734,709,283)	13 %	14 %
Surplus/(Deficit) for the year	3,038,074,795	113,857,907	3,151,932,702	-	-	3,151,932,702	417,223,419		(2,734,709,283)	13 %	14 %

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Statement of comparison of budget and actual amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funds sources											
Total capital expenditure	3,856,566,482	138,626,814	3,995,193,296	-		3,995,193,296	3,968,594,186		(26,599,110)	99 %	103 %
Sources of capital funds											
Transfers recognised - capital	(2,471,566,482)	11,123,928	(2,460,442,554)	-		(2,460,442,554)	(2,460,269,724)		172,830	100 %	100 %
Public contributions and donations	(150,000,000)	-	(150,000,000)	-		(150,000,000)	(147,067,080)		2,932,920	98 %	98 %
Borrowing	(1,200,000,000)	-	(1,200,000,000)	-		(1,200,000,000)	(1,194,839,429)		5,160,571	100 %	100 %
Internally generated funds	(35,000,000)	(149,750,742)	(184,750,742)	-		(184,750,742)	(166,417,952)		18,332,790	90 %	475 %
Total sources of capital funds	(3,856,566,482)	(138,626,814)	(3,995,193,296)	-		(3,995,193,296)	(3,968,594,185)		26,599,111	99 %	103 %
Cash flows											
Net cash from (used) operating	3,711,359,462	(665,421,961)	3,045,937,501	-		3,045,937,501	4,011,454,233		965,516,732	132 %	108 %
Net cash from (used) investing	(3,674,874,779)	(179,432,050)	(3,854,306,829)	-		(3,854,306,829)	(4,688,084,459)		(833,777,630)	122 %	128 %
Net cash from (used) financing	479,974,340	-	479,974,340	-		479,974,340	1,289,530,649		809,556,309	269 %	269 %
Net increase/(decrease) in cash and cash equivalents	516,459,023	(844,854,011)	(328,394,988)	-		(328,394,988)	612,900,423		941,295,411	(187)%	119 %
Cash and cash equivalents at the beginning of the year	881,831,502	633,640,509	1,515,472,011	-		1,515,472,011	550,419,718		(965,052,293)	36 %	62 %
Cash and cash equivalents at year end	1,398,290,525	(211,213,502)	1,187,077,023	-		1,187,077,023	1,163,320,141		23,756,882	98 %	83 %

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
2015				
Financial Performance				
Property rates				4,866,550,478
Service charges				13,422,295,882
Investment revenue				36,874,337
Transfers recognised - operational				3,081,484,935
Other own revenue				1,740,023,000
Total revenue (excluding capital transfers and contributions)				23,147,228,632
Employee costs	-	-	-	(6,202,412,814)
Remuneration of councillors	-	-	-	(104,192,823)
Debt impairment	(45,776,046)	(45,776,046)	-	(721,971,875)
Depreciation and asset impairment	(327,971,011)	(327,971,011)	-	(1,494,303,862)
Finance charges	(58,999,917)	(58,999,917)	-	(996,547,870)
Materials and bulk purchases	-	-	-	(7,926,963,491)
Transfers and grants	-	-	-	(211,526,531)
Other expenditure	(475,494,595)	(475,494,595)	-	(7,248,692,007)
Total expenditure	(908,241,569)	(908,241,569)	-	(24,906,611,273)
Surplus/(Deficit)				(1,759,382,641)
Transfers recognised - capital				2,564,981,574
Contributions recognised - capital and contributed assets				-
Surplus (Deficit) after capital transfers and contributions				805,598,933
Surplus/(Deficit) for the year				805,598,933

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
Capital expenditure and funds sources				
Total capital expenditure				4,114,917,583
Sources of capital funds				
Transfers recognised - capital				(2,564,981,572)
Public contributions and donations				(57,530,022)
Borrowing				(1,387,942,005)
Internally generated funds				(104,463,984)
Total sources of capital funds				(4,114,917,583)
Cash flows				
Net cash from (used) operating				3,119,999,488
Net cash from (used) investing				(4,575,995,328)
Net cash from (used) financing				1,209,167,460
Net increase/(decrease) in cash and cash equivalents				(246,828,380)
Cash and cash equivalents at the beginning of the year				797,248,099
Cash and cash equivalents at year end				550,419,719

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Basis of preparation of annual financial statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). The accounting framework as prescribed is determined in Directive 5 issued by the Accounting Standards Board.

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Refer to note 64.

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables /Investments and/or loans and receivables

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

Financial assets

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

Impairment testing

The municipality reviews the carrying value of assets when the situation arises that the carrying amount of the asset might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared based on expected future cash flows for each group of assets.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions are raised and determined by management. An estimate is made based on the information available. Additional disclosure of these estimates of provisions are included in note 6 - Provisions.

Useful lives of property, plant and equipment

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

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 44.

Effective interest rate

The municipality used the weighted weighted average cost of capital (WACC) to discount future cash flows.

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

Allowance for impairment

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

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

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

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

A gain or loss arising on initial recognition of biological assets is disclosed under property, plant and equipment and is included as a surplus or deficit for the period in which it arises.

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

1.5 Investment property

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

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

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

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

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

Subsequent to initial measurement Investment property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Investment property (continued)

The gain or loss on the disposal or retirement of investment property is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal and is recognised in the surplus or deficit for the year.

Cost model

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

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

Item	Average useful life (years)
Property - land	Indefinite
Property - buildings	25-60

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

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

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value from the day that the asset is ready for use. Residual value is what the asset would currently receive if in the condition it would be at the end of its useful life. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each reporting date and any changes are recognised as a change in accounting estimate in surplus or deficit for the year. The actual useful lives of the assets, residual values and depreciation method are assessed annually and might vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account.

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Property, plant and equipment (continued)		
• Service reservoir: Mechanical		15-40
• Service reservoir: Metal work		10-40
• Service reservoir: Pipe works		40-120
• Dams/weirs/fountains: Structure		30-50
• Dams/weirs/fountains: Civil		30-55
• Dams/weirs/fountains: Electrical		15-40
• Dams/weirs/fountains: Mechanical		15-40
• Dams/weirs/fountains: Perimeter protection		10-30
• Dams/weirs/fountains: Pipe works		40-120
Sewerage	Straight line	
• Bulk meter		40-120
• Outfall sewer: Civil		30-55
• Outfall sewer: Electrical		15-50
• Sewerage pump station: Structure		30-55
• Sewerage pump station: Electrical		15-50
• Sewerage pump station: Mechanical		15-40
• Sewerage pump station: Perimeter protection		10-30
• Sewerage pump station: Pipe works		40-120
• Sewerage pump station: Metal work		10-40
• Sewerage reticulation: Structure		30-55
• Sewerage reticulation: Pipe works		40-120
• Waste water treatment plant: Structure		30-55
• Waste water treatment plant: Electrical		15-50
• Waste water treatment plant: Mechanical		15-40
• Waste water treatment plant: Perimeter protection		10-30
• Waste water treatment plant: Pipe works		40-120
• Reservoir		30-50
Buildings	Straight line	
• Dwellings (hostels, housing schemes, residences, etc)		25-60
• Non-residential (agricultural, clinics, fire stations, museums, etc)		25-60
• Non-residential: Perimeter protection		10-45
Landscaping	Straight line	
• Landscaping		10-15
Solid waste disposal	Straight line	
• Tipsite: Structure		25-30
Railways	Straight line	
• Sidings		25-30
Roads	Straight line	
• Bridges: Vehicle (concrete)		50-80
• Bridges: Pedestrian (concrete)		50-80
• Storm water: Culverts		25-50
• Storm water: Inlet, junction point, outlet		20-50
• Storm water: Pipes		25-50
• Roads: Kerb and channels		20-50
• Roads: Municipal roads - bitumen layer		20-45
• Roads: Municipal roads - bitumen surface		10-60
• Roads: Municipal roads - mixed surface layer		20-45
• Roads: Municipal roads - mixed surface surface		10-50
• Roads: Municipal roads - paving blocks layer		10-45
• Roads: Municipal roads - paving blocks surface		10-50
• Roads: Municipal roads - unpaved layer		10-45
• Roads: Municipal roads - unpaved surface		10-50
• Roads: Overhead traffic signs		15-20
• Roads: Street lighting		10-50
• Roads: Traffic signals		15-20
• Roads: Traffic signs		5-30
• Roads: Tunnel		50-80
Cemeteries	Straight line	
• Cemeteries		25-55
Other machinery and equipment	Straight line	
• Irrigation equipment		10-15
• Cold room		10-15
• Telecommunication equipment		3-30
Computer equipment	Straight line	
• Networks		3-20

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Property, plant and equipment (continued)

Other	Straight line	
• Specialist vehicles		8-25
• Other vehicles		8-55
• Office equipment		5-25
• Furniture and fittings		5-30
• Watercraft		5-20
• Bins and containers		5-15
• Specialist plant and equipment		10-45
• Other plant and equipment		10-45
• Landfill sites and quarries		1-50
• Books		5-30
• Library material		5-30
Community assets	Straight line	
• Recreation facilities		15-20
• Playing apparatus		5-35
Livestock	Straight line	
• Livestock (dogs and horses)		8-20
Leased assets (refer to note 17)	Straight line	
• Vehicles, equipment, etc		3-20
Land	Not depreciated	
• Land		Indefinite useful live

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

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

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

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

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

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

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

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

Impairment of property, plant and equipment

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

Incomplete construction work (assets under construction):

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

Non-current assets held for sale:

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 Site rehabilitation and restoration cost

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

As the related asset is measured using the cost model:

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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

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

An intangible asset is recognised when:

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

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Intangible assets (continued)

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

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

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

Computer software, other	5 years
Servitudes	Indefinite

Intangible assets are derecognised:

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

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

1.9 Internal reserves

Self insurance reserve

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

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in surplus or deficit for the year. These premiums do not affect the Self-insurance reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in surplus or deficit for the year.
- Claims received to meet repairs of damages on assets are reflected as income in surplus or deficit for the year.

The Self-insurance reserve is based on recognised insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self insurance reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self-insurance reserve
- The following liabilities are taken into account in determining this surplus capacity:
Reported known outstanding claims and statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
- Probability and quantification of a catastrophic loss
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exist based on the assumption that sufficient capacity will be built up to cover that asset through the Self-insurance reserve over an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long-Term Insurance Strategy)
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a five-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a five-year period.

Compensation for occupational injuries and diseases (COID) reserve

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

Contributions to the COID reserve are based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than a predetermined amount per annum are reinsured by what is called a "COID Wrap Around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in surplus or deficit for the year. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.10 Housing development fund

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

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

1.11 Heritage assets

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

Classification

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

Class	Category
Non-exchange: Consumer receivables: property rates	Financial asset measured at amortised cost
Exchange: Consumer receivables: services	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Long-term receivables: Housing loans	Financial asset measured at amortised cost
Long-term receivables: Loans to sport clubs	Financial asset measured at amortised cost
Long-term receivables: Sale of land	Financial asset measured at amortised cost
Long-term receivables: Arrangement debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments (call investment deposits - short-term)	Financial asset measured at amortised cost
Investments (long-term)	Financial asset measured at amortised cost
Interest rate swap	Financial asset measured at fair value

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.12 Financial instruments (continued)

Class	Category
Exchange:	
Long-term loans: Term loans	Financial liability measured at amortised cost
Long-term loans: Local registered stock	Financial liability measured at amortised cost
Long-term loans: Annuity loans	Financial liability measured at amortised cost
Long-term loans: Municipal bonds	Financial liability measured at amortised cost
Trade payables:	
Payables from exchange transactions	Financial liability measured at amortised cost
Retention creditors	Financial liability measured at amortised cost
Deposits	Financial liability measured at amortised cost
Deferred operating lease liability	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Lease liabilities	Financial liability measured at amortised cost
Interest rate swap	Financial liability measured at fair value
Service concession arrangement	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Financial instruments (continued)

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Financial instruments (continued)

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Presentation

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

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

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Financial instruments (continued)

1.13 Leases

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

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

Finance leases - lessor

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

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

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

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

Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. The municipality will not incur a foreign currency lease liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

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

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

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

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

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

Operating leases - lessor

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

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

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

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

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

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.13 Leases (continued)

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

1.14 Grants, donations and receipts

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

1.15 Inventories

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

Inventories (consumable stores, raw materials, work in progress and finished goods) are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

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

Water inventory:

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

Derecognition of inventory:

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

1.16 Value added tax

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Grants-in aid (Expense)

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

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

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

1.18 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follows:

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

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

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

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

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

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

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

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

Redesignation

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

1.19 Retirement benefits

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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Accounting Policies

1.19 Retirement benefits (continued)

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

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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

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

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

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

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

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Accounting Policies

1.19 Retirement benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.19 Retirement benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

- estimated future salary increases;

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.19 Retirement benefits (continued)

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

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

Other post retirement obligations

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

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

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

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

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

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

Pension, Provident and Retirement Funds

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

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

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

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

Medical Aid: Continued members

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

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

The cost of providing these benefits is determined on the basis of the Projected Unit Credit Method prescribed by GRAP 25. Future benefits values are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. No plan assets exist and any actuarial gains and losses are recognised immediately.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.20 Provisions and contingencies

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

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

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

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

A contingent liability is:

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

Levies

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

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

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

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

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

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.20 Provisions and contingencies (continued)

The following provisions exist within the municipality:

- **Clearing of alien vegetation**
In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.
- **Landfill sites**
The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision was established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.
- **Quarries**
In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), section 52(2)(d), the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.
- **Legal proceedings**
A provision was created since 2013/14 for the legal proceedings contingencies of certain cases. Refer to note 6.

1.21 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.22 Revenue from exchange transactions

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

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

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

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

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

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

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

The percentage of completion method is utilised to recognise revenue on long-term contracts. Management exercises judgment in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment applied to the total expected revenue arising from maintenance and repair contracts.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.22 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Services provided on a prepayment basis

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

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

Income from agency services

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

Housing rental and installments

Income in respect of housing rental and installments are accrued monthly in advance. Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportionate basis.

Collection charges

Collection charges are recognised when such amounts are incurred/earned.

Interest, royalties and dividends

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

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

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.22 Revenue from exchange transactions (continued)

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

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

1.23 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

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

Measurement

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Taxes (property rates for municipalities)

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

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

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

Bequests

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

Gifts and donations, including goods in-kind

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

Services in-kind

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

Concessionary loans received:

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

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

Grants, donations and receipts:

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

1.24 Operating expenses

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

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

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

1.25 Translation of foreign currencies

Foreign currency transactions

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

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

1.26 Comparative figures

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

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

The comparative figures (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP standards.

1.27 Unauthorised expenditure

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.28 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in surplus or deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in surplus or deficit.

1.29 Irregular expenditure

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

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

1.30 Borrowing costs

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

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

1.31 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

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

1.32 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties if they are under common control. Each municipality and its own municipal entities are related parties. A municipality is not "related" to another municipality as they are not under common control.

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

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

1.33 Events after reporting date

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.33 Events after reporting date (continued)

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

1.34 Service concession arrangements: Entity as grantor

Identification

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

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

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

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

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

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

Recognition of asset and liability

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

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

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

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

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

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

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

Financial liability model

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.34 Service concession arrangements: Entity as grantor (continued)

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

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

Grant of a right to the operator model

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

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

Dividing the arrangement

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

Other liabilities, contingent liabilities and contingent assets

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

Other revenues

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

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

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

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

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

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

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

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

1.35 Accumulated surplus

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 105: Transfer of functions between entities under common control

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

The municipality expects to adopt the standard for the first time in the 2016 financial statements if it is applicable at that stage. Currently no transfer of functions have been demarcated.

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

The municipality did not adopt the standard in the 2016 financial statements as no transfer of functions have been demarcated.

GRAP 106: Transfer of functions between entities not under common control

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

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

The municipality did not adopt the standard in the 2016 financial statements as no transfer of functions have been demarcated.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. It requires an entity and combining entities that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a merger where no acquirer can be identified.

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

The municipality did not adopt the standard in the 2016 financial statements as no merger occurred in the 2015/16 financial year.

IGRAP 11: Consolidations - special purpose entities

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

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

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

The municipality did not adopt the interpretation in the 2016 financial statements as it was not applicable in the 2015/16 financial year.

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

2. New standards and interpretations (continued)

IGRAP 12: Jointly controlled entities - non-monetary contributions by venturers

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

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

The municipality did not adopt the interpretation in the 2016 financial statements as it was not applicable in the 2015/16 financial year.

GRAP 6 (Revised): Consolidated and separate financial statements

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

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

The municipality did not adopt the amendment in the 2016 financial statements because it is linked to GRAP 105, 106 and 107 which was also not adopted in the 2015/16 financial year as there was no transfer of functions or merger applicable.

GRAP 7 (Revised): Investments in associates

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

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

The municipality did not adopt the amendment in the 2016 financial statements because it is linked to GRAP 105, 106 and 107 which was also not adopted in the 2015/16 financial year as there was no transfer of functions or merger applicable.

GRAP 8 (Revised): Interest in joint ventures

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

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

The municipality did not adopt the amendment in the 2016 financial statements because it is linked to GRAP 105, 106 and 107 which was also not adopted in the 2015/16 financial year as there was no transfer of functions or merger applicable.

2.2 Standards and Interpretations early adopted

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

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

GRAP 20: Related parties

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

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

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

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

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

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

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

GRAP 108: Statutory Receivables

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

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

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

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

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

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

GRAP 16 (as amended 2015): Investment Property

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

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

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

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

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

The impact of this standard is currently being assessed.

GRAP 17 (as amended 2015): Property, Plant and Equipment

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

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

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

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

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

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

The impact of this standard is currently being assessed.

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 109: Accounting by Principals and Agents

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

It furthermore covers definitions, Identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work program to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work program to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
3. Housing development fund		
Unappropriated surplus	225,449,115	225,449,115
Less: Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463
Housing development fund	<u>156,442,652</u>	<u>156,442,652</u>
The housing development fund is represented by the following assets and liabilities		
Housing selling scheme loans	9,915,323	9,692,028
Housing debtors	51,244,153	43,273,872
Bank and cash	95,283,176	103,476,752
Housing Development Fund Assets	<u>156,442,652</u>	<u>156,442,652</u>
4. Loans and bonds		
Summary of Long Term Borrowings:		
Term Loans	4,430,390,515	3,230,014,405
Municipal bonds	2,176,302,934	2,177,419,005
Annuity loans	4,335,358,128	4,852,534,005
	<u>10,942,051,577</u>	<u>10,259,967,415</u>
Held at amortised cost		
Term Loans		
Development Bank of South Africa (1-2100)	1,600,000,000	1,600,000,000
Unsecured 20 year bullet loan, Jibar rate +2.5 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 June 2034.		
Development Bank of South Africa (1-02)	78,331,528	78,331,528
Secured 20 year bullet loan, Jibar floating rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 October 2019. A sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.		
Nedbank (1-2300)	1,200,376,110	-
Unsecured 10 year bullet loan, fixed interest rate 11.44% repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 24 June 2026.		
Development Bank of South Africa (1-22)	1,500,000,000	1,500,000,000
Unsecured 20 year bullet loan, Jibar rate + 2.4 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 June 2035.		
Development Bank of South Africa (1-400)	51,682,877	51,682,877
Secured 20 year bullet loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 September 2018. A sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.		
Municipal bonds		
Standard Bank (1-1900)	573,614,904	573,927,890
Unsecured 15 year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 2 April 2028. A sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.		

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

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	2016	2015
	R	Restated* R
4. Loans and bonds (continued)		
Standard Bank (1-1901)	848,022,825	848,437,142
Unsecured 10 year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 3 April 2023. A sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.		
Standard Bank (1-1950)	754,665,205	755,053,973
Unsecured 15 year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 5 June 2028. A sinking fund investing for the purpose of providing for the capital repayment at the date of redemption.		
Annuity loans		
Standard Bank (1-1300)	784,656,277	834,719,010
Unsecured variable interest rate 15 year loan repayable semi-annually in installments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2026.		
Development Bank of South Africa (1-950)	118,009,576	123,524,219
Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.		
Development Bank of South Africa (1-851)	69,478,930	79,033,212
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
Development Bank of South Africa (1-800)	168,013,244	173,896,059
Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.		
Development Bank of South Africa (1-700)	73,569,020	77,577,256
Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.		
Development Bank of South Africa (1-701)	168,937,757	174,654,021
Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.		
Development Bank of South Africa (1-501)	197,482,196	226,785,249
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.		
Development Bank of South Africa (1-500)	41,632,549	48,790,472
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.		
Development Bank of South Africa (1-200)	124,279,960	145,592,806
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.		
INCA (1-100)	93,999,872	112,500,421
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2020.		

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
4. Loans and bonds (continued)		
Development Bank of South Africa (1-52)	89,268,376	117,552,430
Secured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 September 2018.		
Development Bank of South Africa (1-50)	82,005,386	109,138,016
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2018.		
iVuzi Investments (1-550)	103,863,446	118,007,394
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 12 December 2021.		
iVuzi Investments (1-450)	41,258,358	47,198,007
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2021.		
iVuzi Investments (1-300)	47,702,096	55,530,809
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.		
iVuzi Investments (1-150)	21,807,413	25,941,742
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.		
iVuzi Investments (1-0)	6,929,545	8,783,754
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2019.		
Nedbank (1-1150)	181,256,744	217,113,900
Unsecured variable interest rate 10 year loan repayable in semi-annual installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.		
Nedbank (1-1100)	182,163,078	218,170,246
Unsecured variable interest rate 10 year loan repayable in semi-annual installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.		
Nedbank (1-852)	93,341,438	105,925,613
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
ABSA Bank Ltd (1-850)	135,788,674	154,073,619
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
Development Bank of South Africa (1-1352)	37,928	260,076
Unsecured fixed interest rate loan repayable in monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 August 2016. Loan taken over from Nokeng Municipality on 1 July 2011.		
Development Bank of South Africa (1-1400)	-	5,090,982
Unsecured fixed interest rate loan repayable in monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2016. Loan taken over from Kungwini Municipality on 1 July 2011.		

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
4. Loans and bonds (continued)		
iVuzi (FirstRand Bank) (1-1850)	315,789,474	368,421,053
Unsecured (Jibar) variable interest rate 9 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022.		
Nedbank (1-1800)	520,434,669	569,004,970
Unsecured (Jibar) variable interest rate 16 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 March 2023.		
iVuzi (FirstRand Bank) (1-1851)	379,310,345	413,793,103
Unsecured (Jibar) variable interest rate 14 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2027.		
Nedbank (1-1801)	294,341,777	321,455,566
Unsecured (Jibar) variable interest rate 12 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 March 2023.		
	<u>10,942,051,577</u>	<u>10,259,967,415</u>
Non-current liabilities		
At amortised cost	10,319,939,692	9,658,583,062
Current liabilities		
At amortised cost	622,111,885	601,384,353
	<u>10,942,051,577</u>	<u>10,259,967,415</u>
Secured and unsecured long-term liabilities		
Secured	214,693,183	247,566,835
Unsecured	10,727,358,394	10,012,400,580
	<u>10,942,051,577</u>	<u>10,259,967,415</u>
No defaults or breaches of loans occurred in the period under review.		
5. Lease liabilities		
Minimum lease payments due		
- within one year	118,161,856	100,916,305
- in second to fifth year inclusive	36,731,325	131,839,189
	154,893,181	232,755,494
less: future finance charges	(10,840,454)	(23,892,605)
Present value of minimum lease payments	<u>144,052,727</u>	<u>208,862,889</u>
Present value of minimum lease payments due		
- within one year	110,418,332	85,909,835
- in second to fifth year inclusive	33,634,395	122,953,054
	<u>144,052,727</u>	<u>208,862,889</u>
Non-current liabilities	33,634,395	122,953,054
Current liabilities	110,418,332	85,909,835
	<u>144,052,727</u>	<u>208,862,889</u>
Collateral held in terms of the above leases (Net book amount of leased assets)	144,052,727	208,862,889
Carrying value of leased assets	115,028,935	204,414,498

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R

5. Lease liabilities (continued)

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

The average lease term is 3 years and the average effective borrowing rate is 10.5%. Interest rates are variable at the contract date. All leases have variable repayments and include additional charges for contingent rent based on excess kilometres travelled.

6. Provisions

Reconciliation of provisions - 2016

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

Reconciliation of provisions - 2015

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

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

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

Environmental rehabilitation provision - landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established to address the backlogs that exist.

Rehabilitation of quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), section 52(2)(d), the municipality is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R

6. Provisions (continued)

Legal proceedings provision

A provision for legal cost with regard to certain cases was created due to the fact that it was probable (more likely than not) that a present obligation existed at the reporting date and that the municipality will be liable for the legal cost in these cases. The history and nature of these cases further indicate that the liability is more of a long-term nature.

The cases included in the provision is still pending and disclosing details will prejudice the position of the municipality in a dispute with other parties on the subject matter.

