

Planning by	Reviewed	Performed by	Final review



Xhariep District Municipality  
(Registration number DC16)  
Annual Financial Statements  
for the year ended June 30, 2018

# Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2018

## General Information

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<b>Legal form of entity</b>	South African Category C Municipality as defined by the Municipal Structures Act (Act no 117 of 1998).
<b>Nature of business and principal activities</b>	<p>Xhariep District Municipality is a district municipality performing the function as set out in the constitution(Act no 105 of 1996).</p> <p>Xhariep District Municipality includes the municipal areas of Mohokare Local Municipality, Letsemeng Local Municipality and Kopanong Local Municipality.</p>
<b>Mayoral committee</b>	
Executive Mayor	Cllr MJ Sehanka
Speaker	Cllr NS Mqungquthu
Councillors	Cllr AJJ van Rensburg Cllr MG Ntwanambi Cllr B Smit (resigned March 2018) Cllr TS Tseua Cllr C Burger(resigned January 2018) Cllr MJ Phaliso Cllr TD Mochechepa Cllr JK Sebeco Cllr ML Mogapi Cllr J Moitse Cllr AN November Cllr JM Moeketsi Cllr IS Riddle Cllr RW Van Wyk (new April 2018) Cllr TV Nthapo(new June 2018)
<b>Accounting Officer</b>	LY Moletsane
<b>Chief Finance Officer (CFO)</b>	VK Mokhele Acting Chief Financial Officer
<b>Registered office</b>	20 Louw Street Trompsburg 9913
<b>Business address</b>	20 Louw Street Trompsburg 9913
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Mthembu Attorneys
<b>Telephone</b>	051 713 9300
<b>Fax</b>	051 713 0461
<b>Website address</b>	<a href="http://www.xhariep.fs.gov.za">www.xhariep.fs.gov.za</a>

# Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2018

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MSIG	Municipal Systems Infrastructure Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
RRAMS	Rural Roads Asset Management Grant
EPWP	Expanded Public Works Programme
mSCOA	Municipal Standard Chart of Accounts

# **Xhariep District Municipality**

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2018

## **Accounting Officer's Responsibilities and Approval**

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Division of Revenue Act and Free State Provincial Government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on municipality's behalf by:

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**LY Moletsane**  
**Accounting Officer**

# Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Accounting Officer's Report

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The accounting officer submits her report for the year ended June 30, 2018.

### 1. Incorporation

The municipality was incorporated on 06 December 2001 and obtained its certificate to commence business on the same day.

### 2. Review of activities

#### Main business and operations

The municipality is engaged in providing services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 3. Going concern

We draw attention to the fact that at June 30, 2018, the municipality had an accumulated surplus of R 3,979,222 and that the municipality's total assets exceed its liabilities by R 3,979,222.

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

### 4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 5. Accounting policies

The financial statement prepared in accordance with the Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statement issued by the Accounting Practices Board as the prescribed framework by National Treasury.

### 6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
LY Moletsane	RSA

# Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Statement of Financial Position as at June 30, 2018

Figures in Rand	Note(s)	2018	2017
<b>Assets</b>			
Current Assets			
Inventories	5	19,660	60,117
VAT receivable	6	1,200,627	1,650,614
Receivables from exchange transactions	7	1,644,623	660,630
Cash and cash equivalents	8	2,908,913	1,888,698
		<b>5,773,823</b>	<b>4,260,059</b>
Non-Current Assets			
Property, plant and equipment	3	14,107,088	14,740,967
Intangible assets	4	1,860,169	2,002,128
		<b>15,967,257</b>	<b>16,743,095</b>
Non-Current Assets		15,967,257	16,743,095
Current Assets		5,773,823	4,260,059
<b>Total Assets</b>		<b>21,741,080</b>	<b>21,003,154</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	9	38,779	440,904
Payables from exchange transactions	12	15,958,869	15,217,993
Unspent conditional grants and receipts	10	87,691	707,359
Provisions	11	93,356	183,000
		<b>16,178,695</b>	<b>16,549,256</b>
Non-Current Liabilities			
Finance lease obligation	9	-	38,779
Provisions	11	1,583,155	1,494,000
		<b>1,583,155</b>	<b>1,532,779</b>
Non-Current Liabilities		1,583,155	1,532,779
Current Liabilities		16,178,695	16,549,256
<b>Total Liabilities</b>		<b>17,761,850</b>	<b>18,082,035</b>
Assets		21,741,080	21,003,154
Liabilities		(17,761,850)	(18,082,035)
<b>Net Assets</b>		<b>3,979,230</b>	<b>2,921,119</b>
Accumulated deficit		3,979,222	2,921,119



# Xhariep District Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Tender document fees		15,520	6,930
Parking fees		53,724	58,998
Rental of facilities	14	430,077	431,015
Interest received (trading)		146,939	63,012
Other income	15	81,602	181,588
Interest received - investment	16	107,598	97,406
Actuarial gains		329,171	223,762
<b>Total revenue from exchange transactions</b>		<b>1,164,631</b>	<b>1,062,711</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	17	57,321,668	52,489,677
Finance Assistance	18	2,274,155	-
LG SETA Income		83,500	39,253
<b>Total revenue from non-exchange transactions</b>		<b>59,679,323</b>	<b>52,528,930</b>
		1,164,631	1,062,711
		59,679,323	52,528,930
<b>Total revenue</b>	13	<b>60,843,954</b>	<b>53,591,641</b>
<b>Expenditure</b>			
Employee related costs	19	(39,451,436)	(36,819,317)
Remuneration of councillors	20	(4,496,093)	(3,960,804)
Depreciation and amortisation	21	(2,404,726)	(2,129,616)
Impairment loss/ Reversal of impairments	22	(870)	(51,544)
Finance costs	23	(357,041)	(518,145)
Debt Impairment	24	(554,182)	(741,222)
Contracted services	25	(5,705,537)	(5,082,182)
Transfers and Subsidies		(10,025)	(10,400)
Loss on non-current assets held for sale or disposal groups	27	(5,545)	(15,425)
General Expenses	26	(6,800,386)	(8,030,980)
<b>Total expenditure</b>		<b>(59,785,841)</b>	<b>(57,359,635)</b>
		-	-
Total revenue		60,843,954	53,591,641
Total expenditure		(59,785,841)	(57,359,635)
Operating surplus/deficit		-	-
Surplus (deficit) before taxation		1,058,113	(3,767,994)
Taxation		-	-
<b>Surplus (deficit) for the year</b>		<b>1,058,113</b>	<b>(3,767,994)</b>

# Xhariep District Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5,147,982	5,147,982
Adjustments		
Prior year adjustments	1,541,131	1,541,131
<b>Balance at July 1, 2016 as restated*</b>	<b>6,689,113</b>	<b>6,689,113</b>
Changes in net assets		
Surplus for the year	(3,767,994)	(3,767,994)
Total changes	(3,767,994)	(3,767,994)
Opening balance as previously reported	104,052	104,052
Adjustments		
Correction of errors	2,817,057	2,817,057
<b>Balance at July 1, 2017 as restated*</b>	<b>2,921,109</b>	<b>2,921,109</b>
Changes in net assets		
Surplus for the year	1,058,113	1,058,113
Total changes	1,058,113	1,058,113
<b>Balance at June 30, 2018</b>	<b>3,979,222</b>	<b>3,979,222</b>
Note(s)		

# Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		(957,252)	(144,417)
Grants		56,785,501	52,302,759
Interest income		254,537	160,418
		<u>56,082,786</u>	<u>52,318,760</u>
<b>Payments</b>			
Employee costs		(45,728,294)	(36,634,519)
Suppliers		(6,901,035)	(11,233,560)
Finance costs		(357,041)	(518,145)
		<u>(52,986,370)</u>	<u>(48,386,224)</u>
Total receipts		56,082,786	52,318,760
Total payments		(52,986,370)	(48,386,224)
<b>Net cash flows from operating activities</b>	29	<b><u>3,096,416</u></b>	<b><u>3,932,536</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(1,373,402)	(212,275)
Purchase of other intangible assets	4	(261,900)	(2,002,128)
<b>Net cash flows from investing activities</b>		<b><u>(1,635,302)</u></b>	<b><u>(2,214,403)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(440,904)	(422,629)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,020,210</b>	<b>1,295,504</b>
Cash and cash equivalents at the beginning of the year		1,888,698	593,205
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>2,908,908</u></b>	<b><u>1,888,709</u></b>

