Dr. Beyers Naudé
MUNICIPALITY - MUNISIPALITEIT - uMASIPALA
Rising together for Development

Dr Beyers Naude Local Municipality
Annual Financial Statements
for the year ended 30 June 2018
Auditor General of South Africa

General Information

Legal form of entity	The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.
Nature of business and principal activities	Dr Beyers Naude Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act No. 117 of 1998). The Municipality's operations are governed by: Municipal Finance Management Act 56 of 2003, Municipal Structure Act 117 of 1998, Municipal Systems Act 32 of 2000 and various other Acts and regulations.
Mayoral committee	
Executive Mayor	Cllr D.W.S De Vos
Speaker	Cllr T.L Nonnies
Executive Committee	Cllr P.W. Koeberg
	Cllr S.J. Graham
	Cllr N.P. Vanda
	Cllr E.L. Loock
Councillors	Cllr D. Williams
	Cllr E.A. Ruiters
	Cllr W.Z. Le Grange
	Cllr A. Mboneni
	Cllr E.A Carolus
	Cllr A. Booysen
	Cllr H. Booysen
	Cllr B.W. Seekoei
	Cllr W.J. Safers (MPAC Chairperson)
	Cllr L.M. Botha
	Cllr K. Hoffman
	Cllr X.N. Galada
	Cllr G.C. Mackelina
	Cllr T.M. Tshona
	Cllr R.B. Jacobs
	Cllr P. Bees
	Cllr L.L. Langeveldt
	Cllr A. Arries
	Cllr D.J. Bezuidenhout
	Cllr E.V.R. Rossouw
	Cllr J.J. Williams
Grading of local authority	Grade Three (3)
Accounting Officer	Dr. E.M. Rankwana
Chief Finance Officer (CFO)	H. Kok
Registered office	PO Box 71 Graaff Reinett 6280
Business address	12 - 14 Caledon Street Graaff Reinet 6280

General Information

Bankers	First National Bank
Auditors	Auditor General of South Africa
Principal Activities	The principal activities of the municipality are: - To provide democratic and accountable government - To ensure sustainable service delivery to the communities - To promote social and economic development - To provide basic services to the community

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government finance, Audit & Risk officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that 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 endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position considering the amalgamation of Camdeboo Local Municipality, Ikwezi Local Municipality and Baviaans Local Municipality to form Dr Beyers Naude Local Municipality post the local elections of August 2016, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The councillors are remunerated within the upper limits of the framework envisaged in Section 219 of the Constitution, as required by the MFMA, section 124(1)(a).

The annual financial statements set out on pages 5 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed by him:

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Dr E.M Rankwana
Municipal Manager

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
VAT receivable	3&16	2 263 501	-
Inventories	4	6 943 507	6 452 934
Other Receivables	5	4 500 627	1 838 123
Receivables from non-exchange transactions	6	5 437 406	4 719 746
Receivables from exchange Transactions	7	28 874 343	12 493 106
Cash and cash equivalents	8	1 005 761	27 454 611
		49 025 145	**52 958 520**
Non-Current Assets			
Investment property	9	67 783 409	67 783 409
Property, plant and equipment	10	1 099 664 216	1 109 428 799
Intangible assets	11	155 558	251 736
Heritage assets	12	13 452 791	13 452 791
		1 181 055 974	**1 190 916 735**
Total Assets		**1 230 081 119**	**1 243 875 255**
Liabilities			
Current Liabilities			
Finance lease obligation	13	-	194 770
Payables from exchange transactions	14	121 479 437	91 876 424
Payables from non-exchange transactions	15	5 211 804	3 499 144
VAT payable	16	-	213 785
Consumer deposits	17	2 996 796	2 911 064
Employee benefit obligation	20	3 199 659	1 872 024
Unspent conditional grants and receipts	18	2 535 507	26 295 463
Provisions	19	127 303	149 255
Bank overdraft	8	11 894 348	-
		147 444 854	**127 011 929**
Non-Current Liabilities			
Provisions	19	21 652 000	13 903 886
Employee benefit obligation	20	46 172 111	44 893 455
		67 824 111	**58 797 341**
Total Liabilities		**215 268 965**	**185 809 270**
Net Assets		**1 014 812 154**	**1 058 065 985**
Accumulated surplus		1 014 812 154	1 058 065 985

