

# Consolidated Annual Financial Statements

*for the year ended 30 June 2008*





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## Certification by Municipal Manager

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 8 to 75 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 24 of these consolidated annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



**K.D. KEKANA**

CITY MANAGER

30 September 2008

## Municipal Entities

### ENTITIES CONSOLIDATED

Consistent with the prior two financial years the following municipal entities were included in the consolidated financial statements:

Housing Company Tshwane

Sandspruit Works Association (ODI and Waste Water)

Civirelo Water

Roodeplaat Temba Water Services Trust

Trade Point Pretoria (not viable – liquidation underway - no statements available for 2007/08)

The budgets of the above mentioned entities were not consolidated as the budgets were not available.

- Tswaing Civil Projects
- Tswaing Waste Removal Services
- Rep Ba-Agi
- National Youth Festival
- Greater Pretoria Metro Festival
- Jacaranda Carnival

### *Error in listing as municipal entity*

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

### ENTITIES NOT CONSOLIDATED

Enterprise South Africa (last statements 30 June 2005 – liquidated)

Tshwane Centre for Business Information and Support (Cenbis) – last statements 30 June 2006 - under liquidation

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

### **ENTITIES DEREGISTERED AND NOT LISTED AS MUNICIPAL ENTITY ANY LONGER (deregistration effective from 13 April 2007)**

- Biz Africa 372
- Centurion Community Protection Company
- Prelight
- Tswaing Crater Museum
- Greater Pretoria Metro Festival Company
- Tswaing Water and Sanitation Services
- Tswaing Environmental Health Services
- Moreletakloof Conservation Company
- Pretoria Inner City Association

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

- Tshwane Sport Foundation

## REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying group financial statements of the City of Tshwane Metropolitan Municipality (CoT) which comprise the consolidated and separate statement of financial position as at 30 June 2008, consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets and consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 63.

#### Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

#### Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 of MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the CoT in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 01.

#### Basis for qualified opinion

##### Property rates and property values

10. I could not satisfy myself as to the accuracy, completeness and occurrence of the amounts (current and corresponding figures) disclosed as property rates and property values in the statement of financial performance and note 18 to the financial statements, as incomplete and insufficient information was provided for audit purposes. No alternative audit procedures could be performed and, consequently, I was unable to satisfy myself as to the completeness, occurrence and accuracy of the property rates and the property values as at 30 June 2008 totalling R2,181 billion (30 June 2007: R1,719 billion) and R20,616 billion (30 June 2007: R21,333 billion), respectively.

##### Property, plant and equipment

11. The CoT did not recognise certain items of property, plant and equipment with a purchase value of less than or equal to R10 000. The cumulative amount of these items expensed over the years total approximately R155,167 million. Expensing these amounts was in contravention of the Generally Accepted Municipal Accounting Practice, GAMAP 17 *Property, Plant and Equipment*, which states that an item of property, plant and equipment that qualifies for recognition as an asset shall be carried at cost less any accumulated depreciation. Thus the carrying value of property, plant and equipment is misstated by an unknown amount, as the depreciation and accumulated depreciation cannot be accurately determined. No alternative audit procedures could be performed.

##### Qualified opinion

12. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the City of Tshwane Metropolitan Municipality and group as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting and in the manner required by the MFMA.

### Emphasis of matter

I draw attention to the following matter:

#### Amendments to the applicable basis of accounting

13. As set out in accounting policy note 1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 552 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*.

### OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Property rates and property values		X	X		
Property, plant and equipment			X		
<p><i>Control environment:</i> establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.</p> <p><i>Risk assessment:</i> involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.</p> <p><i>Control activities:</i> policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p><i>Information and communication:</i> supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.</p> <p><i>Monitoring:</i> covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.</p>					

### Non-compliance with applicable legislation

#### Municipal Finance Management Act

15. In 2001 the then CoT council resolved to provide an official residence to the mayors of CoT. This provision of an official residence to a mayor does not fall within the framework of the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998), which in turn results in the transgression of section 167 of the MFMA which came into effect in 2004 and states that a municipality may remunerate its members of the political structure only within the framework of the Remuneration of Public Office Bearers Act, 1998. If it falls outside this, it must be classified as irregular expenditure and the municipality must take the appropriate steps as required.

### Internal controls

14. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.



*Matters of governance*

16. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
• The municipality had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved, written terms of reference.	X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	X	
<b>Internal audit</b>		
• The municipality had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	X	
<b>Other matters of governance</b>		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	X	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.	X	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		X
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information.		X
• The prior year's external audit recommendations have been substantially implemented.		X
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	X	
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	X	
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	X	

*Unaudited supplementary schedules*

17. The supplementary information set out on pages 64 to 75 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly do not express an opinion on them.

**OTHER REPORTING RESPONSIBILITIES***REPORT ON PERFORMANCE INFORMATION*

18. I have audited the performance information as set out on pages xx to xx.

*Responsibility of the accounting officer for the performance information*

19. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

*Responsibility of the Auditor-General*

20. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

21. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

22. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.



## Audit findings (performance information)

### Non-compliance with regulatory requirements

23. Although the integrated development plan (IDP) was adopted on 31 May 2007, the public was only notified on 5 October 2007 and not on a timely basis as required by section 25(4) of the MSA.
24. A performance management specialist was only appointed in January 2008 with the result that there was no performance management specialist for the period 1 July 2007 to 31 December 2007. Furthermore, the terms of reference of the audit committee were not amended during the 2007-08 financial year to make provision for the performance management specialist and to incorporate the roles and responsibilities pertaining to performance management. The audit committee charter was subsequently amended and approved by the council on 2 October 2008, but the amendments made are only applicable to the 2008-09 financial year.
25. Two separate performance audit committees were established at the CoT. The council appointed an audit committee and resolved that it be utilised as the CoT performance audit committee during January 2008. Subsequent to this appointment, however, the remuneration and performance management committee, established on 25 August 2005, was also appointed as a performance audit committee by the mayoral committee per a resolution dated 22 October 2008.
26. Measures to improve performance were not always disclosed in the annual performance report, as required by section 46(1)(c) of the MSA.
27. The internal audit unit did not perform audit evaluations and reviews on the 2007-08 first and second quarterly performance reports, as required by section 45 of the MSA. Furthermore, although the provisional 2007-08 mid-year report was submitted to the mayoral committee on 16 January 2008 and submitted to the council on 24 January 2008, this report was only referred to internal audit for evaluation and review on 6 June 2008.
28. A signed service level agreement between the CoT and the Housing Company Tshwane, as required in terms of sections 76 and 77 of the MSA, could not be provided for audit purposes.

### No correlation between performance targets in the IDP

29. The following were noted with regard to the performance targets as contained in the IDP:

- The sum total of the annual targets over a period of five years (2006-2011) does not agree to the total as per the five-year departmental targets.
- In some instances, there is no correlation between the annual performance targets and the departmental targets set for the five-year programme.

### Targets inconsistent between IDP and annual performance report

30. Some of the approved targets as contained in the 2007-08 IDP are inconsistent with the targets as reported in the 2007-08 annual performance report. The following targets serve as examples:

- Quality infrastructure
- Maintenance of roads
- Maintenance of transport facility
- Maintenance of traffic signals

### Lack of sufficient appropriate audit evidence

31. In verifying the actual performance against predetermined objectives of the CoT for the 2007-08 financial year in relation to the development priority and objective "Provide quality basic services and infrastructure" as contained in the 2007-08 annual performance report, the following were noted:

- In some instances evidence submitted for audit purposes was not sufficient and appropriate to support the actual targets achieved.
- In other instances evidence to support the actual targets achieved as contained in the 2007-08 annual performance report was not submitted for audit purposes as requested.

### Evidence inconsistent with reported performance information

32. The percentage of unaccounted for water as per the water and sanitation departmental report did not agree to the percentage of unaccounted for water as reported in the 2007-08 annual performance report.

### Incomplete performance information submitted

33. I was not able to verify that the performance information relating to the municipal entities was incorporated in the 2007-08 CoT annual performance report. The performance information relating to the percentage of unaccounted for water as detailed in the performance report of the Sandspruit Works Association serves as an example.

Furthermore, the annual performance report submitted for audit purposes on 31 August 2008 was incomplete and did not in all instances include essential information as required by the relevant laws and regulations.

## OTHER REPORTS

### Investigations

34. Various investigations are currently in progress at the CoT, in conjunction with the internal audit unit and various departmental heads. The investigations cover a wide range of activities at the CoT and were still ongoing at the date of this report. The effect on the financial statements is therefore unknown.

## APPRECIATION

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

*Auditor-General*

City of Tshwane

19 December 2008



AUDITOR-GENERAL

Report of the Chief Financial Officer

1. INTRODUCTION

Over the past number of years the City of Tshwane has proved that it is committed to sound financial management. The 2007/08 financial year is again a clear reflection that all roleplayers have tried to balance investment in economic and social infrastructure, addressing the continued promotion of growth and poverty alleviation and job creation.

The budget and the City of Tshwane’s five-year strategic plan are aligned with the vision and imperatives of national government, which are to address service delivery backlogs and to comply with the Municipal Finance Management Act, 2003 (Act 56 of 2003). Furthermore, the budget gives tangible meaning to the five-year program and its priorities, which are to:-

- provide quality basic services and infrastructure throughout the city
- ensure accelerated shared and higher local economic growth and development
- fight poverty and build clean, healthy, safe and sustainable communities
- foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
- ensure good governance, financial viability, build institutional capacity and optimize transformation with the administration having the capacity to execute its mandate.

This five-year strategic plan and program of action are the foundation of the City of Tshwane’s 2007/08 Medium-term Revenue and Expenditure Framework (MTREF). All the initiatives and programmes which were included in the 2007/08 MTREF could only be sustained if sound financial management and planning principles are applied.

A key requirement for the economic success of the City of Tshwane is its investment in strategic economic infrastructure, complemented by the private sector and community investments. The City of Tshwane’s growth strategy seeks to increase the growth rate and translate it into job creation and other economic opportunities.

The City of Tshwane has similar challenges to that of other metropolitan municipalities in addressing disparities in levels of service and infrastructure development in its area of jurisdiction. This calls on the Municipality to utilise its resources wisely to satisfy the needs of the community.

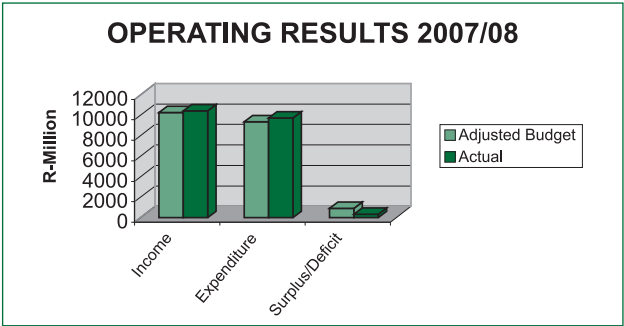
As a developmental and caring local government, the City of Tshwane is committed to working with residents to find sustainable ways to meet their social, economic and material needs and to improve the quality of their lives. A duty is placed on local authorities to ensure that policies and legislation aimed at developing communities are implemented.

2. REVIEW OF OPERATING RESULTS

The 2007/08 budget of the City of Tshwane was approved by Council on 31 May 2007 and the Adjustments Budget was approved by Council on 24 January 2008. Figures with regard to the 2007/08 original budget as well as the adjusted budget are included in this report. The budgets of the municipal entities are not included as not all the budgets were available.

2.1 General

Details of the 2007/08 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and appendix D. A graphical presentation of the operating results is shown in the graph below:



The overall operating results for the year ending 30 June 2008 are as follows:

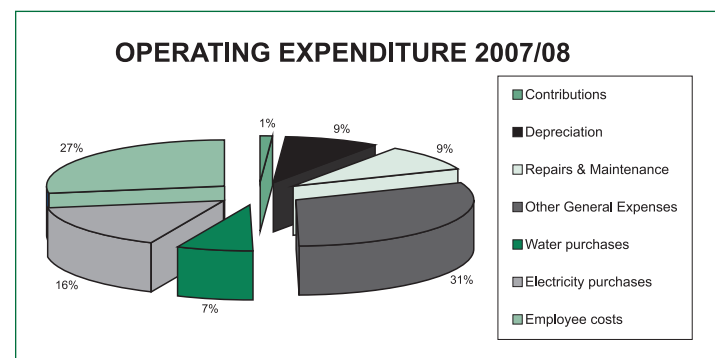
Description	Original Budget 2008 Municipality	Adjusted Budget 2008 Municipality	Actual 2008 Municipality	Actual 2008 Group	Variance Actual/ Adjusted Budget	Actual 2007 Municipality	Actual 2007 Group
	R'000	R'000	R'000	R'000	%	R'000	R'000
REVENUE							
Accumulated surplus: Beginning of year			761 314	827 171		501 052	622 648
Operating revenue for the year	10 206 759	10 234 429	10 120 794	10 402 043	1,63	8 601 482	8 790 719
	10 206 759	10 234 429	10 882 108	11 229 214		9 102 534	9 413 367
EXPENDITURE							
Operating expenditure for the year	9 037 141	9 338 367	9 263 350	9 588 216	2,67	8 288 558	8 547 579
Sundry transfers *	1 169 618	896 062	144 359	137 527		52 662	38 617
Accumulated surplus: End of year			1 474 399	1 503 471		761 314	827 171
	10 206 759	10 234 429	10 882 108	11 229 214		9 102 534	9 413 367

\* Sundry transfers consist of transfers to and from the reserves for example offset depreciation for projects financed from grants and the Capital Replacement Reserve

The actual net expenditure of the Municipality reflects an increase of 11,8 % (group increased with 12,2 %) while the actual revenue of the Municipality has increased by 17,7 % (group increased with 18,3 %) since 2006/07. The largest increase on revenue occurred on Assessment rates, service charges and government grants and subsidies. The largest increase on expenditure occurred on remuneration, collection cost, bulk purchases, repair and maintenance, general expenditure and the contribution to the provision for bad debt in respect of RSC levies.

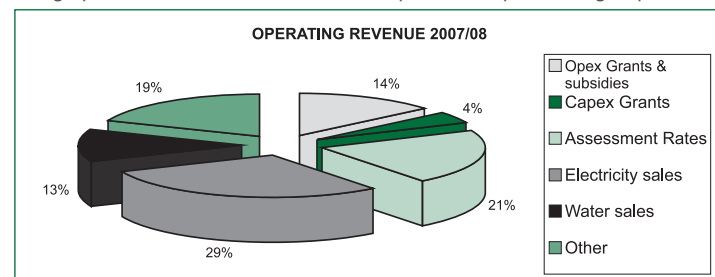
## 2.2 Operating Revenue

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



## 2.3 Operating expenditure

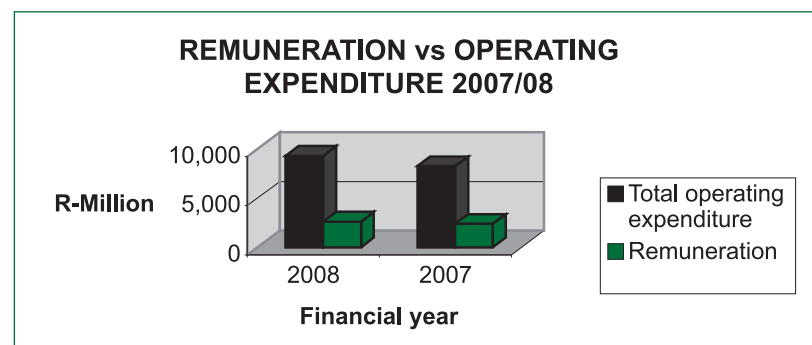
The graph below indicates the break down per main expenditure group.



## Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a slight decrease from 29,10 % (group = 28,61 %) in 2006/07 to 28,29 % (group = 27,80 %) in 2007/08. According to INCA a benchmark of less than 35 % is acceptable. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive. In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33 %.

Description	2007/08		2006/07	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Total operating expenditure	9 263 351	9 588 216	8 288 558	8 547 579
Total operating revenue	10 120 794	10 402 043	8 601 482	8 790 719
Employee remuneration	2 621 003	2 665 394	2 412 004	2 445 747
Ratio: % of total expenditure	28,29 %	27,80 %	29,10 %	28,61 %
Ratio: % of total revenue	25,89 %	25,62 %	28,04 %	27,82 %
% Growth in remuneration	8,66 %	8,98 %	11,64 %	11,60 %

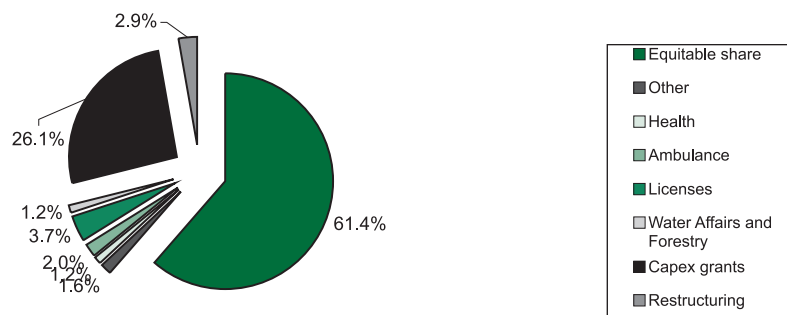


## 2.4 Government grants and subsidies

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

Description	2007/08		2006/07	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Equitable share	1 101 416	1 101 416	1 002 650	1 002 650
Provincial Health Subsidy	22 669	22 669	21 499	21 499
Provincial Ambulance Subsidy	35 079	35 079	31 200	31 200
National Safety grant	0	0	419	419
Provincial Motor vehicle licenses refund	66 191	66 191	58 252	58 252
Capex: grants and donations	467 680	467 680	317 834	317 834
Opex: grants and donations	149 974	149 974	42 486	42 486
Finance Management Grant	699	699	2 118	2 118
Restructuring Grant	52 228	52 228	48 371	48 371
Department of Water Affairs and Forestry	18 790	21 063	14 265	14 265
MSIG	2 502	2 502	2 000	2 000
Roodeplaat Temba Water Services Trust	0	0	25 000	0
Other	0	0	0	700
	<b>1 917 228</b>	<b>1 919 501</b>	<b>1 566 094</b>	<b>1 541 794</b>

### GOVERNMENT GRANTS & SUBSIDIES 2007/08



## 3. DEBTORS

Details regarding the debtors are provided in Note 13 (Long-term receivables), Note 15 (Consumer Debtors) and Note 16 (Other Debtors) of the Notes to the Consolidated Annual Financial Statements.

The long-term receivables showed an decrease of R56,240 million (14,5 %). This decrease can mainly be ascribed to a decrease in the arrangement consumer debtors (decrease of R17,998 million), a decrease in the sale of land (R4,102 million), a decrease in motor car loans to officials (decrease of R5,919 million) due to the phasing out of these motor car loans, and a decrease in housing loan debtors (decrease of R8,520 million).

In the group the loan to Botselo Water (relating to the Sandspruit Works Association entity) to the amount of R1,506 million was redeemed during 2007/08.

For the Municipality the consumer debtors increased in total with an amount of R363,674 million (11,6 %) and for the group the consumer debtors increased with an amount of R419,736 million (12,75 %).

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

Customer classification	Parent		Group	
	Total	Increase/ (Decrease)	Total	Increase/ (Decrease)
	R-million	R-million	R-million	R-million
Households	2 348,333	299,935	2 550,882	355,997
Industrial/Commercial	666,941	(148,013)	666,941	(148,013)
National and Provincial government	49,143	(23,227)	49,143	(23,227)
Other	445,797	234,979	445,797	234,979
<b>Total</b>	<b>3 510,214</b>	<b>363,674</b>	<b>3 712,763</b>	<b>419,736</b>

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

Age analysis group	Parent		Group	
	Total	Increase/ (Decrease)	Total	Increase/ (Decrease)
	R-million	R-million	R-million	R-million
Current (0-30 days)	1 038,362	147,584	1 240,911	203,646
31 – 60 days	197,017	5,962	197,017	5,962
61 – 90 days	101,992	36,443	101,992	36,443
91 + days	2 172,843	173,685	2 172,843	173,685
<b>Total</b>	<b>3 510,214</b>	<b>363,674</b>	<b>3 712,763</b>	<b>419,736</b>

The Other Debtors (debtors other than consumer debtors – see note 16 for detail) for the Municipality in total decreased with an amount of R52,852 million (9,9 %). For the group other debtors decreased with R41,913 million (7,4 %).

The RSC levies debtor decreased with an amount of R36,054 million. These decreases were counteracted by an increase in Other current debtors of R29,389 million which can mainly be ascribed to an increase in sundry rentals and sundry year end debtors which include outstanding ambulance subsidies and outstanding

health subsidies, waste management-bulk containers, Sandspruit Works Association outstanding credit notes and amounts paid in advance. For the group the housing debtors increased with R9,768 million.

### 3.1 Consumer debtors

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

Description	2007/08		2006/07	
	Parent R'000	Group R'000	Parent R'000	Group R'000
Debits levied : Consumer debtors	7 019 976	7 105 978	5 920 710	5 991 373
Balance on 1 July	3 146 540	3 293 028	2 959 669	3 211 075
Balance on 30 June	3 510 214	3 712 763	3 146 540	3 293 028
Average balance	3 328 377	3 502 896	3 053 105	3 252 052
Days in the financial year	366	366	365	365
Turnover: Number of days	173	180	188	198
Turnover: Number of times (levies/ average balance)	2,11	2,03	1,94	1,84

From the table it is clear that, although the number of days to recover debt decreased from 188 to 173 days since 2006/07, the outstanding consumer debt of the Municipality still is negative. This high turnover has serious implications on the cash flow of the Municipality. For the group the number of days to recover debt decreased from 198 days to 180 days.

A collection rate (for the Municipality only) calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy started producing better results, since an average collection rate of 99,0% (2006/07 = 98,3%) was maintained by the Municipality during the 2007/08 financial year.

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

The Municipality's original approved Capital Expenditure Budget for 2007//08 amounted to R2 315 840 000 and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council on 24 January 2008 to R2 071 179 988 in total, as a result of Strategic Units requesting to review the performance of the capital programme. Reductions in the following grant funding projects were addressed:

- Housing Government Program by R219 million; and
- Provincial Grants and Subsidies by R40 million.

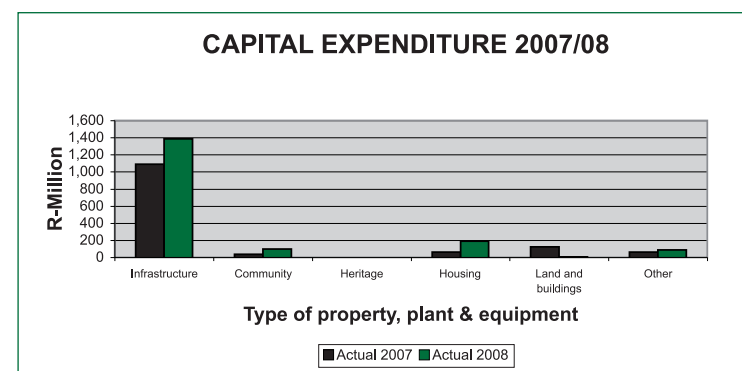
Actual capital expenditure incurred during the year in respect of property, plant and equipment amounted to R1 757 902 300. The actual capital expenditure is 28.7 % more than the previous financial year, but only relates to a 84.9 % performance against the adjusted budget for 2007/08. The actual expenditure is 15.1% less than the adjusted budget, which can mainly be attributed to non-achieving of the SDBIP targets due to various reasons for example:

- Delays due to geological conditions
- Workmanship quality and material acquisition problems

The actual grant receipts for the 2007/08 financial year with regard to Housing projects was R178 541 819 (top structures = R137 576 552). The actual capital expenditure on housing projects however, realised on R187 192 505 (top structures = R125 601 978).

Actual Capital expenditure according to asset class		
Type of Asset	Actual 2008	Actual 2007
	R	R
Infrastructure	1 384 562 498	1 089 227 810
Community	94 565 396	35 857 650
Heritage	0	0
Housing	186 983 791	61 150 290
Land and buildings	3 751 441	120 966 020
Other	88 039 174	58 642 235
<b>Total</b>	<b>1 757 902 300</b>	<b>1 365 844 005</b>

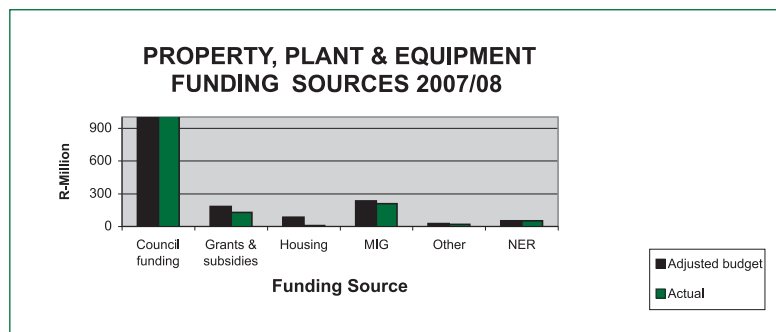
The graph shows the distribution of the property, plant and equipment according to the type.



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

Type of finance	Original Budget 2008	Adjusted Budget 2008	Actual 2008	Actual as % of Adjusted Budget 2008	Actual 2007
	R'000	R'000	R'000	%	R'000
Council funding	1 488 090	1 492 008	1 289 921	86,5	1 041 958
Provincial Grants and subsidies	224 410	183 410	127 299	69,4	17 377
Government Housing grant	303 782	84 322	62 191	73,8	86 304
Municipal Infrastructure Grant (MIG)	236 267	234 108	208 975	89,3	184 824
National Electricity Regulator (NER)	37 400	52 400	52 228	99,7	28 629
Other funding	28 350	24 933	17 288	69,3	6 752
<b>Total</b>	<b>2 318 299</b>	<b>2 071 180</b>	<b>1 757 902</b>	<b>84,9</b>	<b>1 365 844</b>

The following is a graphic presentation according to financing sources:



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

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

## 5. ACCOUNTING RATIOS

### 5.1 Current asset ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure. This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets.

The following table shows the calculation of the operating capital ratio:

Description	2007/08		2006/07	
	Parent R'000	Group R'000	Parent R'000	Group R'000
<b>CURRENT ASSETS:</b>				
Cash	43 236	214 534	69 349	261 106
Inventory	216 602	232 919	165 944	209 738
Debtors	2 629 953	2 664 115	2 479 056	2 503 499
Investments	660 689	704 873	969 958	1 033 013
Short-term portion: Long-term debtors	103 377	103 377	27 840	27 840
<b>Total</b>	<b>3 653 857</b>	<b>3 919 818</b>	<b>3 712 147</b>	<b>4 035 196</b>
<b>CURRENT LIABILITIES:</b>				
Creditors	2 179 649	2 284 660	2 089 566	2 238 284
Provisions	0	782	0	2 319
Short-term portion: long-term liabilities	172 573	189 530	232 569	249 521
Short-term portion: finance leases	154 231	154 231	97 125	97 125
Deposits	267 979	269 510	257 579	257 579
Overdrawn bank account	106 407	106 679	46 002	46 002
<b>Total</b>	<b>2 880 839</b>	<b>3 005 392</b>	<b>2 722 841</b>	<b>2 890 830</b>
Net Operating Capital	773 018	914 426	989 306	1 144 366
Current asset Ratio	1,27 : 1	1,30:1	1,36:1	1,39:1
Current asset ratio excluding consumer debt of 90 days and older	0,57 : 1	0,58:1	0,63 : 1	0,70:1



The ratio decreased slightly since 2006/07. This is due to the fact that the current liabilities increased with 3,9 % (group = 2,2 %) whilst the current assets increased with 0,5 % (group = 0,9 %). The decrease in current assets can mainly be ascribed to the decrease in investments as well as a decrease in cash. The increase in current liabilities mainly lies with the increase in deposits and an increase in the bank overdraft as well as increase in trade creditors.

In 2007/08 financial year finance leases were accounted for under liabilities for the first time, however the 2006/07 financial year figures were restated accordingly.

The private sector sets a ratio of 2:1 as being acceptable, however a norm for local government is currently not available. If the consumer debtors of 90 days and older are excluded from the calculation the ratio decreases considerably (refer to table above)

## 5.2 Quick asset ratio (Acid test)

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

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

Description	2007/08		Parent	Group
	Parent	Group		
	R'000	R'000	R'000	R'000
<b>Current assets</b>	3 653 857	3 919 818	3 712 147	4 035 196
Less: Inventory	216 602	232 919	165 944	209 738
<b>Total</b>	<b>3 437 255</b>	<b>3 686 899</b>	<b>3 546 203</b>	<b>3 825 458</b>
<b>Current liabilities</b>	<b>2 880 839</b>	<b>3 005 392</b>	<b>2 722 841</b>	<b>2 890 830</b>
Quick asset ratio	1,19: 1	1,23:1	1,30:1	1,32:1
Quick asset ratio excluding consumer debt older than 90 days	0,44 : 1	0,50:1	0,57 : 1	0,63:1

If the consumer debtors of 90 days and older are excluded from the calculation the ratio decreases considerably (refer to table above)

## 5.3 Solvability

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

Description	2007/08		2006/07	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
<b>TOTAL ASSETS:</b>				
Current assets	3 653 857	3 919 818	3 712 148	4 035 196
Long-term receivables	189 763	189 763	322 027	323 533
Property, plant and equipment	9 841 958	10 261 837	8 450 806	8 898 619
<b>Total</b>	<b>13 685 578</b>	<b>14 371 418</b>	<b>12 484 980</b>	<b>13 257 348</b>
<b>TOTAL LIABILITIES:</b>				
Current liabilities	2 880 839	3 005 392	2 722 841	2 890 830
Plus: Long-term loans	2 705 772	3 211 660	2 602 026	3 137 492
Non-current provisions	87 211	87 211	5 263	5 263
Lease liabilities	107 165	131 413	107 703	107 703
Reserves	6 430 191	6 430 192	6 285 833	6 288 888
<b>Total</b>	<b>12 211 178</b>	<b>12 865 868</b>	<b>11 723 666</b>	<b>12 430 176</b>
Solvability Ratio	1,12 : 1	1,12:1	1,06:1	1,07:1

The total assets of the Municipality increased with 9,6 % (group = 8,4 %) while the total liabilities increased with only 4,2 % (group = 3,5 %) resulting in an increase in the solvability ratio as stated above.