# Xhariep District Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	-	-	-	15,520	<b>15,520</b>	44
Rendering of services	147,705	-	<b>147,705</b>	53,724	<b>(93,981)</b>	44
Rental of facilities and equipment	482,422	-	<b>482,422</b>	430,077	<b>(52,345)</b>	44
Interest received (trading)	-	-	-	146,939	<b>146,939</b>	44
Other income - (rollup)	-	-	-	81,602	<b>81,602</b>	44
Interest received - investment	-	-	-	107,598	<b>107,598</b>	44
<b>Total revenue from exchange transactions</b>	<b>630,127</b>	-	<b>630,127</b>	<b>835,460</b>	<b>205,333</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	57,188,000	(1,636,000)	<b>55,552,000</b>	57,321,668	<b>1,769,668</b>	44
Public contributions and donations	-	-	-	2,274,155	<b>2,274,155</b>	44
Other transfer revenue 1	-	-	-	83,500	<b>83,500</b>	44
<b>Total revenue from non-exchange transactions</b>	<b>57,188,000</b>	<b>(1,636,000)</b>	<b>55,552,000</b>	<b>59,679,323</b>	<b>4,127,323</b>	
'Total revenue from exchange transactions'	630,127	-	<b>630,127</b>	835,460	<b>205,333</b>	
'Total revenue from non-exchange transactions'	57,188,000	(1,636,000)	<b>55,552,000</b>	59,679,323	<b>4,127,323</b>	
<b>Total revenue</b>	<b>57,818,127</b>	<b>(1,636,000)</b>	<b>56,182,127</b>	<b>60,514,783</b>	<b>4,332,656</b>	
<b>Expenditure</b>						
Personnel	(38,794,387)	(406,432)	<b>(39,200,819)</b>	(39,451,436)	<b>(250,617)</b>	44
Remuneration of councillors	(4,316,949)	2,047	<b>(4,314,902)</b>	(4,496,093)	<b>(181,191)</b>	44
Depreciation and amortisation	(1,600,000)	-	<b>(1,600,000)</b>	(2,404,726)	<b>(804,726)</b>	44
Impairment loss/ Reversal of impairments	-	-	-	(870)	<b>(870)</b>	44
Finance costs	(190,000)	(287,136)	<b>(477,136)</b>	(357,041)	<b>120,095</b>	44
Debt Impairment	-	-	-	(554,182)	<b>(554,182)</b>	44
Contracted Services	(4,689,755)	1,424,262	<b>(3,265,493)</b>	(5,705,537)	<b>(2,440,044)</b>	44
Transfers and Subsidies	-	-	-	(10,025)	<b>(10,025)</b>	44
General Expenses	(9,827,037)	915,037	<b>(8,912,000)</b>	(6,800,386)	<b>2,111,614</b>	44
<b>Total expenditure</b>	<b>(59,418,128)</b>	<b>1,647,778</b>	<b>(57,770,350)</b>	<b>(59,780,296)</b>	<b>(2,009,946)</b>	
	57,818,127	(1,636,000)	<b>56,182,127</b>	60,514,783	<b>4,332,656</b>	
	(59,418,128)	1,647,778	<b>(57,770,350)</b>	(59,780,296)	<b>(2,009,946)</b>	
<b>Operating surplus</b>	<b>(1,600,001)</b>	<b>11,778</b>	<b>(1,588,223)</b>	<b>734,487</b>	<b>2,322,710</b>	
Actuarial gains/losses	-	-	-	329,171	<b>329,171</b>	44
Loss on non-current assets held for sale or disposal groups	-	-	-	(5,545)	<b>(5,545)</b>	44
	-	-	-	<b>323,626</b>	<b>323,626</b>	

# Xhariep District Municipality

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## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	(1,600,001)	11,778	<b>(1,588,223)</b>	734,487	<b>2,322,710</b>	
	-	-	-	323,626	<b>323,626</b>	
<b>Surplus before taxation</b>	<b>(1,600,001)</b>	<b>11,778</b>	<b>(1,588,223)</b>	<b>1,058,113</b>	<b>2,646,336</b>	
Deficit before taxation	(1,600,001)	11,778	<b>(1,588,223)</b>	1,058,113	<b>2,646,336</b>	
Taxation	-	-	-	-	-	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(1,600,001)</b>	<b>11,778</b>	<b>(1,588,223)</b>	<b>1,058,113</b>	<b>2,646,336</b>	

### Reconciliation

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	3,000	-	<b>3,000</b>	19,660	<b>16,660</b>	44
VAT receivable	-	-	-	1,528,848	<b>1,528,848</b>	44
Receivable from exchange transactions	1,400,000	-	<b>1,400,000</b>	1,644,623	<b>244,623</b>	44
Cash and cash equivalents	1,579,702	-	<b>1,579,702</b>	2,908,913	<b>1,329,211</b>	44
	<b>2,982,702</b>	-	<b>2,982,702</b>	<b>6,102,044</b>	<b>3,119,342</b>	

##### Non-Current Assets

Property, plant and equipment	15,976,598	-	<b>15,976,598</b>	14,107,088	<b>(1,869,510)</b>	44
Intangible assets	-	-	-	1,860,169	<b>1,860,169</b>	44
	<b>15,976,598</b>	-	<b>15,976,598</b>	<b>15,967,257</b>	<b>(9,341)</b>	
Non-Current Assets	2,982,702	-	<b>2,982,702</b>	6,102,044	<b>3,119,342</b>	
Current Assets	15,976,598	-	<b>15,976,598</b>	15,967,257	<b>(9,341)</b>	
<b>Total Assets</b>	<b>18,959,300</b>	-	<b>18,959,300</b>	<b>22,069,301</b>	<b>3,110,001</b>	

#### Liabilities

##### Current Liabilities

Finance lease obligation	-	-	-	38,779	<b>38,779</b>	44
Payables from exchange transactions	7,951,690	-	<b>7,951,690</b>	15,958,869	<b>8,007,179</b>	44
VAT payable	-	-	-	328,223	<b>328,223</b>	
Unspent conditional grants and receipts	-	-	-	87,691	<b>87,691</b>	44
Provisions	-	-	-	93,356	<b>93,356</b>	44
	<b>7,951,690</b>	-	<b>7,951,690</b>	<b>16,506,918</b>	<b>8,555,228</b>	

##### Non-Current Liabilities

Provisions	1,900,000	-	<b>1,900,000</b>	1,583,155	<b>(316,845)</b>	44
	7,951,690	-	<b>7,951,690</b>	16,506,918	<b>8,555,228</b>	
	1,900,000	-	<b>1,900,000</b>	1,583,155	<b>(316,845)</b>	
	-	-	-	-	-	
<b>Total Liabilities</b>	<b>9,851,690</b>	-	<b>9,851,690</b>	<b>18,090,073</b>	<b>8,238,383</b>	
Assets	18,959,300	-	<b>18,959,300</b>	22,069,301	<b>3,110,001</b>	

# Xhariep District Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Liabilities	(9,851,690)	-	<b>(9,851,690)</b>	(18,090,073)	<b>(8,238,383)</b>	
<b>Net Assets</b>	<b>9,107,610</b>	-	<b>9,107,610</b>	<b>3,979,228</b>	<b>(5,128,382)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	9,107,610	-	<b>9,107,610</b>	3,979,228	<b>(5,128,382)</b>	

# Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables / Held to maturity investments and loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

##### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

##### Useful lives and residual values

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

# Xhariep District Municipality

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Long Service Bonus

The present value of the long service bonus obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost( income) include the discount rate, future inflation, salary inflation, net discount rate and assumed retirement age.

Any changes in these assumption will impact on the carrying amount of long service bonus obligations

The municipality determines the appropriate discount rate at end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the long service bonus obligation. In determining the appropriate discount rate, the municipality consider the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid and that have term to maturity approximating the terms of the related pension liability.

#### Leave and Bonus Provisions

The municipality used the leave and bonus paid date to estimate the provisions respectively.

### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent to initial recognition, item of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, It derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset..



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### 1.4 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated and depreciation commence when the asset is ready for intended use.

