



**Sedibeng District Municipality
Annual Financial statements
for the year ended 30 June, 2018**

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

General Information

Nature of business and principal activities	District Municipality – DC42
Capacity of Municipality	Medium capacity municipality
Accounting Officer	Mr. S. Khanyile
Chief Financial Officer	Mrs. KZ Wiese (Acting)
Registered office	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Business address	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Postal address	PO Box 471 Vereeniging 1930
Bankers	Nedbank (Primary Account) Standard Bank (previous primary banker)
Auditors	Auditor-General of South Africa
Executive Mayor	Councillor BJ Modisakeng
Speaker	Councillor MM Gomba
Chief Whip	Councillor SA Mshudulu
Members of Mayoral Committee	Councillor PB Tsotetsi Councillor MD Raikane Councillor TS Maphalla Councillor LSA Gamede Councillor NG Hlongwane Councillor ML Khomoeasera Councillor YJ Mahommed Councillor JM Dlangamandla

Index

The reports and statements set out below comprise the financial statements presented to council:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Accounting Officer's Report	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 - 11
Appropriation Statement	12 – 13
Accounting Policies	14 - 26
Notes to the Financial Statements	27 - 52

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MMC	Member of the Mayoral Committee
MFMA Act	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
GAMAP	Generally Accepted Municipal Accounting Practice
PPE	Property Plant and Equipment
SCM	Supply Chain Management

Sedibeng District Municipality

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

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

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

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

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

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

Every effort has been made to implement the austerity measures which has resulted in restriction of expenditure in certain areas in the financial statements.

We realized that it cannot be business as usual, the District Municipality will have to reduce the list of operations especially the employee cost.

The financial statements set out on pages 4 to 52, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August, 2018 and were signed on its behalf by:

Mr. S. Khanyile
Municipal Manager

Accounting Officer's Report

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

1. Incorporation

The municipality was incorporated on 1 January 1988 and obtained its certificate to commence business on the same day.

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had accumulated deficit of R 57,415,538 [R31,503,099 in 2017] and that the municipality's total liabilities exceed its assets by R 57,415,538.

The ability of the municipality to continue as a going concern is dependent on a number of factors. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The financial statements have been prepared on the basis of accounting policies applicable to a going concern and in line with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Accounting policies

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

4. Accounting Officer

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

Name	Nationality
Mr Stanley Khanyile	RSA

5. Bankers

Nedbank Ltd is the newly appointed Municipality's banker while Standard Bank was the previous primary banker.

6. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June, 2018

Figures in Rand	Note(s)	2018	2017 as restated
Assets			
Current Assets			
Inventories	6	157,811	355,001
Receivables from exchange transactions	7	4,475,416	37,232,632
VAT receivable	8	446,690	-
Construction of assets in progress	5	-	561,118
Cash and cash equivalents	9	16,827,972	21,873,671
		21,907,889	60,022,422
Non-Current Assets			
Property, plant and equipment	2	103,671,407	125,915,536
Intangible assets	3	2,392,782	2,962,329
Heritage assets	4	4,894,941	4,462,880
		110,959,130	133,340,745
Total Assets		132,867,019	193,363,167
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	10	15,274,264	13,470,653
Payables from exchange transactions	11	175,008,293	146,369,071
VAT payable	12		2,020,344
Total Current Liabilities		190,282,557	161,860,068
Total Liabilities		190,282,557	161,628,221
Net Assets		(57,415,538)	31,503,099
Net Assets			
Accumulated (deficit) /surplus		(57,415,538)	31,503,099

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 as restated
Revenue			
Revenue from exchange transactions			
Sale of goods		3,534,163	3,241,227
Rental of facilities and equipment	15	570,958	799,915
Agency services	16	71,182,541	69,514,567
Other income	18	986,341	8,923,205
Interest received - investment	20	2,835,809	2,137,929
Commission received	18	6,810,435	6,748,376
Gain on disposal of assets and liabilities		13,857	-
Total revenue from exchange transactions		85,934,104	91,365,219
Revenue from non-exchange transactions			
Non-exchange revenue			
Recoveries	19	489,076	-
Licenses and permits	17	2,255,000	517,000
Government grants & subsidies	22	269,415,374	267,281,891
Total revenue from non- exchange transactions		272,159,450	267,798,891
Total revenue	14	358,093,554	359,164,110
Expenditure			
Employee related costs	23	(255,310,057)	(245,454,976)
Remuneration of councillors	24	(12,826,039)	(11,499,651)
Depreciation and amortisation	25	(13,586,459)	(16,230,445)
Impairment loss		(12,279,296)	-
Lease rentals on operating lease	26	(7,954,734)	(7,741,861)
Debt Impairment	27	(44,584,162)	(2,187,194)
Contracted services	28	(53,493,873)	(53,441,090)
Transfers and Subsidies	21	(10,238,715)	(12,370,265)
Loss on disposal of assets and liabilities		-	(177,522)
Sale of goods/Inventory	30	(3,373,952)	(2,792,045)
General Expenses	31	(33,796,965)	(40,091,738)
Total expenditure		(447,444,252)	(391,916,362)
Operating deficit for the year		(89,350,698)	(32,752,252)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Opening balance as previously reported		47,657,080	47,657,080
Adjustments (Change in accounting policy)	36.2	-	-
Correction of errors	36.1	16,598,271	16,598,271
Balance at 1 July, 2016 as restated*		64,255,351	64,255,351
Changes in net assets			
Surplus (Deficit) for the year		(32,752,252)	(32,752,252)
Total recognised income and expenses for the year		(32,752,252)	(32,752,252)
Opening balance as previously reported		16,423,373	16,423,373
Adjustments (Change in accounting policy)	36.2	-	-
Correction of errors	36.1	15,079,726	15,079,726
Balance at 1 July, 2017 as restated*		31,503,099	31,503,099
Changes in net assets			
Revalued on Heritage assets		432,061	432,061
Surplus (Deficit) for the year		(89,350,698)	(89,350,698)
Total recognised income and expenses for the year		(88,918,637)	(88,918,637)
Balance at 30 June, 2018		(57,415,538)	(57,415,538)

Sedibeng District Municipality
Financial Statements for the year ended 30 June, 2018

Cash Flow Statement

Figures in Rand

	Note(s)	2018	2017 as restated
Cash flows from operating activities			
Receipts			
Grants & subsidies		271,806,985	264,250,405
Interest income		2,835,809	2,137,929
Other receipts		18,193,631	42,702,189
License Receipts		246,458,670	241,589,199
		539,295,095	550,679,722
Payments			
Employee costs		(268,036,696)	(256,954,627)
Suppliers		(113,334,011)	(152,209,620)
Licensing Authority		(159,931,866)	(123,207,760)
		(541,302,573)	(532,372,007)
Net cash flows from operating activities	32	(2,007,478)	18,307,715
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(2,808,538)	(4,444,487)
Proceeds from sale of property, plant and equipment		87,741	311,345
Purchase of other intangible assets	3	(317,424)	(1,203,609)
Net cash flows from investing activities		(3,038,221)	(5,336,751)
Net increase/(decrease) in cash and cash equivalents		(5,045,699)	12,970,963
Cash and cash equivalents at the beginning of the year		21,873,671	8,902,708
Cash and cash equivalents at the end of the year	9	16,827,972	21,873,671

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	3,000,000	600,000	3,600,000	3,534,163	(65,837)
Rental of facilities and equipment	619,800	66,573	686,373	570,958	(115,415)
Agency services	7,953,306	72,048,149	80,001,455	71,182,541	(8,818,914)
Commissions received	8,000,000	(1,194,416)	6,805,584	6,810,435	4,851
Other income - (rollup)	624,143	98,615	722,758	986,341	263,583
Interest received - investment	1,680,000	-	1,680,000	2,835,809	1,155,809
Gain on disposal of assets and liabilities	100,000	-	100,000	13,857	(86,143)
Total revenue from exchange transactions	21,977,249	71,618,921	93,596,170	85,934,104	(7,662,066)

