



THABO MOFUTSANYANA *District Municipality*

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2018

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	District Municipality (DC19)
Mayoral committee	
Executive Mayor	Cllr. M Vilakazi Cllr. M Maduna (Speaker) Cllr. SJ Mbiwe (Chief Whip) Cllr. MM Twala (MPAC Chairperson) Cllr. K Tsoene (MMC - Infrastructural Services) Cllr. G Bengell (MMC - Agricultural Services) Cllr. A Nhlapo (MMC - Corporate Services) Cllr. J Radebe (MMC - Community Services) Cllr. SM Visagie (MMC - Financial Services) Cllr. TR Thebe (MMC - IDP & PMS Services) Cllr. ND Mofokeng (MMC - Municipal Health & Disaster Services) Cllr. T Tshabalala (MMC - LED & Tourism)
Councillors	Cllr. G Mokotso Cllr. BDL Venter Cllr. S Mkhwanazi Cllr. M Motaung Cllr. M Mamba Cllr. TI Mkhwanazi Cllr. M Motaung Cllr. P Khanye Cllr. M Maleka Cllr. T Jakobo Cllr. M Ndlebe Cllr. M Hlakane Cllr. P de Wet Cllr. D Taetsane Cllr. T Letaoana Cllr. M Mokoena Cllr. V Mohala Cllr. R Bath Cllr. M Sempe Cllr. B Sani Cllr. B Miya Cllr. P Makae Cllr. T Mloi Cllr. M Majake Cllr. O Tolofi Cllr. M Lebesa Cllr. A Oates Cllr. L Nhlapo Cllr. M Botha Cllr. S Tshabalala

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

General Information

Grading of local authority	Grade 11
Accounting Officer	Ms TPM Lebenya (Contract ended 31 July 2017) Mr. SK Khote (Acting Accounting Officer 31 August 2017 to 30 November 2017) Ms. TPM Lebenya (Appointed 01 December 2017)
Chief Financial Officer	Mr. HI Lebusa (Contract ended 30 November 2017) Mr. MS Thamaha (Acting CFO 01 December 2017 to 31 January 2018) Ms. NL Gqoli (Appointed 01 February 2018)
Business address	1 Mampoi Street Old Parliament Building Witsieshoek 9870
Postal address	Private Bag X810 Witsieshoek 9870
Bankers	ABSA
Auditors	Auditor General of South Africa
Attorneys	Rampai Attorneys

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

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COID	Compensation for Occupational Injuries and Diseases
SCM	Supply Chain Management
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
PT	Provincial Treasury
COGTA	Department of Cooperative Governance and Traditional Affairs (Free State)
IAS	International Accounting Standards
PPPFA	Preferential Procurement Policy Framework Act
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

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 were 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 controls established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal 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 operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 30 June 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 government grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Government of the Republic has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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 6.

The annual financial statements set out on pages 7 to 62, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018.



TPM Lebenya
Municipal Manager

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018. We submit this report in line with the provision of section 166(2) of the Municipal Finance Management Act for Council's consideration.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year four number of meetings were held.

Name of member	Number of meetings attended
Mr. MK Mojatau (Chairperson)	4
Mr. TE Femele (Member)	4
Mr. ST Morare (Member)	4
Ms. MS Ried (Member)	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____



Report of the Auditor General

To the Provincial Legislature of THABO MOFUTSANYANA DISTRICT MUNICIPALITY

30 June 2018

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in rendering support to the local municipalities within the district and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had a deficit of R (3 311 287) and that the municipality's total liabilities exceed its assets by R (12 142 682).

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.

3. Subsequent events

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

4. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are:

Name	Changes
TPM Lebenya	Appointed 1 December 2017
SK Khote	Appointed 1 August 2017 to 30 Nov 2017
TPM Lebenya	Contract expired 31 July 2017

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	4	1 085 099	1 459 518
VAT receivable	5	1 750 701	2 206 405
Cash and cash equivalents	6	772 882	249 450
		3 608 682	3 915 373
Non-Current Assets			
Property, plant and equipment	7	6 048 269	9 669 839
Intangible assets	8	3 099 657	4 322 358
		9 147 926	13 992 197
Total Assets		12 756 608	17 907 570
Liabilities			
Current Liabilities			
Finance lease obligation	9	-	386 516
Payables from exchange transactions	10	15 417 490	16 011 129
Unspent conditional grants and receipts	11	25 800	-
Employee benefit obligation	12	957 000	490 000
		16 400 290	16 887 645
Non-Current Liabilities			
Employee benefit obligation	12	8 499 000	8 441 000
Total Liabilities		24 899 290	25 328 645
Net Assets		(12 142 682)	(7 421 075)

The accounting policies on pages 14 to 36 and the notes on pages 37 to 64 form an integral part of the annual financial statements.

* See Note

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Sundry income	16	192 387	180 961
Interest received - investments	15	897 865	1 147 633
Total revenue from exchange transactions		1 090 252	1 328 594
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	13	113 780 700	102 950 102
Other transfer revenue	14	4 599 209	710 850
Total revenue from non-exchange transactions		118 379 909	103 660 952
Total revenue	36	119 470 161	104 989 546
Expenditure			
Employee related costs	20	(61 361 833)	(57 953 889)
Remuneration of councillors	20	(10 835 641)	(10 019 248)
Depreciation and amortisation	17	(4 691 061)	(4 402 270)
Finance costs	18	(28 159)	(182 787)
Lease rentals on operating lease	39	(1 787 661)	-
Contracted services	34	(5 579 464)	(1 870 516)
Grants and subsidies paid	35	(7 361 864)	(2 031 579)
Loss on disposal of assets and liabilities		-	(29 466)
General Expenses	19	(31 135 765)	(31 483 449)
Total expenditure		(122 781 448)	(107 973 204)
Deficit for the year		(3 311 287)	(2 983 658)

The accounting policies on pages 14 to 36 and the notes on pages 37 to 65 form an integral part of the annual financial statements.

* See Note

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016 as restated	(4 437 417)	(4 437 417)
Changes in net assets		
Surplus / (Deficit) for the year	(2 983 658)	(2 983 658)
Total changes	(2 983 658)	(2 983 658)
Restated* Balance at 01 July 2017	(7 421 075)	(7 421 075)
Changes in net assets		
Surplus / (Deficit) for the year	(3 311 287)	(3 311 287)
Other movements	(1 410 320)	(1 410 320)
Total changes	(4 721 607)	(4 721 607)
Balance at 30 June 2018	(12 142 682)	(12 142 682)
Note(s)		

The accounting policies on pages 14 to 36 and the notes on pages 37 to 65 form an integral part of the annual financial statements.

* See Note

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Grants		113 806 500	103 026 627
Interest income		897 865	1 147 633
Other receipts		8 780 300	180 961
		<u>123 484 665</u>	<u>104 355 221</u>
Payments			
Employee costs		(71 234 612)	(66 788 450)
Suppliers		(50 911 997)	(30 859 436)
Finance costs		(28 159)	(182 787)
Benefits paid relating to long service awards		(525 000)	(331 000)
		<u>(122 699 768)</u>	<u>(98 161 673)</u>
Net cash flows from operating activities	21	<u>784 897</u>	<u>6 193 548</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(463 105)	(3 207 867)
Proceeds from sale of property, plant and equipment	7	616 315	99 216
Purchase of other intangible assets	8	-	(2 222 165)
		<u>153 210</u>	<u>(5 330 816)</u>
Cash flows from financing activities			
Finance lease payments		(414 675)	(1 351 155)
		<u>523 432</u>	<u>(488 419)</u>
Net increase/(decrease) in cash and cash equivalents		523 432	(488 419)
Cash and cash equivalents at the beginning of the year		249 450	737 869
Cash and cash equivalents at the end of the year	6	<u>772 882</u>	<u>249 450</u>

The accounting policies on pages 14 to 36 and the notes on pages 37 to 65 form an integral part of the annual financial statements.