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of an asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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Item	Depreciation method	Average useful life
Buildings	Straight line	25-30 years
Security System	Straight line	5-10 years
Plant and machinery	Straight line	3-15 years
Furniture and fixtures	Straight line	3-15 years
Motor vehicles	Straight line	4-7 years
Office equipment	Straight line	5-10 years
Computer equipment	Straight line	3-10
Finance lease assets	Straight line	The shorter of asset's useful life or the lease term

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

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

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

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

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

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

No item of property, plant and equipment are pledged as security for liabilities.

### 1.5 Intangible assets

Intangible assets are non current asset that are held for use in the production or supply of goods or services, rental to other or for administrative purposes and are expected to be used during more than one period.

An asset is identifiable if either:

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

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### 1.5 Intangible assets (continued)

An intangible asset is recognised when:

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

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### 1.6 Financial instruments

#### Classification

The municipality Classifies financial assets and financial liabilities into the following categories:

- Held to maturity investments.
- Loans and receivables.
- Available for sale financial assets.
- Financial liabilities measured at amortised.

Classification depends on the purpose for which the financial instrument were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category:

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## **Accounting Policies**

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### **1.6 Financial instruments (continued)**

#### **Initial recognition**

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

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

Financial instruments are measured initially at fair value except for equity investment for which a fair value is not determinable, which are measured at cost and are classified as available-for sale financial assets.

For financial instruments which are at fair value through surplus or deficit, transaction cost are included in the initial measurement of the instrument.

#### **Subsequent measurement of financial assets and financial liabilities**

Loans and receivable are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investment are subsequently measured at amortised cost. Using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This equity investment for which a fair value is not determinable, which is measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets is calculated using the effective interest method is recognised as surplus or deficit as part of other income. Dividends or similar distribution received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for sale financial asset denominated in foreign currency are analysed between translation difference resulting from changes in amortised cost and other changes in carrying amount. Translation difference on monetary items are recognised in surplus or deficit while translation difference on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### **Fair value measurement considerations**

The fair value of a quoted investment is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These includes the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### **Gains and losses**

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

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

#### **Impairment of financial assets**

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### 1.6 Financial instruments (continued)

At each of the reporting period the municipality assess all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial asset has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payment are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator or impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised as surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised as surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### Receivable from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. 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 allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised as surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

### Payable from exchange transactions

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

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible to a known amount of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loan and receivable.

### Bank overdraft and borrowings

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### 1.6 Financial instruments (continued)

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Investment

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. 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.

#### Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

#### Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into.

Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, and are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### 1.7 Leases

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

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

#### Finance leases - lessor

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

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

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### 1.7 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance. Operating lease payment are recognised as an expenses on a straight-line basis over the lease term. The difference between the amount recognised as an expense and the contractual payment are recognised as either a prepaid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

#### Operating leases - lessee

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

### 1.8 Inventories

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

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

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

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

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

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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### 1.8 Inventories (continued)

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

### 1.9 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. Liabilities for short-term employee benefits that are unpaid at year end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

#### Defined contribution plans

The municipality contribution to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees unless another standard requires or permits the inclusion of contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 1.10 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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## Accounting Policies

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### 1.10 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating surplus .

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

### 1.11 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.12 Revenue from exchange transactions

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

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

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.



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### 1.12 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

- 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 stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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### 1.13 Revenue from non-exchange transactions (continued)

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.15 Borrowing costs

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

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

# Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.16 Comparative figures

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

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

### 1.18 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosure were made in the notes to the financial statement as required by the MFMA

### 1.19 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Detailed disclosure were made in the notes to the financial statement as required by the MFMA.

### 1.20 Budget information

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

# Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.20 Budget information (continued)

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2017 to 6/30/2018.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 40 & 41.

Comparative information is not required.

### 1.21 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting municipality and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an municipality, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

# Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.22 Events after reporting date

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

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

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

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

### 1.23 Use of Estimates

The preparation of annual financial statement in conformity with Standards of GRAP required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality the municipality's accounting policies. The areas involved a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statement are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and action they may undertake in the future, actual result ultimately may differ from those estimates.

### 1.24 Going concern

These annual financial statement have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the 12 months.

The municipality cannot continue to operate without receiving government grants. However the going concern assumption is based on the fact that according to DoRA the municipality will continue to receive government grant for the next three years.

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2018 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 20: Related parties	April 1, 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	April 1, 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	April 1, 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	April 1, 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	April 1, 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	April 1, 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	April 1, 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	April 1, 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 1, 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	April 1, 2019	Unlikely there will be a material impact

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Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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### Notes to the Annual Financial Statements

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#### 3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	16,748,905	(7,020,709)	9,728,196	16,748,905	(6,462,412)	10,286,493
Plant and machinery	3,398,611	(2,719,558)	679,053	3,398,611	(2,236,372)	1,162,239
Furniture and fixtures	6,136,206	(4,424,795)	1,711,411	6,127,139	(3,882,782)	2,244,357
Motor vehicles	2,033,729	(512,610)	1,521,119	701,147	(286,229)	414,918
IT equipment	1,719,102	(1,251,793)	467,309	1,694,275	(1,061,315)	632,960
<b>Total</b>	<b>30,036,553</b>	<b>(15,929,465)</b>	<b>14,107,088</b>	<b>28,670,077</b>	<b>(13,929,110)</b>	<b>14,740,967</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Buildings	10,286,493	-	-	(558,297)	-	9,728,196
Plant and machinery	1,162,239	-	-	(483,186)	-	679,053
Furniture and fixtures	2,244,357	9,067	(1,549)	(539,853)	(611)	1,711,411
Motor vehicles	414,918	1,332,582	-	(226,381)	-	1,521,119
IT equipment	632,960	31,753	(3,994)	(193,150)	(260)	467,309
	<b>14,740,967</b>	<b>1,373,402</b>	<b>(5,543)</b>	<b>(2,000,867)</b>	<b>(871)</b>	<b>14,107,088</b>



# Xhariep District Municipality

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## Notes to the Annual Financial Statements

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### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Buildings	10,844,790	-	-	(558,297)	-	10,286,493
Plant and machinery	1,856,788	-	-	(694,549)	-	1,162,239
Furniture and fixtures	2,912,044	-	(11,330)	(604,813)	(51,544)	2,244,357
Motor vehicles	515,082	-	-	(100,164)	-	414,918
IT equipment	596,573	212,275	(4,095)	(171,793)	-	632,960
	<b>16,725,277</b>	<b>212,275</b>	<b>(15,425)</b>	<b>(2,129,616)</b>	<b>(51,544)</b>	<b>14,740,967</b>

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

### 4. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets under development	2,264,028	(403,859)	1,860,169	2,002,128	-	2,002,128

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	2,002,128	261,900	(403,859)	1,860,169

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## Notes to the Annual Financial Statements

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### 4. Intangible assets (continued)

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Total
Computer software	-	2,002,128	2,002,128

### 5. Inventories

Stationery	5,258	36,818
Cleaning Material	14,402	23,299
	<b>19,660</b>	<b>60,117</b>

None of the inventory has been pledged as security

### 6. VAT receivable

VAT	1,200,627	1,650,614
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The Municipality is a registered on the payment basis for VAT purposes. This means that VAT is only declared once cash is received or payments are made.

### 7. Receivable from exchange transactions

Trade debtors	1,855,201	1,214,446
Prepaid expenses	874,966	23,156
Other debtors	298,549	252,939
	<b>3,028,716</b>	<b>1,490,541</b>

#### Less: provision for doubtful debts

Trade debtors	(1,384,093)	(829,911)
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#### Net balance

Trade debtors	471,108	384,535
Prepaid expenses	874,966	23,156
Other debtors	298,549	252,939
	<b>1,644,623</b>	<b>660,630</b>

# Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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<b>7. Receivable from exchange transactions (continued)</b>		
<b>Trade Debtors</b>		
Current (0 -30 days)	53,615	48,349
31 - 60 days	53,560	48,167
61 - 90 days	52,698	47,523
91 - 120 days	52,621	47,321
121 - 365 days	51,080	46,331
> 365 days	1,591,627	976,755
less provision for doubtful debts	(1,384,093)	(829,911)
	<b>471,108</b>	<b>384,535</b>

### Summary of debtor by customer Classification as at 30 June 2018

	Other	National and Provincial Government	Total
Current(0-30 days)	-	53,615	53,615
31-60 days	-	53,560	53,560
61-90 days	-	52,698	52,698
91-120 days	-	52,621	52,621
121-365 days	296,345	1,346,362	1,642,707
Subtotal	296,345	1,558,856	1,855,201
Less provision for doubtful debts	-	(1,384,093)	(1,384,093)
	<b>296,345</b>	<b>174,763</b>	<b>471,108</b>

### Summary of debtor by customer Classification as at 30 June 2017

	Other	National and Provincial Government	Total
Current (0-30 days)	56,344	48,349	104,693
31-60 days	-	48,167	48,167
61-90 days	-	47,523	47,523
91-120 days	-	47,321	47,321
121-365 days	250,000	716,742	966,742
Subtotal	306,344	908,102	1,214,446
Less: provision for doubtful debts	-	(829,111)	(829,111)
	<b>306,344</b>	<b>78,991</b>	<b>385,335</b>

None of the debtors have been pledged as security during the current year.

