



Sarah Baartman

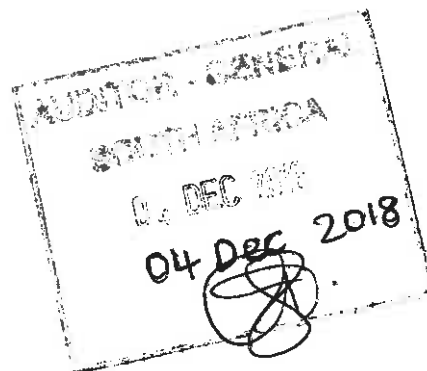
DISTRICT MUNICIPALITY

Province of the Eastern Cape

progress through development

SARAH BAARTMAN DISTRICT MUNICIPALITY

**Group Financial Statements
for the year ended 30 June 2018**



SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

General Information

| | |
|--|---|
| <u>Legal form of Entity</u> | District Municipality (DC10) |
| <u>Jurisdiction</u> | Sarah Baartman District |
| <u>Nature of business and principal activities</u> | Municipal services |
| <u>Registered office</u> | 32 Govan Mbeki Ave Standard Bank Building Port Elizabeth 6001 |
| <u>Postal address</u> | P O Box 318 Port Elizabeth 6000 |
| <u>Mayoral committee</u> | |
| Executive Mayor | KE Kekana |
| Councillors | ZJ Peter VS Stuurman K Ncamiso S Lucas Z Funiselo |
| <u>Accounting Officer</u> | DM Pillay |
| <u>Chief Finance Officer (CFO)</u> | RN Lorgat |
| <u>Preparer</u> | The group financial statements were internally compiled by: R N Lorgat |
| <u>Bankers</u> | ABSA Bank Limited |
| <u>Auditors</u> | Auditor-General South Africa |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Index

The reports and statements set out below comprise the group financial statements presented to the Municipal Council:

| | Page |
|--|----------------|
| Accounting Officer's Responsibilities and Approval | 4 |
| Statement of Financial Position | 5 |
| Statement of Financial Performance | 6 |
| Statement of Changes in Net Assets | 7 |
| Cash Flow Statement | 8 |
| Statement of Comparison of Budget and Actual Amounts | 9 - 10 |
| Accounting Policies | 11 - 26 |
| Notes to the Group Financial Statements | 27 - 61 |
| Unaudited Appendices: | |
| Unaudited Appendix A | 65 - 66 |
| Unaudited Appendix B | 67 |
| Unaudited Appendix C | 68 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Index

| | |
|-------------|---|
| CDDA | Cacadu District Development Agency |
| DORA | Division of Revenue Act |
| EPWP | Expanded Public Works Programme |
| FMG | Finance Management Grant |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| MSIG | Municipal Systems Improvement Grant |
| SARS | South African Revenue Services |
| SBDM | Sarah Baartman District Municipality |
| VAT | Value Added Taxation |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group 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 group financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the group 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 group financial statements and were given unrestricted access to all financial records and related data.

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Municipality 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 financial year 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 spectrum. 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 group 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, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The group financial statements set out on page 4 to 64, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 November 2018 and signed hereunder.


DM Pillay
Accounting Officer

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group 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 |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Receivables from exchange transactions | 4 | 1 764 442 | 2 014 280 |
| Receivables from non-exchange transactions | 5 | 1 567 800 | 3 106 167 |
| VAT receivable | 6 | 1 658 476 | 4 773 102 |
| Deposits paid | 7 | 15 410 | 15 410 |
| Short-term investments | 46 | 150 000 000 | 117 000 000 |
| Cash and cash equivalents | 8 | 63 659 547 | 109 839 054 |
| | | 218 665 675 | 236 748 013 |
| Non-Current Assets | | | |
| Investment property | 9 | 12 639 722 | 12 643 000 |
| Property, plant and equipment | 10 | 17 253 275 | 17 952 645 |
| Intangible assets | 11 | 2 540 644 | 1 517 079 |
| Heritage assets | 12 | 16 212 500 | 16 212 500 |
| Long-term receivables | 13 | 228 367 | 237 944 |
| | | 48 874 508 | 48 563 168 |
| Total Assets | | 267 540 183 | 285 311 181 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 14 | 12 533 511 | 35 610 314 |
| Employee benefit obligation | 16 | 4 375 778 | 4 172 583 |
| Unspent conditional grants and receipts | 15 | 5 193 | 5 190 |
| Provisions | 17 | 781 559 | 1 223 920 |
| | | 17 696 041 | 41 212 007 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 16 | 54 148 167 | 55 691 774 |
| Long-term portion of infrastructure levies | | - | 1 122 570 |
| | | 54 148 167 | 56 814 344 |
| Total Liabilities | | 71 844 208 | 98 026 351 |
| Net Assets | | 195 695 975 | 187 284 830 |
| Accumulated surplus | | 195 695 975 | 187 284 830 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

| Figures in Rand | Note(s) | 2018 | 2017 |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Income for agency services | | 47 598 | 50 023 |
| Interest received - Investment | | 16 298 597 | 18 866 203 |
| Rental of facilities and equipment | | 1 364 158 | 1 661 067 |
| Total revenue from exchange transactions | | 17 710 353 | 20 577 293 |
| Revenue from non-exchange transactions | | | |
| Actuarial gain on post employment medical benefit | | 2 816 144 | 4 847 635 |
| Government grants & subsidies | 20 | 89 310 000 | 87 632 080 |
| Other revenue | 19 | 1 178 952 | 1 200 131 |
| Reduction in provision for debt impairment | | - | 1 118 795 |
| Total revenue from non-exchange transactions | | 93 305 096 | 94 798 641 |
| Total revenue | | 111 015 449 | 115 375 934 |
| Expenditure | | | |
| Bad debts written off | | - | (867 900) |
| Conditional grant expenditure | 21 | (2 845 442) | (4 741 023) |
| Contracted services | | (2 484 762) | (4 161 957) |
| Debt impairment | | (2 031 021) | - |
| Depreciation and amortisation | | (1 542 739) | (1 581 260) |
| Discounting of post employment medical benefit | | (5 390 732) | (5 429 480) |
| Employee related costs | 22 | (36 036 192) | (38 025 425) |
| Fines and penalties | | (66 688) | (24 514) |
| General Expenses | 44 | (29 477 821) | (44 758 572) |
| Impairment loss/ Reversal of impairments | | (1 082) | (25 811) |
| Loss on disposal of assets and liabilities | | (100 844) | (1 251 008) |
| Other grants and subsidies paid | 21 | (16 041 346) | (20 093 148) |
| Remuneration of councillors | 23 | (7 288 209) | (6 652 469) |
| Repairs and maintenance | | (909 996) | (847 524) |
| Total expenditure | | (104 216 874) | (128 460 091) |
| Surplus (deficit) for the year | | 6 798 575 | (13 084 157) |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group 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 | 200 368 987 | 200 368 987 |
| Changes in net assets | | |
| Deficit for the year | (13 084 157) | (13 084 157) |
| Total changes | (13 084 157) | (13 084 157) |
| Balance at 01 July 2017 | 187 284 830 | 187 284 830 |
| Changes in net assets | | |
| Surplus for the year | 6 798 575 | 6 798 575 |
| Infrastructure levies transferred to accumulated surplus | 1 612 570 | 1 612 570 |
| Total changes | 8 411 145 | 8 411 145 |
| Balance at 30 June 2018 | 195 695 975 | 195 695 975 |
| Note(s) | 18 | |

87

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Cash Flow Statement

| Figures in Rand | Note(s) | 2018 | 2017 Restated |
|---|-----------|----------------------------|---------------------------|
| <u>Cash flows from operating activities</u> | | | |
| Receipts | | | |
| Grants | | 89 310 000 | 86 525 000 |
| Interest income | | 16 276 611 | 18 886 249 |
| Other receipts | | 6 038 032 | 1 704 846 |
| | | <u>111 624 643</u> | <u>107 116 095</u> |
| Payments | | | |
| Employee costs | | (43 520 042) | (44 361 812) |
| Cash paid to suppliers | | (15 970 550) | (24 222 177) |
| Fines and penalties | | - | (22 139) |
| Other payments | | (57 965 833) | (41 260 793) |
| | | <u>(117 456 425)</u> | <u>(109 866 921)</u> |
| Net cash flows from operating activities | 26 | <u>(5 831 782)</u> | <u>(2 750 826)</u> |
| <u>Cash flows from investing activities</u> | | | |
| Purchase of property, plant and equipment | 10 | (1 041 231) | (4 691 953) |
| Proceeds from sale of property, plant and equipment | 10 | 69 214 | 161 396 |
| Purchase of other intangible assets | 11 | (1 023 565) | (1 430 194) |
| (Increase)/decrease in deposits | | - | 837 153 |
| (Increase)/decrease in long term receivables | | 9 577 | (50 362) |
| | | <u>(1 986 005)</u> | <u>(5 173 960)</u> |
| Net cash flows from investing activities | | <u>(1 986 005)</u> | <u>(5 173 960)</u> |
| <u>Cash flows from financing activities</u> | | | |
| Repayment of other financial liabilities | 16 | (4 239 348) | (4 072 190) |
| Increase / (decrease) in short-term investments | | (33 000 000) | 18 000 000 |
| Movement in long-term infrastructure levies | | (1 122 570) | - |
| | | <u>(38 361 918)</u> | <u>13 927 810</u> |
| Net cash flows from financing activities | | <u>(38 361 918)</u> | <u>13 927 810</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(46 179 705)</u> | <u>6 003 024</u> |
| Cash and cash equivalents at the beginning of the year | | 109 839 054 | 103 836 029 |
| Cash and cash equivalents at the end of the year | 8 | <u>63 659 349</u> | <u>109 839 053</u> |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|---------------------|-------------------------------------|--|
| 2018 | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Investment revenue | 18 465 000 | - | 18 465 000 | - | - | 18 465 000 | 16 298 597 | | (2 166 403) | 88 % | 88 % |
| Transfers recognised - operational | 89 310 000 | - | 89 310 000 | - | - | 89 310 000 | 89 310 000 | | - | 100 % | 100 % |
| Other own revenue | 36 038 600 | 6 861 600 | 42 900 200 | - | - | 42 900 200 | 5 406 852 | | (37 493 348) | 13 % | 15 % |
| Total revenue (excluding capital transfers and contributions) | 143 813 600 | 6 861 600 | 150 675 200 | - | - | 150 675 200 | 111 015 449 | | (39 659 751) | 74 % | 77 % |
| Employee costs | (52 446 500) | - | (52 446 500) | - | - | (52 446 500) | (36 036 193) | | 16 410 307 | 69 % | 69 % |
| Remuneration of councillors | (7 751 700) | - | (7 751 700) | - | - | (7 751 700) | (7 288 209) | | 463 491 | 94 % | 94 % |
| Debt impairment | (2 134 000) | - | (2 134 000) | - | - | (2 134 000) | (2 031 021) | | (2 031 021) | DIV/0 % | DIV/0 % |
| Depreciation and asset impairment | - | - | - | - | - | - | (1 542 739) | | 591 261 | 72 % | 72 % |
| Transfers and grants | (22 985 000) | - | (22 985 000) | - | - | (22 985 000) | (18 886 788) | | 4 098 212 | 82 % | 82 % |
| Other expenditure | (58 446 400) | (6 861 600) | (65 308 000) | - | - | (65 308 000) | (38 431 923) | | 26 876 077 | 59 % | 66 % |
| Total expenditure | (143 763 600) | (6 861 600) | (150 625 200) | - | - | (150 625 200) | (104 216 873) | | 46 408 327 | 69 % | 72 % |
| Surplus/(Deficit) | 50 000 | - | 50 000 | - | - | 50 000 | 6 798 576 | | 6 748 576 | | |
| Surplus/(Deficit) for the year | 50 000 | - | 50 000 | - | - | 50 000 | 6 798 576 | | 6 748 576 | - | - |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|--------------|-------------------------------------|--|
| Capital expenditure and funds sources | | | | | | | | | | | |
| Total capital expenditure | 1 062 000 | 3 295 000 | 4 357 000 | - | - | 4 357 000 | 2 064 796 | (2 292 204) | (2 292 204) | 47 % | 194 % |
| Sources of capital funds | | | | | | | | | | | |
| Internally generated funds | (1 062 000) | (3 295 000) | (4 357 000) | - | - | (4 357 000) | (2 064 796) | | 2 292 204 | 47 % | 194 % |
| Cash flows | | | | | | | | | | | |
| Net cash from (used) operating | 2 109 000 | - | 2 109 000 | - | - | 2 109 000 | (5 831 783) | (7 940 783) | | - | - |
| Net cash from (used) investing | (1 012 000) | (3 295 000) | (4 307 000) | - | - | (4 307 000) | (1 986 005) | 2 320 995 | 2 320 995 | 46 % | 196 % |
| Net cash from (used) financing | - | - | - | - | - | - | (38 361 918) | (38 361 918) | | - | - |
| Net increase/(decrease) in cash and cash equivalents | 1 097 000 | (3 295 000) | (2 198 000) | - | - | (2 198 000) | (46 179 706) | (43 981 706) | (43 981 706) | 2 101 % | (4 210)% |
| Cash and cash equivalents at the beginning of the year | 103 099 792 | (4 895 201) | 98 204 591 | - | - | 98 204 591 | 109 839 054 | 11 634 463 | 11 634 463 | 112 % | 107 % |
| Cash and cash equivalents at year end | 104 196 792 | (8 190 201) | 96 006 591 | - | - | 96 006 591 | 63 659 348 | 32 347 243 | 32 347 243 | 66 % | 61 % |