7. Financial instruments disclosure

Categories of financial instruments

June 2016

Financial assets

	At fair value	At amortised cost	Total
Investments	-	1,088,140,581	1,088,140,581
Other receivables	-	972,799,863	972,799,863
Consumer receivables	-	2,594,648,190	2,594,648,190
Cash and cash equivalents	-	75,890,080	75,890,080
Long-term receivables: Housing loans	-	9,915,323	9,915,323
Long-term receivables: Sport club loans	-	1,088,333	1,088,333
Long-term receivables: Sale of land	-	68,760,912	68,760,912
Long-term receivables: Arrangement debtors	-	114,819,043	114,819,043
Interest rate swap asset	43,936,952	-	43,936,952
	43,936,952	4,926,062,325	4,969,999,277

Financial liabilities

	At fair value	At amortised cost	Total
Retention creditors	-	432,030,198	432,030,198
Trade and other payables from exchange transactions	-	5,902,382,570	5,902,382,570
Consumer deposits	-	375,949,547	375,949,547
Long-term loans (term loans, bonds, etc)	-	10,942,051,577	10,942,051,577
Interest rate swap liability	147,119,727	-	147,119,727
Service concession arrangements	-	672,256,650	672,256,650
	147,119,727	18,324,670,542	18,471,790,269

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015	
	R	Restated* R	
7. Financial instruments disclosure (continued)			
2015			
Financial assets			
	At fair value	At amortised cost	Total
Investments	-	493,971,848	493,971,848
Other receivables	-	1,214,280,584	1,214,280,584
Consumer receivables	-	2,524,606,808	2,524,606,808
Cash and cash equivalents	-	57,158,390	57,158,390
Long-term receivables: Housing loans	-	9,692,028	9,692,028
Long-term receivables: Sport club loans	-	1,136,448	1,136,448
Long-term receivables: Sale of land	-	69,982,588	69,982,588
Long-term receivables: Arrangement debtors	-	146,535,828	146,535,828
Interest rate swap asset	130,122,756	-	130,122,756
	130,122,756	4,517,364,522	4,647,487,278
Financial liabilities			
	At fair value	At amortised cost	Total
Retention creditors	-	380,473,652	380,473,652
Trade payables from exchange transactions	-	4,805,602,185	4,805,602,185
Consumer deposits	-	351,259,691	351,259,691
Long-term loans (term loans, bonds, etc)	-	10,259,967,415	10,259,967,415
Interest rate swap liability	85,625,408	-	85,625,408
	85,625,408	15,797,302,943	15,882,928,351

8. Financial instruments: Risks involved

Risks

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

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

Interest rate risk

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016				2015		
	R				Restated*		R
8. Financial instruments: Risks involved (continued)							
Period ended June 2016							
Description	Floating rate	Amount	Fixed rate		Non-interest bearing		Total
	R	R	Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount R	Weighted average period until maturity Years	
Assets							
Investments	1,087,430,061	710,520	16.45	24.75			1,088,140,581
Long-term receivables:							
Housing loans		9,915,323	13.87	30.00			9,915,323
Sport club loans		1,088,333	11.99	10.00			1,088,333
Sale of Land		68,760,912	11.09	5.00			68,760,912
Arrangement debtors		1,171,779	9.75		113,647,264		114,819,043
Trade receivables:							
Consumer		6,194,289,736	9.75	1.00	2,402,951,599		8,597,241,335
Other					972,799,863		972,799,863
Cash		75,890,080					75,890,080
Total financial assets	1,087,430,061	6,351,826,683			3,489,398,726		10,928,655,470
Liabilities							
Interest bearing borrowings	1,529,003,469	3,905,391,574	10.04	14.69			5,434,395,043
Interest rate swaps (notional amounts)	3,990,312,448	1,517,344,086	9.53	11.60			5,507,656,534
Lease liabilities		144,052,727					144,052,727
Trade payables:							
Creditors					6,783,200,381	0.08	6,783,200,381
Retention					432,030,198	1.00	432,030,198
Consumer deposits					375,949,547	0.08	375,949,547
Service concession arrangements					672,256,650		672,256,650
Total financial liabilities	5,519,315,917	5,566,788,387			8,263,436,776		19,349,541,080

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016				2015		
	R				Restated*		R
8. Financial instruments: Risks involved (continued)							
Year ended 30 June 2015							
Description	Floating rate	Amount	Fixed rate		Non-interest bearing		Total
			Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount	Weighted average period until maturity Years	
	R	R			R		R
Assets							
Investments	493,261,328	710,520	16.45	24.75			493,971,848
Long-term receivables:							
Housing loans		9,692,028	13.87	30.00			9,692,028
Loans to sport clubs		1,136,448	11.99	10.00			1,136,448
Sale of Land		69,982,588	11.09	5.00			69,982,588
Arrangement debtors		66,826,850	90.00		79,708,978		146,535,828
Trade receivables:							
Consumer		5,494,809,810	9.00	1.00	2,265,215,680		7,760,025,490
Other					1,214,280,584		1,214,280,584
Cash		57,158,390					57,158,390
Total financial assets	493,261,328	5,700,316,634			3,559,205,242		9,752,783,204
Liabilities							
Interest bearing borrowings	6,121,009,376	131,301,505	10.18	14.20			6,252,310,881
Interest rate swaps	2,490,312,448	1,517,344,086	9.31	13.50			4,007,656,534
Lease liabilities		208,862,889					208,862,889
Trade payables:							
Creditors					5,459,074,266	0.08	5,459,074,266
Retention					380,473,652	1.00	380,473,652
Consumer deposits					351,259,691	0.08	351,259,691
Total financial liabilities	8,611,321,824	1,857,508,480			6,190,807,609		16,659,637,913

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R

8. Financial instruments: Risks involved (continued)

Interest rate swaps

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

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

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

	Fair value	Estimated fair value gain/(loss)
	R	R
30 June 2016		
Non-current assets: interest rate swap asset	43,936,952	(86,185,804)
Non-current liability: interest rate swap liability	(147,119,727)	61,494,319
	(103,182,775)	(24,691,485)
	Fair value	Estimated fair value gain/(loss)
	R	R
30 June 2015		
Non-current assets: interest rate swap asset	130,122,756	95,711,302
Non-current liability: interest rate swap liability	(85,625,408)	(41,511,255)
	44,497,348	54,200,047

Currency risk

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

Credit risk

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

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

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

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R

8. Financial instruments: Risks involved (continued)

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

	30 June 2016	30 June 2015
Consumer receivables:		
Household	46	49
Industrial/Commercial	19	23
National and Provincial Government	13	3
Other consumer receivables	4	5
Long-term receivables	2	2
Sundry receivables	16	18
	100	100

Liquidity risk

The Municipality manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market:

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

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

	30 June 2017	30 June 2018	30 June 2019
	R	R	R
External funding: capital expenditure	1,000,000,000	1,000,000,000	1,000,000,000

Market risk

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

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

Financial assets/liabilities:

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

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R

8. Financial instruments: Risks involved (continued)

Fair values

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

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

Cash and cash equivalents

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

Trade receivables (debtors)

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

Investments

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

Trade payables

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

Interest bearing borrowings

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

Derivatives (interest rate swaps)

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

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

Year ended	Fair value R	Carrying amount R
30 June 2016		
Liabilities		
Interest rate swaps	147,119,727	85,625,408
30 June 2015		
Liabilities		
Interest rate swaps	85,625,408	85,625,408

Maturity profile

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016 R	2015 Restated* R		
8. Financial instruments: Risks involved (continued)				
Year ended 30 June 2016				
	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	968,313,532	119,827,049		1,088,140,581
Long-term receivables:				
Housing loans	432,361	9,482,962		9,915,323
Loans to sport clubs	579,149	509,184		1,088,333
Sale of Land	545,180	68,215,732		68,760,912
Arrangement debtors	93,692,788	21,126,255		114,819,043
Trade receivables:				
Consumer	4,055,356,202	4,541,885,132		8,597,241,334
Other debtors	904,368,254	719,591,252		1,623,959,506
Cash	75,890,080			75,890,080
Interest rate swap asset		43,936,952		43,936,952
Total financial assets	6,099,177,546	5,524,574,518	-	11,623,752,064
Liabilities				
Interest bearing borrowings		1,874,990,497	3,559,404,546	5,434,395,043
Interest rate swaps			5,507,656,534	5,507,656,534
Lease liabilities	110,418,332	33,634,395		144,052,727
Trade payables:				
Creditors	6,807,989,032			6,807,989,032
Retention		432,030,198		432,030,198
Consumer deposits		375,949,547		375,949,547
Interest rate swap liability		147,119,727		147,119,727
Service concession arrangements	672,256,650			672,256,650
Total financial liabilities	7,590,664,014	2,863,724,364	9,067,061,080	19,521,449,458
Year ended 30 June 2015				
	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	381,950,535	112,021,313		493,971,848
Long-term receivables:				
Housing loans	989,582	8,702,446		9,692,028
Loans to sport clubs	579,145	557,299		1,136,444
Sale of Land	594,391	69,388,197		69,982,588
Arrangement debtors	100,553,190	45,982,638		146,535,828
Trade receivables:				
Consumer	3,733,699,550	4,026,325,940		7,760,025,490
Other debtors	755,937,750	986,812,104		1,742,749,854
Cash	57,158,390			57,158,390
Interest rate swap asset		130,122,756		130,122,756
Total financial assets	5,031,462,533	5,379,912,693	-	10,411,375,226
Liabilities				
Interest bearing borrowings		1,313,749,792	4,938,561,089	6,252,310,881
Interest rate swaps			4,007,656,534	4,007,656,534
Lease liabilities	85,909,835	122,953,054		208,862,889
Trade payables:				
Creditors	5,459,074,270			5,459,074,270
Retention		380,473,652		380,473,652
Consumer deposits		351,259,691		351,259,691
Interest rate swap liability		85,625,408		85,625,408
Total financial liabilities	5,544,984,105	2,254,061,597	8,946,217,623	16,745,263,325

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

		2016	2015
		R	Restated* R
8. Financial instruments: Risks involved (continued)			
Hedging			
Hedging is not applicable in the environment of the Municipality except with regard to interest rate risk.			
Capital risk management			
The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.			
The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 4, 5 and cash and cash equivalents disclosed in note 24, and equity as disclosed in the statement of financial position.			
Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.			
There are no externally imposed capital requirements.			
There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.			
The gearing ratio at 2016 and 2015 respectively were as follows:			
Total borrowings			
Finance lease obligation	5	144,052,727	208,862,889
Long-term loans	4	10,942,051,577	10,259,967,415
		11,086,104,304	10,468,830,304
Less: Cash and cash equivalents	24	1,163,320,141	550,419,718
Net debt		9,922,784,163	9,918,410,586
Total equity		18,826,876,975	18,940,189,408
Total capital		28,749,661,138	28,858,599,994
9. Consumer deposits			
Electricity and water		375,949,547	351,259,691
Guarantees held:			
Electricity and water consumers (who do not have deposits)		153,707,255	168,752,564
Township Development guarantees		385,911,280	262,093,183
		539,618,535	430,845,747
10. Payables from exchange transactions			
Trade payables		3,750,509,357	2,984,752,499
Payments received in advance - various services		647,994,393	405,378,283
Accrued leave pay		664,471,922	456,162,934
Deposits received		34,019,628	24,064,008
Debtors with credit balances - reclassification		854,830,149	814,057,310
Other creditors		615,029,042	577,350,080
Retention creditors		432,030,198	380,473,652
Accrual 13th cheque		216,345,889	197,309,151
		7,215,230,578	5,839,547,917

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
11. Unspent grants and receipts		
Unspent grants and receipts comprises of:		
DoRA: INEP (Electricity for All)	199,351	950
DoRA: Finance Management Grant (FMG)	93,292	921,685
SANBI/Groen Sebenza	-	7,823
Human Settlement Development Grant (HSDG)	20,091,658	19,840,060
DoRA: Urban Settlement Development Grant (USDG)	-	36,867,333
DoRA: PTIS	2,258,342	224,108
Delft grant	2,293,422	2,293,422
Neighbourhood Development Programme	-	1,526
Research and Technology	74,688	892,857
Arts and Culture grant (Libraries)	3,867,830	1,185,105
Gautrans job creation	12,071,107	12,071,107
Broadband (Wifi)	1,086,882	-
Municipal Disaster Recovery grant	1,447,864	13,886,268
Public Transport Network Operating grant (PTNOG)	741,147	-
Social Infrastructure grant	-	5,682,211
LG SETA Merit Awards	-	266,921
DPSA Smart connect	-	378,440
Sport and Recreation	-	72,617
Performance Management	-	268,665
Electricity Demand Side	7,000,000	3,000,000
Revenue Enhancement	-	1,224,800
Integrated City Development	29,477,260	6,307,025
Human Settlements Capacity grant	1,035,104	16,419,484
	81,737,947	121,812,407

Movement during the year

Balance at the beginning of the year	121,812,407	134,657,764
Receipts during the year	5,930,802,716	5,677,719,999
Transfers between grants (Returned to NT deducted from current year)	3,261,986	2,359,341
Returned to National Treasury	(3,261,986)	(2,359,341)
Repaid to Gauteng Provincial Treasury	(1,224,800)	-
Correction (transfer to other revenue)	(616,028)	-
Income recognition during the year	(5,969,036,348)	(5,642,012,126)
Write back of grant debtor (Housing)	-	(48,553,230)
	81,737,947	121,812,407

The figures above shows:

- The nature and extent of all government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and
- Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. Note must be taken that the unspent portion mostly relates to amounts received in advance and which relate to allocations of the following financial year.

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

12. VAT

VAT payable	(486,740,150)	(78,914,004)
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VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

13. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	1,606,947,093	(558,784,099)	1,048,162,994	932,304,238	(524,542,490)	407,761,748
Land	403,623,320	-	403,623,320	365,880,449	-	365,880,449
Biological assets (game)	16,792,560	-	16,792,560	14,478,788	-	14,478,788
Infrastructure: Capitalised	24,133,177,248	(6,989,456,633)	17,143,720,615	23,094,955,644	(6,125,370,750)	16,969,584,894
Infrastructure: Asset under construction	7,574,757,917	-	7,574,757,917	5,573,685,092	-	5,573,685,092
Community: Capitalised	3,435,390,484	(1,049,713,267)	2,385,677,217	3,350,063,163	(938,832,751)	2,411,230,412
Community: Asset under construction	471,509,783	-	471,509,783	340,787,395	-	340,787,395
Other: Capitalised	2,619,299,470	(1,493,560,702)	1,125,738,768	2,467,324,205	(1,281,794,403)	1,185,529,802
Other: Asset under construction	326,383,377	-	326,383,377	146,547,548	-	146,547,548
Housing: Capitalised	408,912,352	(103,183,413)	305,728,939	523,215,994	(90,922,357)	432,293,637
Housing: Asset under construction	776,640,893	-	776,640,893	337,150,548	-	337,150,548
Total	41,773,434,497	(10,194,698,114)	31,578,736,383	37,146,393,064	(8,961,462,751)	28,184,930,313

Reconciliation of property, plant and equipment - 2016

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Gains/(losses) arising from changes in fair value	Depreciation	Impairment loss	Total
Land	365,880,449	8,970,200	(749,263)	(19,212,179)	48,734,113	-	-	-	403,623,320
Buildings	407,761,748	675,817,168	-	(2,747,380)	(4,035,388)	-	(28,633,154)	-	1,048,162,994
Biological assets (game)	14,478,788	-	-	-	-	2,313,772	-	-	16,792,560
Infrastructure: Capitalised	16,969,584,894	399,740,467	(88,186,505)	751,573,688	4,058,655	-	(893,050,584)	-	17,143,720,615
Infrastructure: Asset under construction	5,573,685,092	2,942,011,423	(149,228,215)	(780,567,692)	(11,142,691)	-	-	-	7,574,757,917
Community: Capitalised	2,411,230,412	98,463,000	(3,402,690)	53,395,189	(42,650,513)	-	(131,358,181)	-	2,385,677,217
Community: Asset under construction	340,787,395	177,487,893	-	(51,004,826)	4,239,321	-	-	-	471,509,783
Other: Capitalised	1,185,529,802	131,861,058	(3,922,592)	11,759,088	13,097,660	-	(212,223,481)	(362,767)	1,125,738,768
Other: Asset under construction	146,547,548	225,505,717	-	(35,357,604)	(10,312,284)	-	-	-	326,383,377
Housing: Capitalised	432,293,637	(113,214,045)	(4,210,944)	(460,809)	4,311,212	-	(12,990,112)	-	305,728,939
Housing: Asset under construction	337,150,548	435,749,645	-	-	3,740,700	-	-	-	776,640,893
Total	28,184,930,313	4,982,392,526	(249,700,209)	(72,622,525)	10,040,785	2,313,772	(1,278,255,512)	(362,767)	31,578,736,383

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Transfers: Purification	Gains/(losses) arising from changes in fair values	Depreciation	Impairment loss	Total
Land	330,833,563	3,201,000	(7,946,557)	40,420,633	(628,190)	-	-	-	365,880,449
Buildings	628,056,350	2,683,987	-	5,244,955	(191,949,284)	-	(36,274,260)	-	407,761,748
Biological assets	16,587,413	-	-	-	-	(2,108,625)	-	-	14,478,788
Infrastructure: Capitalised	14,774,692,189	336,183,038	(89,290,986)	1,457,893,451	1,318,407,327	-	(828,297,703)	(2,422)	16,969,584,894
Infrastructure: Asset under construction	5,001,411,579	3,221,626,131	-	(1,460,830,884)	(1,065,305,634)	-	-	(123,216,100)	5,573,685,092
Community: Capitalised	2,319,448,212	26,031,846	(5,190,593)	18,136,311	177,877,880	-	(125,072,442)	(802)	2,411,230,412
Community: Asset under construction	179,991,984	178,725,735	-	(17,285,093)	(645,231)	-	-	-	340,787,395
Other: Capitalised	1,245,750,808	235,047,894	(8,395,727)	27,737,275	(83,801,703)	-	(229,113,070)	(1,695,675)	1,185,529,802
Other: Asset under construction	410,975,716	240,235,397	-	(69,790,988)	(434,872,577)	-	-	-	146,547,548
Housing: Capitalised	235,252,542	-	(81,399)	85,562	208,850,254	-	(11,813,322)	-	432,293,637
Housing: Asset under construction	152,591,190	191,552,500	-	(3,252,442)	(3,740,700)	-	-	-	337,150,548
	25,295,591,546	4,435,287,528	(110,905,262)	(1,641,220)	(75,807,858)	(2,108,625)	(1,230,570,797)	(124,914,999)	28,184,930,313

Pledged as security

No property, plant and equipment are pledged as security.

Other information

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

Property plant and equipment	1,242,109,268	1,164,749,750
Rehabilitation assets	36,146,244	65,821,047
	1,278,255,512	1,230,570,797

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated*
		R

13. Property, plant and equipment (continued)

Useful lives

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

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

The useful lives of assets were reviewed according to the requirements of GRAP 17.

Treatment of all useful lives to be adjusted:

All remaining useful lives that were adjusted for the 2015/16 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to note 56). All changes in estimates occurs prospectively and no prior year adjustments were made. All review of useful life adjustments occurred with effect from 1 July 2015. The following were the reasons for the review of useful life adjustments:

Water and Sanitation assets:

In 2015/16 the remaining useful lives of assets were adjusted, where applicable, to align with:

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

All other infrastructure assets and buildings:

The following condition grading scale was used in 2015/16 to test the remaining useful lives (RUL) of the assets in comparison to the condition of the asset:

- Grade 1: Very good - sound structure, well maintained, only normal maintenance required : Average 91% indicative RUL
- Grade 2: Good - Serves needs but minor deterioration (<5%), minor maintenance required : Average 71% indicative RUL
- Grade 3: Fair - Marginal, clearly evident deterioration (10 - 20%), significant maintenance required : Average 51% indicative RUL
- Grade 4: Poor - Significant deterioration of structure and/or appearance, significant impairment of functionality (20 - 40%, significant renewal/upgrade required : Average 31% indicative RUL
- Grade 5: Very poor - Unsound, failed needs reconstruction/replacement (50% needs replacement) : Average 11% indicative RUL

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

In instances where the condition of an asset was indicated as very poor the RUL of the asset was determined using the average percentage as per the grading above, however where the average percentage was applied and the RUL amounted to less than 13 months for assets with a condition of very poor, the RUL for the 2015/16 financial year was extended to 13 months preventing the asset to depreciate to R0 during the year. Ideally during the 2016/17 financial year these assets must be disposed of in terms the SCM Policy.

In instances where the condition of the asset was indicated as poor the RUL of the asset was determined using the average percentage as per the grading above, however where the average percentage was applied and the RUL amounted to less than 18 months, the RUL was adjusted to 18 months, and where the RUL when applying the average percentage amounted to less than the RUL as at 1 July 2015, the RUL was decreased to the calculated RUL, however where the average percentage was applied and the RUL resulted in a longer RUL the RUL was left unchanged.

In instances where departments indicated the RUL in years and months, the RUL was amended based on the information provided, if realistic.

For all assets having a RUL of zero or less than 24 months, consideration was given to the change in expectation as at 1 July 2015 and a decision was taken by management to amend the RUL as follows:

- For movable assets, the RUL were adjusted to 25 months in order to allow for departments to consider the future use of the assets vs. the replacement of these assets.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

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	2016	2015
	R	Restated*
	R	R

13. Property, plant and equipment (continued)

- For immovable assets, the RUL were adjusted with a further 37 months seeing that these assets are used in the ordinary delivery of services to the community. Same as for movable assets the responsible departments will have to consider the future use of the assets vs. the replacement/upgrading thereof.

A total of 368 008 assets were affected. The change in annual depreciation is a decrease of R55 723 629.

Impairment:

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

Although the City of Tshwane holds material amounts of infrastructure assets such as water and electricity networks where a cost plus return is billed for services rendered, the majority of these assets are non-cash generating as the primary objective of such services is not to generate a commercial return that reflects the risk involved in holding the asset, but rather to provide a basic service in terms of the municipality's constitutional mandate. According to GRAP 21.11 there is a number of circumstances in which entities may hold some assets with the primary objective of generating a commercial return. None of the assets that were impaired in the 2015/16 financial year are held for the purpose of generating a commercial return.

In 2015/16 the Asset Compliance and Control Division forwarded a questionnaire to all departments regarding the assets under their control and according to the questionnaire, departments had to indicate whether any assets under their control need to be impaired. Based on the results of these questionnaires and available information, impairment tests were performed and assets impaired where necessary.

Impairment indicators:

- Assets were impaired according to specific indicators including: vandalism, physical damage, discontinued assets and assets that became idle.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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Figures in Rand

14. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	982,703,776	(187,130,111)	795,573,665	954,472,306	(189,408,166)	765,064,140
Investment property: Asset under construction	6,968,777	-	6,968,777	-	-	-
Total	989,672,553	(187,130,111)	802,542,442	954,472,306	(189,408,166)	765,064,140

Reconciliation of investment property - 2016

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers: Purification	Depreciation	Total
Investment property: Capitalised	765,064,140	3,989,978	(12,823,578)	54,545,079	(10,040,785)	(5,161,169)	795,573,665
Investment property: Asset under construction	-	6,968,777	-	-	-	-	6,968,777
	765,064,140	10,958,755	(12,823,578)	54,545,079	(10,040,785)	(5,161,169)	802,542,442

Reconciliation of investment property - 2015

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers: Purification	Depreciation	Total
Investment property: Capitalised	761,819,848	14,126,000	(7,787,897)	1,673,401	-	(4,767,212)	765,064,140

Pledged as security

No investment property is pledged as security.

Fair value of investment properties:

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

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

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Figures in Rand

15. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	314,362,622	(158,673,729)	155,688,893	250,019,553	(115,390,356)	134,629,197
Servitudes	187,754,190	-	187,754,190	187,754,190	-	187,754,190
Total	502,116,812	(158,673,729)	343,443,083	437,773,743	(115,390,356)	322,383,387

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers: Purification	Amortisation	Impairment loss	Total
Computer software	134,629,197	46,265,624	-	18,077,445	-	(43,283,373)	-	155,688,893
Servitudes	187,754,190	-	-	-	-	-	-	187,754,190
	322,383,387	46,265,624	-	18,077,445	-	(43,283,373)	-	343,443,083

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Retirements	Transfers: Capitalisation	Transfers: Purification	Amortisation	Impairment loss	Total
Computer software	202,741,350	1,029,286	(77,675,587)	(32,175)	72,086,610	(63,512,453)	(7,834)	134,629,197
Servitudes	184,032,944	-	-	-	3,721,246	-	-	187,754,190
	386,774,294	1,029,286	(77,675,587)	(32,175)	75,807,856	(63,512,453)	(7,834)	322,383,387

Pledged as security

No intangible assets are pledged as security.

City of Tshwane Metropolitan Municipality

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	2016	2015
	R	Restated* R

16. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	448,667,918	-	448,667,918	446,037,321	-	446,037,321
Collections of rare books, manuscripts and records	826,050	-	826,050	826,050	-	826,050
Historical monuments	2,400,000	-	2,400,000	2,400,000	-	2,400,000
Historical buildings	3,157,787,330	-	3,157,787,330	3,157,787,330	-	3,157,787,330
Stamp collections, military insignia, medals, coin	577,500	-	577,500	577,500	-	577,500
Assets under construction	19,718,699	-	19,718,699	-	-	-
Total	3,629,977,497	-	3,629,977,497	3,607,628,201	-	3,607,628,201

Reconciliation of heritage assets - 2016

	Opening balance	Additions	Disposals	Total
Art Collections, antiquities and exhibits	446,037,321	2,630,597	-	448,667,918
Collections of rare books, manuscripts and records	826,050	-	-	826,050
Historical monuments	2,400,000	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	3,157,787,330
Stamp collections, military insignia, medals, coin	577,500	-	-	577,500
Assets under construction	-	19,718,699	-	19,718,699
	3,607,628,201	22,349,296	-	3,629,977,497

Reconciliation of heritage assets 2015

	Opening balance	Additions	Disposals	Total
Art Collections, antiquities and exhibits	446,030,830	6,491	-	446,037,321
Collections of rare books, manuscripts and records	826,050	-	-	826,050
Historical monuments	2,400,000	-	-	2,400,000
Historical buildings	3,157,787,330	-	-	3,157,787,330
Stamp collections, military insignia, medals, coin	577,500	-	-	577,500
	3,607,621,710	6,491	-	3,607,628,201

Pledged as security

No heritage assets are pledged as security.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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	2016	2015
	R	Restated* R

17. Leased assets

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Vehicles	266,860,621	(151,831,686)	115,028,935	270,175,204	(65,760,707)	204,414,497

Reconciliation of leased assets - 2016

	Opening balance	Retirements	Depreciation	Total
Vehicles	204,414,497	-	(89,385,562)	115,028,935

Reconciliation of leased assets - 2015

	Opening balance	Retirements	Depreciation	Total
Vehicles	8,084,445	266,860,619	(70,530,567)	204,414,497

18. Disposal of a significant asset(s) /or a group of assets and liabilities /or a component of the entity

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

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

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

During 2015/16 a number of properties were sold.

Carrying values

Assets in the auction yard (auction still to be held)	1,835,902	552,509
Sale of properties (completed)	14,693,476	107,191
Disposal of assets	251,410	6,148,505

Facts and circumstances of the disposal

The assets in the auction yard are movable assets have been marked for disposal as they are in most cases damaged or outdated and no longer fit for usage by the municipality.

Further approvals required

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

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

Disposals completed during the year

During the 2015/16 financial year 69 properties were sold on public auction with a carrying value of R13 054 773.

During the 2015/16 financial year the transfer of 10 properties were completed for which legal sales agreements were signed, with a carrying value of R1 638 703.

A number of movable assets were sold during the 2015/16 financial year with a carrying value of R251, 410. The fair value of these assets were determined as R2,235,037.

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

None.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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	2016	2015
	R	Restated* R
19. Investments		
Available-for-sale Investments		
Short-term investments	1,087,430,061	493,261,328
Held to maturity investments		
Municipal stock	710,520	710,520
Total investments	1,088,140,581	493,971,848
Non-current assets		
Long-term investments (at amortised cost)	710,520	710,520
Current assets		
Short-term investments (at amortised cost - refer note 24)	1,087,430,061	493,261,328
<p>There were no gains or losses realised on the disposal of held to maturity financial assets in 2016 to date and 2015, as all the financial assets were disposed of at their redemption date.</p> <p>The market value (indicated below) was obtained from balance certificates from the various financial institutions.</p>		
Market value of listed investments and management's valuation of unlisted investments:		
Knysna Municipality - local registered stock (interest payable semi-annually)	710,520	710,520
Sanlam no 26 policy (unceded)	-	14,620
Sanlam no 27 policy (ceded to Compensation Commissioner)	-	5,653,644
Capital Alliance no 28 (unceded)	665,869	639,642
Capital Alliance no 29 (unceded)	2,094,822	2,005,016
ABSA Money Market investment no 32 (interest capitalised monthly) (ceded to DBSA sinking fund loan repayable at 30 April 2018)	29,375,840	27,454,598
ABSA Money Market investment no 33 (interest capitalised monthly) (unceded)	10,294,351	9,621,079
ABSA Money Market investment no 34 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	7,710,278	7,206,009
ABSA Money Market investment no 35 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	169,750	158,648
Investec Money Market investment no 37 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	25,783,185	24,110,490
Investec Money Market investment no 38 (interest capitalised monthly) (unceded)	8,240,809	7,706,183
Investec Money Market investment no 39 (interest capitalised monthly) (unceded)	1,103,972	1,032,352
Standard Bank Money Market investment no 40 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	93,333,343	87,200,303
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 September 2019)	2,896,949	2,706,587
Investec Money Market investment no 108 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	29,779,404	27,969,540
Standard Bank Money Market investment no 41 (interest capitalised monthly) (ceded to DBSA sinking fund loan payable at 30 April 2018)	68,220,819	64,124,703
	280,379,911	268,313,934
Average rate of return		
On long-term investments	16.45 %	16.45 %
On short-term investments	6.28 %	5.67 %

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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	2016	2015
	R	Restated* R
19. Investments (continued)		
Financial assets pledged as collateral		
Secured and unsecured investments		
Secured investments against long-term liabilities (refer Note 4)	119,116,528	111,310,793
Unsecured investments	968,313,533	382,661,055
	<u>1,087,430,061</u>	<u>493,971,848</u>
20. Long-term receivables		
Consumer: Arrangement debtors (refer to note 22)	114,819,043	146,535,828
Housing loans	9,915,323	9,692,028
Loans to sport clubs	1,088,333	1,136,448
Sale of land	68,760,912	69,982,588
	<u>194,583,611</u>	<u>227,346,892</u>
Current portion of long-term receivables	(95,249,478)	(102,165,612)
	<u>99,334,133</u>	<u>125,181,280</u>
Impairment allowance	(79,482,793)	(66,776,468)
	<u>19,851,340</u>	<u>58,404,812</u>
Reconciliation of impairment allowance		
Balance at the beginning of year	(66,776,468)	(89,609,011)
Contribution to provision during the year	(12,706,325)	-
Write-off against the provision	-	1,158,733
Write back of impairment (over provision)	-	21,673,810
	<u>(79,482,793)</u>	<u>(66,776,468)</u>

Consumer: Arrangement debtors

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

Housing loans

Housing loans were granted to qualifying individuals in terms of the Provincial Administration's Housing Program. These loans attracted interest of 13.5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable. No new loans were issued in the current financial year.