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,800	506
Bank balances	2,822,430	1,885,808
Short-term deposits	84,683	2,384
	<b>2,908,913</b>	<b>1,888,698</b>

# Xhariep District Municipality

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### 8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2018	June 30, 2017	June 30, 2016
ABSA BANK - (405 362 8182)	2,822,430	1,885,808	163,118	2,822,430	1,885,808	163,118
Nedbank - (03/7662022528/000016)	82,141	-	-	82,141	-	-
ABSA BANK (930 967 2913)	2,543	2,384	429,709	2,543	2,384	429,709
<b>Total</b>	<b>2,907,114</b>	<b>1,888,192</b>	<b>592,827</b>	<b>2,907,114</b>	<b>1,888,192</b>	<b>592,827</b>

### 9. Finance lease obligation

#### Minimum lease payments due

- within one year	39,458	469,119
- in second to fifth year inclusive	-	39,458
	39,458	508,577
less: future finance charges	(681)	(28,893)
<b>Present value of minimum lease payments</b>	<b>38,777</b>	<b>479,684</b>

#### Present value of minimum lease payments due

- within one year	38,777	440,907
- in second to fifth year inclusive	-	38,777
	<b>38,777</b>	<b>479,684</b>

Non-current liabilities

Current liabilities	-	38,779
	38,779	440,904
	<b>38,779</b>	<b>479,683</b>

During the financial year the municipality had two finance lease agreement. Printers finance lease which ended at the end of May 2018 and Telephone finance lease which will be ending in October 2018.

The average lease term for the lease is 3 years and the interest is linked prime.

### 10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Provincial Infrastructure Grant	87,691	87,690
Rural Roads Assets Management Systems	-	619,669
	<b>87,691</b>	<b>707,359</b>

#### Movement during the year

Balance at the beginning of the year	1,026,451	933,530
Additions during the year	50,702,000	52,840,655
Income recognition during the year	(51,640,760)	(52,220,987)
Withheld by treasury	-	(98,344)
Reclassified as creditors	-	(747,495)
	<b>87,691</b>	<b>707,359</b>

# Xhariep District Municipality

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### 10. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attached to government assistance that have been recognised.

See note for reconciliation of grants from National/Provincial Government.

### 11. Provisions

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Non current long service provision	1,494,000	89,156	-	1,583,156
Current long service provision	183,000	46,970	(136,614)	93,356
	<b>1,677,000</b>	<b>136,126</b>	<b>(136,614)</b>	<b>1,676,512</b>

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Non current long service provision	1,307,999	186,001	-	1,494,000
Current long service provision	173,000	46,237	(36,237)	183,000
	<b>1,480,999</b>	<b>232,238</b>	<b>(36,237)</b>	<b>1,677,000</b>

Non-current liabilities			1,583,155	1,494,000
Current liabilities			93,356	183,000
			<b>1,676,511</b>	<b>1,677,000</b>

The long service awards liability arises from Xhariep District Municipality being a party to the collective agreement on condition of service for the Free State Division of SALGBC. This agreement is effective from 1 July 2010.

The long service awards plan is a defined benefit plan. At period end 64 employees were eligible for long service bonuses

The current service cost for the ensuring year is estimated to be R300000 ( June 2017 R298000) whereas the interest cost for the ensuring year is estimated to be R165296 ( June 2016 R158000).

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Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>11. Provisions (continued)</b>		
<b>Present value of the unfunded obligation</b>		
Present value of unfunded obligation at year end	1,676,512	1,677,000
<b>Reconciliation of unfunded obligation:</b>		
Present value of unfunded obligation at the beginning of the year	1,677,000	1,481,000
Current service costs	300,000	298,000
Long service awards paid.	(136,614)	(36,237)
interest costs	165,296	158,000
Acturial(gain)loss	(329,171)	(223,763)
	<b>1,676,511</b>	<b>1,677,000</b>

The expected value of each employee's long service awards is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The average leave has been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working days year per year and therefore the benefits awarded can be expressed as follows:

Completed Years of Service	Accumulated leave days awarded	Once-off long Service Bonus (% of Annual Salary)	Total long Service Award Payment ( % of Annual Salary)	Determination of Long Service Award Payment
5	5	2%	$((5/250^*)+2\%) \times \text{Annual Salary}$	4%
10	10	3%	$((10/250^*)+3\%) \times \text{Annual Salary}$	7%
15	15	4%	$((15/250^*)+4\%) \times \text{Annual Salary}$	10%
20	15	5%	$((15/250^*)+5\%) \times \text{Annual Salary}$	11%
25, 30, 35, 40, and 45	15	6%	$((15/250^*)+6\%) \times \text{Annual Salary}$	12%

\* A day of accumulated leave is equivalent to the value of 1/250 of the annual salary.

The long service accumulated leave must be taken within one year of from the date such leave has been received. Alternatively, the leave may be fully or partially converted into a cash payment.

Accrued liabilities are set as the actuarial value of expected benefits to be paid in future according to accrued service at the valuation date and the benefits that are projected to the expected retirement date. Allowance has made for expected future increases of awards

The liability in respect of active employees is determined by discounting the projected future benefit payments in respect of these employees using assumptions regarding the possible future experience.

The two most important financial variables used in the valuation are the discount rate and salary inflation. The following variables have been assumed for the following values.

# Xhariep District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>11. Provisions (continued)</b>		
<b>Financial Variable</b>	<b>Assumed Value at 30-06-2018(Current Valuation)</b>	<b>Assumed Value at 30-06-2017(preceding valuation)</b>
Discount Rate	9.18%	9.06%*
Future inflation	6.21%	6.36%
Salary inflation	7.21%	7.36%
Net Effective discount Rate	1.83%	1.59%*

\* Although this was not specifically stated in the previous report, it was implied.

### Discount Rate

The discount rate reflects the estimated timing of benefit payments

### Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase.

### Future salary inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

### Net discount rate

Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the "gap" between the two assumption is more important. This "gap" is referred to as the net discount rate.

## 12. Payables from exchange transactions

Trade payables	5,770,126	2,349,162
Retention	135,359	135,359
COIDA	1,886,294	1,584,575
Auditor General SA	714,383	1,562,209
Other Creditors	1,157,867	1,182,401
Staff Bonus Accruals	950,063	793,790
Staff leave accrual	2,755,865	2,292,974
Third parties payables	2,588,912	5,317,523
	<b>15,958,869</b>	<b>15,217,993</b>

## 13. Revenue

Tender documents fees	15,520	6,930
Parking fees	53,724	58,998
Rental of facilities and equipment	430,077	431,015
Interest received (trading)	146,939	63,012
Other income	81,602	181,588
Interest received - investment	107,598	97,406
Government grants & subsidies	57,321,668	52,489,677
Public contributions and donations	2,274,155	-
LG SETA income	83,500	39,253
Actuarial gains/losses	329,171	223,762
	<b>60,843,954</b>	<b>53,591,641</b>

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Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand 2018      2017

### 13. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Tender document fees	15,520	6,930
Parking fees	53,724	58,998
Rental of facilities and equipment	430,077	431,015
Interest received (trading)	146,939	63,012
Other income	81,602	181,588
Interest received - investment	107,598	97,406
Actuarial gains/losses	329,171	223,762
	<b>1,164,631</b>	<b>1,062,711</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

#### Transfer revenue

Government grants & subsidies	57,321,668	52,489,677
Public contributions and donations	2,274,155	-
LG SETA income	83,500	39,253
	<b>59,679,323</b>	<b>52,528,930</b>

### 14. Rental of facilities and equipment

#### Premises

Rental income	430,077	431,015
---------------	---------	---------

The municipality lease part of the municipality building to Kopanong local municipality. The lease is accounted using the straight-line basis over the term of the lease agreement.