* See Note

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	21 000	(12 500)	8 500	3 684	(4 816)	
Sundry income	3 326 424	(180 361)	3 146 063	188 703	(2 957 360)	37.1
Interest received - investment	1 425 162	(235 529)	1 189 633	897 865	(291 768)	
Total revenue from exchange transactions	4 772 586	(428 390)	4 344 196	1 090 252	(3 253 944)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	215 001 000	(101 299 999)	113 701 001	113 780 700	79 699	
Other transfer revenue	-	4 600 600	4 600 600	4 599 209	(1 391)	
Total revenue from non-exchange transactions	215 001 000	(96 699 399)	118 301 601	118 379 909	78 308	
Total revenue	219 773 586	(97 127 789)	122 645 797	119 470 161	(3 175 636)	
Expenditure						
Personnel	(56 148 393)	(1 766 540)	(57 914 933)	(61 361 833)	(3 446 900)	
Remuneration of councillors	(9 339 645)	(817 318)	(10 156 963)	(10 835 641)	(678 678)	
Depreciation and amortisation	(3 146 064)	1	(3 146 063)	(4 691 061)	(1 544 998)	37.2
Finance costs	(81 418)	-	(81 418)	(28 159)	53 259	37.3
Lease rentals on operating lease	(877 740)	-	(877 740)	(1 787 661)	(909 921)	37.4
Contracted Services	(7 968 407)	-	(7 968 407)	(5 579 464)	2 388 943	37.5
Grants and subsidies paid	(8 994 250)	-	(8 994 250)	(7 361 864)	1 632 386	37.6
General Expenses	(130 398 793)	99 292 104	(31 106 689)	(31 135 765)	(29 076)	
Repairs and Maintenance	(2 577 375)	389 999	(2 187 376)	-	2 187 376	37.7
Total expenditure	(219 532 085)	97 098 246	(122 433 839)	(122 781 448)	(347 609)	
(Deficit) / Surplus	241 501	(29 543)	211 958	(3 311 287)	(3 523 245)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	241 501	(29 543)	211 958	(3 311 287)	(3 523 245)	

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	672 581	-	672 581	1 085 099	412 518	37.8
VAT receivable	-	-	-	1 750 701	1 750 701	37.9
Cash and cash equivalents	1 174 923	(962 923)	212 000	772 882	560 882	
	1 847 504	(962 923)	884 581	3 608 682	2 724 101	
Non-Current Assets						
Property, plant and equipment	7 780 812	29 500	7 810 312	6 048 269	(1 762 043)	
Intangible assets	3 828 463	-	3 828 463	3 099 657	(728 806)	
	11 609 275	29 500	11 638 775	9 147 926	(2 490 849)	
Total Assets	13 456 779	(933 423)	12 523 356	12 756 608	233 252	
Liabilities						
Current Liabilities						
Finance lease obligation	813 289	-	813 289	-	(813 289)	37.10
Payables from exchange transactions	3 588 944	(500 000)	3 088 944	15 417 490	12 328 546	37.11
Unspent conditional grants and receipts	-	-	-	25 800	25 800	
	4 402 233	(500 000)	3 902 233	15 443 290	11 541 057	
Non-Current Liabilities						
Finance lease obligation	134 349	125 000	259 349	-	(259 349)	37.10
Employee benefit obligation	-	8 605 000	8 605 000	9 456 000	851 000	
	134 349	8 730 000	8 864 349	9 456 000	591 651	
Total Liabilities	4 536 582	8 230 000	12 766 582	24 899 290	12 132 708	
Net Assets	8 920 197	(9 163 423)	(243 226)	(12 142 682)	(11 899 456)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	8 920 197	(9 163 423)	(243 226)	(12 142 682)	(11 899 456)	

The accounting policies on pages 14 to 36 and the notes on pages 37 to 65 form an integral part of the annual financial statements.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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 and the amounts have been rounded off to the nearest rand.

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, unless stated to contrary.

1.1 Presentation currency

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

1.2 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgements include:

Receivables

The municipality assesses its 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.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Property, plant and equipment

As described in accounting policies 1.3 and 1.4, the municipality depreciates / amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation.

Management considered the impact of technology, availability of capital funding, service requirement and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgemental as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provision for long service awards

The present value of the provision for long service awards depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of the provision for long service awards.

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

Other key assumptions for the provision for long service awards are based on current market conditions. Additional information is disclosed in note 12.

Impairment of receivables

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 - 12 years
Motor vehicles	Straight line	5 - 11 years
IT equipment	Straight line	3 - 8 years

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

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

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

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

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

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

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

1.4 Intangible assets

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

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset 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.

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

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1.4 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.

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

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

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:

Item	Useful life
Computer software, other	3 - 6 years

Intangible assets are derecognised:

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

1.5 Investment assets

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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Accounting Policies

1.6 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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Accounting Policies

1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
VAT Receivable	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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Accounting Policies

1.6 Financial instruments (continued)

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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Accounting Policies

1.6 Financial instruments (continued)

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Financial instruments (continued)

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

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

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

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

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

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

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

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Presentation

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

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

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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Accounting Policies

1.6 Financial instruments (continued)

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

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

Receivables 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 of 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 in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expense in surplus or deficit.

Payables 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 and demand deposits, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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 at 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 assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets 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 liability is derecognised or impaired, and through the amortisation process.

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.

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Accounting Policies

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 on the remaining balance of the liability.

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. 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. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using the standard of GRAP on leases.

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.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates commercial return.

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

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

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

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

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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

Useful life is either:

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

Identification

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

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

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

Recognition and measurement (Individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

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1.10 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Provision for long service awards

For the provision for long service awards the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long term incentives are accounted for through the statement of financial performance.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

Post retirement obligations - medical aid

The municipality provides post-retirement health care benefits upon retirement to some retirees.

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

1.11 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.

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1.11 Provisions and contingencies (continued)

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.

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 deficit.

If an entity 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 a 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

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Accounting Policies

1.11 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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.

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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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1.12 Revenue from exchange transactions (continued)

Interest received

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

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

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

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

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

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

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

Recognition

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

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

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Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Measurement

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

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

Taxes

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

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate of 14% from 1 July 2017 to 31 March 2018 and a standard rate of 15% from 1 April 2018 to June 2018 in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.14 Investment income

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

1.15 Comparative figures

When the presentation or classification of an item in the annual financial statements are amended, comparative amounts are reclassified.

1.16 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.

1.17 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.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

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Accounting Policies

1.18 Irregular expenditure (continued)

- (a) this Act; or
- (b) which has not been condoned in terms of section 170;
- (c) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of Municipality Systems Act, and which has not been condoned in terms of the Act;
- (d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or
- (e) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-laws but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

1.19 Use of estimates

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

Estimates in the financial statements include but are not limited to the following:

- Depreciation
- Bad debts,
- Long service awards

1.20 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board. Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.21 Offsetting

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

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Accounting Policies

1.22 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives. Deviations between budget and actual amounts are regarded as material differences when more than 10% deviation exists. Refer to Note 37 for all material differences explained.

The approved budget covers the fiscal period from 2017-06-01 to 2018-06-30. The financial statements are prepared on the accrual basis of accounting, and the budget is prepared on the accrual basis. A comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

The annual budget figures have been prepared in accordance with the GRAP standard. The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts.