Loans to sport clubs

Sport clubs that qualified, signed a 99 year lease hold agreement with the municipality at a nominal amount and were provided with financial assistance from the municipality to build or improve a facility for which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.

Sale of land debtors

Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14%) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 9%. Interest is calculated monthly on the outstanding balance of the property.

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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	2016	2015
	R	Restated* R
AGEING:		
Consumer: Arrangement debtors		
121 - 365 days	93,692,788	100,553,190
> 365 days	21,126,255	45,982,638
	114,819,043	146,535,828
Housing loans		
121 - 365 days	432,361	989,582
> 365 days	9,482,962	8,702,446
	9,915,323	9,692,028
Loans to sport clubs		
121 - 365 days	579,149	579,149
> 365 days	509,184	557,299
	1,088,333	1,136,448
Sale of land		
121 - 365 days	545,180	594,391
> 365 days	68,215,732	69,388,197
	68,760,912	69,982,588
21. Inventories		
Raw materials, components	417,220,103	354,416,611
Water	6,031,783	8,380,663
Food and beverage (restaurant)	2,496	22,274
Fuel (Diesel, Petrol)	8,125,517	2,280,311
Bus tickets	2,248,822	2,649,086
Plants (nursery)	68,596	109,882
Quarries	1,357,513	414,242
Coal (power stations)	138,735,004	114,072,852
	573,789,834	482,345,921
Inventory pledged as security		
No inventory is pledged as security.		
Write-down of inventory (Included in general expenditure)		
Surplus inventory	834,696	1,708,010
Shortages	(1,513,791)	(2,623,564)
Theft	(2,482,491)	(4,329,571)
Revaluation of inventory	(75,068)	(74,787)
Damaged inventory	(1,116,675)	(313,498)
Obsolete inventory	(1,058,378)	(384,273)
Rounding differences	118	(15)
	(5,411,589)	(6,017,698)

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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	2016	2015
	R	Restated* R
22. Consumer receivables		
<p>The City of Tshwane has a consolidated account billing system. The split of receivables per service category is done on a pro-rata basis based on the levies.</p> <p>The interest and other fees and levies indicated below, cannot be split between exchange and non-exchange transactions. It is included in the total age-analysis.</p>		
Service receivables:		
Rates	2,262,571,162	2,173,698,542
Electricity	1,423,117,010	1,703,619,783
Water	2,183,822,581	1,610,076,228
Other fees and levies	540,270,324	484,773,014
Sewerage	377,880,280	333,330,749
Refuse	554,743,942	452,847,827
Interest	1,254,836,035	1,001,679,347
	<u>8,597,241,334</u>	<u>7,760,025,490</u>
Less: Arrangement debtors (refer note 20)	(114,819,043)	(146,535,828)
	<u>8,482,422,291</u>	<u>7,613,489,662</u>
Less: Allowance for impairment		
Rates	(1,665,176,579)	(1,485,575,426)
Electricity	(856,163,551)	(727,048,828)
Water	(1,001,920,503)	(876,679,768)
Sewerage	(174,719,036)	(163,830,045)
Refuse	(310,700,701)	(269,056,630)
General: All services	(1,879,093,732)	(1,566,692,158)
	<u>(5,887,774,102)</u>	<u>(5,088,882,855)</u>
Net balance		
Rates	597,394,583	688,123,116
Electricity	566,953,459	976,570,955
Water	1,181,902,078	733,396,460
Other fees and levies	540,270,324	484,773,014
Sewerage	203,161,244	169,500,704
Refuse	244,043,241	183,791,197
Interest	1,254,836,035	1,001,679,347
Arrangement debtors	(114,819,043)	(146,535,828)
Less: Impairment allowance	(1,879,093,732)	(1,566,692,158)
	<u>2,594,648,189</u>	<u>2,524,606,807</u>
Included in above is receivables from exchange transactions		
Electricity	1,423,117,010	1,703,619,783
Water	2,183,822,581	1,610,076,228
Other fees and levies	540,270,324	484,773,014
Sewerage	377,880,280	333,330,749
Refuse	554,743,942	452,847,827
Interest	1,254,836,035	1,001,679,347
	<u>6,334,670,172</u>	<u>5,586,326,948</u>
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	2,262,571,162	2,173,698,542
Gross balance	<u>8,597,241,334</u>	<u>7,760,025,490</u>

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2016	2015
	R	Restated* R
22. Consumer receivables (continued)		
2015/16:		
An amount of R401 232 633 exclusive of VAT was written off up to 30 June 2016 (R457 382 401 inclusive of VAT) in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 whereby the Group Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of Indigent households are written off.		
2014/15:		
An amount of R474 939 843 exclusive of VAT was written off up to June 2015 (R541 431 421 inclusive of VAT) in respect of Region 5 and 7 as well as indigent and inactive accounts. A council resolution dated 31 July 2014 approved the write off of arrear debt with regard to region 5 and 7. Further, in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 the Group Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of Indigent households are written off.		
AGEING (of gross receivables):		
Rates		
Current (0 -30 days)	556,114,408	508,381,268
31 - 60 days	62,549,425	73,649,177
61 - 90 days	44,453,107	63,293,909
91 - 120 days	60,041,148	51,410,364
121 - 150 days	39,518,803	46,016,025
151 - 180 days	47,343,343	60,535,619
181 - 365 days	240,620,357	246,871,821
365+ days	1,211,930,571	1,123,540,359
	<u>2,262,571,162</u>	<u>2,173,698,542</u>
Electricity		
Current (0 -30 days)	538,362,090	731,299,263
31 - 60 days	20,483,610	28,275,747
61 - 90 days	19,309,587	27,685,776
91 - 120 days	25,212,358	28,891,023
121 - 150 days	13,015,366	9,322,508
151 - 180 days	21,241,073	28,888,864
181 - 365 days	99,802,092	118,280,126
365+ days	685,690,834	730,976,476
	<u>1,423,117,010</u>	<u>1,703,619,783</u>
Water		
Current (0 -30 days)	700,192,903	472,360,913
31 - 60 days	68,687,504	70,546,333
61 - 90 days	48,054,150	59,490,898
91 - 120 days	67,072,751	56,756,773
121 - 150 days	21,513,794	20,653,435
151 - 180 days	72,687,789	55,804,597
181 - 365 days	286,304,334	180,530,805
365+ days	919,309,356	693,932,474
	<u>2,183,822,581</u>	<u>1,610,076,228</u>

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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	2016	2015
	R	Restated* R
22. Consumer receivables (continued)		
Other fees and levies		
Current (0 -30 days)	51,913,353	16,860,268
31 - 60 days	4,391,382	2,217,824
61 - 90 days	(2,071,560)	4,079,134
91 - 120 days	2,371,488	(503,995)
121 - 150 days	(2,619,410)	(2,070,647)
151 - 180 days	6,626,161	7,125,826
181 - 365 days	50,897,223	(3,304,871)
365+ days	428,761,687	460,369,475
	540,270,324	484,773,014
Sanitation		
Current (0 -30 days)	135,195,851	117,007,704
31 - 60 days	6,639,234	7,327,713
61 - 90 days	6,606,615	7,896,823
91 - 120 days	9,958,967	8,729,834
121 - 150 days	3,933,281	3,981,413
151 - 180 days	7,539,805	10,006,392
181 - 365 days	37,912,560	33,277,087
365+ days	170,093,967	145,103,783
	377,880,280	333,330,749
Solid waste		
Current (0 -30 days)	118,379,435	101,158,988
31 - 60 days	13,814,558	12,948,277
61 - 90 days	13,495,850	13,123,930
91 - 120 days	17,005,288	12,028,953
121 - 150 days	9,264,499	8,949,061
151 - 180 days	14,985,747	13,956,217
181 - 365 days	72,258,931	52,804,862
365+ days	295,539,634	237,877,539
	554,743,942	452,847,827
Interest		
Current (0 -30 days)	97,695,033	85,565,527
31 - 60 days	28,532,815	25,756,129
61 - 90 days	30,414,699	27,373,312
91 - 120 days	37,508,438	32,356,300
121 - 150 days	26,144,207	19,305,601
151 - 180 days	32,032,335	31,629,710
181 - 365 days	171,949,429	137,770,711
365+ days	830,559,079	641,922,057
	1,254,836,035	1,001,679,347
Ageing: Total gross receivables		
Current (0 -30 days)	2,197,853,072	2,045,498,117
31 - 60 days	205,098,526	219,717,563
61 - 90 days	160,262,448	202,315,251
91 - 120 days	219,170,438	189,288,768
121 - 150 days	110,770,541	105,847,731
151 - 180 days	202,456,252	207,072,950
181 - 365 days	959,744,925	763,959,170
365+ days	4,541,885,132	4,026,325,940
	8,597,241,334	7,760,025,490
Consumer receivables - past due and impaired		
60 days and beyond	5,887,774,101	5,088,882,854

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
22. Consumer receivables (continued)		
Consumer receivables - past due and not impaired		
31 - 60 days	511,614,161	625,644,519
<p>Note must be taken that the amounts indicated as past due and impaired and past due and not impaired will not balance back to the total age-analysis as the municipality only impair from 60 days onward. However, due to the new methodology adopted for the impairment of consumer receivables, impairment may have happened earlier than 60 days.</p>		
Summary of consumer receivables by customer classification		
Consumers		
Household/residential	4,774,682,216	4,763,158,645
Industrial/Commercial	1,996,908,084	2,256,161,614
National and Provincial Government	1,430,065,057	281,387,638
Other	395,585,977	459,317,593
	8,597,241,334	7,760,025,490
Households		
Current (0 -30 days)	1,213,014,271	1,596,680,868
31 - 60 days	95,929,039	98,546,549
61 - 90 days	90,163,211	113,108,740
91 - 120 days	119,529,510	108,082,528
121 - 150 days	68,214,016	64,227,148
151 - 180 days	102,632,617	129,909,987
181 -365 days	550,291,715	478,496,449
365 + days	2,534,907,838	2,174,106,376
	4,774,682,217	4,763,158,645
Industrial/ commercial		
Current (0 -30 days)	597,491,581	855,863,190
31 - 60 days	45,950,437	89,502,293
61 - 90 days	29,638,290	64,528,554
91 - 120 days	55,038,450	52,759,376
121 -150 days	33,865,270	28,955,194
151 - 180 days	35,933,652	44,349,562
181 - 365 days	191,840,649	198,442,414
365 + days	1,007,149,755	921,761,031
	1,996,908,084	2,256,161,614
National and provincial government		
Current (0 -30 days)	1,065,501,558	170,718,634
31 - 60 days	47,514,366	13,814,722
61 - 90 days	23,022,115	9,502,438
91 - 120 days	27,665,605	11,554,582
121 - 150 days	5,105,186	8,081,884
151 - 180 days	44,467,780	8,495,437
181 - 365 days	120,575,777	28,139,527
365 + days	96,212,670	31,080,414
	1,430,065,057	281,387,638

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
22. Consumer receivables (continued)		
Other		
Current (0 -30 days)	6,522,337	65,252,733
31 - 60 days	(5,902,997)	(6,869,726)
61 - 90 days	178,126	(7,590,012)
91 - 120 days	(6,395,223)	(4,407,443)
121 - 150 days	(8,353,334)	(7,327,015)
151 - 180 days	(2,350,187)	1,017,073
181 - 365 days	(5,818,225)	(27,083,752)
365 + days	417,705,481	446,325,735
	395,585,978	459,317,593
Reconciliation of allowance for impairment		
Balance at beginning of the year	(5,088,882,854)	(4,573,249,942)
Contributions to allowance	(1,234,830,495)	(699,944,327)
Debt impairment written off against allowance	401,232,633	474,939,843
Reversal of allowance/corrections	34,706,614	(290,628,429)
	(5,887,774,102)	(5,088,882,855)
23. Other receivables		
AARTO fine debtor (i.t.o. IGRAP1)	332,682,268	237,883,400
Creditors reclassification	5,515,892	14,598,214
Housing debtors	51,244,153	43,273,872
Pre-payment Sanral	174,449,852	470,659,738
Miscellaneous	281,194,395	225,947,459
Lease revenue	50,585,951	47,500,681
Waste management	2,269,814	1,220,661
Sundry rentals	97,305,634	82,926,752
Sundry Persons	224,175,049	237,677,859
Public contributions	368,981,675	315,448,745
Sandspruit	34,298,530	34,298,530
RTMC: AARTO debtor	1,256,293	1,256,293
	1,623,959,506	1,742,749,854
Less: Allowance for impairment	(651,159,643)	(498,411,620)
	972,799,863	1,214,280,584
AGEING		
Pre-payment Sanral		
> 365 days	174,449,852	470,659,738
Housing debtors		
121 - 365 days	51,244,153	43,273,872
Miscellaneous		
121 - 365 days	281,194,395	225,947,459
Lease revenue		
31 - 60 days	50,585,951	47,500,681
AARTO fine debtor (ito IGRAP 1)		
121 - 365 days	94,798,868	-
> 365 days	237,883,400	237,883,400
	332,682,268	237,883,400

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
23. Other receivables (continued)		
Waste Management		
61 - 90 days	2,269,814	1,220,661
Sundry rentals		
61 - 90 days	97,305,634	82,926,752
Sundry Persons		
91 - 120 days	224,175,049	237,677,859
Public contributions		
121 - 365 days	97,278,498	72,734,602
> 365 days	271,703,177	242,714,143
	368,981,675	315,448,745
Sandspruit Works Association		
> 365 days	34,298,530	34,298,530
RTMC: AARTO debtor		
> 365 days	1,256,293	1,256,293
Reconciliation of allowance for impairment		
Opening balance	(498,411,620)	(478,101,696)
Contributions to provision	(177,351,454)	(43,905,567)
Write-off against the provision	68,685,402	9,222,845
Corrections of write-offs against allowance	(44,081,971)	14,372,798
	(651,159,643)	(498,411,620)

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

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2016, R972,799,863 (2015: R 1,214,280,584) were past due but not impaired.

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

2 months past due	972,799,863	1,214,280,584
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Other receivables from exchange and non-exchange transactions past due and impaired

As of 30 June 2016, trade and other receivables of R 1,623,959,506 (2015: R 1,742,749,854) were impaired and provided for.

The amount of the impairment was R (651,159,643) as of 30 June 2016 (2015: R (498,411,620)).

The ageing of these receivables is as follows:

Over 2 months	651,159,643	498,411,620
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Up to June 2015 an amount of R9 222 845 has been written off with regard to Sundry/Other debtors against the allowance.

Up to 30 June 2016 an amount of R68 685 402 has been written off with regard to Sundry/Other debtors against the allowance.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
24. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	383,687	358,055
Cashbook (bank account) balances	75,506,393	56,800,335
Short-term investments (refer note 19)	1,087,430,061	493,261,328
	1,163,320,141	550,419,718
Cash and bank	75,890,080	57,158,390
Short-term investments (refer note 19)	1,087,430,061	493,261,328
	1,163,320,141	550,419,718

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Absa - 4060738263	40,441,784	24,355,342	24,526,283	(31,309,836)	(25,654,420)	22,580,444
FNB - 51420107207	29,858,205	17,291,903	19,227,713	(213,512)	(6,402,849)	17,745,899
Standard - 410801453	131,981,676	163,315,841	93,282,021	74,198,061	51,147,872	101,398,473
Insurance Contingency - Absa - 4062593950	2,784	232,135	108,155	2,784	232,135	108,155
Tshwane Market - Absa - 4068829119	41,169,203	36,158,223	27,973,747	37,383,039	32,814,759	29,228,692
Nedbank - 1454121963	5,543,238	9,455,310	5,961,424	(4,554,143)	4,662,838	2,908,676
Total	248,996,890	250,808,754	171,079,343	75,506,393	56,800,335	173,970,339

25. Property rates

Rates received

Property rates	5,425,241,074	4,925,535,427
Less: Interdepartmental charges - assessment rates	(41,221,936)	(33,384,862)
Less: Grants-in-aid: Assessment rates	(23,264,515)	(25,600,087)
	5,360,754,623	4,866,550,478

Valuations

Residential	282,994,595,304	276,245,582,455
Other	125,578,903,411	123,145,145,117
	408,573,498,715	399,390,727,572

The land value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value.

No difference is made between land value and the value of improvements and only the market value appears on the valuation roll. With the implementation of the MPRA, different categories of properties are levied at different tariffs with different rebates applicable.

Property owners of 60 years and older and/or physically or mentally disabled, who can substantiate receipt of a social pension, and owners certified by the Medical Officer of Health as physically or mentally disabled, can qualify for a rebate, subject to certain conditions.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
26. Service charges		
Sale of electricity	9,699,511,315	8,982,611,447
Sale of water	3,318,948,220	2,947,600,732
Solid waste	1,153,332,147	991,166,534
Sewerage and sanitation charges	770,444,414	727,475,636
Other service charges	232,687,274	178,480,401
	<u>15,174,923,370</u>	<u>12,736,646,894</u>
Less: Interdepartmental - Electricity	(359,301,915)	(243,995,707)
Less: Interdepartmental - Water	(92,434,279)	(125,572,085)
Less: Interdepartmental - Solid Waste	(25,286,367)	(21,523,120)
Less: Interdepartmental - Sanitation	(9,750,945)	(13,947,956)
Net Service charges per statement of financial performance	<u>14,688,149,864</u>	<u>13,422,295,882</u>
27. Government grants, subsidies, awards & donations		
Operating grants		
Equitable share	1,654,389,319	1,375,518,341
Emergency Management Services subsidy	59,687,000	56,683,000
Fuel levy	1,395,849,000	1,352,410,000
Finance Management grant (FMG)	3,925,000	4,539,576
Public Transport Network Operating Grant (PTNOG)	160,258,853	138,000,000
Research and Technology grant	1,711,026	-
Broadband (Wifi)	7,763,443	-
Municipal Human Settlement Capacity grant	28,215,380	31,086,516
Health subsidy	42,085,000	39,967,000
HIV/AIDS subsidy	11,948,000	10,923,000
Community Libraries	4,476,874	1,836,707
Expanded Public Works Program (EPWP)	31,143,000	30,760,000
Gautrans	-	222,417
Urban Settlement Development Grant (USDG) - operational	-	194,671
Municipal Disaster Recovery grant	12,438,403	991,732
Integrated City Development	16,531,764	38,351,975
Human Settlement Development: Topstructures	86,404,116	-
	<u>3,516,826,178</u>	<u>3,081,484,935</u>
Capital grants		
INEP	36,801,599	31,999,050
PTIS Roads and storm water	768,350,658	136,000,000
PTIS Transport	-	731,346,892
Neighbourhood Development (NDPG)	62,619,000	174,998,474
Libraries	6,276,401	3,203,336
Finance Management Grant (FMG)	156,708	243,891
Urban Settlement Development Grant (USDG) - capital	1,537,550,333	1,477,217,753
Social infrastructure grant	38,682,211	5,517,789
DPSA: Smart connect	1,773,260	-
	<u>2,452,210,170</u>	<u>2,560,527,185</u>
	<u>5,969,036,348</u>	<u>5,642,012,120</u>
Conditional and unconditional		
Included above are the following categories of grants and subsidies recognised as revenue:		
Conditional grants received	2,918,798,029	2,914,083,779
Unconditional grants received	3,050,238,319	2,727,928,341
	<u>5,969,036,348</u>	<u>5,642,012,120</u>

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Equitable Share (DoRA)		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R511.90 (2015 = R465.38 and 2014 = R384), which is funded from the grant.		
Current year receipts	1,654,389,319	1,375,518,341
Conditions met - transferred to revenue	<u>(1,654,389,319)</u>	<u>(1,375,518,341)</u>
	<u>-</u>	<u>-</u>
Fuel levy (DoRA)		
Current-year receipts	1,395,849,000	1,352,410,000
Conditions met - transferred to revenue	<u>(1,395,849,000)</u>	<u>(1,352,410,000)</u>
	<u>-</u>	<u>-</u>
The purpose of the fuel levy grant is to provide for basic services and infrastructure development in under-served communities, specifically to transport infrastructure given the link between fuel sales and road usage.		
Primary Health Care Subsidy (Provincial)		
Current-year receipts	42,085,000	39,967,000
Conditions met - transferred to revenue	<u>(42,085,000)</u>	<u>(39,967,000)</u>
	<u>-</u>	<u>-</u>
The Municipality renders health services on behalf of the Provincial Government. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy has been used exclusively to fund clinic services. The conditions of the subsidy has been met.		
Emergency Management Services Subsidy (Provincial)		
Current-year receipts	59,687,000	56,683,000
Conditions met - transferred to revenue	<u>(59,687,000)</u>	<u>(56,683,000)</u>
	<u>-</u>	<u>-</u>
The municipality renders ambulance services on behalf of the provincial government and is reimbursed. The purpose of this subsidy is to ensure rapid and effective emergency care. This grant has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the subsidy have been met.		
Electricity for All (INEP) (DoRA)		
Balance unspent at beginning of year	950	-
Current-year receipts	37,000,000	32,000,000
Conditions met - transferred to revenue	<u>(36,801,599)</u>	<u>(31,999,050)</u>
	<u>199,351</u>	<u>950</u>

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

A request to roll over of the balance of R199 351 will be submitted to National Treasury.

The purpose of the grant is to implement the Integrated National Electrification Program (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Finance Management Grant (FMG) (DoRA)		
Balance unspent at beginning of year	921,685	705,152
Current-year receipts	4,175,000	5,000,000
Conditions met - transferred to revenue	(4,081,708)	(4,783,467)
Returned to National Treasury	(921,685)	-
	93,292	921,685

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

A request will be submitted to National Treasury for the roll forward of the balance of R93 292.

The purpose of this grant was to promote support reforms in financial management by building capacity in municipalities to implement the Local Government: Municipal Finance Management Act (MFMA).

SANBI/Groen Sebenza (DoRA)

Balance unspent at beginning of year	7,823	7,823
Conditions met - transferred to revenue	(7,823)	-
	-	7,823

The City of Tshwane acted as a host organisation for the Groen Sebenza Internship programme. The City received a grant for the duration of the internship programme.

The balance of 2014/15 which resulted due to VAT calculations was transferred to revenue during 2015/16 as all the conditions have been met.

Human Settlement Development Grant (HSDG) (Provincial)

Balance unspent at beginning of year	19,840,060	68,393,290
Current-year receipts	86,655,714	-
Conditions met - transferred to revenue	(86,404,116)	-
Write back of debtor - grant will not be received	-	(48,553,230)
	20,091,658	19,840,060

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

A request will be submitted to National Treasury for the roll forward of the balance of 2015/16.

The debtor of R48 553 230 was created for amounts already expensed by the municipality but it was indicated during 2014/15 that the claims will no longer be accepted and the grant will not be paid over. Negotiations with the Gauteng Housing Department are still ongoing.

Government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approve housing subsidies and projects and provide support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads and in many cases electricity.

Urban Settlement Development Grant (USDG) (DoRA)

Balance unspent at beginning of year	36,867,333	44,829,756
Current-year receipts	1,500,683,000	1,469,450,000
Conditions met - transferred to revenue	(1,537,550,333)	(1,477,412,423)
	-	36,867,333

The grant is intended to supplement the capital revenue of metropolitan municipalities in order to support the National Human Settlements Development programme, focussing on poor households.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Public Transport Grant (PTIS) (DoRA)		
Balance unspent at beginning of year	224,108	-
Current-year receipts	770,609,000	1,005,571,000
Conditions met - transferred to revenue	(768,350,658)	(1,005,346,892)
Returned to National Treasury	(224,108)	-
	2,258,342	224,108
Conditions still to be met - remain liabilities (see note 11)		
A request for roll over of the 2015/16 balance will be submitted to National Treasury.		
The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.		
HIV and AIDS (Provincial Health Department)(Provincial)		
Current-year receipts	11,948,000	10,923,000
Conditions met - transferred to revenue	(11,948,000)	(10,923,000)
	-	-
The purpose of this grant is to sustain and extend coverage of the ward based door to door education program with referrals to local services; to build communities and support and utilise local services appropriately and to support wards structures to address AIDS in the local community.		
Gautrans (operational and capital)		
Balance unspent at beginning of year	12,071,107	12,293,525
Conditions met - transferred to revenue	-	(222,418)
	12,071,107	12,071,107
Conditions still to be met - remain liabilities (see note 11)		
The purpose of this grant is to reconstruct and update the Garsfontein road (K50) to dual carriage way between Loristo and Anton van Wouw streets.		
Neighbourhood Development Programme (DoRA)		
Balance unspent at beginning of year	1,526	2,359,341
Current-year receipts	62,619,000	175,000,000
Conditions met - transferred to revenue	(62,619,000)	(174,998,474)
Returned to National Treasury	(1,526)	(2,359,341)
	-	1,526
The purpose of this grant is to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development towards improving the quality of life of residents in targeted under served neighbourhoods (townships generally).		

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Research and Technology Grant		
Balance unspent at beginning of year	892,857	-
Current-year receipts	892,857	892,857
Conditions met - transferred to revenue	(1,711,026)	-
	<u>74,688</u>	<u>892,857</u>
Conditions still to be met - remain liabilities (see note 11).		
A request for roll over of the balance of 2015/16 will be submitted to National Treasury.		
The purpose of this grant is to transfer funds to the municipality for the purpose of maintenance and operationalising mechanization assets namely tractors and implements (including trailers) The project life is 12 months .		
Community Library Services (Provincial Department of Sport, Arts, Culture and Recreation)		
Balance unspent at beginning of year	1,185,105	1,942,452
Current-year receipts	13,436,000	4,282,695
Conditions met - transferred to revenue	(10,753,275)	(5,040,042)
	<u>3,867,830</u>	<u>1,185,105</u>
Conditions still to be met - remain liabilities (see note 11).		
A request for roll over of the balance of 2015/16 will be submitted to National Treasury.		
The purpose of the grant is to have transformed urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a re-capitalised program at provincial and local government level and to provide the best possible sport and recreation facilities and service to all people in Tshwane to enhance their quality of life.		
Municipal Human Settlement Capacity grant		
Balance unspent at beginning of year	16,419,484	-
Current-year receipts	12,831,000	47,506,000
Conditions met - transferred to revenue	(28,215,380)	(31,086,516)
	<u>1,035,104</u>	<u>16,419,484</u>
Conditions still to be met - remain liabilities (see note 11).		
A request for a roll over of the balance will be submitted to National Treasury.		
The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level in line with the accreditation framework.		
Expanded Public Works Programme(EPWP) (DoRA)		
Current-year receipts	31,143,000	30,760,000
Conditions met - transferred to revenue	(31,143,000)	(30,760,000)
	<u>-</u>	<u>-</u>

The purpose of this grant was to encourage local authorities and provincial departments to increase job creation efforts in infrastructure, environment and culture programs through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Program guidelines.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Broadband (Wifi)		
Current-year receipts	8,850,325	-
Conditions met - transferred to revenue	(7,763,443)	-
	<u>1,086,882</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11).		
The request for roll over of the 2015/16 balance will be submitted to National Treasury		
Funding was received from the Department of Telecommunication and Postal Services for the implementation of free wifi in Tshwane.		
Delft Housing grant		
Balance unspent at beginning of year	<u>2,293,422</u>	<u>2,293,422</u>
Conditions still to be met - remain liabilities (see note 11).		
On 5 November 2005 the mayors of the Sister Cities of Tshwane and Delft (Netherlands) agreed that the City of Delft will give financial support for the building of the Multi Purpose Community Centre as part of the integrated community building program project in Mamelodi Extension 5.		
The City of Delft decided to co-fund the Multi Purpose Community Centre because of its importance for the neighbouring communities.		
Municipal disaster recovery grant		
Balance unspent at beginning of year	13,886,268	-
Current-year receipts	-	14,878,000
Conditions met - transferred to revenue	(12,438,404)	(991,732)
	<u>1,447,864</u>	<u>13,886,268</u>
Conditions still to be met - remain liabilities (see note 11).		
The request for roll over of the 2015/16 balance will be submitted to National Treasury.		
During the month of November 2013, severe damaged was caused to infrastructure by hail in Gauteng Province. To this effect, a provincial state of disaster was declared in Gauteng, City of Tshwane in December 2013. The infrastructure and services damage reports and preliminary costing of damages were submitted by the Department of Human Settlements and the City of Tshwane Metropolitan Municipality for infrastructure damage through the Gauteng Provincial Disaster Management Centre in May 2014.		
Social Infrastructure grant		
Balance unspent at beginning of year	5,682,211	-
Current-year receipts	33,000,000	11,200,000
Conditions met - transferred to revenue	(38,682,211)	(5,517,789)
	<u>-</u>	<u>5,682,211</u>
20 Priority Township project Hammanskraal - the purpose of this grant is to plan and design the Hammanskraal Early Childhood Development Centre and to plan and design the Hammanskraal Aged Care Centre.		