### 15. Other income

Staff Recoveries	42,944	-
Insurance payout	15,294	181,588
Environmental levies	23,364	-
	<b>81,602</b>	<b>181,588</b>

### 16. Investment revenue

#### Interest revenue

Bank	107,598	97,406
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### 17. Government grants and subsidies

#### Operating grants

Equitable share	33,307,001	29,738,345
Financial Management Grant	1,250,000	1,250,000
Expanded Public Works Programme	999,999	1,053,000
Rural Roads Asset Management Systems	2,764,668	2,598,332
Provincial Financial Assistance Grant	19,000,000	17,850,000
	<b>57,321,668</b>	<b>52,489,677</b>

#### Equitable Share

The grant is intended to subsidise the municipality while executing both strategic and operational responsibilities.



# Xhariep District Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>17. Government grants and subsidies (continued)</b>		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	-	75,679
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
Withheld by Treasury / Roll-over not Approved	-	(75,679)
	<u>-</u>	<u>-</u>

The purpose of the grant is to assist municipalities in building in house capacity , promote and support reform to financial management and implementation of the Municipal Financial Management Act(MFMA).

### Provincial Infrastructure Grant

Balance unspent at beginning of year	87,690	87,690
Conditions still to be met - remain liabilities (see note 10).		

### Expanded Public Works Programme

Balance unspent at beginning of year	-	22,666
Current-year receipts	1,000,000	1,053,000
Conditions met - transferred to revenue	(1,000,000)	(1,053,000)
Withheld by treasury/ Roll-over not approved	-	(22,666)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 10).

The purpose of the grant is to expand job creation programs in the district..

### Rural Road Asset Management

-1000000	619,669	-
Current-year receipts	2,145,000	3,218,000
Conditions met - transferred to revenue	(2,764,669)	(2,598,331)
	<u>-</u>	<u>619,669</u>

The Purpose of the grant is to assist the municipality monitor the conditions of the municipal roads.

### THETA

Balance unspent at beginning of year	-	36,080
Reclassified as creditors	-	(36,080)
	<u>-</u>	<u>-</u>

The amount has been reclassified during the 2016/17 as a creditor as it was payable back to the SETA.

# Xhariep District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>17. Government grants and subsidies (continued)</b>		
<b>Motheo Disestablishment Grant</b>		
Balance unspent at beginning of year	-	711,415
reclassified as creditors	-	(711,415)
	-	-
The grant has been reclassified as creditors as it is now payable back to Maguang metro.		
<b>Provincial Financial Assistance Grant</b>		
Current-year receipts	19,000,000	17,850,000
The grant is not a conditional grant and the funds are to assist the municipality with operational expenditure .		
<b>18. Financial assistance</b>		
Financial assistance	2,274,155	-
During the financial year National Treasury and Provincial Treasury paid some of the municipalities audit fees which were outstanding.		
<b>19. Employee related costs</b>		
Basic	26,352,031	24,292,774
Medical aid	1,726,728	1,623,498
UIF	138,780	138,796
SDL	322,096	315,002
Other payroll levies	7,954	7,373
Leave pay provision charge	702,455	786,133
Long-service awards	300,000	298,000
13th Cheques	1,879,895	1,923,106
Car allowance	3,689,445	3,552,416
Housing benefits and allowances	299,979	189,479
Cellphone Allowance	270,073	286,316
Defined contribution plan	3,762,000	3,406,424
	<b>39,451,436</b>	<b>36,819,317</b>

# Xhariep District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 19. Employee related costs (continued)

#### Remuneration of municipal manager (LY Moletsane)

Annual Remuneration	1,078,545	-
Car Allowance	165,000	-
Contributions to UIF, Medical and Pension Funds	49,704	-
Housing allowance	88,000	-
Other	13,657	-
	<b>1,394,906</b>	<b>-</b>

Ms LY Moletsane was appointed 1 August 2017.

#### Remuneration of Municipal manager (MM Kubeka)

Annual Remuneration	-	1,468,960
Car Allowance	-	84,000
13th Cheque	9,426	176,404
Contributions to UIF, Medical and Pension Funds	94	43,253
Telephone allowance	-	9,600
Leave days payout	-	295,922
Other	-	21,510
	<b>9,520</b>	<b>2,099,649</b>

#### Remuneration of Chief Finance Officer (SJ Matobako)

Acting allowance (1July2017 to 30 August 2017 and 1 March 2018 to 31 May 2018)	55,757	4,467
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#### Remuneration of Chief Finance Officer (MWK Morufane)

Acting allowance (1September 2017 to 28 Febraury 2018)	9,525	-
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#### Remuneration of Chief Finance Officer (MC Mogoale)

Acting allowance	-	361,708
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#### Remuneration of Director planning and Development (MS Mohale)

Annual Remuneration	1,005,792	1,162,086
Car Allowance	7,431	110,911
13th Cheque	-	114,649
Contributions to UIF, Medical and Pension Funds	31,753	35,682
Telephone allowance	-	9,600
Leave days payout	-	242,245
Other	11,270	17,260
	<b>1,056,246</b>	<b>1,692,433</b>

Mr MS Mohale was appointed 1 August 2017.

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Figures in Rand	2018	2017
<b>19. Employee related costs (continued)</b>		
<b>Remuneration of Director Corporate (ZQ Majenge)</b>		
Annual Remuneration	953,125	-
Car Allowance	90,000	-
Contributions to UIF, Medical and Pension Funds	153,513	-
Telephone	8,000	-
Other	10,030	-
	<b>1,214,668</b>	<b>-</b>

Mr ZQ Majenge was appointed on 1 August 2017.

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Figures in Rand	2018	2017
<b>20. Remuneration of councillors</b>		
Executive Major	848,730	788,139
Mayoral Committee Members	1,679,621	1,470,058
Speaker	687,276	609,135
Councillors	1,280,466	1,093,472
	<b>4,496,093</b>	<b>3,960,804</b>
<b>Executive Mayor (Cllr MG Ntwanambi)*</b>		
Annual remuneration	-	61,963
Contribution to UIF, Medical and Pension funds	-	6,544
Telephone allowance	-	2,244
Housing allowance	-	13,000
Other	-	1,103
	-	<b>84,854</b>
<b>Executive Mayor (Cllr Mj Sehanka)*</b>		
Annual remunerations	710,193	611,335
Contribution to UIF, Medical and Pension Funds	85,720	65,171
Telephone allowance	44,400	17,100
Other	8,417	9,680
	<b>848,730</b>	<b>703,286</b>
<b>Speaker (Cllr MJ Sehanka)</b>		
Annual remuneration	-	36,119
Contribution to UIF, Medical and Pension Fund	-	6,083
	-	880
	-	<b>43,082</b>
<b>Speaker (Cllr NS Mqungquthu)**</b>		
Annual Remuneration	603,414	512,999
Contribution to UIF, Medical and Pension Funds	33,317	28,205
Telephone	44,400	17,100
Other	6,145	7,749
	<b>687,276</b>	<b>566,053</b>
<b>Cllr GM Modise (MMC)</b>		
Annual Remuneration	-	57,930
Car Allowance	-	3,200
telephone allowance	-	2,244
Other	-	1,018
	-	<b>64,392</b>
<b>Cllr TE Mokhele</b>		
Annual Remuneration	-	21,168
Car Allowance	-	3,400
Telephone	-	2,244
Other	-	661
	-	<b>27,473</b>
<b>Cllr NS Jafta</b>		
Annual remuneration	-	20,341
Contribution to UIF Medical and Pension fund	-	4,227