Explanatory comment is provided in the notes to the annual financial statements giving reasons for significant individual variances between budgeted and actual amounts. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis.

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

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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.

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).

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.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24 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.

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1.25 Conditional grants and receipts

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

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential 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.

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.26 Commitments

The term 'commitments' is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the entity of resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. An entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made. The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

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Notes to the Annual Financial Statements

Figures in Rand

2018

2017

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 01 July 2018 or later periods:

GRAP 37: Joint Arrangements

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

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

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

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

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 20: Related parties

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

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

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

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

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

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2. New standards and interpretations (continued)

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

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

GRAP 108: Statutory Receivables

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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2. New standards and interpretations (continued)

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

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

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

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

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

3. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018	Financial assets at amortised cost	Total
Receivables from exchange transactions	1 085 099	1 085 099
Cash and cash equivalents	772 882	772 882
VAT Receivables	1 750 701	1 750 701
	3 608 682	3 608 682

2017	Financial assets at amortised cost	Total
Receivables from exchange transaction	1 459 518	1 459 518
Cash and cash equivalents	249 450	249 450
VAT Receivables	2 206 405	2 206 405
	3 915 373	3 915 373

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4. Receivables from exchange transactions		
Sundry debtors	1 132 256	1 088 515
Fleet management receivables	-	91 725
Suspense account	-	304 143
Underpayment of PAYE	-	22 292
Seconded councillor's salaries over payment	1 784 288	1 784 288
Councillors over payments	729 842	729 842
Impairment provision	(2 561 287)	(2 561 287)
	1 085 099	1 459 518

Suspense account

Payment relates to a transaction against the bank account and cashbook. No supporting documentation can be traced to identify the nature and the depositors of this batch payment processed.

Credit quality of trade and other receivables

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from exchange transactions impaired

As of 30 June 2018, R 2,561,287 (2017: R 2,561,287) sundry receivables from exchange transaction were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	61 218	373 002
Over 6 months	3 585 168	3 647 803
	3 646 386	4 020 805

Reconciliation of impairment of receivables from exchange transactions

Opening balance	2 561 287	2 561 287
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The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The municipality does not hold any collateral as security.

5. VAT receivable

VAT	1 750 701	2 206 405
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The municipality accounts for VAT on cash basis.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	703 427	207 768
Short-term deposits	69 455	41 682
	772 882	249 450

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK - Account Type - 770-150-841	703 427	207 768	35 233	703 427	207 768	35 233
ABSA BANK - Account Type - 206-206-4985	-	-	78 445	-	-	78 445
FNB BANK - Account Type - 712-733-40226	-	-	563 188	-	-	563 188
ABSA BANK - Account Type - 207-523-7209	38 478	36 193	61 013	38 478	36 193	61 013
ABSA BANK - Account Type - 932-530-0160	30 977	5 489	-	30 977	5 489	-
Total	772 882	249 450	737 879	772 882	249 450	737 879

7. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
SMME Equipment	-	-	-	740 523	(88 720)	651 803
Furniture and fixtures	4 192 661	(2 871 590)	1 321 071	4 185 161	(2 524 888)	1 660 273
Motor vehicles	2 681 230	(2 272 502)	408 728	2 681 230	(1 822 343)	858 887
IT equipment	10 728 828	(7 018 110)	3 710 718	10 273 223	(5 312 834)	4 960 389
Leased assets	3 435 483	(2 827 731)	607 752	3 435 483	(1 896 996)	1 538 487
Total	21 038 202	(14 989 933)	6 048 269	21 315 620	(11 645 781)	9 669 839

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
SMME Equipment	651 803	-	(616 315)	(35 488)	-
Furniture and fixtures	1 660 273	7 500	-	(346 702)	1 321 071
Motor vehicles	858 887	-	-	(450 159)	408 728
IT equipment	4 960 389	455 605	-	(1 705 276)	3 710 718
Leased assets	1 538 487	-	-	(930 735)	607 752
	9 669 839	463 105	(616 315)	(3 468 360)	6 048 269

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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
SMME Equipment	-	740 523	-	(88 720)	651 803
Furniture and fixtures	2 054 345	26 823	-	(420 895)	1 660 273
Motor vehicles	1 323 862	-	-	(464 975)	858 887
IT equipment	4 181 869	2 440 521	(88 302)	(1 573 699)	4 960 389
Leased assets	2 236 833	-	(10 914)	(687 432)	1 538 487
	9 796 909	3 207 867	(99 216)	(3 235 721)	9 669 839

Office equipment with a carrying value of R 607,705 (2017: R 1,538,487) is leased under a finance lease.

Pledged as security.

None of the assets were pledged as security.

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.

8. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7 374 708	(4 275 051)	3 099 657	7 374 708	(3 052 350)	4 322 358

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	4 322 358	(1 222 701)	3 099 657

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	3 266 741	2 222 165	(1 166 548)	4 322 358

Pledged as security

None of the assets were pledged as security:

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:

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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Figures in Rand	2018	2017
9. Finance lease obligation		
Minimum lease payments due		
- within one year	-	414 667
	-	414 667
Less: future finance charges	-	(28 151)
Present value of minimum lease payments	-	386 516
Present value of minimum lease payments due		
- within one year	-	386 516

It is the municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 0% (2017: 9% to 23%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

10. Payables from exchange transactions

Trade payables	7 113 739	9 137 613
Accrued leave pay	4 347 537	4 328 349
Accrued bonus	1 138 082	1 124 139
PAYE, UIF & SDL	1 034 439	1 014 869
Councillors pension funds	-	4 020
UIF over deducted from employees	-	193 496
Councillors salaries under payments	729 842	6 637
Metropolitan	-	251
Fleet management payables	1 053 851	201 756
	15 417 490	16 011 130

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Expanded Public Works Programme Integrated Grant	25 800	-
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Movement during the year

Balance at the beginning of the year	-	443 826
Additions during the year	11 792 000	5 302 627
Income recognition during the year	(11 766 200)	(5 746 453)
	25 800	-

The nature and extent of government grants and their conditions, restrictions and other contingencies attached to these government grants have to be fulfilled and hence recognised in the annual financial statements as unspent conditional grants

See note 13 for reconciliation of grants from National/Provincial Government.

12. Employee benefit obligation

Long service awards

Valuation method

The Projected Unit Credit Method is used to determined the present value of the defined benefit obligation.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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12. Employee benefit obligation (continued)

The defined benefit obligation

The defined benefit liability as disclosed below are represented by two different post-employment benefits. None of the benefits set out below are externally funded.

Post-retirement medical aid plan Active members receive a fixed subsidy of 70% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 70% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 70% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 70% subsidy of their contributions.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

The amount recognised in the statement of financial position are as follows for 2018:

	Long-service leave benefits	Post-retirement health care benefits	Total
Balance as at 30 June 2018	(3 079 000)	(5 852 000)	(8 931 000)
Current service	(406 000)	(154 000)	(560 000)
Interest cost	(277 000)	(588 000)	(865 000)
Actuarial (loss) - change in financial assumption	40 000	441 000	481 000
Actuarial (loss) - experience variance	216 000	(129 000)	87 000
Benefits payments	190 000	142 000	332 000
	(3 316 000)	(6 140 000)	(9 456 000)

The amount recognised in the statement of financial position are as follows for 2017:

	Long-service leave benefits	Post-retirement health care benefits	Total
Balance as at 30 June 2017	(2 868 000)	(5 740 000)	(8 608 000)
Current service	(425 000)	(149 000)	(574 000)
Interest cost	(263 000)	(558 000)	(821 000)
Actuarial (loss) - change in financial assumption	172 000	712 000	884 000
Actuarial (loss) - experience variance	102 000	(245 000)	(143 000)
Benefits payments	203 000	128 000	331 000
	(3 079 000)	(5 852 000)	(8 931 000)

Discount rate

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 14 years for post-retirement health care and 6 years for long service award, the expected duration of the liability based on the current membership data, as at 30 June 2018.