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
LG SETA Merit awards		
Balance unspent at beginning of year	266,921	266,921
Conditions met - transferred to revenue	(266,921)	-
	<u>-</u>	<u>266,921</u>
<p>This money is an award for skills development. The purpose is to strengthen the municipality's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department or to enhance the capacity of the Training Committee.</p>		
DPSA Smart connect grant		
Balance unspent at beginning of year	378,440	-
Current-year receipts	1,394,820	378,440
Conditions met - transferred to revenue	(1,773,260)	-
	<u>-</u>	<u>378,440</u>
<p>The grant was received for the project Smart connect. This project envisages a system where citizens and government communicate effectively to maximize service delivery. It aims to increase the efficiency of service delivery by facilitating improved communication between stakeholders such as the public and the service departments. By providing an integrated communication framework between departments, service requests that involve more than one department can be coordinated efficiently.</p>		
Public Transport Network (PTNOG) (DoRA)		
Current-year receipts	161,000,000	-
Conditions met - transferred to revenue	(160,258,853)	-
	<u>741,147</u>	<u>-</u>
<p>Conditions still to be met - remain liabilities (see note 11).</p> <p>Request for roll over of the balance will be submitted to National Treasury.</p> <p>The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.</p>		
Sport and Recreation		
Balance unspent at beginning of year	72,617	72,617
Transferred to other revenue	(72,617)	-
	<u>-</u>	<u>72,617</u>
<p>This amount was received during 2010/11 for the HM Pitje Stadium.</p>		
Performance Management (DPLG) (DoRA)		
Balance unspent at beginning of year	268,665	268,665
Transferred to other revenue	(268,665)	-
	<u>-</u>	<u>268,665</u>

These funds were received to provide funding for the upgrading of the municipality's performance management system, the quality performance result system and the enterprise project management system to include the newly merged municipalities.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
27. Government grants, subsidies, awards & donations (continued)		
Electricity Demand Side		
Balance unspent at beginning of year	3,000,000	-
Current-year receipts	7,000,000	3,000,000
Returned to National Treasury	(3,000,000)	-
	<u>7,000,000</u>	<u>3,000,000</u>

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

A request for roll over of the balance of 2015/16 will be submitted to National Treasury.

The department has requested a roll over of the unspent portion from Department Mineral and Energy and National Treasury during 2014/15 as the service level agreement with the CSIR was finalised late. The request for roll over was, however not approved and the amount was returned to National Treasury.

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

Revenue Enhancement

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

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

Integrated City Development (DoRA)

Balance unspent at beginning of year	6,307,025	-
Current-year receipts	39,702,000	44,659,000
Conditions met - transferred to revenue	(16,531,765)	(38,351,975)
	<u>29,477,260</u>	<u>6,307,025</u>

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

A request for a roll over of the 2015/16 budget will be submitted to National Treasury.

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

Changes in level of government grants

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
28. Other income		
Market fees	169,869,175	145,634,053
Land sales	58,348	306,842
VAT audit refund	3,822,943	108,667,815
Fire services	5,059,487	4,745,826
Sale of unusable stock	6,714,902	467,017
Drain cleaning fees	1,085,164	814,890
Admission fees	19,232,101	15,630,409
Interest on property sales	663,624	316,815
Donated assets	117,404	3,627,726
Serving of summonses	14,884,562	17,999,459
Building fees	52,211,130	49,641,147
Income from grave services	6,288,945	6,657,875
Motor vehicles licences (refund from Province)	81,194,060	73,165,158
Training fees recovered	11,149,960	10,648,550
Newly identified assets	95,507,653	33,730,923
Insurance claims	39,027,587	54,338,205
A re Yeng revenue	8,133,352	3,859,886
Sundry fees	4,942,667	1,683,301
Airside income	5,019,604	4,538,714
Ambulance fees	3,268,976	4,376,591
Reminder fees	61,775,473	75,020,843
Discount on prompt payments	1,326,700	822,543
Approval fees: advertisements	43,611,007	55,672,323
LG Seta discretionary allocation	16,758,775	4,454,390
Cemetery fees	5,708,306	5,821,612
Application fees	4,787,110	5,153,837
Income fom bulk containers	1,502,119	2,587,628
Sales: Aeroplane fuel	7,263,147	11,098,807
Transport fees	22,225,219	31,624,779
Miscellaneous	55,353,314	69,323,717
	748,562,814	802,431,681
29. Employee related costs		
Salaries and wages	4,875,736,960	4,086,498,773
Medical aid contributions	415,153,555	373,453,747
UIF	34,957,994	30,803,324
Pension fund contributions	878,944,208	797,774,122
Travel, motor car, subsistence and other allowances	303,285,817	298,710,633
Overtime payments	371,579,720	305,323,007
Long-service awards	5,515,715	6,195,010
Incentive bonuses	312,725	356,188
Other allowances	276,623,069	240,433,675
Housing benefits and allowances	35,178,793	25,032,667
Compensation commissioner (COIDA)	43,647,312	37,831,668
	7,240,935,868	6,202,412,814
Remuneration of City Manager (Jason Ngobeni)		
Annual Remuneration	3,217,814	3,052,954
Cell phone allowance	24,000	24,000
Other	18,248	15,701
	3,260,062	3,092,655

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
29. Employee related costs (continued)		
Remuneration: Executive Mayor (Kgosientso D Ramokgopa)		
Annual Remuneration	931,807	883,229
Travel allowance	310,602	294,410
Cell phone allowance	41,820	27,880
Other	12,012	11,555
	1,296,241	1,217,074
Remuneration: Speaker (Audrey W M K Mosupyoe-Letsholo)		
Annual Remuneration	689,785	670,328
Travel Allowance	250,848	237,771
Cell phone allowance	41,820	27,880
Other	75,022	52,360
	1,057,475	988,339
Remuneration: Members of the Mayoral Committee		
Annual Remuneration	6,595,684	6,235,472
Travel Allowance	2,116,530	2,006,190
Cell phone allowance	208,680	139,120
Other	783,248	752,141
	9,704,142	9,132,923
Refer to General information for the list of the individual members of the mayoral committee.		
Members of the Mayoral Committee		
Subesh Pillay	969,143	912,987
Thembekile Elizabeth Mmoko	969,137	912,967
Petunia Faith Mashaba	970,589	914,164
Rasello Terence Mashego	969,548	913,173
Maidi Dorothy Mabiletsa	970,589	914,213
Theresa-Eulanda Mabusela	969,180	913,006
Nozipho Paulina Tyobeka-Makeke	977,889	912,978
Joshua John Ngonyama	969,905	913,593
Jacob Mlandu Masango	969,081	912,921
Maupe George Matjila	969,081	912,921
	9,704,142	9,132,923

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

		2016	2015			
		R	Restated*			
			R			
30. Remuneration of Top Management						
Reporting directly to City Manager						
June 2016						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowances	Total
Dyakala, Andile P	Group Chief Financial Officer	2,123,757	60,000	21,600	-	2,205,357
Kwele, Lindiwe	Deputy City Manager	2,583,664	300,000	21,600	112,959	3,018,223
Mangcu, Lisa N	Deputy City Manager	2,188,114	60,000	21,600	-	2,269,714
Boshielo, Mokholela, K F	Deputy City Manager	2,188,114	180,000	21,600	18,248	2,407,962
Lukhwareni, Ndvihoniswani	Deputy City Manager	2,188,110	108,000	21,600	-	2,317,710
De Beer, Joan K	Chief of Emergency Services	1,846,819	72,000	21,600	-	1,940,419
Ngobeni, Khazamula S	Chief of Police	1,812,853	-	21,600	15,436	1,849,889
Thenga, Obed	Chief Audit Executive	1,673,252	60,000	21,600	-	1,754,852
		16,604,683	840,000	172,800	146,643	17,764,126
June 2015						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowance	Total
Dyakala, Andile P	Group Chief Financial Officer	1,969,040	45,909	16,527	-	2,031,476
Kwele, Lindiwe	Deputy City Manager	2,151,294	300,000	21,600	43,684	2,516,578
Mangcu, Lisa N	Deputy City Manager	2,016,009	60,000	21,600	-	2,097,609
Boshielo, Mokholela, K F	Deputy City Manager	1,896,009	180,000	21,600	-	2,097,609
Lukhwareni, Ndvihoniswani	Service Delivery Co-ordinator & Transformation Manager	1,968,005	108,000	21,600	-	2,097,605
Seabela, Bruno S	SED: Group Legal Services	1,744,575	180,000	21,600	572	1,946,747
Aborn, Peter K	Contract Management Director	1,696,640	12,000	21,600	-	1,730,240
Shozi, Ernest W	Chief of Staff	1,540,896	236,412	21,600	23,664	1,822,572
Otumile, Dudlana J	Group Chief Information Officer	1,597,308	180,000	21,600	-	1,798,908
De Beer, Joan K	Chief of Emergency Services	1,680,200	72,000	21,600	-	1,773,800
Ntsikeni, Zukiswa (resign April)	SED: Corporate & Shared Services	1,513,600	86,400	21,600	-	1,621,600
Nemahagala, Tshilidzi D	SED: City Manager Support	1,658,171	81,818	14,727	-	1,754,716
Ngobeni, Khazamula S	Chief of Police	1,719,974	-	21,600	17,552	1,759,126
Matsena, Mapiti David	SEH: Secretariat of Council	1,352,993	234,546	21,600	-	1,609,139
Mkhwebani, Kgaugelo W	SEH: Office of the Chief Whip	1,497,536	90,000	21,600	-	1,609,136
Manganye, Mahlomola D	Safer City Coordinator	1,551,536	36,000	21,600	2,288	1,611,424
Thenga, Obed	Chief Audit Executive	1,527,525	60,000	21,600	21,615	1,630,740
		29,081,311	1,963,085	355,254	109,375	31,509,025

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

			2016			2015
			R			Restated*
						R
30. Remuneration of Top Management (continued)						
* Other allowances comprise S & T allowances.						
Reporting to the Deputy City Managers						
June 2016						
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowance	Total
Seabela, Bruno S	SED: Group Legal Services	2,028,503	180,000	21,600	-	2,230,103
Mhlekwana, Thembeke	SED: Economic Development	1,833,949	-	21,600	26,311	1,881,860
Makgata, Makgorometje A	SED: City Planning	1,833,949	108,000	21,600	34,332	1,997,881
Ncunyana, Zukiswa	SED: Strategy, Research and Innovation	1,833,949	72,000	21,600	18,390	1,945,939
Ndlovu, Nomasonto Cynthia	SED: Communication, Marketing and Events	1,833,949	120,000	21,600	77,524	2,053,073
Kekana, Seoketsa E	SED: Health and Social Development	1,737,621	48,000	21,600	-	1,807,221
Shozi, Ernest W (resigned January 2016)	SEH: Office of the Executive Mayor	1,092,748	137,907	12,600	59,569	1,302,824
Maganlal, Mayur	SED: City Strategies and Performance Management	1,722,017	102,000	21,600	-	1,845,617
Nteo, Lema D	Chief Sustainability Specialist	1,603,753	84,000	21,600	105,728	1,815,081
Kolisa, Mthobeli S	SED: Environmental Management	1,603,753	180,000	21,600	2,002	1,807,355
Letlonkane, Pheko I	SED: Transport Development	1,924,503	120,000	21,600	-	2,066,103
Mothoagae, Amolemo G	SED: Housing and Human Settlement	1,738,896	240,000	21,600	-	2,000,496
Tshwale, Ngako D	SED: Sport and Recreational Services	1,463,237	-	21,600	1,430	1,486,267
Mkhwebane, Kgaugelo W	SEH: Office of the Chief Whip	1,673,263	90,000	21,600	-	1,784,863
Manganye, Mahlomola D	SED: Community and Business Safety	1,673,263	180,000	21,600	-	1,874,863
Otumile, Dudlana J	SED: Group Information Officer	1,873,283	180,000	21,600	18,248	2,093,131
Ramulifho, Khathutshelo C	SED: Corporate and Shared Services	1,686,400	86,400	21,600	-	1,794,400
Matsena, Mapiti D	SEH: Office of the Speaker	1,673,267	234,546	21,600	-	1,929,413
		30,830,303	2,162,853	379,800	343,534	33,716,490

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

							2016	2015
							R	Restated*
								R
30. Remuneration of Top Management (continued)								
June 2015								
Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowance	Total		
Madlala, Lungile N	Executive Project Manager: IRPNT	1,775,141	43,200	10,800	-	1,829,141		
Mhlekwana, Thembeke S	SED: Economic Development	1,731,989	8,000	21,600	20,976	1,782,565		
Makgata, Makgorometje A	SED: City Planning	1,631,989	108,000	21,600	47,074	1,808,663		
Ncunyana, Zukiswa	SED: Strategy, Research & Innovation	1,667,989	72,000	21,600	16,625	1,778,214		
Ndlovu, Nomasono Cynthia	SED: Communication, Marketing & Events	1,619,989	120,000	21,600	65,576	1,827,165		
Kekana, Seoketsa E	SED: Health & Social Development	1,600,596	48,000	21,600	19,585	1,689,781		
Maganlal, Mayur	SED: City Strategies & Performance Management	1,531,792	102,000	21,600	-	1,655,392		
Nteo, Lema D)	SED: Green Desk	1,437,587	84,000	21,600	31,922	1,575,109		
Kolisa, Mthobeli S	SED: Environmental Management	1,341,587	180,000	21,600	16,430	1,559,617		
Letlonkane, Pheko I	SED: Transport Development	1,705,904	120,000	21,600	-	1,847,504		
Mothoagae, Amolemo G	SED: Housing & Human Settlement	1,409,806	240,000	21,600	-	1,671,406		
Tshwale, Ngako D	SED: Sport and Recreation	1,388,270	-	21,600	-	1,409,870		
Mutshidza, Ndwamato T	SED: Sport and Recreation	1,601,850	-	21,600	-	1,623,450		
		20,444,489	1,125,200	270,000	218,188	22,057,877		

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
31. Remuneration of councillors		
Councillors' allowances	109,968,280	101,735,728
Travelling allowance	-	8,487
Other (Caucus management)	2,475,047	2,448,608
	112,443,327	104,192,823
In-kind benefits		
<p>The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality.</p> <p>According to the organisational structure of the municipality the sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers.</p> <p>The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.</p> <p>The allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.</p>		
32. Depreciation and amortisation		
Depreciation: Investment property (note 14)	5,161,169	4,767,212
Amortisation: Intangible assets (note 15)	43,283,373	63,512,453
Depreciation: Property, plant & equipment (note 13)	1,242,109,268	1,164,749,750
Depreciation: Leased assets (note 17)	89,385,563	70,530,567
Depreciation: Rehabilitation assets (note 13)	36,146,244	65,821,047
	1,416,085,617	1,369,381,029
33. Finance costs (Interest paid)		
Long-term liabilities (external loans)	989,920,103	875,016,160
Interest rate swaps	59,740,597	38,959,100
Finance leases	11,739,371	13,708,000
Bank overdraft	186,451	14,572
Other finance costs (bank charges, transit banking, etc)	11,257,816	12,144,836
Amortisation: provisions	64,122,583	56,705,202
	1,136,966,921	996,547,870
34. Investment revenue		
Interest revenue (interest received)		
Bank	18,510,640	5,742,166
Investments	16,713,466	14,151,280
Long-term investments	18,147,894	15,351,018
Contingency Insurance	2,627,525	1,629,873
	55,999,525	36,874,337

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated*
		R
35. Debt impairment		
Contributions to bad debt provision (refer to note 20, 22, 23)	<u>987,510,234</u>	<u>721,971,875</u>
Please note the amounts reflected above are the net balance in the expenditure accounts.		
For the 2015/16 financial year the total amount written off was R401 232 633 for consumer debtors and R68 685 402 for other debtors which was written off against the allowance.		
For the 2014/15 financial year the total amount written off was R474 939 843 for consumer debtors and R9 222 845 for other debtors which was written off against the allowance.		
For amounts written off refer to note numbers 20,22, and 23.		
36. Bulk purchases		
Electricity	6,890,347,008	6,285,446,825
Water	<u>1,918,501,628</u>	<u>1,641,280,162</u>
	<u>8,808,848,636</u>	<u>7,926,726,987</u>
37. Grants and subsidies paid		
Grants paid to municipal entities		
Transfers to Sandspruit, TEDA and Housing Company Tshwane	<u>371,084,393</u>	<u>211,526,531</u>

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
38. General expenses		
National Health Insurance	25,079,812	10,188,845
Lost books	11,891,594	11,434,499
Auditors remuneration	22,592,444	20,784,528
Consumables	11,444,357	9,956,914
Disaster recovery grant	12,438,403	991,732
Commission paid	40,020,712	27,436,582
Wi-fi	106,363,642	179,999,729
Compensation commissioner	23,293,119	8,199,229
Cleaning services	20,363,416	16,350,628
Integrated City Development grant	16,531,764	38,351,975
Protective clothing	40,602,608	41,871,858
Chemicals	32,844,340	37,047,061
Municipal Human Settlement Capacity grant	28,215,380	31,086,516
Gratuities	16,235,010	19,567,470
Ward committee: Administration	10,070,553	11,073,657
Greendesk	26,637,723	27,189,762
Rental of plant and equipment	412,247,382	201,325,215
HIV and AIDS	17,855,780	11,556,367
Refreshments meetings	14,955,298	11,104,444
Insurance	139,818,964	115,560,667
LED initiatives	25,410,685	60,133,030
Imbizo	46,885,222	24,144,817
End user support	19,163,998	17,082,231
Implementation: OITPS	71,688,358	77,826,361
Postage	26,155,826	32,069,117
Drug and substance abuse	41,195,709	4,191,590
Membership fees	18,546,503	17,574,910
EPWP expenditure	31,143,000	30,760,000
Communications	36,179,594	47,442,492
Leasing of property	215,841,228	224,783,771
Advertising and marketing	11,147,755	12,097,513
Post employment benefit expenses	99,172,001	180,404,220
Consultant fees	131,048,977	194,151,783
Private sector labour	72,249,368	63,677,518
Telecommunication	75,353,686	121,411,556
Inventory write-down	5,411,589	6,017,699
Service providers	11,848,343	13,369,702
Project linked housing: topstructures	86,404,116	-
Internal Audit services	114,165,593	113,810,348
Tshwane Open (gholf day)	40,000,000	40,000,000
Dinokeng	-	10,868,574
Lease expenses	107,832,675	62,503,204
Executive Mayor: donations	28,212,243	13,306,067
EPWP: Job creation	133,441,280	139,292,437
Management information system	49,430,012	43,521,370
Subsistence and travelling	18,333,315	19,705,453
Formalisation: Informal sector	125,776,575	98,942,188
Medical aid fund	57,646,858	53,648,241
Tshepo 10 000 Council	10,382,191	17,371,851
Locomotion allowance	25,857,199	24,049,393
Prevention of illegal land invasion	29,505,090	33,675,827
Household refuse removal	426,732,656	344,272,546
Rental vehicles	108,523,026	117,549,287
Tanker water services	17,102,909	19,682,340
CCTV	37,550,200	48,958,690
Petrol and diesel fuel	116,640,557	145,171,695
Re-aga-Tshwane	93,142,368	101,399,735
Legal costs	115,131,656	26,029,705
Licences	76,217,645	53,345,180
Stationery	35,691,596	29,841,167
A re Yeng operations	121,069,999	35,644,296
PTIS grant expenditure	160,258,853	137,986,401
Tshwane House	2,296,099	-
Tshwane Inner City	3,905,627	6,196,450

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
38. General expenses (continued)		
Internet fees	28,606,732	25,187,623
Training board fees	60,670,079	54,765,494
Stipend learners	31,029,353	79,754,837
Events management	16,141,151	18,981,841
Watchmen services	367,780,605	291,886,736
Other expenses	296,888,697	369,213,684
Service fee (smart prepaid)	637,160,848	808,333,532
	5,547,471,946	5,343,112,180
39. Cash generated from operations		
Surplus	417,223,419	805,598,933
Adjustments for:		
Depreciation and amortisation	1,416,085,617	1,369,381,029
(Loss) gain on sale of assets and liabilities	(65,888,349)	169,913,188
Fair value adjustments	145,366,351	(52,091,422)
Impairment deficit	362,767	124,922,833
Debt impairment	987,510,234	721,971,875
Movements in operating lease assets and accruals	-	(2,308,997)
Movements in retirement benefit assets and liabilities	99,172,001	180,404,220
Movements in provisions	151,012,799	209,837,394
Changes in working capital:		
Inventories	(91,443,913)	(93,812,886)
Other receivables	241,480,721	(97,072,641)
Consumer debtors	(1,057,551,616)	(712,428,563)
Payables from exchange transactions	1,375,682,660	361,242,487
VAT	407,826,146	203,051,363
Unspent grants and receipts	(40,074,460)	(12,845,357)
Consumer deposits	24,689,856	(55,763,968)
	4,011,454,233	3,119,999,488
40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	3,607,863	3,326,196
Amount paid - current year	(3,607,863)	(3,326,196)
	-	-
Audit fees		
Opening balance	-	1,310,946
Current year audit fee	22,592,444	17,830,402
Amount paid - current year	(22,592,444)	(17,830,402)
Amount paid - previous years	-	(1,310,946)
	-	-
PAYE and UIF		
Opening balance	83,275,234	76,496,349
Current year payroll deductions	1,065,954,475	942,824,943
Amount paid - current year	(968,643,282)	(859,549,709)
Amount paid - previous years	(83,275,234)	(76,496,349)
	97,311,193	83,275,234

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

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	2016	2015	
	R	Restated* R	
40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)			
Pension and Medical Aid Deductions			
Current year payroll deductions and council contributions	1,916,116,814	1,734,559,756	
Amount paid - current year	(1,916,116,814)	(1,734,559,756)	
	<u>-</u>	<u>-</u>	
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding as at 30 June 2016:			
# These councillors made arrangements to pay off their arrear debt.			
30 June 2016	Less than 90 days	More than 90 days	Total R
Kwenda, L H	495	23	518
Buthelezi, M M	1,462	2,023	3,485
Khumalo, Z C #	3,310	5,589	8,899
Mokhotho D A (Heir) ##	270	449	719
Ledwaba, D C	4,378	-	4,378
Makitla, N B #	774	8,083	8,857
Linde, E #	-	17,510	17,510
	<u>10,689</u>	<u>33,677</u>	<u>44,366</u>
30 June 2015	Less than 90 days	More than 90 days	Total R
Ncube, M E	1,109	3,325	4,434
Lesufi, M L	1,519	8,106	9,625
Lesufi, M M (Heir) #	657	2,905	3,562
Buthelezi, M M (Inactive) #	6,405	35,198	41,603
Marema, M P	4,416	435	4,851
Matentjie, M J	1,399	4,587	5,986
Thobejane, E M #	630	13,778	14,408
Khumalo, Z C #	2,314	13,973	16,287
Majeng M J	586	345	931
Zitha, B P & F T	1,797	599	2,396
Babane, T J	787	156	943
Mathafa, O M	551	474	1,025
Boshomane, M J	3,378	3,057	6,435
Strijdom, C E	30,143	2,149	32,292
Mabelane, V P	3,750	374	4,124
Maseko, N E	10,070	11,540	21,610
	<u>69,511</u>	<u>101,001</u>	<u>170,512</u>
# These councillors made arrangements to pay off their arrear debt			

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
41. Non-compliance with applicable legislation		
Management is not aware of any non-compliance to legislation that occurred during 2015/16.		
42. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	2,287,769,475	2,596,038,643
• Community	176,900,000	164,000,000
• Other	699,912,369	571,933,150
	<u>3,164,581,844</u>	<u>3,331,971,793</u>
Approved but not yet contracted for		
• Infrastructure	1,205,368,093	223,521,429
• Community	-	62,300,000
• Investment property	10,258,750	-
• Other	65,000,000	238,773,260
• Housing	20,000,000	-
	<u>1,300,626,843</u>	<u>524,594,689</u>
	<u>4,465,208,687</u>	<u>3,856,566,482</u>
Total capital commitments		
Approved and contracted for	3,164,581,844	3,331,971,793
Approved but not yet contracted for	1,300,626,843	524,594,689
	<u>4,465,208,687</u>	<u>3,856,566,482</u>
Total commitments		
Total commitments		
Authorised capital expenditure	<u>4,465,208,687</u>	<u>3,856,566,482</u>

Note: The capital commitments disclosed in this note is based on the capital budget for the next financial year. Although most of the projects are multi year projects, however, only one year's approved capital budget for these projects have been disclosed.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

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	2016	2015
	R	Restated* R

43. Accumulated surplus and reserves

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

	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	25,859,092	71,118,358	156,442,652	18,156,233,457	18,409,653,559
Net surplus for the year	-	-	-	417,223,419	417,223,419
Transfer to/(from reserves)	2,340,455	1,248,055	-	(3,588,510)	-
	28,199,547	72,366,413	156,442,652	18,569,868,366	18,826,876,978

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

	Insurance reserve	COVID reserve	Housing development fund	Other	Total
Opening balance	25,020,508	67,171,810	156,442,652	17,513,578,125	17,762,213,095
Net surplus for the year	-	-	-	1,177,976,313	1,177,976,313
Restatement of 2014/15 financial year	-	-	-	(372,377,380)	(372,377,380)
Restatement of 2013/14 and prior financial years	-	-	-	(158,158,470)	(158,158,470)
Transfers to/(from) reserves	838,583	3,946,548	-	(4,785,131)	-
	25,859,091	71,118,358	156,442,652	18,156,233,457	18,409,653,558

44. Employee benefit obligations

Pension funds

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

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

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

Tshwane Municipal Provident Fund/Tshwane Municipal Gratuity Fund 6 049 (30.97 %) of the Municipality's employees are members of this fund.	345,797,890	312,845,933
Pension Fund for Municipal Councillors The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 68 (0.35 %) of the Municipality's employees are members of this fund.	6,580,007	6,195,402
National Fund for Municipal Workers 7 589 (38.86 %) of the Municipality's employees are members of this fund.	437,453,062	380,608,532
SALA Provident Fund/Gratuity Fund 56 (0.29 %) of the Municipality's employees are members of this fund.	1,267,502	1,177,803
SAMWU National Pension Fund 13 (0.07 %) of the Municipality's employees are members of this fund.	883,993	928,555
SAMWU National Provident Fund 1 161 (5.94 %) of the Municipality's employees are members of this fund.	62,915,514	59,626,072
Germiston Municipal Retirement Fund 4 (0.02 %) of the Municipality's employees are a member of this fund.	492,762	439,572
Meshawu National Local Authorities Retirement Fund 32 (0.16 %) of the Municipality's employees are a member of this fund.	1,380,511	1,486,281
	856,771,241	763,308,150