Property, plant and equipment increased with 16,5 % (group = 15,3 %) while external loans increased with 3,9 % (group = 2,4 %) and the accumulated funds increased with 2,2 %.

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

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio decreased from 35,34 % (group = 40,85 %) to 31,02 % (group = 35,44 %) since 2006/07. This decrease can be ascribed to the fact that the total debt increased with only 3,3% (group = 2,6 %) in relation to the increase of 17,7 % (group = 18,3 %) in total revenue.

Description	2007/08		2006/07	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Total debt	3 139 741	3 686 834	3 039 423	3 591 841
Total revenue	10 120 794	10 402 043	8 601 482	8 790 719
Ratio	31,02 %	35,44 %	35,34%	40,85 %



### 5.5 Inventory turnover (only with regard to Municipality)

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

June 2008: 2,8 times per year

June 2007: 2,8 times per year

Although the value of inventory of the municipality increased since 2006/07 with R50.7 million (the main factor is the increase in electricity inventory for project material), the turnover however, remained unchanged on 2,8 times per year. This can be attributed to the fact that the turnover is an average calculated for all inventory items in all stores.

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

	Municipality	Group
June 2008	2,76 %	2,85 %
June 2007	3,24 %	3,36 %

According to credit rating companies, the benchmark is a ratio of less than 5 %. The ratio improved due to a decrease in the short-term portion of external loans (decrease of 25,8 %) and an increase in revenue of 17,7 % since 2006/07. The group showed a decrease in the short-term portion of external loans of 24,0 % and an increase of 18,3 % in revenue since 2006/07.

### 5.7 Cash to interest coverage

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

Description	2007/08		2006/07	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Cash generated from operations (Nett cash flow)	1 593 885	1 611 774	1 130 748	1 184 648
Interest paid on external loans	362 150	431 882	351 219	430 866
Ratio	4,40 : 1	3,73:1	3,22 : 1	2,75:1

The ratio shows an increase as the interest paid on external loans increased with 3,1 % (group = 0,2 %) and the cash generated from operations increased with 40,9 % (group = 36,1 %) since 2006/07.

### 5.8 Capital charges (interest and depreciation) to total annual operating revenue

Description	2007/08		2006/07	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Total operating revenue	10 120 794	10 402 043	8 601 482	8 790 719
Interest paid on external loans	362 150	431 882	351 219	430 866
Depreciation	542 316	581 372	628 929	668 720
	904 466	1 013 254	980 148	1 099 586
Ratio	8,94 %	9,74 %	11,40%	12,50%

### 5.9 Debt to cash ratio

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

Description	2007/08		2006/07	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Long-term debt	3 139 741	3 686 834	3 039 423	3 591 841
Cash generated from operations	1 593 885	1 611 774	1 130 748	1 184 648
Ratio	1,97 : 1	2,29:1	2,69 : 1	3,03:1

The ratio shows a decrease as the long-term debt increased with 3,3 % (group = 2,6 %) while the cash generated from operations increased with 40,9 % (group = 36,1 %) since 2006/07.

### 5.10 Financing to capital expenditure ratio

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

Description	2007/08		2006/07	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Increase/(Decrease) in long-term loans	43 749	14 176	636 453	631 346
Increase/(Decrease) in finance lease liabilities	56 569	82 895	204 827	204 827
	100 318	97 071	841 280	836 173
Cash used in capital expenditure	1 929 741	1 939 749	1 609 973	1 617 886
Ratio	0,05 : 1	0,05:1	0,52 : 1	0,51:1

A ratio smaller than 1:1 is an indication that more cash was spent on infrastructure (capital expenditure) than was borrowed. If this ratio exceeded 1:1 over several years, it indicates that too much funds are obtained externally which may even mean that loans are used to finance operating expenditure. This ratio decreased drastically since 2006/07 (also refer to note 31 to the Consolidated Annual Financial statements).

### 5.11 Repairs and maintenance to annual operating revenue

Description	2007/08		2006/07	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Annual operating revenue	10 120 794	10 402 043	8 601 482	8 790 719
Repairs and maintenance	894 629	897 807	727 352	731 220
Percentage	8,84 %	8,63 %	8,46 %	8,32 %

### 5.12 Net debtors to total annual operating revenue

Description	2007/08		2006/07	
	Parent	Group	Parent	Group
	R'000	R'000	R'000	R'000
Annual operating revenue	10 120 794	10 402 043	8 601 482	8 790 719
Net debtors (excluding provision for bad debt)	2 629 953	2 664 115	2 479 056	2 503 499
Percentage	25,99 %	25,61 %	28,82 %	28,48 %

## 6. CREDIT RATING

The firm Global Credit Ratings performed a credit rating of the Municipality during November 2007 (based on the annual financial statements for the year ending 30 June 2007) and the following rating was awarded to the City of (stable rating outlook):

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

## 7. MUNICIPAL ENTITIES

### 7.1 Viable municipal entities

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

- Civirelo Water
- Sandspruit Works Association
- Housing Company Tshwane
- Roodeplaat Temba Water Services Trust (the trust will be dissolved on 1 July 2008)
- Tshwane Economic Development Agency (newly created – not in full operation yet)

### 7.2 Entities not viable and liquidation process is underway

The following companies are not viable:

- Enterprise South Africa (liquidation finalised)
- Tradepoint Pretoria
- Tshwane Centre for Business Information and Support (Cenbis)
- Lebone Municipal Finance corporation

### 7.3 Consolidation of municipal entities

Consistent with the prior three financial years separate consolidated financial statements were compiled for CoT and its operational municipal entities, namely:

- Housing Company Tshwane
- Sandspruit Works Association:
- Civirelo Water
- Roodeplaat/Temba Water Services Trust
- Tradepoint Pretoria (not viable – liquidation underway – no statements available for 2007/08)

## 8. CHALLENGES EXPERIENCED DURING 2007/08 (by the Municipality)

### 8.1 IMPLEMENTATION OF ACCOUNTING STANDARDS

The City of Tshwane experienced problems with the implementation of certain accounting standards during the compilation of the 2006/07 financial statements and therefore had to make use of the Exemptions granted by National Treasury in Government Gazette No 30013 of 29 June 2007. Details of these exemptions are explained in paragraph 1 of the Accounting Policies included in the Annual Financial Statements.

As required by the stipulations of the Government Gazette, implementation plans were drawn up and submitted to National Treasury during October 2007 and March 2008.

## 8.2 PURIFICATION OF ASSET REGISTER AND ESTABLISHMENT OF FINANCE LEASE REGISTER

A project was undertaken to ensure a compliant asset register as well as the purification of the asset register data. The purification process for the 2006/07 and 2007/08 financial year is finalised and the compliant asset register is available on an external system as the current SAP system could not accommodate all the required fields and transactions. The required restatements were included in the annual financial statements.

The project was extended to include the accounting for finance leases. The accounting for the finance leases was done on the 80/20 principle. The required restatements were included in the annual financial statements.

It was a tremendous challenging exercise during the 2007/08 financial year, however the biggest challenge will be addressed in the 2008/09 financial year as the information from the external systems will have to be loaded on and maintained on the SAP system with regard to the Asset Register. The maintaining of the lease register will also need to be addressed as a matter of urgency.

## 9. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Office of the Municipal Manager and Strategic Executive Directors for the support they have given me and my personnel during the 2007/08 financial year. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my Department to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August) as well as the consolidated annual financial statements within the prescribed period of 3 months after year end (i.e. 30 September).



N. V. MAKHARI

CHIEF FINANCIAL OFFICER

## 1. BASIS OF PRESENTATION

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

These financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These standards are summarised as follows:

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

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

The Minister of Finance has, in terms of General Notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the Municipality have been provided in the notes to the annual financial statements (also refer to the relevant paragraph in the accounting policies).

The entity has elected to early adopt the following requirements in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard no.	Standard Title	Extent of exemption from standard	Exemption period
GAMAP 17	Property, plant & equipment (PPE)	Review of useful life of items of PPE recognized in the annual financial statements [paragraph 59-61 and 77]	For 2006/07 and 2007/08 financial years
		Review of depreciation method applied to PPE recognized in the annual financial statements [paragraph 62 and 77]	
		The entire standard to the extent that it relates to water stock that was not purchased by the municipality	For 2006/07 and 2007/08 financial years
IAS 17 (AC 105)	Leases	Recognising operating lease payments/receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. [SAICA circular 12/06 paragraphs 8-11 and paragraphs 33, 34, 50, 51 of IAS 17 (AC 105)]	For 2006/07 and 2007/08 financial years
GAMAP 9	Revenue	Initial measurement of fair value discounting all future receipts using an imputed rate of interest (SAICA circular 09/06 and paragraph 12)	For 2006/07 and 2007/08 financial years
IAS 39 (AC 133)	Financial instruments: Recognition and measurement	Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 70, AG 64 and AG 85 of IAS 39/AC 133)	For 2006/07 and 2007/08 financial years
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraph 24 and 26, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	For 2006/07 and 2007/08 financial years

The principle accounting policies adopted in the preparation of these annual financial statements and which have been consistently applied, except where an exemption has been granted are disclosed below.

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

## 2. BASIS OF CONSOLIDATION

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

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

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

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

## 3. PRESENTATION CURRENCY

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

## 4. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis, except for those municipal entities which are currently being liquidated.

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

### 5.1 Fixed assets are stated:

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

#### 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 the Statement of Financial Performance during the financial period in which they are incurred.

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

The difference between the depreciation based on the revalued carrying amount of the asset charged to the Statement of Financial Performance and the depreciation based on the asset's original cost is transferred from other reserves to the accumulated surplus/deficit.

### 5.2 Depreciation

Depreciation is recognised on a straight line basis over the estimated useful life of the asset to its residual value from the day that the asset is ready for use. Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Estimated useful lives of assets:

Asset Category	Years	Asset Category	Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialized plant and equipment	10-15
Buildings	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites and quarries	1 – 50
Security	5		

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.

The actual useful lives of the assets, residual values and depreciation method are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

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

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 of 29 June 2007 with regard to the impairment of assets.

### 5.4 Disposal of property, plant and equipment:

The gain or loss on the disposal or retirement of an item of property, plant and equipment 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 Statement of Financial Performance.

### 5.5 Heritage assets

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

### 5.6 Land

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

### 5.7 Incomplete construction work

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

## 6. INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years.

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 of 29 June 2007 to the extent that the property is accounted for under GAMAP 17.

## 7. INTANGIBLE ASSETS

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 of 29 June 2007 with to the recognition, measurement and disclosure of intangible assets except for computer software.

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 an 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.

## 8. AGRICULTURAL/BIOLOGICAL ASSETS

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

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

Agricultural/biological assets are stated at fair value less estimated point of sale costs with any resultant gain or loss recognised in the Statement of Financial Performance.

## 9. INVENTORY

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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

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 development.

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

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

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 of 29 June 2007.

## 10. RESERVES

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

### 10.1 Capital Replacement Reserve (CRR)

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

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



- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in the Statement of Financial Performance.

### 10.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

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

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

### 10.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/ (deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/ (deficit)

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

### 10.4 Self Insurance Reserve

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

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

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

- Determination of the forecast surplus (free) capacity within the Self Insurance Reserve.
- The following liabilities are taken into account in determining this surplus capacity:
  - Reported known outstanding claims;
  - Statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
  - Probability and quantification of a catastrophe loss.
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exist based on the assumption that sufficient capacity will be built up to cover that asset through the Self Insurance reserve over an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long Term Insurance Strategy).

- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a 5-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a 5-year period.

#### 10.4.1 Self Insurance Future Depreciation Reserve

An amount equal to the carrying value of items of property, plant and equipment that had historically been utilised for the acquisition of property, plant and equipment from the Self Insurance Reserve have been transferred to a Self Insurance Future Depreciation Reserve instead of the accumulated surplus/(deficit).

The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

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

### 10.5 COID Reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the Municipality has established a COID reserve to offset claims from employees.

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

Contributions to the COID reserve is based on 1 % of the annual remuneration of employees that qualify for COID benefits. All employees earning more than R189 840 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 the Statement of Financial Performance. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

### 10.6 Donations and Public Contributions

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

### 10.7 Capital Reserve Account

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

### 10.8 Debt Service Reserve Account

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

### 10.9 Operating Reserve Account

The operating reserve is to be created by the borrower and are to be held in the debt service reserve account for the repayment of operating costs in respect of the water project.

## 11. HOUSING DEVELOPMENT FUND

Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, *inter alia*, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

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

- The Housing Fund has its own separate bank account/allocated investments and is backed by cash.

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

## 12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. 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.

### 12.1 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.

### 12.2 Cleaning up of illegal dumping

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

### 12.3 Landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. A provision has been established from 2007/08. The amount of the provision is recognised at the pres-

ent value of the expenditure expected to be required to settle the obligation, and is carried at amortised cost.

### 12.4 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 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.

## 13. RETIREMENT BENEFITS

### 13.1 Pension, Provident and Retirement Funds

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

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis. The City of Tshwane accounted for pension funds in terms of the exemptions granted in Government Gazette No 30013 of 29 June 2007 where in no provision was created but only the contributions disclosed.

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

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

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

### 13.2 Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The City of Tshwane accounted for medical aid in terms of the exemptions granted in Government Gazette No 30013 of 29 June 2007 where in no provision was created but only the contributions disclosed.

## 14. LEASES

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 of 29 June 2007 with regard to operating leases.

### 14.1 The Municipality as Lessee

The City of Tshwane 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. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

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

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

### 14.2 The Municipality as Lessor

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.

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.

## 15. FINANCIAL INSTRUMENTS

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 of 29 June 2007 with regard to IFRS 5 and IFRS 7.

### 15.1 Financial assets:

The City of Tshwane classifies its financial assets in the following categories:

- Loans and receivables,
- Held to maturity and
- Available for sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. With regard to reclassifications of financial assets, the entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The City of Tshwane's loans and receivables comprise "trade receivables and other receivables" and cash and cash equivalents.

#### (b) Held-to-maturity

Held to maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity. These investments have been normally encumbered and therefore must be held to maturity. The value of the investments is recorded at trade date.

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

#### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date.

Regular purchase and sales of financial assets are recognised on the trade date – the date on which the City of Tshwane commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the Statement of Financial Performance.

#### Offsetting of financial assets and liabilities:

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when and only when:

- a) The City of Tshwane has a legally enforceable right to set off the recognised amount; and
- b) The City of Tshwane intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.
- c) In accounting for a transfer of a financial asset that does not qualify for derecognition, the City of Tshwane will not offset the transferred asset and the associated liability.

#### Derecognition:

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred, and the municipality has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

#### Impairment:

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through

the Statement of Financial Performance. Impairment testing of trade receivables is described in note 15.3.

#### **Disposal:**

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

#### **Counterparty exposure:**

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

#### **Hedging:**

Hedging is not applicable to the accounting treatment of financial instruments in the City of Tshwane.

#### **Derivative financial instruments:**

Derivative financial instruments, principally interest rate swap contracts, are used by the City of Tshwane in its management of financial risks. Derivative financial instruments are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates. Payments and receipts under interest rate swap contracts are recognised in the statement of financial performance on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities. The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued are included in assets and liabilities respectively.

### **15.2 Interest bearing borrowings**

Interest bearing borrowings are recognised initially at fair value, net of transaction costs incurred. It should also be added that interest bearing borrowings are classified as non-current and current liabilities.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Interest bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer

settlement of the liability for at least 12 months after the reporting date.

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

### **15.3 Accounts receivable**

#### **Trade receivables:**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for bad debt account, and the amount of the loss is recognised in the Statement of Financial Performance. When a trade receivable is uncollectible, it is written off against the provision for bad debt account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Financial Performance.

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

#### **15.3.1 Provision for Bad Debt**

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

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

### **15.4 Accounts receivable**

#### **15.4.1 Trade creditors**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **15.4.2 Accrued Leave Pay**

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

### **15.5 Investment in Municipal Entities**

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

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

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

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

## **16. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities with three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Finance charges on bank overdrafts are expensed as incurred.

## 17. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade Creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

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

## 18. REVENUE RECOGNITION

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

Revenue comprises 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.

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.

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

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 of 29 June 2007 with regard to the initial measurement of fair value at a discounted rate.

### 18.1 Revenue from exchange transactions

#### 18.1.1 Service charges relating to Electricity, Water and Sanitation

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when invoiced. Estimates of consumption are made monthly when meter readings have not been performed.

The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

#### 18.1.2 Services provided on a prepayment basis

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

#### 18.1.3 Interest earned on outstanding debtors

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

#### 18.1.4 Income from agency services

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

#### 18.1.5 Housing rental and instalments

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

#### 18.1.6 Sale of goods

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

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

#### 18.1.7 Interest earned on investments

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

#### 18.1.8 Collection charges

Collection charges are recognized when such amounts are incurred.

## 8.2 Revenue from non-exchange transactions

### 18.2.1 Revenue from rates

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

### 18.2.2 Regional Establishment Levy and Regional Services Levy

Revenue from regional services levies is recognised on an accrual basis. The accrual is calculated on past experience of amounts collected since the abolishment of Regional Services Levies and Regional Establishment Levies on 1 July 2006.

### 18.2.3 Fines

Revenue from the issuing of fines shall be recognised when:

- a) it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality,
- b) the amount of the revenue can be measured reliably, and
- c) the stage of completion of the transaction at the reporting date can be measured reliably.

Therefore:

- i) Income in respect of traffic fines, spot fines and certain licenses is accrued when received, and
- ii) Revenue from the issuing of summonses is only recognised when notified by the public prosecutor of the amount actually collected.

The accrual is calculated based on past experience of amounts collected on fines and summonses issued.

### 18.2.4 Donations and contributions

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



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

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

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

## **19. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised when the criteria, conditions or obligations have not been met. The City of Tshwane adopted the exemption granted in Government Gazette No 30013 dated 29 June 2007.

## **20. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance, except for the Roodeplaat Temba Water Services Trust where the borrowing costs are capitalised.

## **21. VALUE ADDED TAX**

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

## **22. SEGMENTAL INFORMATION**

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 of 29 June 2007.

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D consistent with prior years.

The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of income and expenditure

## **23. 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.

## **24. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **25. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 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 the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **26. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered,

it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **27. COMPARATIVE INFORMATION**

### **27.1 Current year comparatives**

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

### **27.2 Prior year comparatives**

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

The comparative figures (2006/07 accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the application of the exemptions in terms Government Gazette No 30013 dated 29 June 2007.

## **28. TAXATION**

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

## **29. ESTIMATES**

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

## Consolidated Statement of Financial Position at 30 June 2008

	Note	MUNICIPALITY		GROUP	
		2008	2007	2008	2007
		R	R	R	R
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net Assets</b>		7,904,591,040	7,047,147,850	7,933,662,866	7,116,059,562
Housing Development Fund	1	128,919,887	141,152,353	128,919,887	141,152,353
Capital replacement reserve		307,157,479	501,152,806	307,157,479	501,152,806
Capitalisation reserve		2,114,595,750	2,008,028,104	2,114,595,750	2,008,028,104
Government grant reserve		3,795,803,234	3,506,835,333	3,795,803,234	3,509,888,886
Self insurance reserve		14,552,843	65,637,380	14,552,843	65,637,380
COLD reserve		68,873,273	62,694,963	68,873,273	62,694,963
Future depreciation reserve: Self insurance		288,643	332,487	288,643	332,487
Non-Distributable Reserve		0	0	0	0
Donations		0	0	1,200	1,200
Unappropriated surplus		1,474,399,931	761,314,424	1,503,470,557	827,171,383
<b>Non-current liabilities</b>		2,900,147,756	2,714,992,509	3,432,361,668	3,250,458,238
Long-term liabilities	2	2,705,771,524	2,602,026,465	3,211,659,565	3,137,492,194
Finance lease liabilities	3.1	107,164,783	107,702,894	131,412,532	107,702,894
Deferred operating lease liability	3.2	0	0	2,078,122	0
Non-current provisions	4.4	87,211,449	5,263,150	87,211,449	5,263,150
<b>Current liabilities</b>		2,880,839,354	2,722,840,506	3,005,392,920	2,890,829,869
Consumer deposits	6	267,978,963	257,579,090	269,510,010	257,579,090
Creditors	7	1,740,375,706	1,820,360,314	1,831,764,930	1,966,023,163
Unspent conditional grants and receipts	8	334,892,132	210,990,931	339,175,084	210,990,931
VAT	9	104,380,809	58,214,444	113,720,301	61,270,221
Bank overdraft	18	106,407,370	46,002,138	106,678,519	46,002,138
Provisions	5	0	0	782,275	2,318,467
Current portion of long-term liabilities	2	172,572,966	232,569,002	189,530,393	249,521,272
Current portion of finance lease liabilities	3.1	154,231,408	97,124,587	154,231,408	97,124,587
<b>Total Net Assets and Liabilities</b>		<b>13,685,578,150</b>	<b>12,484,980,865</b>	<b>14,371,417,454</b>	<b>13,257,347,669</b>
<b>ASSETS</b>					
<b>Non-current assets</b>		10,457,274,114	9,184,116,909	10,884,010,197	9,640,227,058
Fixed assets		9,575,902,472	8,242,557,019	9,982,017,021	8,675,496,151
Property, plant and equipment	10.9	9,467,414,348	8,135,246,469	9,863,525,657	8,560,694,944
Investment Property	10.10	10,453,152	11,950,766	20,453,152	19,441,423
Intangible assets	10.11	98,034,972	95,359,784	98,038,212	95,359,784
Leased assets	10.13	251,314,511	197,234,792	265,078,327	212,108,488
Biological Assets: Livestock	11	14,741,255	11,014,558	14,741,255	11,014,558
Investments	12.1	425,553,069	411,283,908	432,410,787	418,075,178
Long-term receivables	13	189,762,807	322,026,632	189,762,807	323,532,683
<b>Current assets</b>		3,228,304,036	3,300,863,956	3,487,407,257	3,617,120,611
Inventory	14	216,602,417	165,944,194	232,918,710	209,737,781
Consumer debtors	15	2,393,172,131	2,044,386,698	2,401,319,812	2,047,011,821
Other debtors	16	236,781,016	434,668,931	262,795,274	456,486,840
Current portion of long-term receivables	13	103,377,148	27,840,367	103,377,148	27,840,367
Call investment deposits	12.2	235,135,631	558,674,497	272,462,172	614,937,475
Bank balances and cash	18	43,235,693	69,349,269	214,534,141	261,106,327
<b>Total Assets</b>		<b>13,685,578,150</b>	<b>12,484,980,865</b>	<b>14,371,417,454</b>	<b>13,257,347,669</b>

# Consolidated Statement of Financial Performance at 30 June 2008

	Note	MUNICIPALITY				GROUP			
		2008		2007		2008		2007	
		Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment Budget
		R	R	R	R	R	R	R	R
<b>REVENUE</b>									
Property rates	19	2,181,017,691	2,007,541,000	1,719,224,465	1,735,113,478	2,180,952,393	2,007,541,000	1,719,158,593	1,735,113,478
Service charges	20	4,838,958,770	4,769,479,797	4,211,357,728	4,246,657,264	4,925,025,127	4,769,479,797	4,282,086,701	4,246,657,264
Regional Services Levies - turnover		0	20,000,000	0	16,000,000	0	20,000,000	(38,135)	16,000,000
Regional Services Levies - remuneration		0	0	0	0	0	0	0	0
Rental of facilities and equipment		84,317,308	74,495,934	70,027,787	56,193,546	90,860,818	74,495,934	84,451,009	56,193,546
Interest earned - external investments		135,554,608	113,303,229	134,186,955	47,942,050	158,014,824	113,303,229	154,277,171	47,942,050
Interest earned - outstanding debtors		179,065,234	160,432,604	142,516,022	137,007,800	194,352,139	160,432,604	155,842,736	137,007,800
Fines (traffic fines)		38,302,819	49,433,869	38,389,834	42,742,689	38,302,819	49,433,869	38,389,834	42,742,689
Licences and permits		29,498,520	23,049,903	21,816,684	34,297,845	29,498,520	23,049,903	21,816,684	34,297,845
Government grants and subsidies	21	1,917,227,861	2,201,857,795	1,566,093,641	1,749,343,822	1,919,501,081	2,201,857,795	1,541,794,233	1,749,343,822
Other income	22	542,818,099	619,483,107	510,831,552	457,747,540	691,502,194	619,483,107	605,903,099	457,747,540
Public contributions		165,369,329	155,000,000	165,566,509	50,012,825	165,369,329	155,000,000	165,566,509	50,012,825
Gains on disposal of property, plant and equipment		4,936,900	40,352,144	20,915,400	14,500,000	4,936,900	40,352,144	20,915,400	14,500,000
Gain: Changes in fair value of livestock	11	3,726,697	0	555,578	0	3,726,697	0	555,578	0
<b>TOTAL REVENUE</b>		<b>10,120,793,836</b>	<b>10,234,429,382</b>	<b>8,601,482,155</b>	<b>8,587,558,859</b>	<b>10,402,042,841</b>	<b>10,234,429,382</b>	<b>8,790,719,412</b>	<b>8,587,558,859</b>
<b>EXPENDITURE</b>									
Employee related costs	23	2,621,002,843	2,729,726,831	2,412,004,372	2,551,422,155	2,665,393,656	2,729,726,831	2,445,747,160	2,551,422,155
Remuneration of Councillors	24	44,201,359	47,914,093	45,946,048	46,762,692	44,201,359	47,914,093	45,946,048	46,762,692
Bad debts: contribution		179,914,390	19,920,755	106,752,294	106,649,267	230,254,392	19,920,755	114,705,781	106,649,267
Bad debts: written off - consumer & sundry debtors		100,732,978	109,100,000	86,736,741	0	100,732,978	109,100,000	86,736,741	0
Collection costs		72,224,153	63,178,651	49,538,121	50,669,138	72,224,153	63,178,651	49,538,121	50,669,138
Depreciation		542,316,164	728,387,673	628,929,878	592,729,286	581,372,889	728,387,673	668,719,807	592,729,286
Interest paid	25	362,149,670	382,138,723	351,218,853	345,899,657	431,881,950	382,138,723	424,856,905	345,899,657
Bulk purchases	26	2,206,818,210	2,232,955,941	2,130,979,261	1,989,821,178	2,214,193,693	2,232,955,941	2,136,832,836	1,989,821,178
Repairs and maintenance		894,628,918	749,310,022	727,352,320	674,906,579	897,807,296	749,310,022	731,219,500	674,906,579
Grants and subsidies paid	27	11,584,679	12,285,250	8,392,257	11,634,800	11,584,679	12,285,250	8,392,257	11,634,800
Loss on disposal of property, plant and equipment		23,423,391	9,900	9,915,217	5,525,863	23,423,391	9,900	9,917,937	5,525,863
General expenses	28	2,204,353,890	2,263,439,651	1,730,792,294	2,010,014,816	2,315,145,666	2,010,014,816	1,824,966,065	1,829,805,777
<b>TOTAL EXPENDITURE</b>		<b>9,263,350,645</b>	<b>9,338,367,490</b>	<b>8,288,557,656</b>	<b>8,386,035,431</b>	<b>9,588,216,102</b>	<b>9,084,942,655</b>	<b>8,547,579,158</b>	<b>8,205,826,392</b>
<b>Net Surplus for the year</b>		<b>857,443,191</b>	<b>896,061,892</b>	<b>312,924,499</b>	<b>201,523,428</b>	<b>813,826,739</b>	<b>1,149,486,727</b>	<b>243,140,254</b>	<b>381,732,467</b>
Refer to Appendix E for the comparison with the approved budget									