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Figures in Rand	2018	2017
<b>20. Remuneration of councillors (continued)</b>		
Telephone	-	2,244
Other	-	617
	-	<b>27,429</b>
<b>Cllr PM Dibe</b>		
Sitting allowance	-	962
Other	-	11
	-	<b>973</b>
<b>Cllr MJ Mohapi</b>		
Annual remuneration	-	16,494
Car allowance	-	3,410
Contribution to UIF, Medical and Pension fund	-	4,663
Telephone allowance	-	2,244
Other	-	628
	-	<b>27,439</b>
<b>Cllr NI Mehlomakhulu</b>		
Annual Remuneration	-	30,372
Car allowance	-	5,116
Contribution to UIF, Medical and Pension fund	-	3,014
Other	-	387
	-	<b>38,889</b>
<b>Cllr Nc Spochter</b>		
Annual remuneration	-	1,564
Contribution to UIF, Medical and Pension fund	-	17
	-	<b>1,581</b>
<b>Cllr H Shebe</b>		
Annual Remuneration	-	1,564
Contribution to UIF, Medical and Pension fund	-	17
	-	<b>1,581</b>
<b>Cllr SA Sola</b>		
Annual Remuneration	-	8,524
Contribution to UIF, Medical and Pension fund	-	87
	-	<b>8,611</b>
<b>Cllr JJ Makitle</b>		
Annual Remuneration	-	8,524
Contribution to UIF, Medical and Pension fund	-	87
	-	<b>8,611</b>
<b>Cllr MJ Mothupi</b>		
Annual remuneration	-	16,494
Car allowance	-	3,410
Contribution to UIF, Medical and Pension	-	4,663
Telephone allowance	-	2,244
Other	-	629
	-	<b>27,440</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>20. Remuneration of councillors (continued)</b>		
<b>Cllr AJ van Rensburg</b>		
Annual remuneration	251,877	233,223
Car allowance	-	3,410
Contribution to UIF, Medical and Pension	-	653
Telephone allowance	44,400	19,344
Other	3,035	5,025
	<b>299,312</b>	<b>261,655</b>
<b>Cllr AV Mona</b>		
Annual remuneration	-	24,515
Car allowance	-	5,116
Contribution to UIF, Medical and Pension	-	4,396
Telephone allowance	-	2,244
Housing allowance	-	4,100
Other	-	751
	-	<b>41,122</b>
<b>Cllr ML Sehloho</b>		
Annual remuneration	-	1,564
Contribution to UIF, Medical and Pension	-	16
	-	<b>1,580</b>
<b>Cllr MG Ntwanambi</b>		
Annual remuneration	519,075	425,476
Contribution to UIF, Medical and Pension	77,861	61,795
Telephone allowance	44,400	17,100
Other	5,062	6,552
	<b>646,398</b>	<b>510,923</b>
<b>Cllr B Smit</b>		
Annual remuneration	12,023	13,498
Telephone allowance	15,300	8,550
Other	275	232
	<b>27,598</b>	<b>22,280</b>
<b>Cllr TS Tseuo</b>		
Annual remuneration	219,023	201,738
Contribution to UIF, Medical and Pension	32,854	11,098
Telephone allowance	44,400	17,100
Other	2,344	4,820
	<b>298,621</b>	<b>234,756</b>
<b>Cllr C Burger</b>		
Annual remuneration	8,822	13,498
Telephone allowance	6,650	8,550
Other	159	231
	<b>15,631</b>	<b>22,279</b>
<b>Cllr JK Sebeco (MMC)</b>		
Annual remuneration	596,936	487,271
Telephone allowance	44,400	17,100

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Figures in Rand	2018	2017
<b>20. Remuneration of councillors (continued)</b>		
Other	6,573	7,785
	<b>647,909</b>	<b>512,156</b>
<b>Cllr Mj Phaliso</b>		
Annual remuneration	16,031	13,498
Telephone allowance	20,400	8,550
Other	372	232
	<b>36,803</b>	<b>22,280</b>
<b>Cllr TD Mochechepa</b>		
Annual remuneration	361,090	293,483
Telephone allowance	20,400	8,550
Other	3,823	3,028
	<b>385,313</b>	<b>305,061</b>
<b>Cllr ML Mogapi</b>		
Annual remuneration	219,023	193,990
Contribution to UIF, Medical and Pension	32,854	18,504
Telephone allowance	44,400	17,100
Other	2,353	4,678
	<b>298,630</b>	<b>234,272</b>
<b>Cllr J Moitse</b>		
Annual remuneration	87,396	48,781
Telephone allowance	20,400	8,550
Other	1,154	597
	<b>108,950</b>	<b>57,928</b>
<b>Cllr AN November</b>		
Annual remuneration	16,031	13,498
Telephone allowance	20,400	8,550
Other	378	230
	<b>36,809</b>	<b>22,278</b>
<b>Cllr JM Moeketsi</b>		
Annual remuneration	87,396	48,781
Telephone allowance	20,400	8,550
Other	1,122	590
	<b>108,918</b>	<b>57,921</b>
<b>Cllr IS Riddle</b>		
Annual remuneration	16,031	13,498
Telephone allowance	20,400	8,550
Other	494	231
	<b>36,925</b>	<b>22,279</b>
<b>Cllr RW van Wyk</b>		
Annual remuneration	4,008	-
Telephone allowance	5,100	-
Other	95	-
	<b>9,203</b>	<b>-</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>20. Remuneration of councillors (continued)</b>		
<b>Cllr TV Nthapo</b>		
Annual remuneration	1,336	-
telephone allowance	1,700	-
Other	30	-
	<b>3,066</b>	<b>-</b>
*Cllr MG Ntwanambi was Executive Mayor of the district up to the 3 August 2016 and Cllr MJ Sehanka has been the Executive Mayor from the 4 August 2016 to date.		
** Cllr MJ Sehanka was Speaker of the district up to the 3 August 2016 and Cllr NS Mqungquthu has been the Speaker from the 4 August 2016 to date.		
<b>21. Depreciation and amortisation</b>		
Property, plant and equipment	2,000,867	2,129,616
Intangible assets	403,859	-
	<b>2,404,726</b>	<b>2,129,616</b>
<b>22. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	870	51,544
<b>23. Finance costs</b>		
Trade and other payables	104,436	-
Bank	252,605	518,145
	<b>357,041</b>	<b>518,145</b>
<b>24. Debt impairment</b>		
Contributions to debt impairment provision	554,182	741,222
<b>25. Contracted services</b>		
Specialist Services	4,521,000	3,729,963
Other Contractors	1,184,537	1,352,219
	<b>5,705,537</b>	<b>5,082,182</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>26. General expenses</b>		
Advertising	33,696	113,800
Bank charges	111,671	105,915
Consumables	41,742	22,367
Entertainment	11,425	30,521
Fines and penalties	583,655	658,273
Insurance	295,000	184,725
IT expenses	742,868	536,164
Fuel and oil	237,095	141,667
Postage and courier	270	1,991
Printing and stationery	151,534	340,204
Protective clothing	5,136	-
Subscriptions and membership fees	1,700	8,870
Telephone and fax	471,780	426,788
Travel - local	1,482,361	2,202,075
Assets expensed	92	-
Municipal services	744,497	619,430
Accommodation	272,252	677,295
EPWP incentive	975,866	1,078,287
Salga membership fees	505,857	525,857
Other expenses	131,889	356,751
	<b>6,800,386</b>	<b>8,030,980</b>
<b>27. Gains or losses on assets</b>		
Losses on asset disposal	5,545	15,425
<b>28. Auditors' remuneration</b>		
Fees	2,311,964	2,128,145
<b>29. Cash generated from operations</b>		
Surplus (deficit)	1,058,113	(3,767,994)
<b>Adjustments for:</b>		
Depreciation and amortisation	2,404,726	2,129,616
Gain on discontinued operations	5,545	15,425
Impairment deficit	870	51,544
Debt impairment	554,182	741,222
Movements in provisions	(489)	196,000
<b>Changes in working capital:</b>		
Inventories	40,457	(12,018)
Consumer debtors	(1,538,175)	(822,948)
Payables from exchange transactions	740,876	6,502,383
VAT	449,979	(874,523)
Unspent conditional grants and receipts	(619,668)	(226,171)
	<b>3,096,416</b>	<b>3,932,536</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>30. Commitments</b>		
<b>Authorised operational expenditure</b>		
<b>Approved and Contracted for</b>		
• Current Expenditure	7,813,271	11,006,546
<b>Total operational commitments</b>		
Already contracted for but not provided for	7,813,271	11,006,546

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### 31. Contingencies

30 June 2018

The municipality had a labour matter which was before the court during the financial year which the municipality has lost. The estimated impact amount to R153 000.

### Contingent assets

30 June 2018

The Municipality had no contingent asset at the reporting date.