Key assumptions used

The economic assumptions for the 30 June 2018 valuation are shown in the table below, and compared to those used for the previous valuation.

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12. Employee benefit obligation (continued)

	30 June 2018	30 June 2017
Gross discount rate - Long service award	8.80%	8,70%
Gross discount rate - Medical aid	9.90%	10,00%
Healthcare cost inflation	8.20%	8,80%
Salary inflation	7.40%	7,50%
Net discount rate - Long service award	1.30%	1,12%
Net discount rate - Medical aid	1.57%	1,10%

Membership Data

Key features of the membership data used in the valuation of post-retirement healthcare subsidy are summarised below:

	2018	2017
Current employees		
- Number of current employees		
Males	5	5
Females	1	1
- Average age of employees		
Males	58.6	57,6
Females	51.6	50,6
- Average years of past service		
Male	26.3	25,3
Female	19.7	18,7
- Average total monthly premium of Principal members (R)		
Male	R 4, 061	R 3,697
Female	R 3, 216	R 2,977
- Average total monthly premium of Adult dependants (R)		
Male	R 2, 945	R 2,647
Female	R 1, 730	R 1,601

Continuation members

- Number of continuation members		
Male	1	1
Female	2	2
-Average age of continuation members		
Male	67.7	66,7
Female	71.2	70,2
- Actual percentage married		
Male	100%	100%
Female	0%	0%
- Average total monthly premium of Principal members (R)		
Male	R 3,209	R 2,964
Female	R 6, 031	R 5,490
- Average total monthly premium of Adult dependants (R)		
Male	R 2, 347	R 2,144
Female	R 4, 374	R 3,940

Breakdown of Defined Benefit Obligation

The table below provides a breakdown of the defined benefit obligation between active and continuation members as at the current and previous valuation dates:

Breakdown of defined benefit obligation (R'000)	30 June 2018	30 June 2017	30 June 2016
Active members	(4 074)	(3 800)	(3 675)
Continuation members	(2 066)	(2 052)	(2 065)
	(6 140)	(5 852)	(5 740)

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12. Employee benefit obligation (continued)

Post-retirement healthcare subsidy sensitivities

The value of the liabilities is particularly sensitive to the assumed rate of healthcare cost inflation. The table below sets out the sensitivity of the valuation result to a 1% increase and 1% decrease in the assumed healthcare cost of inflation assumption.

This is regarded as important management information. The GRAP 25 accounting standard also requires this sensitivity to be disclosed in the annual financial statement.

Healthcare cost inflation sensitivity (R'000)	1% decrease	Base (8,20%)	1% increase
Defined benefit obligation	(5 374)	(6 140)	(7 063)
Service cost (next financial year)	(135)	(158)	(186)
Interest cost (next financial year)	(531)	(608)	(701)
	(6 040)	(6 906)	(7 950)

Assumptions used

The economic assumptions for the 30 June 2018 valuation are shown in the table below, and compared to those used for the respective roll-back valuations.

Summary of economic assumptions (rates are per annum)	30 June 2018	30 June 2017
Gross discount rate	9.90%	10,00%
Healthcare cost inflation	8.20%	8,80%
Net discount rate	1.57%	1,10%

Long service awards sensitivities (R'000)	1% decrease	Base	1% increase
Discount rate	(3 537)	(3 616)	(3 121)
Salary inflation	(3 130)	(3 616)	(3 523)
	(6 667)	(7 232)	(6 644)

Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting our best estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 6 years, the expected duration of the liability based on the current membership data, as at 30 June 2018.

Salary inflation

In the past, salary inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of around 2%.

The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BESA yield curve on zero-coupon government bond yields, which is a nominal yield curve. GRAP 25 valuation of the Thabo Mofutsanyana District Municipality long service awards liability as at 30 June 2018.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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12. Employee benefit obligation (continued)

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the salary inflation assumption.

The CPI inflation assumption using this methodology is 5.40% as at 30 June 2018. Thus, the salary inflation has been set as 7.40% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Net discount rate

The relationship between the gross discount rate and salary inflation rates are more important than their individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future long service awards are projected in line with the salary inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the salary inflation rate respectively. Using the gross discount and salary inflation rates as shown above, the resulting net discount rate is 1.30% (calculated as $(1 + \text{discount rate}) / (1 + \text{salary inflation rate}) - 1$) for the 30 June 2018 valuation.

Healthcare cost inflation

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of 1% to 2%.

The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BESA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the healthcare cost inflation assumption.

The CPI inflation assumption using this methodology is 6.20% as at 30 June 2018. Thus, the healthcare cost inflation has been set as 8.20% at the valuation date, after allowing for a margin of 2% over CPI inflation.

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

Net discount rate

The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates as shown above, the resulting net discount rate is 1.57% (calculated as $(1 + \text{discount rate}) / (1 + \text{healthcare cost inflation rate}) - 1$) for the 30 June 2018 valuation.

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12. Employee benefit obligation (continued)

Demographic assumptions

This section contains the demographic assumptions used in the valuation. The mortality tables used have not been presented, as they are standard tables, which are widely used.

The demographic assumptions for the 30 June 2018 valuation and compared to those used for the previous valuations are shown in the tables below.

Summary of key demographic assumptions

Pre-retirement mortality	30 June 2017 & 2018 SA85-90 L rated down 1 year for males and females
Post-retirement mortality	PA(90) rated down 1 year for males and females plus 1% future mortality improvement from 2010
Withdrawal	See rationale for demographic assumption below
Expected retirement age	63 years for males and females
Percentage married for in-service members	See rationale for demographic assumption below
Spouse and principal member age difference	Male 3 years older than female
Employees' continuation percentage at retirement	90.00%
Percentage of widows continuing membership	90.00%

Rationale for demographic assumptions

For many of the demographic assumptions, particularly mortality rates, the small size of the membership precludes the use of assumptions based on past experience of the particular scheme. Thus, assumptions are set which are consistent with market practice and with investigations performed where there is a significant amount of data.

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12. Employee benefit obligation (continued)

Pre-retirement mortality

The pre-retirement mortality table most commonly used in the retirement industry (for similar sub-populations in South Africa) is SA 85-90 (Light). However, given apparent improvements in mortality with active members living longer, we have rated the SA 85-90 (Light) table down by one year for both males and females. This means that the mortality rate assumed for an individual in the valuation is the rate provided in the table for an individual at age one year younger.

Post-retirement mortality

PA (90) is commonly used in the retirement industry. However, given the fact that pensioners are living longer than at the time the table was compiled, we have rated the PA (90) table down by one year for both males and females. This means that the mortality rate assumed for an individual in the valuation is the rate provided in the table for an individual one year younger.

There is a strong argument for inclusion of mortality improvements in the assumption (1.00% to 1.50% p.a. at all ages would be reasonable), given the improvements that have occurred at the post-retirement ages in most developed countries over the past forty years, as well as the evidence of improvements observed by larger actuarial service providers in South Africa. We therefore included a 1% per annum mortality improvement factor from 2010 onwards.