The actuals presented are on a comparable basis. Refer to Note 43 for explanations on material variances.

187

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of financial statements

The group 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 group 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.

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

1.1 Presentation currency

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

All figures in the financial statements are rounded up to the nearest Rand.

1.2 Going concern assumption

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

1.3 Basis of Preparation

Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies are consistent with the previous period.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the International Financial Reporting Standards and the International Public Sector Accounting Standards (IPSAS), where applicable, in terms of Directive Five including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies have been applied to ensure that the financial statements provide information that is relevant to the decision-making needs of users and are reliable.

Basis of measurement

The financial statements have been prepared on the accrual basis.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Basis of Preparation (continued)

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

Estimates and judgements are made to identify impairments required to be made to assets. The condition of the assets are assessed together with the use of the asset to determine whether an impairment is required.

The useful life of an asset is reviewed annually and management assess the condition and the usefulness of the asset at each reporting date to determine the remaining useful life of the assets.

Offsetting

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

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

Cost model

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

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

| <u>Item</u> | <u>Useful life</u> |
|----------------------|--------------------|
| Property - land | indefinite |
| Property - buildings | 50 years |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Investment property (continued)

Derecognition

Investment property is derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses

Gains or losses arising from the derecognition of investment property (difference between carrying amount and net disposal proceeds) are included in surplus or deficit.

1.5 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.

Recognition

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 "initial measurement" of property, plant and equipment, upon its "initial recognition" refers to property, plant and equipment's value when the current basis of accounting was first adopted, i.e. 1 July 2005. The "cost" of property, plant and equipment upon "initial recognition" is either its cost or fair value at initial recognition. The "cost" of land and buildings on 1 July 2005 would constitute its fair value on that date as no cost is available. The "cost" of other assets would be its carrying amount (cost less accumulated depreciation) as at that date on the assumption that the carrying amount represents the asset's value at 1 July 2005 if the asset was acquired prior to this date.

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

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

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

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

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

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

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

| <u>Item</u> | <u>Average useful life</u> |
|---------------------------------|----------------------------|
| Buildings | 50 |
| Furniture and fixtures | 7 - 15 |
| Motor vehicles | 5 - 10 |
| Office equipment | 2 - 10 |
| Computer equipment | 2 - 10 |
| Bins and containers | 5 - 10 |
| Specialised vehicles | 5 - 20 |
| Specialised plant and equipment | 5 - 15 |

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. Where a reversal occurs, the recoverable amount is limited to the carrying amount where no impairment occurred.

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

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

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

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

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of the 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 of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Where a reversal occurs, the recoverable amount is limited to the carrying amount where no impairment occurred.

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.

1.6 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is 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.

Intangible assets are initially recognised at cost.

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.

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.

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

| <u>Item</u> | <u>Useful life</u> |
|-------------------|--------------------|
| Computer software | Indefinite |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Intangible assets (continued)

Intangible assets are derecognised:

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

1.7 Investments

The municipality classifies its investments as "Financial assets at amortised cost".

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at amortised cost are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Financial assets at amortised cost, receivable within 3 months are included in cash and cash equivalents in the Statement of Financial Position.

Investments are initially measured at fair value and subsequently at amortised cost.

1.8 Heritage assets

Assets are resources controlled by the municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP

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.

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Heritage assets (continued)

Impairment

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

Derecognition

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

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

1.9 Financial Instruments

Classification

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

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

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

Financial instruments are measured initially at fair value, except for residual interest investments for which a fair value is not determinable, which are measured at cost.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Impairment of financial assets

Impairment losses are recognised in surplus or deficit.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments (continued)

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Receivables from exchange transactions

Trade and other receivables are classified as loans and receivables.

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

Cash and cash equivalents are classified as "Financial asset at amortised cost" and are initially measured at cost. Subsequent measurement is at amortised cost.

Gains and losses

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

- 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.

Derecognition:

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments (continued)

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.10 VAT

The municipality accounts for Value Added Tax on the invoice basis.

The municipality is liable to account for VAT at the standard rate (14% and 15% effective from 1 April 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 is out of scope for VAT purposes.

VAT is submitted on a monthly basis to SARS.

Measurement

Initial measurement is at cost. Subsequent measurement is at amortised cost.

Derecognition

VAT is derecognised when the net payment is paid or received from SARS, whichever is applicable when the VAT return is presented.

1.11 Grants, transfers and donations

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the asset recognition criteria have been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

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

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

1.12 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.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Leases (continued)

Municipality as the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Municipality as the lessee

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

1.13 Segmental information

The principal segments have been identified on a primary basis by classification of the revenue and expenditure in terms of the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices B and C.

The standard is not effective in the current year.

1.14 Receivables from exchange and non-exchange transactions

Receivables are classified as "Financial assets at amortised cost" and are initially recognised as fair value. Subsequent measurement is at amortised cost. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified based on an assessment on the recoverability of the receivable. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.15 Payables from exchange and non-exchange transactions

Payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised cost.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.16 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefits

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the municipality for the remaining 70%. The medical aid contributions are charged to the Statement of Financial Performance as they fall due.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefit contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine their present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis, using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the Statement of Financial Performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Financial Performance.

Accrued leave pay

The leave pay accrual is calculated taking into account the actual number of days accrued and the remuneration as at 30 June.

Other short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) is recognised in the period in which the service is rendered and is not discounted.

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

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.17 Provisions

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.

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

A contingent liability is a possible obligation depending on whether some uncertain future event occurs not wholly within the control of the municipality, or a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29 and 30.

1.18 Revenue from exchange transactions

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered.

Income collected on behalf of "third parties" is recognised, at the agreed upon percentage, on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the service level agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

All other revenue is recognised as it accrues.

1.19 Revenue from non-exchange transactions

Donations are recognised on a cash receipt basis, or where the donation is in the form of property, plant and equipment, at the fair value of the asset as the date of acquisition.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act no. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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

1.20 Finance costs

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

1.21 Grants-in-aid

The Council transfers money, from time to time, to individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act 56 of 2003.

When making these transfers, SBDM does not:

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

These transfers are recognised in the Statement of Financial Performance as an expense in the period with which the events giving rise to the transfer occurred.

1.22 Comparative information

When the presentation or classification of items in the annual financial statements is amended, the prior period comparative amounts are restated and the nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.23 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.

1.24 Fruitless and wasteful expenditure

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

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA, means expenditure incurred by a municipality in contravention of, or that is not in accordance with requirements of the following Acts or Regulation, and which has not been condoned:

- Municipal Finance Management Act
- Municipal Systems Act
- Public Office-Bearers Act
- Municipal Supply Chain Management Regulations or related by-laws

The irregular expenditure excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial year 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 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 / written off.

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.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.26 Events after reporting date

Management conducts an assessment on any events occurring subsequent to the end of the reporting date and prior to the finalisation of the financial statements to identify any incidents that would provide the user with additional information that could influence decision-making and the usefulness of the financial statements. This information is then disclosed accordingly in the financial statements.

1.27 Unutilised conditional grants

Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a short-term portion of unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The grant received is initially recognised at cost as unspent conditional grants.
- Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a grant, an amount equal to the expenditure is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The unspent grant is classified as "Financial liabilities at amortised cost".

Subsequent measurement

Unspent conditional grants are subsequently measured at amortised cost if material.

Derecognition

Unspent conditional grants are derecognised when the balance was expended per the conditions as set for a grant.

1.28 Effective Interest rate

The entity uses the prime interest rate less 0.5% to discount future cash flows.

1.29 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects at the reporting date that will be incurred subsequent to the reporting date. The capital commitment disclosed identifies awards entered into by the municipality against the capital projects as well as a commitment upon approval of a budget for a capital project, where an award has not yet been made.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Accounting Policies

1.30 Budget information

The approved budget is prepared on a accrual basis.

The approved budget covers the fiscal period from 01/07/2017 to 30/06/2018.

The Statement of comparison of Budget and Actual Amounts has been included in the group financial statements. The group financial statements and the budget are on the same basis of accounting.

1.31 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.

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.

All transactions with related parties are disclosed.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

2. Changes in accounting policy

There were no changes in accounting policies during the financial year.

Accounting policy note 1.9 for cash and cash equivalents erroneously reflected subsequent measurement to be at fair value in the prior year. This is correctly reflected as amortised cost in the current year.

3. New standards and interpretations

3.1 Standards and interpretations effective in the current year

In the current year, the municipality has not adopted any new standards. The following standard and interpretations are however effective for the current financial year and are relevant to its operations:

| <u>Standard/ Interpretation:</u> | <u>Effective date: Years beginning on or after</u> | <u>Expected impact:</u> |
|----------------------------------|--|---|
| GRAP 18: Segment Reporting | 1 April 2020 | The effects of the financial statements is limited as the standard is being implemented |

4. Receivables from exchange transactions

| | | |
|----------------------------|------------------|------------------|
| Accrued Interest | 1 098 085 | 1 076 099 |
| Accrued Rent | 223 334 | 357 595 |
| Allowance for impairment | (225 704) | (90 378) |
| Rental | 335 523 | 307 461 |
| Salaries and Wages Debtors | 333 204 | 363 503 |
| | <u>1 764 442</u> | <u>2 014 280</u> |

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 288 430 (2017: R 414 400) were past due but not impaired.