### 32. Related parties

#### Relationships

Accounting Officer

Compensation to Councillors and key management

Refer to accounting officer's report note

Refer to employee related cost and remuneration of councillors note 19 & 20.

#### Related party transactions

The municipality had no related party transaction and balances at period end. The municipality had various process in place to identify and note any related party balances and transactions. This range from disclose on the bid documents to maintenance of conflict register.

# Xhariep District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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### 33. Prior period errors

#### Prior period error - Overstatement of Intangible asset

It was noted during the preparation of the financial statement that in the prior financial year an error was made when we accounted for the RAMMS intangible asset when need to be capitalised. During the process of capitalisation we incorrectly reallocated the cost plus the VAT on the invoice from the general expense to assets. This correction is to correct the VAT part which was wrongfully transfer from the expense to the assets.

#### Prior period error- Understatement of expenditure.

It was noted during the reconciliation of trade payables that the invoices relating to SALGA and Vodacom relating to the prior financial years were not accounted for as expenses in those years. The correction resulted in the increase of SALGA membership fees, telephone expenses, trade payables and VAT receivable.

#### Prior period error - Overstatement of debtors and creditors

It was noted that the debtor and creditors have been overstated by the amount which was billed by kopanong local municipality for services which should have not been billed by the local and also invoiced back by the district. this overstatement also affected the interest charged

#### Prior period error - Overstatement of unspent grant and understatement on conditional grant income

It was noted that the conditional grant which was spent was not correctly accounted for the VAT portion of the spending was not accounted. This resulted in the revenue being understated and conditional grant being overstated.

#### Prior period - Overstatement Provision for debt impairment.

It was noted that the provision for debt impairment was overstated due to the overstatement in the debtors in the prior years. The decrease in the debtor resulted in the decrease in the provision for debt impairment

#### Prior period error - Overstatement Asset impairment plant and machinery.

It was noted that the impairment for the asset which was perform in the prior year was incorrect and had to reversed.

#### Prior Period error- Understatement Depreciation on plant and machinery.

It was noted that the depreciation was understated due to the impairment which was recorded in the prior year.

#### Prior period error - undertatement of the asset

It was noted that the asset have been overstated due to the useful life of the asset not being assessed at year end. Asset useful lifes have been reassess and the error corrected

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Intangible asset	-	(118,799)
Vat	-	(337,074)
Payables from exchange transactions	-	2,152,755
Opening Accumulated Surplus or Deficit	-	1,482,437
Receivable from exchange transactions	-	(2,713,619)
Unspent conditional grants	-	319,093
Provision for impairment	-	2,672,672
Accumalated depreciation	-	783,378

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>33. Prior period errors (continued)</b>		
<b>Statement of financial performance</b>		
Contracted services	-	118,799
General expenses	-	64,967
interest income	-	261,579
Revenue from exchange transaction	-	(319,093)
debt impairment	-	(657,786)
Impairment loss	-	(986,915)
depreciation	-	224,774

### 34. Risk management

#### Liquidity risk

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

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial instrument	2018	2017
ABSA Bank: Current Account	2,822,420	1,885,808
Receivable from exchange transaction	1,591,627	976,755
ABSA investment	84,670	2,384

#### Market risk

##### Interest rate risk

The municipality's interest risk arises from short term loans and investment. These are issued at variable rate and expose the Municipality to cash flow interest rate risk. Financial instruments that are issued at fixed rate expose the municipality to fair value interest rate risk.

# Xhariep District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2018 2017

### 35. Going concern

During the current financial year the municipality had a surplus of R1,058,113 which was the first surplus in the past three financial years. The improvement in the surplus was due to the cost containment measures which the municipality has put in place during the current financial year.

We draw attention to the fact that at June 30, 2018, the municipality had an accumulated surplus of R3,979,222 and that the municipality's total assets exceed its liabilities by R3,979,222. The municipality had a surplus for the year amounting to R1,058,113 during the current financial year as compared to a deficit of R3,767,994 (2016/17). There has been an improvement of cutting down some of the expenditure during the current financial year to ensure that the municipality minimize any outflow of cash. None payment of the debtor resulted in debt impairment of R554,182 which contributed to the lower surplus for the year. This none payment of debtors also has an impact on the outstanding creditors as the funds would have been used to pay them. The creditors at year have drop as compared to the prior financial years where there was annual increase this is also accredited to the cost cutting measures which the municipality had put in place during the current financial year.

The increase in the revenue during the current financial year amounted to 13% and the increase in the expenditure was 4% this indicated a slowdown in the expenditure by the municipality during the current financial year. This is expected to continue in the next financial year to ensure that we improve the cash flow position of the municipality. Also the cash flow for the next 12 months is monitored very closely for the next 12 months this is to ensure that problems are identified months in advance and corrective action are made beforehand. The municipality's current liabilities amount to R16,761,850 and the current asset amount to R5,773,823 this present a problem for the municipality as they will not be able to pay the creditors when the amount is due at the same time the municipality is having problems collecting the debt from the debtors which are currently due.

The ability of the municipality to continue as a going concern is dependent on the fact that majority of the municipalities funding is from grant funding which is guaranteed to be received as allocated in the DORA. Also this funding is expected to increase in the next financial year as shown in the DORA this will assist the municipality in incurring what we budget properly in our expenditures.

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

### 36. Events after the reporting date

At the time of preparing and submitting the Annual Financial Statement there were no subsequent event to disclose.

### 37. Unauthorised expenditure

Opening balance	22,310,050	17,072,230
unauthorised expenditure current/period	1,830,760	5,237,820
	<b>24,140,810</b>	<b>22,310,050</b>

### 38. Fruitless and wasteful expenditure

Opening balance	1,762,702	892,287
Fruitless and wasteful expenditure current year	753,986	870,415
	<b>2,516,688</b>	<b>1,762,702</b>

### Reconciliation of fruitless and wasteful expenditure

Interest and penalties for late payment of suppliers	739,974	867,681
Accommodation bookings	3,840	2,448
Legal cost	-	285
Bank charges for employees	10,172	-
	<b>753,986</b>	<b>870,414</b>

# Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>39. Irregular expenditure</b>		
Opening balance	35,540,077	34,030,527
Add: Irregular Expenditure - current year	1,745,547	1,509,550
	<b>37,285,624</b>	<b>35,540,077</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	1,745,547	1,509,610
Prior years	35,540,077	34,030,527
	<b>37,285,624</b>	<b>35,540,137</b>
<b>Details of irregular expenditure – current year</b>		
	<b>Disciplinary steps taken/criminal proceedings</b>	
Non compliance with the MFMA and MSA	Overpayment of the acting allowance was identified during the year and still to be investigated	1,184,524
Tender process not followed as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	384,908
Insufficient quotation obtained as required by SCM policy	The expenditure was identified during the current financial year and still need to be investigated	176,115
		<b>1,745,547</b>
<b>40. Pension and Medical Aid Contributions</b>		
Opening balance	673,840	685,168
Current year subscription/fee	8,794,405	8,016,514
Amount paid-Current year	(8,742,878)	(8,027,842)
	<b>725,367</b>	<b>673,840</b>
<b>41. Audit Fees</b>		
Opening Balance	1,562,208	502,213
Current year subscription/fees	3,365,201	2,524,165
Amount paid - Current year	(4,213,026)	(1,464,170)
	<b>714,383</b>	<b>1,562,208</b>
<b>42. VAT</b>		
Opening Balance	1,969,975	1,012,214
Current year subscription/fees	809,897	1,144,973
Amount paid - Current year	(1,251,024)	(187,212)
	<b>1,528,848</b>	<b>1,969,975</b>
<b>43. PAYE, UIF and SDL</b>		
Opening balance	(4,518,685)	(585,765)
Current year subscription/fee	(8,117,096)	(8,615,931)
Amount paid - Current year	11,369,667	4,683,011
	<b>(1,266,114)</b>	<b>(4,518,685)</b>

# Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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Figures in Rand

2018

2017

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### 44. Budget differences

**Material differences between budget and actual amounts**



# Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018

2017

### 44. Budget differences (continued)

The excess of actual expenditure over the final budget above 5% is deemed to be material and are provided reasons on the differences.

#### **Statement of Financial Performance:**

##### **Sale of goods**

During the current year the municipality started issuing certificates for business in the district by the environmental health practitioner .