* See Note 37

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	153 904 529	116 262 782
Agency services	22	671 174	2 088 883
Interest received	22	9 550 406	5 859 447
Interest received - investment	23	1 919 091	1 726 590
Rental of facilities and equipment	22	788 339	591 870
Licences and permits	22	865 905	1 111 422
Other income	22	3 118 956	1 903 550
Gain on disposal of assets and liabilities	22	-	3 410 469
Actuarial gains	22	3 369 656	-
Total revenue from exchange transactions		**174 188 056**	**132 955 013**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	31 809 377	21 625 697
Transfer revenue			
Fines, Penalties and Forfeits	22	78 849	184 282
Government grants & subsidies	26	170 187 176	175 675 720
Total revenue from non-exchange transactions		**202 075 402**	**197 485 699**
Total revenue	22	**376 263 458**	**330 440 712**
Expenditure			
Employee related costs	27	(138 171 291)	(108 123 103)
Remuneration of councillors	28	(9 324 299)	(7 367 925)
Debt Impairment	29	(5 625 674)	(36 178 449)
Depreciation and amortisation	30	(62 710 848)	(65 115 683)
Finance costs	31	(7 228 759)	(6 160 131)
Bulk purchases	32	(81 207 643)	(69 092 068)
General Expenses	33	(110 752 250)	(73 496 916)
Contracted services	34	(3 897 685)	(3 677 892)
Loss on disposal of assets and liabilities	33	(598 840)	-
Actuarial losses	33	-	(4 955 419)
Total expenditure		**(419 517 289)**	**(374 167 586)**
Deficit for the year		**(43 253 831)**	**(43 726 874)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 098 460 478	1 098 460 478
Adjustments		
Correction of errors	3 332 381	3 332 381
Balance at 07 August 2016	**1 101 792 859**	**1 101 792 859**
Changes in net assets		
Surplus for the year	(43 726 874)	(43 726 874)
Total changes	(43 726 874)	(43 726 874)
Restated* Balance at 01 July 2017	**1 058 065 985**	**1 058 065 985**
Changes in net assets		
Surplus for the year	(43 253 831)	(43 253 831)
Total changes	(43 253 831)	(43 253 831)
Balance at 30 June 2018	**1 014 812 154**	**1 014 812 154**

Note(s)

* See Note 37

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Other receipts		8 892 879	5 880 007
Rates and Services		160 744 975	132 485 195
Government grants & services		170 187 176	175 675 720
Interest on investments		1 919 091	1 726 590
Interest income - Debtors		9 550 406	5 859 447
		351 294 527	321 626 959
Payments			
Employee costs		(147 495 590)	(115 491 028)
Suppliers		(181 269 679)	(116 343 986)
Finance costs		(7 228 759)	(6 160 131)
		(335 994 028)	(237 995 145)
Net cash flows from operating activities	36	**15 300 499**	**83 631 814**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(53 459 027)	(62 449 783)
Proceeds from sale of property, plant and equipment	10	10 100	3 659 821
Purchase of other intangible assets	11	-	(49 307)
Net cash flows from investing activities		**(53 448 927)**	**(58 839 269)**
Cash flows from financing activities			
Finance lease payments		(194 770)	(307 889)
Net increase/(decrease) in cash and cash equivalents		**(38 343 198)**	**24 484 656**
Cash and cash equivalents at the beginning of the year		27 454 611	2 969 955
Cash and cash equivalents at the end of the year	8	**(10 888 587)**	**27 454 611**