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

| | | |
|---------------|---------|---------|
| 3 to 6 months | | 125 970 |
| Over 6 months | 288 430 | 288 430 |

Receivables from exchange transactions impaired

As of 30 June 2018, receivables from exchange transactions of R 225 704 (2017: R 90 378) were impaired and provided for.

The ageing of these receivables is as follows:

| | | |
|---------------|---------|--------|
| 3 to 6 months | 13 735 | 12 892 |
| Over 6 months | 211 969 | 77 486 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|------------------|------------------|
| 5. <u>Receivables from non-exchange transactions</u> | | |
| Allowance for Impairment | (1 292 979) | (55 634) |
| General debtors | 2 322 025 | 1 700 805 |
| Other receivables | 7 294 | 949 986 |
| Prepayments | 531 460 | 511 010 |
| | <u>1 567 800</u> | <u>3 106 167</u> |

Receivables from non-exchange transactions past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 12 694 (2017: R 671 044) were past due but not impaired.

The amount of R12 694 is owed by SANRAL for a property disposed of by the municipality. The property is in the process of being transferred to the purchaser. The municipality would therefore only receive the selling price upon finalisation of the transfer of the property. No impairment was therefore considered necessary on this debtor.

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

| | | |
|---------------|--------|---------|
| 3 to 6 months | - | 219 450 |
| over 6 months | - | 438 900 |
| over 365 days | 12 694 | 12 694 |

Receivables from non-exchange transactions impaired

As of 30 June 2018, receivables of R 1 951 329 (2017: R 55 634) were impaired and provided for.

The ageing of these receivables is as follows:

| | | |
|---------------|-----------|--------|
| over 180 days | 1 951 329 | 55 634 |
|---------------|-----------|--------|

6. VAT receivable

| | | |
|----------------------|------------------|------------------|
| Value added taxation | <u>1 658 476</u> | <u>4 773 102</u> |
|----------------------|------------------|------------------|

All VAT returns have been submitted by their due dates throughout the year.

VAT is accounted for on the invoice basis. No discounting was performed.

7. Deposits paid

| | | |
|---------------------------------|---------------|---------------|
| Deposits - Electricity | 5 000 | 5 000 |
| Deposits - Post Office | 9 000 | 9 000 |
| Deposits - Parking Grace Street | 1 410 | 1 410 |
| | <u>15 410</u> | <u>15 410</u> |

8. Cash and cash equivalents

Cash and cash equivalents consist of:

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|-------------------|--------------------|
| 8. Cash and cash equivalents (continued) | | |
| Cash on hand | 8 516 | 7 174 |
| Bank balances | 7 651 031 | 8 831 880 |
| Short-term deposits | 56 000 000 | 101 000 000 |
| | 63 659 547 | 109 839 054 |

Short-term deposits

Cash and cash equivalents are classified as a financial asset under Loans and Receivables at amortised cost. All short-term deposits mature within 3 months after the reporting date.

No discounting was performed due to the short term nature of the cash turnover and the fact that all investments earned interest. The fair value of cash and cash equivalents approximates their carrying amounts. No cash deposits were ceded as collateral.

The return on investments for 2018 fluctuated between 7.25% and 8.65%. (2017: 7.16% and 8.55%).

| | | |
|----------------------------------|-------------------|--------------------|
| Short-term investments | 40 000 000 | 75 000 000 |
| Call Account Deposits | 16 000 000 | 26 000 000 |
| Total short-term deposits | 56 000 000 | 101 000 000 |

Allocation of cash and cash equivalents

| | | |
|---|-------------------|--------------------|
| Post employment medical benefit | 58 523 945 | 59 864 357 |
| Unspent Conditional Grants and Receipts | 5 185 | 5 185 |
| Infrastructure projects from Levies | - | 1 612 570 |
| Accrued leave pay | 1 054 884 | 1 633 528 |
| Unappropriated surplus | 4 075 533 | 46 723 414 |
| Total | 63 659 547 | 109 839 054 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018 2017

8. Cash and cash equivalents (continued)

SBDM has the following bank accounts

| Bank details | Bank statement balances | | Cash book balances | |
|--|-------------------------|--------------|--------------------|--------------|
| | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2016 |
| ABSA Limited Govan Mbeki Avenue Port Elizabeth Current Account (Primary account): 1640-000-062 | 905 204 | 4 585 571 | 900 909 | 3 198 491 |
| ABSA Limited William Moffet Port Elizabeth Current Account (Primary account): 40-8134-2536 | 924 274 | 1 214 658 | 924 274 | 1 248 661 |
| ABSA Limited William Moffet Port Elizabeth Call Account: 90-9928-8999 | 16 000 000 | 26 000 000 | 16 000 000 | 3 200 000 |
| ABSA Limited William Moffet Port Elizabeth Call Account: 92-8612-7645 | 5 825 848 | 3 679 469 | 5 825 848 | 4 382 134 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018 2017

9. Investment property

| | 2018 | | 2017 | | |
|------------|---|----------------|------------|---|----------------|
| Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| 12 643 000 | (3 278) | 12 639 722 | 12 643 000 | - | 12 643 000 |

Investment property

Reconciliation of investment property - 2018

Investment property

| Opening balance | Depreciation | Total |
|-----------------|--------------|------------|
| 12 643 000 | (3 278) | 12 639 722 |

Reconciliation of investment property - 2017

Investment property

| Opening balance | Total |
|-----------------|------------|
| 12 643 000 | 12 643 000 |

No operating expenditure was incurred by the municipality on the Investment Properties during the current and previous financial year.

Investment properties are leased mainly to organs of state and the rentals are not market related. The rental revenue received for the year is R15 803 (2017: R15 763).

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018 2017

10. Property, plant and equipment

| | 2018 | | 2017 | | | |
|---------------------------------|-------------------|---|-------------------|-------------------|---|-------------------|
| | Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land - cost | 1 754 636 | - | 1 754 636 | 1 754 636 | - | 1 754 636 |
| Buildings - cost | 7 246 840 | - | 7 246 840 | 6 741 521 | - | 6 741 521 |
| Specialised plant and machinery | 2 039 001 | (1 346 929) | 692 072 | 2 053 732 | (1 292 960) | 760 772 |
| Furniture and fixtures | 8 327 817 | (4 513 497) | 3 814 320 | 2 369 059 | (1 170 349) | 1 198 710 |
| Motor vehicles | 4 883 639 | (2 440 292) | 2 443 347 | 8 465 568 | (4 138 710) | 4 326 858 |
| Office equipment | 4 126 125 | (2 858 921) | 1 267 204 | 2 495 260 | (937 228) | 1 558 032 |
| Computer equipment | 98 988 | (84 132) | 34 856 | 4 359 790 | (2 867 946) | 1 491 844 |
| Bins and containers | - | - | - | 98 988 | (56 197) | 42 791 |
| Specialised vehicles | - | - | - | 275 159 | (197 678) | 77 481 |
| Total | 28 477 046 | (11 223 771) | 17 253 275 | 28 613 713 | (10 661 068) | 17 952 645 |

Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---------------------------------|-------------------|------------------|------------------|--------------------|-------------------|
| Land - cost | 1 754 636 | - | - | - | 1 754 636 |
| Buildings - cost | 6 741 521 | 505 319 | - | (33 928) | 7 212 912 |
| Specialised plant and machinery | 760 772 | 6 692 | (7) | (75 386) | 692 072 |
| Furniture and fixtures | - | - | - | - | - |
| Motor vehicles | 4 404 339 | 249 995 | (155 984) | (684 030) | 3 814 320 |
| Office equipment | 2 756 742 | 76 646 | (14 363) | (331 931) | 2 487 094 |
| Computer equipment | 1 491 844 | 202 579 | (30 786) | (406 252) | 1 257 385 |
| Bins and containers | 42 791 | - | - | (7 935) | 34 856 |
| Total | 17 952 645 | 1 041 231 | (201 140) | (1 539 461) | 17 253 275 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

| | Opening balance | Additions | Disposals | Depreciation | Impairment loss | Total |
|---------------------------------|-------------------|------------------|--------------------|--------------------|-----------------|-------------------|
| Land - cost | 1 754 636 | - | - | - | - | 1 754 636 |
| Buildings - cost | 3 957 567 | 2 783 954 | - | - | - | 6 741 521 |
| Specialised plant and machinery | 845 328 | - | (987) | (76 832) | (6 737) | 760 772 |
| Furniture and fixtures | 1 354 408 | 1 268 | (13 640) | (141 468) | (1 858) | 1 198 710 |
| Motor vehicles | 5 021 342 | 1 266 462 | (1 308 000) | (652 946) | - | 4 326 858 |
| Office equipment | 1 650 513 | 166 283 | (60 128) | (196 103) | (2 533) | 1 558 032 |
| Computer equipment | 1 563 271 | 473 984 | (29 649) | (501 079) | (14 683) | 1 491 844 |
| Bins and containers | 50 726 | - | - | (7 935) | - | 42 791 |
| Specialised vehicles | 82 378 | - | - | (4 897) | - | 77 481 |
| | 16 280 169 | 4 691 951 | (1 412 404) | (1 581 260) | (25 811) | 17 952 645 |

Property, plant and equipment held at cost

The introduction of the new Municipal Chart of Accounts has resulted in a few changes within the property, plant and equipment note. The changes does not specifically require a reclassification as the balance of property, plant and equipment is consistent with the prior year and does not affect presentation on the Statement of Financial Position:

- Furniture and fittings has been consolidated with Office equipment; and
- Specialised vehicles has been consolidated with Motor vehicles.

Therefore, no reclassification was considered necessary.

Pledged as security

No assets were pledged as security during the current and previous year.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

10. Property, plant and equipment (continued)

Other information

There are no assets on the fixed asset register that are fully depreciated and still in use. All assets that are fully depreciated or impaired are separately located and will be disposed of in terms of a Council resolution.

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

11. Intangible assets

| | 2018 | | 2017 | |
|-------------------|-----------|---|-----------|---|
| | Cost | Accumulated amortisation and accumulated impairment | Cost | Accumulated amortisation and accumulated impairment |
| Computer software | 2 540 644 | - | 2 540 644 | 1 517 079 |
| | | | | - |
| | | | | 1 517 079 |

Reconciliation of intangible assets - 2018

| | Opening balance | Additions | Total |
|-------------------|-----------------|-----------|-----------|
| Computer software | 1 517 079 | 1 023 565 | 2 540 644 |

Reconciliation of intangible assets - 2017

| | Opening balance | Additions | Total |
|-------------------|-----------------|-----------|-----------|
| Computer software | 86 885 | 1 430 194 | 1 517 079 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

11. Intangible assets (continued)

Computer software

CQS Software

CQS Software (Caseware) is used as an aid in the preparation of the annual financial statements. The implementation of the software consist of two components i.e. template and annual licence fees. The template is an once off purchase and has an infinite lifespan. The annual licence fee is required to operate the template and is expensed annually.

Financial System (APPX)

The financial system was initiated through an annual licence fee with no initial purchase price. The software was then internally developed to meet the financial and other processing and reporting requirements of the municipality. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the cost cannot be measured reliably. The major cost of development of the system was incurred between 1987 and 1989. Subsequently, the major portion of costs to date was incurred for the maintenance of the system.

Performance Management System

The performance management system was developed internally with the use of a consultant. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the internal cost cannot be measured reliably. The cost of the consultant however amounted to R258 959.