##### **Rental of Facilities and Equipment**

The municipality did not rent out any side hall and other facilities except for the building to the local municipality. This resulted in the drop in the revenue.

##### **Interest received(trading)**

The local municipality did not pay rental as excepted this resulted in the unplanned interest income being accounted for during the year.

##### **Interest received -investment**

The municipality invested some of the funds which resulted in the interest being received

##### **Government grants &subsidies**

This are grant and subsidies was received during the financial year also we had a roll over from the prior financial year which increaaased the revenue.

##### **Financial Assistance**

National and Provincial Treasury have during the financial year paid on behave of the municipality some of the audit fees.

##### **LGSETA**

This is the amount received from the SETA which we can not determine in advance as are not even informed in advance.

##### **Personnel**

The increase in the employee cost due to the annual increase of the salaries and also one more director was appointed during the current financial year.

##### **Remuneration of councillors**

The increase was due to the upper limited adjustment for councillor.

##### **Depreciation and amortisation**

The increase was mainly due to the amortisation of the intangible asset and addition vehicles which where purchased.

##### **Finance costs**

The lower finance cost for the year was due to interest being written off by the auditor general during the financial year after treasury paid some of the audit fees.

##### **Debt Impairment**

The municipality did not budget for any impairment was we where hoping that the amount owed bty Kopanong Local

# Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

Figures in Rand

2018

2017

### 44. Budget differences (continued)

Municipality will be repaid.

#### Contracted Services

The amount increased due to some of the expense having limited budget eg the auditor general budget was limited as compared to the actual spending.

#### General Expenses

During the year the municipality placed some control on the spending which resulted in the cut in the amount of the spending

#### Statement of Financial Position:

##### Inventories

The municipality was not planning to have so much consumable at year end this was to avoid mainly items passing expiry dates for cleaning material.

##### Receivables from exchange transactions

The receivable decrease mainly due to the provision for bad debts when it was re-corrected due to non-payment.

##### VAT receivable

The municipality due to cash flow payment has not yet paid some of the creditors this results in some of the VAT not being received since we have not yet paid the supplies.

##### Cash and cash equivalents

The cash and cash equivalents at year end is higher as some of the RAMM invoice could only be paid after yearend.

##### Property, plant and equipment

The PPE was less than the budget due to higher depreciation and also the assets which were impaired in the prior financial year were still not yet reversed at year end.

##### Intangible assets

The intangible assets were as a result of the RAMMS system and mSCOA system which were capitalised during the prior year audit.

##### Finance lease obligation

The balance is the remaining lease liability at year end.

##### Payables from exchange transactions

The payables are high due to the late payment of creditors due to non-availability of cash at the municipality.

##### Unspent conditional grants and receipts

The municipality did not plan to have any unspent conditional grants at year end this is due to the fact that we will lose the funds after yearend.

##### Provisions

The overall provision was less due to the actuarial valuation that was performed during the year.

# Xhariep District Municipality

(Registration number DC16)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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Figures in Rand

2018

2017

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### 45. Non Compliance with law and regulations

During the financial year the municipality had the following non compliance with laws and regulations

Section 62(1)(d) of the municipal finance management act no 56 of 2003 were Unauthorised and fruitless expenditure where incurred.

Section 65(2)(e) of the municipal finance management act no 56 of 2003 where payments where not made within thirty (30) days

Section 71(1) monthly budget statements where the municipality did not submit within 10 working days after the end of each month monthly statements

**Schedule of external loans as at 30 June 2018**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at Friday, June 30, 2017</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at Saturday, June 30, 2018</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Loan Stock</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Structured loans</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Funding facility</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Development Bank of South Africa</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

**Schedule of external loans as at 30 June 2018**

Loan Number	Redeemable	Balance at Friday, June 30, 2017	Received during the period	Redeemed written off during the period	Balance at Saturday, June 30, 2018	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Bonds</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Other loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Lease liability</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Annuity loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-



**Xhariep District Municipality**  
**Appendix F (Unaudited)**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
June 2018

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld			
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
COGTA Financial Assistance	Provincial Government	-	-	-	19,000,000	-	-	-	16,177,570	-	-	-	-
Equitable share	National Government	-	-	-	33,307,000	11,102,333	11,102,333	11,102,333	-	-	-	-	
Financial Management Grant	National Government	1,250,000	-	-	-	442,950	324,783	262,352	219,215	-	-	-	-
EPWP Grant	National Government	250,000	450,000	300,000	-	262,893	250,510	192,597	258,857	-	-	-	-
RAMMS Grant	National Government	1,502,000	-	643,000	-	542,568	-	-	1,879,828	-	-	-	-
		3,002,000	450,000	943,000	52,307,000	12,350,744	11,677,626	11,557,282	18,535,470	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

**Khariiep District Municipality  
Appendix G1( Unaudited)  
Budgeted Financial Performance (revenue and expenditure by standard classification)  
for the year ended June 30, 2018**

	2018/2017							2017/2016							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>															
<b>Governance and administration</b>	<b>43,059,726</b>	<b>(1,801,062)</b>	<b>41,258,664</b>	-		<b>41,258,664</b>	-		<b>(41,258,664)</b>	- %	- %				<b>41,897,773</b>
Executive and council	12,454,196	(507,530)	11,946,666	-		11,946,666	-		(11,946,666)	- %	- %				8,216,396
Budget and treasury office	13,076,409	(1,711,000)	11,365,409	-		11,365,409	-		(11,365,409)	- %	- %				14,280,475
Corporate services	17,529,121	417,468	17,946,589	-		17,946,589	-		(17,946,589)	- %	- %				19,400,902
<b>Community and public safety</b>	-	-	-	-		-	-		-	<b>DIV/0 %</b>	<b>DIV/0 %</b>				-
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Economic and environmental services</b>	<b>14,758,402</b>	<b>165,062</b>	<b>14,923,464</b>	-		<b>14,923,464</b>	-		<b>(14,923,464)</b>	- %	- %				<b>11,548,527</b>
Planning and development	14,758,402	165,062	14,923,464	-		14,923,464	-		(14,923,464)	- %	- %				11,548,527
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Trading services</b>	-	-	-	-		-	-		-	<b>DIV/0 %</b>	<b>DIV/0 %</b>				-
Electricity	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Other</b>	-	-	-	-		-	-		-	<b>DIV/0 %</b>	<b>DIV/0 %</b>				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Total Revenue - Standard</b>	<b>57,818,128</b>	<b>(1,636,000)</b>	<b>56,182,128</b>	-		<b>56,182,128</b>	-		<b>(56,182,128)</b>	- %	- %				<b>53,446,300</b>



**Xhariep District Municipality**  
**Appendix G1( Unaudited)**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended June 30, 2018**

	2018/2017							2017/2016							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s28 and s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>44,659,726</b>	<b>(165,062)</b>	<b>44,494,664</b>	-	-	<b>44,494,664</b>	-	-	<b>(44,494,664)</b>	- %	- %	-	-	-	-
Executive and council	14,054,196	(507,530)	13,546,666	-	-	13,546,666	-	-	(13,546,666)	- %	- %	-	-	-	-
Budget and treasury office	13,076,409	(75,000)	13,001,409	-	-	13,001,409	-	-	(13,001,409)	- %	- %	-	-	-	-
Corporate services	17,529,121	417,468	17,946,589	-	-	17,946,589	-	-	(17,946,589)	- %	- %	-	-	-	-
<b>Community and public safety</b>	-	-	-	-	-	-	-	-	-	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Economic and environmental services</b>	<b>14,758,402</b>	<b>165,065</b>	<b>14,923,467</b>	-	-	<b>14,923,467</b>	-	-	<b>(14,923,467)</b>	- %	- %	-	-	-	-
Planning and development	14,758,402	165,065	14,923,467	-	-	14,923,467	-	-	(14,923,467)	- %	- %	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Trading services</b>	-	-	-	-	-	-	-	-	-	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	<b>DIV/0 %</b>	<b>DIV/0 %</b>	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>59,418,128</b>	<b>3</b>	<b>59,418,131</b>	-	-	<b>59,418,131</b>	-	-	<b>(59,418,131)</b>	- %	- %	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(1,600,000)</b>	<b>(1,636,003)</b>	<b>(3,236,003)</b>	-		<b>(3,236,003)</b>	-		<b>3,236,003</b>	- %	- %				<b>53,446,300</b>