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
44. Employee benefit obligations (continued)		
Defined benefit plan (as classified by the relevant funds):		
Tshwane Municipal Pension Fund		
233 (1.19%) of the Municipality's employees are members of this fund.		
Included in general expenses are:		
Current service cost	28,956,983	27,994,833
Interest cost	210,921,809	202,496,145
Expected return on assets	(191,546,587)	(194,855,117)
Recognised Net (Gain)/Loss	62,084,627	118,187,597
Defined benefit expense	110,416,832	153,823,458
Post-employment benefit liability (funded status)		
Present value of the obligation	(2,532,205,108)	(2,459,626,867)
Fair value of plan assets	2,211,548,215	2,233,686,185
Liability recognised in statement of financial position	(320,656,893)	(225,940,682)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	2,459,626,867	2,335,595,677
Interest cost	210,921,809	202,496,145
Current service cost	28,956,983	27,994,833
Member contributions	6,269,948	6,395,138
Risk premiums	(1,912,879)	(1,947,828)
Benefits paid	(132,798,217)	(127,727,283)
Actuarial (gain)/loss on obligation	(38,859,403)	16,820,185
Present value of obligation at end of year	2,532,205,108	2,459,626,867
Reconciliation of plan assets (None of the Municipality's own financial instruments or property are included in the fair value of plan assets)		
Fair value of plan assets at beginning of year	2,233,686,186	2,247,463,863
Expected return on plan assets	191,546,587	194,855,117
Contributions	21,970,570	22,409,729
Risk premiums	(1,912,879)	(1,947,828)
Benefits paid	(132,798,217)	(127,727,283)
Actuarial (gain)/loss on obligation	(100,944,030)	(101,367,412)
Fair value of plan assets at end of year	2,211,548,217	2,233,686,186
Composition of plan assets:		
Cash	18.17 %	18.17 %
Equity	40.68 %	40.68 %
Bonds	8.45 %	8.45 %
Property	4.65 %	4.65 %
Other	2.33 %	2.33 %
International	25.72 %	25.72 %
Total	100.00 %	100.00 %
Actual return on plan assets	191,546,587	194,855,117
Estimated contributions to be paid to the Tshwane Pension fund in the next financial period	21,970,570	22,409,729

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
44. Employee benefit obligations (continued)		
Municipal gratuity fund		
1 545 (7.91%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund.		
Included in general expenses are:		
Current service cost	1,509,667	1,329,965
Interest cost	4,128,753	5,183,923
Recognised Net (Gain)/Loss	-	12,379,149
Defined benefit expense	5,638,420	18,893,037
Post-employment benefit liability (funded status)		
Present value of the obligation	(56,330,086)	(71,244,758)
Net (expense)/income recognised in Statement of financial performance	(4,182,763)	14,914,672
Liability recognised in statement of financial position	(60,512,849)	(56,330,086)
Reconciliation of defined benefit obligation:		
Present value of obligation at beginning of year	56,330,086	71,244,758
Interest cost	4,128,753	5,183,923
Current service cost	1,509,667	1,329,965
Benefits paid	(7,185,066)	(9,049,411)
Actuarial (gain)/loss on obligation	5,729,409	(12,379,149)
Present value of obligation at end of year	60,512,849	56,330,086
Estimated benefit payments to be paid iro Gratuities in the next financial period	9,484,500	7,185,066
Multi-employer funds		
The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of paragraph 30 of IAS 19. The total contributions are included in Employee related costs, Note 29.		
SALA Pension Fund		
The actuarial valuation is carried annually since 1 July 1998. The actuarial valuation performed on 1 July 2004 showed an unfunded liability of R516,62 million (81,9 % funding level). The Municipality's employees make up approximately 5,4 % of the total membership and therefore the Municipality's possible liability with regard to the unfunded liability is calculated at R28 104 128. 515 (2.64 %) of the Municipality's employees are members of this fund.	33,043,559	34,440,342
The Government Employees Pension Fund		
Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2008 reported the fund to be in a sound financial position with a funding level of 100%. 6 (0.03%) of the Municipality's employees are members of this fund.	507,896	511,042
Joint Municipal Pension Fund		
Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 September 2010 indicated a funding level of 104.9% and the fund was in a sound financial position at the valuation date. 36 (0.18 %) of the Municipality's employees are members of this fund.	4,114,287	4,014,982
Municipal Employees Pension Fund		
The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial position with a funding level of 100%. 2 223 (11.38 %) of the Municipality's employees are members of this fund.	123,740,444	115,118,516
	161,406,186	154,084,882

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
44. Employee benefit obligations (continued)		
Medical aid funds		
Included in general expenses are:		
Current service cost	16,340,173	25,443,000
Interest cost	106,699,679	105,946,044
Expected Employer Benefit Payments	(47,780,436)	(46,696,764)
Recognised Net (Gain)/Loss	(128,602,323)	(90,128,255)
Rounding correction	-	152
Defined benefit expense	(53,342,907)	(5,435,823)
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(1,226,994,125)	(1,232,429,948)
Recognised actuarial gains	53,342,907	5,435,823
Liability recognised in statement of financial position	(1,173,651,218)	(1,226,994,125)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	1,226,994,125	1,232,429,948
Interest cost	106,699,679	105,946,044
Current service cost	16,340,173	25,443,000
Employer contributions	(47,780,436)	(46,696,764)
Actuarial Gains/Losses	(128,602,323)	(90,128,255)
	-	152
Present value of obligation at end of year	1,173,651,218	1,226,994,125
Actuarial (gains)/losses recognised in the statement of financial performance		
Tshwane Pension Fund	62,084,627	118,187,597
Gratuities	5,729,409	12,379,149
Medical aid funds	(90,128,255)	(90,128,255)
Total amount of actuarial (gains)/losses recognised	(22,314,219)	40,438,491
Estimated employer benefit payments to be paid iro Medical aid funds in the next financial period	54,308,220	47,780,436
Sensitivity Results		
The effect of an increase or decrease of one percentage point in the assumed health cost inflation is the following:		
Subsidy Increase rate:		
Accrued liability 30 June	1,173,651,218	1,226,993,973
Decrease of 1 %	1,067,933,618	1,113,097,173
% change	(14.0)%	(13.0)%
Increase of 1 %	1,314,763,118	1,377,809,973
% change	15.0 %	15.0 %

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
44. Employee benefit obligations (continued)		
Long service awards		
Included in general expenses are:		
Current service cost	57,264,387	48,557,875
Interest cost	49,165,308	35,691,770
Expected Employer Benefit Payments	(42,986,327)	(40,407,011)
Recognised Net (Gain)/Loss	(9,827,434)	19,103,214
Defined benefit expense	53,615,934	62,945,848
Post-employment benefit liability (funded status)		
Present value of the unfunded obligation	(627,039,974)	(564,094,126)
Recognised actuarial gains	(53,615,934)	(62,945,848)
Liability recognised in statement of financial position	(680,655,908)	(627,039,974)
Reconciliation of defined benefit obligation:		
Present value of unfunded obligation at beginning of year	627,039,974	564,094,126
Interest cost	49,165,308	35,691,770
Current service cost	57,264,387	48,557,875
Employer contributions	(42,986,327)	(40,407,011)
Actuarial gains/losses	(9,827,434)	19,103,214
Present value of obligation at end of year	680,655,908	627,039,974
Actuarial (gains)/losses recognised in the statement of financial performance		
Long service awards	(9,827,434)	19,103,214
Estimated employer benefit payments to be paid iro Long service awards in the next financial period	77,279,110	42,986,327
Sensitivity Results		
The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following: Subsidy Increase rate:		
Salary Increase rate:		
Accrued liability 30 June	627,039,974	627,039,974
Decrease of 1 %	550,649,006	550,649,006
% change	(9.0)%	(9.0)%
Increase of 1 %	720,337,400	720,337,400
% change	11.0 %	11.0 %
Post-employment benefit liability:Statement of financial position		
Pension Fund	(320,656,893)	(225,940,682)
Municipal gratuity fund	(60,512,849)	(56,330,086)
Medical aid funds	(1,173,651,218)	(1,226,994,125)
Long service awards	(680,655,908)	(627,039,974)
	(2,235,476,868)	(2,136,304,867)

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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Notes to the Financial Statements

	2016	2015
	R	Restated* R

44. Employee benefit obligations (continued)

Actuarial assumptions

A summary of the assumptions used in the valuation, together with a short description on each is given below:

Economic assumptions (pension fund and gratuities):

Discount rate	42.00 %	42.00 %
Inflation rate	6.73 %	6.29 %
Salary Increase rate	7.73 %	7.29 %
Expected rate of return on assets	9.10 %	8.58 %
Pension increase allowance	3.03 %	2.91 %
Health Care Cost Inflation	7.95 %	7.95 %

Discount rate (pension fund and gratuities):

The rate to discount post-employment benefit obligations should be determined by reference to market expectations at the valuation date for the period over which the liability obligations are to be settled. If the market is not liquid then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 9.10% per annum has been used.

Inflation rate (pension fund and gratuities):

While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 6.73 % per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. The expected inflation assumption was obtained from the differential between index-linked bonds (1.75%) and nominal bonds (9.10%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore determined as follows: $(9.10\% - 0.5\% - 1.75\%) / 1.0175$.

Salary increase:

Salary increases have historically exceeded CPI inflation by between 1.0% and 1.5% per annum. We have assumed that salaries will exceed the assumed inflation rate by 1 % (pension funds) and 1 % (gratuities).

Expected return on assets:

The accounting standard was recently amended and now requires the assumed rate of return on assets to equal the discount rate, namely 9.10%.

Pension rate increase:

The fund's pension increase policy aims to grant increases of between 75% and 100% of annual CPI inflation. If an average of 87.5% is assumed then increases of 5.81% p.a. will be awarded on average over the long-term. This implies a post-retirement interest rate of 3.03% (from $1.0910 / 1.0589 - 1.0$).

Health Care Cost Inflation:

We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 8.33 % per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 1.50% per annum over the long-term.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015			
	R	Restated* R			
44. Employee benefit obligations (continued)					
History of liabilities, assets and experience adjustments					
Amounts for the current and previous four years are as follows:					
	2016	2015	2014	2013	2012
	R	R	R	R	R
History of liabilities and assets					
Accrued liability	1,914,819,975	1,910,364,185	1,867,768,832	1,751,067,174	1,449,361,665
Plan assets	-	-	-	-	-
Surplus (deficit)	(1,914,819,975)	(1,910,364,185)	(1,867,768,832)	(1,751,067,174)	(1,449,361,665)
Experience adjustments on plan: (Gains) and Losses					
Liabilities	63,076,324	(50,675,976)	14,429,384	280,382,570	(236,307,193)
45. Events after the reporting date					
2015/16:					
Loans and investments:					
No material events occurred with respect to the 2015/16 financial year end after date of the statement of financial position in respect of loans and investments.					
Termination of the Security of Revenue Project (Smart meter pre-paid):					
The Master Service Agreement (MSA) between PEU Capital (Pty) Ltd and City of Tshwane to assist with the Security of Revenue Project (SORP) - which was originally signed on 6 June 2013 - has been terminated effective 30 June 2015. The system will be taken over from PEU, at a price yet to be determined. The contracted service fee, namely 19.5 cents in a Rand, ceased to be paid. From 1 July 2015, PEU commenced with a handover and transfer process. During the handover and transfer period, a service fee of 9.5 cents in a Rand applied for the maintenance and upkeep of the system.					
A new service provider was appointed and one of the conditions was that they had to pay an amount of R950 million for the infrastructure. Provision was made for the payment of the amount on the 2016/17 MTREF and it was planned for the amount to be paid around 5 July 2016. Afrisake approached the High Court on an urgent basis to interdict the City from paying the amount which was upheld by the Court and it was ordered that the MSA be subjected to a review and that TUMS continue rendering the service until the matter is finalised.					
46. Related parties					
Relationships					
Members of key management					Refer to Note 29 for remuneration of the City Manager Refer to Note 30 for remuneration of top management Refer to Note 31 for remuneration of Councillors
Related party balances					
Amounts included in trade receivables and loans regarding related parties					
Sandspruit Works Association				34,298,530	34,298,530
Amounts included in trade payables regarding related parties					
Housing Company Tshwane: Rental received on behalf of City of Tshwane				(196,506)	(195,431)
Housing Company Tshwane: Grant owed by City of Tshwane				13,408,050	8,000,000
Housing Company Tshwane: Service charges owed by City of Tshwane				16,881	22,446
Sandspruit Works Association: Operating loss account				17,164,741	(12,138,910)
Sandspruit Works Association: Water treatment works				19,575,206	18,076,115
Sandspruit Works Association: Water accounts				9,864,216	3,298,235
TEDA				5,811	6,936

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
46. Related parties (continued)		
Related party transactions		
Sales to related parties		
Housing Company Tshwane: Rates	(200,381)	(202,305)
Housing Company Tshwane: Water and electricity	(220,007)	(91,679)
Housing Company Tshwane: Interest	-	(369)
Housing Company Tshwane: Deposit paid	(22,290)	(350)
Sandspruit Works Association (water purchases from CoT)	209,862,624	168,095,578
Sandspruit Works Association (electricity purchases from CoT)	3,113,744	1,611,919
Purchases from related parties		
Sandspruit Works Association (water sales to CoT)	66,052,114	97,361,923
TEDA: Printing services	2,238	1,208
Expenses paid on behalf of related parties		
Housing Company Tshwane : Telephone expenses	82,260	72,528
TEDA (salary of acting CEO) (seconded from CoT)	-	1,057,278
TEDA: CoT for interns	131,432	-
TEDA: CoT for training and development	126,120	-
TEDA: SAP implementation MM and FICO	1,200,000	505,296
Grants to related parties		
Housing Company Tshwane	19,761,448	15,849,460
Sandspruit Works Association: CoT Subsidy: Waste water	35,054,126	-
Sandspruit Works Association: CoT subsidy: Water	238,095,186	193,576,330
TEDA: Grant	54,150,000	57,651,938
TEDA: Rental income	3,395,096	4,050,000

TEDA:

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

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

Housing Company Tshwane:

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

- * Use of risk management and internal audit resources;
- * Audit and Performance Committee from City of City of Tshwane
- * Use of network, telecommunication, desktop and server support;
- * OHS services and records management;
- * Insurance management by City of Tshwane.

During 2015/16 Sandspruit Works Association did a restatement of water sales of 2014/15 to City of Tshwane R140 954 128 to R97 361 923.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

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47. Prior period restatements

Change in accounting policy

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

Reclassification

Statement of financial performance:

No reclassification occurred during the year under review.

Statement of financial position:

No reclassification occurred during the year under review.

Cash flow statement:

No reclassification occurred during the year under review.

Correction of errors

The following is the largest restatements:

Revenue:

Other income was increased with an amount of R32 439 532 as a result of VAT corrections and accounting for donated assets and newly identified assets.

Rental of facilities and equipment was decreased with an amount of R431 753 as a result of the correction of the straightlining calculations. Refer to Other debtors on Statement of financial position restatement as well.

Expense:

Depreciation and amortisation were increased with an amount of R45 153 485 as a result of the purification of the fixed asset register,

General expense was increased with an amount of R124 991 448 as a result of a correction of on the asset register and accruals for late invoices.

Gain/loss on disposal of assets was decreased with an amount of R1 861 355 as a result of corrections on scrapping of assets and disposal of assets and the purification of the fixed asset register.

Repairs and maintenance was increased with an amount of R6 660 271 due to the purification of the fixed asset register.

Bulk purchases was increased with an amount of R209 649 513 as a result of creditors accrual correction.

Transfers and subsidies paid was increased with an amount of R19 791 797 as a result of payments to municipal entities where late invoices were received.

Statement of Financial Position:

Other receivables were decreased with an amount of R30 057 650 mainly as a result of corrections to calculations of straightlining, levies of advertisement boards which form party of sundry debtors and the pre-payment made to Sanral out of a capital project for which a debtor had to be created and the clearing of this debtor.

Consumer receivables were decreased with an amount of R10 392 797 as a result of adjustments to accruals.

Investment property was increased with an amount of R8 337 535 due to purification of the fixed asset register.

The decrease of property, plant and equipment with an amount of R375 471 041 consist mainly of purification of the fixed asset register and transferring amounts to operational expenditure which cannot be capitalised as an asset under the purification of assets under construction.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

47. Prior period restatements (continued)

Intangible assets were increased with an amount of R75 370 733 due to purification actions.

Trade payables were increased with an amount of R237 047 945 due to the correction of creditor accruals due to late receiving of invoices.

VAT payable and receivable was decreased with the amount of R29 725 315 mainly due to the VAT audit.

Accumulated surplus was decreased with a net amount of R530 535 850 consisting of a decrease in the surplus of 2014/15 of R372 377 380 and a decrease in the surplus of 2013/14 and prior of R158 158 0470.

Correction on disclosure notes:

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

Sandspruit Works Association:

During 2015/16 Sandspruit Works Association did a restatement of water sales of 2014/15 to City of Tshwane R140 954 128 to R97 361 923.

Note 49 - Fruitless and wasteful expenditure:

Fruitless and wasteful expenditure of 2014/15 was restated after a Council Resolution dated 27 March 2014 were only discovered after the 2014/15 financial statements were audited. Various amounts up to June 2013 with a total amount of R13 137 729 was condoned and therefore now restated. Further an amount of R1 295 was duplicated in 2011/12 which related to SARS penalties at Housing Company and a condonation of an amount of R756 was duplicated in 2010/11 - both these amounts are now restated to correct the opening balance of 2014/15:

Note 50 - Irregular expenditure:

Irregular expenditure was restated after a Council Resolution dated 27 March 2014 were only discovered after the 2014/15 financial statements were audited. Various amounts up to June 2013 with a total amount of R241 110 875 was condoned/approved and therefore now restated.

Note 55 - Contingencies (Pending claims):

The pending claims with regard to assets (motor and non-motor) for the 2014/15 financial year was incorrectly disclosed and are restated now in 2015/16. The value has been restated from R438 747 631 to R72 231 663.

Note 54 - Rental income straightlining:-

The total rental income was restated with an amount of R1 618 932 (from R225 422 877 to R227 041 809) during 2015/16 due to calculation errors picked up.

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

47. Prior period restatements (continued)

2015	As previously reported	Reclassification	Correction of errors	Restated
Statement of Financial Performance				
Revenue:				
Property rates	4,866,550,478	-	-	4,866,550,478
Service charges	13,422,295,882	-	-	13,422,295,882
Rental of facilities and equipment	114,055,073	-	(431,753)	113,623,320
Interest received outstanding consumer debtors	338,768,697	-	-	338,768,697
Public contributions and donations	257,515,681	-	-	257,515,681
Fines	160,562,313	-	-	160,562,313
Licences and permits	53,243,503	-	-	53,243,503
Government grants, subsidies, awards and donations	5,642,012,120	-	-	5,642,012,120
Other income	769,992,149	-	32,439,532	802,431,681
Interest received - external investments	36,874,337	-	-	36,874,337
Total Revenue	25,661,870,233	-	32,007,779	25,693,878,012
Expenditure:				
Remuneration	6,202,412,814	-	-	6,202,412,814
Remuneration of Councilors	104,192,823	-	-	104,192,823
Depreciation and amortisation	1,324,227,544	-	45,153,485	1,369,381,029
Impairment loss/reversal of impairments	124,922,833	-	-	124,922,833
Finance cost	996,547,870	-	-	996,547,870
Debt impairment	721,971,875	-	-	721,971,875
Collection costs	274,245,100	-	-	274,245,100
Repairs and maintenance	1,488,573,016	-	6,660,271	1,495,233,287
Bulk purchases	7,717,077,474	-	209,649,513	7,926,726,987
Grants and subsidies paid	191,734,734	-	19,791,797	211,526,531
General expenses	5,218,120,733	-	124,991,448	5,343,112,181
Total expenditure	24,364,026,816	-	406,246,514	24,770,273,330
Gain/(loss) on disposal of assets and liabilities	(171,774,542)	-	1,861,355	(169,913,187)
Fair value adjustments	52,091,422	-	-	52,091,422
Gain/(loss) on foreign exchange	(183,984)	-	-	(183,984)
Surplus for the year	1,177,976,313	-	(372,377,380)	805,598,933

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

47. Prior period restatements (continued)

2015	As previously reported	Reclassification	Correction of errors	Restated
Statement of Financial Position				
Current assets				
Inventory	482,345,921	-	-	482,345,921
Current portion of long-term receivables	102,165,612	-	-	102,165,612
Other receivables	1,244,338,234	-	(30,057,650)	1,214,280,584
Consumer debtors	2,534,999,605	-	(10,392,797)	2,524,606,808
Call investment deposits	493,261,328	-	-	493,261,328
Cash and cash equivalents	57,158,390	-	-	57,158,390
Non-current assets				
Investment property	747,726,605	-	8,337,535	756,064,140
Property, plant and equipment	28,560,401,354	-	(375,471,041)	28,184,930,313
Leased assets	204,414,497	-	-	204,414,497
Intangible assets	247,012,654	-	75,370,733	322,383,387
Heritage assets	3,607,628,201	-	-	3,607,628,201
Investments	710,520	-	-	710,520
Long-term receivables	58,404,812	-	-	58,404,812
Interest rate swaps	130,122,756	-	-	130,122,756
Current liabilities				
Trade and other payables from exchange transactions	5,602,499,977	-	237,047,945	5,839,547,922
Long-term liabilities	601,384,353	-	-	601,384,353
Lease liabilities	85,909,835	-	-	85,909,835
VAT payable	108,639,319	-	(29,725,315)	78,914,004
Unspent grants and receipts	121,812,407	-	-	121,812,407
Consumer deposits	351,259,691	-	-	351,259,691
Non-current liabilities				
Long-term liabilities	9,658,583,062	-	-	9,658,583,062
Lease liabilities	122,953,054	-	-	122,953,054
Retirement benefit obligation	2,136,304,867	-	-	2,136,304,867
Provisions	655,529,112	-	-	655,529,112
Interest rate swap liability	85,625,408	-	-	85,625,408
Equity				
Accumulated surplus	18,940,189,408	-	(530,535,850)	18,409,653,558

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

47. Prior period restatements (continued)

	As previously reported	Reclassification	Correction of errors	Restated
2015				
Cash flow statement				
Cash generated from operations				
Cash receipts from ratepayers and service charges	17,900,616,312	-	10,392,797	17,911,009,109
Cash receipts from other revenue sources	1,419,383,030	-	29,596,345	1,448,979,375
Grants	5,677,719,992	-	-	5,677,719,992
Cash paid to suppliers	(14,335,547,754)	-	(104,355,534)	(14,439,903,288)
Cash paid to employees	(6,306,605,637)	-	-	(6,306,605,637)
Transfers and grants	(191,734,734)	-	(19,791,797)	(211,526,531)
Finance costs (interest paid)	(996,547,870)	-	-	(996,547,870)
Interest Income	36,874,337	-	-	36,874,337
Net cash generated from operations	3,204,157,676	-	(84,158,189)	3,119,999,487
Cash flow from investing activities				
Purchase of property, plant & equipment	(4,519,929,284)	-	84,641,756	(4,435,287,528)
Purchase/redemption of leased assets	(266,860,619)	-	-	(266,860,619)
Proceeds from sale of assets (including gain/(loss))	(62,413,642)	-	3,405,713	(59,007,929)
Purchase of investment property and retirements	(2,448,823)	-	(3,889,280)	(6,338,103)
Purchase of other intangible assets/retirements	76,646,301	-	-	76,646,301
Purchase of heritage assets	(6,491)	-	-	(6,491)
Movement in long-term receivables	109,762,466	-	-	109,762,466
Movement in long-term investments	5,096,572	-	-	5,096,572
Net cash from investing activities	(4,660,153,520)	-	84,158,189	(4,575,995,331)
Cash flow from financing activities				
Proceeds from long-term liabilities	1,500,000,000	-	-	1,500,000,000
Repayment of long-term liabilities	(490,727,044)	-	-	(490,727,044)
Finance lease repayments	199,894,504	-	-	199,894,504
Net cash from financing activities	1,209,167,460	-	-	1,209,167,460
Net cash flow				
Net increase/(decrease) in cash and cash equivalents	(246,828,384)	-	-	(246,828,384)
Cash and cash equivalents at the beginning of the year	797,248,099	-	-	797,248,099
Cash and cash equivalents at the end of the year	550,419,715	-	-	550,419,715

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
48. Unauthorised expenditure		
Opening balance	785,504,172	1,193,981,952
Unauthorised expenditure in current year (refer Appendix D for detail)	1,657,852,448	785,504,172
Less: Approved/Condoned by Council in respect of previous financial year	(785,504,172)	(1,193,981,952)
	<u>1,657,852,448</u>	<u>785,504,172</u>

2015/16:

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

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

Unauthorised expenditure: Budget overspending - per strategic unit

Corporate and Shared Services	56,270,527	-
Emergency Services	15,616,241	-
Group Financial Services	688,340,695	-
Health and Social Development	10,240,368	26,270,026
Information and Communication Technology Management	-	115,159,925
Metro Police Services	101,426,283	19,425,662
Group Legal Services	81,865,918	-
Customer Relations Management	2,562,279	-
Group Audit and Risk	85,437,129	97,595,821
Service Delivery and Transformation Management	252,721,018	216,622,176
Service Infrastructure: Electricity	67,992,114	129,465,017
Service Infrastructure: Water and Sanitation	122,363,318	137,027,219
Sport and Recreation	27,651,278	-
Transport	124,971,216	43,938,326
Housing and Human Settlement	20,394,064	-
	<u>1,657,852,448</u>	<u>785,504,172</u>

49. Fruitless and wasteful expenditure

Opening balance	1,068,137	13,503,181
Correction of opening balance (errors from 2012/13 and prior)	-	(539)
Fruitless and wasteful expenditure in current year (from declarations)	-	992,600
Interest and penalties on late payments (Eskom accounts)	407,797	-
Interest on overdue accounts not recorded	-	40,392
Less: Approved by Council/Condoned/repaid/written off	(327,769)	(329,768)
Less: Condoned by Council (amounts prior to 2013)	-	(13,137,729)
	<u>1,148,165</u>	<u>1,068,137</u>

Restatement of 2014/15 and prior:

Condonation, to the value of R13 137 729 relating to old balances up to 2013, occurred in the previous financial year but was discovered after the financial statements of 2014/15 had been audited hence the omission in 2015. Further an amount of R1 295 was duplicated in 2011/12 and a condonation of R756 was duplicated in 2010/11 which were only picked up now in 2015/16.