## Statement of Changes in Net Assets for the year ended 30 June 2008 - Parent

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COVID Reserve	Self Insurance Reserve	Self Insurance: FDR	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R
<b>2007</b>									
Balance at 1 July 2006	150,463,875	357,857,950	2,177,575,289	3,348,292,166	70,050,967	128,555,010	376,331	524,027,798	6,757,199,386
Net surplus for the year								316,319,629	316,319,629
Prior year adjustments (see note 42)								(26,371,166)	
Asset purification/retirements			(6,162,391)	(20,056,037)				26,218,428	0
Property, plant & equipment purchased: Capitalised		(94,508,184)	94,508,184						0
Capital grants used to purchase PPE (revenue recognised)				317,833,940				(317,833,940)	0
Contribution: Workmens Compensation (from employees)					(7,356,004)			7,356,004	0
Transfer from Housing Development Fund	(9,311,522)							9,311,522	0
Transfer from Insurance Reserve						(62,917,630)		62,917,630	0
Transfer to Capital replacement reserve (Tshwane Market)		28,367,158						(28,367,158)	0
Transfer to Capital replacement reserve : General		209,435,882						(209,435,882)	0
Offsetting of depreciation			(257,892,978)	(139,234,736)			(43,844)	397,171,558	0
<b>Balance at 30 June 2007</b>	<b>141,152,353</b>	<b>501,152,806</b>	<b>2,008,028,104</b>	<b>3,506,835,333</b>	<b>62,694,963</b>	<b>65,637,380</b>	<b>332,487</b>	<b>761,314,423</b>	<b>7,047,147,849</b>
<b>2008</b>									
Net surplus for the year								857,443,191	857,443,191
Asset purification/retirements			(18,593,963)	(85,335,055)				103,929,018	0
Property, plant & equipment purchased: Capitalised		(378,715,875)	378,715,875						0
Capital grants used to purchase PPE (revenue recognised)				467,680,281				(467,680,281)	0
Contribution: Workmens Compensation (from employees)					6,178,310			(6,178,310)	0
Transfer from Housing Development Fund	(12,232,466)							12,232,466	0
Transfer from Insurance Reserve						(51,084,537)		51,084,537	0
Transfer to Capital replacement reserve (Tshwane Market)		16,219,136						(16,219,136)	0
Transfer to Capital replacement reserve (public contributions)		168,501,412						(168,501,412)	0
Offsetting of depreciation			(253,554,266)	(93,377,325)			(43,844)	346,975,435	0
<b>Balance at 30 June 2008</b>	<b>128,919,887</b>	<b>307,157,479</b>	<b>2,114,595,750</b>	<b>3,795,803,234</b>	<b>68,873,273</b>	<b>14,552,843</b>	<b>288,643</b>	<b>1,474,399,931</b>	<b>7,904,591,040</b>

The accumulated surplus of R1 474 399 931 is earmarked to be used in 2008/09 for the Provision for Employee benefits to comply with the accounting standard as prescribed

**Note: Capitalisation Reserve**

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

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

The reasons for this deviation are the following:

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

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

- \* Accumulated surplus will increase with R380 171 127 (2006/07 = R 94 508 184 and 2005/06 = R302 183 695 and 2004/05 = R 909 806 168)
- \* Capitalisation Reserve will decrease with R380 171 127 (2006/07 = R94 508 184 and 2005/06 = R302 183 695 and 2004/05 = R909 806 168)

# Statement of Changes in Net Assets for the year ended 30 June 2008 - Group

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COLD reserve	Self Insurance Reserve	Self Insurance: Future Depreciation Reserve	Roodeplaat Temba Water Services Trust: Debt Service Reserve	Roodeplaat Temba Water Services Trust: Statutory Donations Fund	Housing Company Tshwane: Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R	R	R
<b>2007</b>												
<b>Balance at 1 July 2006</b>	<b>150,463,875</b>	<b>357,857,950</b>	<b>2,177,575,289</b>	<b>3,348,292,166</b>	<b>70,050,967</b>	<b>128,555,010</b>	<b>376,331</b>	<b>13,219,924</b>	<b>1,200</b>	<b>2,952,495</b>	<b>645,623,926</b>	<b>6,894,969,133</b>
Net surplus for the year											246,535,385	246,535,385
Prior year adjustments: parent (see note 42)											(26,371,166)	(26,371,166)
Correction of previous year accumulated surplus: entities											926,210	926,210
Correction of errors previous years (audit adjustments-entities)								(13,219,924)		101,058	13,118,866	0
Asset purification/retirements			(6,162,391)	(20,056,037)							26,218,428	0
Property, plant & equipment capitalised		(94,508,184)	94,508,184									0
Capital grants used to purchase PPE (revenue recognised)				317,833,940							(317,833,940)	0
Contribution: Workmens Compensation (from employees)					(7,356,004)						7,356,004	0
Transfer from Housing Development Fund	(9,311,522)										9,311,522	0
Transfer from Insurance Reserve						(62,917,630)					62,917,630	0
Transfer to Capital replacement reserve (Tshwane Market)		28,367,158									(28,367,158)	0
Transfer to Capital replacement reserve : General		209,435,882									(209,435,882)	0
Offsetting of depreciation			(257,892,978)	(139,234,736)			(43,844)				397,171,558	0
<b>Balance at 30 June 2007</b>	<b>141,152,353</b>	<b>501,152,806</b>	<b>2,008,028,104</b>	<b>3,506,835,333</b>	<b>62,694,963</b>	<b>65,637,380</b>	<b>332,487</b>	<b>0</b>	<b>1,200</b>	<b>3,053,553</b>	<b>827,171,383</b>	<b>7,116,059,562</b>
Net surplus for the year											813,826,739	813,826,739
Correction of previous year accumulated surplus: Sandspruit (see note 42)											70,076	70,076
Correction of previous year accumulated surplus: Housing Company (see note 42)										(3,053,553)	14,679,980	11,626,427
Correction of previous year accumulated surplus: Roodeplaat Temba (see note 42)											(7,809,766)	(7,809,766)
Correction of previous year accumulated deficit: Civirelo (see note 42)											(110,172)	(110,172)
Asset purification/retirements			(18,593,963)	(85,335,055)							103,929,018	0
Property, plant & equipment capitalised		(378,715,875)	378,715,875								0	0
Capital grants used to purchase PPE (revenue recognised)				467,680,281							(467,680,281)	0
Contribution: Workmens Compensation (from employees)					6,178,310						(6,178,310)	0
Transfer from Housing Development Fund	(12,232,466)										12,232,466	0
Transfer from Insurance Reserve						(51,084,537)					51,084,537	0
Transfer to Capital replacement reserve (Tshwane Market)		16,219,136									(16,219,136)	0
Transfer to Capital replacement reserve : General		168,501,412									(168,501,412)	0
Offsetting of depreciation			(253,554,266)	(93,377,325)			(43,844)				346,975,435	0
<b>Balance at 30 June 2008</b>	<b>128,919,887</b>	<b>307,157,479</b>	<b>2,114,595,750</b>	<b>3,795,803,234</b>	<b>68,873,273</b>	<b>14,552,843</b>	<b>288,643</b>	<b>0</b>	<b>1,200</b>	<b>0</b>	<b>1,503,470,557</b>	<b>7,933,662,866</b>

## Cash Flow Statement for the year ended 30 June 2008

	Note	MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from ratepayers, government and other		9,821,550,379	8,224,845,277	10,113,562,700	8,665,483,570
Cash paid to suppliers and employees		(8,227,664,950)	(7,094,097,142)	(8,501,788,219)	(7,480,835,124)
Cash generated from/(utilised by) operations	29	1,593,885,429	1,130,748,135	1,611,774,481	1,184,648,446
Interest received		135,554,608	134,186,955	158,014,824	154,277,171
Interest paid		(362,149,670)	(351,218,853)	(431,881,950)	(424,856,905)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>1,367,290,367</b>	<b>913,716,237</b>	<b>1,337,907,355</b>	<b>914,068,712</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(1,929,741,341)	(1,609,972,661)	(1,939,748,515)	(1,623,895,875)
Gain: Change in fair value of livestock		(3,726,697)	(555,578)	(3,726,697)	(555,578)
Proceeds on disposal of fixed assets		4,936,900	20,915,400	4,936,900	20,915,400
Proceeds on disposal of investments		-	-	0	0
Decrease/(Increase) in non-current loans		54,734,651	(40,773,238)	56,240,702	(42,279,289)
Decrease/(increase) in non-current investments		(14,269,160)	71,258,929	(14,335,608)	117,917,651
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(1,888,065,647)</b>	<b>(1,559,127,148)</b>	<b>(1,896,633,218)</b>	<b>(1,527,897,691)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
New loans raised/(repaid)		43,749,023	636,452,546	14,176,492	631,346,357
Lease liabilities		56,568,710	204,827,481	82,894,581	204,827,481
Increase in consumer deposits		10,399,873	21,486,701	11,930,920	21,486,701
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>110,717,606</b>	<b>862,766,728</b>	<b>109,001,993</b>	<b>857,660,539</b>
<b>NET CASH FLOW</b>		<b>(410,057,674)</b>	<b>217,355,817</b>	<b>(449,723,870)</b>	<b>243,831,560</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(410,057,674)</b>	<b>217,355,817</b>	<b>(449,723,870)</b>	<b>243,831,560</b>
Cash and cash equivalents at the beginning of the year	30	582,021,628	364,665,811	830,041,664	586,210,104
Cash and cash equivalents at the end of the year	30	171,963,954	582,021,628	380,317,794	830,041,664

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>1 HOUSING DEVELOPMENT FUND</b>				
Housing Development Fund	128,919,887	141,152,353	128,919,887	141,152,353
Unappropriated surplus	197,926,350	210,158,816	197,926,350	210,158,816
Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463	69,006,463	69,006,463
The Housing Development Fund is represented by the following assets and liabilities:				
Housing selling scheme loans	108,239,423	103,434,420	108,239,423	103,434,420
Other debtors	12,687,578	9,961,181	12,687,578	9,961,181
Bank and cash	7,992,886	27,756,752	7,992,886	27,756,752
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>128,919,887</b>	<b>141,152,353</b>	<b>128,919,887</b>	<b>141,152,353</b>
<b>2 LONG-TERM LIABILITIES</b>				
Local Registered Stock	318,161,284	315,714,882	318,161,284	315,714,882
Long-term loans:	2,560,183,206	2,518,880,585	3,083,028,674	3,071,298,584
Annuity loans	2,073,261,434	1,906,549,057	2,073,261,434	1,906,549,057
Term loans	486,921,772	612,331,528	1,009,767,240	1,136,935,795
Capitalised Lease liability	0	0	0	27,813,732
	2,878,344,490	2,834,595,467	3,401,189,958	3,387,013,466
LESS: Current portion transferred to current liabilities	172,572,966	232,569,002	189,530,393	249,521,272
Local Registered Stock	42,227,760	0	42,227,760	0
Annuity loans	101,842,510	77,569,002	101,842,510	77,569,002
Term loans	28,502,696	155,000,000	45,460,123	171,952,270
<b>Total External Loans</b>	<b>2,705,771,524</b>	<b>2,602,026,465</b>	<b>3,211,659,565</b>	<b>3,137,492,194</b>
Refer to Appendix A for more detail on long-term liabilities				
Amount invested specifically for the repayment of long-term liabilities. (See note 31 for more detail.)	568,644,654	634,478,486	568,644,654	634,478,486
Maturity value of amount invested as security for long-term liabilities	815,559,792	1,201,630,598	815,559,792	1,201,630,598
<b>3 LEASE LIABILITIES</b>				
<b>3.1 Finance lease liabilities</b>				
Gross liability	191,297,442	163,509,221	215,545,191	163,509,221
Future finance charges on finance leases	70,098,750	41,318,260	70,098,750	41,318,260
<b>Total finance lease liability</b>	<b>261,396,192</b>	<b>204,827,481</b>	<b>285,643,941</b>	<b>204,827,481</b>
<b>Non-current portion of finance lease liability</b>				
Gross liability	88,717,416	89,372,207	112,965,165	89,372,207
Future finance charges on finance leases	18,447,368	18,330,687	18,447,368	18,330,687
	<b>107,164,784</b>	<b>107,702,894</b>	<b>131,412,533</b>	<b>107,702,894</b>
<b>Current portion of finance lease liability</b>				
Gross liability	102,580,026	74,137,014	102,580,026	74,137,014
Future finance charges on finance leases	51,651,382	22,987,573	51,651,382	22,987,573
	<b>154,231,408</b>	<b>97,124,587</b>	<b>154,231,408</b>	<b>97,124,587</b>
<b>Finance lease liabilities - minimum future lease payments:</b>				
No later than one year	102,580,026	74,137,014	102,580,026	76,177,822
Later than one year no later than five years	88,717,416	89,372,207	89,679,098	91,513,618
Later than 5 years	0	0	23,286,067	23,631,513
	191,297,442	163,509,221	215,545,191	191,322,953
Future finance charges on finance leases	70,098,750	41,318,260	70,098,750	41,318,260
Present value of finance lease liabilities	<b>261,396,192</b>	<b>204,827,481</b>	<b>285,643,941</b>	<b>232,641,213</b>
Refer to Appendix A for more detail on finance lease liabilities				

DESCRIPTION		MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
	<b>The present value of finance lease liabilities may be analysed as follows:</b>				
	No later than one year	154,231,408	97,124,587	154,231,408	97,124,587
	Later than one year no later than five years	107,164,784	107,702,894	107,164,784	107,702,894
		261,396,192	204,827,481	261,396,192	204,827,481
	<b>Fair value of loans (amortised cost i.e. PV)</b>	<b>261,396,192</b>	<b>204,827,481</b>	<b>261,396,192</b>	<b>204,827,481</b>
	<b>Collateral held in terms of the above lease (Net book amount of leased assets) (See note 10.13)</b>	<b>251,314,511</b>	<b>197,234,792</b>	<b>251,314,511</b>	<b>197,234,792</b>
	Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default				
	<b>Term loans: are secured by:-</b>				
	1. A general notarial bond over the movable assets of the Trust. 2. Cession of the Temba Lease Agreement. 3. The Debt Service Reserve Account, the Capital Reserve Account and the Operating Reserve Account. These loans are repayable 6 monthly over 15 years.				
	Housing Company Tshwane				
	A secured loan bearing interest at 14 % per annum from National Housing Finance Corporation Ltd - repayable in the remaining 188 monthly installments (initially 240 monthly installments). Secured by a mortgage bond over the investment property with a fair value of R10 000 000 (subject to pending valuation results) plus a cession of all banking accounts, debtors books, all risk insurance policies.				
	Interest free loan convertible to a grant on meeting certain criteria from the Gauteng Partnership Fund . The book value of the loan amounts to R293 000.				
<b>3.2</b>	<b>Deferred lease liabilities</b>				
	Balance at the beginning of the year (brought in only from 2007/08)			1,873,039	0
	Expense realised			205,083	0
	<b>Balance at the end of the year</b>			<b>2,078,122</b>	<b>0</b>
<b>4</b>	<b>NON-CURRENT PROVISIONS</b>				
<b>4.1</b>	<b>CLEARING OF ALIEN VEGATATION</b>				
	Opening balance at the beginning of the year	5,263,150	2,869,225	5,263,150	2,869,225
	Contributions during the year	3,716,659	6,292,554	3,716,659	6,292,554
	Expenditure during the year	(3,190,344)	(3,898,629)	(3,190,344)	(3,898,629)
	<b>Closing balance at the end of the year</b>	<b>5,789,465</b>	<b>5,263,150</b>	<b>5,789,465</b>	<b>5,263,150</b>
	In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist. The provision will be phased in over a period of time.				
<b>4.2</b>	<b>REHABILITATION OF LANDFILL SITES</b>				
	The provision for landfill sites have been established from the 2007/08 financial year only.				
	Opening balance at the beginning of the year	0	0	0	0
	Contributions during the year	63,360,000	0	63,360,000	0
	Expenditure during the year	0	0	0	0
	<b>Closing balance at the end of the year</b>	<b>63,360,000</b>	<b>0</b>	<b>63,360,000</b>	<b>0</b>
<b>4.3</b>	<b>REHABILITATION OF QUARRIES</b>				
	The provision for quarries have been established from the 2007/08 financial year only.				
	Opening balance at the beginning of the year	0	0	0	0
	Contributions during the year	18,061,984	0	18,061,984	0
	Expenditure during the year	0	0	0	0
	<b>Closing balance at the end of the year</b>	<b>18,061,984</b>	<b>0</b>	<b>18,061,984</b>	<b>0</b>

DESCRIPTION		MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
4.4	<b>Total non-current provisions</b>				
	Opening balance at the beginning of the year	5,263,150	2,869,225	5,263,150	2,869,225
	Contributions during the year	85,138,643	6,292,554	85,138,643	6,292,554
	Expenditure during the year	(3,190,344)	(3,898,629)	(3,190,344)	(3,898,629)
	<b>Closing balance at the end of the year</b>	<b>87,211,449</b>	<b>5,263,150</b>	<b>87,211,449</b>	<b>5,263,150</b>
5	<b>CURRENT PROVISIONS</b>				
	Performance bonus			782,275	2,318,467
	Special projects			0	0
				782,275	2,318,467
5.1	<b>RECONCILIATION OF CURRENT PROVISIONS</b>				
5.1.1	<b>Performance bonus:</b>				
	Balance at the beginning of the year			2,318,467	1,964,363
	Contributions to provision			782,275	354,104
	Utilisation of provision			(2,318,467)	0
	Balance at the end of the year			782,275	2,318,467
5.1.2	<b>Special projects</b>				
	Balance at the beginning of the year			0	2,495,167
	Contributions to provision			0	0
	Utilisation of provision			0	(2,495,167)
	Balance at the end of the year			0	0
6	<b>CONSUMER DEPOSITS</b>				
	<b>Electricity and water</b>	<b>267,978,963</b>	<b>257,579,090</b>	<b>269,510,010</b>	<b>257,579,090</b>
	<b>Guarantees held in lieu of Electricity and Water deposits</b>	<b>128,909,639</b>	<b>115,829,785</b>	<b>128,909,639</b>	<b>115,829,785</b>
7	<b>CREDITORS</b>				
	Trade creditors	967,517,682	1,074,289,037	983,370,640	1,090,826,440
	Payments received in advance	3,873,614	6,147,161	58,127,847	100,858,338
	Retentions	96,661,285	80,391,743	103,699,574	90,378,713
	Staff Leave accrual	257,311,987	226,880,894	259,776,832	226,885,121
	Deposits	17,931,509	14,845,980	20,024,840	16,667,509
	Other creditors	397,079,629	417,805,499	406,765,197	440,407,042
	<b>Total creditors</b>	<b>1,740,375,706</b>	<b>1,820,360,314</b>	<b>1,831,764,930</b>	<b>1,966,023,163</b>
8	<b>UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>				
8.1	<b>Conditional Grants from other spheres of Government</b>	<b>324,296,799</b>	<b>198,708,969</b>	<b>324,296,799</b>	<b>198,708,969</b>
	Municipal Infrastructure Grant (MIG)	35,892,625	19,794,905	35,892,625	19,794,905
	Housing projects	19,132,755	25,714,685	19,132,755	25,714,685
	Department of Water Affairs & Forestry (DWAF)	0	22,391,328	0	22,391,328
	Finance Management Grant (FMG)	1,304,688	1,503,403	1,304,688	1,503,403
	Municipal System Improvement Grant (MSIG)	498,400	3,000,000	498,400	3,000,000
	Restructuring Grant	86,786,106	78,921,695	86,786,106	78,921,695
	Department of Provincial & Local Government HIV AIDS Operational Grant	49,431,225	0	49,431,225	0
	Transportation and Engineering	8,000,000	8,000,000	8,000,000	8,000,000
	Department Public Works	7,322,068	7,322,068	7,322,068	7,322,068
	Transport : World Cup Soccer	115,785,094	24,150,000	115,785,094	24,150,000
	ESKOM	12,953	5,780,000	12,953	5,780,000
	Provincial Local Economic Development Projects grant	130,885	2,130,885	130,885	2,130,885

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>8.2 Other conditional receipts</b>	10,595,333	12,281,962	14,878,285	12,281,962
National Electrification Fund	4,198,110	4,025,783	4,198,110	4,025,783
Bontle ke Botho	1,457,223	177,223	1,457,223	177,223
Gauteng: Agriculture, Conservation & Environment	440,000	8,078,956	440,000	8,078,956
DPLG: Health	1,500,000	0	1,500,000	0
Monument Golf Club	3,000,000	0	3,000,000	0
Other: Sandspruit	0	0	4,282,952	0
<b>Total Conditional Grants and Receipts</b>	<b>334,892,132</b>	<b>210,990,931</b>	<b>339,175,084</b>	<b>210,990,931</b>
See Note 20 for reconciliation of grants from other spheres of government. These amounts are invested until utilised				
<b>9 VAT</b>				
<b>VAT payable</b>	<b>104,380,809</b>	<b>58,214,444</b>	<b>113,720,301</b>	<b>61,270,221</b>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS				
<b>10 PROPERTY, PLANT AND EQUIPMENT</b>				
Reconciliation of Carrying values				
<b>10.1 INFRASTRUCTURE</b>				
<b>Carrying value at 1 July</b>	5,335,829,652	4,572,768,786	5,344,147,652	4,578,920,873
Cost	7,336,282,784	6,450,648,987	7,346,503,035	6,457,836,217
Accumulated depreciation - cost	(2,000,453,132)	(1,877,880,201)	(2,002,355,383)	(1,878,915,344)
<b>Acquisitions</b>	2,299,852,932	158,454,785	2,300,296,509	160,620,367
Additions	1,876,235,172	217,828,990	1,877,650,290	220,862,011
Capital under construction	639,207,766	250,981,817	639,207,766	250,981,817
Transfer: Threshold assets - cost	(107,017)	107,017		
Transfer: Threshold assets - depreciation	106,686	(106,686)		
Depreciation - based on cost	(215,589,675)	(310,356,353)	(216,561,547)	(311,223,461)
<b>Carrying value of purification/transfers</b>	(964,766,260)	604,606,081	(964,766,260)	604,606,081
Cost	(966,379,735)	416,715,973	(966,379,735)	416,715,973
Accumulated depreciation - cost	1,613,475	187,890,108	1,613,475	187,890,108
<b>Carrying values at 30 June:</b>	6,670,916,324	5,335,829,652	6,679,677,570	5,344,147,652
Cost	8,885,238,970	7,336,282,784	8,896,874,339	7,346,503,035
Accumulated depreciation - cost	(2,214,322,646)	(2,000,453,132)	(2,217,196,769)	(2,002,355,383)
<b>10.2 COMMUNITY</b>				
<b>Carrying value at 1 July</b>	768,321,582	212,730,759	768,321,582	212,730,759
Cost	1,024,618,757	389,646,613	1,024,618,757	389,646,613
Accumulated depreciation - cost	(256,297,175)	(176,915,854)	(256,297,175)	(176,915,854)
<b>Acquisitions</b>	112,882,539	(36,106,350)	113,072,682	(36,296,493)
Additions	146,170,690	6,900,014	146,170,690	6,900,014
Capital under construction	8,353,798	(22,463,288)	8,353,798	(22,463,288)
Transfer: Threshold assets - cost	(200,589)	200,589		
Transfer: Threshold assets - depreciation	10,446	(10,446)		
Depreciation - based on cost	(41,451,806)	(20,733,219)	(41,451,806)	(20,733,219)
<b>Carrying value of purification/transfers</b>	(29,901,839)	591,697,173	(29,901,839)	591,697,173
Cost	(29,901,839)	650,334,829	(29,901,839)	650,334,829
Accumulated depreciation - cost	0	(58,637,656)	0	(58,637,656)



DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>Carrying values at 30 June:</b>	851,302,282	768,131,439	851,302,282	768,131,439
Cost	1,149,040,817	1,024,418,168	1,149,040,817	1,024,418,168
Accumulated depreciation - cost	(297,738,535)	(256,286,729)	(297,738,535)	(256,286,729)
<b>10.3 HERITAGE</b>				
<b>Carrying value at 1 July</b>	3,733,422	3,221,102	3,733,422	3,221,102
Cost	3,813,988	3,221,102	3,813,988	3,221,102
Accumulated depreciation - cost	(80,566)	0	(80,566)	0
<b>Acquisitions</b>	(38,675)	0	(38,675)	0
Additions	0	0	0	0
Capital under construction	0	0	0	0
Depreciation - based on cost	(38,675)	0	(38,675)	0
<b>Carrying value of purification/transfers</b>	0	512,320	0	512,320
Cost	0	592,886	0	592,886
Accumulated depreciation - cost	0	(80,566)	0	(80,566)
<b>Carrying values at 30 June:</b>	3,694,747	3,733,422	3,694,747	3,733,422
Cost	3,813,988	3,813,988	3,813,988	3,813,988
Accumulated depreciation - cost	(119,241)	(80,566)	(119,241)	(80,566)
<b>10.4 HOUSING</b>				
<b>Carrying value at 1 July</b>	201,630,395	220,074,355	201,630,395	220,074,355
Cost	234,965,906	227,228,983	234,965,906	227,228,983
Accumulated depreciation - cost	(33,335,511)	(7,154,628)	(33,335,511)	(7,154,628)
<b>Acquisitions</b>	84,530,648	(61,060,788)	84,530,648	(61,060,788)
Additions	81,746,559	0	81,746,559	0
Capital under construction	6,035,290	(59,745,969)	6,035,290	(59,745,969)
Depreciation - based on cost	(3,251,201)	(1,314,819)	(3,251,201)	(1,314,819)
<b>Carrying value of purification/transfers</b>	(132,579,480)	42,616,828	(132,579,480)	42,616,828
Cost	(132,579,480)	67,482,892	(132,579,480)	67,482,892
Accumulated depreciation - cost	0	(24,866,064)	0	(24,866,064)
<b>Carrying values at 30 June:</b>	153,581,563	201,630,395	153,581,563	201,630,395
Cost	190,168,275	234,965,906	190,168,275	234,965,906
Accumulated depreciation - cost	(36,586,712)	(33,335,511)	(36,586,712)	(33,335,511)
<b>10.5 STOCK</b>				
<b>Carrying value at 1 July</b>	1,019,408	0	1,019,408	0
Cost	1,142,732	0	1,142,732	0
Accumulated depreciation - cost	(123,324)	0	(123,324)	0
<b>Acquisitions</b>	0	0	0	0
Additions	0	0	0	0
Capital under construction	0	0	0	0
Depreciation - based on cost	0	0	0	0
<b>Carrying value of purification/transfers</b>	0	1,019,408	0	1,019,408
Cost	0	1,142,732	0	1,142,732
Accumulated depreciation - cost	0	(123,324)	0	(123,324)