Revenue from non-exchange transactions

Licenses or Permits (Non-exchange)	73,919,504	(73,919,504)	-	-	-
Recoveries	-	489,076	489,076	489,076	-
Licenses and permits	-	860,000	860,000	2,255,000	1,395,000
Government grants & subsidies	268,290,000	3,426,984	271,716,984	269,415,374	(2,301,610)
Total revenue from non-exchange transactions	342,209,504	(69,143,444)	273,066,060	272,159,450	(906,610)

Total revenue	364,186,753	2,475,477	366,662,230	358,093,554	(8,568,676)
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Expenditure

Personnel	(250,028,612)	645,643	(249,382,969)	(255,310,057)	(5,927,088)
Remuneration of councillors	(12,638,928)	(448,374)	(13,087,302)	(12,826,039)	96,093
Depreciation and amortisation	(16,896,075)	2,025,027	(14,871,048)	(13,586,459)	1,284,589
Impairment loss	-	-	-	(12,279,296)	(12,279,296)
Lease rentals on operating lease	(7,852,080)	(622,417)	(8,474,497)	(7,954,734)	519,763
Contracted Services	(45,148,108)	(9,914,996)	(55,063,104)	(53,493,873)	1,569,231
Debt impairment	-	-	-	(44,584,162)	(44,584,162)
Transfers and Subsidies	(10,280,000)	23,016	(10,256,984)	(10,238,715)	18,269
Sale of goods/Inventory	-	(2,914,269)	(2,914,269)	(3,373,952)	(459,6837)
General Expenses	(42,599,075)	8,090,672	(34,508,403)	(33,796,965)	876,608
Total expenditure	(385,442,878)	(3,115,698)	(388,558,576)	(447,444,252)	(58,885,676)

Operating deficit	(21,256,125)	(640,221)	(21,896,346)	(89,350,698)	(67,454,352)
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(21,256,125)	(640,221)	(21,896,346)	(89,350,698)	(67,454,352)
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Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved budget Adjustments Final Budget Actual amounts on comparable basis Difference between final budget and actual

Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	-	-	-	157,811	157,811
Receivables from exchange transactions	35,892,998	-	35,892,998	4,475,416	(31,417,582)
VAT receivable	-	-	-	446,690	446,690
Cash and cash equivalents	19,256,874	-	19,256,874	16,827,972	(2,428,902)
	55,149,872	-	55,149,872	21,907,889	(33,241,983)

Non-Current Assets

Property, plant and equipment	115,657,775	(650,283)	115,007,492	103,671,407	(11,336,085)
Intangible assets	3,200,000	-	3,200,000	2,392,782	(807,218)
Heritage assets	-	-	-	4,894,941	4,894,491
	118,857,775	(650,283)	118,207,492	110,959,130	(7,248,362)

Total Assets	174,007,647	(650,283)	173,357,364	132,867,019	(40,490,346)
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Liabilities

Current Liabilities

Payables from exchange transactions	132,121,407	-	132,121,407	175,008,293	42,886,886
Unspent conditional grants and receipts	-	-	-	15,274,264	15,274,264
	132,121,407	-	132,121,407	190,282,557	58,161,150

Total Liabilities	132,121,407	-	132,121,407	190,282,557	58,161,150
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Net Assets	41,886,240	(650,283)	41,235,957	(57,415,538)	(98,651,495)
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	41,886,240	(650,283)	41,235,957	(57,415,538)	(98,651,495)
Total Net Assets	41,886,240	(650,283)	41,235,957	(57,415,538)	(98,651,495)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Grants	268,290,000	3,426,984	271,716,984	271,806,985	90,001
Other receipts	95,896,753	(951,507)	94,945,246	21,029,440	(73,915,806)
License Receipts	-	-	-	246,458,670	246,458,670
	359,259,635	2,739,136	361,998,771	539,295,095	172,632,865

Payments

Employee costs	(262,667,540)	197,269	(262,470,271)	(268,036,696)	(5,566,425)
Suppliers	(105,879,213)	(5,338,044)	(111,217,257)	(113,334,011)	(2,116,754)
Licensing Authority	-	-	-	(159,931,866)	(159,931,866)
	(368,546,753)	(5,140,775)	(373,687,528)	(541,302,573)	(167,615,045)

Net cash flows from operating activities	(4,360,000)	(2,665,298)	(7,025,298)	(2,007,478)	5,017,820
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Cash flows from investing activities

Purchase of property, plant and equipment	(2,800,000)	650,283	(2,149,717)	(2,808,538)	(658,821)
Proceeds from sale of property, plant and equipment	-	-	-	87,741	87,741
Purchase of other intangible assets	(3,200,000)	-	(3,200,000)	(317,424)	2,882,576

Net cash flows from investing activities	(6,000,000)	650,283	(5,349,717)	(3,038,221)	2,311,496
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Net increase/(decrease) in cash and cash equivalents	(10,360,000)	(2,015,015)	(12,375,015)	(5,045,699)	7,329,316
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Cash and cash equivalents at the beginning of the year	9,755,018	12,121,853	21,876,871	21,873,671	(3,200)
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Cash and cash equivalents at the end of the year	(604,982)	10,106,838	9,501,856	16,827,972	7,326,116
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Sedibeng District Municipality

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	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Investment revenue	1,680,000	-	1,680,000	1,680,000	2,835,809	1,155,809	169%	169%
Transfers recognised - operational	268,290,000	3,426,984	271,716,984	271,716,984	269,415,374	(2,301,610)	99%	100%
Other own revenue	94,216,753	(951,507)	93,265,246	93,265,246	85,842,371	(7,422,875)	92%	91%
Total revenue (excluding capital transfers and contributions)	364,186,753	2,475,477	366,662,230	366,662,230	358,093,554	(8,568,676)	98%	98%
Employee costs	(250,028,612)	645,643	(249,382,969)	(249,382,969)	(255,310,057)	(5,927,088)	102%	102%
Remuneration of councillors	(12,638,928)	(448,374)	(13,087,302)	(13,087,302)	(12,826,039)	261	99%	103%
Debt impairment	-	-	-	-	(44,584,162)	(44,584,162)	-	-
Depreciation and asset impairment	(16,896,075)	2,025,027	(14,871,048)	(14,871,048)	(25,865,755)	(10,994,707)	174%	153%
Transfers and grants	(10,280,000)	23,016	(10,256,984)	(10,256,984)	(10,238,715)	18,269	100%	100%
Other expenditure	(95,599,263)	(5,361,010)	(100,960,273)	(100,960,273)	(98,619,524)	2,340,749	98%	103%
Total expenditure	(385,442,878)	(3,115,698)	(388,558,576)	(388,558,576)	(447,625,052)	(58,885,676)	115%	118%
Surplus/(Deficit) for the year	(21,256,125)	(640,221)	(21,896,346)	(21,896,346)	(89,350,698)	(67,454,352)	408%	420%

Sedibeng District Municipality

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	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital Expenditure and funds sources								
Total capital expenditure	6,000,000	(650,283)	5,349,717	5,349,717	3,125,963	(2,223,754)	58%	52%
Sources of capital funds								
Internally generated funds	6,000,000	(650,283)	5,349,717	5,349,717	3,125,963	(2,223,754)	58%	52%
Total sources of capital funds	6,000,000	(650,283)	5,349,717	5,349,717	3,125,963	(2,223,754)	58%	52%
Cash Flows								
Net cash from (used) operating	(4,460,050)	(2,665,248)	(7,125,298)	(7,125,298)	(2,007,478)	5,117,820	28%	45%
Net cash from (used) investing	(5,900,000)	650,283	(5,249,717)	(5,249,717)	(3,038,221)	2,211,496	58%	51%
Net increase/(decrease) in cash and cash equivalents	(10,360,050)	(2,014,965)	(12,375,015)	(12,375,015)	(5,045,699)	7,329,316	41%	49%
Cash and cash equivalents at the beginning of the year	9,755,018	12,121,853	21,876,871	21,876,871	21,873,671	(3,200)	100%	224%
Cash and cash equivalents at year end	(605,032)	10,106,888	9,501,856	9,501,856	16,827,972	(7,326,116)	177%	(2,781)%

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

The following GRAP standards have been approved and are effective:

GRAP 1 -	Presentation of financial statements
GRAP 2 -	Cash flow statements
GRAP 3 -	Accounting policies, changes in accounting estimates and errors
GRAP 4 -	The effects of changes in foreign exchange rates
GRAP 5 -	Borrowing costs
GRAP 6 -	Consolidated and separate financial statements
GRAP 7 -	Investments in associates
GRAP 8 -	Interest in joint ventures
GRAP 9 -	Revenue from exchange transactions
GRAP 10 -	Financial reporting in hyperinflationary economies
GRAP 11 -	Construction contracts
GRAP 12 -	Inventories
GRAP 13 -	Leases
GRAP 14 -	Events after the reporting date

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

GRAP 16 -	Investment property
GRAP 17 -	Property, plant and equipment
GRAP 19 -	Provisions, contingent liabilities and contingent assets
GRAP 21 -	Impairment of non-cash generating assets
GRAP 23 -	Revenue from non-exchange transactions
GRAP 24 -	Presentation of budget information
GRAP 25 -	Employee Benefits
GRAP 26 -	Impairment of cash generating assets
GRAP 31 -	Intangible assets
GRAP 103 -	Heritage assets
GRAP 104 -	Financial instruments
GRAP 100 -	Discontinued operations
GRAP 27 -	Agriculture

The following GRAP statements have been approved but are not yet effective:

GRAP 18 -	Segment reporting
GRAP 20 -	Related party disclosure
GRAP 105 -	Transfer of functions between entities under common control
GRAP 106 -	Transfer of functions between entities not under common control
GRAP 107 -	Mergers
GRAP 108 -	Statutory Receivables
GRAP 32 -	Service Concession Arrangements: Grantor
iGRAP 17 -	Service concession arrangements where a grantor controls a significant residual interest in an asset
Directive 11 -	Changes in measurement bases following the initial adoption of standards of GRAP

Offsets

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

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

1.3 SIGNIFICANT ESTIMATES, JUDGMENTS AND ASSUMPTIONS

1.3.1 Going Concern

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

1.3.2 Significant Estimates, Judgments and Assumptions

In preparing the annual financial statements to conform with the Standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 2, 3 & 4: PPE, Intangible assets and Heritage assets useful lives estimates

Note 12: Provisions

Note 28: Contingencies

Note 10: Lease classification

Note 24: Debt Impairment

1.4 GOVERNMENT GRANT

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.5 PROPERTY, PLANT & EQUIPMENT

1.5.1 Recognition and Subsequent Measurement

An item of property, plant and equipment which qualifies for recognition as an asset has been initially measured at cost less subsequent depreciation.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is available for use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

1.5.2 De-recognition, Sale & Disposal

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

1.5.3 Depreciation

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful life of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated useful life:

Community Assets	Years
Community halls	30
Recreation facilities	20 – 30

Other Assets	Years
Motor vehicles	5
Plant and equipment	5
Security measures	5
Buildings	30
IT equipment	5
Office equipment	7
Specialised vehicles	10

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the previous estimate.

1.6 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognised in the Statement of Financial Performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

1.6.1 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Financial Performance when incurred.

Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

1.6.2 Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

Item	Useful Life
Computer software	3 Years

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

1.7 IMPAIRMENT OF FINANCIAL ASSETS

Impairment of Non-financial assets

Non-Financial assets, excluding investment property and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit is less than its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

A financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in net assets are removed from net assets as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

1.8 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

1.9 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

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

1.10 INVENTORIES

Inventories are initially measured at cost, where cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Unsold aviation fuel are valued at the lower of cost and net realisable value on a specific identification cost basis. Fuel are recognized as inventory when purchased, and then charged to expense when sold. Aviation fuel are sold in line with the applicable tariff as promulgated.

1.11 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with banks. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

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

The municipality on initial adoption of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The necessary disclosures have been made for non-recognition of provisions that form part of the cost of an asset.

1.13 EMPLOYEE BENEFITS

1.13.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

1.13.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.13.3 Retirement benefits

The municipality provides retirement benefits for its employees and councilors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions.

1.13.4 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.13.5 Post employment medical care benefits

The municipality provides post-employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

The municipal post-employment medical care is also on the defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

1.14 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.14.1 Revenue from exchange transactions

Rendering of services

Flat rate service charges relating to rental of facilities and the reporting date shall be recognised when:

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of the principal has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

Sale of Goods

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

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

1.14.2 Revenue from non-exchange transactions

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the Municipality.

1.14.3 Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

1.14.4 Other

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 councilors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.15 VALUE ADDED TAX

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

1.16 UNAUTHORISED EXPENDITURE

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

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

1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 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 where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 COMPARATIVE INFORMATION

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

1.20 CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

1.21 RELATED PARTIES

Related parties are identified and disclosed in terms of GRAP 20. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Associates (as per GRAP 7 - Investments in Associates);
- Joint ventures (as per GRAP 8 - Interests in Joint Ventures)
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Management, and close members of the family of management; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the two bullets above, or over which such a person is able to exercise significant influence.

Each municipality and its own municipal entities are related parties. A municipality is not related to another municipality as

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

they are not under common control.

The national government does not control provinces or municipalities for accounting purposes, although funding may be received from the national government.

The Municipality does not have and associates nor any joint ventures or any other form of association that may be defined as related party relation.

1.22 HERITAGE ASSETS

A heritage asset is as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held indefinitely for the benefit of present and future generations. The entity 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 entity, and the cost or fair value of the asset can be measured reliably. 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. The cost of a purchased heritage asset comprises:

- Heritage assets are subsequently measured at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.
- Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.
- Most heritage assets have an indefinite useful life as they are to be preserved for current and future generations and might appreciate in value over time due to their cultural, environmental, historical, natural, scientific, technological and/or artistic significance. Based on this analysis, there is no finite limit to the period over which a heritage asset is expected to be held by the entity. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.
- The entity derecognises heritage asset on disposal, or when no service potential are expected from its use or disposal.
- The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.23 BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 01 Jul 2017 to 30 Jun 2018.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts (see page 9 - 11)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

2. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	41,299,080	(12,279,296)	29,019,784	41,299,080	-	41,299,080
Buildings	76,948,439	(25,414,022)	51,534,417	76,948,438	(22,789,895)	54,158,543
Plant and machinery	11,426,314	(9,235,304)	2,191,010	10,845,871	(8,632,851)	2,213,020
Furniture and fixtures	18,310,740	(16,100,878)	2,209,862	18,020,961	(15,455,552)	2,565,409
Motor vehicles	7,458,432	(5,857,296)	1,601,136	7,569,632	(5,893,462)	1,676,170
Electronic equipment	77,055,727	(65,527,109)	11,528,618	75,281,207	(57,761,713)	17,519,494
Infrastructure	67,418,202	(61,831,622)	5,586,580	67,418,203	(60,934,383)	6,483,820
Total	299,916,934	(196,245,527)	103,671,407	297,383,392	(171,467,856)	125,915,536

Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	41,299,080	-	-	-	(12,279,296)	29,019,784
Buildings	54,158,543	-	-	(2,624,126)	-	51,534,417
Plant and machinery	2,213,020	630,837	(21,725)	(631,122)	-	2,191,010
Furniture and fixtures	2,565,409	296,536	(800)	(651,283)	-	2,209,862
Motor vehicles	1,676,170	-	(11,120)	(63,914)	-	1,601,136
Electronic equipment	17,519,494	1,881,165	(40,239)	(7,831,802)	-	11,528,618
Infrastructure	6,483,820	-	-	(897,240)	-	5,586,580
	125,915,536	2,808,538	(73,884)	(12,699,487)	(12,279,296)	103,671,407

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land	41,299,080	-	-	-	41,299,080
Buildings	56,553,873	-	-	(2,395,330)	54,158,543
Plant and machinery	1,840,664	914,677	(16,539)	(525,782)	2,213,020
Furniture and fixtures	3,092,084	368,064	(1,003)	(893,736)	2,565,409
Motor vehicles	2,165,117	-	(425,037)	(63,910)	1,676,170
Electronic equipment	25,052,273	2,475,068	(46,288)	(9,961,559)	17,519,494
Infrastructure	7,296,230	686,678	-	(1,499,088)	6,483,820
	137,299,321	4,444,487	(488,867)	(15,339,405)	125,915,536

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

Note must be taken that the impairment on land related to the Vereeniging Aerodrome is due to the valuation roll of Emfuleni which indicate a lower value and therefore the impairment. A revaluation of the land will be performed in the 2018/2019 financial year in order to obtain a correct value.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

The municipality also incurred **repair and maintenance** on the assets as outlined below.