* See Note 37

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	147 286 000	7 795 000	**155 081 000**	153 904 529	**(1 176 471)**	N1
Rental of facilities and equipment	1 074 000	(291 000)	**783 000**	788 339	**5 339**	
Interest received (trading)	1 867 000	901 000	**2 768 000**	11 458 905	**8 690 905**	N2.
Interest received - Investments	1 376 531	1 376 531	**2 753 062**	1 919 091	**(833 971)**	N16
Agency services	334 000	2 196 000	**2 530 000**	671 174	**(1 858 826)**	N3
Licences and permits	5 972 000	(4 556 000)	**1 416 000**	865 905	**(550 095)**	N4
Other income	1 284 000	(95 000)	**1 189 000**	3 118 956	**1 929 956**	N5
Gains on disposal of assets	6 593 000	-	**6 593 000**	10 100	**(6 582 900)**	N6
Total revenue from exchange transactions	**165 786 531**	**7 326 531**	**173 113 062**	**172 736 999**	**(376 063)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	43 595 000	(4 150 000)	**39 445 000**	31 809 377	**(7 635 623)**	N7
Transfer revenue						
Government grants & subsidies	172 199 000	15 313 000	**187 512 000**	170 187 176	**(17 324 824)**	N8
Fines, Penalties and Forfeits	100 000	(28 000)	**72 000**	78 849	**6 849**	
Total revenue from non-exchange transactions	**215 894 000**	**11 135 000**	**227 029 000**	**202 075 402**	**(24 953 598)**	
Total revenue	**381 680 531**	**18 461 531**	**400 142 062**	**374 812 401**	**(25 329 661)**	
Expenditure						
Personnel	(126 434 000)	(938 000)	**(127 372 000)**	(138 171 291)	**(10 799 291)**	N9
Remuneration of councillors	(9 195 000)	(129 000)	**(9 324 000)**	(9 324 299)	**(299)**	
Depreciation and amortisation	(71 165 000)	6 000 000	**(65 165 000)**	(62 710 848)	**2 454 152**	N10
Finance costs	(328 000)	(4 970 000)	**(5 298 000)**	(7 228 759)	**(1 930 759)**	N11
Debt Impairment	(8 860 000)	(6 000 000)	**(14 860 000)**	(5 625 674)	**9 234 326**	N12
Bulk purchases	(61 837 000)	(20 163 000)	**(82 000 000)**	(81 207 643)	**792 357**	
Contracted Services	(3 563 000)	(8 047 000)	**(11 610 000)**	(3 897 685)	**7 712 315**	N13
General Expenses	(128 908 000)	4 458 000	**(124 450 000)**	(110 752 250)	**13 697 750**	N14
Total expenditure	**(410 290 000)**	**(29 789 000)**	**(440 079 000)**	**(418 918 449)**	**21 160 551**	
Operating deficit	**(28 609 469)**	**(11 327 469)**	**(39 936 938)**	**(44 106 048)**	**(4 169 110)**	
Actuarial gains/losses	-	-	**-**	3 369 656	**3 369 656**	N15
Deficit before taxation	**(28 609 469)**	**(11 327 469)**	**(39 936 938)**	**(40 736 392)**	**(799 454)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(28 609 469)**	**(11 327 469)**	**(39 936 938)**	**(40 736 392)**	**(799 454)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

N1 - Higher reticulation losses than anticipated.
N2 - Debtors outstanding for longer than anticipated.
N3 - Willowmore test centre not operational due to staff related issues.
N4 - Willowmore test centre not operational due to staff related issues.
N5 - More bulk services connections & sundry income than expected.
N6 - Transfer of sold property did not take place in this year.
N7 - A supplementary valuation roll was anticipated for the year but was not implemented.
N8 - RBIG Funding reduced & Withholding of grants (MIG) due differences between AFS and Sec 71 reports.
N9 - Equalisation of salaries more than anticipated.
N10 - Review of useful lifes.
N11 - Cash flow constraints lead to creditors not being paid within 30 days and thus accrueing interest.
N12 - Bad debt written off during the year. Debt collection increased.
N13 - Cash Flow constraints.
N14 - Cash flow constraints.
N15 - No actual gains were anticipated.
N16 - Investments were held for a shorter period than anticipated and no surplus funds were available for investments.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality, rounded to R1.

1.2 Going concern assumption

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

1.3 Budget information

Budget information is in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior year comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 32 to the financial statements.

1.5 Offsetting

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

1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future period.

Judgements

In the process of applying these accounting policies, management has made the following judgement that may have a significant effect on the amounts recognised in the annual financial statements.

Estimates

Estimates are informed by historical experiance, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amount that will be required in future to settle the provision, management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Pension and other post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future medical increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. all assumptions are reviewed at each reporting date.

Effective interest rate

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

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtul debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles, so that the effect of any impairment on a group of receivables would not differ materially from the impairment, that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of refuse landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated, the rehabiliation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and the discounted to their present value using an appropriate discount rate, representing the time value of money.

1.6 Significant judgements and sources of estimation uncertainty (continued)

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value, management considers the impact of technology and minimum service requirements of the assets.

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the revervoirs, which is then converted into volumes based on the total capacity of the reservoir.