SAGE Evolution

The SAGE Evolution System was procured during the previous financial year to ensure that the municipality meets the Municipal Standard Chart of Accounts requirements which is effective from 1 July 2017. The intangible asset was regarded as work in progress at the end of the prior year as the system was not ready for use as at 30 June 2017. The System was further enhanced during the current year and is still not operating adequately. The System is therefore still regarded as work in progress.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

12. Heritage assets

| | 2018 | | | 2017 | | |
|--------------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Conservation areas | 16 212 500 | - | 16 212 500 | 16 212 500 | - | 16 212 500 |

Heritage assets held at cost

The following heritage assets were not recognised due to a reliable measurement not being possible on initial recognition is as follows:

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|----------------------------------|----------------|----------------|
| 13. Long-term receivables | | |
| Disciplinary action recoveries | 174 196 | 186 196 |
| Study advances | 54 171 | 51 748 |
| | <u>228 367</u> | <u>237 944</u> |

Classified as a financial asset and measured at fair value.

Study advances relates to amounts paid on behalf of employees to tertiary institutions for the furthering of the employees' development. These advances are repaid monthly by the employee, in terms of agreements entered into with the applicable employees, in the event that the employees do not pass their respective modules.

14. Payables from exchange transactions

| | | |
|------------------------------------|-------------------|-------------------|
| Accrued annual bonus | 420 090 | 418 865 |
| Accrued expenses | 5 420 800 | 8 367 772 |
| Accrued leave pay * | 1 349 510 | 1 633 528 |
| Employee costs | 142 582 | 138 286 |
| Ikwezi Municipality - MIG | - | 67 084 |
| Infrastructure levies | - | 490 000 |
| Makana Municipality - MIG | 1 714 428 | 22 084 677 |
| Makana Municipality - MIG Interest | 2 808 388 | 1 333 348 |
| Payments in advance - Other | 297 541 | 123 918 |
| Provincial pensioners | - | 428 290 |
| Sundry creditors | - | 9 049 |
| Trade payables | 363 412 | 714 916 |
| Unidentified deposits | 16 760 | 591 |
| | <u>12 533 511</u> | <u>35 810 314</u> |

* Not financial instruments.

Normal terms of payment is 30 days and no amortisation was calculated.

Makana Municipality MIG

The municipality received an amount of R24.764 million through the Division of Revenue Act on behalf of Makana Municipality. The grant was transferred to SBDM to ensure proper management of the grant funds in terms of the MFMA and the grant conditions. A Service Level Agreement was entered into between the SBDM and Makana Municipality to manage the proper disbursement of the current MIG allocation as well as the approved rollover amount. An application for rollover of the balance was made for the current year and prior year to National Treasury by the SBDM. The application in the prior year was partially approved. An amount of R4.5 million was not approved. The municipality has submitted a rollover application to National Treasury on 31 August 2018 for an amount of R1 714 428.

Provincial pensioners

When the roadworks, emergency medical services and health function was transferred to Province, the municipality was requested to administer the payments to pensioners as the provincial system could not accommodate past employees. An agreement was entered into between the municipality and Province whereby Province would pay the pensioners' annual amount to the municipality and the municipality administers the monthly payment.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|---------------------|---------------------|
| 15. Unspent conditional grants and receipts | | |
| <u>Unspent conditional grants and receipts comprises of:</u> | | |
| <u>Unspent conditional grants and receipts</u> | 5 185 | 5 185 |
| 3rd Party grants and subsidies | | |
| <p>See note 47 and 48 for disclosure requirements in terms of section 123 (1) of the MFMA.</p> <p>A complete list of all conditions are available for viewing at the municipality during office hours.</p> | | |
| 16. Employee benefit obligations | | |
| <u>Changes in the present value of the defined benefit obligation are as follows:</u> | | |
| Opening balance | 59 864 357 | 62 942 328 |
| Contributions (benefits) paid | (4 239 348) | (4 072 190) |
| Current service costs | 324 348 | 412 374 |
| Actuarial (gain) / loss | (2 816 144) | (4 847 635) |
| Interest costs (discounting) | 5 390 732 | 5 429 480 |
| | <u>58 523 945</u> | <u>59 864 357</u> |
| <u>The estimated expected timing of resulting outflows of post employment medical benefits are:</u> | | |
| Within one year | 4 375 778 | 4 172 583 |
| Later than one year, not later than five years | 14 624 836 | 14 959 798 |
| Later than five years | 39 523 331 | 40 731 976 |
| | <u>58 523 945</u> | <u>59 864 357</u> |
| <u>The amounts recognised in the statement of financial position are as follows:</u> | | |
| Long-term portion of post-employment medical benefit | (54 148 167) | (55 691 774) |
| Short-term portion of post-employment medical benefit | (4 376 778) | (4 172 583) |
| | <u>(58 523 945)</u> | <u>(59 864 357)</u> |
| <u>The present value of the defined benefit obligation for the current annual period compared to the previous four annual periods are as follows:</u> | | |
| Financial period 2013/2014 | 62 002 301 | |
| Financial period 2014/2015 | 65 388 009 | |
| Financial period 2015/2016 | 62 942 328 | |
| Financial period 2016/2017 | 59 864 357 | |
| Financial period 2017/2018 | 58 523 945 | |
| | <u>58 523 945</u> | |
| <u>Accumulative actuarial gains and losses</u> | | |
| Balance at the beginning of the year | (3 930 743) | (8 778 378) |
| Projected during the year | 2 816 144 | 4 847 635 |
| | <u>(1 114 599)</u> | <u>(3 930 743)</u> |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

16. Employee benefit obligations (continued)

Post Retirement fund benefits

Employees and council contribute to Cape Joint Retirement Fund on the basis of a fixed contribution, which is expensed.

The municipality's net obligation in respect of post employment medical benefits was calculated by ARCH Actuarial Consulting as at 30 June 2018 and 30 June 2017. The provision was established for the purpose of generating interest that is utilised to fund the yearly medical scheme commitments in respect of post employment medical benefits. The expected future outflows is dependent upon the life expectancy of existing members and their spouses.

82 Principle members are currently covered by the fund (2017 : 82 members).

Valuation method

The death in-service benefit is regarded as a post-employment liability under the requirements of the Standards of GRAP 25.

Post-retirement benefits

The method of accrual that has been used in the valuation is based on the length of service at the valuation date relative to the total potential service until the expected retirement date. The future-service liability is the difference between the total liability and the past-service liability.

Accrued defined benefit obligation

The accrued liability is the value of the employer's share of the contribution - based liability.

Current service cost

The current service cost for the following year is determined as the amount assumed to accrue to the member over the next twelve months.

Value assumptions

Rate of interest

Medical aid inflation rate 7.21% p.a.

Investment return 9.33% p.a.

The discount rate was deduced from interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018. The corresponding index-linked yield at this term was 2.95% using the discount rate of 9.33% per annum.

A Health Care Cost inflation rate of 7.21% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.71%. A larger differential will be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.98%. The expected inflation assumption of 5.71% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.95%) and those of fixed interest bonds (9.33%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

The next contribution increase was assumed to occur with effect from 1 January 2019.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

16. Employee benefit obligations (continued)

Mortality rates

Mortality for pre-retirement benefits has been based on the SA 85-90 mortality table rated down by three years for females and on the PA (90) ultimate table, adjusted downwards by one year of age for males.

Average retirement age

The Normal Retirement Age of employees is 65. It has been assumed that male in-service members will retire at the age of 63 and female in-service members will retire at the age of 60, which then implicitly allows for expected rates of ill-health, early and late retirement.

Family profile

It was assumed that female spouses will be 3 years younger than their male counterparts. Further, it was assumed that 90% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

Withdrawals

Where an in-service member leaves, the employer's liability in respect of the employee ceases and caution was taken in not overstating the withdrawal rates. The assumed rates are as follows:

| Age | Females | Males |
|-----|---------|-------|
| 20 | 24% | 16% |
| 25 | 24% | 16% |
| 30 | 18% | 12% |
| 35 | 15% | 10% |
| 40 | 10% | 8% |
| 45 | 6% | 6% |
| 50 | 4% | 4% |
| 55 | 2% | 2% |
| >55 | 0% | 0% |

Medical aid contributions at retirement

It is assumed that all the members will remain members of the medical aid scheme after retirement and that members would be in the same contribution category in all future years as on the valuation date.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

17. Provisions

Reconciliation of provisions - 2018

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|-------------------------------|--------------------|----------------|-----------------------------|-----------------------------|----------------|
| Performance bonus | 204 987 | 301 054 | (114 440) | (90 547) | 301 054 |
| Long service bonus | 1 018 933 | 480 505 | (773 693) | (245 240) | 480 505 |
| Balance at end of year | 1 223 920 | 781 559 | (888 133) | (335 787) | 781 559 |

Reconciliation of provisions - 2017

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|--------------------|--------------------|------------------|-----------------------------|-----------------------------|------------------|
| Performance bonus | 615 435 | 204 987 | (122 342) | (493 093) | 204 987 |
| Long service bonus | 482 917 | 1 018 933 | (434 804) | (48 113) | 1 018 933 |
| | 1 098 352 | 1 223 920 | (557 146) | (541 206) | 1 223 920 |

Performance bonus provision

Performance bonuses are calculated based on performance agreements, which are linked to key performance indicators in the performance plans of the Municipal Manager and Directors. The key performance indicators is directly linked to the Service Delivery and Budget Implementation Plan. Bonuses are expected to be paid during the following financial year dependent on the outcome of the performance reviews and council approval.

Long service bonus provision

Long service bonuses are calculated based on South African Local Government Association regulations. These bonuses are payable in the financial year in which the employees reach the required number of years of service.

18. Accumulated surplus

The accumulated surplus is reserved for the following purpose:

| | | |
|---------|-------------|-------------|
| General | 196 087 289 | 187 284 830 |
|---------|-------------|-------------|

The cash backed portion of the accumulated surplus is ring fenced for the following purpose:

| | | |
|--|--------------------|--------------------|
| General | 181 087 289 | 172 284 830 |
| Restructuring grant funds allocated to surplus | 15 000 000 | 15 000 000 |
| | 196 087 289 | 187 284 830 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|-------------------|-------------------|
| 19. Other revenue | | |
| Settlement discount received | 26 573 | 25 550 |
| Contribution from skills development fund | 49 088 | 81 155 |
| Job evaluation fees | 1 016 318 | 974 127 |
| Tender deposits | 15 952 | 31 711 |
| Other | 71 021 | 87 588 |
| Total other revenue | 1 178 952 | 1 200 131 |
| 20. Government grants and subsidies | | |
| Equitable share | 84 825 000 | 82 014 000 |
| Grant funding - expenditure reimbursement | 4 485 000 | 5 040 580 |
| Blue Crane Route Municipality | - | 577 500 |
| | 89 310 000 | 87 632 080 |
| Equitable Share | | |
| In terms of the Constitution, this grant is used to finance the operations of the institution. | | |
| DORA | | |
| Current-year receipts | 4 485 000 | 4 511 000 |
| Conditions met - transferred to revenue | (4 485 000) | (4 511 000) |
| Total Government Grants | - | - |
| The following conditional grants were received through the DORA allocations during the financial year: | | |
| R1 250 000 - Finance Management Grant (FMG) | | |
| R1 000 000 - Expanded Public Works Programme Grant (EPWPG) | | |
| R2 235 000 - Rural Roads Asset Management Grant | | |
| The conditions of the above grants has been met and the full amounts were transferred to revenue during the year. | | |
| 21. Conditional grants expenditure and other grants and subsidies paid | | |
| Under conditional grant expenditure | 2 845 442 | 4 741 023 |
| Under employee costs | 498 058 | 107 893 |
| Under contracted services and general expenses | 659 173 | - |
| Total conditional grants and subsidies paid | 4 002 673 | 4 848 916 |
| Other grants and subsidies paid | | |
| Sundries | 149 212 | 93 148 |
| Fire services subsidies | 6 397 300 | 10 000 000 |
| Environmental health subsidies | 9 494 834 | 10 000 000 |
| Total other grants and subsidies paid | 16 041 346 | 20 093 148 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|-------------------|-------------------|
| 22. Employee costs | | |
| Remuneration of employees | 36 036 192 | 38 025 425 |
| Remuneration of Councillors (Refer Note 23) | 7 288 209 | 6 652 469 |
| Total Employee Costs | 43 324 401 | 44 677 894 |

The remuneration of employees are determined in accordance with the task grade and the applicable notch allocated to the employees in their positions. The municipality is graded as a Category 5 municipality which effects the remuneration ranges of positions of employees. The municipality operates in accordance with the Collective Agreements entered into between the municipality and Bargaining Council.