Buildings, Fences and Sites	2,104,248	2,727,440
Plant and Equipment	1,035,499	995,773
Infrastructure	2,664,912	912,100
Vehicle	361,399	625,727
Total repair and maintenance	6,166,058	5,261,040

3. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	12,514,575	(10,121,793)	2,392,782	12,197,151	(9,234,822)	2,962,329

Reconciliation of intangible assets – 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,962,329	317,424	(886,971)	2,392,782

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,649,759	1,203,609	(891,039)	2,962,329

4. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	1,527,941	(19,000)	1,508,941	1,076,880	-	1,076,880
Historical monuments	3,386,000	-	3,386,000	3,386,000	-	3,386,000
Total	4,913,941	(19,000)	4,894,941	4,462,880	-	4,462,880

Reconciliation of heritage assets 2018

	Opening balance	Transfer received	Impairment losses recognized	Total
Art Collections, antiquities and exhibits	1,076,880	451,061	(19,000)	1,508,941
Historical monuments	3,386,000	-	-	3,386,000
	4,462,880	451,061	(19,000)	4,894,941

Reconciliation of heritage assets 2017

	Opening balance	Total
Art Collections, antiquities and exhibits	1,076,880	1,076,880
Historical monuments	3,386,000	3,386,000
	4,462,880	4,462,880

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

5. Construction of assets in progress

Sharpeville police station	-	561,118
	-	561,118

6. Inventories

Fuel – Airport

Both AVGAS and JET A1 are sold at the Vereeniging Aerodrome

Aviation Fuel

157,811	355,001
157,8118	355,001

7. Receivables from exchange transactions

Trade Debtors	-	-
Employee costs in advance	605,570	821,213
Prepayments	13,857	3,063
VAT on Accruals	1,225,798	1,347,098
SETA Refunds	89,391	52,622
Insurance debtor	70,364	236,300
Recoverable fruitless and wasteful expenditure	41,098	54,497
Bank Error	49,291	-
Interest Receivable on bank account	149,185	144,731
Related parties - Agency services	2,068,629	34,573,108
EPWP Bridging Finance	162,229	-
Gross amount	4,475,416	37,232,632

Trade debtors

Current (0 – 30 days)	-	-
31 – 60 days	-	-
61 – 90 days	-	-
>91	2,079,498	2,079,498
Less: Provision for Debt Impairment (opening balance)	(2,079,498)	(2,079,498)
Total Trade Debtors	-	-

Employee cost recoverable

Current (0 – 30 days)	10,030	272,040
>91	595,540	549,173
Total Employee cost recoverable	605,570	821,213

Pre payments

Current (0 – 30 days)	10,794	
>91	3,063	3,063
Total Pre payments	13,857	3,063

VAT on Accruals

Current (0 – 30 days)	466,017	587,317
>91 days	759,781	759,781
Total VAT on Accruals	1,225,798	1,347,098

SETA Refunds

Current(0-30 days)	89,391	52,622
>120 days	-	-
Total SETA Refunds	89,391	52,622

Insurance claims

Current (0-30days)	70,364	236,300
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Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

	2018	2017 as restated
Recoverable fruitless and wasteful expenditure		
Current (0 – 30 days)	41,098	54,497
Bank Error		
Current (0 – 30 days)	49,291	-
Interest receivable		
Current (0 – 30 days)	149,185	144,731
Agency services		
Current (0 – 30 days)	1,625,707	2,933,840
31 – 60 days	1,566,171	5,341,883
61 – 90 days	941,573	1,494,353
91 – 120 days	896,142	1,527,571
>120 days	41,623,198	23,275,461
Less: Provision for Debt Impairment (current year)	(44,584,162)	-
Total Local Municipalities Agency services	2,068,629	34,573,108

A provision for bad debt was raised for the outstanding debt arising from agency services rendered to Emfuleni Local Municipality.

EPWP Bridging Finance

Current (0 – 30 days)	162,229	-
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8. VAT receivable

VAT	456,622	-
Council is registered on the cash basis for VAT, This amount is due from SARS based on submitted returns		

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	39,125	39,125
Cash book balances	16,788,847	21,575,850
Investment deposits	-	258,696
	16,827,972	21,873,671

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2018	30 June, 2017	30 June, 2016	30 June, 2018	30 June, 2017	30 June, 2016
ABSA BANK - Previous Primary Account 0480863380	-	350,236	949,950	-	350,236	944,694
ABSA BANK - Licensing Function 4057956448	-	927,213	501,621	-	927,213	501,621
STANDARD BANK - Primary Account 21777667	372,735	1,868,560	1,481,914	372,735	1,705,707	1,472,194
STANDARD BANK - Licensing Account 21781494	443,565	18,592,694	5,695,647	443,565	18,592,694	5,695,647
NEDBANK – Primary Account 1152944835	1,926,317	-	-	1,761,552	-	-
NEDBANK – Licensing Account 1152944606	14,210,995	-	-	14,210,995	-	-

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

Total	16,953,612	21,738,703	8,629,132	16,788,847	21,575,850	8,614,156
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10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Provincial Grants	15,067,804	13,264,193
National Grants	-	-
DLG Grants	206,460	206,460
	15,274,264	13,470,653

Movement during the year

Balance at the beginning of the year	13,470,653	16,502,439
Additions during the year	16,937,985	13,368,105
Income recognition during the year	(14,703,239)	(16,399,891)
Grant Reversal / forfeit	(431,135)	
	15,274,264	13,470,653

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 22 for reconciliation of grants from National/Provincial Government.

11. Payables from exchange transactions

Trade payables	5,536,340	21,958,838
Payments received in advanced	2,378,000	-
Accrued leave pay	22,852,190	20,597,316
Operating lease liability	77,781	231,847
Department of Transport (License fees)	96,520,790	69,120,411
Local Municipalities Accounts	40,210,938	29,222,174
Vat Accrued on Debtors	5,466,537	4,059,289
Retention on Capital Projects	72,125	287,500
Compensation Commissioner	1,522,065	-
Mayoral Event	41,928	41,928
Refundable town hall rental deposits	215,388	176,879
Unclaimed Salaries	21,799	11,112
Salaries in arrears	-	8,247
Unknown deposits	92,412	92,412
Deferred Asset Transfer to Locals	-	561,118
	175,008,293	146,369,071

13. VAT payable

Tax refunds payables	-	2,020,344
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14. Revenue

Sale of goods	3,534,163	3,241,227
Rental of facilities and equipment	570,958	799,915
Agency services	71,182,541	69,514,567
Licenses and permits	2,255,000	517,000
Commissions received	6,810,435	6,748,376
Recoveries	489,076	-
Other income	986,341	8,923,205
Interest received - investment	2,835,809	2,137,929

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

	2018	2017 as restated
Gain on disposal of assets and liabilities	13,857	
Government grants & subsidies	269,415,374	267,281,891
	358,093,554	359,164,110

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

Sale of goods	3,534,163	3,241,227
Rental of facilities and equipment	570,958	799,915
Agency services	71,182,541	69,514,567
Commissions received	6,810,435	6,748,376
Other income	986,341	8,923,205
Gain on disposal of assets and liabilities	13,857	
Interest received - investment	2,835,809	2,137,929
	85,934,104	91,882,219

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

Taxation revenue		
Licenses and permits	2,255,000	517,000
Recoveries	489,076	-
Transfer revenue		
Government grants & subsidies	269,415,374	267,281,891
	272,159,450	267,798,891

15. Rental of facilities and equipment

Facilities and equipment

Facilities & equipment	361,099	586,288
Garages and parking		
Parking	209,859	213,627
	570,958	799,915

16. Agency services

Information Technology services	10,455,732	8,810,807
Department of Transport	60,726,809	60,703,760
	71,182,541	69,514,567