The value of water inventory is calculated by considering the quantity of water in the pipes and is estimated based on the dimensions/ measurements of the pipes and the average cost per KL.

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

Accounting Policies

1.8 Property, plant and equipment

Initial recognition

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure

Where the municipality replaces part of an asset, it derecognises that part of the asset being replaced and capitalises the new component.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

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

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight line	25 - 30 years
Infrastructure		
• Roads and paving	Straight line	25 - 80 years
• Water	Straight line	8 -100 years
• Electricity	Straight line	3 - 80 years
• Sewerage	Straight line	10 - 60 years
• Landfill sites	Straight line	10 - 55 years
Community		
• Recreational facilities	Straight line	20-50 years

1.8 Property, plant and equipment (continued)

Other property, plant and equipment

• Specialised vehicles	Straight line	3 - 5 years
• Other vehicles	Straight line	3 - 15 years
• Office equipment	Straight line	3 - 15 years
• Furniture and Fittings	Straight line	3 - 15 years
• Airports	Straight line	10 - 30 years
• Computer equipments	Straight line	3 - 10 years
• Cemetries	Straight line	25 - 30 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.9 Intangible assets

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

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

Accounting Policies

1.9 Intangible assets (continued)

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.10 Financial instruments

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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.

Accounting Policies

1.10 Financial instruments (continued)

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;
- 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.

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

1.11 Inventories (continued)

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Employee benefits

Short-term employee benefits

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

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

1.13 Provisions and contingencies

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

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

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

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

1.13 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.15 Revenue from non-exchange transactions

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

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

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

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

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

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

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

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

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

Accounting Policies

1.16 Borrowing costs

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

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

1.19 Irregular expenditure (continued)

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

1.20 Related parties

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

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

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

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

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

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

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

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

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

1.21 Heritage assets

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

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

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

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

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

1.21 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.22 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

1.22 Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.24 Leases

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

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

1.24 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.25 Events after reporting date

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

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

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

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

1.26 Mergers

Definitions

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Combined municipality is a new reporting entity formed from the combination of two or more entities.

Combining entities are the entities that are combined for the mutual sharing of risks and benefits in a merger.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A merger is the establishment of a new combined municipality in which none of the former entities obtain control over any other and no acquirer can be identified.

Merger date is the date on which entities are combined for the mutual sharing of risks and benefits and when the assets and liabilities are transferred to the combined municipality.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A merger is the establishment of a new combined municipality in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not result in an municipality having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

The Standard of GRAP on Mergers allows for a two year measurement period from merger date. Where the accounting of merger items are incomplete at the reporting period, provisional amounts are recorded in the financial statements.

Assets acquired and liabilities assumed in the merger are subsequently measured in accordance with the applicable Standards of GRAP applied by the municipality.

Transitional Provisions

The Standard of GRAP on Merger allows for a two year measurement period from merger date. Where the accounting of merger items are incomplete at the reporting period, provisional amounts are recorded in the annual financial statements. The Municipality resolved to take advantage of the transitional provisions on GRAP 107 and disclosed the following sections using provisional amounts in the annual financial statements: Trade debtors, VAT payable/receivable and Irregular expenditure. This is due to the fact that new information regarding take-on balances became available to the municipality. On the 6 August financial statements, only Ikwezi municipality had a disclaimer opinion, therefore this was one of the contributing factors at take-on that resulted in the balances being incomplete as Ikwezi had poor records keeping process.

1.27 Impairment of cash-generating assets

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

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

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

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

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

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

1.27 Impairment of cash-generating assets (continued)

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

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

Value in use

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

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

Accounting Policies

1.27 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Boards, but wil only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 34: Separate Financial Statements

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

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

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

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

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

GRAP 36: Investments in Associates and Joint Ventures

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

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 37: Joint Arrangements

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

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

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

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

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

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

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

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2019

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

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

GRAP 20: Related parties

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

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

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

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

GRAP 108: Statutory Receivables

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

3. VAT receivable

VAT	2 263 501	-

Transitional Provision - GRAP 107: The municipality has opted to take advantage of the transitional provisions contained in GRAP 107 relating to the measurement of VAT receivables. The municipality is granted a 2 year measurement period commencing on merger date to ensure compliance with the relevant GRAP standards. Therefore the above amounts have been recorded as provisional amounts.