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>Carrying values at 30 June:</b>	1,019,408	1,019,408	1,019,408	1,019,408
Cost	1,142,732	1,142,732	1,142,732	1,142,732
Accumulated depreciation -cost	(123,324)	(123,324)	(123,324)	(123,324)
<b>10.6 LAND</b>				
<b>Carrying value at 1 July</b>	998,891,764	1,089,837,130	998,891,764	1,089,837,130
Cost	1,140,397,933	1,095,638,197	1,140,397,933	1,095,638,197
Accumulated depreciation - cost	(141,506,169)	(5,801,067)	(141,506,169)	(5,801,067)
<b>Acquisitions</b>	1,104,434	10,452,013	1,104,434	10,452,013
Additions	1,104,434	10,452,013	1,104,434	10,452,013
Capital under construction	0	0	0	0
Depreciation - based on cost	0	0	0	0
<b>Carrying value of purification/transfers</b>	0	(101,397,379)	0	(101,397,379)
Cost	0	34,307,723	0	34,307,723
Accumulated depreciation - cost	0	(135,705,102)	0	(135,705,102)
<b>Carrying values at 30 June:</b>	999,996,198	998,891,764	999,996,198	998,891,764
Cost	1,141,502,367	1,140,397,933	1,141,502,367	1,140,397,933
Accumulated depreciation -cost	(141,506,169)	(141,506,169)	(141,506,169)	(141,506,169)
<b>10.7 BUILDINGS</b>				
<b>Carrying value at 1 July</b>	417,141,081	740,713,636	422,489,863	744,743,588
Cost	701,317,311	1,121,682,404	707,455,026	1,126,353,083
Accumulated depreciation - cost	(284,176,230)	(380,968,768)	(284,965,163)	(381,609,495)
<b>Acquisitions</b>	6,005,757	55,733,407	7,178,708	57,052,237
Additions	77,379,357	110,514,007	78,724,850	111,981,043
Capital under construction	0	0	0	0
Depreciation - based on cost	(71,373,600)	(54,780,600)	(71,546,142)	(54,928,806)
<b>Carrying value of purification/transfers</b>	(58,755)	(379,305,962)	(58,755)	(379,305,962)
Cost	(67,846)	(530,879,100)	(67,846)	(530,879,100)
Accumulated depreciation - cost	9,091	151,573,138	9,091	151,573,138
<b>Carrying values at 30 June:</b>	423,088,083	417,141,081	429,609,816	422,489,863
Cost	778,628,822	701,317,311	786,112,030	707,455,026
Accumulated depreciation -cost	(355,540,739)	(284,176,230)	(356,502,214)	(284,965,163)
<b>10.8 OTHER</b>				
<b>Carrying value at 1 July</b>	408,679,165	459,205,392	820,460,860	898,611,995
Cost	808,407,385	838,961,627	1,285,958,277	1,305,612,005
Accumulated Depreciation - cost	(399,728,220)	(379,756,235)	(465,497,417)	(407,000,010)
<b>Acquisitions</b>	9,184,029	(60,360,738)	(13,688,823)	(93,350,046)
Additions	67,356,442	23,771,923	74,599,765	34,672,435
Capital under construction	64,752,621	39,967,354	64,752,621	39,967,354
Transfer: Threshold assets - cost	(8,493,291)	8,493,291		
Transfer: Threshold assets - depreciation	1,513,405	(1,513,405)		
Depreciation - based on cost	(115,945,148)	(131,079,901)	(153,041,209)	(167,989,835)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
	<b>Carrying value of purification/transfers/disposals</b>	(54,047,451)	9,834,511	(55,148,078)	8,219,023
	Cost	(63,108,790)	(102,786,810)	(63,135,727)	(102,786,810)
	Accumulated depreciation - cost	9,061,339	112,621,321	7,987,649	111,005,833
	<b>Carrying values at 30 June:</b>	363,815,743	408,679,165	744,644,073	820,460,860
	Cost	868,914,367	808,407,385	1,353,681,645	1,285,958,277
	Accumulated depreciation - cost	(505,098,624)	(399,728,220)	(609,037,572)	(465,497,417)
<b>10.9</b>	<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>				
	<b>Carrying value at 1 July</b>	8,135,246,469	7,298,551,160	8,560,694,946	7,748,139,802
	Cost	11,250,946,796	10,127,027,913	11,744,855,654	10,605,536,200
	Accumulated Depreciation - cost	(3,115,700,327)	(2,828,476,753)	(3,184,160,708)	(2,857,396,398)
	<b>Acquisitions</b>	2,513,521,664	67,112,329	2,492,455,483	37,417,290
	Additions	2,249,992,654	369,466,947	2,259,996,588	384,867,516
	Capital under construction	718,349,475	208,739,914	718,349,475	208,739,914
	Transfer: Threshold assets - cost	(8,800,897)	8,800,897		
	Transfer: Threshold assets - depreciation	1,630,537	(1,630,537)		
	Depreciation - based on cost	(447,650,105)	(518,264,892)	(485,890,580)	(556,190,140)
	<b>Carrying value of purification/transfers/disposals</b>	(1,181,353,785)	769,582,980	(1,182,454,412)	767,967,492
	Cost	(1,192,037,690)	536,911,125	(1,192,064,627)	536,911,125
	Accumulated depreciation - cost	10,683,905	232,671,855	9,610,215	231,056,367
	<b>Carrying values at 30 June:</b>	9,467,414,348	8,135,246,469	9,863,525,657	8,560,694,944
	Cost	13,018,450,338	11,250,946,796	13,522,336,193	11,744,855,652
	Accumulated depreciation - cost	(3,551,035,990)	(3,115,700,327)	(3,658,810,536)	(3,184,160,708)
<b>10.10.</b>	<b>INVESTMENT PROPERTY</b>				
	<b>Carrying value at 1 July</b>	11,950,765	1,678,026	19,441,422	9,168,683
	Cost	44,792,509	1,707,296	52,283,166	9,197,953
	Accumulated depreciation - cost	(32,841,744)	(29,270)	(32,841,744)	(29,270)
	<b>Acquisitions</b>	(1,497,613)	391,840	(1,497,613)	391,840
	Additions	0	450,000	0	450,000
	Capital under construction	0	0	0	0
	Depreciation - based on cost	(1,497,613)	(58,160)	(1,497,613)	(58,160)
	<b>Carrying value of purification/transfers/disposals</b>	0	9,880,899	2,509,343	9,880,899
	Cost	0	42,635,213	2,509,343	42,635,213
	Accumulated depreciation - cost	0	(32,754,314)	0	(32,754,314)
	<b>Carrying values at 30 June:</b>	10,453,152	11,950,765	20,453,152	19,441,422
	Cost	44,792,509	44,792,509	54,792,509	52,283,166
	Accumulated depreciation - cost	(34,339,357)	(32,841,744)	(34,339,357)	(32,841,744)
<b>10.11</b>	<b>INTANGIBLE ASSETS</b>				
	<b>Carrying value at 1 July</b>	95,359,784	158,519,840	95,359,784	158,519,840
	Cost	125,103,123	198,133,925	125,103,123	198,133,925
	Accumulated depreciation - cost	(29,743,339)	(39,614,085)	(29,743,339)	(39,614,085)
	<b>Acquisitions</b>	2,675,188	(40,089,559)	2,663,953	(40,089,559)
	Additions	33,843,313	171,421	33,846,553	171,421
	Capital under construction	0	0	0	0
	Depreciation - based on cost	(31,168,125)	(40,260,980)	(31,182,600)	(40,260,980)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
	<b>Carrying value of purification/transfers/disposals</b>	0	(23,070,497)	72,375	(23,070,497)
	Cost	0	(73,202,223)	14,475	(73,202,223)
	Accumulated depreciation - cost	0	50,131,726	57,900	50,131,726
	<b>Carrying values at 30 June:</b>	98,034,972	95,359,784	98,038,212	95,359,784
	Cost	158,946,436	125,103,123	159,007,576	125,103,123
	Accumulated depreciation - cost	(60,911,464)	(29,743,339)	(60,969,364)	(29,743,339)
10.12	<b>GRAND TOTAL</b>				
	<b>Carrying value at 1 July</b>	8,242,557,018	7,458,749,026	8,675,496,152	7,915,828,325
	Cost	11,420,842,428	10,326,869,134	11,922,241,943	10,812,868,078
	Accumulated Depreciation - cost	(3,178,285,410)	(2,868,120,108)	(3,246,745,791)	(2,897,039,753)
	<b>Acquisitions</b>	2,514,699,239	27,414,610	2,486,451,463	(2,280,429)
	Additions	2,275,035,070	370,088,368	2,285,042,244	385,488,937
	Capital under construction	718,349,475	208,739,914	718,349,475	208,739,914
	Transfer: Threshold assets - cost	0	8,800,897		
	Transfer: Threshold assets - depreciatyon	0	(1,630,537)		
	Depreciation - based on cost	(478,685,306)	(558,584,032)	(516,940,256)	(596,509,280)
	<b>Carrying value of purification/transfers/disposals</b>	(1,181,353,785)	756,393,382	(1,179,930,594)	754,777,894
	Cost	(1,192,037,690)	506,344,115	(1,189,497,384)	506,344,115
	Accumulated depreciation - cost	10,683,905	250,049,267	9,566,790	248,433,779
	<b>Carrying values at 30 June:</b>	9,575,902,472	8,242,557,018	9,982,017,021	8,675,496,152
	Cost	13,222,189,283	11,420,842,428	13,736,136,278	11,922,241,943
	Accumulated depreciation - cost	(3,646,286,811)	(3,178,285,410)	(3,754,119,257)	(3,246,745,791)
	<b>Refer to Appendix B (for analysis per class) and Appendix C (for segmental analysis)</b>				
	A process has been approved by Council for the purification of the globular assets to the individual assets. The Municipality is now in year 3 of a 3-year cycle to purify the data of the fixed asset register. All new assets acquired since 1 July 2004 are recognized and depreciated individually as per the requirements of GAMAP 17.				
	Note must be taken that no revaluation and/or impairment of assets can be undertaken until the purification process is finalised.				
	<b>The purification process entailed the following:</b>				
	• Compilation of policies and procedures, revision of asset class structure and modification of business processes to ensure compliance with GAMAP 17				
	• Analysis of capital ledger transactions to ensure correct recording thereof on the fixed asset register				
	• Complete verification and take-up of the physical assets with the assistance of the departments				
	• Purification of the fixed asset register by merging the two sets of data with the assistance of the departments				
10.13	<b>LEASED ASSETS</b>				
	<b>Carrying value at 1 July</b>	197,234,792	135,342,897	212,108,487	151,997,351
	Cost	267,593,177	164,174,783	285,232,242	183,291,200
	Accumulated depreciation - cost	(70,358,385)	(28,831,886)	(73,123,755)	(31,293,849)
	<b>Acquisitions</b>	54,079,719	61,891,895	53,277,944	61,398,224
	Additions	116,938,302	103,418,394	116,938,302	103,418,394
	Depreciation - based on cost	(62,858,583)	(41,526,499)	(63,660,358)	(42,020,170)

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>Carrying value of purification/transfers/disposals</b>	0	0	(308,104)	(1,287,087)
Cost	0	0	0	(1,477,352)
Accumulated depreciation - cost	0	0	(308,104)	190,265
<b>Carrying values at 30 June:</b>	251,314,511	197,234,792	265,078,327	212,108,489
Cost	384,531,479	267,593,177	402,170,544	285,232,244
Accumulated depreciation - cost	(133,216,968)	(70,358,385)	(137,092,217)	(73,123,755)
<b>Accounting for finance leases were only done from 2007/08, however the 2006/07 figures were restated.</b>				
<b>11 BIOLOGICAL ASSETS: LIVESTOCK</b>				
Carrying amount at the beginning of the year	11,014,558	10,458,980	11,014,558	10,458,980
Gain: changes in fair value due to physical changes and price changes	3,726,697	555,578	3,726,697	555,578
Carrying amount at the end of the financial year	<b>14,741,255</b>	<b>11,014,558</b>	<b>14,741,255</b>	<b>11,014,558</b>
<b>12 INVESTMENTS</b>				
<b>12.1 HELD-TO-MATURITY INVESTMENTS</b>				
<b>Unlisted:</b>				
Shares *	0	1,128,029	0	1,128,029
Municipal stock	3,033,002	6,056,959	3,033,002	6,056,959
* A contract is in place with a specific maturity date	3,033,002	7,184,988	3,033,002	7,184,988
<b>Financial instruments:</b>				
Fixed deposits	416,767,411	398,992,765	423,625,129	405,784,035
Assurance companies	5,752,656	5,106,155	5,752,656	5,106,155
	422,520,067	404,098,920	429,377,785	410,890,190
<b>Total Held-to-Maturity Investments</b>	<b>425,553,069</b>	<b>411,283,908</b>	<b>432,410,787</b>	<b>418,075,178</b>
<b>12.2 AVAILABLE-FOR-SALE INVESTMENTS</b>				
Short-term deposits and Call deposits	235,135,631	558,674,497	272,462,172	614,937,475
<b>TOTAL INVESTMENTS</b>	<b>660,688,700</b>	<b>969,958,405</b>	<b>704,872,959</b>	<b>1,033,012,653</b>
<b>Market value of listed investments, and management's valuation of unlisted investments:</b>				
Unlisted investments	660,688,700	969,958,405	704,872,959	1,033,012,653
No impairment occurred during the financial year				
Average rate of return on long-term investments : 14.10 % (2006/07 = 13,30 %)				
Average rate of return on short-term investments :10.43 % (2007/07 = 8,50 %)				
The Municipal Financial Management Act, 2003 (Act 56 of 2003) requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty interest rate to meet commitments.				
<b>13 LONG-TERM RECEIVABLES</b>				
Consumers: Arrangement debtors	202,597,529	220,595,717	202,597,529	220,595,717
Housing loans	59,092,140	67,613,043	59,092,140	67,613,043
Motor car loans	2,161,952	8,080,676	2,161,952	8,080,676
Loans to Sports Clubs	1,688,951	1,729,108	1,688,951	1,729,108
Computer loans	0	65	0	65
Study loans	13,930	15,546	13,930	15,546
Sale of land	65,779,894	69,882,327	65,779,894	69,882,327
Samrand Development (Pty) Ltd	0	18,152,564	0	18,152,564
Loan to Botselo Water: Sandspruit	0	0	0	1,506,051
	331,334,396	386,069,046	331,334,396	387,575,097
Less: Current portion transferred to current receivables	103,377,148	27,840,367	103,377,148	27,840,367
	<b>227,957,248</b>	<b>358,228,679</b>	<b>227,957,248</b>	<b>359,734,730</b>
Less: Provision for bad debt: Housing loans	38,194,441	36,202,047	38,194,441	36,202,047
<b>Total Long-term receivables</b>	<b>189,762,807</b>	<b>322,026,632</b>	<b>189,762,807</b>	<b>323,532,683</b>

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>RECONCILIATION OF BAD DEBT PROVISION</b>				
Balance at the beginning of the year	36,202,047	34,306,320	36,202,047	34,306,320
Contributions to provision	1,992,394	1,895,727	1,992,394	1,895,727
<b>Balance at the end of the year</b>	<b>38,194,441</b>	<b>36,202,047</b>	<b>38,194,441</b>	<b>36,202,047</b>
<b>CONSUMER: ARRANGEMENT DEBTORS</b>				
A policy exists granting consumer debtors an opportunity to make arrangements to pay off their arrear debt over a certain period.				
<b>HOUSING LOANS</b>				
Housing loans are granted to qualifying individuals in terms of the Provincial Administration's Housing Programme. These loans attract interest of 13,5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable.				
<b>MOTOR CAR LOANS</b>				
Senior staff were entitled to motor car loans which attract interest at 8,5 % per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in October 2009.				
<b>LOANS TO SPORT CLUBS</b>				
Sport Clubs that do qualify, sign a 99 year lease hold agreement with the Municipality at a nominal amount and are provided with financial assistance from the Municipality to build or improve a facility of which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.				
<b>COMPUTER LOANS</b>				
Staff were entitled to an interest free computer loan which was repayable over a period of 5 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in 2009.				
<b>STUDY LOANS</b>				
Employees were entitled to interest free study loans which were repayable over a period of one year after the completion of their studies. This practice has been terminated in terms of the MFMA. The last payment cannot be determined at present as some of the employees are still studying. Children of employees of the Municipality also qualified for study loans which attracted an interest rate applicable during the period of application as determined by the Municipality at the time of the application and the approval thereof. No more new study loans are issued by the Municipality.				
<b>SALE OF LAND DEBTORS</b>				
Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14 %) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 11 %. Interest is calculated monthly on the outstanding balance of the property.				
<b>SAMRAND DEVELOPMENT (PTY) LTD</b>				
This debtor refers to long outstanding consumer debt of Samrand. The negotiations were completed during 2007/08 and the necessary offsetting had been done and the assets brought into account.				
<b>LOAN TO BOTSELO WATER (SANDSPRUIT)</b>				
This loan is unsecured, interest free with no specific terms of repayment				
<b>14 INVENTORY</b>				
Stock represents consumable stock, raw materials, work in progress and finished goods.	196,287,554	140,829,697	212,603,847	184,623,282
Quarry	812,232	501,539	812,232	501,539
Coal (power stations)	16,287,079	22,031,408	16,287,079	22,031,408
Plants	55,127	99,379	55,127	99,379
Bulk water	3,160,425	2,482,172	3,160,425	2,482,172
<b>Net Inventory</b>	<b>216,602,417</b>	<b>165,944,195</b>	<b>232,918,710</b>	<b>209,737,780</b>

15	DESCRIPTION	MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
	<b>CONSUMER DEBTORS</b>				
	The City of Tshwane (parent) has a consolidated account billing system. The division of debtors per service category is done on a pro rata basis based on the levies. The provision for bad debt is therefore also not available per income group.				
	Service debtors:	3,510,213,512	3,146,540,369	3,712,763,228	3,293,028,331
	Rates	874,215,083	694,221,969	874,199,921	694,221,969
	Electricity	1,420,106,081	1,352,679,005	1,420,017,104	1,352,679,005
	Water	767,648,642	679,889,865	970,302,497	826,377,827
	Sewerage	190,015,285	169,777,929	190,015,285	169,777,929
	Refuse removal	258,228,421	249,971,601	258,228,421	249,971,601
	Less: Arrangement debtors	202,597,529	220,595,716	202,597,529	220,595,716
	Less: Provision for Bad debt	3,307,615,983	2,925,944,653	3,510,165,699	3,072,432,615
		914,443,852	881,557,955	1,108,845,887	1,025,420,794
	<b>Consumer debtors per balance sheet</b>	<b>2,393,172,131</b>	<b>2,044,386,698</b>	<b>2,401,319,812</b>	<b>2,047,011,821</b>
	Council approved an amount of R110 955 058 - inclusive of VAT to be written off for the parent, however only a total amount of R100 732 978 (2007: R86 736 741) was written off as bad debt by the parent municipality. This represents 0,99 % (2007: 1,01 %) of the total operating income for the year.				
	<b>Ageing: Total</b>				
	Current (0 - 30 days)	1,038,361,586	890,777,901	1,240,911,302	1,037,265,863
	31 - 60 days	197,017,183	191,055,500	197,017,183	191,055,500
	61 - 90 days	101,991,952	65,548,626	101,991,952	65,548,626
	91 + days	2,172,842,791	1,999,158,342	2,172,842,791	1,999,158,342
		<b>3,510,213,512</b>	<b>3,146,540,369</b>	<b>3,712,763,228</b>	<b>3,293,028,331</b>
	<b>Rates: Ageing</b>				
	Current (0 - 30 days)	331,763,142	226,797,015	331,747,980	226,797,015
	31 - 60 days	43,852,936	44,312,481	43,852,936	44,312,481
	61 - 90 days	30,332,616	23,153,018	30,332,616	23,153,018
	91 + days	468,266,389	399,959,455	468,266,389	399,959,455
		<b>874,215,083</b>	<b>694,221,969</b>	<b>874,199,921</b>	<b>694,221,969</b>
	<b>Electricity: Ageing</b>				
	Current (0 - 30 days)	378,056,908	405,700,048	377,967,931	405,700,048
	31 - 60 days	133,732,668	94,168,975	133,732,668	94,168,975
	61 - 90 days	32,478,155	17,724,793	32,478,155	17,724,793
	91 + days	875,838,350	835,085,189	875,838,350	835,085,189
		<b>1,420,106,081</b>	<b>1,352,679,005</b>	<b>1,420,017,104</b>	<b>1,352,679,005</b>
	<b>Water: Ageing</b>				
	Current (0 - 30 days)	169,801,796	168,963,447	372,455,651	315,451,409
	31 - 60 days	53,091,401	36,569,219	53,091,401	36,569,219
	61 - 90 days	20,609,103	16,514,682	20,609,103	16,514,682
	91 + days	524,146,342	457,842,517	524,146,342	457,842,517
		<b>767,648,642</b>	<b>679,889,865</b>	<b>970,302,497</b>	<b>826,377,827</b>
	<b>Sanitation: Ageing</b>				
	Current (0 - 30 days)	42,146,336	39,039,899	42,146,336	39,039,899
	31 - 60 days	12,606,297	7,949,450	12,606,297	7,949,450
	61 - 90 days	4,438,100	3,406,292	4,438,100	3,406,292
	91 + days	130,824,552	119,382,288	130,824,552	119,382,288
		<b>190,015,285</b>	<b>169,777,929</b>	<b>190,015,285</b>	<b>169,777,929</b>
	<b>Solid Waste: Ageing</b>				
	Current (0 - 30 days)	46,798,851	50,277,491	46,798,851	50,277,491
	31 - 60 days	10,505,708	8,055,375	10,505,708	8,055,375
	61 - 90 days	5,771,804	4,749,841	5,771,804	4,749,841
	91 + days	195,152,058	186,888,894	195,152,058	186,888,894
		<b>258,228,421</b>	<b>249,971,601</b>	<b>258,228,421</b>	<b>249,971,601</b>



DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>Summary of consumer debtors by customer classification:</b>				
Household	2,348,332,840	2,048,397,780	2,550,882,556	2,194,885,742
Industrial/Commercial	666,940,567	814,953,956	666,940,567	814,953,956
National and Provincial Government	49,142,989	72,370,428	49,142,989	72,370,428
Other	445,797,116	210,818,205	445,797,116	210,818,205
<b>Total consumer debtors by customer classification</b>	<b>3,510,213,512</b>	<b>3,146,540,369</b>	<b>3,712,763,228</b>	<b>3,293,028,331</b>
<b>RECONCILIATION OF BAD DEBT PROVISION</b>				
Balance at the beginning of the year	881,557,955	830,673,256	1,025,420,794	1,068,446,752
Contributions to provision	32,885,897	50,884,699	83,425,093	(43,025,958)
<b>Balance at the end of the year</b>	<b>914,443,852</b>	<b>881,557,955</b>	<b>1,108,845,887</b>	<b>1,025,420,794</b>
<b>16 OTHER DEBTORS</b>				
Housing debtors	12,687,578	9,961,181	31,267,285	21,499,010
Government subsidies	12,303,500	7,075,000	12,303,500	7,075,000
RSC levies debtor	200,675,211	236,729,088	200,675,211	236,729,088
Amounts paid in advance	0	50,826,104	4,169,752	54,415,928
Other Current debtors	257,117,885	231,044,616	275,294,722	245,905,087
	482,784,174	535,635,989	523,710,470	565,624,113
Less: Provision for Bad debt	246,003,159	100,967,058	260,915,197	109,137,273
<b>Total Other Debtors</b>	<b>236,781,015</b>	<b>434,668,931</b>	<b>262,795,273</b>	<b>456,486,840</b>
<b>RECONCILIATION OF BAD DEBT PROVISION</b>				
Balance at the beginning of the year	100,967,058	46,995,190	100,967,058	46,995,190
Contributions to provision	145,036,101	53,971,868	145,036,101	62,142,083
<b>Balance at the end of the year</b>	<b>246,003,159</b>	<b>100,967,058</b>	<b>246,003,159</b>	<b>109,137,273</b>
<b>17 CALL INVESTMENT DEPOSITS</b>				
Other deposits/call investments				
Other deposits of R425 306 911 (2007 = R411 283 908) are ring-fenced and attributable to the Capital replacement reserve of R307 157 479. Fixed deposits amounting to R568 644 654 (2007 = R634 478 486) have also been ring-fenced for the purposes of repaying long-term liabilities. <b>Refer to Note 31</b>				
	<b>568,644,654</b>	<b>634,478,486</b>	<b>605,971,195</b>	<b>690,741,464</b>
<b>18 BANK, CASH AND OVERDRAFT BALANCES</b>				
The Municipality (parent) has the following bank accounts:-				
<b>18.1 Current Account (Primary Bank account)</b>				
STANDARD - Primary (Account nr 41 080 1453)				
STANDARD - Cashier deposit (Account nr 41 080 1569)				
STANDARD - Wonderboom Airport (Account nr 41 080 1674)				
STANDARD - Collection (Account nr 41 080 1658)				
ABSA - Main (Account nr 4060 738 263)				
ABSA - SAP collection (Account nr 4061 025 439)				
ABSA - Old Main (Account nr 4053 381 912)				
ABSA - Pretoria Collection (Account nr 4053 381 857)				
ABSA - Centurion Collection (Account nr 4053 486 168)				
ABSA - Akasia Collection (Account nr 4053 388 003)				
ABSA - GPMC Collection (Account nr 4048 828 191)				

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
ABSA - Housing Collection (Account nr 4054 433 297)				
ABSA - Wonderboom Airport (Account nr 4059 414 365)				
FNB Main - Pretoria Branch (Account nr 5142 0107 207)				
FNB - Pretoria Collection (Account nr 5142 0108 130)				
FNB - Centurion Collection (Account nr 6202 7802 869)				
FNB - Akasia Collection (Account nr 6202 7803 023)				
FNB - Housing Collection (Account nr 5142 1127 486)				
FNB - SAP Collection (Account nr 6207 4177 786)				
FNB - Traffic Collection (Account nr 6206 7460 586)				
<b>ABSA</b>				
Cash book balance at the beginning of the year	15,413,275	(29,715,301)	15,413,275	(29,715,301)
Cash book balance at the end of the year	12,781,873	15,413,275	12,781,873	15,413,275
Bank statement balance at the beginning of the year	17,907,552	60,295,912	17,907,552	60,295,912
Bank statement balance at the end of the year	37,657,228	17,907,552	37,657,228	17,907,552
<b>FNB</b>				
Cash book balance at the beginning of the year	(2,374)	3,509,343	(2,374)	3,509,343
Cash book balance at the end of the year	8,630,642	(2,374)	8,630,642	(2,374)
Bank statement balance at the beginning of the year	10,499,069	3,517,003	10,499,069	3,517,003
Bank statement balance at the end of the year	9,594,524	10,499,069	9,594,524	10,499,069
<b>STANDARD (Opened 1 July 2006)</b>				
Cash book balance at the beginning of the year	(45,999,764)	0	(45,999,764)	0
Cash book balance at the end of the year - (overdrawn)	(106,407,370)	(45,999,764)	(106,407,370)	(45,999,764)
Bank statement balance at the beginning of the year	38,863,430	0	38,863,430	0
Bank statement balance at the end of the year	11,907,106	38,863,430	11,907,106	38,863,430
<b>18.2 Insurance Contingency (Opened 1 July 2005)</b>				
ABSA (Account nr: 4062593950)				
Cash book balance at the beginning of the year	41,285,499	7,972,921	41,285,499	7,972,921
Cash book balance at the end of the year	7,449,875	41,285,499	7,449,875	41,285,499
Bank statement balance at the beginning of the year	41,285,499	7,972,921	41,285,499	7,972,921
Bank statement balance at the end of the year	7,449,875	41,285,499	7,449,875	41,285,499
<b>18.3 Tshwane Market (Primary account)</b>				
First National Bank - Church Square Branch (Account nr: 51421161509)				
Cash book balance at the beginning of the year	12,408,157	7,073,890	12,408,157	7,073,890
Cash book balance at the end of the year	14,111,226	12,408,157	14,111,226	12,408,157
Bank statement balance at the beginning of the year	12,604,882	6,665,740	12,604,882	6,665,740
Bank statement balance at the end of the year	14,801,812	12,604,882	14,801,812	12,604,882
<b>18.4 Petty cash/cashiers floats</b>	<b>262,077</b>	<b>242,338</b>	<b>270,993</b>	<b>247,262</b>
<b>18.5 BANK ACCOUNTS: MUNICIPAL ENTITIES</b>				
<b>18.5.1 Roodeplaat/Temba Water Services Trust</b>				
<b>Absa - Current account (Account nr 4058159742)</b>				
Cash book balance at the beginning of the year			36,772,659	39,183,111
Cash book balance at the end of the year			27,932,978	36,772,659
Bank statement balance at the beginning of the year			36,772,659	39,183,111
Bank statement balance at the end of the year			27,932,978	36,772,659
<b>Absa - Deposit account - Roodeplaat (Account nr 4059250408)</b>				
Cash book balance at the beginning of the year			13,150,214	22,074,114
Cash book balance at the end of the year			0	13,150,214
Bank statement balance at the beginning of the year			13,150,214	22,074,114
Bank statement balance at the end of the year			0	13,150,214

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>Absa - Debt Service Reserve account (Account nr 4058337269)</b>				
Cash book balance at the beginning of the year			97,790,718	90,045,565
Cash book balance at the end of the year			108,720,424	97,790,718
Bank statement balance at the beginning of the year			97,790,718	90,045,565
Bank statement balance at the end of the year			108,720,424	97,790,718
<b>Absa - Deposit account - Temba (Account nr 405832325)</b>				
Cash book balance at the beginning of the year			5,624,184	30,685,615
Cash book balance at the end of the year			0	5,624,184
Bank statement balance at the beginning of the year			5,624,184	30,685,615
Bank statement balance at the end of the year			0	5,624,184
<b>Absa - Operating Reserve account (Account nr 4058337073)</b>				
Cash book balance at the beginning of the year			543,094	501,538
Cash book balance at the end of the year			603,053	543,094
Bank statement balance at the beginning of the year			543,094	500,338
Bank statement balance at the end of the year			603,053	543,094
<b>Absa - Capital Reserve account (Account nr 4058337358)</b>				
Cash book balance at the beginning of the year			10,841,875	10,000,341
Cash book balance at the end of the year			12,052,595	10,841,875
Bank statement balance at the beginning of the year			10,841,875	10,000,341
Bank statement balance at the end of the year			12,052,595	10,841,875
<b>18.5.2 Trade Point Pretoria</b>				
<b>Absa - Current account (Account nr 4054625800)</b>				
Cash book balance at the beginning of the year			112,278	112,278
Cash book balance at the end of the year			50,670	50,670
Bank statement balance at the beginning of the year			176,645	176,645
Bank statement balance at the end of the year			50,413	50,413
<b>18.5.3 Sandspruit Works Waste Water Treatment</b>				
<b>Absa - Current account (Account nr 4051139634)</b>				
Cash book balance at the beginning of the year			7,030,146	4,469,149
Cash book balance at the end of the year			482,713	7,030,146
Bank statement balance at the beginning of the year			6,985,969	4,517,902
Bank statement balance at the end of the year			482,713	6,985,969
<b>18.5.4 Sandspruit Works ODI Water</b>				
<b>Standard Bank - Current account (Account nr 032250738000)</b>				
Cash book balance at the beginning of the year			5,672,412	11,518,431
Cash book balance at the end of the year			9,771,497	5,672,412
Bank statement balance at the beginning of the year			0	12,958,687
Bank statement balance at the end of the year			10,205,841	0
<b>Standard Bank - Current account (Account nr 031906842000)</b>				
Cash book balance at the beginning of the year			44,588	105,948
Cash book balance at the end of the year			(271,149)	44,588
Bank statement balance at the beginning of the year			0	439,551
Bank statement balance at the end of the year			97,226	0
<b>Standard Bank - Call account (Account nr 738717959002)</b>				
Cash book balance at the beginning of the year			0	14,197
Cash book balance at the end of the year			0	0
Bank statement balance at the beginning of the year			0	14,197
Bank statement balance at the end of the year			0	0