17. Licenses and permits (from non-exchange transactions)

Health Certificates	2,255,000	517,000
	2,255,000	517,000

18. Other Revenue

Commissions received	6,810,435	6,748,376
Other income - (consolidated)	986,341	8,923,205
	7,796,776	15,671,581

18.1 Other income – (consolidated)

Communication Centre fees recovered	-	2,608,946
Ad-hoc Income	-	5,658,949
Skills Levy Income	425,295	411,303
Incidental income	92,956	75
Tender Income	14,322	68,798
Commission on Salaries	200,467	156,133
Staff recoveries	253,301	19,001
	986,341	8,923,205

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

	2018	2017 as restated
19. Recoveries from non-exchange transactions		
Fraud recovery recoveries		
Progress on recoveries from cyber hacking theft which occurred in March 2016.	489,076	-
20. Investment revenue		
Interest revenue		
Bank	2,835,809	2,137,929
21. Grants and subsidies paid		
Other subsidies		
Grants paid to Local Municipalities	-	2,161,972
Grant allocation payments	10,238,715	10,208,293
	<u>10,238,715</u>	<u>12,370,265</u>
22 Government grants and subsidies received		
Operating grants		
Equitable share	254,779,000	250,882,000
HIV and AIDS Grants	7,750,649	7,392,865
EPWP Grant	2,490,000	665,769
Rural Roads Grant	2,431,000	2,276,000
Agriculture Grant	714,725	2,815,428
National Grants	1,250,000	1,285,887
Licensing revitalization grant	-	1,305,000
Precinct and deed transfer grants	-	658,942
	<u>269,415,374</u>	<u>267,281,891</u>
Equitable Share		
Current-year receipts	(254,779,000)	(250,882,000)
Conditions met - transferred to revenue	254,779,000	250,882,000
	<u>-</u>	<u>-</u>
Provincial Grants		
Balance unspent at beginning of year	13,264,193	16,260,091
Current-year receipts	15,687,985	12,118,106
Conditions met - transferred to revenue	(13,453,239)	(15,114,004)
Grants forfeited	(431,135)	
	<u>15,067,804</u>	<u>13,264,193</u>

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

Reconciliation of Unspent Conditional Grants

	Opening Balance July 2017	Grants Received 2017/18	Grants Spent/ forfeit 2017/18	Unspent Grants June 2018
LED Project	119,378			119,378

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

			2018	2017 as restated
HIV/AIDS	23,135	7,766,985	(7,750,649)	39,471
Establishment of Shared Services	350,000	-	-	350,000
Agriculture	3,024	3,000,000	(714,725)	2,288,299
Transfer of Informal Settlements	12,360,425	-	(90,000)	12,270,425
EPWP Grant	334,231	2,490,000	(2,824,231)	-
Rural Roads	74,000	2,431,000	(2,504,769)	231
	13,264,193	15,687,985	(13,884,374)	15,067,804

National Grants

	2018	2017 as restated
Balance unspent at beginning of year	-	35,887
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,285,887)
Grant Reversal / Forfeit	-	-
	-	-

Conditions still to be met - remain liabilities (see note 10).
Reconciliation of Unspent Conditional Grants

	Opening Balance July 2017	Grants Received 2017/18	Grants Spent/Forfeit 2017/18	Unspent Grants June 2018
Municipal Finance Management Grant	-	1,250,000	(1,250,000)	-
	-	1,250,000	(1,250,000)	-

COGTA Grants

	2018	2017 as restated
Balance unspent at beginning of year	206,460	206,460
Conditions met - transferred to revenue	-	-
	206,460	206,460

Conditions still to be met - remain liabilities (see note 10).
Reconciliation of Unspent Conditional Grants

	Opening Balance July 2017	Grants Received 2017/18	Grants Spent/forfeit 2017/18	Unspent Grants June 2018
Sharpeville Public Library	206,460		-	206,460
	206,460		-	206,460

Changes in level of government grants.

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

23. Employee related costs

Employee related cost exclusive of Section 57 employees	159,874,479	153,475,450
Bonus	12,786,887	10,578,079
Medical aid - company contributions	15,028,280	13,833,896
UIF	1,059,734	1,046,188
Other payroll levies	3,090,284	2,703,190
Leave pay provision charge	4,482,827	5,535,936
Defined contribution plans	32,291,281	28,770,301
Overtime payments	7,050,336	7,778,101
Car allowance	10,372,857	9,690,504
Housing benefits and allowances	1,455,836	1,379,607
Telephone Allowances	12,600	28,020
Standby Allowance	775,451	637,732
Termination benefits	1,554,137	1,290,259
	249,834,989	236,747,263

Remuneration of Municipal Manager

Annual Remuneration	1,618,108	1,585,202
Car Allowance	180,000	15,000
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	1,785	63,088
Other	794	-
	1,800,687	1,663,290

The Municipal Manager was appointed on the 1st of June 2017

Remuneration of Chief Financial Officer

Annual Remuneration	115,050	875,100
Car Allowance	12,000	117,968
Contributions to UIF, Medical and Pension Funds	18,516	-
Other	400	168,581
	145,966	1,161,649

The Chief Financial Officer contract ended the end July 2017 and the position is currently vacant where an acting CFO is currently in the position and therefore the figures reflect the CFO's figures for July 2017 only.

Remuneration of Chief Operations Officer

Annual Remuneration	106,442	1,092,939
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	5,172	172,056
Other	-	-
	111,614	1,264,995

The Chief Operations Officer position was abolished in July 2017 whereby remuneration was only paid for July 2017.

Remuneration of Executive Director – Corporate services

Annual Remuneration	731,281	866,283
Car Allowance	161,131	150,000
Contributions to UIF, Medical and Pension Funds	27,997	81,947

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

	2018	2017 as restated
Other	8,966	45,268
	929,375	1,143,498

Remuneration of Executive Director – Community services

Annual Remuneration	686,762	738,242
Car Allowance	135,000	95,000
Contributions to UIF, Medical and Pension Funds	1,570	81,433
Other	-	138,398
	823,332	1,053,072

Remuneration of Executive Director – Strategic Planning and Economic development

Annual Remuneration	614,891	779,376
Car Allowance	117,967	178,357
Contributions to UIF, Medical and Pension Funds	90,474	201,353
Other	-	58,186
	823,332	1,217,272

Remuneration of Executive Director – Transport, Infrastructure and Environment

Annual Remuneration	673,252	1,111,280
Car Allowance	142,500	90,000
Contributions to UIF, Medical and Pension Funds	25,010	2,657
Other	-	-
	840,762	1,203,937

Total personnel cost	255,310,057	245,454,976
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The executive directors were all newly appointed in 2017 and are being remunerated in accordance with the upper limit gazette number 40118 of 4 July 2016.

24. Remuneration of councillors

Executive Major	1,066,135	877,282
Mayoral Committee Members	6,216,843	5,530,692
Speaker	844,126	743,907
Councillors	4,698,935	4,277,345
	12,826,0398	11,429,226

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Speaker have use of a Council owned vehicle for official duties.