Set out below are the details for remuneration paid to Directorate Heads (included in remuneration of employees):

Remuneration of Municipal Manager

| | | |
|-------------------------------|------------------|------------------|
| Annual remuneration | 1 210 273 | 918 777 |
| Car allowance | 156 000 | 130 000 |
| Travel and Subsistence claims | 55 134 | 21 762 |
| Leave sold | - | 136 885 |
| Acting allowance | 46 811 | - |
| | 1 468 218 | 1 207 424 |

Mr DM Pillay was the Municipal Manager for a period of 5 years ended 31 December 2016. The post was vacant for a period of 2 months. Mr DM Pillay was reappointed on the 1 March 2017 as the Municipal Manager for a period of 5 years. The prior year remuneration therefore reflects a period of 10 months only.

Mr DM Pillay was seconded to Makana Local Municipality for a period of 5 months during the current financial year and was paid an Acting allowance which was approved by Council.

Remuneration of the Director Finance and Corporate Services

| | | |
|-------------------------------|------------------|----------------|
| Annual remuneration | 1 007 809 | 665 891 |
| Car allowance | 120 000 | 100 000 |
| Performance bonuses | 57 629 | - |
| Travel and Subsistence claims | 58 150 | 34 796 |
| Acting allowance | 63 314 | - |
| | 1 306 902 | 800 687 |

Mr RN Lorgat was appointed on 1 September 2016 as Director: Finance and Corporate Services for a period of 7 years. The prior year remuneration therefore reflects a period of 10 months only.

Mr RN Lorgat was appointed by Council to act as Municipal Manager for 3 months of the financial year whilst the Municipal Manager was seconded to Makana Local Municipality.

Remuneration of the Director Infrastructure Development and Community Services

| | | |
|-------------------------------|----------------|----------------|
| Annual Remuneration | 466 654 | 257 187 |
| Car Allowance | 60 000 | 30 000 |
| Performance Bonuses | - | 50 814 |
| Travel and Subsistence claims | 9 361 | 55 000 |
| Leave sold | - | 81 907 |
| | 536 015 | 474 908 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

| | 2018 | 2017 |
|--|------|------|
|--|------|------|

22. Employee costs (continued)

Ms T Betha was appointed on 1 January 2018 as the Director: Economic Development and Planning for a period of 5 years. The current year remuneration therefore reflects a period of 6 months only.

Mr B Makedama was the previous Director : Infrastructure Development and Community Services who's contract ended on 31 October 2016. The prior year remuneration therefore reflects a period of 4 months only.

Remuneration of the Director Economic Development and Planning

| | | |
|-------------------------------|----------------|----------------|
| Annual remuneration | 467 909 | 350 587 |
| Car allowance | 60 000 | 48 000 |
| Travel and subsistence claims | 33 291 | 25 926 |
| Leave sold | - | 77 061 |
| Acting Allowance | 17 779 | - |
| | <u>578 979</u> | <u>501 574</u> |

Ms U Daniels was appointed on 1 January 2018 as the Director: Economic Development and Planning for a period of 5 years. The current year remuneration therefore reflects a period of 6 months only.

Mr P Kate was the previous Director : Economic Development who's contract ended on 30 September 2016. The prior year remuneration therefore reflects a period of 3 months only.

Ms U Daniels was appointed by Council to act as Municipal Manager for 3 months whilst the Municipal Manager was seconded to Makana Local Municipality. This period overlapped into the following financial year.

23. Remuneration of councillors

| | | |
|--|------------------|------------------|
| Executive Mayor | 915 385 | 823 873 |
| Speaker | 715 594 | 656 843 |
| Portfolio Councillor: Special Programmes | 630 235 | 613 331 |
| Portfolio Councillor: Economic Development | 680 297 | 649 972 |
| Portfolio Councillor: Finance and Corporate Services | 665 584 | 624 163 |
| Portfolio Councillor: Infrastructure Services and Planning | 677 817 | 618 331 |
| Portfolio Councillor: Tourism | 665 584 | 628 618 |
| Board members | 139 900 | 93 900 |
| Councillors (23) | 2 197 813 | 1 943 438 |
| | <u>7 288 209</u> | <u>6 652 469</u> |

In-kind benefits

The Executive Mayor and the Mayoral committee members are full time Councillors and are provided with offices and secretarial support at the cost of the Council.

The Executive Mayor and Speaker has the use of a council owned vehicle for official duties.

The disclosed amounts relates directly to the amount paid to the Councillors allocated to the specific Portfolios

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

24. Financial instruments - financial assets by category

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

2018

| | Financial assets at amortised costs | Total |
|--|-------------------------------------|--------------------|
| Receivables from exchange transactions | 1 764 442 | 1 764 442 |
| Receivables from non-exchange transactions | 1 567 800 | 1 567 800 |
| Deposits paid | 15 410 | 15 410 |
| Cash and cash equivalents | 63 659 547 | 63 659 547 |
| Short-term investments | 150 000 000 | 150 000 000 |
| | <u>217 007 199</u> | <u>217 007 199</u> |

2017

| | Financial assets at amortised cost | Total |
|--|------------------------------------|--------------------|
| Receivables from exchange transactions | 2 014 280 | 2 014 280 |
| Receivables from non-exchange transactions | 3 106 167 | 3 106 167 |
| Deposits paid | 15 410 | 15 410 |
| Cash and cash equivalents | 109 839 054 | 109 839 054 |
| Short-term investments | 117 000 000 | 117 000 000 |
| | <u>231 974 911</u> | <u>231 974 911</u> |

25. Financial instruments: financial liabilities by category

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

2018

| | Financial liabilities at amortised cost | Non financial instruments | Total |
|---|---|---------------------------|-------------------|
| Post employment medical benefit | - | 54 148 167 | 54 148 167 |
| Unspent conditional grants and receipts | - | 5 185 | 5 185 |
| Provisions | - | 781 559 | 781 559 |
| Payables from exchange transactions | 11 184 001 | 1 349 510 | 12 533 511 |
| Short-term portion of the post employment medical benefit | - | 4 375 778 | 4 375 778 |
| | <u>11 184 001</u> | <u>60 660 199</u> | <u>71 844 200</u> |

2017

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

25. Financial instruments: financial liabilities by category (continued)

| | Financial liabilities at amortised cost | Non financial instrument | Total |
|---|---|--------------------------|-------------------|
| Post employment medical benefit | - | 55 691 774 | 55 691 774 |
| Unspent conditional grants and receipts | - | 5 185 | 5 185 |
| Long-term portion of infrastructure levies | 1 122 570 | - | 1 122 570 |
| Provisions | - | 1 223 920 | 1 223 920 |
| Payables from exchange transactions | 34 176 786 | 1 633 528 | 35 810 314 |
| Short-term portion of unspent conditional grants | - | - | - |
| Short-term portion of post employment medical benefit | - | 4 172 583 | 4 172 583 |
| | 35 299 356 | 62 726 990 | 98 026 346 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|--------------------|--------------------|
| 26. Cash used in operations | | |
| Surplus (deficit) | 6 798 575 | (13 084 157) |
| <u>Adjustments for:</u> | | |
| Depreciation | 1 542 739 | 1 581 260 |
| Loss on disposal of property, plant and equipment | 100 844 | 1 251 008 |
| Discounting of post employment medical benefit obligation | 5 390 732 | 5 429 480 |
| Impairment | 1 082 | 25 811 |
| Debt impairment | 1 297 089 | - |
| Contributions to provisions | (442 361) | 125 568 |
| Service costs | 324 348 | 412 374 |
| Prior year corrections | 345 482 | 100 002 |
| Gain on actuarial valuation for post employment medical benefits | (2 816 144) | (4 847 635) |
| <u>Changes in working capital:</u> | | |
| Receivables from exchange transactions | 249 837 | (296 763) |
| Receivables from non-exchange transactions | 1 538 367 | 248 319 |
| Payables from exchange transactions | (23 276 998) | 9 786 513 |
| VAT receivable | 3 114 626 | (2 953 026) |
| Unspent conditional grants and receipts | - | (529 580) |
| | <u>(5 831 782)</u> | <u>(2 750 826)</u> |

27. Finance Leases

The municipality had no external loans in the form of finance leases during the current year.

28. Contingent liabilities

A possible liability existed in respect of a claim from a property owner in St Francis Bay resulting from a fire that broke out during 2013. A summons has been issued for damages to the owner's property, which the municipality was defending.

- 6 900 000

A further legal matter arose as a result of the fire that broke out in St Francis Bay during 2013. A summons was received by the municipality whereby the plaintiffs was claiming R6 110 200 for damages against the owners' property. The matter was planned to proceed subject to the outcome of the above matter.

The matter was withdrawn.

A possible liability exists in respect of a claim made against the municipality by the Sunday's River Valley Contractors Association for retention monies on a housing project that was completed. The matter is being defended. (The prior year was incorrectly reflected as R522 725 and corrected in the current year)

200 000 200 000

200 000 7 100 000

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|------------------|------------------|
| <u>29. Contingent assets</u> | | |
| <i>Current year</i> | | |
| The municipality has no contingent assets. | | |
| <i>Prior year</i> | | |
| Defective workmanship by contractor | | |
| A possible contingent asset existed in respect of a claim against a contractor in terms of defective workmanship and overpayment for work done in 2003/04 financial year. | | |
| Upon the assessment of the case, the attorneys has advised the municipality that the likelihood of success in the case is diminishing as either the key witnesses appears to be reluctant to testify or the witnesses has deceased. | | |
| A report on the contingent asset was tabled and resolved by Council on 11 July 2017 and the matter has been abandoned. | | |
| <u>30. Unauthorised expenditure</u> | | |
| Unauthorised expenditure | 31 900 | - |
| <i>Current year</i> | | |
| This expenditure relates to the remuneration of Board members of the entity exceeding the budget during the year. The Board was required to have additional meetings to resolve on matters relating to the resignation of the Chief Executive Officer as well as the appointment of a new Chief Executive Officer. This has resulted in the expenditure exceeding the budgeted amount. | | |
| <i>Prior year</i> | | |
| There was no unauthorised expenditure incurred in the prior year. | | |
| <u>31. Additional disclosure in terms of Municipal Finance Management Act</u> | | |
| <u>Contributions to organised local government</u> | | |
| Opening balance | (511 010) | (500 000) |
| Council subscription | 511 010 | 500 000 |
| Amount paid in advance for the following year | (531 460) | (511 010) |
| Amount paid in advance (included in receivables) | (531 460) | (511 010) |
| <u>External Audit fees</u> | | |
| Opening balance | 14 999 | 11 989 |
| Prior year audit fee | 195 077 | 153 446 |
| Current year audit fee | 2 867 043 | 3 053 315 |
| Audit Planning fees for the following year | 1 128 664 | 995 812 |
| Amount paid - current year | (4 205 783) | (4 119 563) |
| | - | 14 999 |
| <u>PAYE, UIF and SDL</u> | | |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|----------------|----------------|
| 31. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Opening balance | 266 339 | 331 373 |
| Current year payroll deductions | 9 158 794 | 8 843 680 |
| Amount paid - current year | (9 065 502) | (8 908 714) |
| | 359 631 | 266 339 |
| Pension and Medical Aid Deductions | | |
| Current year payroll deductions and Council Contributions | 9 075 510 | 10 046 711 |
| Amount paid - current year | (9 075 510) | (10 046 711) |
| | - | - |
| VAT | | |
| VAT receivable | 1 658 476 | 4 773 102 |

All VAT returns have been submitted by the due date throughout the year. All returns submitted for the year were VAT input claims and therefore no VAT output payments were made during the year.