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>Standard Bank - Call account (Account nr 738717959003)</b>				
Cash book balance at the beginning of the year			0	618,109
Cash book balance at the end of the year			0	0
Bank statement balance at the beginning of the year			0	618,109
Bank statement balance at the end of the year			0	0
<b>Standard Bank - Call account (Account nr 738717959001)</b>				
Cash book balance at the beginning of the year			5,923,714	4,236,574
Cash book balance at the end of the year			8,685,895	5,923,714
Bank statement balance at the beginning of the year			0	4,236,574
Bank statement balance at the end of the year			8,685,895	0
<b>18.5.5 Enterprise South Africa</b>				
<b>Absa - Current account (Account nr 4059489340)</b>				
Cash book balance at the beginning of the year			0	(5,843)
Cash book balance at the end of the year			0	(5,843)
Bank statement balance at the beginning of the year			0	8,740
Bank statement balance at the end of the year			0	8,740
<b>18.5.6 Civirelo Water</b>				
<b>Absa - Current account (Account nr 4052561692)</b>				
Cash book balance at the beginning of the year			4,252,125	4,117,177
Cash book balance at the end of the year			2,084,786	4,252,125
Bank statement balance at the beginning of the year			6,011,060	4,117,177
Bank statement balance at the end of the year			1,849,223	6,011,060
<b>18.5.7 Housing Company Tshwane</b>				
<b>Absa - Current account (Account nr 4057481879 and 4065722829)</b>				
Cash book balance at the beginning of the year			3,999,822	3,805,095
Cash book balance at the end of the year			849,007	3,999,822
Bank statement balance at the beginning of the year			3,709,294	3,742,286
Bank statement balance at the end of the year			787,871	3,709,294
<b>18.5.8 Tshwane Centre for Business Information and Support</b>				
<b>Absa - Current account (Account nr 4050437263)</b>				
Cash book balance at the beginning of the year			94,686	94,686
Cash book balance at the end of the year			55,914	55,914
Bank statement balance at the beginning of the year			71,884	71,884
Bank statement balance at the end of the year			53,375	53,375
<b>19 PROPERTY RATES</b>				
<b>Actual Income</b>	<b>2,181,017,691</b>	<b>1,719,224,465</b>	<b>2,180,952,393</b>	<b>1,719,158,593</b>
<b>Site Values as at 1 July:</b>				
Residential	12,252,913,893	14,495,588,615	12,252,913,893	14,495,588,615
Other	7,213,092,116	6,837,110,872	7,213,092,116	6,837,110,872
<b>Total property valuation *</b>	<b>19,466,006,009</b>	<b>21,332,699,487</b>	<b>19,466,006,009</b>	<b>21,332,699,487</b>
<b>* The decrease in the valuation since 2006/07 is due to the reconciliation between the VAL system and the SAP billing system which were started during 2006/07.</b>				
The last valuation came into effect on 1 July 2002. Rates are levied on the site valuations. A rebate is granted to owners of special dwellings. Persons of 60 years or older, and physically or mentally handicapped persons who can substantiate receipt of a social pension, and persons certified by the Medical Officer of Health as physically or mentally handicapped, can qualify for a rebate, subject to certain other conditions. The tariff applicable is 14,43c/Rand (2006/07 = 13,48c/Rand)				
<b>20 SERVICE CHARGES</b>				
Sale of electricity	3,034,977,097	2,664,517,715	3,033,671,453	2,664,157,955
Sale of water	1,232,886,383	1,036,700,846	1,320,258,384	1,107,789,579
Refuse removal	267,689,295	250,699,662	267,689,295	250,699,662
Sewerage and sanitation charges	303,405,995	249,566,964	303,405,995	249,566,964
<b>Total service charges</b>	<b>4,838,958,770</b>	<b>4,201,485,187</b>	<b>4,925,025,127</b>	<b>4,272,214,160</b>

DESCRIPTION		MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
<b>21</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>				
	Equitable share	1,101,416,093	1,002,649,865	1,101,416,093	1,002,649,865
	Housing: Municipality	0	0	0	692,552
	Magalies Water	0	0	0	8,040
	Sandpruit: Department Water Affairs & Forestry	0	0	2,273,220	0
	Provincial Health subsidies	22,669,000	21,498,600	22,669,000	21,498,600
	Provincial Ambulance subsidy	35,079,283	31,199,756	35,079,283	31,199,756
	National Safety grant	0	418,718	0	418,718
	Provincial motor vehicle licences refund	66,191,344	58,252,483	66,191,344	58,252,483
	Capex: grants & donations	467,680,281	317,833,940	467,680,281	317,833,940
	Opex: grants & donations	24,371,883	3,471,779	24,371,883	3,471,779
	Finance Management grant	698,715	2,117,862	698,715	2,117,862
	Restructuring grant	52,227,861	48,371,166	52,227,861	48,371,166
	Municipal Systems Infrastructure grant	2,501,600	2,000,000	2,501,600	2,000,000
	DWAF Grant (parent)	18,789,823	14,264,950	18,789,823	14,264,950
	Topstructure grants	125,601,978	39,014,522	125,601,978	39,014,522
	RTWST grant	0	25,000,000	0	0
	<b>Total Government grants and subsidies</b>	<b>1,917,227,861</b>	<b>1,566,093,641</b>	<b>1,919,501,081</b>	<b>1,541,794,233</b>
<b>21.1</b>	<b>EQUITABLE SHARE</b>				
	In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from this grant.				
	<b>Total amount of equitable share received</b>	1,101,416,093	1,002,649,865	1,101,416,093	1,002,649,865
	<b>Monthly grant received by all registered indigents</b>	148	168	148	168
<b>21.2</b>	<b>PROVINCIAL HEALTH SUBSIDIES</b>				
	Balance unspent at beginning of year	0	0	0	0
	Current year receipts - included in public health vote	22,669,000	21,498,600	22,669,000	21,498,600
	Conditions met - transferred to revenue	(22,669,000)	(21,498,600)	(22,669,000)	(21,498,600)
	<b>Conditions still to be met - transferred to liabilities (see note 8)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	The Municipality renders health services on behalf of the Provincial Government. This subsidy has been used exclusively to fund clinic services (included in the Social Development vote in Appendix D). The conditions of the subsidy have been met. There was no delay or withholding of the subsidy.				
	<b>Percentage of expenditure incurred refunded = 14.94 %</b>				
<b>21.3</b>	<b>PROVINCIAL AMBULANCE SUBSIDY</b>				
	Balance unspent at beginning of year	0	0	0	0
	Current year receipts - included in emergency medical services vote	35,079,283	31,199,756	35,079,283	31,199,756
	Conditions met - transferred to revenue	(35,079,283)	(31,199,756)	(35,079,283)	(31,199,756)
	<b>Conditions still to be met - transferred to liabilities (see note 8)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	The Municipality renders ambulance services on behalf of the provincial government and is reimbursed. This subsidy 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. There was no delay or withholding of the subsidy.				
	<b>Percentage of expenditure incurred refunded = 64.08 %</b>				
<b>21.4</b>	<b>MIG</b>				
	Balance unspent at beginning of year	19,794,905	0	19,794,905	0
	Current year receipts	236,438,749	205,944,000	236,438,749	205,944,000
	Conditions met - transferred to revenue	(220,341,029)	(186,149,095)	(220,341,029)	(186,149,095)
	<b>Conditions still to be met - transferred to liabilities (see note 8)</b>	<b>35,892,625</b>	<b>19,794,905</b>	<b>35,892,625</b>	<b>19,794,905</b>
	This grant is used to construct roads and sewerage infrastructure as part of the capital expenditure (included in the roads and sewerage votes in Appendix B). No funds have been withheld.				

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>21.5 FINANCE MANAGEMENT GRANT</b>				
Balance unspent at beginning of year	1,503,403	3,121,266	1,503,403	3,121,266
Current year receipts	500,000	500,000	500,000	500,000
Conditions met - transferred to revenue	(698,716)	(2,117,863)	(698,716)	(2,117,863)
<b>Conditions still to be met - transferred to liabilities (see note 8)</b>	<b>1,304,687</b>	<b>1,503,403</b>	<b>1,304,687</b>	<b>1,503,403</b>
This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Financial Management and Budget Reforms, as part of the National Reform program. No funds have been withheld.				
<b>21.6 MUNICIPAL SYSTEM IMPROVEMENT GRANT</b>				
Balance unspent at beginning of year	3,000,000	5,000,000	3,000,000	5,000,000
Current year receipts	0	0	0	0
Conditions met - transferred to revenue	(2,501,600)	(2,000,000)	(2,501,600)	(2,000,000)
<b>Conditions still to be met - transferred to liabilities (see note 8)</b>	<b>498,400</b>	<b>3,000,000</b>	<b>498,400</b>	<b>3,000,000</b>
This grant is used to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000. No funds have been withheld.				
<b>21.7 RESTRUCTURING GRANT</b>				
Balance unspent at beginning of year	78,921,695	102,292,860	78,921,695	102,292,860
Current year receipts	150,000,000	25,000,000	150,000,000	25,000,000
Conditions met - transferred to revenue	(142,135,589)	(48,371,165)	(142,135,589)	(48,371,165)
<b>Conditions still to be met - transferred to liabilities (see note 8)</b>	<b>86,786,106</b>	<b>78,921,695</b>	<b>86,786,106</b>	<b>78,921,695</b>
This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Institutional, Financial and Economic restructuring in line with the City Development Strategy, which is aligned to the National Government's Development Strategy. No funds were withheld.				
<b>21.8 DEPARTMENT OF WATER AFFAIRS AND FORESTRY</b>				
Balance unspent at beginning of year	22,391,328	13,990,911	22,391,328	13,990,911
Current year receipts	21,092,500	22,399,000	21,092,500	23,091,552
Conditions met - transferred to revenue	(43,483,828)	(13,998,583)	(43,483,828)	(14,691,135)
<b>Conditions still to be met - transferred to liabilities (see note 8)</b>	<b>0</b>	<b>22,391,328</b>	<b>0</b>	<b>22,391,328</b>
This grant was received for the supply of water services for community upliftment.				
<b>21.9 CITY OF TSHWANE METROPOLITAN MUNICIPALITY (HOUSING COMPANY)</b>				
Balance unspent at beginning of year			0	0
Current year receipts			117,439	156,444
Conditions met - transferred to revenue			(117,439)	(156,444)
<b>Conditions still to be met - transferred to liabilities (see note 8)</b>			<b>0</b>	<b>0</b>
This grant was received for the administration and operation of the Housing Company Tshwane.				
<b>21.10 MAGALIES WATER</b>				
Balance unspent at beginning of year			0	0
Current year receipts			0	8,040
Conditions met - transferred to revenue			0	(8,040)
<b>Conditions still to be met - transferred to liabilities (see note 8)</b>			<b>0</b>	<b>0</b>
This grant was received for the installation of water for communal benefit.				
<b>21.11 SANDSPRUIT: DEPARTMENT OF WATER AFFAIRS AND FORESTRY</b>				
Balance unspent at beginning of year			0	0
Current year receipts			2,273,220	15,921,068
Conditions met - transferred to revenue			(2,273,220)	(15,921,068)
<b>Conditions still to be met - transferred to liabilities (see note 8)</b>			<b>0</b>	<b>0</b>
This grant was received for the refurbishment at Klipgat and Temba Waste Water Treatment plants.				
<b>21.12 CHANGES IN LEVELS OF GOVERNMENT GRANTS</b>				
Based on the allocations set out in the Division of Revenue Act (Act 1 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.				



DESCRIPTION		MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
<b>22</b>	<b>OTHER INCOME</b>				
	Drain cleaning fees	1,211,910	1,211,073	1,211,910	1,211,073
	Reconnections fees	64,805,089	62,458,097	64,805,089	62,458,097
	Sewerage fees: Industrial effluent	19,763,957	19,071,458	19,763,957	19,071,458
	Interest on property sales	5,107,253	3,534,827	5,107,253	3,534,827
	Reminder fees	9,400,900	12,816,235	9,400,900	12,816,235
	Ambulance fees	5,594,646	3,048,946	5,594,646	3,048,946
	Airside income	3,154,100	2,405,526	3,154,100	2,405,526
	Connection fees: Urban areas	8,164,438	7,136,538	8,164,438	7,136,538
	Cemetery fees	5,016,915	3,662,486	5,016,915	3,662,486
	Fees for relaxation of building line	1,641,185	2,249,467	1,641,185	2,249,467
	Building plan fees	34,139,148	37,801,683	34,139,148	37,801,683
	Library fines	1,051,969	1,091,704	1,051,969	1,091,704
	Restaurant sales	1,164,367	1,590,920	1,164,367	1,590,920
	Sundry fees	4,517,334	4,492,746	4,517,334	4,492,746
	Sundry services	12,659,014	18,518,735	12,659,014	18,518,735
	Income from grave services	4,266,198	3,861,237	4,266,198	3,861,237
	Application fees	3,927,229	3,967,200	3,927,229	3,967,200
	Connection fees	16,220,728	22,789,593	16,220,728	22,789,593
	Approval fees: advertisements	24,761,792	18,071,202	24,761,792	18,071,202
	Discount on prompt payments	14,195,991	18,986,536	14,195,991	18,986,536
	Market fees	70,793,414	58,483,778	70,793,414	58,483,778
	Lodging fees	1,145,624	1,289,166	1,145,624	1,289,166
	Parking fees: vehicles	2,914,839	2,666,683	2,914,839	2,666,683
	Training fees recovered	7,622,163	8,927,123	7,622,163	8,927,123
	Dumping fees	13,995,089	13,155,331	13,995,089	13,155,331
	Income from bulk containers	24,007,366	26,939,459	24,007,366	26,939,459
	Sale of livestock	2,891	15,888	2,891	15,888
	Sale of stone	6,685,746	3,474,334	6,685,746	3,474,334
	Sale unusable stock	3,953,857	4,656,164	3,953,857	4,656,164
	Sales: Aeroplane fuel	29,155,543	16,402,250	29,155,543	16,402,250
	Transport fees	45,956,506	44,180,382	45,956,506	44,180,382
	Capital income recovered insurance claims	2,347,901	475,510	2,347,901	475,510
	Claims recovered compensation commissioner	13,553,858	12,606,126	13,553,858	12,606,126
	Bad debt recovered	23,248,755	22,625	23,248,755	22,625
	Land sales	3,135,084	43,869,372	3,135,084	43,869,372
	Miscellaneous	53,535,300	24,901,152	202,219,395	119,972,699
	<b>Total other income</b>	<b>542,818,099</b>	<b>510,831,552</b>	<b>691,502,194</b>	<b>605,903,099</b>
<b>23</b>	<b>EMPLOYEE RELATED COSTS</b>				
	Salaries and wages	1,672,674,723	1,498,980,113	1,717,065,536	1,532,722,901
	Contributions to UIF, pensions and medical aids	495,024,195	515,389,693	495,024,195	515,389,693
	Overtime payments	148,420,027	120,883,844	148,420,027	120,883,844
	Long-service awards	7,773,287	7,671,604	7,773,287	7,671,604
	Travel allowance	178,255,582	170,357,918	178,255,582	170,357,918
	Housing benefits and allowance	24,863,274	19,697,494	24,863,274	19,697,494
	Performance bonus	424,329	382,814	424,329	382,814
	Other allowances	93,567,426	78,640,892	93,567,426	78,640,892
	<b>Total employee related cost</b>	<b>2,621,002,843</b>	<b>2,412,004,372</b>	<b>2,665,393,656</b>	<b>2,445,747,160</b>

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>REMUNERATION OF THE MUNICIPAL MANAGER</b> (During 2006/07 the Muniipal Manager of the parent was only in office for 6 months)				
Annual remuneration	891,165	381,162	891,165	381,162
Performance bonuses	0	65,106	0	65,106
Car allowance	128,400	120,000	128,400	120,000
Medical and pension fund contributions	0	13,860	0	13,860
<b>Total</b>	<b>1,019,565</b>	<b>580,128</b>	<b>1,019,565</b>	<b>580,128</b>
<b>REMUNERATION OF THE CHIEF FINANCIAL OFFICER</b> (The CFO of the parent was only appointed on 15 November 2006 at a lower salary package)				
Annual remuneration	681,561	476,456	681,561	476,456
Performance bonuses	0	0	0	0
Car allowance	132,000	88,000	132,000	88,000
Medical and pension fund contributions	20,316	13,544	20,316	13,544
<b>Total</b>	<b>833,877</b>	<b>578,000</b>	<b>833,877</b>	<b>578,000</b>
<b>REMUNERATION OF STRATEGIC EXECUTIVE DIRECTORS</b>				
<b>Annual remuneration:</b>				
Technical services	775,056	765,564	775,056	765,564
Corporate services	2,610,872	3,395,889	2,610,872	3,395,889
Community servies	2,255,382	3,625,428	2,255,382	3,625,428
<b>Performance bonuses:</b>				
Technical services	0	0	0	0
Corporate services	0	69,594	0	69,594
Community servies	0	570,283	0	570,283
<b>Car allowance:</b>				
Technical services	90,000	90,000	90,000	90,000
Corporate services	484,000	549,146	484,000	549,146
Community servies	253,914	506,712	253,914	506,712
<b>Medical and pension fund contributions:</b>				
Technical services	0	0	0	0
Corporate services	20,316	35,160	20,316	35,160
Community servies	38,272	158,664	38,272	158,664
	<b>6,527,812</b>	<b>9,766,440</b>	<b>6,527,812</b>	<b>9,766,440</b>
<b>Total:</b>				
Technical services	865,056	855,564	865,056	855,564
Corporate services	3,115,188	4,049,789	3,115,188	4,049,789
Community servies	2,547,568	4,861,087	2,547,568	4,861,087
<b>Total remuneration of strategic executive directors</b>	<b>6,527,812</b>	<b>9,766,440</b>	<b>6,527,812</b>	<b>9,766,440</b>
<b>24 REMUNERATION OF COUNCILLORS</b>				
Mayor's allowance	370,044	294,068	370,044	294,068
Councillor's allowances	27,806,355	30,160,657	27,806,355	30,160,657
Councillor's pension contributions	2,931,804	3,219,512	2,931,804	3,219,512
Travelling allowance	10,633,608	11,532,641	10,633,608	11,532,641
Councillor's medical contributions	810,628	739,170	810,628	739,170
Councillor's housing allowances	1,648,920	0	1,648,920	0
<b>Total remuneration of councillors</b>	<b>44,201,359</b>	<b>45,946,048</b>	<b>44,201,359</b>	<b>45,946,048</b>
<b>In-kind Benefits</b>				
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality. According to the organisational structure of the parent the Sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers.				

DESCRIPTION		MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
<b>25</b>	<b>INTEREST PAID</b>				
	Long-term liabilities	329,835,287	313,550,043	399,560,180	387,188,062
	Leases	29,523,804	37,082,547	29,523,804	37,082,547
	Bank overdrafts	2,790,579	586,263	2,797,966	586,296
	<b>Total Interest on External Borrowings</b>	<b>362,149,670</b>	<b>351,218,853</b>	<b>431,881,950</b>	<b>424,856,905</b>
<b>26</b>	<b>BULK PURCHASES</b>				
	Electricity	1,540,732,190	1,460,232,898	1,541,157,374	1,460,729,587
	Water	666,086,020	670,746,363	673,036,319	676,103,249
	<b>Total Bulk Purchases</b>	<b>2,206,818,210</b>	<b>2,130,979,261</b>	<b>2,214,193,693</b>	<b>2,136,832,836</b>
<b>27</b>	<b>GRANTS AND SUBSIDIES PAID</b>				
	Grants-in-aid	1,094,524	1,066,397	1,094,524	1,066,397
	Grants-in-aid: Assessment rates	10,490,155	7,325,860	10,490,155	7,325,860
	<b>Total Grants and Subsidies Paid</b>	<b>11,584,679</b>	<b>8,392,257</b>	<b>11,584,679</b>	<b>8,392,257</b>
	The grant in aid is in respect of the funding of Non Governmental Organisations involved in empowerment programmes for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.				
	The Municipality has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in Section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the Municipality in writing, for such grant-in-aid.				
<b>28</b>	<b>GENERAL EXPENSES</b>				
	Included in General expenses are the following amounts above R40 million				
	Project Linked Housing: Top structures	125,601,978	134,903,365	125,601,978	134,903,365
	Rental of property, plant and equipment	158,269,883	106,333,883	158,269,883	106,333,883
	Household refuse removal	51,225,642	96,024,704	51,225,642	96,024,704
	Electricity disconnections	41,664,038	33,928,641	41,664,038	33,928,641
	Service providers	74,036,441	76,976,217	74,036,441	76,976,217
	Insurance premiums and excesses	50,992,065	65,634,075	50,992,065	65,634,075
	Tellecommunication	67,798,767	60,019,644	67,798,767	60,019,644
	Private sector labour	89,007,286	58,427,175	89,007,286	58,427,175
	Special projects	57,324,522	53,149,572	57,324,522	53,149,572
	Restructuring/Transformation	53,088,532	48,371,166	53,088,532	48,371,166
	Rental of property	70,359,518	47,980,620	70,359,518	47,980,620
	Watchmen services	80,157,450	45,734,451	80,157,450	45,734,451
	Implementation: OITPS	43,965,459	42,983,067	43,965,459	42,983,067
	Other	1,240,862,309	860,325,714	1,351,654,085	954,499,485
	<b>Total general expenses</b>	<b>2,204,353,890</b>	<b>1,730,792,294</b>	<b>2,315,145,666</b>	<b>1,824,966,065</b>
<b>29</b>	<b>CASH GENERATED BY OPERATIONS</b>				
	Net surplus for the year	857,443,191	312,924,499	813,826,739	243,140,254
	<b>Adjustment for:-</b>				
	Prior year adjustments	0	(22,976,036)	3,776,564	(22,976,036)
	Prior year adjustments: Property Plant and equipment	0	0	(2,540,304)	0
	Depreciation	542,316,164	628,929,878	581,372,889	668,719,807
	Depreciation corrections	0	0	1,425,219	0
	Gain on disposal of property, plant and equipment	(4,936,900)	(20,915,400)	(4,936,900)	(20,915,400)
	Contribution to Provision for rehabilitation of quarries	18,061,984	0	18,061,984	0
	Contribution to Provision for rehabilitation landfill sites	63,360,000	0	63,360,000	0
	Contribution to Provision for Clearing up Alien Vegetation	526,317	6,292,554	526,317	6,292,554
	Expenditure: Provision for Clearing up Alien Vegetation	0	(3,898,629)	0	(3,898,629)
	Contribution to bad debt provision	179,914,390	106,752,294	237,195,407	20,894,086
	Transfer to reserves			0	101,059

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
Liquidation of municipal entity		0	0	825,151
Investment income	(135,554,608)	(134,186,955)	(158,014,824)	(154,277,171)
Interest paid	362,149,670	351,218,853	431,881,950	424,856,905
<b>Operating surplus before working capital changes:</b>	<b>1,883,280,208</b>	<b>1,224,141,058</b>	<b>1,985,935,041</b>	<b>1,162,762,580</b>
Decrease/(Increase) in inventories	(50,658,221)	(57,478,614)	(23,180,928)	(84,990,324)
(Increase)/decrease in debtors	(381,671,331)	(109,337,219)	(437,733,084)	(4,419,700)
(Increase)/decrease in other debtors	52,851,814	(15,144,431)	41,913,643	43,912,168
(Decrease)/increase in conditional grants and receipts	123,901,202	34,491,069	128,184,154	34,491,069
Increase/(Decrease) in provisions	0	0	(1,536,192)	(2,141,063)
Increase/(decrease) in creditors	(79,984,608)	162,644,178	(134,258,233)	163,576,123
Increase/ (Decrease) in VAT	46,166,365	(108,567,906)	52,450,080	(128,542,405)
<b>Cash generated from operations</b>	<b>1,593,885,429</b>	<b>1,130,748,135</b>	<b>1,611,774,481</b>	<b>1,184,648,448</b>
<b>30 CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position				
Bank balances and cash	43,235,693	69,349,269	214,262,992	261,100,667
Call investment deposits	235,135,631	558,674,497	272,462,172	614,937,475
Bank overdraft	(106,407,370)	(46,002,138)	(106,407,370)	(45,996,478)
<b>Total cash and cash equivalents</b>	<b>171,963,954</b>	<b>582,021,628</b>	<b>380,317,794</b>	<b>830,041,664</b>
<b>31 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>				
Long-term liabilities (see Note 2)	2,878,344,490	2,834,595,467	2,878,344,490	2,834,595,467
Used to finance property, plant & equipment - at cost	3,474,287,272	2,717,572,357	3,474,287,272	2,717,572,357
Sub Total	(595,942,782)	117,023,110	(595,942,782)	117,023,110
Cash set aside for the repayment of long-term liabilities	568,644,654	634,478,486	568,644,654	634,478,486
<b>Cash invested for repayment of long-term liabilities (see Note 17)</b>	<b>(1,164,587,436)</b>	<b>(517,455,376)</b>	<b>(1,164,587,436)</b>	<b>(517,455,376)</b>
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.				
Included in the amount used to finance PPE (R3 501 258 960) is temporary advances (R761 199 084) which were temporarily financed out of revenue in expectation of the receipt of external loans over the year end.				
<b>32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>32.1 Contributions to organized local government</b>				
Opening balance	78,729	69,522	78,729	69,522
Council subscriptions	1,006,419	935,819	1,006,419	935,819
Amount paid - current year	(1,006,419)	(857,090)	(1,006,419)	(857,090)
Amount paid - previous years	(78,729)	(69,522)	(78,729)	(69,522)
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>78,729</b>	<b>0</b>	<b>78,729</b>
<b>32.2 Audit fees</b>				
Opening balance	1,811,162	0	1,886,162	(14,053)
Current year audit fee	8,381,197	8,692,761	8,693,672	7,753,195
Amount paid - current year	(6,518,057)	(6,881,599)	(6,830,532)	(5,942,033)
Amount paid - previous years	(1,811,162)	0	(1,886,162)	14,053
<b>Balance unpaid (included in creditors)</b>	<b>1,863,140</b>	<b>1,811,162</b>	<b>1,863,140</b>	<b>1,811,162</b>
The balance is with regard to the previous financial year and was paid in the next financial year.				
<b>32.3 VAT</b>				
VAT inputs receivables and VAT outputs receivables are shown in note 9				
All VAT returns have been submitted by the due date throughout the financial year.				

DESCRIPTION		MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
32.4	<b>PAYE and UIF</b>				
	Opening balance	28,010,798	25,601,727	28,012,016	25,601,727
	Current year payroll deductions	355,353,962	330,757,910	360,353,795	353,550,300
	Amount paid - current year	(325,358,372)	(302,747,115)	(330,195,695)	(325,538,287)
	Amount paid - previous years	(28,010,795)	(25,601,727)	(28,012,013)	(25,601,727)
	<b>Balance unpaid (included in creditors)</b>	<b>29,995,593</b>	<b>28,010,795</b>	<b>30,158,103</b>	<b>28,012,013</b>
32.5	<b>Pension and Medical aid deductions</b>				
	Opening balance	0	0	0	0
	Current year payroll deductions and council contributions	698,773,018	646,873,547	698,773,018	646,873,547
	Amount paid - current year	(698,773,018)	(646,873,547)	(698,773,018)	(646,873,547)
	Amount paid - previous years	0	0	0	0
	<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
32.6	<b>Councillor's arrear consumer accounts</b>				
	<b>AMOUNTS OUTSTANDING FOR MORE THAN 90 DAYS:</b>				
	Aucamp M G W	0	6,872	0	6,872
	Blaauw M P	0	8,585	0	8,585
	Buthelezi M M	59,636	48,779	59,636	48,779
	Dzumba K Y	11,466	12,741	11,466	12,741
	Dichabe M M	112	0	112	0
	Dlamini S S	274	0	274	0
	Hoseka N P	2,882	0	2,882	0
	Huma S E	1,546	0	1,546	0
	Kekana K C	0	848	0	848
	Kgashane S	0	27,159	0	27,159
	Kwenda L H	0	179	0	179
	Ledwaba D C	5,278	3,694	5,278	3,694
	Lehobye M J	315	0	315	0
	Linde E	921	0	921	0
	Majeng M J	288	0	288	0
	Maluleka E M & H W	1,295	0	1,295	0
	Makola M A	0	11,325	0	11,325
	Moagi C M	0	1,527	0	1,527
	Moagi T S	1,772	0	1,772	0
	Modumaela B E	4,342	0	4,342	0
	Mogaladi M J	103	214	103	214
	Morudi M S	21,936	4,754	21,936	4,754
	Mthetwa D	0	4,724	0	4,724
	Naid A T	0	304	0	304
	Naiker S S	1,144	0	1,144	0
	Ndoko E N	0	506	0	506
	Nkwashu C S	1,754	0	1,754	0
	Nkwashu M S	0	332	0	332
	Ramokgopa K D	0	5,786	0	5,786
	Segabutla L O	112	684	112	684
	Seoketsa G	0	27,750	0	27,750
	<b>Total</b>	<b>115,176</b>	<b>166,763</b>	<b>115,176</b>	<b>166,763</b>
	<b>COUNCILLORS WITH PAYOFF ARRANGEMENTS:</b>				
	Campbell A W	0	1,426	0	1,426
	Dzumba K Y	0	1,566	0	1,566
	Feldman J D	0	23,678	0	23,678
	Huma S E	0	5,727	0	5,727
	Kutumela Jan	0	5,293	0	5,293

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
Kutumela M J	0	2,141	0	2,141
Lepati M A	9,276	0	9,276	0
Mamabolo C S	5,596	6,714	5,596	6,714
Mokgalapa S & B P	2,729	0	2,729	0
Matjokane N Y	0	57,198	0	57,198
Morudi M S	0	9,470	0	9,470
Mthetwa D	10,000	3,728	10,000	3,728
Rambau T V	4,900	3,605	4,900	3,605
Ramokgopa G M	0	832	0	832
Segabutla L O	0	520	0	520
Seoketsa G	30,914	0	30,914	0
Swarts A P	2,575	1,664	2,575	1,664
Theron D P	0	5,260	0	5,260
Thipe S S	0	3,037	0	3,037
Thobejane P T M	0	2,457	0	2,457
Thipe J	2,312	0	2,312	0
<b>Total</b>	<b>68,302</b>	<b>134,316</b>	<b>68,302</b>	<b>134,316</b>
<b>TOTAL AMOUNT OUTSTANDING:</b>				
Aucamp M G W	0	6,872	0	6,872
Blaauw M P	0	8,585	0	8,585
Buthlezi M M	59,636	48,779	59,636	48,779
Campbell A W	0	1,426	0	1,426
Dlamini S S	274	0	274	0
Dichabe M M	112	0	112	0
Dzumba K Y	11,466	14,307	11,466	14,307
Feldman J D	0	23,678	0	23,678
Hoseka N P	2,882	0	2,882	0
Huma S E	1,546	5,727	1,546	5,727
Kekana K C	0	848	0	848
Kgashane S	0	27,159	0	27,159
Kutumela Jan	0	5,293	0	5,293
Kutumela M J	0	2,141	0	2,141
Kwenda L H	0	179	0	179
Ledwaba D C	5,278	3,694	5,278	3,694
Lehobye M J	315	0	315	0
Lepati M A	9,276	0	9,276	0
Linde E	921	0	921	0
Majeng M J	288	0	288	0
Maluleka E M & H W	1,295	0	1,295	0
Makola M A	0	11,325	0	11,325
Moagi C M	0	1,527	0	1,527
Moagi T S	1,772	0	1,772	0
Modumaela B E	4,342	0	4,342	0
Mogaladi M J	103	214	103	214
Morudi M S	21,936	14,224	21,936	14,224
Mamabolo C S	5,596	6,714	5,596	6,714
Matjokana N Y	0	57,198	0	57,198
Mokgalapa S & B P	2,729	0	2,729	0
Mthetwa D	10,000	8,452	10,000	8,452
Naid AT	0	304	0	304
Naiker S S	1,144	0	1,144	0
Ndoko E N	0	505	0	505