Details of fruitless-and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Eskom interest and penalties on late payments	Non-compliance	335,831
Group Finance: Cheque fraud	Under investigation	71,966
		<u>407,797</u>

Condonation, to the value of R241 110 875, occurred in the previous financial year but was discovered after the financial statements of 2014/15 had been audited hence the omission in 2015.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
49. Fruitless and wasteful expenditure (continued)		
Details of fruitless-and wasteful expenditure condoned		
	Condoned by Council/City Manager/SED	
City of Tshwane: Cheque fraud	Condoned by Council	<u>327,769</u>
50. Irregular expenditure		
Opening balance	1,265,424,360	612,048,099
Add: Irregular Expenditure(from declarations) - current year	-	124,312
Add: Irregular expenditure due to non-compliance with regulation 44 of MFMA - Persons in service of City of Tshwane	-	186,775
Add: Irregular expenditure due to awards to employees of other state institutions	-	1,920,492
Add: Irregular expenditure ito section 32 of the MFMA	11,544,053	65,083,419
Add: Irregular expenditure due to rotation of suppliers	-	68,322
Add: Irregular expenditure due to procurement splitting	-	231,250
Add: Irregular expenditure because three quotations were not obtained	-	11,288
Add: Irregular expenditure due to the ward committee system found to be invalid by the courts	-	8,162,651
Add: Irregular expenditure due to expired BBBEEE certificate	-	38,029,172
Add: Irregular expenditure due to non-compliance with section 19(a) of SCM regulations (identified in the current financial year)	-	808,333,532
Less: Ward committee expenditure of 2014 condoned ito court ruling	-	(19,450,815)
Less: Ward committee expenditure of 2015 condoned ito court ruling	-	(8,162,651)
Less: Approved/condoned during the year	(42,246)	(50,611)
Less: Approval of irregular expenditure of erstwhile Kungwini	-	(146,543,321)
Less: Approval of irregular expenditure of erstwhile Nokeng	-	(595,684)
Less: Condonement/write-off of old balances up to June 2013	-	(93,971,870)
	<u>1,276,926,167</u>	<u>1,265,424,360</u>
Details of irregular expenditure – current year		
	Disciplinary steps taken/criminal proceedings	
Ex facto payments - section 32	Non-compliance with SCM regulations	<u>11,544,053</u>
Details of irregular expenditure condoned		
	Condoned by Council/City Manager/SED	
Group Financial Services: remuneration	Court judgement in favour of employee who was reinstated	42,246
Irregular expenditure of erstwhile Kungwini	Condoned by Council	-
		<u>42,246</u>

Irregular expenditure of 2014/15 was restated after a Council Resolution dated 27 March 2014 were only discovered after the 2014/15 financial statements were audited. Various amounts up to June 2013 with a total amount of R241 110 875 was condoned/approved and therefore now restated.

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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	2016	2015
	R	Restated* R

51. Regulation 45 disclosure

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

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

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

Municipality

Employee	Family member and capacity	Value of awards 30 June 2016	Value of awards 30 June 2015
F C Wilkins (Fire fighter senior/leading)	E J Wilkens (Spouse)	-	45,444
L W M Maudi (Deputy director: Cemeteries)	C M Maudi (Spouse)	-	13,950
G G Jacobs (Functional Head: Fleet Support & Logistics))	E M Jacobs (Spouse)	-	127,628
T G Ngwenya (Deputy Director: Judicial Operational Support)	N L M Ngwenya (Spouse)	-	66,000
N P Kekana (Constable/Sergeant)	M G Kekana (Spouse)	-	3,800
N C Mulaudzi (Social Worker)	R C N Mulaudzi (Spouse)	-	12,105
M M Siwela (Snr HR Benefits Administrative Specialist)	D K Siwela (Spouse)	-	41,959
A Springbok (Snr Safety Officer)	V Springbok (Spouse)	130,705	31,995
W J Snyman (Storekeeper)	Z Snyman (Spouse)	1,137,172	84,336
A E Mukwevho (IT Helpdesk agent)	M F Tibane (Spouse)	-	2,485,571
K A Maremane (Artisan)	M D Mamogobo (Spouse)	366,648	-
T T Phalane (Constable)	M E Phalane (Spouse)	269,148	-
S Maboate (General Worker)	M M Khothama (Spouse)	17,000	-
P S Kgasago (Internal Audit consultant)	M R Kgasago (Spouse)	11,700	-
S R Makole (Bus driver)	M L Makole (Spouse)	7,656	-
M B Masina (Administrative Officer)	B B Masina (Spouse)	47,000	-
P C Nkadimeng (Foreman)	L L Nkadimeng (Spouse)	17,150	-
		2,004,179	2,912,788

52. In-kind donations and assistance

Donation of properties to churches and NGO's

Erf 3645 Refilwe extension 4 to Christ Saves Ministries	285,000	-
Erf 4480 Kudube Unit 1 to St Johns Apostolic Church of Phophecy	170,000	-
Erf 1989 Valhalla to Tshwane Islamic Centre Trust	2,900,000	-
Erf 1872 Eersterust Extension 3 to Omega Community Centre	250,000	-
Potion of the remainder of portion 20 of the farm Olievenhoutosch 389 JR to Enlightened Christian Gathering Church	13,327,000	-
Erf 33617 Mamelodi East to Evangelical Gospel Church	155,000	-
Erf 7018 Saulsville to Uniting Reformed Church in South Africa	60,000	-
	17,147,000	-

2015/16:

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

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

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52. In-kind donations and assistance (continued)

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

- Corporate and Shared Services Department received the following:
 - # 1 Overnight stay accommodation at Velmore Hotel Erasmia (value R1 300 per person)
 - # 1 Rietvlei voucher for a game drive and braai (value R1 750 per person)
 - # Cash donation paid into City's account from BBJ Group (value R50 000)
 - # Sponsored trophies from Fleet Africa (12) and Sekela Xabiso (20) for the TSEA Gala event (estimated value R260 000)
 - # Technical sponsor for the TSEA Gala event from Old Mutual (value R150 000)
 - # Technical sponsor for the TSEA Gala event from Huawei (value R100 000)
 - # 39 Ipads for winners from PSMA for the TSEA Gala event (value R234 000)
 - # Sponsored beverages for guests at the TSEA Gala event from Ntiyiso Consulting (value R9 000)
 - # Sponsored beverages for guests at the TSEA Gala event from Zimele Technology (value R10 105)
 - # Bed and breakfast vouchers for TSEA Project Steering Committee from Tsogo Sun, Garden Court, Hatfield (estimated value R15 000)
 - # Bed and breakfast vouchers for TSEA Project Steering Committee from Orion-Velmore Hotel group (estimated value R26 000)
 - # 10 mail vouchers received from Communication, Marketing and Events department (value R20 000)
 - # Vodacom #G TAB from Communication, Marketing and Events department (value R2 500)
 - # Powerbank and calendar received from Geldenhuis & Malatji (value R100 and R20 respectively)
 - # Diary received from Fleet Africa (value R60)
- Human Resource Management:
 - # Tshwane Pension Fund Board of Trustees - 2 employees attended a workshop in Cape Town: Flights, accommodation and conference fees were sponsored by ABSA.
 - # Horse for duty - estimated value R10 000
 - # Sponsorship to Barcelona Tetra Conference - 3 persons attended
 - # Training course of the Law Enforcement Agency for 5 members
 - # Furniture donated by USA Embassy - estimated value R50 000
- Emergency Services:
 - # 6 boxes of veld fire, drought and thunderstorm promotional material for awareness campaigns from Department of Rural Government (estimated value = R2 500)
 - # Memory sticks and pens from the Centre for Public Service Innovation (CPSI) and winter fleece blankets from PDMS for the take a girl child to work campaign (estimated value = R3 300)

53. Operating leases

The municipality leases premises (buildings and parking) from various property owners for terms ranging from three to five years with fixed annual escalation ranging from 8% to 10 %. The municipality has the option to extend the agreement for periods ranging between one month and three years.

Non-cancelable operating leases - Office equipment:

None for the 2015/16 financial year.

Non-cancelable operating leases - Vehicles (busses):

None for the 2015/16 financial year.

54. Rental income straightlining

Gross investment in the lease due

- within one year	14,803,309	15,857,930
- in second to fifth year inclusive	41,040,598	41,542,766
- later than five years	279,611,407	169,641,113
	335,455,314	227,041,809

Restatement of 2014/15:

The total rental income was restated with an amount of R1 618 932 during 2015/16.

* Refer to prior period restatements - Note 47

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55. Contingencies		
Housing loan guarantees		
Guarantees for housing loans to employees at financial institutions	-	13,000
<p>With the implementation of the MFMA no new guarantees are issued, the liability would therefore decrease in future. The property was used as collateral in cases of default of payments. The last outstanding guarantee was paid in February 2016.</p>		
Indemnification		
Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	72,366,413	71,118,358
<p>The capitalised value as at 31 December 2015 which is calculated by the department of Labour amounted to R72 366 413. The actual amount is guaranteed with a bank guarantee during 2015/16.</p>		
Guarantees issued		
Guarantees issued in favour of Eskom	213,500	213,500
Insurance claims		
Pending claims iro asset-, motor own damage- contractors and electricity claims	65,540,408	72,231,663
Pending claims iro public liabilities	312,628,802	281,114,770
	378,169,210	353,346,433

Above mentioned insurance claims originated before 30 June.

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which, as at 30 June 2016, has a balance of R28 199 546 (2015 = R25 020 508).

Note: the pending claims with regard to assets (motor and non-motor) for the 2014/15 financial year was incorrectly disclosed and are restated now in 2015/16. The value has been restated from R438 747 631 to R72 231 663.

Litigation Matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amounts have not been provided in certain cases as the court has not yet determined a value - these cases are listed separately below. The claims where amounts are available are disclosed in the table below.

a. General Litigation

Corporate and Shared Services:

Case 1:

Labour dispute: City of Tshwane had an agreement with UNISA in terms of which the City of Tshwane provided busses to UNISA for transporting UNISA employees. The busses were driven by UNISA employees. UNISA in turn paid the City of Tshwane a fee. When the contract between UNISA and the City of Tshwane was terminated, the driver lodged a dispute for termination of employment. They are seeking remuneration either from UNISA or the City of Tshwane, depending on who is found to have been the employer. Value of the claim cannot be estimated at this stage.

Case 2:

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

Case 3:

Claimants allege that they were fixed term contract workers from 2010 to 2013 but were never paid. Hence they claim payment for salaries. Amount not determined.

Services infrastructure

Case 4:

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

* Refer to prior period restatements - Note 47

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55. Contingencies (continued)

Case 5:

Summons has been issued and an appearance to defend has been entered. The crux of the action is to compel the City of Tshwane to allocate land to persons listed in the summons as former residents of Lady Selbourne. A closer look at the summons revealed that looking at the dates of birth of those people, they could never have been former residents of that area. They are also not alleging to be claiming through their parents or grand parents or even great great parents. Awaiting court date. The amount of the claim cannot be estimated at this stage.

Case 6:

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

Litigation (as at 30 June 2016)

	Short description of cases	
City Planning and Development	Expropriation. Compensation not paid	2,044,660
Housing and Sustainable Human Settlement Development	Winterveldt expropriation: claiming additional compensation	790,000
Housing and Sustainable Human Settlement Development	Expropriation: claiming additional compensation	790,000
Housing and Sustainable Human Settlement Development	Claim for payment of occupational rent/constitutional damages as well as declaratory order	14,100,000
Group Financial Services	Claiming interest due to incorrect clearance memorandum issued	80,000
Group Financial Services	Damages and refund claim: incorrect clearance certificate	71,296
Group Financial Services	Breach of contract: Work to be done before 2010 Soccer World Cup	33,594
Group Financial Services	Payment for services: Dispute regarding claim	2,622,000
Group Financial Services	Demand for legal fees for debt collection: services of firm of attorneys	1,657,251
Group Financial Services	Claim for refund: Over charged for water	1,505,428
Group Financial Services	Claim for damages: Tenant did not pay for services	1,097,937
Group Financial Services	Damages claim: wrong calculation of service charges	20,274
Group Financial Services	Claim for refund: Overpaid electricity due to wrong calculation	45,307
Group Financial Services	Claim for refund: Over paid electricity due to wrong calculation.	38,629
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini	288,789
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini.	265,661
Corporate and Shared Services	Breach of contract: Contract concluded in Pretoria and put Magistrate Nigel as forum for adjudication.	100,000
Corporate and Shared Services	Breach of contract: Constructive dismissal as position was not available on erstwhile Nokeng organogram. Claims compensation and performance bonuses.	159,705
Corporate and Shared Services	Breach of Contract: 2 Councillors and an official procured work for City without following prescribed SCM procedures.	796,680
Corporate and Shared Services	Unfair dismissal: Erstwhile Nokeng appointed traffic officers who did not meet minimum requirements - relieved of duties. Matter at bargaining council.	97,734

* Refer to prior period restatements - Note 47

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55. Contingencies (continued)		
Corporate and Shared Services		42,000
	Unfair labour practice: Erstwhile Nokeng Municipality paid employer medical aid contributions directly to plaintiff in stead of medical aid.	
Corporate and Shared Services	Payment of damages: Appointment of former municipal manager of Kungwini Municipality. Trial date awaited.	2,250,000
Corporate and Shared Services	Claim for damages: Unlawful termination of employment. Additional claim.	2,500,000
Corporate and Shared Services	Motor vehicle accident caused by traffic officer at Poort Primary School. Matter is defended to set aside default judgement. Trial date awaited.	29,238
Corporate and Shared Services	Claim for damages: Repudiation of contract of employment.	5,464,800
Corporate and Shared Services	Claim for damages: Suspension pending investigation into alleged misconduct. City is to file amended plea.	8,000,000
Corporate and Shared Services	Claim for stolen pension money. Referred to Commercial Crimes Unit of SAPS.	649,017
Corporate and Shared Services	Claim for stolen pension money. Cheque for pension payout was issued to wrong person.	327,211
Corporate and Shared Services	Tender for hiring of vehicles for use by electricity department. Services never paid for.	6,964,617
Corporate and Shared Services	Unpaid pension fund	338,848
Corporate and Shared Services	Compensation for unfair labour practices	1,000,000
Corporate and Shared Services	Claim for payment of acting allowance	67,099
Services Infrastructure	Retention moneys claim: Project laying sewer network pipes was stopped.	2,508,172
Services Infrastructure	Contractual claim: disputes payment for work done and cost due to adverse conditions on site. Matter currently in high court. Arbitration process is going to be initiated.	6,683,428
Services Infrastructure	Breach of contract: Roads and water reticulation construction not properly done. Matter is defended.	2,858,037
Services Infrastructure	Breach of contract: Tender awarded to provide security services. Information not retrieved information from the company.	98,724
Services Infrastructure	Breach of contract: Tender awarded for City wide communication system. Plaintiff failed to live up to tender specifications and municipality cancelled contract. Matter set down for trial.	1,401,516
Services Infrastructure	Breach of contract: Plaintiff never paid for services rendered.	159,219
Services Infrastructure	Breach of contract: Contribution payment for bulk services. Services inadequately rendered.	952,952
Services Infrastructure	Contribution payment for bulk services.	150,000
Services Infrastructure	Municipality took over services. Plaintiff claiming refund. Defended and trial date awaited.	
Services Infrastructure	Payment of bulk services contribution.	2,705,431
Services Infrastructure	Agreement with erstwhile Kungwini Municipality. Claiming refund.	
Services Infrastructure	Damages claim: Construction of road on private property. Negotiations underway to expropriate land.	120,000
Services Infrastructure	Personal injuries claim: Vehicle collided with barrier on road. Awaiting trial date	100,000
Services Infrastructure	Constructive dismissal damages claim: Plaintiff diagnosed with PTS disorder and subsequently dismissed for mental incapacity. Await new trial date	850,884
Services Infrastructure	Application for rescission: Applicant wants reversal of decision of Court. Municipality has already made payment to someone else in accordance with court order.	2,081,409

* Refer to prior period restatements - Note 47

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55. Contingencies (continued)		
Services Infrastructure		25,762,057
	Breach of contract: Construction of roads - work done and contractor never paid. Awaiting court date.	
Services Infrastructure		30,390,000
	Expropriation of land intended for road construction.	
Services Infrastructure		51,507,439
	Claim that development agreement was entered into with municipality on certain properties. Municipality allegedly breached agreement.	
Services Infrastructure		4,607,784
	Municipality cancelled agreement for security services. Company is suing for repudiation of contract.	
Environmental Management		432,221
	Plaintiff issued summons for damages for alleged breach of contract by appointing 2 new contractors before expiry of tender. Matter awaiting trial.	
Environmental Management		1,120,885
	Breach of contract: Claim for payment of services rendered.	
Environmental Management		1,210,877
	Breach of contract: Work allegedly done which relevant department disputes. Matter is defended.	
Environmental Management		2,299,500
	Breach of contract: Claim for rubbish bins for sandblasting and painting as well as storage costs.	
Environmental Management		200,813
	Breach of contract: Refuse removal tender and dispute over its terms. Matter is in court.	
Environmental Management		158,232
	Delivery of refuse bins - contractor never paid. Refuse bins was defective.	
Environmental Management		16,720,095
	Tender for provision of security services at 5 locations in erstwhile Kungwini Municipality. Service provider never paid.	
Health and Social Development		64,994
	Breach of contract: Tender for pesticides and insecticides. Work done and never paid for. Payment for damages claimed.	
Transport and Roads		690,446
	Breach of contract: Roads and water reticulation services by tenderer who was incompetent and work was completed by another contractor. Original contractor claims full payment. Matter is before court.	
Office of the Speaker		2,360,610
	Claim for services rendered. Dispute over terms of tender. Contractor did work which department denies receiving. Matter is before court.	
Metro Police Services		620,103
	Breach of contract: Security services provided but never paid for.	
		<u>213,053,603</u>

* Refer to prior period restatements - Note 47

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56. Change in estimate		
Property, plant and equipment		
2015/16:		
The useful lives of all asset classes was reviewed and adjusted during 2015/16 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 13 under property, plant and equipment for a discussion on the basis on which the review of useful lives was done.		
The effect of changing the remaining useful lives during 2015/16 has decreased the depreciation charge for the current and future periods. The total number of assets affected was 368 008.		
Effect of change in estimates		
Other and infrastructure assets	(55,723,629)	46,516,604
57. Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the financial statements.		
In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:		
<ul style="list-style-type: none"> • in an emergency • if such goods or services are produced or available from a single provider only • for the acquisition of special works of art or historical objects where specifications are difficult to complete • acquisition of animals for zoos and/or nature and game reserves • in any other exceptional case where it is impractical or impossible to follow the official procurement processes 		
Deviation from tender and quotation process:		
* Sole suppliers		
* Emergency		
* Impracticality terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:		
Deviation from tender process (amounts above R200 000)		
Emergency	3,750,000	137,793,700
Sole providers	144,371,460	-
Works of art	2,998,880	-
Other exceptional cases	1,436,100,150	-
	1,587,220,490	137,793,700
Deviation from quotation process (amounts below R200 000)		
Other exceptional cases	306,391	-

* Refer to prior period restatements - Note 47

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58. Budget differences

Material differences between budget and actual amounts

It is general practice to deem a 10% deviation on operational revenue and expenditure versus the final budget as material and for capital expenditure the percentage deviation is 5%.

2015/16 financial year:

The following revenue and expenditure line items show a material variance for the year ending 30 June 2016 against the adjustment budget:

Other own revenue category:

- Rental of facilities and equipment (20.4% over) - this line item is based on demand from users of the facilities and equipment.
- Interest on external investments (36.0 % over) - increase in interest earned due to increase in investments held (sinking fund)
- Interest on outstanding debtors (98.3 % over) - over recovery is due to increase in levying of interest on long overdue accounts.
- Fines (18.4% under) - this is due to the IGRAP1 accounting requirements on AARTO fines and the impact of invalid fines.
- Public contributions (98.7% over) - under recovery is due to less contributions in terms of township establishment and rezoning applications.
- Other income (45.5% under) - under recovery due to insurance claims, sale of airplane fuel, TRT services and land sales revenue realising lower than anticipated.
- Licenses and permits (15.5 % under) - under recovery due to number of licenses renewed and permit applications not realising as anticipated.

Other expenditure category:

- Debt impairment (30.5% over) - over expenditure is due to review of bad debt only being done during final year end adequacy testing.
- Transfers and grants (55.2% over) - due to late payments to municipal entities.
- Depreciation (30.2 % over) - due to purification of asset register and review of useful lives only happening at year end.
- Grants and subsidies paid (51.6 % over) - payments to municipal entities not yet made due to invoices not yet submitted and accrual done.

Capital expenditure:

- The capital expenditure shows a 99.3 % spending level against the total budget at the end of the year ending 30 June 2016.

Changes from the approved budget to the final budget

The mid-year budget review report approved by the Council on 25 February 2016, indicated the necessity for an Adjustments Budget for the 2015/16 financial year for, inter alia the following:

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

The Council approved the 2015/16 Original Revenue Budget to the amount of R28.178 billion which was increased with R348.804 million to R28.527 billion (increase of 1.3%). Furthermore, the total expenditure of R25.140 billion was increased with an amount of R914.946 million to R26.055 billion (increase of 3.6%). As a result the budgeted surplus of R3.038 billion was decreased to R2.472 billion, indicating that contractual obligations compromised the downscaling of expenditure.

59. Distribution losses: Water

Non-revenue Water (NRW) - kilolitre

Technical	59,659,954	46,600,996
Non-technical	14,914,989	11,650,249
	74,574,943	58,251,245

Non-revenue Water (NRW) - Rand value

Technical	403,250,852	279,908,986
Non-technical	100,812,713	69,977,246
	504,063,565	349,886,232

* Refer to prior period restatements - Note 47

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59. Distribution losses: Water (continued)

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

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

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

These losses are caused by:

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

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

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

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

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

60. Distribution losses: Electricity

Distribution loss: kWh

Technical	680,678,967	674,884,927
Non-technical	1,194,105,387	872,529,799
	<u>1,874,784,354</u>	<u>1,547,414,726</u>

Distribution loss - Rand value

Technical	489,203,973	424,584,756
Non-technical	858,203,542	548,927,434
	<u>1,347,407,515</u>	<u>973,512,190</u>

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

For the 2014/15 financial year the electricity distribution losses were calculated at 16,05%. For the 2013/14 financial year the distribution losses amounted to 14,25%.

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. The acceptable industry standard for the technical losses is between 5% and 6%, and 9% for non-technical losses.

* Refer to prior period restatements - Note 47

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60. Distribution losses: Electricity (continued)

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

For the 2014/15 financial year the value of non-technical loss amounts to R548.9 million or 872 529 799 kWh based on the cost per unit purchased namely 62,91 c/kWh.

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

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

Technical losses:

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

For the 2015/16 financial year the value of technical loss amounts to R489.204 million or 680 678 967 kWh based on the cost per unit purchased namely 71.87 c/kWh.

For the 2014/15 financial year the value of technical loss amounts to R424,5 million or 674 884 927 kWh based on the cost per unit purchased namely 62,91 c/kWh.

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

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

61. Service concession arrangements

Tshwane House:

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

Construction started 1 April 2015 and as at 30 June 2016 the building is approximately 65% complete. In terms of the Guideline on Accounting for Public Private Partnerships the fair value of the building should be recognised on a percentage of completion during construction. The capex quoted in the final closeout report is R1 034 241 000. The value of the asset and liability as at 30 June 2016 amounted to R672 256 650.

Tshwane Broadband Network:

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

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

* Refer to prior period restatements - Note 47

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62. Impairment of assets		
Impairments		
Property, plant and equipment (refer to note 13)	362,767	124,914,999
Intangible assets (refer to note 15)	-	7,834
	<u>362,767</u>	<u>124,922,833</u>

Assets were impaired according to specific indicators such as its physical condition. The main class of assets affected by impairment losses is movable assets. For the 2015/16 year included in the impairment figure is also impairment on assets under construction (AUC).

63. Contracted services

Consultant fees	105,408,543	104,961,274
Service fee (smart pre-paid)	637,160,848	808,333,532
Professional services	140,772,090	34,045,125
IT services	86,921,386	108,432,618
Labour services	501,221,885	431,179,173
Housing services	155,281,664	132,618,015
Electricity services and network	433,927,962	450,953,627
Household refuse removal	426,732,656	344,272,546
Transport and roads	215,556,832	98,807,044
Cleaning services	20,363,416	16,350,628
Rudimentary services	72,249,368	53,754,668
Sewerage networks	60,651,387	57,265,859
Restrictions: credit control	22,826,214	17,673,331
Water network services	100,939,147	55,182,918
Traffic control	31,836,829	36,744,343
Other	141,012,947	186,080,841
	<u>3,152,863,174</u>	<u>2,936,655,542</u>

64. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had an accumulated surplus of R18 569 868 366 and that the municipality's total assets exceed its liabilities by R 18,826,876,978. The difference consist of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R257 008 612.

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

65. Actual operating expenditure versus budgeted operating expenditure

For additional information on the comparison of actual operating expenditure versus budgeted expenditure please refer to Appendix C,D and E.

66. Actual capital expenditure versus budgeted capital expenditure

For additional information on the comparison of actual capital expenditure versus budgeted expenditure please refer to Appendix F .

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated* R
67. Expenditure by National Treasury classification		
Expenditure type		
Employee-related cost	7,240,935,867	6,202,412,814
Remuneration of councillors	112,443,327	104,192,823
Debt impairment	987,510,234	721,971,875
Depreciation and asset impairment	141,644,834	1,449,151,377
Finance charges	1,136,966,921	996,547,871
Bulk purchases	8,808,848,636	7,717,077,475
Other materials	225,328,686	268,560,899
Contracted services	3,152,863,174	2,936,655,542
Transfers and grants	394,348,908	217,334,821
Other expenditure	5,000,820,512	3,557,721,975
Loss on disposal of property, plant and equipment	101,058,072	192,399,344
	<u>27,302,769,171</u>	<u>24,364,026,816</u>
 Total expenditure per statement of financial performance	 <u>27,302,769,171</u>	 <u>24,364,026,816</u>

68. Public Private Partnerships (PPP)

Tshwane House:

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

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

Fleet vehicles and fleet related services:

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

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated*
		R

69. Interest rate swaps

The municipality holds derivative financial instruments to hedge its interest rate risk exposures. The municipality entered into interest rate swap contracts that entitle it to receive interest at fixed rates on notional principal amounts and that oblige the municipality to pay interest at variable rates on the same amounts. The interest rate swap allows the municipality to raise long-term borrowings at variable rates and effectively swap them into fixed rates in terms of the structured finance contractual requirements. The interest rate swaps are initially measured at fair value on the contract/trade date; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, the interest rate swaps are measured at fair value at each reporting date:

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

Regiments:

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

Nominal amount: R573 577 919

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

Payable: Semi-annual

Regiments:

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

Nominal amount: R1 600 000 000

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

Payable: Semi-annual

Regiments:

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

Nominal amount: R1 500 000 000

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

Payable: Semi-annual

Nedbank:

Trade date: 31 December 2013 and Settlement date: 30 June 2026

Nominal amount: R943 766 167

Fixed rate: 9.31% and Variable rate: floating - Prime -1.28

Payable: Semi-annual

Nedbank:

Trade date: 1 April 2014 and Settlement date: 30 June 2026

Nominal amount: R890 312 448

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

Payable: Semi-annual

The interest and fair value calculations for interest rate swaps are not done for the interim financial statements.