32. In-kind donations and assistance

No donations have occurred during the current year.

33. Risk management

Liquidity risk

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

Stringent cash management procedures are in place. These include cash flow forecasting.

A sensitivity analysis has not been performed and included, as the municipality is not exposed to foreign exchange risk. The municipality does not enter into any foreign exchange transactions and since the municipality effects payments on presentation of invoices, no interest rate charges are applicable. It would thus be misleading to provide a sensitivity analysis.

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

| 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 | 11 184 001 | - | - | - |

Interest rate risk

The current account and the call account expose the municipality to an interest rate risk on cash flows. Deposits attract interest at a rate that varies according to the prime banking rate.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|-----------------|------|------|
|-----------------|------|------|

33. Risk management (continued)

The municipality manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.

The interest rates on the fixed deposits are fixed, but varies from investment to investment.

Should the prime rate vary by 1% in either direction, the effect on the cash balance would be R1.9 million in either direction.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and debtors. The municipality only deposits cash with banks which have an equity above R10 billion with a good credit rating.

The most significant concentration of credit risk is the outstanding receivables. Management believes that the allowance for impairment adequately addresses the credit risk involved.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

34. Events after the reporting date

Management is not aware of any events after the reporting date.

35. Compliance with the Municipal Finance Management Act

The municipality has implemented additional controls to ensure compliance with the MFMA. The area of concentration during the current and previous year was the revised Supply Chain Management Regulations which became effective during the prior year. The municipality has improved the controls during the current and prior year to ensure compliance with the policy and regulations. The controls have been implemented and are being implemented and monitored.

The municipality was also required to effectively implement the new Municipal Standard Chart of Accounts (mSCOA) from 1 July 2017. The implication of complying with mSCOA is that the municipality was required to procure a new Enterprise Resource Planning (ERP) system to ensure that all transactions meet the requirements of the new Chart of Accounts.

Management is not aware of any other non-compliance by the municipality that would require disclosure in the financial statements.

36. Irregular expenditure

| | | |
|---|----------------|------------------|
| Opening balance | 2 974 226 | 1 970 154 |
| Add: Irregular Expenditure - current year | 308 518 | 1 251 427 |
| Less: Expenditure certified as irrecoverable / written off by Council | (2 962 226) | (247 355) |
| | <u>320 518</u> | <u>2 974 226</u> |

Details of irregular expenditure

| | | |
|---|----------------|------------------|
| Traded with suppliers who are in the service of the state | | 12 000 |
| Deviations not considered valid | | 1 115 535 |
| Bids awarded that did not comply with supply chain management regulations | 308 518 | 55 444 |
| No formal quotation process followed | | 57 948 |
| 3 quotes not obtained | | 10 500 |
| | <u>308 518</u> | <u>1 251 427</u> |

On 22 August 2018, the Council condoned / wrote off an amount of R173 089 relating to incidents of irregular expenditure raised in the prior year and current year. No criminal processes were required on any of the incidents of irregular expenditure. Although there has been contravention of the procurement processes and procedures, goods and services have been received.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

37. Related parties

Cacadu Development Agency

The wholly-owned municipal entity, Cacadu Development Agency (CDA) continued its operations in the current year.

The municipality has provided the CDA with an unconditional grant of R5 400 000 to fund the operations of the Agency for the 2017/18 financial and R4 500 000 in the prior year.

These transactions were eliminated in the consolidated financial statements, as well as conditional grant related transactions.

Post retirement medical aid benefit plan

The municipality, as part of the conditions of service of employees, keeps on contributing its portion of the contributing members to medical aid funds at the retirement of these employees for as long as this member is alive and contributing his/her portion.

The medical aid schemes involved are as follows:

- Bonitas
- Hosmed/Key Health
- LA Health
- Samwumed

Transactions with these schemes amounted to R5 319 920 (2017: R5 154 626).

Key management personnel

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipality, directly or indirectly, including any director of the municipality: Executive Mayor, Speaker, Mayoral Committee members, Board members, Councillors, Municipal Manager, Chief Executive Officer and Senior Managers.

Councillors and Employees

Councillors and employees have declared no interest or gain in or from any transaction entered into with the municipality by any organisation or business.

The following interests in institutions have been declared, but no transactions have been entered into:

| <u>Employee</u> | <u>Entity Name</u> |
|-----------------|--|
| Mr K Majokweni | Gem Development & Trading Services (Pty) Ltd |
| Mrs T Mafongosi | Endleleni Liquor Stores |
| Mr R Lorgat | RNL Business & Property Consultants RNL Investments (Pty) Ltd |
| Mr D Mbolekwa | Bravorox |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

37. Related parties (continued)

| | |
|---------------------|---|
| Mr L Madlakana | Gxothindlala Construction |
| Mrs N Mlenzana | Pantium Trading |
| Ms X Ben | Sherpa Trade Invest 89 (Pty) Ltd EzikaInsta CHD Freight Trucking & Plant Hire AB 350 (Pty) Ltd AX Dynamic Enterprise |
| Ms Z Sibeko | Kuzi Fishing EL Olom Trading Isifingo |
| Mrs G David | Jumpstart CC |
| Mr E Goliath | CHED Holdings |
| <u>Councillor</u> | <u>Entity Name</u> |
| Mr H M Hendricks | Didi's Transport CC |
| Mr V S Stuurman | Manufacturing Processing |
| Mr R M J Galley | CRH Holdings & Ranger Drops Melro Farming & Trading Fair Game Safaris HPFT Rory Galley Family Trust Partnership CRH Holdings Partnership Game Breeders |
| Mr S Lucas | Dixy Management Services |
| Ms N Pieters | Liqhayiya Trading Atmoline (Pty) Ltd |
| Mrs C Rheeders | Reeders Family Trust |
| Mr D J Bezuidenhout | Sakkies Housing Development CC Longfield Trust |
| Mr T Grootboom | Iqhawe Development Enterprise |
| Mr A Mboneni | CDG Co-operative |
| Mr S Sodladia | Uthuthu (Pty) Ltd Makana-Mobi Jym |
| Mr F Yake | Trustee of Drie Kone Farm |
| Mr J Britz | 50% Shareholding in Kiepersol 17 Eiendoms Ontwikkeling CC Britz Attorneys |
| Mr L Nase | Nase Trading Enterprise |
| Mr K Smith | Partnership in AVCTION Room |
| <u>Board member</u> | <u>Entity Name</u> |
| Mr L S Blouw | Nojoli Development Corporation |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|-----------------|------|------|
|-----------------|------|------|

37. Related parties (continued)

| | |
|---------------|--|
| Ms N Koberg | Chris Hani Development Agency |
| Mrs D Mgoduka | Doreen Mgoduka Attorneys |
| Mr A Taai | Flourisent Trading t/a Kowie Bus Service |

Awards to close family members of persons in the service of the state

| Supplier Name | Connection to Supplier | Award |
|-----------------------------------|---|----------------|
| SMEC South Africa | Mrs. Yvonne Phosa, wife of Dr Phosa (on the board of directors) is a Member of Parliament | R 335 000,00 |
| The Specialist Franchise Holdings | Nicolene Harding was employed by the Department of Transport in the past 12 months | R 1 068 402,90 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

38. Significant estimates and judgements

The preparation of SBDM's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

Judgements

In the process of applying the municipality's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Receivables from exchange and non exchange transactions

Management has assessed the recoverability of the receivables and has raised a provision for doubtful debts to ensure that the amounts disclosed as receivables are recoverable.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Post employment medical benefit

The cost of post employment medical benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, medical aid inflation rate, future salary increases, mortality rates and future medical aid premiums, future subsidies payable to dependants, working life time of employees, gender and spouse assumptions and child dependence and withdrawals. Such estimates are subject to significant uncertainty relating actuarial assumptions. The net employee liability at 30 June 2018 is R58 523 945 (2017: R59 864 357). Further details are provided in Note 17.

Property, plant and equipment

The estimates and associated assumptions are based on the historical experience and management's estimation of conditions. Limited changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated useful lives in the prior years, are still appropriate.

Residual values of property, plant and equipment are based on the nature of the assets, quotes obtained from suppliers and management's estimation of the condition of the assets. Limited changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated residual values determined in the prior year, remained appropriate.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

39. Standards of GRAP issued but not yet effective

The following standards have been issued but are not yet effective:

| | |
|-----------|--|
| GRAP 20: | Related Party Disclosures |
| GRAP 32: | Service Concession Arrangements - Grantor |
| GRAP 34: | Separate Financial Statements |
| GRAP 35: | Consolidated Financial Statements |
| GRAP 36: | Investments in Associates and Joint Ventures |
| GRAP 37: | Joint Arrangements |
| GRAP 38: | Disclosure of interest in other entities |
| GRAP 108: | Statutory Receivables |
| GRAP 109: | Accounting by Principals and Agents |
| GRAP 110: | Living and Non-Living Resources |

GRAP 20: Related Party Disclosures

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

The effect on the financial statements of introducing this standard will require the municipality to implement additional procedures to ensure that all the required information is collected in a controlled manner to ensure the completeness of the disclosures required.

GRAP 32: Service Concession Arrangements - Grantor

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

The financial statements of the municipality will not be effected by this standard unless the municipality enters into any Service Concession Arrangements, whereby assets of the municipality are used to generate revenue by a 3rd party.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

The effect on the financial statements would be minimal as the prescribe accounting and disclosure requirements have already been applied for the Cacadu District Development Agency.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The effect on the financial statements would be minimal as the principles for presentation and preparation of consolidated financial statements have been applied for the Cacadu District Development Agency.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

39. Standards of GRAP issued but not yet effective (continued)

The financial statements of the municipality will not be effected unless the municipality enters into an agreement which will result in either a Joint venture or an Associate.

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).

The financial statements of the municipality will not be effected unless the municipality enters into an agreement of a Joint arrangement.

GRAP 38: Disclosure of interest in other entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.

The effect on the financial statements would be minimal as the Disclosure of interest in other entities have been applied for the Cacadu District Development Agency.

GRAP 108: Statutory Receivables

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

The effect on the financial statements of introducing this standard is not material as most of the principles in the standard is already applied or the information readily available.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

This 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.

The effect on the financial statements of introducing this standard is not material as most of the principles in the standard would not be applicable to the municipality unless the municipality enters into a principal-agent agreement.

GRAP 110: Living and Non-Living Resources

The objective of this Standard is to prescribe recognition, measurement, presentation and disclosure requirements for living resources and non-living resources.