DESCRIPTION		MUNICIPALITY		GROUP	
		2008 R	2007 R	2008 R	2007 R
	Nkwashu C S	1,754	0	1,754	0
	Nkwashu M S	0	332	0	332
	Rambau T V	4,900	3,605	4,900	3,605
	Ramokgopa G M	0	832	0	832
	Ramokgopa K D	112	5,786	112	5,786
	Segabutla L O	0	1,204	0	1,204
	Seoketsa G	30,914	27,750	30,914	27,750
	Swarts A P	2,575	1,664	2,575	1,664
	Theron D P	0	5,260	0	5,260
	Thipe S S	0	3,037	0	3,037
	Thipe J	2,312	0	2,312	0
	Thobejane P T M	0	2,457	0	2,457
	<b>Total arrear consumer accounts</b>	<b>183,478</b>	<b>301,078</b>	<b>183,478</b>	<b>301,078</b>
	Information regarding arrear accounts for more than 90 days of Councillors during the financial year is not available.				
<b>33</b>	<b>CAPITAL COMMITMENTS</b>				
	Commitments in respect of capital expenditure (budgeted amounts next financial year):				
	- Approved and contracted for	2,489,482,188	1,940,572,750	2,489,482,188	1,940,572,750
	Infrastructure	2,015,657,358	1,489,453,000	2,015,657,358	1,489,453,000
	Community	253,603,000	95,012,000	253,603,000	95,012,000
	Other	147,150,000	124,847,750	147,150,000	124,847,750
	Housing	73,071,830	231,260,000	73,071,830	231,260,000
	- Approved but not contracted for	672,282,990	375,267,250	672,282,990	375,267,250
	Infrastructure	454,306,800	321,887,250	454,306,800	321,887,250
	Community	22,045,400	30,900,000	22,045,400	30,900,000
	Other	175,930,790	7,480,000	175,930,790	7,480,000
	Investment property	0	2,000,000	0	2,000,000
	Housing	20,000,000	13,000,000	20,000,000	13,000,000
		<b>3,161,765,178</b>	<b>2,315,840,000</b>	<b>3,161,765,178</b>	<b>2,315,840,000</b>
	<b>This expenditure will be financed from:</b>				
	- Council Own Funding (External loans and/or Capital replacement reserve)	2,138,968,400	1,516,940,000	2,138,968,400	1,516,940,000
	- Capital replacement reserve	61,315,790	0		
	- Provincial grants	26,070,000	223,610,000	26,070,000	223,610,000
	- Government Housing	84,321,988	303,782,000	84,321,988	303,782,000
	- PTIS	501,654,000	0		
	- MIG	288,935,000	234,108,000	288,935,000	234,108,000
	- National Electrification Fund	60,500,000	37,400,000	60,500,000	37,400,000
		<b>3,161,765,178</b>	<b>2,315,840,000</b>	<b>2,598,795,388</b>	<b>2,315,840,000</b>
<b>34</b>	<b>RETIREMENT BENEFIT INFORMATION</b>				
<b>34.1</b>	<b>PENSION FUNDS</b>				
	Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.				
	<b>DEFINED CONTRIBUTION PLANS (AS CLASSIFIED BY THE RELEVANT FUND):</b>				
<b>34.1.1</b>	Tshwane Municipal Provident Fund, which is a defined contribution plan and subject to the Pension Funds Act of 1956. The fund is not required to be actuarially valued. No benefits can be unfunded and the Municipality therefore has no commitment in this regard. 2 276 (18,83 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	87,684,898	78,931,464	87,684,898	78,931,464

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
34.1.2 The Councillors of the City of Tshwane Metropolitan Municipality are members of the Pension Fund for Municipal Councillors which is a defined contribution fund and governed by the Pension Funds Act of 1956. The fund was established in 1988. The actuarial valuation carried out on 30 June 2006 reported the fund to be in a sound financial position. 109 (0,952 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	5,531,174	6,114,079	5,351,174	6,114,079
34.1.3 The National Fund for Municipal Workers is a defined contribution plan and there is no statutory requirements to do an actuarial valuation. The Municipality has no commitment to finance any deficit. The latest voluntary actuarial valuation as at 30 June 2005 reported the fund to be in a sound financial position. 3 112 (27,12 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	143,286,240	134,875,445	143,286,240	134,875,445
34.1.4 SALA Provident Fund is a defined contribution plan. An actuarial valuation is carried out every 3 years. The Municipality has no commitment to finance any deficit. The actuarial valuation performed on 30 June 2004 reported the fund to be financially sound. 94 (0,82 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	990,670	941,353	990,670	941,353
34.1.5 SAMWU National Provident Fund is a defined contribution fund. The fund is subject to actuarial valuation. The fund is not underwritten. The actuarial valuation performed on 30 June 2006 reported the fund to be in a sound financial position. 958 (8,35 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	24,682,623	22,739,165	24,682,623	22,739,165
34.1.6 The Germiston Municipal Retirement Fund is a defined contribution plan and is governed by the Pension Funds Act of 1956. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 June 2006 reported the fund to be in a sound financial position. 1 (0,00 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	63,513	163,310	63,513	163,310
34.1.7 Meshawu National Local Authorities Retirement Fund is a defined contribution plan (established on 1 August 1996) and is governed by the Pension Funds Act of 1956. The actuarial valuation done on 31 January 2001 reported the fund to be in a sound financial position with a funding level of 118,8 %. 60 (0,55 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	1,266,225	1,187,310	1,266,225	1,187,310
34.1.8 Municipal Gratuity Fund. This is a defined contribution plan which is governed by the Pension Funds Act of 1956. The Municipality has no commitment to meet unfunded benefits. The actuarial valuation is carried out every 2 years. The actuarial valuation done on 30 June 2004 showed the fund to be in a sound financial position. 1 408 (112,26%) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	50,573,279	47,420,095	50,573,279	47,420,095
<b>DEFINED BENEFIT PLANS (AS CLASSIFIED BY THE RELEVANT FUND):</b>				
34.1.9 Tshwane Municipal Pension Fund, which is a defined benefit plan and is governed by the Pension Funds Act of 1956. The Consulting Actuaries reported that the Fund was in a sound financial position with a funding level of 100 % as at 31 December 2006. 433 (3,77%) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	22,425,591	22,327,388	22,425,591	22,327,388
34.1.10 SALA Pension Fund is a private 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. 970 (8,45 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	25,698,482	24,348,071	25,698,482	24,348,071
34.1.11 The Government Employees Pension Fund is a defined benefit plan and is governed by the Government Employees Pension Fund Law, 1996 in terms of Proclamation 21 of 19 April 1996. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2004 reported the fund to be in a sound financial position with a funding level of 96,5 %. 46 (1,78 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	5,042,778	4,831,406	5,042,778	4,831,406
34.1.12 Joint Municipal Pension Fund is not a pure defined benefit fund, but is a hybrid fund (which has qualities of both a defined benefit and defined contribution fund) and is governed by the Pension Funds Act of 1956. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 December 2005 reported a funding level of 97,7 % resulting in a shortfall of R44,237 million. The Municipality's employees make up approximately 1,78 % of the total membership. The Municipality's possible liability with regard to unfunded benefits is calculated to be R4 737 363. 56 (0,483 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	3,171,218	3,258,823	3,171,218	3,258,823

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>34.1.13</b> Municipal Employees Pension Fund is a defined benefit plan and is governed by the Pension Funds Act of 1956. The actuarial valuation performed on 28 February 2005 reported the fund to be in a sound financial position with a funding level of 106,9%. 1 796 (15,64%) of the Municipality's employees are members of this fund. The total contributions which are in terms of the rules of the plan (included in Employee remuneration, note 23) amount to-	42,410,036	40,958,555	42,410,036	40,958,555
<b>34.2 MEDICAL AID FUNDS</b>				
The erstwhile City Council of Pretoria and Town Council of Centurion had resolved to continue subsidising employees who retire whilst being members of Global Health and Munimed respectively. This liability was confirmed by the Section 12 Notice in terms of the Structures Act, 1998. The liability only applies to employees from these two erstwhile councils who retire as members of the undermentioned medical schemes. The total contributions are included in Employee remuneration, note 23)	29,049,392	29,488,485	29,049,392	29,488,485
Keyhealth (From 1 January 2008 Global Health and Munimed became Keyhealth)	28,925,636	29,488,485	28,925,636	29,488,485
Bonitas	79,265	0	79,265	0
Hosmed	24,235	0	24,235	0
Medihelp	20,256	0	20,256	0
<b>TOTAL CONTRIBUTIONS (Included in Employee remuneration - note 23)</b>	<b>441,876,119</b>	<b>417,584,949</b>	<b>441,696,119</b>	<b>417,584,949</b>
<b>35 CONTINGENT LIABILITIES</b>				
<b>35.1 HOUSING LOANS</b>				
Guarantees for housing loans to employees at financial institutions	2,023,797	2,237,322	2,023,797	2,237,322
With the implementation of the MFMA no new guarantees are issued, the liability will therefore decrease in future. The property is used as collateral in cases of default on payments				
<b>35.2 INDEMNIFICATION</b>				
Value of investments ceded to the Workmen's Compensation Commissioner in compliance with the requirements of the Compensation for Occupational Injuries and Diseases Act, 1993.	32,996,015	24,357,428	32,996,015	24,357,428
The capitalised value as at 31 December as calculated by the Department of Labour amounted to	32,996,015	27,392,475	32,996,015	27,392,475
Consistent with prior years the amendment to the cession will be addressed in the following financial year				
<b>35.3 INSURANCE CLAIMS</b>				
Pending claims against the Municipality in respect of vehicle accidents and Public Liabilities which originated before 30 June.	57,139,428	61,382,669	57,139,428	61,382,669
The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R14.6 million (2007: R65.6 million).				
<b>35.4 RETIREMENT OF REDUNDANT EMPLOYEES</b>				
The retirement of redundant employees resulted in the following estimated long term liabilities (these liabilities are budgeted for annually):				
* Pension fund contribution with regard to all employees who received packages and who qualify for a monthly pension up to the approved age of retirement.	63,603,000	69,995,000	63,603,000	69,995,000
* Sick fund contribution payable to Pretmed with regard to all employees who received packages and who are deemed to be full members of the fund up to the approved age of retirement.	46,102,000	44,593,000	46,102,000	44,593,000
<b>35.5 ENTERPRISE SOUTH AFRICA (Section 21 Company)</b>				
The company failed to register for VAT when it was founded in 1999. The company will be liable for output VAT of approximately R1 013 000, excluding possible interest and penalties. The company will be able to claim input tax on its qualifying expenses, but the amount cannot be determined at this time (the saving as a result of the input tax will not be significant).				
<b>36 IN-KIND DONATIONS AND ASSISTANCE</b>				
The Municipality received the following in-kind donations and assistance				
Description:				
- Secondment of International Finance Advisor by National Treasury. These advisors were recalled with effect from end of May 2008				
<b>37 PRIVATE PUBLIC PARTNERSHIPS</b>				
The City of Tshwane had only one such partnership, i.e. Tswaing Electrical Project (Pty) Ltd. The liquidation of this company was started during the 2004/5 financial year. The liquidation process was finalised during 2005/6				

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>38</b>	<b>EVENTS AFTER THE REPORTING PERIOD</b>			
	No material events occurred with respect to the 2006/07 financial year			
<b>38.1</b>	<b>External loans</b>			
	DBSA: Loan at 11,315 % over 20 years	200,000,000	200,000,000	
	DBSA: Loan at 6,25 % over 20 years	50,000,000	50,000,000	
		250,000,000	250,000,000	
<b>38.2</b>	<b>Investments</b>			
	ABSA Call investment @ 11,55 %	49,000,000	49,000,000	
	Investec Call investment @ 11,50 %	49,000,000	49,000,000	
	Nedcor Call investment @ 11,65 %	49,000,000	49,000,000	
	RMB Call investment @ 11,50 % to 11,00 %	49,000,000	49,000,000	
	Stanlib call investment in respect of Contingency Insurance Fund	169,020,600	169,020,600	
		365,020,600	365,020,600	
<b>38.3</b>	<b>Short-term loan</b>			
	ABSA short-term loan @ 13,85 %	84,000,000	84,000,000	
<b>38.4</b>	<b>Roodeplaat/Temba Water Services Trust (RTWST)</b>			
	Loans taken over from 1 July 2008 with the disestablishment of the trust	518,067,525	518,067,525	
<b>39</b>	<b>COMPARISON WITH THE BUDGET</b>			
	The comparison of the actual financial performance with that budgeted is set out in Appendices E, F and G			
<b>40</b>	<b>DIRECTORS EMOLUMENTS</b>			
<b>40.1</b>	<b>Civirelo Water</b>			
	Paid by company for services as directors		678,212	521,850
<b>41</b>	<b>RELATED PARTY DISCLOSURES</b>			
<b>41.1</b>	<b>Parent</b>			
	The following municipal entities were under the control of the erstwhile/disestablished municipalities. The City of Tshwane Metropolitan Municipality became the parent municipality on 5 December 2000 as a result of the successor in law principle.			
<b>41.1.1</b>	<b>Transactions between related parties</b>			
	<b>Civirelo Water's parent is the CoT. Details and amounts of the transactions are as follows:</b>			
	Gauteng Housing via CoT	975,800	0	975,800
	Creditors	20,000	1,860,802	20,000
	Water sales	0	40,976,503	0
	<b>Housing Company Tshwane's parent is the CoT. Details and amounts of the transactions are as follows:</b>			
	Sundry debtors (un-paid reimbursement budgeted amounts)	128,604	0	128,604
	Received Electricity and Water sales and rates and taxes	490,482	562,558	490,482
	Paid General Expenses	117,439	156,444	117,439
	<b>Roodeplaat Temba Water Services Trust's parent is the CoT. Details and amounts of the transactions are as follows:</b>			
	Paid Water (water sales to CoT)	101,413,208	104,212,872	101,413,208
	Beneficiary distribution	0	25,000,000	0
	Interest - finance lease	3,283,804	4,718,102	3,283,804
	Lease charges	704,630	475,727	704,630
	Accounts receivable	14,120,965	12,149,142	14,120,965
	Accounts payable	0	4,112,185	0
	Deferred operating lease liabilities	2,078,122	1,873,039	2,078,122
	Finance lease liabilities	25,976,434	28,113,989	25,976,434
	<b>Roodeplaat Temba Water Services Trust: Transactions with Magalies Water</b>			
	Production overheads, accounts payable, accounts receivable, etc		0	34,383,373

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>Roodeplaat Temba Water Services Trust: Transactions with ABSA Corporate and Merchant Bank</b>				
Interest received			0	13,636,652
Interest paid			0	30,442,816
Bank charges			0	1,165,444
Capitalised interest/accrued interest			0	0
Long-term loan			0	234,079,776
<b>Sandspruit Works Association Division: ODI Water Sales' parent is the CoT. Details and amounts of the transactions are as follows:</b>				
Outstanding payments i.r.o. water & electricity	108,207	0	108,207	0
Bulk containers	5,007	0	5,007	0
DWAF subsidy paid to Sandspruit	11,937,780	0	11,937,780	0
Paid Water	49,206,105	50,983,935	49,206,105	50,983,935
Sundry creditor (water)	2,353,438	0	2,353,438	0
Received water	34,675,380	20,382,060	34,675,380	20,382,060
Operating loss account	3,001,199	4,112,685	3,001,199	4,112,685
<b>Trade Point Pretoria's parent is the CoT. No related party transactions occurred</b>	<b>Under liquidation</b>	<b>Under liquidation</b>	<b>Under liquidation</b>	<b>Under liquidation</b>
<b>Tshwane Cenbtre for Business Information and Support (Cenbis) parent is the CoT. No related party transactions occurred</b>	<b>Under liquidation</b>	<b>Under liquidation</b>	<b>Under liquidation</b>	<b>Under liquidation</b>
<b>Enterprise South Africa's parent is the CoT. No related party transactions occurred</b>	<b>Under liquidation</b>	<b>Under liquidation</b>	<b>Under liquidation</b>	<b>Under liquidation</b>
<b>42 PRIOR YEAR ADJUSTMENTS (Refer to Statement of Changes of Parent)</b>				
<b>Revenue of the 2005/06 financial year was adjusted in respect of:</b>				
RSC levies - increase in revenue and creating of debtor		160,950,691	0	160,950,691
Training fees recovered amount only allocated to revenue in 2006/07 but received in 2005/06		1,711,273	0	1,711,273
Write back of the provision for obsolete stock		2,900,000	0	2,900,000
<b>Total prior year adjustment iro 2005/06 done in 2006/07</b>	<b>0</b>	<b>165,561,964</b>	<b>0</b>	<b>165,561,964</b>
<b>Expenditure of the 2006/07 financial year was restated in respect of:</b>				
Reclassification of operating leases to finance leases	(99,848,247)		(99,848,247)	
Write back of interest on long-term debtors	35,821,377		35,821,377	
Prepaid electricity sales iro 2006/07 posted in 2007/08	(9,872,540)		(9,872,540)	
Depreciation of leased assets	70,358,385		70,358,385	
Interest on lease liabilities	37,082,548		37,082,548	
Restatement of threshold assets (net of depreciation and reversal of expense to assets)	(7,170,357)		(7,170,357)	
Municipal entities: audit adjustments			3,776,566	
<b>Total prior year adjustment iro 2006/07</b>	<b>26,371,166</b>		<b>30,147,732</b>	
<b>Restatement of Statement of financial position</b>				
Accounting for lease assets (brought in for first time in 2007/08 but restated 2006/07)	<b>261,396,192</b>	<b>204,827,481</b>	<b>261,396,192</b>	<b>204,827,481</b>
<b>43 OPERATING LEASES - NON CANCELLABLE</b>				
The amounts of minimum lease payments under non-cancellable operating leases in respect of photocopier equipment are as follows for:				
* The next year	5,497,215	4,870,119	5,497,215	4,870,119
* Years 2 through 5 combined	3,078,233	3,090,083	3,078,233	3,090,083
* Beyond 5 years	0	0	0	0
<b>Total</b>	<b>8,575,448</b>	<b>7,960,202</b>	<b>8,575,448</b>	<b>7,960,202</b>

DESCRIPTION	MUNICIPALITY		GROUP	
	2008 R	2007 R	2008 R	2007 R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>				
<b>44.1 Unauthorised expenditure</b>				
Reconciliation of unauthorised expenditure:				
Opening balance	0	0	0	0
Unauthorised expenditure awaiting authorisation	51,175	Not available	51,175	Not available
<b>Unauthorised expenditure in current year</b>	<b>51,175</b>	<b>Not available</b>	<b>51,175</b>	<b>Not available</b>
Incident 1: Unapproved travelling to Swaziland during November 2007.				
Disciplinary steps: A report to obtain approval has been submitted to the City Manager				
Incident 2: Insurance claims not reported timeously and repudiated claims not compliant with procedural deadlines				
Disciplinary steps: Disciplinary actions taken against relevant employee				
<b>44.2 Fruitless and wasteful expenditure</b>				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance	0	0	0	0
Fruitless and wasteful expenditure in current year	1,242,964	0	1,242,964	0
<b>Fruitless and wasteful expenditure awaiting condonement/repayment</b>	<b>1,242,964</b>	<b>Not available</b>	<b>1,242,964</b>	<b>Not available</b>
Incident 1: Theft of laptop which an employee failed to register as an insurance claim to the amount of R24 200				
Incident 2: Petty Cash - late A Baduza to the amount of R756				
Incident 3: Unauthorised trip to Namibia by Dr M Kruger in the Office of the City Manager				
Incident 4: Supply of fuel to contractor by Housing & Sustainable Human Settlement Development				
Disciplinary steps: Incident 1 - Departmental hearing was held on 27 June 2008. Employee signed admission of guilt and amount will be deducted from his salary				
Disciplinary steps: Incident 2 - Awaiting approval of report send to the Strategic Executive Director to write off this expenditure				
Disciplinary steps: Incident 3: Awaiting authorisation				
Disciplinary steps: Incident 4: Investigation underway				
<b>44.3 Irregular expenditure</b>				
Reconciliation of irregular expenditure:				
Opening balance	0	0	0	0
Irregular expenditure in current year	6,980	0	6,980	0
<b>Irregular expenditure awaiting condonement</b>	<b>6,980</b>	<b>Not available</b>	<b>6,980</b>	<b>Not available</b>
Incident: Cash shortage at Premos restaurant. Action/Steps: Manager undertook in writing to replace cash shortage				
<b>44.4 Unauthorised expenditure due to late approval of deviation report</b>				
General Assessments	212,146,820	0	212,146,820	0
Corporate and Shared Services	43,028,671	0	43,028,671	0
Economic Development	2,218,079	0	2,218,079	0
Agriculture and Environmental Management	202,865,365	0	202,865,365	0
<b>Refer to Appendix F for reasons of deviations</b>				



<b>45</b>	<b>FINANCIAL INSTRUMENTS (only for Municipality)</b>
<b>45.1</b>	<b>Risks</b>
	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.
<b>45.1.1</b>	<b>Interest rate risk</b>
	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:

DESCRIPTION	FLOATING RATE	FIXED RATE			NON-INTEREST BEARING		TOTAL
		AMOUNT	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	WEIGHTED AVERAGE PERIOD FOR WHICH RATE IS FIXED	AMOUNT	WEIGHTED AVERAGE PERIOD UNTIL MATURITY	
	R	R	%	Years	R	Years	R
<b>Year ended 30 June 2008</b>							
<b>Assets:</b>							
Investments	197,926,170	462,762,530	14.21	14.03			660,688,700
Long-term receivables:							0
Housing loans		59,092,140	13.87	30			59,092,140
Motor car loans		2,161,352	8.66	6			2,161,352
Loans to sport clubs		1,689,951	11.99	10			1,689,951
Study loans					13,930		13,930
Sale of Land		65,779,894	11.09	5			65,779,894
Trade receivables:							
Consumer		2,471,851,926	14.50	1	1,038,361,586		3,510,213,512
Other					482,784,175		482,784,175
Cash	43,235,693						43,235,693
<b>Total financial assets</b>	<b>241,161,863</b>	<b>3,063,337,793</b>			<b>1,521,159,691</b>		<b>4,825,659,347</b>
<b>Liabilities:</b>							
Interest bearing borrowings	162,331,528	2,488,146,829	11.00	15.48			2,650,478,357
Interest rate swaps		227,866,133	20.51	17.79			227,866,133
Lease liabilities	261,396,192						261,396,192
Trade payables:							
Creditors					1,643,714,421	0.08	1,643,714,421
Retention					96,661,285	1	96,661,285
Consumer deposits					267,978,963	0.08	267,978,963
Unspent grants and receipts					334,892,132	0.08	334,892,132
VAT					104,380,809	0.08	104,380,809
Bank overdrafts	106,407,370						106,407,370
<b>Total financial liabilities</b>	<b>530,135,090</b>	<b>2,716,012,962</b>			<b>2,447,627,610</b>		<b>5,693,775,662</b>
	<b>(288,973,227)</b>	<b>347,324,831</b>			<b>(926,467,919)</b>		<b>(868,116,315)</b>
<b>Year ended 30 June 2007</b>							
<b>Assets:</b>							
Investments	424,973,396	544,985,009	14.36	13.55			969,958,405
Long-term receivables:							
Housing loans		67,613,043	13.87	30			67,613,043
Motor car loans		8,080,676	8.61	6			8,080,676
Loans to sport clubs		1,729,108	11.99	10			1,729,108
Study loans					15,611	1	15,611
Sale of Land		69,882,328	11.09	5			69,882,328
Samrand Development (Pty) Ltd					18,152,563		18,152,563
Trade receivables:							
Consumer		1,932,654,004	10.50	1	1,213,886,365		3,146,540,369
Other					535,635,989		535,635,989
Cash	69,349,269						69,349,269
<b>Total financial assets</b>	<b>494,322,665</b>	<b>2,624,944,168</b>			<b>1,767,690,528</b>		<b>4,886,957,361</b>
<b>Liabilities:</b>							
Interest bearing borrowings	192,331,528	2,317,263,939	11.31	15.49			2,509,595,467
Interest rate swaps	125,000,000	200,000,000	19.13	17.79			325,000,000
Lease liabilities	204,827,481						204,827,481
Trade payables:							
Creditors					1,739,968,571	0.08	1,739,968,571
Retention					80,391,743	1	80,391,743
Consumer deposits					257,579,090	0.08	257,579,090
Unspent grants and receipts					210,990,931	0.08	210,990,931
VAT					58,214,444	0.08	58,214,444
Bank overdrafts	46,002,138						46,002,138
<b>Total financial liabilities</b>	<b>568,161,147</b>	<b>2,517,263,939</b>			<b>2,347,144,779</b>		<b>5,432,569,865</b>
	<b>(73,838,482)</b>	<b>107,680,229</b>			<b>(579,454,251)</b>		<b>(545,612,504)</b>

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

	Date	Fixed rate	Fair value	Estimated fair value gain/(loss)
		%	R	R
<b>Year ended 30 June 2008</b>	30 June 1998	17.55	125,000,000	9,994,859
	19 January 1994	19.13	200,000,000	(15,660,192)
			<b>325,000,000</b>	<b>(5,665,333)</b>
<b>Year ended 30 June 2007</b>	30 June 1998	17.55	0	0
	19 January 1994	19.13	200,000,000	(20,136,827)
			<b>200,000,000</b>	<b>(20,136,827)</b>

**45.1.2 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.

**45.1.3 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 limits its treasury counter-party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The 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.

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

	30 June 2008	30 June 2007
	%	%
Consumer debtors:		
Household	58.81	55.63
Industrial/Commercial	16.70	22.13
National and Provincial Government	1.23	1.97
Other consumer debtors	11.16	5.73
Other debtors:		
Housing	0.32	0.27
Government subsidies	0.31	0.19
RSC levies	5.03	6.43
Amounts paid in advance	0.00	1.38
Other	6.44	6.27
	<b>100.00</b>	<b>100.00</b>

45.1.4	<b>Liquidity risk</b> 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. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market:																								
	<table><tr><td></td><td>30 June 2008</td><td>30 June 2009</td><td>30 June 2010</td></tr><tr><td></td><td>R</td><td>R</td><td>R</td></tr><tr><td>External funding: capital expenditure</td><td>500,000,000</td><td>450,000,000</td><td>400,000,000</td></tr></table>		30 June 2008	30 June 2009	30 June 2010		R	R	R	External funding: capital expenditure	500,000,000	450,000,000	400,000,000												
	30 June 2008	30 June 2009	30 June 2010																						
	R	R	R																						
External funding: capital expenditure	500,000,000	450,000,000	400,000,000																						
45.1.5	<b>Market risk</b> 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.																								
45.2	<b>Fair values</b> 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: <b>Cash and cash equivalents</b> 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 <b>Trade receivables (debtors)</b> 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. <b>Investments</b> 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. <b>Trade payables</b> The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability. <b>Interest bearing borrowings</b> Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Financial Performance over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts. <b>Derivatives (interest rate swaps)</b> 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:																								
	<table><tr><td>Year ended</td><td>Fair value</td><td>Carrying amount</td></tr><tr><td></td><td>R</td><td>R</td></tr><tr><td>30 June 2008</td><td></td><td></td></tr><tr><td>Liabilities</td><td></td><td></td></tr><tr><td>Interest rate swaps</td><td>200,000,000</td><td>200,000,000</td></tr><tr><td>30 June 2007:</td><td></td><td></td></tr><tr><td>Liabilities</td><td></td><td></td></tr><tr><td>Interest rate swaps</td><td>325,000,000</td><td>325,000,000</td></tr></table>	Year ended	Fair value	Carrying amount		R	R	30 June 2008			Liabilities			Interest rate swaps	200,000,000	200,000,000	30 June 2007:			Liabilities			Interest rate swaps	325,000,000	325,000,000
Year ended	Fair value	Carrying amount																							
	R	R																							
30 June 2008																									
Liabilities																									
Interest rate swaps	200,000,000	200,000,000																							
30 June 2007:																									
Liabilities																									
Interest rate swaps	325,000,000	325,000,000																							
45.3	<b>Hedging</b> Hedging is not applicable in the environment of the Municipality.																								