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

Class 1 : Interest rate swaps -

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

Fair value hierarchy of financial assets at fair value -

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

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

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

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

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

	2016	2015
	R	Restated*
		R

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

Nominal value of financial assets at fair value:

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

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

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

Interest rate swap - amounts (in total)

Interest rate swap asset	43,936,952	130,122,756
Interest rate swap liability	(147,119,727)	(85,625,408)
	<u>(103,182,775)</u>	<u>44,497,348</u>

* Refer to prior period restatements - Note 47

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2016

Interest Rate (%)	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2016	Carrying Value of Property, Plant & Equipment
		Rand	Rand	Rand	Rand	Rand	Rand
TERM LOANS							
DBSA: bullet portion	13.50	2018.04.30	51,682,877	-	-	51,682,877	64,323,817
DBSA: Floating rate	Variable	2019.10.31	78,331,528	-	-	78,331,528	97,490,371
DBSA Bullet repayment loan	Jibar +2.5 margin	2034.06.30	1,600,000,000	-	-	1,600,000,000	1,991,338,584
Nedbank Bullet repayment loan	11.44%	2026.06.24	-	1,200,000,000	-	1,200,376,110	1,493,972,039
DBSA Bullet repayment loan	Jibar +2.5 margin	2035.06.30	1,500,000,000	-	-	1,500,000,000	1,866,879,923
			3,230,014,405	1,200,000,000	-	4,430,390,515	5,514,004,734
ANNUITY LOANS:							
DBSA	13.5	2018.04.30	117,552,430	-	27,363,081	(920,974)	89,268,375
DBSA (Restructuring)	10.97	2018.12.31	109,138,017	-	27,132,630	-	82,005,387
INCA	11.03	2019.06.30	8,783,755	-	1,854,209	-	6,929,546
INCA	9.52	2020.03.31	112,500,421	-	18,071,623	(428,927)	93,999,871
INCA	11.01	2020.06.30	25,941,742	-	4,134,329	-	21,807,413
DBSA	9.36	2020.12.31	145,592,806	-	21,312,845	-	124,279,961
INCA	10.92	2020.12.31	55,530,809	-	7,828,713	-	47,702,096
INCA	10.81	2021.06.30	47,198,007	-	5,939,649	-	41,258,358
DBSA	5.0	2021.12.31	48,790,472	-	7,157,923	-	41,632,549
DBSA	9.84	2021.12.31	226,785,249	-	29,303,053	-	197,482,196
Ivuzi	8.74	2021.12.31	118,007,395	-	14,143,948	-	103,863,447
DBSA	6.25	2028.06.30	77,577,256	-	4,008,236	-	73,569,020
DBSA	12.81	2028.06.30	174,654,022	-	5,716,265	-	168,937,757
DBSA	11.32	2028.06.30	173,896,058	-	5,882,815	-	168,013,243
ABSA Roodeplaate Temba	12.5	2021.03.31	154,073,619	-	17,789,966	(494,979)	135,788,674
DBSA Roodeplaate Temba	11.99	2021.03.31	79,033,212	-	9,274,361	(279,922)	69,478,929
Nedbank Roodeplaate Temba	12.51	2021.03.31	105,925,612	-	12,230,725	(353,449)	93,341,438
DBSA TIP	6.75	2029.06.30	123,524,219	-	5,514,643	-	118,009,576
Nedbank	9.27	2020.05.18	218,170,246	-	35,953,624	(53,543)	182,163,079
Nedbank	9.32	2020.06.16	217,113,900	-	35,803,813	(53,343)	181,256,744
Standard Bank	7.72	2026.06.30	834,719,010	-	50,079,540	16,807	784,656,277
DBSA	5.00	2016.08.31	260,074	-	222,148	-	37,926
DBSA	15.04	2016.06.30	5,090,982	-	5,090,982	-	-
Nedbank	Jibar	2029.06.29	569,004,970	-	48,600,781	30,480	520,434,669
Nedbank	Jibar	2025.12.01	321,455,566	-	27,109,779	(4,009)	294,341,778
iVuzi (Firststrand bank)	Jibar	2022.06.30	368,421,053	-	52,631,579	-	315,789,474
iVuzi (Firststrand bank)	Jibar	2027.12.01	413,793,103	-	34,482,759	-	379,310,344
			4,852,534,005	-	514,634,019	(2,541,859)	4,335,358,127
							5,395,728,697

City of Tshwane Metropolitan Municipality
Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2016

Interest Rate (%)	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2016	Carrying Value of Property, Plant & Equipment	
		Rand	Rand	Rand	Rand	Rand	Rand	
MUNICIPAL BONDS								
CoT1: Standard bank	10.20	2023.04.02	573,927,890	-	-	(312,986)	573,614,904	713,913,432
CoT2: Standard bank	9.11	2023.04.02	848,437,142	-	-	(414,317)	848,022,825	1,055,437,857
CoT3: Standard bank	9.46	2028.06.05	755,053,973	-	-	(388,768)	754,665,205	939,246,214
			2,177,419,005	-	-	(1,116,071)	2,176,302,934	2,708,597,503
			10,259,967,415	1,200,000,000	514,634,019	(3,281,820)	10,942,051,576	13,618,330,934
FINANCE LEASES								
TSHWANE AUTO LEASING	Variable *		204,146	-	(2,427)	(206,573)	-	-
ABSA SOL	Variable *		6,449	-	(257)	(6,706)	-	-
MAN	Variable*		208,652,296	-	(11,736,686)	(76,336,253)	144,052,729	115,028,935
			208,862,891	-	(11,739,370)	(76,549,532)	144,052,729	115,028,935

City of Tshwane Metropolitan Municipality

Appendix B
Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2016

Cost Accumulated depreciation

	Opening Balance - Restated Rand	Acquisitions Rand	Disposals Rand	Transfers capitalisation Rand	Transfers purification Rand	Closing Balance Rand	Opening Balance - Restated Rand	Additions Rand	Impairment Rand	Disposals Rand	Transfers purification Rand	Closing Balance Rand	Carrying value Rand
Infrastructure													
Assets under construction	5,696,901,192	2,933,183,362	(149,228,215)	(771,739,633)	(11,142,691)	7,697,974,015	(123,216,100)	-	-	-	-	(123,216,100)	7,574,757,915
Electricity	5,819,084,114	61,728,550	(18,555,547)	84,764,850	11,360,943	5,958,382,910	(1,588,982,811)	(227,301,398)	-	10,198,848	(64,745)	(1,806,150,106)	4,152,232,804
General	238,028,301	-	-	-	-	238,028,301	(176,441,202)	(13,612,537)	-	-	-	(190,053,739)	47,974,562
Roads	9,479,143,369	126,219,649	(2,170,065)	346,866,592	(6,961,333)	9,943,098,212	(2,547,011,744)	(379,345,988)	-	668,084	4,591,693	(2,921,097,955)	7,022,000,257
Water and sanitation	7,558,699,861	211,792,267	(97,198,310)	319,942,246	431,761	7,993,667,825	(1,812,934,993)	(272,790,661)	-	18,870,485	(5,299,664)	(2,072,154,833)	5,921,512,992
	28,791,856,837	3,332,923,828	(267,152,137)	(20,165,945)	(6,311,320)	31,831,151,263	(6,248,586,850)	(893,050,584)	-	29,737,417	(772,716)	(7,112,672,733)	24,718,478,530
Community Assets													
General	3,350,063,163	98,463,000	(16,254,950)	53,395,189	(50,275,917)	3,435,390,485	(938,832,751)	(131,358,181)	-	12,852,260	7,625,405	(1,049,713,267)	2,385,677,218
Assets under construction	340,787,395	177,487,892	-	(51,004,826)	4,239,321	471,509,782	-	-	-	-	-	-	471,509,782
	3,690,850,558	275,950,892	(16,254,950)	2,390,363	(46,036,596)	3,906,900,267	(938,832,751)	(131,358,181)	-	12,852,260	7,625,405	(1,049,713,267)	2,857,187,000
Housing													
Housing assets	523,215,994	(113,214,045)	(4,940,000)	(460,809)	4,311,212	408,912,352	(90,922,357)	(12,990,112)	-	729,056	-	(103,183,413)	305,728,939
Assets under construction	337,150,548	435,749,645	-	-	3,740,700	776,640,893	-	-	-	-	-	-	776,640,893
	860,366,542	322,535,600	(4,940,000)	(460,809)	8,051,912	1,185,553,245	(90,922,357)	(12,990,112)	-	729,056	-	(103,183,413)	1,082,369,832
Biological assets													
Game (livestock)	14,478,788	-	-	-	2,313,772	16,792,560	-	-	-	-	-	-	16,792,560
	14,478,788	-	-	-	2,313,772	-	-	-	-	-	-	-	16,792,560
Land													
Land	365,880,449	8,970,200	(749,263)	(19,212,178)	48,734,112	403,623,320	-	-	-	-	-	-	403,623,320
	365,880,449	8,970,200	(749,263)	(19,212,178)	48,734,112	403,623,320	-	-	-	-	-	-	403,623,320
Buildings													
Buildings	932,304,238	675,817,167	-	(2,747,380)	1,573,067	1,606,947,092	(524,542,490)	(28,633,153)	-	-	(5,608,455)	(558,784,098)	1,048,162,994
	932,304,238	675,817,167	-	(2,747,380)	1,573,067	1,606,947,092	(524,542,490)	(28,633,153)	-	-	(5,608,455)	(558,784,098)	1,048,162,994

City of Tshwane Metropolitan Municipality

Appendix B
Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2016

Cost Accumulated depreciation

	Opening Balance - Restated Rand	Acquisitions Rand	Disposals Rand	Transfers capitalisation Rand	Transfers purification Rand	Closing Balance Rand	Opening Balance - Restated Rand	Additions Rand	Impairment Rand	Disposals Rand	Transfers purification Rand	Closing Balance Rand	Carrying value Rand
Other													
General	1,959,558,725	109,672,537	(13,416,067)	11,759,088	21,771,187	2,089,345,470	(1,114,227,154)	(176,077,238)	(362,767)	9,493,474	(8,673,526)	(1,289,847,211)	799,498,259
Rehabilitation assets	507,835,171	22,118,833	-	-	-	529,954,004	(167,567,249)	(36,146,244)	-	-	-	(203,713,493)	326,240,511
Assets under construction	146,547,548	225,505,717	-	(35,357,604)	(10,312,284)	326,383,377	-	-	-	-	-	-	326,383,377
	2,613,941,444	357,297,087	(13,416,067)	(23,598,516)	11,458,903	2,945,682,851	(1,281,794,403)	(212,223,482)	(362,767)	9,493,474	(8,673,526)	(1,493,560,704)	1,452,122,147
Total property plant and equipment													
	37,269,678,856	4,973,494,774	(302,512,417)	(63,794,465)	19,783,850	41,896,650,598	(9,084,678,851)	1,278,255,512)	(362,767)	52,812,207	(7,429,292)	(10,317,914,215)	31,578,736,383
Heritage assets													
General	3,607,628,201	22,349,295	-	-	-	3,629,977,496	-	-	-	-	-	-	3,629,977,496
	3,607,628,201	22,349,295	-	-	-	3,629,977,496	-	-	-	-	-	-	3,629,977,496
Investment properties													
Investment assets	954,472,306	3,989,979	(12,833,509)	54,545,079	(17,470,078)	982,703,777	(189,408,166)	(5,161,169)	-	9,931	7,429,293	(187,130,111)	795,573,666
Assets under construction	-	6,968,777	-	-	-	6,968,777	-	-	-	-	-	-	6,968,777
	954,472,306	10,958,756	(12,833,509)	54,545,079	(17,470,078)	989,672,554	(189,408,166)	(5,161,169)	-	9,931	7,429,293	(187,130,111)	802,542,443
Intangible assets													
Computer software	250,019,553	46,265,624	-	18,077,445	-	314,362,622	(115,390,356)	(43,283,373)	-	-	-	(158,673,729)	155,688,893
Servitudes	187,754,190	-	-	-	-	187,754,190	-	-	-	-	-	-	187,754,190
	437,773,743	46,265,624	-	18,077,445	-	502,116,812	(115,390,356)	(43,283,373)	-	-	-	(158,673,729)	343,443,083
Total													
Land	365,880,449	8,970,200	(749,263)	(19,212,178)	48,734,112	403,623,320	-	-	-	-	-	-	403,623,320
Infrastructure	28,791,856,837	3,332,923,828	(267,152,137)	(20,165,945)	(6,311,320)	31,831,151,263	(6,248,586,850)	(893,050,584)	-	29,737,417	(772,716)	(7,112,672,733)	24,718,478,530
Community Assets	3,690,850,558	275,950,892	(16,254,950)	2,390,363	(46,036,596)	3,906,900,267	(938,832,751)	(131,358,181)	-	12,852,260	7,625,405	(1,049,713,267)	2,857,187,000
Housing	860,366,542	322,535,600	(4,940,000)	(460,809)	8,051,912	1,185,553,245	(90,922,357)	(12,990,112)	-	729,056	-	(103,183,413)	1,082,369,832
Other	2,613,941,444	357,297,087	(13,416,067)	(23,598,516)	11,458,903	2,945,682,851	(1,281,794,403)	(212,223,482)	(362,767)	9,493,474	(8,673,526)	(1,493,560,704)	1,452,122,147
Heritage assets	3,607,628,201	22,349,295	-	-	-	3,629,977,496	-	-	-	-	-	-	3,629,977,496
Intangible assets	437,773,743	46,265,624	-	18,077,445	-	502,116,812	(115,390,356)	(43,283,373)	-	-	-	(158,673,729)	343,443,083
Investment properties	954,472,306	10,958,756	(12,833,509)	54,545,079	(17,470,078)	989,672,554	(189,408,166)	(5,161,169)	9,931	7,429,293	7,429,293	(187,130,111)	802,542,443
Buildings	932,304,238	675,817,167	-	(2,747,380)	1,573,067	1,606,947,092	(524,542,490)	(28,633,153)	-	-	(5,608,455)	(558,784,098)	1,048,162,994
Biological assets	14,478,788	-	-	-	2,313,772	16,792,560	-	-	-	-	-	-	16,792,560
	42,269,553,106	5,053,068,449	(315,345,926)	8,828,059	2,313,772	47,018,417,460	(9,389,477,373)	1,326,700,054)	(362,767)	52,822,138	1	(10,663,718,055)	36,354,699,405

Appendix C
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the period ended 30 June 2016

	2015/16					2014/15 Restated					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard											
Governance and administration	8,980,132,498	637,088,896	9,617,221,394		9,617,221,394	9,287,053,109		(330,168,285)	97 %	103 %	8,355,388,133
Executive and council	257,375,300	(33,163,000)	224,212,300		224,212,300	205,697,932		(18,514,368)	92 %	80 %	178,223,474
Budget and Treasury Office	8,485,595,238	(18,598,430)	8,466,996,808		8,466,996,808	8,763,176,513		296,179,705	103 %	103 %	8,029,799,210
Corporate services	237,161,960	688,850,326	926,012,286		926,012,286	318,178,664		(607,833,622)	34 %	134 %	147,365,449
Community and public safety	1,142,333,472	162,649,186	1,304,982,658		1,304,982,658	1,300,586,077		(4,396,581)	100 %	114 %	1,429,523,107
Community and social services	51,554,700	-	51,554,700		51,554,700	75,329,601		23,774,901	146 %	146 %	97,139,323
Sport and recreation	26,744,500	1,765,916	28,510,416		28,510,416	26,419,094		(2,091,322)	93 %	99 %	16,028,902
Public safety	273,038,200	16,902,268	289,940,468		289,940,468	248,239,656		(41,700,812)	86 %	91 %	364,739,203
Housing	704,219,072	137,851,791	842,070,863		842,070,863	857,421,375		15,350,512	102 %	122 %	891,972,593
Health	86,777,000	6,129,211	92,906,211		92,906,211	93,176,351		270,140	100 %	107 %	59,643,086
Economic and environmental services	1,808,656,550	(102,137,626)	1,706,518,924		1,706,518,924	1,758,745,582		52,226,658	103 %	97 %	2,502,778,226
Planning and development	162,895,300	6,307,025	169,202,325		169,202,325	202,135,536		32,933,211	119 %	124 %	227,860,028
Road transport	1,633,170,650	(104,015,672)	1,529,154,978		1,529,154,978	1,517,971,501		(11,183,477)	99 %	93 %	1,228,397,792
Environmental protection	12,590,600	(4,428,979)	8,161,621		8,161,621	38,638,545		30,476,924	473 %	307 %	1,046,520,406
Trading services	15,415,806,600	310,152,146	15,725,958,746		15,725,958,746	14,818,264,232		(907,694,514)	94 %	96 %	13,726,531,203
Electricity	11,092,073,800	(82,663,147)	11,009,410,653		11,009,410,653	10,230,397,341		(779,013,312)	93 %	92 %	9,613,573,243
Water	913,693,500	150,815,293	1,064,508,793		1,064,508,793	1,050,503,890		(14,004,903)	99 %	115 %	1,027,740,990
Waste water management	37,070,800	-	37,070,800		37,070,800	41,167,097		4,096,297	111 %	111 %	33,770,060
Waste management	3,372,968,500	242,000,000	3,614,968,500		3,614,968,500	3,496,195,904		(118,772,596)	97 %	104 %	3,051,446,910
Other	1,320,754,350	5,672,700	1,326,427,050		1,326,427,050	1,355,341,745		28,914,695	102 %	103 %	162,013,356
Other	1,320,754,350	5,672,700	1,326,427,050		1,326,427,050	1,355,341,745		28,914,695	102 %	103 %	162,013,356
Total Revenue - Standard	28,667,683,470	1,013,425,302	29,681,108,772		29,681,108,772	28,519,990,745		(1,161,118,027)	96 %	99 %	26,176,234,025

Appendix C
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the period ended 30 June 2016

	2015/16				2014/15 Restated						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard											
Governance and administration	4,849,414,480	(61,585,666)	4,787,828,814	-	4,787,828,814	5,616,809,078	877,484,851	828,980,264	117 %	116 %	4,893,310,610
Executive and council	1,091,706,685	29,997,121	1,121,703,806	-	1,121,703,806	1,073,199,219	-	(48,504,587)	96 %	98 %	1,125,511,227
Budget and treasury office	1,382,198,144	(178,354,258)	1,203,843,886	-	1,203,843,886	1,892,184,581	688,340,695	688,340,695	157 %	137 %	1,117,931,228
Corporate services	2,375,509,651	86,771,471	2,462,281,122	-	2,462,281,122	2,651,425,278	189,144,156	189,144,156	108 %	112 %	2,649,868,155
Community and public safety	4,293,949,204	128,607,314	4,422,556,518	-	4,422,556,518	4,518,880,777	139,547,718	96,324,259	102 %	105 %	3,858,018,299
Community and social services	525,940,849	(176,390)	525,764,459	-	525,764,459	533,512,912	7,748,453	7,748,453	101 %	101 %	493,688,123
Sport and recreation	472,614,125	(1,477,424)	471,136,701	-	471,136,701	471,825,663	688,962	688,962	100 %	100 %	329,891,640
Public safety	2,377,319,816	17,163,369	2,394,483,185	-	2,394,483,185	2,511,525,710	117,042,525	117,042,525	105 %	106 %	2,150,758,018
Housing	531,565,410	111,933,036	643,498,446	-	643,498,446	600,254,987	-	(43,243,459)	93 %	113 %	539,165,219
Health	386,509,004	1,164,723	387,673,727	-	387,673,727	401,761,505	14,087,778	14,087,778	104 %	104 %	344,515,299
Economic and environmental services	2,593,683,957	121,862,044	2,715,546,001	-	2,715,546,001	2,884,180,704	184,242,125	168,634,703	106 %	111 %	3,161,972,988
Planning and development	744,326,636	(6,547,098)	737,779,538	-	737,779,538	722,172,116	-	(15,607,422)	98 %	97 %	708,858,955
Road transport	1,581,587,554	124,916,841	1,706,504,395	-	1,706,504,395	1,830,739,238	124,234,843	124,234,843	107 %	116 %	1,767,219,476
Environmental protection	267,769,767	3,492,301	271,262,068	-	271,262,068	331,269,350	60,007,282	60,007,282	122 %	124 %	685,894,557
Trading services	13,542,640,073	722,372,061	14,265,012,134	-	14,265,012,134	14,813,365,022	548,352,888	548,352,888	104 %	109 %	13,368,012,279
Electricity	9,390,182,761	418,889,830	9,809,072,591	-	9,809,072,591	10,043,749,552	234,676,961	234,676,961	102 %	107 %	9,469,999,311
Water	466,287,343	18,491,680	484,779,023	-	484,779,023	509,484,759	24,705,736	24,705,736	105 %	109 %	779,228,230
Waste water management	680,500,077	137,272,025	817,772,102	-	817,772,102	992,668,832	174,896,730	174,896,730	121 %	146 %	602,189,838
Waste management	3,005,669,892	147,718,526	3,153,388,418	-	3,153,388,418	3,267,461,879	114,073,461	114,073,461	104 %	109 %	2,516,594,900
Other	349,920,961	(11,688,359)	338,232,602	-	338,232,602	269,531,745	-	(68,700,857)	80 %	77 %	89,320,916
Other	349,920,961	(11,688,359)	338,232,602	-	338,232,602	269,531,745	-	(68,700,857)	80 %	77 %	89,320,916
Total Expenditure - Standard	25,629,608,675	899,567,394	26,529,176,069	-	26,529,176,069	28,102,767,326	1,749,627,582	1,573,591,257	106 %	110 %	25,370,635,092
Surplus/(Deficit) for the year	3,038,074,795	113,857,908	3,151,932,703		3,151,932,703	417,223,419		(2,734,709,284)	13 %	14 %	805,598,933

Appendix D
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the period ended 30 June 2016

2015/16

2014/15
Restated

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o. MFMA s 31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote											
City Planning	129,674,200	6,307,025	135,981,225		135,981,225	169,334,957		33,353,732	125 %	131 %	195,564,548
City Strategies and Performance Management	-	-	-		-	3,992		3,992	- %	100 %	-
Communications, Marketing and Events	43,893,300	-	43,893,300		43,893,300	43,628,646		(264,654)	99 %	99 %	55,672,323
Corporate and Shared Services	48,420,900	(268,470)	48,152,430		48,152,430	33,972,589		(14,179,841)	71 %	70 %	27,982,437
Emergency Services	70,689,300	16,902,268	87,591,568		87,591,568	85,606,324		(1,985,244)	98 %	121 %	73,757,379
Environmental Management	1,333,344,950	1,243,721	1,334,588,671		1,334,588,671	1,393,980,290		59,391,619	104 %	105 %	1,208,533,762
Group Financial Services	8,485,595,238	(18,598,430)	8,466,996,808		8,466,996,808	8,763,176,513		296,179,705	103 %	103 %	8,029,799,210
Health & Social Development	44,666,500	6,129,211	50,795,711		50,795,711	51,057,334		261,623	101 %	114 %	58,714,075
Housing and Human Settlement Information & Communication	684,245,572	129,540,091	813,785,663		813,785,663	833,574,245		19,788,582	102 %	122 %	869,181,597
Technology Management	1,790,460	8,850,325	10,640,785		10,640,785	9,560,827		(1,079,958)	90 %	534 %	43,717
Group Legal Services	375,700	-	375,700		375,700	53,426		(322,274)	14 %	14 %	111,507
Customer Relations Management	-	-	-		-	20,394		20,394	- %	100 %	24,842
Metro Police Services	202,348,900	-	202,348,900		202,348,900	162,633,332		(39,715,568)	80 %	80 %	290,981,823
Group Audit and Risk	132,206,700	-	132,206,700		132,206,700	38,361,817		(93,844,883)	29 %	29 %	40,864,932
Economic Development	33,143,000	-	33,143,000		33,143,000	32,501,363		(641,637)	98 %	98 %	32,295,280
Office of the City Manager	250,000,000	(33,163,000)	216,837,000		216,837,000	201,156,634		(15,680,366)	93 %	80 %	178,223,474
Office of the Executive Mayor	-	-	-		-	7,459		7,459	- %	100 %	-
Office of the Speaker	-	-	-		-	112		112	- %	100 %	-
Service Delivery and Transformation Management	267,188,100	9,204,557	276,392,657		276,392,657	297,846,205		21,453,548	108 %	111 %	131,204,785
Property Management	54,087,100	680,268,471	734,355,571		734,355,571	236,362,588		(497,992,983)	32 %	437 %	78,074,679
Service Infrastructure: Electricity	11,091,669,600	(82,663,147)	11,009,006,453		11,009,006,453	10,219,382,663		(789,623,790)	93 %	92 %	9,594,154,685
Service Infrastructure: Water and Sanitation	4,286,659,700	392,815,293	4,679,474,993		4,679,474,993	4,546,688,312		(132,786,681)	97 %	106 %	4,079,183,607
Sport and Recreation	14,526,400	873,059	15,399,459		15,399,459	15,152,956		(246,503)	98 %	104 %	8,053,855
Transport	1,493,157,850	(104,015,672)	1,389,142,178		1,389,142,178	1,385,927,766		(3,214,412)	100 %	93 %	1,223,811,507
Total Revenue by Vote	28,667,683,470	1,013,425,302	29,681,108,772		29,681,108,772	28,519,990,744		(1,161,118,028)	96 %	99 %	26,176,234,024

Appendix D
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the period ended 30 June 2016

	2015/16				2014/15 Restated						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o. MFMA s 31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure by Vote to be appropriated											
City Planning	304,637,499	(2,029,946)	302,607,553	-	302,607,553	296,167,883	-	(6,439,670)	98 %	97 %	292,082,698
City Strategies & Performance Management	31,026,955	(1,032,955)	29,994,000	-	29,994,000	26,836,119	-	(3,157,881)	89 %	86 %	24,460,957
Communications, Marketing & Events	176,861,681	(9,848,491)	167,013,190	-	167,013,190	160,615,005	-	(6,398,185)	96 %	91 %	181,592,957
Corporate & Shared Services	1,089,479,870	8,074,832	1,097,554,702	-	1,097,554,702	1,153,825,229	56,270,527	56,270,527	105 %	106 %	1,085,200,188
Emergency Services	580,672,808	19,302,012	599,974,820	-	599,974,820	615,591,061	15,616,241	15,616,241	103 %	106 %	535,755,264
Environmental Management	617,690,728	(8,196,058)	609,494,670	-	609,494,670	600,801,095	-	(8,693,575)	99 %	97 %	775,215,472
Group Financial Services	1,382,198,144	(178,354,258)	1,203,843,886	-	1,203,843,886	1,892,184,581	688,340,695	688,340,695	157 %	137 %	1,117,931,228
Health & Social Development	200,152,610	(2,004,490)	198,148,120	-	198,148,120	208,388,488	10,240,368	10,240,368	105 %	104 %	224,427,859
Housing & Human Settlement	356,811,486	102,793,501	459,604,987	-	459,604,987	479,999,051	20,394,064	20,394,064	104 %	135 %	376,385,497
Information & Communication Technology Management	533,649,691	29,694,678	563,344,369	-	563,344,369	560,131,863	-	(3,212,506)	99 %	105 %	738,522,111
Group Legal Services	108,431,275	2,943,954	111,375,229	-	111,375,229	193,241,147	81,865,918	81,865,918	174 %	178 %	85,401,345
Customer Relations Management	86,231,322	5,734,688	91,966,010	-	91,966,010	94,528,289	2,562,279	2,562,279	103 %	110 %	74,561,400
Metro Police Services	1,796,647,008	(2,138,643)	1,794,508,365	-	1,794,508,365	1,895,934,648	101,426,283	101,426,283	106 %	106 %	1,615,002,754
Group Audit and Risk	254,157,665	29,962,551	284,120,216	-	284,120,216	369,557,345	85,437,129	85,437,129	130 %	145 %	320,049,483
Office of the Chief Whip	31,854,717	(7,413)	31,847,304	-	31,847,304	31,280,085	-	(567,219)	98 %	98 %	27,253,978
Office of the City Manager	264,062,919	10,950,996	275,013,915	-	275,013,915	267,097,778	-	(7,916,137)	97 %	101 %	504,229,728
Office of the Executive Mayor	301,444,488	(4,046,957)	297,397,531	-	297,397,531	283,137,946	-	(14,259,585)	95 %	94 %	262,921,063
Office of the Speaker	257,370,665	984,122	258,354,787	-	258,354,787	256,961,800	-	(1,392,987)	99 %	100 %	240,933,179
Service Delivery and Transformation Management	3,663,997,993	222,475,911	3,886,473,904	-	3,886,473,904	4,139,194,922	252,721,018	252,721,018	107 %	113 %	2,775,518,437
Property Management	303,501,654	15,925,706	319,427,360	-	319,427,360	290,793,858	-	(28,633,502)	91 %	96 %	384,958,254
Economic Development	334,269,490	(331,526)	333,937,964	-	333,937,964	330,348,019	-	(3,589,945)	99 %	99 %	321,712,040
Service Infrastructure: Electricity	8,584,708,683	367,844,653	8,952,553,336	-	8,952,553,336	9,020,545,450	67,992,114	67,992,114	101 %	105 %	8,591,228,081
Service Infrastructure: Water and Sanitation	3,171,455,833	188,376,658	3,359,832,491	-	3,359,832,491	3,482,195,809	122,363,318	122,363,318	104 %	110 %	3,121,714,367
Sport and Recreation	122,374,089	(1,278,023)	121,096,066	-	121,096,066	148,747,344	27,651,278	27,651,278	123 %	122 %	212,272,406
Transport	1,075,919,402	103,771,892	1,179,691,294	-	1,179,691,294	1,304,662,510	124,971,216	124,971,216	111 %	121 %	1,481,304,345
Total Expenditure by Vote	25,629,608,675	899,567,394	26,529,176,069	-	26,529,176,069	28,102,767,325	1,657,852,448	1,573,591,256	106 %	110 %	25,370,635,091
Surplus/(Deficit) for the year	3,038,074,795	113,857,908	3,151,932,703	-	3,151,932,703	417,223,419	-	(2,734,709,284)	13 %	14 %	805,598,933