Withdrawal assumption

In the absence of credible past withdrawal data of this particular scheme, the withdrawal assumptions have been set in line with those generally observed in the South African market.

The table below shows the annual withdrawal rates for the valuation, differentiated by age.

Withdrawal assumption age	Males	Females
20	13,30%	13,30%
25	13,30%	13,30%
30	10,90%	10,90%
35	8,20%	8,20%
40	5,80%	5,80%
45	4,10%	4,10%
50	2,90%	2,90%
55	0,00%	0,00%
60+	0,00%	0,00%

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12. Employee benefit obligation (continued)

Assumed retirement age

The assumed retirement age of 63 years for current employees is based on the normal retirement age of the employer of 65 years for all employees, including allowance for early retirements. This assumption is in respect of both males and females.

Spouse and principal member age difference

We have assumed that males are 3 years older than females for active and continuation members.

Typically, the actual age of continuation members' spouses would be used in valuations, although this detail could not be provided by the employer, and thus the above assumption was applied.

Child dependants

No value has been placed on benefits payable to child dependants. The impact is likely to be immaterial and not allowing for child dependants is generally applied by other actuaries in the market place

Percentage married assumption

We have assumed that 90% of all active members (both male and female), will be married at retirement, whereas actual marital status was used for continuation members.

13. Government grants and subsidies

Operating grants

Equitable share	101 909 000	97 724 000
Financial Management Grant	1 250 000	1 250 000
Expanded Public Works Programme Integrated Grant	2 116 200	1 120 000
Rural Roads Assets Management System Grant	2 400 000	2 750 825
Local Government Sector Education and Training Authority Grant	105 500	105 277
Energy Efficiency and Demand Side Management Grant	6 000 000	-
	113 780 700	102 950 102

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	11 766 200	5 120 825
Unconditional grants received	102 014 500	97 829 277
	113 780 700	102 950 102

Equitable Share

Current-year receipts	101 909 000	97 724 000
Transferred to revenue	(101 909 000)	(97 724 000)
	-	-

This grant is used by the municipality, mainly to fund its operational activities.

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Figures in Rand	2018	2017
13. Government grants and subsidies (continued)		
Rural Roads Assets Management System Grant		
Balance unspent at beginning of year	-	443 825
Current-year receipts	2 400 000	2 307 000
Conditions met - transferred to revenue	(2 400 000)	(2 750 825)
	-	-
The purpose of the grant is for the provision of systems to collect rural road, traffic data and rural access of bridges.		
Expanded Public Works Programme Integrated Grant		
Current-year receipts	2 142 000	1 120 000
Conditions met - transferred to revenue	(2 116 200)	(1 120 000)
	25 800	-
This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximized.		
Finance Management Grant		
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	-
The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.		
Local Government Sector Education and Training Authority Grant		
Current-year receipts	105 500	105 277
Conditions met - transferred to revenue	(105 500)	(105 277)
	-	-
The purpose of the grant is to improve the effectiveness and efficiency of the skills development through provision of bursaries and promotion and support of theoretical learning with workplace training.		
Energy Efficiency and Demand Side Management (EEDSM) Grant		
Current-year receipts	6 000 000	-
Conditions met - transferred to revenue	(6 000 000)	-
	-	-
This grant is used to implement EEDSM initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency		
14. Other Transfer revenue		
Other transfer revenue description		
Service Sector Education and Training Authority Grant	1 086 609	-
COGTA Legal support Grant	3 000 000	-
Transport Education and Training Authority Grant	512 600	710 850
	4 599 209	710 850

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Figures in Rand	2018	2017
15. Interest received - investments		
Interest revenue		
Bank	897 865	1 147 633
16. Sundry Income		
Tender documents	3 684	49 183
Other income	188 703	131 778
	192 387	180 961
17. Depreciation and amortisation		
Property, plant and equipment	3 468 360	3 235 722
Intangible assets	1 222 701	1 166 548
	4 691 061	4 402 270
18. Finance costs		
Finance leases	28 159	182 787
19. Operational expenses		
Advertising	492 067	1 079 144
Auditors remuneration	3 479 432	2 209 871
Bank charges	94 297	86 149
Cleaning and consumables	57 579	92 301
Catering	1 721 184	1 353 080
ICT and programming	4 623 161	4 359 675
Disaster intervention	119 478	901 393
Donation	-	472 567
Insurance	324 364	349 098
Events management	508 843	1 014 376
Awareness campaign - branding material and catering	101 000	-
Motor vehicle expenses	659 148	1 505 059
EPWP incentive grant - salaries expenditure	1 930 443	2 448 424
Placement fees	35 803	1 924
Poverty alleviation expense - food security expense	1 168 197	688 003
Printing and stationery	283 203	1 118 623
Uniform and protective clothing	134 520	72 813
Repairs and maintenance	2 055 281	2 257 620
Transport	1 835 262	1 517 061
Rural community support	5 895	-
Subscriptions and membership fees	622 641	716 084
Telephone and fax	1 433 255	1 043 367
Training	307 214	806 851
Travel and subsistence	3 563 151	2 953 343
TETA Learnership	427 100	710 850
Service SETA Learnership	1 079 500	-
MFMA programme - accounting support expenditure	1 852 412	563 814
District audit committee	217 796	227 613
Sampling of food and water	176 017	261 818
Bursary fund	979 323	1 261 185
Lease rentals on operating lease	848 199	1 341 593
Donation of asset	-	69 750
	31 135 765	31 483 449

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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Figures in Rand

	2018	2017
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19. Operational expenses (continued)

Operational expenses line items were re-classified in line with mSCOA for the current year and prior year.

20. Remuneration related cost

Basic	38 147 803	42 111 805
Bonus	2 607 477	2 456 889
Medical aid - company contributions	3 688 556	3 335 672
UIF	198 059	194 821
SDL	571 791	541 671
Bargaining council levies	988 482	25 146
Leave pay provision charge	-	824 282
Pension fund contributions	5 533 538	-
Overtime payments	823 342	737 381
Long-service awards	525 000	323 000
Acting allowances	626 044	-
Car allowance	5 408 135	5 322 765
Housing benefits and allowances	234 855	204 792
Cellphone allowance	436 900	429 000
Leave redemption	1 571 851	1 446 665
	61 361 833	57 953 889

Remuneration of Accounting Officer - Ms. TPM Lebenya

Annual Remuneration	629 360	1 015 866
Car allowance	184 223	228 000
Contributions to UIF, Medical and Pension Funds	11 899	72 412
Travel, motor car, accommodation, subsistence and other allowance	319 899	93 005
Cellphone allowance	13 500	18 000
Performance bonus	-	176 973
	1 158 881	1 604 256

Ms. Lebenya's term ended 31 July 2017 and she was appointed from 1 December 2017 to 30 November 2022.

Remuneration of Acting Accounting Officer - Mr. SK Khote

Acting Allowance	62 831	-
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Mr. Khote was appointed as the Accounting Officer from 1 August 2017 to 30 November 2017.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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	2018	2017
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20. Remuneration related cost (continued)

Remuneration of Executive Manager Corporate Service - Mr. SK Khote

Annual Remuneration	667 972	896 351
Car allowance	161 133	205 000
Contributions to UIF, Medical and Pension Funds	13 668	13 879
Travel, motor car, accommodation, subsistence and other allowance	366 129	101 705
Cellphone	12 000	14 400
Performance bonus	-	139 462
	1 220 902	1 370 797

Mr. Khote's term ended 31 August 2017 and he was appointed from 1 December 2017 to 30 November 2022.