The effect on the financial statements of introducing this standard is not applicable to the municipality unless the municipality acquires living and non-living resources.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

40. Deviations

The following deviations from the supply chain management policy were approved by the Accounting Officer during the financial year:

| <u>Reasons</u> | <u>No. of incidents</u> | | |
|--|-------------------------|------------------|------------------|
| Emergency | 2 | 38 187 | 287 860 |
| Goods or services are produced or available from a single provider | 8 | 1 045 529 | 1 333 506 |
| In any other exceptional case where it is impractical to follow supply chain processes | 18 | 1 187 843 | 3 936 563 |
| | | <u>2 271 559</u> | <u>6 557 929</u> |

41. Change in estimate

Property, plant and equipment

The municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in certain computer equipment, office equipment and furniture and fittings' remaining useful lives being adjusted based on the condition of the assets. The residual values of the assets have also been reassessed and adjusted where necessary. The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 61 649 for the current period (2017: R 2,990). The effect on future periods could not reasonably be determined.

42. Fruitless and wasteful expenditure

| | | |
|---|---------------|----------------|
| Opening balance | 320 387 | 339 337 |
| Current year | 66 688 | 43 339 |
| Less: Expenditure certified as irrecoverable / written off by Council | (296 812) | (62 289) |
| | <u>90 263</u> | <u>320 387</u> |

Details of fruitless and wasteful expenditure:

Current year

The municipal entity (Cacadu District Development Agency) incurred an amount of R66 688 in penalties on late payment of the Value Added Taxation to South African Revenue Services.

Prior year

Catering for 2 events was arranged in accordance with supply chain management processes. The events were postponed and the caterers were not informed timeously. The catering was provided in vain and the municipality was required to make the necessary payments.

Penalties were raised by SARS on VAT Input claims that were disallowed in both the current (R2 375) and prior year (R4 000).

On 22 August 2018, the Council condoned / wrote off an amount of R2 375 relating to incidents of fruitless and wasteful expenditure raised in the prior year.

The municipal entity (Cacadu District Development Agency) incurred an amount of R19 116 in penalties and R648 in interest on late submission of SARS returns.

An investigation was performed to determine whether an official should be held responsible for the fruitless and wasteful expenditure incurred during both the current and prior year. The Board has resolved that the amount be written off / condoned.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

43. Budget differences

Material differences between budget and actual amounts

Variances in the budgeted amounts and the actual amounts are considered material when the actual amount is more than 10% lower than the budgeted amount for both revenue and expenditure as well as where revenue exceeds 5% of the budgeted amount.

The material variances are as follows:

Other own revenue

Based on the principles of budgeting, this area is utilised to fund the budget of the municipality and therefore the budgeted amount is high. The amount reflected in the financial statements is however only the actual other revenue received during the year. The variance therefore relates to the portion utilised to balance the revenue budget from accumulated surplus.

Employee costs

The variance of 32% was attributable to vacancies that could not be filled due to the Council placing a Moratorium on the filling of vacancies in October 2016 which continued during the current year. This has resulted in savings in employee related costs.

Transfers and grants

The variance of 18% was attributable to a portion of the fire subsidy not being paid over to the local municipalities who did not meet the conditions set out in the service level agreements entered into.

Other expenditure

The variance of 41% is mainly due to under-expenditure on own-funded projects. Other factors that contributed to the variance are cost-savings on operational activities, as well as instances of over-estimation of budgets on projects.

Capital expenditure

The variance of 53% is mainly due assets that were awarded at year end but was not yet received. The expenditure will thus only be reflected in the following financial year.

44. General expenses

| | | |
|----------------------------|-------------------|-------------------|
| Advertising and promotions | 1 363 112 | 788 801 |
| Auditors fees | 3 807 243 | 3 803 985 |
| Catering | 963 782 | 546 758 |
| Congress and visits | 2 470 914 | 2 173 917 |
| Fuel and oil | 801 570 | 1 295 833 |
| General - other | 1 398 355 | 1 238 978 |
| Insurance | 408 374 | 297 514 |
| Legal expenses | 500 274 | 3 054 243 |
| Licences | 879 861 | 525 750 |
| Printing and stationery | 905 424 | 1 151 185 |
| Publications | 607 772 | 995 877 |
| Project costs | 12 562 508 | 25 833 702 |
| Subscriptions | 637 272 | 567 289 |
| Telephone and fax | 504 696 | 900 026 |
| Training and development | 660 367 | 566 707 |
| Utilities | 1 006 292 | 1 020 381 |
| | 29 477 816 | 44 758 572 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|------------------|------------------|
| 45. Commitments | | |
| <u>Capital expenditure</u> | | |
| Approved and contracted for | 762 058 | 2 386 957 |
| This committed expenditure relates to capital assets and will be financed by retained surpluses | | |
| <u>Non-capital expenditure</u> | | |
| Approved and contracted for | 17 032 816 | 13 606 716 |
| This non-capital expenditure relates to other commitments and will be financed by conditional grants and retained surpluses. | | |
| <u>Operating leases - as lessor (Income)</u> | | |
| <u>Minimum lease payments due</u> | | |
| - within one year | 1 714 900 | 1 594 206 |
| - from second to fifth year inclusive | 851 650 | 2 480 609 |
| - later than five years | 103 | 204 |
| | <u>2 566 653</u> | <u>4 075 019</u> |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

2018

2017

45. Commitments (continued)

Certain of the municipality's land and buildings is held to generate rental income. Lease agreements have terms ranging from 6 months and not exceeding 10 years. There are no contingent rents receivable.

Most of the land and buildings are leased to organs of state and are leased at below market-related rental values. These leases are entered into either to assist the organs of state in their operations or to promote and stimulate economic activity within the Sarah Baartman District area. These rental revenues therefore translates to approximately only 3% of the total rental revenue of the municipality.

The ground floor of the municipal office building is leased to Standard Bank for a period of 5 years. The rental revenue received from this arrangement approximates 96% of the total rental revenue of the municipality.

The following leases were entered into with individuals and entities that are not organs of state and were charged below market-related rentals:

D Cannon - The Council resolved to lease the private dwelling in Alexandria on a temporary basis. The intention of Council was that the occupation of the dwelling would prevent vandalism whilst the Council is assessing the future use of the property.

P Tieman - The Council resolved to lease the depot in Jansenville for the premises to be utilised as a bodyshop. This decision was taken to assist the individual in establishing a business which is intended to promote economic development in the area.

Siyahluma Gardening Project Primary Co-operative Ltd - The Council resolved to lease a 10ha portion of land in Addo to the Co-operative. This decision was taken to assist the Co-operative in establishing a business which is intended to promote economic development in the area.

ANC Parliamentary Constituency Fund - The Council resolved to lease a building in Hankey (previously used as a clinic) to be utilised as office premises. The intention of Council was that the occupation of the building would prevent vandalism and ensure that the building is maintained by the lessee.

46. Short-term investments

All short-term investments that will mature more than 3 months, but less than 12 months after the reporting date, is classified as short-term investments and do not form part of cash and cash equivalents..

Short-term investments

150 000 000 117 000 000

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

48. DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Name of Grant | Name of Organ of state | 2017/2018 | | | 2017/2019 | | | 2017/2018 | | Reason for delay/ withholding funds | Reason for non compliance | |
|------------------------------------|------------------------|------------------|----------|------------------|-----------|------------------|----------------|----------------|------------------------------|-------------------------------------|---------------------------|-----|
| | | Sept | Dec | Mar | Sept | Dec | Mar | June | Subsidies Delayed / withheld | | | |
| | | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Y/N | Y/N | |
| FINANCE MANAGEMENT GRANT | National Government | 1,250,000 | | | 90,556 | 385,834 | 581,989 | 181,621 | - | N/A | YES | N/A |
| RURAL ROADS ASSET MANAGEMENT GRANT | National Government | 1,565,000 | | 670,000 | 663,770 | 1,284,542 | 77,916 | 208,772 | | N/A | YES | N/A |
| EXPANDED PUBLIC WORKS PROGRAMME | National Government | 250,000 | | 750,000 | - | 562,020 | 11,680 | 426,300 | | N/A | YES | N/A |
| | | <u>3,065,000</u> | <u>-</u> | <u>1,420,000</u> | <u>-</u> | <u>2,232,396</u> | <u>671,585</u> | <u>826,693</u> | <u>-</u> | | | |

SARAH BAARTMAN DISTRICT MUNICIPALITY

Group Financial Statements for the year ended 30 June 2018

Notes to the Group Financial Statements

Figures in Rand

49. Summary of Investment Accounts

| FINANCIAL INSTITUTION | ACCOUNT NUMBER | PERIOD MNTHS | % INT RATE | DATE INVESTED | DATE MATURING | INVEST/MATURE 2017/2018 | BALANCE 30 JUNE 2018 |
|----------------------------------|------------------|--------------|------------|---------------|---------------|-------------------------|----------------------|
| FNB | 74450730731 | 12 | 8.36% | 05-Jul-16 | 04-Jul-17 | 5,000,000 | |
| STANDARD BANK | 088430537195 | 12 | 8.65% | 05-Jul-16 | 04-Jul-17 | 10,000,000 | |
| ABSA GROUP | 2076331855 | 10 | 8.30% | 15-Sep-16 | 17-Jul-17 | 10,000,000 | |
| STANDARD BANK | 088430537196 | 9 | 8.32% | 25-Oct-16 | 25-Jul-17 | 8,000,000 | |
| ABSA GROUP | 2076332380 | 11 | 8.36% | 15-Sep-16 | 15-Aug-17 | 7,000,000 | |
| ABSA GROUP | 2076422371 | 10 | 8.20% | 25-Oct-16 | 28-Aug-17 | 10,000,000 | |
| STANDARD BANK | 088430537198 | 5 | 8.18% | 30-Mar-17 | 30-Aug-17 | 8,000,000 | |
| NEDBANK | 7881501480000148 | 12 | 8.32% | 15-Sep-16 | 14-Sep-17 | 5,000,000 | |
| ABSA GROUP | 2076755374 | 6 | 8.05% | 30-Mar-17 | 29-Sep-17 | 9,000,000 | |
| STANDARD BANK | 088430537197 | 10 | 8.33% | 08-Dec-16 | 09-Oct-17 | 16,000,000 | |
| STANDARD BANK | 088430537199 | 3 | 7.70% | 19-Jul-17 | 19-Oct-17 | 5,000,000 | |
| FNB | 74661534302 | 11 | 8.35% | 08-Dec-16 | 08-Nov-17 | 13,000,000 | |
| NEDBANK | 7881501480000001 | 11 | 8.31% | 08-Dec-16 | 08-Nov-17 | 6,000,000 | |
| ABSA GROUP | 2076508624 | 12 | 8.51% | 08-Dec-16 | 07-Dec-17 | 17,000,000 | |
| ABSA GROUP | 2076976508 | 6 | 7.95% | 19-Jul-17 | 19-Jan-18 | 22,000,000 | |
| FNB | 74575507312 | 6 | 8.00% | 19-Jul-17 | 19-Jan-18 | 17,000,000 | |
| NEDBANK | 7881501480000150 | 6 | 7.70% | 19-Jul-17 | 19-Jan-18 | 2,000,000 | |
| STANDARD BANK | 088430537200 | 6 | 8.02% | 19-Jul-17 | 19-Jan-18 | 22,000,000 | |
| Investec | 9407463 | 10 | 8.20% | 30-Mar-17 | 23-Jan-18 | 17,000,000 | |
| STANDARD BANK | 088430537201 | 5 | 7.65% | 05-Sep-17 | 05-Feb-18 | 17,000,000 | |
| NEDBANK | 7881501480000149 | 11 | 8.14% | 30-Mar-17 | 02-Mar-18 | 27,000,000 | |
| ABSA GROUP | 2077066689 | 6 | 7.25% | 05-Sep-17 | 05-Mar-18 | 19,000,000 | |
| FNB | 74550449331 | 6 | 7.44% | 06-Sep-17 | 06-Mar-18 | 5,000,000 | |
| FNB | 74575507924 | 12 | 8.30% | 30-Mar-17 | 29-Mar-18 | 21,000,000 | |
| STANDARD BANK | 088430537202 | 6 | 7.85% | 08-Dec-17 | 08-May-18 | 22,000,000 | |
| FNB | 74466179121 | 6 | 8.01% | 08-Dec-17 | 08-Jun-18 | 14,000,000 | |
| NEDBANK | 7881501480000151 | 7 | 7.63% | 08-Dec-17 | 09-Jul-18 | | 13,000,000 |
| ABSA GROUP | 2077219377 | 9 | 7.98% | 08-Dec-17 | 04-Sep-18 | | 27,000,000 |
| CASH AND CASH EQUIVALENTS | | | | | | | 40,000,000 |
| STANDARD BANK | 088430537203 | 6 | 7.61% | 24-May-18 | 26-Nov-18 | | 15,000,000 |
| ABSA GROUP | 2077539808 | 9 | 7.66% | 24-May-18 | 25-Feb-19 | | 20,000,000 |
| ABSA GROUP | 2077539824 | 12 | 7.86% | 24-May-18 | 23-May-19 | | 10,000,000 |
| FNB | 74661534302 | 12 | 7.76% | 24-May-18 | 23-May-19 | | 33,000,000 |
| INVESTEC | JB9768538 | 12 | 8.00% | 24-May-18 | 23-May-19 | | 15,000,000 |
| NEDBANK | 7881501480000152 | 12 | 7.65% | 24-May-18 | 23-May-19 | | 21,000,000 |
| STANDARD BANK | 088430537204 | 12 | 7.91% | 24-May-18 | 23-May-19 | | 36,000,000 |
| SHORT TERM INVESTMENTS | | | | | | | 150,000,000 |
| BALANCE 30 JUNE 2018 | | | | | | | 190,000,000 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