4. Inventories

Water	1 127 120	991 020
Unsold Properties Held for Resale	1 514 822	1 519 822
Consumable stores	4 301 565	3 942 092
	6 943 507	**6 452 934**

5. Other Receivables

Sundry debtors	1 235 316	25 049
Meter readings not yet billed	3 265 311	1 813 074
	4 500 627	**1 838 123**

6. Receivables from non-exchange transactions

Sundry debtors	46 320	780 828
Deposits paid	290 900	250 900
Consumer debtors - Rates	5 100 186	3 688 018
	5 437 406	**4 719 746**

Gross balances

Rates	16 071 271	24 124 514
Less: Allowance for impairment	(10 971 085)	(20 436 496)
Net balance	**5 100 186**	**3 688 018**

Ageing

Current (0-30 days)	888 303	559 690
31 - 60 days	276 652	230 451
61 - 90 days	238 180	341 981
91 - 120 days	205 384	159 600
121 - 365	14 462 752	22 832 792
	16 071 271	**24 124 514**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

6. Receivables from non-exchange transactions (continued)

Summary of debtors by customers classification

Consumers		
Current (0 - 30 days)	776 319	663 848
31 - 60 days	125 225	155 586
61 - 90 days	110 143	288 979
91 - 120 days	103 950	113 153
121 - 365 days	5 003 663	14 301 726
	6 119 300	**15 523 292**
Industrial/ commercial		
Current (0 - 30 days)	346 840	229 618
31 - 60 days	84 897	74 865
61 - 90 days	83 524	53 002
91 - 120 days	78 380	46 447
121 - 365	6 157 710	4 648 782
	6 751 351	**5 052 714**
National and provincial goverment		
Current (0 - 30 days)	44 794	(333 777)
31 - 60 days	28 059	-
61 - 90 days	11 717	-
91 - 120 days	10 336	-
121 - 365	3 108 714	3 882 284
	3 203 620	**3 548 507**
Total		
Current (0 - 30 days)	1 167 953	559 690
31 - 60 days	235 181	230 451
61 - 90 days	205 384	341 981
91 - 120 days	192 666	159 600
121 - 365 days	14 270 087	22 832 792
	16 071 271	**24 124 514**

Total debtors past due but not impaired

61 - 91 days	97 784	62 409
91 - 120 days	55 262	33 928
121 - 365 days	4 066 819	4 056 859

Reconciliation of allowance for impairment

Opening balance	(20 436 496)	(38 267 571)
Contribution to allowance	(2 432 856)	17 831 075
Debt impairment written off against allowance	11 898 267	-
	(10 971 085)	**(20 436 496)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

7. Receivables from exchange transactions

	2018	2017
Gross balances		
Electricity	8 014 102	13 435 254
Water	14 960 280	48 493 290
Sewerage	8 899 896	24 248 161
Refuse	7 820 982	15 874 402
Housing	204 005	2 412 279
Sundry	2 677 583	3 438 919
	42 576 848	**107 902 305**
Less: Allowance for impairment		
Electricity	(1 532 916)	(5 060 170)
Water	(8 667 939)	(46 956 696)
Sewerage	(3 591 351)	(22 989 976)
Refuse	(4 036 099)	(15 090 406)
Housing	197 645	(2 417 951)
Sundry	3 928 155	(2 894 000)
	(13 702 505)	**(95 409 199)**
Net balance		
Electricity	6 481 186	8 375 084
Water	6 292 341	1 536 594
Sewerage	5 308 545	1 258 185
Refuse	3 784 883	783 996
Housing	401 650	(5 672)
Sundry	6 605 738	544 919
	28 874 343	**12 493 106**
Electricity		
Current (0 -30 days)	4 841 074	6 294 155
31 - 60 days	720 445	568 160
61 - 90 days	178 786	382 278
91 - 120 days	164 777	304 020
121 - 365 days	2 105 082	5 886 641
	8 010 164	**13 435 254**
Water		
Current (0 -30 days)	1 829 587	2 436 340
31 - 60 days	1 206 454	1 224 825
61 - 90 days	914 319	1 292 360
91 - 120 days	904 956	1 122 838
121 - 365 days	10 104 966	42 416 927
	14 960 282	**48 493 290**
Sewerage		
Current (0 -30 days)	587 941	1 075 285
31 - 60 days	370 475	389 052
61 - 90 days	295 327	356 640
91 - 120 days	270 859	322 377
121 - 365 days	5 571 949	22 104 807
	7 096 551	**24 248 161**