45.4	<b>Maturity profile</b> The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:				
		1 Year or less R	1 to 5 years R	Over 5 years R	Total R
<b>Year ended 30 June 2008</b>					
<b>Assets:</b>					
Investments		235,135,271	354,801,402	70,752,027	660,688,700
Long-term receivables:					
Housing loans				59,092,140	59,092,140
Motor car loans			2,161,952		2,161,952
Loans to sport clubs				1,689,951	1,689,951
Study loans		13,930			13,930
Sale of Land			65,779,894		65,779,894
Trade receivables:					
Consumer		3,309,178,466	201,035,046		3,510,213,512
Other		482,784,175			482,784,175
Cash		43,235,693			43,235,693
<b>Total financial assets</b>		<b>4,070,347,535</b>	<b>623,778,294</b>	<b>131,534,118</b>	<b>4,825,659,947</b>
<b>Liabilities</b>					
Interest bearing borrowings		40,635,123	353,495,679	2,284,213,688	2,678,344,490
Interest rate swaps			200,000,000		200,000,000
Lease liabilities		154,231,408	107,164,784		261,396,192
Trade payables:					
Creditors		1,643,714,421			1,643,714,421
Retention		96,661,285			96,661,285
Consumer deposits		267,978,963			267,978,963
Unspent grants and receipts		334,892,132			334,892,132
VAT		104,380,809			104,380,809
Bank overdrafts		106,407,370			106,407,370
<b>Total financial liabilities</b>		<b>2,748,901,511</b>	<b>660,660,463</b>	<b>2,284,213,688</b>	<b>5,693,775,662</b>
<b>Year ended 30 June 2007:</b>					
<b>Assets:</b>					
Investments		558,674,498	327,427,539	83,856,368	969,958,405
Long-term receivables:					
Housing loans				67,613,043	67,613,043
Motor car loans			8,080,676		8,080,676
Loans to sport clubs				1,729,108	1,729,108
Study loans		15,611			15,611
Sale of Land			69,882,328		69,882,328
Samrand Development (Pty) Ltd				18,152,563	18,152,563
Trade receivables:					
Consumer		2,925,944,652	220,595,717		3,146,540,369
Other		535,635,989			535,635,989
Cash		69,349,269			69,349,269
<b>Total financial assets</b>		<b>4,089,620,019</b>	<b>625,986,260</b>	<b>171,351,082</b>	<b>4,886,957,361</b>
<b>Liabilities</b>					
Interest bearing borrowings		30,005,000	349,612,242	2,129,978,225	2,509,595,467
Interest rate swaps		125,000,000	200,000,000		325,000,000
Lease liabilities		97,124,587	107,702,894		204,827,481
Trade payables:					
Creditors		1,739,968,571			1,739,968,571
Retention		80,391,743			80,391,743
Consumer deposits		257,579,090			257,579,090
Unspent grants and receipts		210,990,931			210,990,931
VAT		58,214,444			58,214,444
Bank overdrafts		46,002,138			46,002,138
<b>Total financial liabilities</b>		<b>2,645,276,504</b>	<b>657,315,136</b>	<b>2,129,978,225</b>	<b>5,432,569,865</b>

## Appendix A: Schedule of External Loans as at 30 June 2008 - Municipality

				Opening balance	Received during the year	Redeemed during the year	Closing balance	Carrying value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
				R	R	R	R	R	R
<b>EXTERNAL LOANS:</b>									
<b>LOCAL REGISTERED STOCK:</b>									
Issued	Loan number	Interest rate (%)	Redeemable						
1997	105	16.65	2014.06.30	95,097,640	427,261		95,524,901	115,302,720	Not Applicable
1993	104	14.15	2008.09.30	40,000,000	629,329		40,629,329	49,041,370	
1984	43	16.25	2004.04.30	5,000	812		5,812	7,015	
1990	55	16.40	2011.06.30	14,723,150	0	52,530	14,670,620	17,708,078	
1992	62	13.50	2011.06.30	20,986,956	427,166		21,414,122	25,847,779	
1993	63	14.00	2011.06.30	35,902,136	1,014,364		36,916,500	44,559,825	
1997	65	15.75	2011.06.30	50,000,000			50,000,000	60,352,180	
2000	66	16.50	2011.06.30	59,000,000			59,000,000	71,215,572	
<b>TOTAL LOCAL REGISTERED STOCK</b>				<b>315,714,882</b>	<b>2,498,932</b>	<b>52,530</b>	<b>318,161,284</b>	<b>384,034,539</b>	
<b>TERM LOANS:</b>									
DBSA: Bullet portion		13.50	2018.04.30	50,000,000	1,724,111		51,724,111	62,433,256	Not applicable
DBSA: Floating rate		Variable	2019.10.31	78,331,528			78,331,528	94,549,569	
Nedbank loan B1		Variable	2008.05.28	30,000,000		30,000,000	0	0	
ABSA Bank loan B3		Variable	2011.06.30	84,000,000			84,000,000	101,391,662	
INCA loan		17.15	2011.06.30	45,000,000			45,000,000	54,316,962	
Future Syndications		Variable	2008.06.30	125,000,000		125,000,000	0	0	
ABSA Bank Arbitrage		19.13	2011.10.31	200,000,000	27,866,133		227,866,133	275,044,356	
<b>TOTAL TERM LOANS</b>				<b>612,331,528</b>	<b>29,590,244</b>	<b>155,000,000</b>	<b>486,921,772</b>	<b>587,735,805</b>	
<b>ANNUITY LOANS:</b>									
DBSA		13.5	2018.04.30	240,870,346	7,982,838	9,545,225	239,307,959	288,855,138	Not applicable
DBSA Local Authorities		13.5	2012.12.31	17,884,911		3,256,607	14,628,304	17,657,001	
DBSA (Restructuring)		10.87	2018.12.31	252,880,861		16,926,776	235,954,085	284,806,866	
INCA		11.66	2019.06.30	18,217,915		781,919	17,435,996	21,046,007	
INCA		9.52	2020.03.31	207,266,084	4,784,312	8,554,391	203,496,005	245,628,549	
INCA		11.01	2020.06.30	46,999,710		1,745,330	45,254,380	54,624,009	
DBSA		9.36	2020.12.31	266,039,516		15,100,632	250,938,884	302,894,172	
INCA		10.92	2020.12.31	95,547,071		3,327,019	92,220,052	111,313,623	
INCA		10.81	2021.06.30	77,688,941		2,544,987	75,143,954	90,702,028	
DBSA		5.0	2021.12.31	97,296,783		7,157,290	90,139,493	108,802,297	
DBSA		9.835	2021.12.31	389,281,730		20,006,820	369,274,910	445,730,914	
Ivuzi		13.5	2021.12.31	196,575,189		7,107,777	189,467,412	228,695,426	
DBSA		6.25	2028.06.30		50,000,000		50,000,000	60,352,180	
DBSA		12.81	2028.06.30		200,000,000		200,000,000	241,408,718	
<b>TOTAL ANNUITY LOANS</b>				<b>1,906,549,057</b>	<b>262,767,150</b>	<b>96,054,773</b>	<b>2,073,261,434</b>	<b>2,502,516,928</b>	
<b>TOTAL EXTERNAL LOANS</b>				<b>2,834,595,467</b>	<b>294,856,326</b>	<b>251,107,303</b>	<b>2,878,344,490</b>	<b>3,474,287,272</b>	
<b>FINANCE LEASES:</b>									
ABSA		Variable *		0	14,157,827	641,760	13,516,067	13,418,190	
AMASONDO		Variable *		95,083,055	11,827,659	32,257,188	74,653,526	69,617,177	
CITY OF TSHWANE		Variable *		14,124,515	4,537,163	4,672,562	13,989,116	13,606,230	
DATACENTRIX		Variable *		2,827,464	20,433,200	5,582,330	17,678,334	16,998,761	
DEBIS FLEET MANAGEMENT		Variable *		16,552,991	1,816,363	5,628,998	12,740,356	12,217,884	
FLEET AFRICA		Variable *		23,716,140	4,937,354	15,614,851	13,038,643	11,813,111	
IMPERIAL		Variable *		0	10,892,634	1,719,426	9,173,208	9,012,510	
STANNIC		Variable *		853,324	97,819	463,673	487,470	392,313	
STANDARD BANK		Variable *		21,725,602	13,523,878	7,124,827	28,124,653	27,512,587	
VIAMAX		Variable *		21,019,152	58,351,876	13,900,641	65,470,387	64,284,362	
VUSWA		Variable *		8,925,238	7,308,609	3,709,415	12,524,432	12,441,386	
<b>TOTAL FINANCE LEASES</b>				<b>204,827,481</b>	<b>147,884,382</b>	<b>91,315,671</b>	<b>261,396,192</b>	<b>251,314,511</b>	
* Variable linked to prime rate									

# Appendix A: Schedule of External Loans as at 30 June 2008 - Group

				Opening balance	Received during the year	Redeemed during the year	Closing balance	Carrying value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
				R	R	R	R	R	R
<b>EXTERNAL LOANS:</b>									
<b>LOCAL REGISTERED STOCK:</b>									
Issued	Loan number	Interest rate (%)	Redeemable						
1997	105	16.65	2014.06.30	95,097,640	427,261		95,524,901	115,302,720	Not Applicable
1993	104	14.15	2008.09.30	40,000,000	629,329		40,629,329	49,041,371	
1984	43	16.25	2004.04.30	5,000	812		5,812	7,015	
1990	55	16.40	2011.06.30	14,723,150	0	52,530	14,670,620	17,708,078	
1992	62	13.50	2011.06.30	20,986,956	427,166		21,414,122	25,847,779	
1993	63	14.00	2011.06.30	35,902,136	1,014,364		36,916,500	44,559,825	
1997	65	15.75	2011.06.30	50,000,000			50,000,000	60,352,180	
2000	66	16.50	2011.06.30	59,000,000			59,000,000	71,215,572	
<b>TOTAL LOCAL REGISTERED STOCK</b>				<b>315,714,882</b>	<b>2,498,932</b>	<b>52,530</b>	<b>318,161,284</b>	<b>384,034,540</b>	
<b>TERM LOANS:</b>									
DBSA: Bullet portion		13.50	2018.04.30	50,000,000	1,724,111		51,724,111	62,433,257	Not Applicable
DBSA: Floating rate		Variable	2019.10.31	78,331,528			78,331,528	94,549,569	
DBSA (Roodeplaat/Temba Trust)				121,771,427	71,104	0	121,842,531	88,646,036	
Nedbank loan B1		Variable	2008.05.28	30,000,000		30,000,000	0	0	
Nedbank (Roodeplaat/Temba Trust)				160,929,108	495,890	0	161,424,998	117,314,541	
ABSA Bank loan B3		Variable	2011.06.30	84,000,000			84,000,000	101,391,662	
ABSA (Roodeplaat/Temba Trust)				234,079,777	720,219	0	234,799,996	171,703,445	
National Housing Finance Corp		14.00		4,977,583		492,640	4,484,943	4,484,943	
Gauteng Partnership Fund		0.00		293,000			293,000	293,000	
Rand Water (ODI)		0.00		2,553,373		2,553,373	0	0	
INCA loan		17.15	2011.06.30	45,000,000			45,000,000	54,316,962	
Future Syndications		Variable	2008.06.30	125,000,000		125,000,000	0	0	
ABSA Bank Arbitrage		19.13	2011.10.31	200,000,000	27,866,133		227,866,133	275,044,356	
<b>TOTAL TERM LOANS</b>				<b>1,136,935,796</b>	<b>30,877,457</b>	<b>158,046,013</b>	<b>1,009,767,240</b>	<b>970,177,771</b>	
<b>ANNUITY LOANS:</b>									
DBSA		13.5	2018.04.30	240,870,346	7,982,838	9,545,225	239,307,959	288,855,138	Not Applicable
DBSA Local Authorities		13.5	2012.12.31	17,884,911		3,256,607	14,628,304	17,657,001	
DBSA (Restructuring)		10.87	2018.12.31	252,880,861		16,926,776	235,954,085	284,806,866	
INCA		11.66	2019.06.30	18,217,915		781,919	17,435,996	21,046,007	
INCA		9.52	2020.03.31	207,266,084	4,784,312	8,554,391	203,496,005	245,628,549	
INCA		11.01	2020.06.30	46,999,710		1,745,330	45,254,380	54,624,009	
DBSA		9.36	2020.12.31	266,039,516		15,100,632	250,938,884	302,894,172	
INCA		10.92	2020.12.31	95,547,071		3,327,019	92,220,052	111,313,623	
INCA		10.81	2021.06.30	77,688,941		2,544,987	75,143,954	90,702,028	
DBSA		5.0	2021.12.31	97,296,783	0	7,157,290	90,139,493	108,802,297	
DBSA		9.835	2021.12.31	389,281,730	0	20,006,820	369,274,910	445,730,914	
Ivuzi		13.5	2021.12.31	196,575,189	0	7,107,777	189,467,412	228,695,426	
DBSA		6.25	2028.06.30	0	50,000,000	0	50,000,000	60,352,180	
DBSA		12.81	2028.06.30	0	200,000,000	0	200,000,000	241,408,718	
<b>TOTAL ANNUITY LOANS</b>				<b>1,906,549,057</b>	<b>262,767,150</b>	<b>96,054,773</b>	<b>2,073,261,434</b>	<b>2,502,516,928</b>	
<b>TOTAL EXTERNAL LOANS</b>				<b>3,387,013,466</b>	<b>296,143,539</b>	<b>281,967,047</b>	<b>3,401,189,958</b>	<b>3,856,729,239</b>	
<b>FINANCE LEASES:</b>									
ABSA	Variable *			0	14,157,827	641,760	13,516,067	13,418,190	
AMASONDO	Variable *			95,083,055	11,827,659	32,257,188	74,653,526	69,617,177	
CITY OF TSHWANE	Variable *			14,124,515	4,537,163	4,672,562	13,989,116	13,606,230	
DATACENTRIX	Variable *			2,827,464	20,433,200	5,582,330	17,678,334	16,998,761	
DEBIS FLEET MANAGEMENT	Variable *			16,552,991	1,816,363	5,628,998	12,740,356	12,217,884	
FLEET AFRICA	Variable *			23,716,140	4,937,354	15,614,851	13,038,643	11,813,111	
IMPERIAL	Variable *			0	10,892,634	1,719,426	9,173,208	9,012,510	
STANNIC	Variable *			853,324	97,819	463,673	487,470	392,313	
STANDARD BANK	Variable *			21,725,602	13,523,878	7,124,827	28,124,653	27,512,587	
VIAMAX	Variable *			21,019,152	58,351,876	13,900,641	65,470,387	64,284,362	
VUSWA 60 MONTHS	Variable *			8,925,238	7,308,609	3,709,415	12,524,432	12,441,386	
LEASE LIABILITY (Roodeplaat/TembaTrust)				<b>27,813,731</b>	<b>300,259</b>	<b>3,866,241</b>	<b>24,247,749</b>	<b>13,763,816</b>	
<b>TOTAL FINANCE LEASES</b>				<b>232,641,212</b>	<b>148,184,641</b>	<b>95,181,912</b>	<b>285,643,941</b>	<b>265,078,327</b>	
* Variable linked to prime rate									

## Appendix B: Analysis of Property, Plant and Equipment as at 30 June 2008 - Municipality

Asset class	Note	Cost/Revaluation					Accumulated Depreciation				Carrying Value
		Opening balance	Additions	Disposals	Transfers	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
		R	R	R	R	R	R	R	R	R	
<b>INFRASTRUCTURE</b>	10.1										
Assets under construction		1,363,272,045	639,207,766		(948,660,148)	1,053,819,663	0	0	0	0	1,053,819,663
Electricity		1,780,446,672	569,451,672	(9,684)	0	2,349,888,660	614,846,210	42,351,358	(5,574)	657,191,994	1,692,696,666
General		37,685,781	21,106,126	(117,812)	0	58,674,095	19,990,726	4,882,395	(102,621)	24,770,500	33,903,595
Roads		2,399,351,197	722,677,814	0	0	3,122,029,011	834,684,279	104,441,756	0	939,126,035	2,182,902,976
Water and sanitation		1,755,527,089	562,892,543	(17,592,091)	0	2,300,827,541	530,931,917	63,807,480	(1,505,280)	593,234,117	1,707,593,424
		<b>7,336,282,784</b>	<b>2,515,335,921</b>	<b>(17,719,587)</b>	<b>(948,660,148)</b>	<b>8,885,238,970</b>	<b>2,000,453,132</b>	<b>215,482,989</b>	<b>(1,613,475)</b>	<b>2,214,322,646</b>	<b>6,670,916,324</b>
<b>COMMUNITY ASSETS</b>	10.2										
General		988,620,104	145,970,101	0	0	1,134,590,205	256,297,175	41,441,360	0	297,738,535	836,851,670
Assets under construction		35,998,653	8,353,798	0	(29,901,839)	14,450,612	0	0	0	0	14,450,612
		<b>1,024,618,757</b>	<b>154,323,899</b>	<b>0</b>	<b>(29,901,839)</b>	<b>1,149,040,817</b>	<b>256,297,175</b>	<b>41,441,360</b>	<b>0</b>	<b>297,738,535</b>	<b>851,302,282</b>
<b>HERITAGE ASSETS</b>	10.3										
General		3,813,988			0	3,813,988	80,566	38,675	0	119,241	3,694,747
		<b>3,813,988</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,813,988</b>	<b>80,566</b>	<b>38,675</b>	<b>0</b>	<b>119,241</b>	<b>3,694,747</b>
<b>HOUSING</b>	10.4										
Housing assets		97,812,990	81,746,559	0	0	179,559,549	33,335,511	3,251,201	0	36,586,712	142,972,837
Assets under construction		137,152,916	6,035,290	0	(132,579,480)	10,608,726	0	0	0	0	10,608,726
		<b>234,965,906</b>	<b>87,781,849</b>	<b>0</b>	<b>(132,579,480)</b>	<b>190,168,275</b>	<b>33,335,511</b>	<b>3,251,201</b>	<b>0</b>	<b>36,586,712</b>	<b>153,581,563</b>
<b>STOCK</b>	10.5										
Stock		1,142,732	0	0	0	1,142,732	123,324	0	0	123,324	1,019,408
		<b>1,142,732</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,142,732</b>	<b>123,324</b>	<b>0</b>	<b>0</b>	<b>123,324</b>	<b>1,019,408</b>
<b>Land</b>	10.6										
Land		1,140,397,933	1,104,434	0	0	1,141,502,367	141,506,169	0	0	141,506,169	999,996,198
		<b>1,140,397,933</b>	<b>1,104,434</b>	<b>0</b>	<b>0</b>	<b>1,141,502,367</b>	<b>141,506,169</b>	<b>0</b>	<b>0</b>	<b>141,506,169</b>	<b>999,996,198</b>
<b>BUILDINGS</b>	10.7										
Buildings		701,317,311	77,379,357	(67,846)	0	778,628,822	284,176,230	71,373,600	(9,091)	355,540,739	423,088,083
		<b>701,317,311</b>	<b>77,379,357</b>	<b>(67,846)</b>	<b>0</b>	<b>778,628,822</b>	<b>284,176,230</b>	<b>71,373,600</b>	<b>(9,091)</b>	<b>355,540,739</b>	<b>423,088,083</b>
<b>OTHER</b>	10.8										
General		739,261,935	58,863,151	(16,324,792)	0	781,800,294	399,728,220	114,431,743	(9,061,339)	505,098,624	276,701,670
Assets under construction		69,145,450	64,752,621	0	(46,783,998)	87,114,073	0	0	0	0	87,114,073
		<b>808,407,385</b>	<b>123,615,772</b>	<b>(16,324,792)</b>	<b>(46,783,998)</b>	<b>868,914,367</b>	<b>399,728,220</b>	<b>114,431,743</b>	<b>(9,061,339)</b>	<b>505,098,624</b>	<b>363,815,743</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	10.9										
		<b>11,250,946,796</b>	<b>2,959,541,232</b>	<b>(34,112,225)</b>	<b>(1,157,925,465)</b>	<b>13,018,450,338</b>	<b>3,115,700,327</b>	<b>446,019,568</b>	<b>(10,683,905)</b>	<b>3,551,035,990</b>	<b>9,467,414,348</b>
<b>INVESTMENT PROPERTY</b>	10.10										
Investment assets		44,792,509	0	0	0	44,792,509	32,841,744	1,497,613	0	34,339,357	10,453,152
		<b>44,792,509</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,792,509</b>	<b>32,841,744</b>	<b>1,497,613</b>	<b>0</b>	<b>34,339,357</b>	<b>10,453,152</b>
<b>INTANGIBLE ASSETS</b>	10.11										
Computer software		125,103,123	33,843,313	0	0	158,946,436	29,743,339	31,168,125	0	60,911,464	98,034,972
		<b>125,103,123</b>	<b>33,843,313</b>	<b>0</b>	<b>0</b>	<b>158,946,436</b>	<b>29,743,339</b>	<b>31,168,125</b>	<b>0</b>	<b>60,911,464</b>	<b>98,034,972</b>
<b>TOTAL</b>	10.12										
		<b>11,420,842,428</b>	<b>2,993,384,545</b>	<b>(34,112,225)</b>	<b>(1,157,925,465)</b>	<b>13,222,189,283</b>	<b>3,178,285,410</b>	<b>478,685,306</b>	<b>(10,683,905)</b>	<b>3,646,286,811</b>	<b>9,575,902,472</b>



## Appendix B: Analysis of Property, Plant and Equipment as at 30 June 2008 - Group

Asset class	Note	Cost/Revaluation					Accumulated Depreciation				Carrying Value
		Opening balance	Additions	Disposals	Transfers	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
		R	R	R	R	R	R	R	R	R	
<b>INFRASTRUCTURE</b>	10.1										
Assets under construction		1,363,272,045	639,207,766		(948,660,148)	1,053,819,663	0	0	0	0	1,053,819,663
Electricity		1,780,446,672	569,451,672	(9,684)	0	2,349,888,660	614,846,210	42,351,358	(5,574)	657,191,994	1,692,696,666
General		37,685,781	21,106,126	(117,812)	0	58,674,095	19,990,726	4,882,395	(102,621)	24,770,500	33,903,595
Roads		2,399,351,197	722,677,814	0	0	3,122,029,011	834,684,279	104,441,756	0	939,126,035	2,182,902,976
Water and sanitation		1,755,527,089	562,892,543	(17,592,091)	0	2,300,827,541	530,931,917	63,807,480	(1,505,280)	593,234,117	1,707,593,424
Sandspruit Works Association		10,220,251	1,415,118			11,635,369	1,902,251	971,872		2,874,123	8,761,246
		<b>7,346,503,035</b>	<b>2,516,751,039</b>	<b>(17,719,587)</b>	<b>(948,660,148)</b>	<b>8,896,874,339</b>	<b>2,002,355,383</b>	<b>216,454,861</b>	<b>(1,613,475)</b>	<b>2,217,196,769</b>	<b>6,679,677,570</b>
<b>COMMUNITY ASSETS</b>	10.2										
General		988,620,104	145,970,101	0	0	1,134,590,205	256,297,175	41,441,360	0	297,738,535	836,851,670
Assets under construction		35,998,653	8,353,798	0	(29,901,839)	14,450,612	0	0	0	0	14,450,612
		<b>1,024,618,757</b>	<b>154,323,899</b>	<b>0</b>	<b>(29,901,839)</b>	<b>1,149,040,817</b>	<b>256,297,175</b>	<b>41,441,360</b>	<b>0</b>	<b>297,738,535</b>	<b>851,302,282</b>
<b>HERITAGE ASSETS</b>	10.3										
General		3,813,988			0	3,813,988	80,566	38,675	0	119,241	3,694,747
		<b>3,813,988</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,813,988</b>	<b>80,566</b>	<b>38,675</b>	<b>0</b>	<b>119,241</b>	<b>3,694,747</b>
<b>HOUSING</b>	10.4										
Housing assets		97,812,990	81,746,559	0	0	179,559,549	33,335,511	3,251,201	0	36,586,712	142,972,837
Assets under construction		137,152,916	6,035,290	0	(132,579,480)	10,608,726	0	0	0	0	10,608,726
		<b>234,965,906</b>	<b>87,781,849</b>	<b>0</b>	<b>(132,579,480)</b>	<b>190,168,275</b>	<b>33,335,511</b>	<b>3,251,201</b>	<b>0</b>	<b>36,586,712</b>	<b>153,581,563</b>
<b>STOCK</b>	10.5										
Stock		1,142,732	0	0	0	1,142,732	123,324	0	0	123,324	1,019,408
		<b>1,142,732</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,142,732</b>	<b>123,324</b>	<b>0</b>	<b>0</b>	<b>123,324</b>	<b>1,019,408</b>
<b>Land</b>	10.6										
Land		1,140,397,933	1,104,434	0	0	1,141,502,367	141,506,169	0	0	141,506,169	999,996,198
		<b>1,140,397,933</b>	<b>1,104,434</b>	<b>0</b>	<b>0</b>	<b>1,141,502,367</b>	<b>141,506,169</b>	<b>0</b>	<b>0</b>	<b>141,506,169</b>	<b>999,996,198</b>
<b>BUILDINGS</b>	10.7										
Buildings		701,317,311	77,379,357	(67,846)	0	778,628,822	284,176,230	71,373,600	(9,091)	355,540,739	423,088,083
Sandspruit: Land and buildings		6,137,715	1,345,493			7,483,208	788,933	172,542		961,475	6,521,733
		<b>707,455,026</b>	<b>78,724,850</b>	<b>(67,846)</b>	<b>0</b>	<b>786,112,030</b>	<b>284,965,163</b>	<b>71,546,142</b>	<b>(9,091)</b>	<b>356,502,214</b>	<b>429,609,816</b>
<b>OTHER</b>	10.8										
General		739,261,935	58,863,151	(16,324,792)	0	781,800,294	399,728,220	114,431,743	(9,061,339)	505,098,624	276,701,670
Assets under construction		69,145,450	64,752,621	0	(46,783,998)	87,114,073	0	0	0	0	87,114,073
Cenbis: Furniture and equipment		580,824				580,824	550,463			550,463	30,361
Housing Company: equipment and furniture		289,720	83,510		30,963	404,193	213,472	10,968		224,440	179,753
Sandspruit: Other equipment		6,862,896	1,798,280			8,661,176	4,493,920	1,260,137		5,754,057	2,907,119
Civirelo: Office, IT equipment & software		85,940	50,573		(57,900)	78,613	70,100	4,863	(43,425)	31,538	47,075
Roo-de-plaat Temba: Work in progress		469,731,512	5,310,960			475,042,472	60,441,242	35,820,093	1,117,115	97,378,450	377,664,022
		<b>1,285,958,277</b>	<b>130,859,095</b>	<b>(16,324,792)</b>	<b>(46,810,935)</b>	<b>1,353,681,645</b>	<b>465,497,417</b>	<b>151,527,804</b>	<b>(7,987,649)</b>	<b>609,037,572</b>	<b>744,644,073</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	10.9										
		<b>11,744,855,654</b>	<b>2,969,545,166</b>	<b>(34,112,225)</b>	<b>(1,157,952,402)</b>	<b>13,522,336,193</b>	<b>3,184,160,708</b>	<b>484,260,043</b>	<b>(9,610,215)</b>	<b>3,658,810,536</b>	<b>9,863,525,657</b>
<b>INVESTMENT PROPERTY</b>	10.10										
Investment assets		44,792,509	0	0	0	44,792,509	32,841,744	1,497,613	0	34,339,357	10,453,152
Housing Company: Investment property		7,490,657			2,509,343	10,000,000	0			0	10,000,000
		<b>52,283,166</b>	<b>0</b>	<b>0</b>	<b>2,509,343</b>	<b>54,792,509</b>	<b>32,841,744</b>	<b>1,497,613</b>	<b>0</b>	<b>34,339,357</b>	<b>20,453,152</b>
<b>INTANGIBLE ASSETS</b>	10.11										
Computer software		125,103,123	33,843,313	0	0	158,946,436	29,743,339	31,168,125	0	60,911,464	98,034,972
Civirelo: Intangible assets			3,240		57,900	61,140		14,475	43,425	57,900	3,240
		<b>125,103,123</b>	<b>33,846,553</b>	<b>0</b>	<b>57,900</b>	<b>159,007,576</b>	<b>29,743,339</b>	<b>31,182,600</b>	<b>43,425</b>	<b>60,969,364</b>	<b>98,038,212</b>
<b>TOTAL</b>	10.12	<b>11,922,241,943</b>	<b>3,003,391,719</b>	<b>(34,112,225)</b>	<b>(1,155,385,159)</b>	<b>13,736,136,278</b>	<b>3,246,745,791</b>	<b>516,940,256</b>	<b>(9,566,790)</b>	<b>3,754,119,257</b>	<b>9,982,017,020</b>