Remuneration of Chief Financial Officer - Mr. HI Lebusa

Annual Remuneration	402 965	945 336
Car allowance	75 000	180 000
Performance Bonuses	-	157 570
Contributions to UIF, Medical and Pension Funds	6 043	339 681
Travel, motor car, accommodation, subsistence and other allowance	91 987	152 157
Cellphone	6 000	14 400
	581 995	1 789 144

Mr. Lebusa's term ended 30 November 2017.

Remuneration of Acting Chief Financial Officer - Mr. MS Thamaha

Acting Allowance	79 136	-
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Mr. Thamaha was appointed as the acting Chief Financial Officer from 01 December 2017 to 31 January 2018.

Remuneration of Chief Financial Officer - Ms. NL Gqoli

Annual Remuneration	241 408	-
Car allowance	61 582	-
Contributions to UIF, Medical and Pension Funds	69 367	-
Travel, motor car, accommodation, subsistence and other allowance	51 522	-
Cellphone	6 000	-
	429 879	-

Ms. Gqoli was appointed as the Chief Financial Officer from 1 February 2018 to the 28 February 2023.

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Figures in Rand	2018	2017
20. Remuneration related cost (continued)		
Remuneration of councillors		
Executive Mayor - Ms. M Vilakazi	976 230	974 810
Chief Whip - Mrs. SJ Mbiwe	716 795	509 831
Chief Whip - Mr. MM Radebe	-	72 345
Speaker - Mr. MS Maduna	694 419	651 724
Chairperson MPAC - Ms. M Motloung	-	26 643
Chairperson MPAC - Mr. M M Twala	322 614	240 946
Mayoral Committee Members	4 835 075	4 653 575
Councillors	3 290 508	2 889 374
	10 835 641	10 019 248

In-kind benefits

The Executive Mayor, Speaker, Chief whip, MPAC Chairperson and Mayoral Committee Members are full-time councillors. The Executive Mayor, Speaker, Chief whip and MPAC Chairperson is provided with an office and secretarial support at the cost of the Council. The Mayoral Committee Members are provided with pool secretarial support and offices at the cost of council.

The Executive Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Executive Mayor and Speaker each have full-time driver / bodyguard.

21. Cash (used in) generated from operation

Deficit	(3 311 287)	(2 983 658)
Adjustments for:		
Depreciation and amortisation	4 458 006	4 402 270
Finance costs - Finance leases	28 159	182 787
Movements in provision for long service awards	525 000	323 000
Changes in working capital:		
Receivables from exchange transactions	374 419	(434 235)
Payables from exchange transactions	(1 770 904)	6 168 124
VAT	455 704	(1 020 915)
Unspent conditional grants and receipts	25 800	(443 825)
	784 897	6 193 548

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Figures in Rand 2018 2017

22. Financial liability by category

The accounting policies for financial instruments have been applied to the column items below:

2018	Financial liabilities at amortised cost	Total
Payables from exchange transactions	7 006 129	7 006 129
<hr/>		
2017	Financial liabilities at amortised cost	Total
Finance lease - current	386 516	386 516
Payables from exchange transactions	10 558 642	10 558 642
	10 945 158	10 945 158

23. Commitments

Commitments in respect of operating expenditure

• Management of telephone system for a period of three (3) years	591 946	1 051 879
• Internet Service Provider	-	249 550
• Server based data back up and storage	211 534	1 901 530
• mSCOA Implementation	-	2 742 486
• Disaster recovery plan and hosting	-	1 353 175
• Electrification programme	8 000 000	6 000 000
• Development of rural asset management system (RRAMS)	3 304 961	-
	12 108 441	13 298 620

This committed expenditure relates to various projects and will be financed by available bank facilities.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	937 103	934 103
- in second to fifth year inclusive	242 001	1 209 150
	1 179 104	2 143 253

Operating lease payments represent rentals payable by the municipality for both the Mayoral and Speaker's vehicles leased from Department of Police, Roads and Transport -Fleet Management.

Leases are negotiated for a period of three years. The daily and kilometre tariff is reviewed annually. The tariff charged to the Municipality will at all times be on standard tariff scales applicable to other government departments. Currently average monthly rentals repayments are R 30,000 including VAT.

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24. Contingencies

Podbielski Mhlambi Attorneys vs Thabo Mofutsanyana:

Podbielski Mhlambi was appointed to take over from Thakangoaha Investments, after the termination of their contract to collection of the outstanding RSC levies, refer "Thakangoaha Investments vs Municipality" above for further details. The firm understands that there are 6000 outstanding defended cases before various magistrates' courts regarding the RSC levies. The firm does not have sight of these files as Podbielski Mhlambi Attorneys has placed a lien on the files until the client pays their claim of R 36 million for fees and disbursements.

The outstanding legal fees of R 15 049 155 has been raised as a liability and Advocate Ploos van Amstel is owed an amount of approximately R200 000 which constitute historical billings to Podbielski attorneys. The municipality estimates that approximately R 3 000 000 in legal fees to its attorneys Rampai Attorneys will be incurred in defending this action as Podbielski Mhlambi Attorneys have issued a letter of demand for the recovery of its fees.

Housing guarantees

A contingent liability exists for the municipality to pay the guarantee amount in the event of the employee not being able to settle their bond / default on payment.

The Municipality has provided housing guarantee's to the employees listed below. The maximum amount each qualifying employee may receive is R85 000.

Name of employee	Effective date	2018	2017
Mazibuko Mwelase	25/05/2005	17 000	17 000
Mollo Ngobese	22/03/2006	17 000	17 000
Moloi Khesa	25/05/2005	17 000	17 000
Moloi Materonko	08/10/2002	13 000	13 000
Motloung Sylvia	30/01/2007	17 000	17 000
Mthombeni Sthembiso	01/10/2004	14 000	14 000
Mani Koahela	01/07/2009	17 000	17 000
		112 000	112 000

25. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality.

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.
risks.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004..

The only related party transactions for the current financial year were with key management personnel. Refer to Note 20 for detailed disclosure of remuneration.

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26. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the economic entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the entity maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

The entity has not defaulted on external loans, payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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26. Risk management (continued)				
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	7 006 129	-	-	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	10 558 642	-	-	-
Gross finance lease obligation	414 667	-	-	-

Credit risk

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

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 counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

Financial assets which exposed the economic entity to credit risk at year end were as follows:

Financial instrument	2018	2017
ABSA Bank - Cheque account	703 427	207 768
ABSA Bank - Liquidity plus	30 977	5 489
ABSA Bank - Fixed deposit	38 479	36 193
ABSA Bank - Fixed deposit	-	78 445
First National Bank - Fixed deposit	-	563 188
Receivables from exchange transactions	1 085 099	1 459 518
VAT receivables	1 750 701	2 206 405

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 25 for additional details.

The balances represent the maximum exposure to credit risk.

Market risk

Cash flow and fair value interest rate risk

The municipality's interest rate risk arises from finance lease liabilities and short term investments. Finance leases and short term investments at variable rates expose the municipality to cash flow interest rate risk. The sensitivity analysis for cash flow and fair value interest rate risk to which the municipality is exposed at the end of the reporting period is not considered material on profit and loss and were therefore not disclosed. During 2017 and 2018, the municipality's borrowings and investments at variable rates were denominated in the Rand.

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27. Going concern

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

During the year ended 30 June 2018, the municipality incurred a net loss of R (3, 311, 287) and the municipality's total liabilities exceed its assets by (R 12, 142, 682) , in addition the municipality has a possible obligation of R36 million pending the court ruling as disclosed in note 24.

