

**TOPIC 3.4: ACCOUNTING AND DISCLOSURE REQUIREMENTS RELATING TO TRUST FUNDS**

**3.4.1 GRAP PRINCIPLES**

There is no specific guidance found in GRAP relating to the accounting treatment of Trust funds controlled by the municipality.

In accordance with IMFO accounting, “Trust funds” may have been controlled by the municipality. Several of these funds may however not be actual Trust funds in terms of legislation and all existing funds should be reviewed by municipalities.

Formal Trust funds, established as such and containing trust deeds, are separate legal entities and separate financial statements should therefore be prepared for each. Where a municipality is appointed as Trustee in terms of a trust deed and it is controlled by the municipality, it must be included in the consolidated financial statements of that municipality.

If not a formal Trust fund, these “funds” should be evaluated in terms of GRAP, and reclassified, in most cases as liabilities.

**1.4.2 AFS DISCLOSURE REQUIREMENTS**

Refer to section 1.11 for a comprehensive discussion regarding the Preparation of Consolidated Annual Financial Statements.