The Executive Mayor and Speaker have full-time bodyguards

25. Depreciation and amortisation

Property, plant and equipment	12,699,488	15,527,875
Intangible assets	886,971	702,570
	13,586,459	16,230,445

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

	2018	2017 as restated
26. Lease rentals on operating lease		
Premises		
Contractual amounts	5,617,609	5,791,729
Motor vehicles		
Contractual amounts	1,653,067	1,578,911
Plant and equipment		
Contractual amounts	110,925	105,585
Contingent amounts	573,133	265,636
	7,954,734	7,741,861
27. Debt impairment		
Inventory	-	187,194
Debtors	44,584,182	2,000,000
	44,584,182	2,187,194
28. Contracted services		
Presented previously		
Consulting & professional services	-	3,473,318
General Expenses on Grants	-	5,245,583
Specialist Services	-	17,453,021
Other Contractors	-	4,329,222
Outsourced Services		
Administrative and Support Staff	17,981,491	-
Fire Services	41,227	-
Hygiene Services	198,515	-
Internal Auditors	834,048	-
Professional Staff	1,489,294	-
Security Services	14,003,690	17,190,770
Transport Services	24,459	-
Consultants and Professional Services		
Business and Advisory	8,682,493	-
Infrastructure and Planning	621,500	-
Legal Cost	1,276,624	-
Contractors		
Artists and Performers	147,373	-
Audio-visual Services	17,000	-
Catering Services	816,159	488,136
Event Promoters	979,056	-
Fire Services	23,878	-
Inspection Fees	68,981	-
Maintenance of Buildings and Facilities	2,104,248	2,727,440
Maintenance of Equipment	3,700,410	2,533,600
Medical Services	2,213	-
Pest Control and Fumigation	87,330	-
Plants, Flowers and Other Decorations	32,219	-
Transportation	361,399	-
	53,493,873	53,441,090

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

29. General expenses

Advertising	188,970	616,732
Assessment rates & municipal charges	1,435,160	1,654,809
Auditors remuneration	2,895,785	2,569,351
Bank charges	3,114,867	3,430,034
Computer expenses	726,179	1,003,126
Consumables	3,527,242	3,463,307
Entertainment	1,498	9,496
Insurance	2,105,066	2,210,005
IT expenses	2,922,102	2,500,686
Levies	2,126,476	2,056,515
Postage and courier	2,598	2,376
Printing and Publications	893,229	742,506
Protective clothing	140,497	417,312
Royalties and license fees	27,740	3,158
Staff welfare	-	189,000
Subscriptions and membership fees	2,517,857	2,370,212
Telephone and fax	5,017,175	5,124,407
Training	592,398	1,446,223
Subsistence & Travel	908,480	1,314,046
Campaigns	2,567,127	6,649,467
Congresses & Meetings	87,746	181,007
External Bursaries	241,745	525,540
Donations & Grants	145,000	136,139
WCA Contribution	1,522,065	1,405,860
	33,796,965	40,091,738

The municipality incurred R450,170 in expenditure related to Political Party Caucus funding in accordance with Council Caucus Funding Policy. Such expenditure is classified in accordance with the nature of the expense.

30. Sale of Goods

Sale of goods

Cost of Aviation fuel	3,373,952	2,792,045
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Aviation fuel (JET A1 and AVGAS) are sold at the Vereeniging Aerodrome.

31. Auditors' remuneration

Fees	2,895,785	2,569,351
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32. Cash generated from operations

Deficit	(89,350,698)	(32,752,252)
Adjustments for:		
Depreciation	13,586,459	16,230,445
Loss / (Gain) on sale of assets and liabilities	(13,857)	177,522
Impairment deficit	12,279,296	
Debt impairment	44,584,162	2,187,194
Changes in working capital:		
Inventories	197,190	(105,675)
Receivables from exchange transactions	32,757,216	(19,934,543)
Assets under construction	561,118	5,179,158
Debt Impairment	(44,584,162)	(2,187,194)
Payables from exchange transactions	28,639,221	50,342,513
VAT	(2,467,034)	2,123,054
Unspent conditional grants and receipts	1,803,611	(3,031,786)
	(2,007,478)	18,307,715

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

33. Risk management

Financial 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.

Interest rate risk

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Categories of Financial Instruments	2018	2017 as restated
Financial Assets		
Cash and cash equivalents	16,827,972	21,873,671
Inventories	157,8118	355,001
Trade and other receivables from exchange transactions	4,475,416	37,232,632
VAT Receivable	446,690	-
	21,907,889	60,022,422
Financial Liabilities		
Unspent conditional grants and receipts	15,274,264	13,470,653
VAT Payable	-	2,020,344
Trade and other payables from exchange transactions	175,008,293	146,369,071
Total Liabilities	190,282,557	161,860,068

If the interest rates received on investments increase or decrease by 100 basis points, the effect on the Statement of Financial performance would be as follows:

	2018		2017	
Floating Rate Financial Assets	Rate %	Effect on Surplus	Rate %	Effect on Surplus
Cash and cash equivalents	1%	168,280	1%	218,737
Inventories	1%	1,578	1%	3,550
Trade and other receivables from exchange transactions	1%	44,754	1%	372,326
Floating Rate Financial Liabilities				
Unspent conditional grants and receipts	1%	(152,743)	1%	(134,707)
Trade and other payables from exchange transactions	1%	(1,750,083)	1%	(1,463,691)

34. Commitments

34.1 Contracted capital and operating expenditure

Unspent conditional grants and receipts

Provincial Grants	14,598,426	13,264,193
	14,598,426	13,470,653

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

The current unspent conditional grants are all committed funds which still need to be utilized in order to meet the conditions as stipulated in the various government gazettes.

34.2 Operating leases - as lessee (expense)

Minimum lease payments due

Within one year	7,984,362	7,142,800
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Operating lease payments represent rentals payable by the municipality for certain of its office properties.

34.3 Operational expenses

Security contract

Within one year	15,890,852
Later than one year but not later than five years	15,890,852

The previous contract for security services had ended in 2017.

35. Contingencies

The Municipality may be liable for claims instituted against the Municipality by employees who have disputes against the Municipality. The amount is uncertain as an arbitration award has not yet being issued against those claims.

There is a discrepancy between the Department of Transport claim (TAS9) reports received and the actual collection which differ and has accumulated over the years to the amount of R 4,963,663.46. Further investigation is currently conducted in order to identify the discrepancy.

The rates and taxes account with Emfuleni is currently under dispute where the Vereeniging Aerodrome is registered at the deeds office as one whereby rates accounts is currently being subdivided into different stands. Charge out of fees to a separate account was also done whereby certain accounts are not payable by Sedibeng District Municipality. The amount currently in dispute amounts to R 18,037,030

36. Prior year amendments

36.1 Prior period errors

See below detail of corrections. The major correction was the overstatement of the Department of Transport as a creditor with an amount of R19,095,958 whereby the VAT accrued amount was R2,345,118 related to the Department of Transport. Security services rendered was also in dispute which resulted in a correction of R1,384,385.

The correction of the error(s) and change in accounting policy results in adjustments are as follow:

Statement of changes in net assets	
Closing balance 1 July 2017	47,467,455
Government grant reserve reversal	189,625
Department of transport (creditor) overstated	19,095,958
Debtors understated (shown as Debtor instead of a Creditor)	17 025
Creditor understated (Creditor shown incorrectly as a Debtor)	(17 025)
Yearend VAT on creditor overstated	(2,345,118)
Operating lease liability understated	(152,569)
Restated Closing balance 1 July 2017	64,255,351
Surplus (Deficit) for the year 2017	(31,044,078)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

Expenditure	(1,696,875)
Market Income overstated (Commission received)	(300)
Grants & subsidies	75,742
Loss on sale of assets	(7,463)
Operating lease	(79,278)
Restated Surplus (Deficit) for the year 2017	(32,752,252)

Revenue	2017 Restated	2017 Previous Year Stated	Variance
Commission received	6,748,376	6,748,676	(300)
Expenditure			
Insurance excess	(320,614)	(311,478)	(9,136)
Contracted security services	(17,190,770)	(15,806,385)	(1,384,385)
Legal fees	(3,374,090)	(3,299,043)	(75,047)
Depreciation	(16,230,445)	(16,002,138)	(228,307)
Transfers and Subsidies Paid	(12,370,265)	(12,446,007)	75,742
Loss or gain on sale of assets	(177,522)	(170,059)	(7,463)
Operating leases	(7,741,861)	(7,662,583)	(79,278)
Deficit for the year	(32,752,252)	(31,044,078)	(1,708,174)
2016/17 Corrections			16,787,900
Total Corrections			15,079,726

36.2 Change in accounting policy (Adjustments)

None

37. Going concern

We draw attention to the fact that at 30 June, 2018, the municipality had accumulated deficit of R57,415,538 and that the municipality's total liabilities exceed its assets by R 57,415,538.