The major reason contributing toward the accumulated deficit, is provision, relating to the following:

1. Post-benefits employee contribution obligation - R 9 456 000.

Management will also make budgetary provision over the medium-term budget framework to contribute the surplus realised to finance the payables, this will ensure that in future the operational results of TMDM will improve to surplus.

28. Events after the reporting date

There were no material events to report after the reporting date.

29. Unauthorised expenditure

Opening Balance	3 229 865	10 840 549
Unauthorised expenditure - current year expenditure	617 294	3 229 865
Unauthorised expenditure - written off as irrecoverable	-	(10 840 549)
	3 847 159	3 229 865

Management performed a review of transactions and identified the above transactions to be unauthorised expenditure in accordance to the guidelines set per Chapter 1 of the MFMA. The unauthorised expenditure relate to overspending on operational spending for VOTE 2: Finance and Administration

A Municipal Public Accountant Committee is to convene to analyse and review the findings on unauthorised expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council, Council will resolve either to condone or recover the unauthorised expenditure as stated above as waiting to be condoned.

30. Fruitless and wasteful expenditure

Opening balance	-	184 457
Fruitless and wasteful expenditure - current year expenditure	222 545	-
Fruitless and wasteful expenditure - written off as irrecoverable	-	(184 457)
	222 545	-

Management has performed a review of transactions and identified fruitless and wasteful expenditure relating to interest and penalties charged for late payment by the South African Revenue Service.

Municipal Public Accounts Committee is to convene to analyse and review the findings on fruitless and wasteful expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council, Council will resolve either to condone or recover the fruitless and wasteful expenditure as stated above as waiting to be condoned.

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31. Irregular Expenditure		
Opening balance	4 412 498	8 495 390
Less: Expenditure written-off to be recovered from debtor	-	(834 910)
Less: Expenditure written-off as irrecoverable	-	(8 384 352)
Expenditure - SCM non-compliance incurred in the current year (The full extent of the irregular expensiture is still in the process of being determined)	568 963	4 692 309
Overpayment - councillor remuneration	-	15 120
Overpayment - municipal manager remuneration	-	125 815
Remuneration paid for position not in the organisational structure	-	303 126
	4 981 461	4 412 498

Management has performed a review of transactions and identify transactions which did not comply with SCM Regulation, sec. 36 (emergency) to be irregular expenditure in accordance to the guidelines set per Chapter 1 of the MFMA

32. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year	575 949	601 941
Amount paid - current year	(575 949)	(601 941)
	-	-

Material losses through criminal conduct

The municipality incurred a material losses through criminal conduct during the reporting period.

Incident - Internet banking payment to fraudulent account

The municipality paid an amount of R1 535 097 on 28th April 2017 to a fraudulent account FNB bank account, the fraud case was reported to South African Police Services (SAPS) (case number 23/05/2017) at Phuthadijhaba police station, an amount of R577 814 has been recovered thus far, therefore, the possible mateiral losses amount to R957 283, which is currently under investigation by Police, FNB and ABSA forensic department. This balance has been disclosed under General Expense Note. 19 Disaster Intervention

Incident - Fleet card misused theft

Municipal employee committed a theft by using a municipal fleet card to procure motor vehicle spares for his own benefit, disciplinary action was instituted against the employee and he was found guilty of fraud alternatively theft, the employee was dismissed on the 08 August 2017. The losses amount to R6,817.20.

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32. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	1 220 986	-
Current year	3 113 281	3 740 239
Amount paid - current year	(3 479 432)	(2 519 253)
	854 835	1 220 986
PAYE, SDL and UIF		
Opening balance	1 013 526	825 721
Current year	12 067 296	12 011 272
Amount paid - current year	(12 046 383)	(11 823 737)
	1 034 439	1 013 256
Pension and Medical Aid Deductions		
Opening balance	1 185 585	-
Current year	13 835 210	13 473 314
Amount paid - current year	(15 020 795)	(12 287 729)
	-	1 185 585
VAT		
VAT receivable	1 750 701	2 206 405
33. Municipal office occupation		
The municipal head office situated at 1 Mampoi Street, Old parliament Building, Witsieshoek. The building is leased from Free State Department of Public Works for no rental consideration.		
34. Contracted services		
Information Technology Services	57 946	-
Legal Services	5 386 885	1 314 505
Contracted Financial Support	-	556 011
Performance Management System	134 633	-
	5 579 464	1 870 516
35. Grants and subsidies paid		
Other subsidies		
Rural Roads Assets Management Grant	2 100 194	2 031 579
Energy Efficiency Demand Side Grant	5 261 670	-
	7 361 864	2 031 579
36. Revenue		
Sundry income	192 387	180 961
Interest received - investment	897 865	1 147 633
Government grants & subsidies	113 780 700	102 950 102
Other transfer revenue	4 599 209	710 850
	119 470 161	104 989 546

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36. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sundry income	192 387	180 961
Interest received - investment	897 865	1 147 633
	1 090 252	1 328 594

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

Government grants & subsidies	113 780 700	102 950 102
Other transfer revenue	4 599 209	710 850

37. Budget differences

Material differences between budget and actual amounts

37.1. Sundry income - the actual revenue over the final budget indicates a decline due to the provision for depreciation being a non-cash item.

37.2. Depreciation and amortization - the actual expenditure over the final budget indicates an increase due to additions bought during the current year, the timing of the purchases which was earlier than the planned date this has led to an increase in the depreciation.

37.3. Finance costs- the actual expenditure over the final budget indicates a saving, due to the municipal lease agreement that has come to an end and bank charges that were included as finance costs instead of general expenditure.

37.4. Lease rentals on operating lease - the actual expenditure over the financial budget indicates an increase due to vast consultations of communities within the whole district.

37.5. Contracted services - the actual contracted service expenditure over the final budget indicates a saving due to less consultants used.

37.6. Grant and subsidies paid - the actual expenditure over the final budget indicates a saving due to the VAT portion on the actual expenditure accounted for in the input VAT account.

37.7. Repairs and maintenance - the actual expenditure over the final budget indicates a decrease which is due to the misclassification of Repairs and maintenance budget which the classification should be general expenditure in terms of mSCOA.

37.8. Receivables from exchange transaction - the actual receivables from exchange transactions over the final budget indicates an increase due to non-payment of long outstanding debts.

37.9. VAT receivables - the VAT receivable over the final budget indicates an increase due to the VAT refunds for the periods June 2018, still outstanding from South African Revenue Services.

37.10. Finance lease (current and non-current) - the actual finance lease current and non-current over the final budget indicates a decrease due to the contract that has come to an end and provision was made for new appointments which are still to take place.