## Appendix C: Segmental Analysis of Property, Plant and Equipment as at 30 June 2008 - Municipality

Service	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Disposals	Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
Office of Executive Mayor and Municipal Manager	455,797,859	86,117,737	(86,351)	(41,254,266)	500,574,979	108,711,171	85,639,522	(45,489)	194,305,204	306,269,775
Financial Services	54,732,738	2,593,153	0	(548,872)	56,777,019	23,262,100	8,012,207	0	31,274,307	25,502,712
General Assessments	22,130,746	4,726,547	0	0	26,857,293	14,328,761	1,829,265	0	16,158,026	10,699,267
Corporate and Shared Services	1,373,658,287	10,392,279	(64,974)	0	1,383,985,592	217,381,585	31,469,492	(33,035)	248,818,042	1,135,167,550
Community Safety	299,541,656	45,531,662	(73,900)	(17,244,270)	327,755,148	138,724,770	27,516,693	(63,388)	166,178,075	161,577,073
Economic Development	251,928,132	25,152,027	(147,182)	(3,217,329)	273,715,648	112,808,547	8,404,331	(84,914)	121,127,964	152,587,684
Health and Social Development	116,342,037	11,075,180	(1,816,628)	(820,863)	124,779,726	28,198,265	8,132,364	(613,858)	35,716,771	89,062,955
City Planning and Regional Services	112,913,791	10,359,799	(36,732)	(81,852,059)	41,384,799	12,259,817	4,993,176	(26,256)	17,226,737	24,158,062
Sport and Recreation	385,929,629	102,039,944	(165,800)	(25,755,660)	462,048,113	107,442,485	18,123,958	(23,703)	125,542,740	336,505,373
Housing and Sustainable Human Settlement Development	1,318,384,622	606,246,187	0	(348,015,905)	1,576,614,904	178,181,331	25,447,638	0	203,628,969	1,372,985,935
Agriculture & Environmental Management	342,062,649	57,873,771	(118,560)	(13,135,174)	386,682,686	104,475,008	20,209,862	(50,848)	124,634,022	262,048,664
Public Works:	6,687,420,282	2,031,276,259	(31,602,098)	(626,081,067)	8,061,013,376	2,132,511,570	238,906,798	(9,742,414)	2,361,675,954	5,699,337,422
Transport	0	18,603,738	0	(24,494,547)	(5,890,809)	0	0	0	0	(5,890,809)
Roads and Storm water	2,462,645,700	758,894,017	(1,039,218)	(240,462,413)	2,980,038,086	854,089,403	100,412,700	(493,209)	954,008,894	2,026,029,192
Water and Sanitation	1,971,903,062	561,122,508	(18,877,100)	(85,780,077)	2,428,368,393	562,755,334	77,400,494	(2,037,175)	638,118,653	1,790,249,740
Electricity	2,252,871,520	692,655,996	(11,685,780)	(275,344,030)	2,658,497,706	715,666,833	61,093,604	(7,212,030)	769,548,407	1,888,949,299
<b>TOTAL</b>	<b>11,420,842,428</b>	<b>2,993,384,545</b>	<b>(34,112,225)</b>	<b>(1,157,925,465)</b>	<b>13,222,189,283</b>	<b>3,178,285,410</b>	<b>478,685,306</b>	<b>(10,683,905)</b>	<b>3,646,286,811</b>	<b>9,575,902,472</b>

## Appendix C: Segmental Analysis of Property, Plant and Equipment as at 30 June 2008 - Group

Service	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Disposals	Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
Office of Executive Mayor and Municipal Manager	455,797,859	86,117,737	(86,351)	(41,254,266)	500,574,979	108,711,171	85,639,522	(45,489)	194,305,204	306,269,775
Financial Services	54,732,738	2,593,153	0	(548,872)	56,777,019	23,262,100	8,012,207	0	31,274,307	25,502,712
General Assessments	22,130,746	4,726,547	0	0	26,857,293	14,328,761	1,829,265	0	16,158,026	10,699,267
Corporate and Shared Services	1,373,658,287	10,392,279	(64,974)	0	1,383,985,592	217,381,585	31,469,492	(33,035)	248,818,042	1,135,167,550
Community Safety	299,541,656	45,531,662	(73,900)	(17,244,270)	327,755,148	138,724,770	27,516,693	(63,388)	166,178,075	161,577,073
Economic Development	252,508,956	25,152,027	(147,182)	(3,217,329)	274,296,472	113,359,010	8,404,331	(84,914)	121,678,427	152,618,045
Health and Social Development	116,342,037	11,075,180	(1,816,628)	(820,863)	124,779,726	28,198,265	8,132,364	(613,858)	35,716,771	89,062,955
City Planning and Regional Services	112,913,791	10,359,799	(36,732)	(81,852,059)	41,384,799	12,259,817	4,993,176	(26,256)	17,226,737	24,158,062
Sport and Recreation	385,929,629	102,039,944	(165,800)	(25,755,660)	462,048,113	107,442,485	18,123,958	(23,703)	125,542,740	336,505,373
Housing and Sustainable Human Settlement Development	1,326,164,999	606,329,697	0	(345,475,599)	1,587,019,097	178,394,803	25,458,606	0	203,853,409	1,383,165,688
Agriculture & Environmental Management	342,062,649	57,873,771	(118,560)	(13,135,174)	386,682,686	104,475,008	20,209,862	(50,848)	124,634,022	262,048,664
Public Works:	7,180,458,596	2,041,199,923	(31,602,098)	(626,081,067)	8,563,975,354	2,200,208,016	277,150,780	(8,625,299)	2,468,733,497	6,095,241,857
Transport	0	18,603,738	0	(24,494,547)	(5,890,809)	0	0	0	0	(5,890,809)
Roads and Storm water	2,462,645,700	758,894,017	(1,039,218)	(240,462,413)	2,980,038,086	854,089,403	100,412,700	(493,209)	954,008,894	2,026,029,192
Water and Sanitation	2,464,941,376	571,046,172	(18,877,100)	(85,780,077)	2,931,330,371	630,451,780	115,644,476	(920,060)	745,176,196	2,186,154,175
Electricity	2,252,871,520	692,655,996	(11,685,780)	(275,344,030)	2,658,497,706	715,666,833	61,093,604	(7,212,030)	769,548,407	1,888,949,299
<b>TOTAL</b>	<b>11,922,241,943</b>	<b>3,003,391,719</b>	<b>(34,112,225)</b>	<b>(1,155,385,159)</b>	<b>13,736,136,278</b>	<b>3,246,745,791</b>	<b>516,940,256</b>	<b>(9,566,790)</b>	<b>3,754,119,257</b>	<b>9,982,017,020</b>

## Appendix D: Consolidated Segmental Statement of Performance for the year ended 30 June 2008

SERVICE	MUNICIPALITY							GROUP						
	2008				2007			2008				2007		
	Actual Income	Actual Expenditure	Surplus/ (Deficit)	Adjustment Budget Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)	Adjustment Budget Surplus/ (Deficit)	Actual Income	Actual Expenditure	Surplus/ (Deficit)
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Office of Executive Mayor and Municipal Manager	11,033,805	221,747,407	(210,713,602)	(241,647,049)	1,347,372	409,934,727	(408,587,355)	11,033,805	221,747,407	(210,713,602)	(241,647,049)	1,347,372	409,934,727	(408,587,355)
Corporate and Shared Services	44,694,749	838,438,644	(793,743,895)	(742,596,826)	43,099,583	556,704,160	(513,604,577)	44,694,749	838,438,644	(793,743,895)	(742,596,826)	43,099,583	556,704,160	(513,604,577)
Economic Development	144,541,237	260,487,869	(115,946,632)	(104,925,277)	128,427,937	241,145,450	(112,717,513)	144,541,237	260,487,869	(115,946,632)	(104,925,277)	128,431,587	241,175,708	(112,744,121)
Financial Services	63,067,055	409,853,892	(346,786,837)	(421,112,961)	70,333,210	351,837,200	(281,503,990)	63,067,055	409,853,890	(346,786,835)	(421,112,961)	70,333,210	351,837,200	(281,503,990)
General Assessments	3,777,582,087	491,791,096	3,285,790,991	3,446,309,574	3,229,275,213	556,931,260	2,672,343,953	3,777,582,087	491,791,096	3,285,790,991	3,446,309,574	3,229,275,213	556,931,260	2,672,343,953
Housing and Sustainable Human Settlement Development	200,527,837	289,419,196	(88,891,359)	(63,398,837)	139,775,647	285,843,419	(146,067,772)	200,527,837	289,419,196	(88,891,359)	(63,398,837)	139,775,647	285,843,419	(146,067,772)
Sport and Recreation	39,610,992	152,738,147	(113,127,155)	(130,108,622)	40,902,547	133,585,868	(92,683,321)	39,610,992	152,738,147	(113,127,155)	(130,108,622)	40,902,547	133,585,868	(92,683,321)
Community Safety	146,452,724	715,137,886	(568,685,162)	(584,662,583)	124,717,679	576,230,416	(451,512,737)	146,452,724	715,137,886	(568,685,162)	(584,662,583)	124,717,679	576,230,416	(451,512,737)
Agriculture and Environmental Management	338,760,687	862,876,215	(524,115,528)	(290,050,273)	303,466,585	692,879,558	(389,412,973)	338,760,687	862,876,215	(524,115,528)	(290,050,273)	303,466,585	692,879,558	(389,412,973)
Health and Social Development	67,882,436	241,085,729	(173,203,293)	(191,723,260)	53,941,713	208,511,894	(154,570,181)	67,882,436	241,085,729	(173,203,293)	(191,723,260)	53,941,713	208,511,894	(154,570,181)
City Planning and Regional Services	68,470,615	134,583,253	(66,112,638)	(75,479,150)	67,110,477	107,579,422	(40,468,945)	68,470,615	134,583,253	(66,112,638)	(75,479,150)	67,110,477	107,579,422	(40,468,945)
Public Works:	5,218,169,612	4,645,191,311	572,978,301	295,457,155	4,399,084,192	4,167,374,282	231,709,910	5,482,920,445	4,943,963,797	538,956,648	295,457,155	4,573,986,564	4,408,697,418	165,289,146
Roads & Storm water	201,376,207	487,490,999	(286,114,792)	(327,844,653)	59,903,280	391,522,056	(331,618,776)	201,376,207	487,490,999	(286,114,792)	(327,844,653)	59,903,280	391,522,056	(331,618,776)
Transport	54,603,935	95,655,404	(41,051,469)	(10,745,918)	28,132,639	76,207,732	(48,075,093)	54,603,935	95,655,404	(41,051,469)	(10,745,918)	28,132,639	76,207,732	(48,075,093)
Electricity	3,191,679,242	2,729,798,526	461,880,716	342,542,330	2,789,662,278	2,449,088,349	340,573,929	3,191,679,242	2,729,798,526	461,880,716	342,542,330	2,789,662,278	2,449,088,349	340,573,929
Water and sanitation	1,770,510,228	1,332,246,382	438,263,846	291,505,396	1,521,385,995	1,250,556,145	270,829,850	2,035,261,061	1,631,018,868	404,242,193	291,505,396	1,696,288,367	1,491,879,281	204,409,086
<b>SURPLUS FOR THE YEAR</b>	<b>10,120,793,836</b>	<b>9,263,350,645</b>	<b>857,443,191</b>	<b>896,061,891</b>	<b>8,601,482,155</b>	<b>8,288,557,656</b>	<b>312,924,499</b>	<b>10,402,042,841</b>	<b>9,588,216,102</b>	<b>813,826,739</b>	<b>896,061,891</b>	<b>8,790,719,412</b>	<b>8,547,579,158</b>	<b>243,140,254</b>

## Appendix E: Actual Operating Revenue and Expenditure per type versus Budget for the year ended 30 June 2008

DESCRIPTION	Actual R	Budget R	Variance R	Variance %	Explanation of significant Variances (greater than 10%) versus Budget
<b>REVENUE</b>					
Property rates	2,180,952,393	2,007,541,000	173,411,393	8.64	
Service Charges	4,925,025,127	4,769,479,797	155,545,330	3.26	
Regional Service Levies – turnover	0	20,000,000	(20,000,000)	(100.00)	RSC levies received were appropriated to sundry debtor created in previous financial year as levies were abolished
Rental of facilities and equipment	90,860,818	74,495,934	16,364,884	21.97	Realised more bus rentals than anticipated. "Sundry properties" over collected due to premises taken over from other departments. Final payments received from RTWST for the rental payable on 30 June 2008 in respect of Roooplea and Temba properties according to the lease agreement
Interest earned – external investments	158,014,824	113,303,229	44,711,595	39.46	More favourable interest rates realised better investment income compared to the conservatively planned budget.
Interest earned – outstanding debtors	194,352,139	160,432,604	33,919,535	21.14	Growth in collection of installment payment plans for debtors who arrange to pay their arrears in monthly installments
Fines (traffic fines)	38,302,819	49,433,869	(11,131,050)	(22.52)	Factors that contributed was the culture of non-payment, insufficient paypoints, lack of capacity of magistrates to administer traffic fines, the unsuccessful prosecution of cases. Interventions include "sting" operations by the Tracings Unit: Agreement with SA Post Office to receive payments country wide; implementation of Administrative Adjudication of Road Traffic Offences Act, (Act 46 of 1998) (AARTO), as amended
Licences and permits	29,498,520	23,049,903	6,448,617	27.98	More income received than anticipated in conservatively planned budget
Government grants and subsidies	1,919,501,081	2,201,857,795	(282,356,714)	(12.82)	Restructuring Grant funding increased with R50 million during the Adjustments Budget and implementation of projects will roll-forward to 2008/09. Allocation for 2010 Soccer World Cup to be utilised during 2008/09 owing to implementation of project continuing to September 2008. Allocation of PTIS funds not fully utilised as project implementation delayed and will roll-forward to 2008/09
Other income	691,502,194	619,483,107	72,019,087	11.63	Problems of the billing of waste services lead to income not being collected. Consultation with Finance Department to look at possible ways to ensure that all services are billed. Under collection on the land sales as a result of the moratorium on the sale of land.
Public contributions	165,369,329	155,000,000	10,369,329	6.69	
Gains on disposal of property, plant and equipment	4,936,900	40,352,144	(35,415,244)	(87.77)	Uncertain income and dependant on asset cleanup and disposal of obsolete assets
Gain: Change in fair value of livestock	3,726,697	0	3,726,697	100.00	Re-valuation of livestock at year end culminated in a gain
<b>Total Revenue</b>	<b>10,402,042,841</b>	<b>10,234,429,382</b>	<b>167,613,459</b>	<b>1.64</b>	
<b>EXPENDITURE</b>					
Employee related costs	2,665,393,656	2,729,726,831	(64,333,175)	(2.36)	
Remuneration of Councillors	44,201,359	47,914,093	(3,712,734)	(7.75)	
Bad debts: contribution	230,254,392	19,920,755	210,333,637	1055.85	Conservative amount budgeted. Calculation of provision processed at year end
Bad debts: written off	100,732,978	109,100,000	(8,367,022)	(7.67)	
Collection Costs	72,224,153	63,178,651	9,045,502	14.32	Service provider was not appointed. Negotiations with CoT Legal Services in progress
Depreciation	581,372,889	728,387,673	(147,014,784)	(20.18)	Increase due to asset purification process and accounting for finance leases
Interest paid on external borrowings	431,881,950	382,138,723	49,743,227	13.02	Increase due to accounting for leases at year end
Bulk purchases	2,214,193,693	2,232,955,941	(18,762,248)	(0.84)	
Repairs and maintenance	897,807,296	749,310,022	26,932,403	3.59	More actual repairs and maintenance work required than anticipated during the budget process
Grants and subsidies paid	11,584,679	12,285,250	(700,571)	(5.70)	
Loss on disposal of property, plant and equipment	23,423,391	9,900	23,413,491	236499.91	Uncertain expenditure. Only nominal amount budgeted
General expenses – other	2,315,145,666	2,010,014,816	305,130,850	15.18	
<b>Total Expenditure</b>	<b>9,588,216,102</b>	<b>9,084,942,655</b>	<b>503,273,447</b>	<b>5.54</b>	
<b>NET SURPLUS FOR THE YEAR</b>	<b>813,826,739</b>	<b>1,149,486,727</b>	<b>(335,659,988)</b>	<b>(29.20)</b>	

## Appendix F: Segmental Actual Operating Revenue and Expenditure per Strategic Unit versus Budget for the year ended 30 June 2008

DESCRIPTION	Actual R	Budget R	Variance R	Variance %	Explanation of significant Variances (greater than 10%) versus Budget
<b>REVENUE</b>					
Office of Executive Mayor and Municipal Manager	11,033,805	61,820,434	(50,786,629)	(82.15)	Soccer 2010 Stadium re-building funds not spent - project implementation begins from July to September 2008
Corporate and Shared Services	44,694,749	52,813,147	(8,118,398)	(15.37)	Major contributor - loss on sale of assets
Economic Development	144,541,237	153,344,513	(8,803,276)	(5.74)	
Financial Services	63,067,055	63,931,335	(864,280)	(1.35)	
General Assessments	3,777,582,087	3,725,953,850	51,628,237	1.39	
Housing and Sustainable Human Settlement Development	200,527,837	258,475,315	(57,947,478)	(22.42)	Did not receive confirmation from Province to spend all the funds allocated iro top structure grants
Sport and Recreation	39,610,992	40,291,654	(680,662)	(1.69)	
Community Safety	146,452,724	143,420,971	3,031,753	2.11	
Agriculture and Environment Management	338,760,687	369,960,577	(31,199,890)	(8.43)	
Health and Social Development	84,380,608	64,782,576	19,598,032	30.25	Revenue of municipal entity included but not budgeted for on consolidation
City Planning and Regional Services	68,470,615	63,213,490	5,257,125	8.32	
Public Works	5,482,920,445	5,236,421,520	246,498,925	4.71	
Roads & Storm water	201,376,207	243,647,639	(42,271,432)	(17.35)	PTIS/RG funds not fully recognised owing to underspending on project implementation - unspent balance carried forward to 2008/09
Transport	54,603,935	106,430,891	(51,826,956)	(48.70)	PTIS/RG funds not fully recognised owing to underspending on project implementation - unspent balance carried forward to 2008/09
Electricity	3,191,679,242	3,172,166,208	19,513,034	0.62	
Water and Sanitation	2,035,261,061	1,714,176,782	321,084,279	18.73	Revenue of municipal entities included but not budgeted for on consolidation
<b>Total Revenue</b>	<b>10,402,042,841</b>	<b>10,234,429,382</b>	<b>167,613,459</b>	<b>1.64</b>	
<b>EXPENDITURE</b>					
Office of Executive Mayor and Municipal Manager	221,747,407	511,094,727	(289,347,320)	(56.61)	Soccer 2010 stadium re-building project implementation begins from July to September 2008
Corporate and Shared Services	838,438,644	592,964,271	245,474,373	41.40	Restatement on depreciation due to purification process on fixed asset register
Economic Development	260,487,869	258,269,790	2,218,079	0.86	
Financial Services	409,853,890	485,044,296	(75,190,406)	(15.50)	Due to effective negotiating and structuring of the Insurance Portfolio; and the implementation of the Risk Management and Insurance Strategy a major saving realised on the insurance premium
General Assessments	491,791,096	279,644,276	212,146,820	75.86	Budget allocation for interest paid moved to individual departments and no budget was allocated to this vote. Depreciation - asset purification could only be done on this vote due to lack of information. Accounting for leases were done in total on this vote - no budget was provided for the accounting for leases. An additional provision of R125 million was made for RSC levies bad debt.
Housing and Sustainable Human Settlement Development	289,419,196	321,874,152	(32,454,956)	(10.08)	Restatement on depreciation due to purification process on fixed asset register
Sport and Recreation	152,738,147	170,400,276	(17,662,129)	(10.37)	Restatement on depreciation due to purification process on fixed asset register
Community Safety	715,137,886	728,083,554	(12,945,668)	(1.78)	
Agriculture and Environment Management	862,876,215	660,010,850	202,865,365	30.74	Expansion of services rendered, increase in fuel prices, higher maintenance costs on vehicles, machines, buildings and sites.
Health and Social Development	267,178,702	256,505,836	10,672,866	4.16	
City Planning and Regional Services	134,583,253	133,511,097	1,072,156	0.80	
Public Works	4,943,963,797	4,940,964,365	2,999,432	0.06	
Roads & Storm water	487,490,999	571,492,292	(84,001,293)	(14.70)	Restatement on depreciation due to purification process on fixed asset register
Transport	95,655,404	117,176,809	(21,521,405)	(18.37)	2010 Soccer related expenditure did not progress as planned. - implementation to roll-over to 2008/09
Electricity	2,729,798,526	2,829,623,878	(99,825,352)	(3.53)	
Water and sanitation	1,631,018,868	1,422,671,386	208,347,482	14.64	Restatement on depreciation due to purification process on fixed asset register
<b>Nett Expenditure</b>	<b>9,588,216,102</b>	<b>9,338,367,490</b>	<b>249,848,612</b>		
<b>NET SURPLUS FOR THE YEAR</b>	<b>813,826,739</b>	<b>896,061,892</b>	<b>(82,235,153)</b>	<b>(9.18)</b>	

## Appendix G: Actual Capital Expenditure versus Budget for the year ended 30 June 2008

SERVICE	Actual	Budget	Variance	Variance	Explanation of Significant Variances (greater than 5%) versus Budget
	R	R	R	%	
Corporate and Shared services	56,064,009	78,969,801	22,905,792	29.01	Several IT tenders not approved and insufficient funds for call centre establishment
Economic Development	22,544,229	40,473,750	17,929,521	44.30	Delay in approval of bus project, delay in upgrading buildings owing to contractor in breach of contract and savings on projects due to lower tender amounts
Financial Services	11,131,247	11,900,000	768,753	6.46	Tender process started late in financial year for upgrading pay point and insurance replacement project is dependant on claims
Housing and Sustainable Human Settlement Development	186,983,791	233,234,988	46,251,197	19.83	Non-implementation of projects due to funds not approved/received from Province and non-implementation of upgrading of Schubart Park and Kruger Park blocks
Sport and recreation	66,666,245	73,998,000	7,331,755	9.91	Nellmapius Community Centre project could not be implemented, this project will be re-prioritised in the future years.
Community Safety	21,544,824	35,150,000	13,605,176	38.71	Delay in purchase of vehicles
Agriculture and Environmental management	42,936,806	46,850,000	3,913,194	8.35	Dispute resolution regarding outsourcing of refuse removal emanated in delays
Health and Social development	6,272,719	6,279,000	6,281	0.10	
City Planning and regional services	4,283,612	8,000,000	3,716,388	46.45	Delay in Phase 2 - to continue in July 2008
Public Works:	1,339,474,818	1,536,323,549	196,848,731	12.81	
Roads & Storm water	442,898,465	555,743,000	112,844,535	20.31	Due to delay in EIA studies
Transport	27,725,543	71,300,000	43,574,457	61.11	Due to delays in procurement process and MIG funding awaiting business plan approval
Electricity	398,567,457	421,985,549	23,418,092	5.55	Late posting of reservations caused a variation in contractor payments as a result of escalation in material prices
Water and sanitation	470,283,353	487,295,000	17,011,647	3.49	
<b>Nett Expenditure</b>	<b>1,757,902,300</b>	<b>2,071,179,088</b>	<b>313,276,788</b>	<b>15.13</b>	



## Appendix H: Disclosures of Grants and Subsidies Received during the financial year ended 30 June 2008

Name of Grant	Name of Organ of state or municipal entity	Quarterly Receipts						Expenditure June	Closing balance	Grants and Subsidies delayed/ withheld July to June	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the lates Division of Revenue Act	Reason for non compliance
		Opening balance	Sept	Dec	March	June	Total						
		R	R	R	R	R	R						
Capital Grants:													
Economic Development	Gauteng: Sport, Recreation	3,749,841	0	0	1,990,000	0	5,739,841	4,624,440	1,115,401	None	None	Yes	n/a
National Electricity Fund	National Electricity Regulator	4,025,783	0	23,900,000	28,500,000	0	56,425,783	52,227,673	4,198,110	None	None	Yes	n/a
Gauteng Project Linked Housing	Gauteng: Housing Department	22,113,701	0	6,620,688	24,164,814	10,179,765	63,078,968	62,190,527	888,441	None	None	Yes	n/a
North West: Project Linked Housing	North West: Housing	1,922,450	0	0	0	0	1,922,450	0	1,922,450	None	None	Yes	n/a
Municipal Infrastructure Grant (MIG)	Department: Provincial and Local Government	19,794,905	34,755,000		161,683,749	40,000,000	256,233,654	220,341,029	35,892,625	None	None	Yes	n/a
Gautrans Job Creation	Gautrans	5,000,000	0	0	0	0	5,000,000	0	5,000,000	None	None	Yes	n/a
Water & Sanitation	Department Water Affairs and Forestry	21,992,328	0	0	0	25,677	22,018,005	22,018,005	0	None	None	Yes	n/a
Electricity for All	Department Mineral & Energy Affairs	0	0	0	0	0	0	0	0	None	None	Yes	n/a
Transportation	Gauteng Department Transportation Engineering	3,000,000	0	0	0	0	3,000,000	0	3,000,000	None	None	Yes	n/a
ESKOM	ESKOM	5,780,000	0	0	0	0	5,780,000	5,767,047	12,953	None	None	Yes	n/a
World Cup Soccer 2010: Roads	Gauteng Department Transportation Engineering	0		15,159,374	15,159,374	0	30,318,748	10,603,832	19,714,916	None	None	Yes	n/a
World Cup Soccer 2010: Transport	Gauteng Department Transportation Engineering	0		24,215,626	24,215,626	0	48,431,252	0	48,431,252	None	None	Yes	n/a
Restructuring Grant	National Treasury	0	56,747,798		33,252,202	0	90,000,000	89,907,728	92,272	None	None	Yes	n/a
Unforeseen storm water problems	Gauteng: Department of Public Works	7,322,068	0	0	0	0	7,322,068	0	7,322,068	None	None	Yes	n/a
Sandspruit Works Association	Various spheres of Government	0	0	0	0	4,282,952	4,282,952	0	4,282,952	None	None	Yes	n/a
		94,701,076	91,502,798	69,895,688	288,965,765	54,488,394	599,553,721	467,680,281	131,873,440				
Operational grants/subsidies:													
Health: HIV/AIDS	National Department of Health	2,000,000	0	0	1,500,000	0	3,500,000	2,000,000	1,500,000	None	None	Yes	n/a
Heath Subsidy	National Department of Health	0		4,552,000	5,813,500	12,303,500	22,669,000	22,669,000	0	None	None	Yes	n/a
Ambulance subsidy	Provincial Department of Health	0	757,440	17,110,372	8,550,500	8,660,970	35,079,282	35,079,282	0	None	None	Yes	n/a
Top Structures: Project Linked Housing	North West Housing	1,410,484	24,363,984	35,411,076	15,146,285	62,655,207	138,987,036	125,601,978	13,385,058	None	None	Yes	n/a
Finance Management Grant	National Treasury	1,503,403	500,000	0	0	0	2,003,403	698,716	1,304,687	None	None	Yes	n/a
Restructuring Grant	National Treasury	78,921,694	40,000,000		19,950,001	50,000	138,921,695	52,227,861	86,693,834	None	None	Yes	n/a
Municipal System Improvement Grant	National Treasury	3,000,000	0	0	0	0	3,000,000	2,501,600	498,400	None	None	Yes	n/a
Equitable share	Department: Provincial and Local Government	0	367,138,698	275,354,023	458,923,372	0	1,101,416,093	1,101,416,093	0	None	None	Yes	n/a
Refurbishment of Temba Works	Department of Water Affairs and Forestry	399,000	6,237,250	2,448,750	6,341,250	3,363,573	18,789,823	18,789,823	0	None	None	Yes	n/a
Department of Water Affairs	Department of Water Affairs and Forestry		2,676,000				2,676,000	2,676,000	0				
Housing Accreditation	Gauteng Housing Department	268,050		3,000,000	2,003,800	0	5,271,850	2,335,043	2,936,807	None	None	Yes	n/a
Bontle Ke Botho	Gauteng: Agriculture, Conservation and Environment	177,223	610,000	0	0	670,000	1,457,223	0	1,457,223	None	None	Yes	n/a
Sport & Recreation	Gauteng: Sport, Recreation	0	0	0	1,390,000	0	1,390,000	1,390,000	0	None	None	Yes	n/a
Arts and Culture	Gauteng: Sport, Recreation	0	0	0	0	1,757,000	1,757,000	1,757,000	0	None	None	Yes	n/a
Loftus Upgrade 2010	Gauteng Department of Transport	4,000,000	0	0	52,777,600	2,517,380	59,294,980	10,848,271	48,446,709	None	None	Yes	n/a
Agriculture	Gauteng Department of Agriculture, Conservation	460,000	0	0	440,000	0	900,000	460,000	440,000				
Motor vehicle licences refund	Gauteng Department of Transport	0	11,728,105	16,598,061	4,707,409	33,157,769	66,191,344	66,191,344	0	None	None	Yes	n/a
World Cup Soccer: Roads	Gauteng Department Transportation Engineering	0	0	7,000,000	144,495	0	7,144,495	2,905,569	4,238,926	None	None	Yes	n/a
World Cup soccer : Transport	Gauteng Department Transportation Engineering	0	0	23,712,500	19,687,500	0	43,400,000	0	43,400,000	None	None	Yes	n/a
Monument Golf Club	Monument Golf Club	3,000,000	0	0	0	0	3,000,000	0	3,000,000	None	None	Yes	n/a
		95,139,854	454,011,477	385,186,782	597,375,712	125,135,399	1,656,849,224	1,449,547,580	207,301,644				
Revenue per Statement of Financial Performance (see note 21)								1,917,227,861					
Unspent conditional grants per Statement of Financial Position (see note 8)									339,175,084				

## General Information

Registered Office:

Office of the Municipal Manager:

9th Floor  
Munitoria  
Van der Walt Street  
0002 PRETORIA  
  
PO Box 440  
0001 PRETORIA

Office of the Chief Financial Officer:

373 Pretorius Street  
0002 PRETORIA  
  
PO Box 408  
0001 PRETORIA

Auditors:

Auditor-General  
  
Cnr Veal Street and Middel Street  
Brooklyn  
0002 PRETORIA

Bankers:

Standard Bank  
Van der Walt Street, PRETORIA

Legal form:

Local Authority/Metropolitan Municipality

Jurisdiction:

As determined by the Demarcation Board

Operations and principle activities:

The City of Tshwane is a local authority and renders a municipal service to the community.

Legislation governing the municipality's operations:

Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)  
Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)  
Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)  
Housing Act, 1997 (Act 107 of 1997)  
Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)  
Property Rates Act, 2004 (Act 6 of 2004)  
Division of Revenue Act, 2007 (Act 1 of 2007)  
Companies Act, 1973 (Act 61 of 1973) – in the case of Municipal Entities

Controlling entity:

City of Tshwane

User Notes

Handwriting practice area with 20 horizontal dashed lines.