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

As a District Municipality based on our powers and functions we are completely grant dependent. No other main revenue source is obtainable. Over the last 7 years, as a result of the global financial economy constraints, National Treasury downscaled and implemented austerity measures which resulted in the reduction of our main source of revenue, the Equitable share. It is as a result of the global financial constraint that the equitable share over the last 7 years were reduced far lessor than the CPI for each financial period. In addition the South African Local Bargaining Council was implementing salary increases at a higher rate than the equitable share growth allocated to municipalities over the last 6 years – Uncontrollable to municipalities. The reduction has been reported to National Treasury as our revenue source diminished. It was based on this reason that the District Municipality implemented austerity measures over the last 6 years which is still in place. The municipality performs daily, weekly and monthly cash flow reconciliations with projections to ensure that we are able to meet our obligations. The municipality adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

We draw further attention to the fact that at 30 June, 2018, the municipality's current liabilities exceed its current assets with R168,374,668. The municipality also had operating loss in the current financial year of R89,350,698 (previous financial year loss of R32,752,252) which resulted in a decline in the net asset value.

The Municipality is busy with a process of aligning the current powers and functions assigned to the District and the Locals in order to regain sustainability within the District. Drastic cost saving measures will be implemented starting with a process of restructuring the organization based on the assigned powers and functions. The Council has recently approved that it (Sedibeng District Municipality) should perform the section 84(1) powers and functions of the Municipal Structures Act 117 of 1998.

The municipality does not have any fixed-term borrowing or short term loans and therefore does not put reliance on borrowings.

The municipality does have comprehensive insurance on its assets as set out in the asset register.

38. Events after the reporting date

It has been identified that land is incorrectly registered at the Deeds Office in the name of Sedibeng District Municipality. These properties still need to be transferred to their rightful owner, Emfuleni Local Municipality.

Council received a report from MPAC in October 2018 whereby the irregular expenditure of R 3,566,122 from the prior years was investigated and recommended for write off as irrecoverable.

39. Unauthorised expenditure

The municipality is having an operating deficit resulting from overspending on the operating budget during the financial year to the amount of R 5,927,088 related to salary cost. This is inclusive of over expenditure amounts to R 1,271,793 related to VIP overtime.

40. Fruitless and wasteful expenditure

Possible fruitless and Wasteful expenditure are investigated and where applicable recovered from the Employee / Councillor concern. An amount of R 41,098 is currently being recovered from employees related to training cost. See annual report for details on all recoveries during the year.

Opening balance	603,670	723,768
Paid off during the year	(78,656)	(139,623)
-Fruitless and wasteful expenditure identified during the year	63,257	19,525
	588,271	603,670

41. Irregular expenditure

Irregular expenditure was incurred in the previous financial year based on an appointment made in deviating from the SCM legislation. The tender specifications were amended during the adjudication stage to accommodate an additional service. For all the expenditure incurred goods or services were received.

Irregular expenditure was incurred in the financial year based on appointments made in deviating from SCM legislation where the Bid adjudication committee was not composed in accordance with the SCM regulation 29(2) in the 2017/18 financial year. Irregular expenditure was also incurred on employee-related costs during the 2017/18 financial year.

Opening Balance	3,566,122	375,366
Paid off during the year	-	-
Irregular expenditure identified during the year	9,411,475	3,190,756
	12,977,597	3,566,122

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Figures in Rand

2018

2017 as
restated

42. Additional disclosure in terms of Municipal Finance Management Act

42.1 PAYE and UIF & Skills levy

Current year subscription / fee	42,054,592	41,522,244
Amount paid - current year	(42,054,592)	(41,522,244)
	-	-

42.2 Pension and Medical Aid Deductions

Current year subscription / fee	73,622,263	66,695,652
Amount paid - current year	(73,622,263)	(66,695,652)
	-	-

42.3 VAT

VAT receivable	456,622	-
VAT payable	-	2,020,344
	456,622	2,020,344

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

42.4 Television sets in terms of the Television License Regulations under the Broadcasting act no 4 of 1999, as amended

Description	Number of sets	Period that sets were in entity's possession
Owned television sets	51	51 sets were used for the full year;
Rented or leased television sets	-	
Number of sets donated/ alienated	-	
TOTAL	51	

42.5 Related party transactions

Councillors and specifically the Executive Mayor and Speaker remuneration in terms of the government gazette are shown separately in note 24.

Section 56 employees' (Key Management) remuneration packages are shown separately in note 23. Section 57 employees are required to enter into an annual performance contract where pre-determined objectives are linked to the integrated development Plan. Councillors and all officials must annually declare their interests and the interest of close family members to Council.

The Council is in the process of establishing a State Owned Company (SOC), "The Vaal River City Tourism Promotion Company SOC" which will operate as a municipal entity to render the local tourism function. The CIPC Commissioner has registered the entity taking effect as from 30 August 2013, however, the establishment of the entity as per section 84(2) MFMA have as yet not been concluded and operations were not undertaken in terms of sections 85 through to 104 MFMA and hence there are no further disclosures to be made in terms of section 92 MFMA for the year ended 30 June 2018.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

42.6 Declaration of business conducted to close family members of persons in the service of the state

The below table list the awards to close family members of persons in the service of the state and awards to persons in the service of the state.

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

Company Name	Initials	Surname	Designation and Employee NO.	Relationship with the company	Amount Paid
Panorama Bloemiste CC	CS	Heunes	Senior Accountant Expenditure (17530)	Spouse to the Director/Shareholder	R 29,640
Kopano Inhlango General Trading	PR	Maccamel	Admin Officer Taxi Tanks (00381)	Spouse	R 29 800
Sebokeng Multi media	NG	Hlongwane	MMC Strategic Planning	Business Partner	R 76 850
TOTAL					R 136 290

2. Awards to persons in the service of the state

Name of person	State institution where employed	Supplier name	Expenditure (Payments) – current year (R)
MM KUBHEKA	GP: EDUCATION	BONGANI MAKHUNGA TRADING ENTERPRISE	59 087.00
GERTRUIDA MATHILDA LANDMAN	South African Broadcasting Corporation	MEDIA 24	31 600.80
TP MUSHUNGWA	NAT: PUBLIC SERVICE & ADMINISTRATION	ENTERPRISES UNIVERSITY OF PRETORIA	45 970.00
TOTAL			136 657.80

43. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

DEVIATIONS APPROVED FOR THE FINANCIAL YEAR 2017/2018								
Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Goods and Services Procured	Nature of Deviation	Approved by:	Cluster	Amount	ELE
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	TL Appliances and Lawnmowers	15-Aug-17	Service and repair of equipment	It was impractical for a strip and quote assessment of repairs and then to proceed with a separate request to repair.	MM	Corporate Service	R 6,077.00	39075
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Amtronics/Diamond Corner	11-Oct-17	Public Participation Meeting at Vanderbijlpark Regarding shooting incident between SAPS and the foreign Nationals	It was an emergency meeting and the urgency of this matter prompted SCM to source three quotations	MM	Corporate Service	R 180,450.00	39417
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Amtronics/Diamond Corner	01-Nov-17	Sedibeng Mayoral Strategic Session.	The dates of the Retreat were changed leaving too little time to follow a 7-day Request for Formal Written Quotations process	MM	Office of the Municipal Manager	R 57,000.00	39504
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Khaya Ibhubesi Conference Centre	01-Nov-17	Sedibeng Mayoral Strategic Session.	The dates of the Retreat were changed leaving too little time to follow a 7-day Request for Formal Written Quotations process	MM	Corporate	R 97,202.10	39456
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	TM Bophelo Holding	13-Feb-18	Business Cards for Councillors Welfare and Support Section.	It was impractical to follow SCM process as the user department had already issued an instruction to proceed with the work despite the purchase order not being issued	MM	Speakers Office	R 2,739.00	40018

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

DEVIATIONS APPROVED FOR THE FINANCIAL YEAR 2017/2018								
Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Goods and Services Procured	Nature of Deviation	Approved by:	Cluster	Amount	ELE
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Saint George Hotel CC	21-Jun-18	Conference for Sedibeng Districtwide Whippery Lekgotla	It was impractical to follow SCM process due to the short notice given for following competitive bidding	MM	Office of the Municipal Manager	R 227,710.00	40675
Total							R 571,178.10	