37.11. Payables from exchange transaction - the actual payables from transactions over final budget indicates an increase due to financial constraints experienced during the year.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
38. Sundry income		
Sundry income	-	180 961
Tender ncome	3 684	-
Insurance refunds	188 703	-
	192 387	180 961
39. Lease rentals on Operating Lease		
Opening Balance	201 756	107 486
Billing for period	2 639 756	1 435 863
Operating lease payments	(1 787 661)	(1 341 593)
	1 053 851	201 756
40. Auditors' remuneration		
Fees	3 479 432	2 209 871

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Appendix E(1)

June 2018

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

	Forecast # 1 2018 Act. Bal.	Forecast # 1 2018 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Government Grants & Subsidies	113 780 700	112 914 000	866 700	0.8	
Other transfer revenue	4 599 209	4 873 609	(274 400)	(5.6)	
Other income 1	180 961	3 668 555	(3 487 594)	(95.1)	
Interest received - investment	897 865	1 189 633	(291 768)	(24.5)	
	119 458 735	122 645 797	(3 187 062)	(2.6)	
Expenses					
Personnel	(57 953 885)	(57 914 933)	(38 952)	0.1	
Remuneration of councillors	(10 019 248)	(10 156 963)	137 715	(1.4)	
Depreciation	(3 235 722)	(2 209 648)	(1 026 074)	46.4	
Amortisation	(1 166 548)	(936 414)	(230 134)	24.6	
Finance costs	(182 787)	(81 418)	(101 369)	124.5	
Repairs and maintenance - General	(2 257 620)	(2 187 376)	(70 244)	3.2	
Contracted Services	(1 870 516)	(7 968 407)	6 097 891	(76.5)	
Transfers and Subsidies	(2 031 579)	(8 994 250)	6 962 671	(77.4)	
General Expenses	(29 225 829)	90 449 409	(119 675 238)	(132.3)	
	(107 943 734)	-	(107 943 734)	-	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(29 466)	-	(29 466)	-	
	(29 466)	-	(29 466)	-	
Net surplus/ (deficit) for the year	11 485 535	122 645 797	(111 160 262)	(90.6)	

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Appendix F

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					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

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

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 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 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
Revenue By Source															
Interest earned - external investments	1 425 162	(235 529)	1 189 633	-		1 189 633	897 865		(291 768)	75 %	63 %				-
Transfers recognised - operational	215 001 000	(102 087 000)	112 914 000	-		112 914 000	113 780 700		866 700	101 %	53 %				-
Other revenue	3 347 424	5 194 740	8 542 164	-		8 542 164	4 732 966		(3 809 198)	55 %	141 %				-
Total Revenue (excluding capital transfers and contributions)	219 773 586	(97 127 789)	122 645 797	-		122 645 797	119 411 531		(3 234 266)	97 %	54 %				-

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 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. 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
Expenditure By Type															
Employee related costs	56 148 393	1 766 540	57 914 933	-	-	57 914 933	61 361 833	-	3 446 900	106 %	109 %	-	-	-	57 953 889
Remuneration of councillors	9 339 645	817 318	10 156 963	-	-	10 156 963	10 835 641	-	678 678	107 %	116 %	-	-	-	10 019 248
Depreciation & asset impairment	3 146 064	(1)	3 146 063	-	-	3 146 063	4 458 006	-	1 311 943	142 %	142 %	-	-	-	4 402 270
Finance charges	81 418	-	81 418	-	-	81 418	28 159	-	(53 259)	35 %	35 %	-	-	-	182 787
Repairs and maintenance	2 577 375	(389 999)	2 187 376	-	-	2 187 376	-	-	(2 187 376)	- %	- %	-	-	-	-
Lease rentals	877 740	-	877 740	-	-	877 740	1 787 661	-	909 921	204 %	204 %	-	-	-	-
Contracted services	7 968 407	-	7 968 407	-	-	7 968 407	5 579 464	-	(2 388 943)	70 %	70 %	-	-	-	556 011
Transfers and grants	8 994 250	-	8 994 250	-	-	8 994 250	7 361 864	-	(1 632 386)	82 %	82 %	-	-	-	2 031 579
Other expenditure	130 398 793	(99 292 104)	31 106 689	-	-	31 106 689	31 135 765	-	29 076	100 %	24 %	-	-	-	32 827 420
Total Expenditure	219 532 085	(97 098 246)	122 433 839	-	-	122 433 839	122 548 393	-	114 554	100 %	56 %	-	-	-	107 973 204
Surplus/(Deficit)	241 501	(29 543)	211 958	-	-	211 958	(3 136 862)	-	(3 348 820)	(1 480)%	(1 299)%	-	-	-	(107 973 204)
Transfers recognised - capital	241 501	(29 543)	211 958	-	-	211 958	-	-	(211 958)	- %	- %	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	483 002	(59 086)	423 916	-	-	423 916	(3 136 862)	-	(3 560 778)	(740)%	(649)%	-	-	-	(107 973 204)
Surplus/(Deficit) after taxation	483 002	(59 086)	423 916	-	-	423 916	(3 136 862)	-	(3 560 778)	(740)%	(649)%	-	-	-	(107 973 204)
Surplus/(Deficit) attributable to municipality	483 002	(59 086)	423 916	-	-	423 916	(3 136 862)	-	(3 560 778)	(740)%	(649)%	-	-	-	(107 973 204)
Surplus/(Deficit) for the year	483 002	(59 086)	423 916	-	-	423 916	(3 136 862)	-	(3 560 778)	(740)%	(649)%	-	-	-	(107 973 204)

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Appendix G4

**Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 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

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Appendix G4

**Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 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 Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	-	459 933	459 933	-	-	459 933	459 933	-	-	100 %	DIV/0 %	-	-	-	-
Corporate services	-	459 933	459 933	-	-	459 933	459 933	-	-	100 %	DIV/0 %	-	-	-	-
Community and public safety	-	7 500	7 500	-	-	7 500	7 500	-	-	100 %	DIV/0 %	-	-	-	-
Community and social services	-	7 500	7 500	-	-	7 500	7 500	-	-	100 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	-	467 433	467 433	-	-	467 433	467 433	-	-	100 %	DIV/0 %	-	-	-	-
Funded by:															
Internally generated funds	-	567 433	567 433	-		567 433	567 433		-	100 %	DIV/0 %				-
Total Capital Funding	-	567 433	567 433	-		567 433	567 433		-	100 %	DIV/0 %				-

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Appendix G5

Budgeted Cash Flows

for the year ended 30 June 2018

	2018/2017					2017			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Other income	759 066	27 209 240	27 968 306	27 968 306	8 780 300	(19 188 006)	31 %	1 157 %	180 961
Government - operating	92 297 000	16 568 156	108 865 156	108 865 156	113 806 500	4 941 344	105 %	123 %	103 026 627
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	1 970 000	574 000	2 544 000	2 544 000	897 865	(1 646 135)	35 %	46 %	1 147 633
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	(85 759 535)	(47 189 008)	(132 948 543)	(132 948 543)	(122 055 294)	10 893 249	92 %	142 %	(97 978 886)
Finance charges	(70 000)	-	(70 000)	(70 000)	(28 159)	41 841	40 %	40 %	(182 787)
Transfers and Grants	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	9 196 531	(2 837 612)	6 358 919	6 358 919	1 401 212	(4 957 707)	22 %	15 %	6 193 548
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	99 216
Decrease (Increase) in non-current debtors	781 654	-	781 654	781 654	-	(781 654)	- %	- %	-
Purchase of other intangible assets	-	-	-	-	-	-	DIV/0 %	DIV/0 %	(2 222 165)
Decrease (increase) in non-current investments	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Capital assets	(7 055 000)	-	(7 055 000)	(7 055 000)	(463 105)	6 591 895	7 %	7 %	(3 207 867)
Net cash flow from/used investing activities	(6 273 346)	-	(6 273 346)	(6 273 346)	(463 105)	5 810 241	7 %	7 %	(5 330 816)
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Repayment of borrowing	-	-	-	-	(414 675)	(414 675)	DIV/0 %	DIV/0 %	(1 351 155)
Net cash flow from/used financing activities	-	-	-	-	(414 675)	(414 675)	DIV/0 %	DIV/0 %	(1 351 155)
Net increase/(decrease) in cash held	2 923 185	(2 837 612)	85 573	85 573	523 432	437 859	612 %	18 %	(488 423)
Cash/cash equivalents at the year begin:					249 450				737 869
Cash/cash equivalents at the year end:	2 923 185	(2 837 612)	85 573	85 573	772 882	437 859	903 %	26 %	