Appendix E
Budgeted Financial Performance (revenue and expenditure)
for the period ended 30 June 2016

	2015/16							2014/15 Restated						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o. MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source														
Property rates	5,212,179,600	393,200	5,212,572,800		5,212,572,800	5,360,754,623		148,181,823	103 %	103 %				4,866,550,478
Service charges - electricity revenue	10,471,748,900	(115,602,040)	10,356,146,860		10,356,146,860	9,340,209,400		(1,015,937,460)	90 %	89 %				8,738,615,740
Service charges - water revenue	3,169,195,200	240,510,351	3,409,705,551		3,409,705,551	3,226,513,940		(183,191,611)	95 %	102 %				2,822,028,648
Service charges - sanitation revenue	748,908,400	49,880,000	798,788,400		798,788,400	760,693,469		(38,094,931)	95 %	102 %				713,527,680
Service charges - refuse revenue	1,095,778,950	30,400	1,095,809,350		1,095,809,350	1,128,045,780		32,236,430	103 %	103 %				969,643,413
Service charges - other	152,580,800	47,000,000	199,580,800		199,580,800	232,687,274		33,106,474	117 %	153 %				178,480,401
Rental of facilities and equipment	109,111,600	-	109,111,600		109,111,600	131,388,317		22,276,717	120 %	120 %				113,623,320
Interest earned: External investments	69,774,338	(28,598,430)	41,175,908		41,175,908	55,999,525		14,823,617	136 %	80 %				36,874,337
Interest earned: Outstanding debtors	182,050,000	-	182,050,000		182,050,000	361,055,496		179,005,496	198 %	198 %				338,768,697
Fines	196,691,400	-	196,691,400		196,691,400	160,585,137		(36,106,263)	82 %	82 %				160,562,313
Licences and permits	57,679,800	-	57,679,800		57,679,800	48,743,171		(8,936,629)	85 %	85 %				53,243,503
Transfers recognised - operational	3,419,706,000	133,458,959	3,553,164,959		3,553,164,959	3,516,826,178		(36,338,781)	99 %	103 %				3,081,484,936
Other revenue	815,250,000	698,688,701	1,513,938,701		1,513,938,701	1,027,750,090		(486,188,611)	68 %	126 %				1,053,384,349
Gains on disposal of PPE	-	-	-		-	165,268,216		165,268,216	- %	100 %				20,440,818
Total Revenue (excluding capital transfers and contributions)	25,700,654,988	1,025,761,141	26,726,416,129		26,726,416,129	25,516,520,616		(1,209,895,513)	95 %	99 %				23,147,228,633

Appendix E
Budgeted Financial Performance (revenue and expenditure)
for the period ended 30 June 2016

	2015/16							2014/15 Restated						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council policy) & Shifting of funds (i.t.o. MFMA s31)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type														
Employee-related costs	6,917,257,285	5,489,905	6,922,747,190	-	6,922,747,190	7,240,935,867	318,188,677	318,188,677	105 %	105 %	-	-	-	6,202,412,814
Remuneration of councillors	111,749,118	1,000,000	112,749,118	-	112,749,118	112,443,327	-	(305,791)	100 %	101 %	-	-	-	104,192,823
Debt impairment	1,018,115,542	(261,432,542)	756,683,000	-	756,683,000	987,510,234	230,827,234	230,827,234	131 %	97 %	-	-	-	721,971,875
Depreciation & asset impairment	1,186,841,000	(99,576,100)	1,087,264,900	-	1,087,264,900	1,416,448,384	329,183,484	329,183,484	130 %	119 %	-	-	-	1,494,303,862
Finance charges	1,029,202,100	10,112,180	1,039,314,280	-	1,039,314,280	1,136,966,921	97,652,641	97,652,641	109 %	110 %	-	-	-	996,547,870
Bulk purchases	8,613,398,330	183,231,523	8,796,629,853	-	8,796,629,853	8,808,848,636	12,218,783	12,218,783	100 %	102 %	-	-	-	7,926,726,987
Other materials	342,825,500	(61,418,651)	281,406,849	-	281,406,849	222,153,532	-	(59,253,317)	79 %	65 %	-	-	-	263,333,090
Contracted services	3,741,897,500	969,919,029	4,711,816,529	-	4,711,816,529	5,123,837,842	412,021,313	412,021,313	109 %	137 %	-	-	-	5,011,447,474
Transfers and grants	235,090,100	(5,150,000)	229,940,100	-	229,940,100	371,084,393	141,144,293	141,144,293	161 %	158 %	-	-	-	211,526,533
Other expenditure	1,919,363,400	172,508,862	2,091,872,262	-	2,091,872,262	2,030,220,159	-	(61,652,103)	97 %	106 %	-	-	-	1,783,609,959
Loss on disposal of PPE	-	95,100	95,100	-	95,100	101,058,072	100,962,972	100,962,972	106,265 %	100 %	-	-	-	190,537,989
Total Expenditure	25,115,739,875	914,779,306	26,030,519,181	-	26,030,519,181	27,551,507,367	1,642,199,397	1,520,988,186	106 %	110 %	-	-	-	24,906,611,276
Surplus/(Deficit)	584,915,113	110,981,835	695,896,948		695,896,948	(2,034,986,751)	(1,642,199,397)	(2,730,883,699)	(292)%	(348)%				(1,759,382,643)
Transfers recognised - capital	2,453,159,682	2,876,072	2,456,035,754		2,456,035,754	2,452,210,170		(3,825,584)	100 %	100 %				2,564,981,574
Contributions recognised - capital	-	-	-		-	-		-	- %	- %				-
Contributed assets	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) after capital transfers & contributions	3,038,074,795	113,857,907	3,151,932,702		3,151,932,702	417,223,419		(2,734,709,283)	13 %	14 %				805,598,931
Taxation	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) after taxation	3,038,074,795	113,857,907	3,151,932,702		3,151,932,702	417,223,419		(2,734,709,283)	13 %	14 %				805,598,931
Attributable to minorities	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) attributable to municipality	3,038,074,795	113,857,907	3,151,932,702		3,151,932,702	417,223,419		(2,734,709,283)	13 %	14 %				805,598,931
Share of surplus/ (deficit) of associate	-	-	-		-	-		-	- %	- %				-
Surplus/(Deficit) for the year	3,038,074,795	113,857,907	3,151,932,702		3,151,932,702	417,223,419		(2,734,709,283)	13 %	14 %				805,598,931

Appendix F
Budgeted Capital Expenditure by vote, standard classification and funding
for the period ended 30 June 2016

	2015/16									2014/15					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
City Planning	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	461,906
City Strategies & Performance Management	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	273,612
Communications, Marketing & Events	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	198,713
Corporate & Shared Services	23,406,800	18,500,000	41,906,800	-	-	41,906,800	26,257,198	-	(15,649,602)	63 %	112 %	-	-	-	17,692,850
Emergency Services	6,000,000	-	6,000,000	-	-	6,000,000	5,938,642	-	(61,358)	99 %	99 %	-	-	-	22,944,660
Environmental Management	98,000,000	3,882,721	101,882,721	-	-	101,882,721	97,706,676	-	(4,176,045)	96 %	100 %	-	-	-	15,874,151
Group Financial Services	35,250,000	12,505,515	47,755,515	-	-	47,755,515	42,010,256	-	(5,745,259)	88 %	119 %	-	-	-	736,294
Health & Social Development	85,000,000	4,566,227	89,566,227	-	-	89,566,227	86,224,699	-	(3,341,528)	96 %	101 %	-	-	-	21,079,153
Housing & Human Settlement	670,500,072	12,464,607	682,964,679	-	-	682,964,679	716,085,928	33,121,249	33,121,249	105 %	107 %	-	-	-	838,697,599
Information & Communication Technology Management	96,500,000	-	96,500,000	-	-	96,500,000	92,463,824	-	(4,036,176)	96 %	96 %	-	-	-	88,174,074
Group Legal Services	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	496,946
Macro Economic Planning	72,000,000	(29,100,000)	42,900,000	-	-	42,900,000	21,819,314	-	(21,080,686)	51 %	30 %	-	-	-	1,971,666
Metro Police Services	10,000,000	-	10,000,000	-	-	10,000,000	8,852,430	-	(1,147,570)	89 %	89 %	-	-	-	8,663,795
Group Audit and Risk	13,000,000	10,000,000	23,000,000	-	-	23,000,000	16,588,366	-	(6,411,634)	72 %	128 %	-	-	-	11,935,923
Office of the Chief Whip	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	298,881
Office of the City Manager	280,000,000	(43,163,000)	236,837,000	-	-	236,837,000	231,318,842	-	(5,518,158)	98 %	83 %	-	-	-	277,985,436
Office of the Executive Mayor	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	122,085
Office of the Speaker	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	706,168
Service Delivery and Transformation Management	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	183,283,717
Research & Innovation	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	263,432
Service Infrastructure: Electricity	447,500,000	(2,663,147)	444,836,853	-	-	444,836,853	430,984,288	-	(13,852,565)	97 %	96 %	-	-	-	616,076,199
Service Infrastructure: Water and Sanitation	355,000,000	147,415,293	502,415,293	-	-	502,415,293	492,398,621	-	(10,016,672)	98 %	139 %	-	-	-	435,737,704
Sport and Recreation	95,551,000	5,973,059	101,524,059	-	-	101,524,059	50,279,063	-	(51,244,996)	50 %	53 %	-	-	-	7,641,341
Transport	1,473,085,350	(21,654,461)	1,451,430,889	-	-	1,451,430,889	1,428,678,275	-	(22,752,614)	98 %	97 %	-	-	-	1,525,846,972
Capital multi-year expenditure sub-total	3,760,793,222	118,726,814	3,879,520,036	-	-	3,879,520,036	3,747,606,422	33,121,249	(131,913,614)	97 %	100 %	-	-	-	4,077,163,277
Single-year expenditure															
Environmental Management	5,000,000	-	5,000,000	-	-	5,000,000	4,998,188	-	(1,812)	100 %	100 %	-	-	-	10,404,734
Housing & Human Settlement	-	-	-	-	-	-	113,214,045	113,214,045	113,214,045	- %	- %	-	-	-	-
Information & Communication Technology Management	75,773,260	-	75,773,260	-	-	75,773,260	75,773,260	-	-	100 %	100 %	-	-	-	-
Macro Economic Planning	6,000,000	-	6,000,000	-	-	6,000,000	2,970,000	-	(3,030,000)	50 %	50 %	-	-	-	-
Research & Innovation	-	-	-	-	-	-	-	-	-	- %	- %	-	-	-	27,349,572
Sport & Recreation	9,000,000	(5,100,000)	3,900,000	-	-	3,900,000	3,897,669	-	(2,331)	100 %	43 %	-	-	-	-
Transport	-	25,000,000	25,000,000	-	-	25,000,000	20,134,602	-	(4,865,398)	81 %	- %	-	-	-	-
Capital single-year expenditure sub-total	95,773,260	19,900,000	115,673,260	-	-	115,673,260	220,987,764	113,214,045	105,314,504	191 %	231 %	-	-	-	37,754,306
Total Capital Expenditure - Vote	3,856,566,482	138,626,814	3,995,193,296	-	-	3,995,193,296	3,968,594,186	146,335,294	(26,599,110)	99 %	103 %	-	-	-	4,114,917,583

Appendix F
Budgeted Capital Expenditure by vote, standard classification and funding
for the period ended 30 June 2016

	2015/16								2014/15						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	373,930,060	(6,375,485)	367,554,575	-	-	367,554,575	335,430,598	-	(32,123,977)	91 %	90 %	-	-	-	401,338,703
Executive and Council	135,000,000	(38,575,485)	96,424,515	-	-	96,424,515	92,376,449	-	(4,048,066)	96 %	68 %	-	-	-	224,301,102
Budget and treasury office	250,000	-	250,000	-	-	250,000	156,708	-	(93,292)	63 %	63 %	-	-	-	736,294
Corporate services	238,680,060	32,200,000	270,880,060	-	-	270,880,060	242,897,441	-	(27,982,619)	90 %	102 %	-	-	-	176,301,307
Community and public safety	949,051,072	21,786,614	970,837,686	-	-	970,837,686	1,058,034,291	146,335,293	87,196,605	109 %	111 %	-	-	-	1,107,133,886
Community and social services	74,551,000	10,867,613	85,418,613	-	-	85,418,613	76,583,348	-	(8,835,265)	90 %	103 %	-	-	-	57,449,059
Sport and recreation	136,000,000	873,059	136,873,059	-	-	136,873,059	90,834,738	-	(46,038,321)	66 %	67 %	-	-	-	106,183,275
Public safety	16,000,000	-	16,000,000	-	-	16,000,000	14,791,072	-	(1,208,928)	92 %	92 %	-	-	-	31,608,455
Housing	670,500,072	12,464,607	682,964,679	-	-	682,964,679	829,299,972	146,335,293	146,335,293	121 %	124 %	-	-	-	873,448,099
Health	52,000,000	(2,418,665)	49,581,335	-	-	49,581,335	46,525,161	-	(3,056,174)	94 %	89 %	-	-	-	38,444,998
Economic and environmental services	1,554,085,350	(50,754,461)	1,503,330,889	-	-	1,503,330,889	1,455,793,589	-	(47,537,300)	97 %	94 %	-	-	-	1,529,809,584
Planning and development	78,000,000	(29,100,000)	48,900,000	-	-	48,900,000	24,789,314	-	(24,110,686)	51 %	32 %	-	-	-	2,979,329
Road transport	1,473,085,350	(21,654,461)	1,451,430,889	-	-	1,451,430,889	1,428,678,275	-	(22,752,614)	98 %	97 %	-	-	-	1,525,846,972
Environmental protection	3,000,000	-	3,000,000	-	-	3,000,000	2,326,000	-	(674,000)	78 %	78 %	-	-	-	983,283
Trading services	969,500,000	148,970,146	1,118,470,146	-	-	1,118,470,146	1,089,357,962	-	(29,112,184)	97 %	112 %	-	-	-	1,064,218,609
Electricity	597,500,000	1,554,853	599,054,853	-	-	599,054,853	579,965,436	-	(19,089,417)	97 %	97 %	-	-	-	616,076,199
Water	262,571,429	175,756,722	438,328,151	-	-	438,328,151	433,903,654	-	(4,424,497)	99 %	165 %	-	-	-	361,796,917
Waste water management	17,000,000	-	17,000,000	-	-	17,000,000	16,993,905	-	(6,095)	100 %	100 %	-	-	-	12,404,706
Waste management	92,428,571	(28,341,429)	64,087,142	-	-	64,087,142	58,494,967	-	(5,592,175)	91 %	63 %	-	-	-	73,940,787
Other	10,000,000	25,000,000	35,000,000	-	-	35,000,000	29,977,746	-	(5,022,254)	86 %	300 %	-	-	-	12,416,801
Other	10,000,000	25,000,000	35,000,000	-	-	35,000,000	29,977,746	-	(5,022,254)	86 %	300 %	-	-	-	12,416,801
Total Capital Expenditure - Standard	3,856,566,482	138,626,814	3,995,193,296	-	-	3,995,193,296	3,968,594,186	146,335,293	(26,599,110)	99 %	103 %	-	-	-	4,114,917,583
Funded by:															
National Government	2,408,542,000	(14,512,717)	2,394,029,283	-		2,394,029,283	2,405,478,294		11,449,011	100 %	100 %				2,551,806,060
Provincial Government	40,551,000	5,682,211	46,233,211	-		46,233,211	44,958,554		(1,274,657)	97 %	111 %				8,721,122
District Municipality	-	-	-	-		-	-		-	- %	- %				-
Other transfers and grants	22,473,482	(2,293,422)	20,180,060	-		20,180,060	9,832,877		(10,347,183)	49 %	44 %				4,454,390
Transfers recognised - capital	2,471,566,482	(11,123,928)	2,460,442,554	-		2,460,442,554	2,460,269,725		(172,829)	100 %	100 %				2,564,981,572
Public contributions & donations	150,000,000	-	150,000,000	-		150,000,000	147,067,080		(2,932,920)	98 %	98 %				57,530,022
Borrowing	1,200,000,000	-	1,200,000,000	-		1,200,000,000	1,194,839,429		(5,160,571)	100 %	100 %				1,387,942,005
Internally generated funds	35,000,000	149,750,742	184,750,742	-		184,750,742	166,417,952		(18,332,790)	90 %	475 %				104,463,984
Total Capital Funding	3,856,566,482	138,626,814	3,995,193,296	-		3,995,193,296	3,968,594,186		(26,599,110)	99 %	103 %				4,114,917,583

**Appendix G
Budgeted Cash Flows
for the period ended 30 June 2016**

	2015/16					2014/15			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand			Rand
Cash flow from operating activities									
Receipts									
Other sources	1,170,003,872	20,268,015	1,190,271,887	1,190,271,887	2,549,889,856	1,359,617,969	214 %	218 %	1,448,979,375
Ratepayers/consumers	19,204,631,586	509,952,256	19,714,583,842	19,714,583,842	19,211,688,643	(502,895,199)	97 %	100 %	17,911,009,109
Government - operating	3,419,706,000	133,458,959	3,553,164,959	3,553,164,959	3,511,770,896	(41,394,063)	99 %	103 %	3,115,441,552
Government - capital	2,453,159,682	2,876,072	2,456,035,754	2,456,035,754	2,419,031,820	(37,003,934)	98 %	99 %	2,562,278,440
Interest received	160,799,338	(28,598,392)	132,200,946	132,200,946	55,999,525	(76,201,421)	42 %	35 %	36,874,337
Payments									
Suppliers	(14,379,434,713)	(1,291,493,902)	(15,670,928,615)	(15,670,928,615)	(14,849,707,351)	821,221,264	95 %	103 %	(14,439,903,288)
Employees	(7,029,006,404)	(6,489,905)	(7,035,496,309)	(7,035,496,309)	(7,379,167,842)	(343,671,533)	105 %	105 %	(6,306,605,637)
Interest paid	(1,029,202,100)	(10,545,064)	(1,039,747,164)	(1,039,747,164)	(1,136,966,921)	(97,219,757)	109 %	110 %	(996,547,870)
Transfers and grants	(259,297,800)	5,150,000	(254,147,800)	(254,147,800)	(371,084,393)	(116,936,593)	146 %	143 %	(211,526,531)
Net cash flow from/used operating activities	3,711,359,461	(665,421,961)	3,045,937,500	3,045,937,500	4,011,454,233	965,516,733	132 %	108 %	3,119,999,487
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	328,412,136	328,412,136	- %	- %	(59,007,926)
Decrease/(increase) other non-current receivables	48,553,230	-	48,553,230	48,553,230	45,469,607	(3,083,623)	94 %	94 %	109,762,466
Decrease/(increase) in financial assets	56,007,144	(21,278,814)	34,728,330	34,728,330	-	(34,728,330)	- %	- %	5,096,572
Payments									
Capital assets	(3,779,435,152)	(109,600,006)	(3,889,035,158)	(3,889,035,158)	(5,061,966,201)	(1,172,931,043)	130 %	134 %	(4,631,846,440)
Net cash flow from/used investing activities	(3,674,874,778)	(130,878,820)	(3,805,753,598)	(3,805,753,598)	(4,688,084,458)	(882,330,860)	123 %	128 %	(4,575,995,328)
Cash flow from financing activities									
Receipts									
Increase in finance lease payments	-	-	-	-	-	-	- %	- %	199,894,504
Borrowing long term/refinancing	1,200,000,000	-	1,200,000,000	1,200,000,000	1,200,000,000	-	100 %	100 %	1,500,000,000
Service concession arrangements	-	-	-	-	672,256,650	672,256,650	- %	- %	-
Payments									
Repayment of borrowing(long-term)	(560,034,213)	-	(560,034,213)	(560,034,213)	(517,915,839)	42,118,374	92 %	92 %	(490,727,044)
Repayment of borrowing (short-term)	-	-	-	-	-	-	- %	- %	-
Repayment of finance leases	-	-	-	-	(64,810,162)	(64,810,162)	- %	- %	-
Net cash flow from/used financing activities	639,965,787	-	639,965,787	639,965,787	1,289,530,649	649,564,862	201 %	201 %	1,209,167,460
Net increase/(decrease) in cash held	676,450,470	(796,300,781)	(119,850,311)	(119,850,311)	612,900,424	732,750,735	(511)%	91 %	(246,828,381)
Cash/cash equivalents at the year begin:	1,175,775,336	(564,682,274)	797,248,099	797,248,099	550,419,718	564,682,274	69 %	47 %	797,248,099
Cash/cash equivalents at the year end:	1,852,225,806	(1,360,983,055)	677,397,788	677,397,788	1,163,320,142	1,297,433,009	172 %	63 %	550,419,718

City of Tshwane Metropolitan Municipality

Appendix H

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary unaudited information)

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/withheld	Reason for delay/withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total					
Capital Grants:														
DPSA Smart connect	Department Public Service & Administration	378,440	-	-	-	504,587	-	890,233	1,394,820	1,773,260	-	None	None	Yes
Integrated national electrification programme (INEP)	Department of Mineral & Energy (DME)	950	-	-	18,749,000	6,982,000	11,269,000	-	37,000,000	36,801,599	199,351	None	None	Yes
Gauteng Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	(32,144,099)	-	-	-	-	-	-	-	-	(32,144,099)	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	36,239,940	-	627,393	225,102,000	525,239,000	750,342,000	-	1,500,683,000	1,537,550,333	-	None	None	Yes
Gautrans Job Creation Water Services Capital Grant	Gauteng: Transport Department Water Affairs and Forestry (DWAF)	12,071,107	-	-	-	-	-	-	-	-	12,071,107	None	None	Yes
PTIS: Transport Delft grant	Gauteng: Transport (GDoT) Municipality of Delft	224,108	-	(224,108)	-	385,804,000	384,805,000	-	770,609,000	768,350,658	2,258,342	None	None	Yes
Housing Accreditation	Gauteng:Local Government & Housing (GLGH)	2,293,422	-	-	-	-	-	-	-	-	2,293,422	None	None	Yes
EPWP Sport and Recreation	Department of Public Works Gauteng: Sport, Arts, Culture & Recreation	67,394	-	-	-	-	-	-	-	-	67,394	None	None	Yes
Groen Sebenza Internship	Development Bank South Africa/SANBI	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	7,823	-	(7,823)	-	-	-	-	-	-	-	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	3,000,000	-	(3,000,000)	-	-	7,000,000	-	7,000,000	-	7,000,000	None	None	Yes
Finance Management Grant (FMG)	National Treasury	1,008,760	-	-	6,476,000	-	-	-	6,476,000	6,276,401	1,208,359	None	None	Yes
Social Infrastructure Grant) Neighbourhood Development (NDPG)	National Treasury	36,352	-	(36,352)	250,000	-	-	-	250,000	156,708	93,292	None	None	Yes
		5,682,211	-	-	15,000,000	-	8,000,000	10,000,000	33,000,000	38,682,211	-	None	None	Yes
		1,526	-	(1,526)	45,912,000	-	16,707,000	-	62,619,000	62,619,000	-	None	None	Yes
		28,940,551	-	(2,715,033)	311,489,000	918,529,587	1,178,123,000	10,890,233	2,419,031,820	2,452,210,170	(6,952,832)			

City of Tshwane Metropolitan Municipality
Appendix H
Disclosures of Grants and Subsidies in terms of
Section 123 MFMA, 56 of 2003 (Supplementary
unaudited information)

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette	
					Sep	Dec	Mar	Jun	Total						Jun
Operational grants/subsidies:															
Health: HIV/AIDS	Gauteng: Department of Health & Social Development	-	-	-	11,948,000	-	-	-	-	11,948,000	11,948,000	-	None	None	Yes
Primary Healthcare	Gauteng: Department of Health & Social Development	-	-	-	16,834,000	12,625,500	12,625,500	-	-	42,085,000	42,085,000	-	None	None	Yes
Emergency Medical Services (EMS)	Gauteng: Department of Health & Social Development	-	-	-	-	41,780,900	17,906,100	-	-	59,687,000	59,687,000	-	None	None	Yes
Human Settlement Development: Topstructure	Gauteng: Local Government & Housing (GLGH)	50,681,533	-	-	-	-	86,655,714	-	-	86,655,714	86,404,116	50,933,131	None	None	Yes
Finance Management Grant (FMG)	National Treasury	885,333	-	(885,333)	3,925,000	-	-	-	-	3,925,000	3,925,000	-	None	None	Yes
LG Seta	Department of Local Government	266,921	-	(266,921)	-	-	-	-	-	-	-	-	None	None	Yes
Equitable share	National Treasury	-	-	4,147,319	618,322,000	618,322,000	413,598,000	-	-	1,650,242,000	1,654,389,319	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	627,392	-	(627,392)	-	-	-	-	-	-	-	-	None	None	Yes
Human Settlements Capacity Grant	Department of Water Affairs and Forestry (DWAF)	16,419,484	-	-	12,831,000	-	-	-	-	12,831,000	28,215,380	1,035,104	None	None	Yes
Municipal Disaster Recovery	Department Local Government	13,886,268	-	-	-	-	-	-	-	-	12,438,404	1,447,864	None	None	Yes
Housing Accreditation	Gauteng: Local Government & Housing (GLGH)	1,235,233	-	-	-	-	-	-	-	-	-	1,235,233	None	None	Yes
Research & Technology Development	Department Local Government	892,857	-	-	892,857	-	-	-	-	892,857	1,711,026	74,688	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	176,346	-	-	6,700,000	-	260,000	-	-	6,960,000	4,476,874	2,659,472	None	None	Yes
Performance Management	Department of Local Government	268,665	-	(268,665)	-	-	-	-	-	-	-	-	None	None	Yes
Broadband (Wifi)	Department Telecommunication and Postal Services	-	-	-	-	-	8,850,325	-	-	8,850,325	7,763,443	1,086,882	None	None	Yes
PTNOG	Gauteng: Transport (GDoT)	-	-	-	80,000,000	-	81,000,000	-	-	161,000,000	160,258,853	741,147	None	None	Yes
Revenue Enhancement	Department Public Works	1,224,800	-	(1,224,800)	-	-	-	-	-	-	-	-	None	None	Yes
Equitable Share: Fuel levy	Department Local Government	-	-	-	465,283,000	465,283,000	465,283,000	-	-	1,395,849,000	1,395,849,000	-	None	None	Yes
EPWP	Department of Public Works	-	-	-	21,800,000	-	9,343,000	-	-	31,143,000	31,143,000	-	None	None	Yes
Integrated City Development	National Treasury	6,307,025	-	-	39,702,000	-	-	-	-	39,702,000	16,531,764	29,477,261	-	-	-
		<u>92,871,857</u>	<u>-</u>	<u>874,208</u>	<u>1,278,237,857</u>	<u>1,138,011,400</u>	<u>1,095,521,639</u>	<u>-</u>	<u>3,511,770,896</u>	<u>3,516,826,179</u>	<u>88,690,782</u>				
Revenue per Statement of Financial Performance (see note 27)		<u>5,642,012,121</u>	<u>-</u>							<u>5,969,036,349</u>					
Unspent conditional grants per Statement of Financial Position (see note 11)			<u>(121,812,408)</u>									<u>81,737,950</u>			