Notes to the Financial Statements

44. Budget differences

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

Figures in Rand	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	3,600,000	3,534,163	65,837	1.9%	Less fuel sold than budget based on demand of fuel at the Vereeniging Aerodrome
Rental of facilities and equipment	686,373	570,958	115,415	20.2%	Decrease in rental income based on utilization of facilities
Agency services	80,001,455	71,182,542	8,818,913	12.4%	Decrease in licensing fees as a result of increase in collection agencies instituted by Department of Transport
Commissions received	6,805,584	6,810,435	(4,851)	(0.1%)	
Other income - (rollup)	722,758	986,341	(263,583)	(26.7%)	Higher than anticipated income based on increase in commission and staff recoveries
Interest received - investment	1,680,000	2,835,809	(1,155,809)	(40.8)	Interest higher than anticipated based on investments made
Gains on disposal of PPE	100,000	13,857	86,143	621.7%	More losses on assets than anticipated during the financial year
Total revenue from exchange transactions	93,596,170	85,934,105	7,662,065	8.92%	

Notes to the Financial Statements

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

Figures in Rand	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Non-exchange revenue					
Licenses and permits	860,000	2,255,000	(1,395,000)	(61%)	Increase in licensing fees as a result of implementation of the Air quality management act
Recoveries	489,076	489,076	-	-	
Government grants & subsidies	271,716,984	269,415,374	2,301,610	0.9%	
Total revenue from non-exchange transactions	273,066,060	272,159,450	906,610	0.3%	
Total revenue	366,662,230	358,093,554	8,568,676	2.39%	
Expenditure					
Personnel	(249,382,969)	(255,310,057)	5,927,088	(2.3%)	
Remuneration of councillors	(12,922,132)	(12,826,039)	(96,093)	2.0%	
Depreciation	(14,871,048)	(12,699,488)	(2,171,560)	17.1%	No split between Amortisation and depreciation made
Amortisation	-	(886,971)	886,971	(100.0%)	No budget provision made
Impairments		(12,279,296)	12,279,296	(100.0%)	No budget provision made
Debt impairment		(44,584,162)	44,584,162	(100.0%)	No budget provision made
Contracted Services	(55,063,104)	(53,493,876)	(1,569,228)	2.9%	
Transfers and Subsidies	(10,256,984)	(10,238,715)	(18,269)	0.2%	
General Expenses	(46,062,339)	(45,125,648)	(936,690)	2.0%	
Total expenditure	(388,558,576)	(447,444,252)	58,885,676	(0.5)	Refer to note 39

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

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

Figures in Rand	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Operating deficit	(21,896,346)	(89,350,698)	(67,454,352)		

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

45. Reclassification to MSCOA implementation

Reclassification was done on amounts from the previous year with the implementation of MSCOA. The movements within the various categories are outlined below:

	2017 Reported	2017 reclassified amount	Variance	move to/ from
45.1 Employee related costs				
Employee related costs	-248,917,351	-245,454,976	-3,462,375	To General expenses
Levies	2,056,515		2,056,515	From Employee related cost
WCA Contribution	1,405,860		1,405,860	From Employee related cost
	-245,454,976	-245,454,976	0	
45.2 Public Participation				
Public participation	-332,061	-	-332,061	To Campaigns (General expenses)
45.3 Repairs and maintenance				
Repairs and maintenance	-5,261,040	-	-5,261,040	To Contracted services
45.4 Contracted services				
Contracted services	-40,353,424	-53,441,090	13,087,666	
Repairs and maintenance	-5,261,040		-5,261,040	From Repair and Maintenance
Consulting and professional fees	-3,473,318		-3,473,318	From General expenses
Bank merchant charges	1,380,411		1,380,411	To General expenses
General Expenses on Grants	-5,245,583		-5,245,583	From General expenses
Catering Expenses	-301,687		-301,687	From General expenses
Office refreshments	-186,449		-186,449	From General expenses
	-53,441,090	-53,441,090	0	
45.5 Transfers and Subsidies				
Transfers and Subsidies	-2,161,972	-12,370,265	10,208,293	
General Expenses from Grants	-10,208,293		-10,208,293	From General expenses
	-12,370,265	-12,370,265	0	
45.6 General Expenses				
45.6.1 Bank charges				
Bank charges	-2,049,623	-3,430,034	1,380,411	
Bank merchant charges	-1,380,411		-1,380,411	From Contracted services
	-3,430,034	-3,430,034	0	

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

	2017 Reported	2017 reclassified amount	Variance	move to/ from
45.6.2 Consumables				
Consumables	-785,570	-3,463,307	2,677,737	
Fuel and oil	-1,380,899		-1,380,899	Within general expenses
Printing and stationery	-1,296,838		-1,296,838	Within general expenses
	-3,463,307	-3,463,307	0	
45.6.3 Printing and Publications				
Printing and Publications	-739,842	-742,506	2,664	
Magazines, books and periodicals	-2,664		-2,664	Within general expenses
	-742,506	-742,506	0	
45.6.4 Royalties and license fees				
Royalties and license fees	-2,503,844	-3,158	-2,500,686	
IT expenses	2,500,686		2,500,686	Within general expenses
	-3,158	-3,158	0	
45.6.5 IT expenses				
IT expenses	-	-2,500,686	2,500,686	
Royalties and license fees	-2,500,686		-2,500,686	Within general expenses
	-2,500,686	-2,500,686	0	
45.6.6 Campaigns				
Campaigns	-	-6,649,467	6,649,467	
Workshops	-5,778,235		-5,778,235	Within general expenses
Promotions	-539,171		-539,171	Within general expenses
Public participation	-332,061		-332,061	From Public participation
	-6,649,467	-6,649,467	0	
45.6.7 Levies				
Levies	-	-2,056,515	2,056,515	
Employee related cost	-2,056,515		-2,056,515	From employee related cost
	-2,056,515	-2,056,515	0	
45.6.7 WCA contribution				
WCA contribution	-	-1,405,860	1,405,860	
Employee related cost	-1,405,860		-1,405,860	From employee related cost
	-1,405,860	-1,405,860	0	

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2018

Notes to the Financial Statements

	2017 Reported	2017 reclassified amount	Variance	move to/ from
45.6.8 Property Plant & Equipment (Note 2)				
Buildings	53,472,492	54,158,543	686,051	From Infrastructure
Infrastructure	8,676,033	6,483,820	-2,192,213	To Buildings & Intangible
Motor Vehicles	1,279,679	1,676,170	396,491	From Specialized vehicles
Specialized Vehicles	396,491	-	-396,491	To Motor Vehicles
	63,824,695	62,316,533	-1,506,161	
45.6.9 Intangible Assets (Note 3)				
Computer Software, other	1,456,168	2,962,329	1,506,161	From Infrastructure
	1,456,168	2,962,329	1,506,161	
45.6.10 Rental of facilities and equipment (note15)				
Rental of facilities and equipment	7,548,591	799,915	-6,748,676	To commission received
Commission received	-	6,748,676	6,748,676	From rental of facilities and equipment
	7,548,591	7,548,591	0	
45.6.11 Agency services (note16)				
Agency Services	8,810,807	69,514,567	60,703,760	From license and permits
License and permits	60,703,760	517,000	-60,186,760	To agency fees
Other income	9,440,206	8,923,205	-517,000	To license and permits
	78,954,772	78,954,772	0	See 45.6.14&12
45.6.12 Other Income (note18.1)				
Other income	9,440,206	8,923,205	-517,000	To license and permits
License and permits	60,703,760	517,000	-60,186,760	To Agency fees
Agency Services	8,810,807	69,514,567	60,703,760	From license and permits
	78,954,772	78,954,772	0	See 45.6.11&14
45.6.13 Commission received (note18)				
Commission received	-	6,748,676	6,748,676	From rental of facilities and equipment
Rental of Facilities and Equipment	7,548,591	799,915	-6,748,676	To commission received
	7,548,591	7,548,591	0	
45.6.14 License and permits (note17)				
License and permits	60,703,760	517,000	-60,186,760	To Agency fees
Agency Services	8,810,807	69,514,567	60,703,760	From license and permits
Other income	9,440,206	8,923,205	-517,000	To license and permits
	7,548,591	7,548,591	0	See 45.6.11&12