UNAUDITED APPENDIX A

June 2018

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2018
Cost/Revaluation **Accumulated Depreciation**

| | Opening Balance Rand | Revaluations Rand | Additions | Disposals/ transfers Rand | Closing Balance Rand | Opening Balance Rand | Depreciation Rand | Depr on Dispat Rand | Impairment Rand | Closing Balance Rand | Carrying Value Rand |
|--|-------------------------|----------------------|------------------|---------------------------------|-------------------------|----------------------------|----------------------|------------------------|--------------------|-------------------------|------------------------|
| Land | | | | | | | | | | | |
| Investment Property | 6,082,500 | | | | 6,082,500 | | | | | | 6,082,500 |
| PPE | 1,754,636 | | | | 1,754,636 | | | | | | 1,754,636 |
| Heritage | 13,765,000 | | | | 13,765,000 | | | | | | 13,765,000 |
| Buildings | | | | | | | | | | | |
| Investment Property | 6,560,500 | | | | 6,560,500 | | 3,278 | | | 3,278 | 6,557,222 |
| PPE | 6,741,521 | 505,319 | | | 7,246,840 | | 33,928 | | | 33,928 | 7,212,912 |
| Heritage | 2,447,500 | | | | 2,447,500 | | | | | | 2,447,500 |
| Furniture and Fixtures | | | | | | | | | | | |
| PPE | 2,456,600 | 22,375 | | 36,783 | 2,442,192 | 1,257,890 | 120,040 | 26,409 | -807 | 1,352,328 | 1,089,864 |
| Specialised Vehicles | | | | | | | | | | | |
| PPE | 275,159 | | | | 275,159 | 197,677 | 4,897 | | | 202,574 | 72,584 |
| Office Equipment | | | | | | | | | | | |
| PPE | 2,485,261 | 54,272 | | 19,987 | 2,529,545 | 937,228 | 211,891 | 17,079 | -275 | 1,132,315 | 1,397,230 |
| Computer Equipment | | | | | | | | | | | |
| Intangible Asset | 1,517,079 | 1,023,565 | | | 2,540,644 | | | | | | 2,540,644 |
| PPE | 4,359,790 | 202,579 | | 386,120 | 4,176,249 | 2,967,946 | 406,252 | 355,334 | | 2,918,864 | 1,257,385 |
| Bins and Containers | | | | | | | | | | | |
| PPE | 98,988 | | | | 98,988 | 56,197 | 7,935 | | | 64,132 | 34,857 |
| Motor Vehicles | | | | | | | | | | | |
| PPE | 8,465,568 | 249,995 | | 662,905 | 8,052,658 | 4,138,710 | 679,133 | 506,921,00 | | 4,310,923 | 3,741,736 |
| Specialised Plant and Machinery | | | | | | | | | | | |
| PPE | 2,053,732 | 6,892 | | 21,423 | 2,039,001 | 1,282,860 | 75,365 | 21,416 | | 1,346,929 | 692,071 |
| TOTAL | 59,073,836 | - | 2,064,795 | 1,127,218 | 60,011,413 | 10,746,608 | 1,542,740 | 927,160 | -1,082 | 11,365,271 | 48,646,142 |

SARAH BAARTMAN DISTRICT MUNICIPALITY

UNAUDITED APPENDIX A

June 2018

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2018
Accumulated Depreciation

Cost/Revaluation

| | Opening Balance Rand | Revaluations Rand | Additions | Disposals/ transfers Rand | Closing Balance Rand | Opening Balance Rand | Depreciation Rand | Depr on Dispsal Rand | Impairment Rand | Closing Balance Rand | Carrying Value Rand |
|---------------------------------|-------------------------|----------------------|------------------|---------------------------------|-------------------------|----------------------------|----------------------|-------------------------|--------------------|-------------------------|------------------------|
| Land | 21,602,136 | - | - | - | 21,602,136 | - | - | - | - | - | 21,602,136 |
| Buildings | 15,749,521 | - | 505,319 | - | 16,254,840 | - | 37,205 | - | - | 37,205 | 16,217,635 |
| Furniture and fittings | 2,456,600 | - | 22,375 | 36,783 | 2,442,152 | 1,257,890 | 120,040 | 26,409 | -807 | 1,352,328 | 1,089,864 |
| Specialised vehicles | 275,159 | - | - | - | 275,159 | 197,677 | 4,897 | - | - | 202,574 | 72,584 |
| Office equipment | 2,495,261 | - | 54,272 | 19,987 | 2,529,545 | 937,228 | 211,881 | 17,079 | -275 | 1,182,315 | 1,397,230 |
| Computer equipment | 5,876,869 | - | 1,226,143 | 386,120 | 6,716,893 | 2,867,946 | 406,252 | 355,334 | - | 2,918,864 | 3,798,029 |
| Bins and containers | 98,988 | - | - | - | 98,988 | 56,197 | 7,935 | - | - | 64,132 | 34,857 |
| Motor vehicles | 8,465,568 | - | 249,995 | 662,905 | 9,052,868 | 4,138,710 | 679,133 | - | - | 4,310,923 | 3,741,735 |
| Specialised Plant and machinery | 2,053,732 | - | 6,692 | 21,423 | 2,039,001 | 1,292,960 | 75,385 | 21,416 | - | 1,346,929 | 692,071 |
| Total | 58,073,835 | - | 2,064,795 | 1,127,218 | 60,011,413 | 10,748,608 | 1,542,740 | 420,239 | -1,052 | 11,965,271 | 48,646,142 |

SARAH BAARTMAN DISTRICT MUNICIPALITY
UNAUDITED APPENDIX B

June 2018

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2018
Cost / Revaluations **Accumulated Depreciation**

| | Opening Balance 01 July 2017 | | Revaluation | | Additions | | Impairment | | Disposals | | Closing Balance 30 June 2018 | | Opening Balance 01 July 2017 | | Depreciation | | Disposals | | Impairment | | Closing Balance | | Carrying Value 30 June 2018 | |
|--------------------------|------------------------------|----------|-------------|----------|------------------|----------|------------|----------|------------------|-------------------|------------------------------|-------------------|------------------------------|------------------|----------------|---------------|-------------------|-------------------|------------|------|-----------------|------|-----------------------------|------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Executive and Council | 4,424,973 | - | - | - | 249,996 | - | - | - | 86,929 | 4,588,039 | - | 4,588,039 | 1,710,563 | 376,100 | 77,465 | -121 | 2,003,318 | 2,578,721 | | | | | | |
| Finance and Admin | 46,220,633 | - | - | - | 1,809,878 | - | - | - | 417,962 | 47,612,549 | - | 47,612,549 | 3,879,286 | 664,077 | 327,632 | -570 | 4,216,301 | 43,396,248 | | | | | | |
| Housing | 7,791 | - | - | - | - | - | - | - | 610 | 7,181 | - | 7,181 | 6,689 | 287 | 477 | - | 6,499 | 682 | | | | | | |
| Planning and Development | 3,600,151 | - | - | - | 4,921 | - | - | - | 241,678 | 3,363,394 | - | 3,363,394 | 1,851,492 | 232,678 | 222,276 | -10 | 1,861,903 | 1,501,491 | | | | | | |
| Public Safety | 4,816,749 | - | - | - | - | - | - | - | 380,037 | 4,436,712 | - | 4,436,712 | 3,297,587 | 269,452 | 299,310 | -382 | 3,268,110 | 1,168,601 | | | | | | |
| Water | 3,537 | - | - | - | - | - | - | - | - | 3,537 | - | 3,537 | 2,992 | 147 | - | - | 3,138 | 399 | | | | | | |
| Total | 59,073,835 | - | - | - | 2,064,794 | - | - | - | 1,127,217 | 60,011,413 | - | 60,011,413 | 10,748,608 | 1,342,740 | 927,160 | -1,082 | 11,365,270 | 48,646,142 | | | | | | |

SARAH BAARTMAN DISTRICT MUNICIPALITY
UNAUDITED APPENDIX C

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

| | 2017 | | 2018 | |
|-------------------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|
| | Actual Income Rand | Actual Expenditure Rand | Actual Income Rand | Actual Expenditure Rand |
| | | | | Surplus/ (Deficit) Rand |
| | 1,068,583 | 24,000,059 | 168,091 | 10,322,176 |
| | 104,438,639 | 31,825,167 | 108,001,916 | 44,343,391 |
| | 2,708,865 | 24,069,351 | 884,916 | 18,770,103 |
| | 4,847,635 | 17,446,378 | - | 10,966,944 |
| | - | 1,128,449 | - | 43,463 |
| | - | 439,302 | - | 644,455 |
| | - | 26,761,783 | - | 15,870,610 |
| | - | 147,917 | - | - |
| | 2,261,000 | 2,131,874 | 1,960,526 | 2,707,835 |
| | 50,212 | 509,811 | - | 547,897 |
| | 115,375,934 | 128,460,091 | 111,015,449 | 104,216,874 |
| | | | | 6,798,575 |
| Executive and Council | | | | (10,154,065) |
| Finance and Administration | | | | 63,668,525 |
| Planning and Development | | | | (17,885,187) |
| Health | | | | (10,966,944) |
| Community and Social services | | | | (43,463) |
| Housing | | | | (644,455) |
| Public safety | | | | (15,870,610) |
| Sport and Recreation | | | | - |
| Road Transport | | | | (747,308) |
| Water | | | | (547,897) |
| Total | | | | 6,798,575 |