Figures in Rand	2018	2017

7. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	614 756	1 311 059
31 - 60 days	462 472	275 903
61 - 90 days	413 462	263 187
91 - 120 days	396 141	258 453
121 - 365 days	5 934 151	13 765 800
	7 820 982	**15 874 402**

Housing rental		
Current (0 -30 days)	-	(2 614)
91 - 120 days	-	6
121 - 365 days	204 005	2 423 616
	204 005	**2 421 008**

Sundry		
Current (0 -30 days)	111 786	(828 874)
31 - 60 days	71 726	50 243
61 - 90 days	37 421	46 349
91 - 120 days	60 822	53 490
121 - 365 days	2 399 766	4 117 711
	2 681 521	**3 438 919**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

7. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2018	2017
Consumers		
Current (0 -30 days)	2 934 775	7 638 844
31 - 60 days	2 109 738	1 933 184
61 - 90 days	1 726 844	2 128 108
91 - 120 days	1 699 730	1 826 035
121 - 365 days	25 299 630	96 611 096
	33 770 717	**110 137 267**
Industrial/ commercial		
Current (0 -30 days)	3 201 956	4 486 959
31 - 60 days	350 061	257 700
61 - 90 days	200 472	219 847
91 - 120 days	226 716	222 116
121 - 365 days	5 893 187	7 420 646
	9 872 392	**12 607 268**
National and provincial government		
Current (0 -30 days)	874 472	1 829 098
31 - 60 days	734 375	547 750
61 - 90 days	220 709	334 840
91 - 120 days	145 178	172 833
121 - 365 days	6 250 430	6 450 431
	8 225 164	**9 334 952**
Total		
Current (0 -30 days)	8 080 140	13 395 211
31 - 60 days	2 917 521	2 508 183
61 - 90 days	1 909 845	2 340 814
91 - 120 days	1 866 240	2 061 383
121 - 365 days	27 803 101	87 596 712
	42 576 847	107 902 303
Less: Allowance for impairment	(13 702 504)	(95 409 197)
	28 874 343	**12 493 106**

	2018	2017
Less: Allowance for impairment		
Allowance for impairment	(13 702 505)	(95 409 199)

	2018	2017
Total debtor past due but not impaired		
61 - 90 days	1 179 988	717 356
91 - 120 days	1 053 772	447 090
121 - 365 days	11 208 282	3 312 704
	13 442 042	**4 477 150**

	2018	2017
Reconciliation of allowance for impairment		
Balance at beginning of the year	(95 409 199)	(78 495 693)
Contributions to allowance	(58 834)	(16 913 506)
Debt impairment written off against allowance	81 765 528	-
	(13 702 505)	**(95 409 199)**

Figures in Rand	2018	2017

7. Receivables from exchange transactions (continued)

Transitional Provision - GRAP 107

The municipality has opted to take advantage of the transitional provisions contained in GRAP 107 relating to the measurement of Receivables from exchange transactions. The municipality is granted a 2 year measurement period commencing on merger date to ensure compliance with the relevant GRAP standards. Therefore the above amounts have been recorded as provisional amounts.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	2 955	2 955
Bank balances	-	2 909 525
Short-term deposits	1 002 806	24 542 131
Bank overdraft	(11 894 348)	-
	(10 888 587)	**27 454 611**

	2018	2017
Current assets	1 005 761	27 454 611
Current liabilities	(11 894 348)	-
	(10 888 587)	**27 454 611**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**		**Cash book balances**	
	30 June 2018	**30 June 2017**	**30 June 2018**	**30 June 2017**
FNB - 52300007898	470 091	3 074 334	(11 894 348)	2 909 525
ABSA - 4053048940	81 823	1 249 609	-	-
ABSA - Cheque Account - 4053623514	239 703	565 111	-	-
ABSA - Cheque Account - 4053099797	-	34 256	-	-
Standard Bank - Cheque Account - 280252013	47 709	1 168 995	-	-
Standard Bank - Cheque Account - 280230893	19 220	536 341	-	-
ABSA Invenstments - 9257114251	23 075	22 063	23 705	22 063
FNB Investments - 62374218503	-	23 516 102	90 388	23 516 133
FNB Investments - 74374220066	972 270	910 609	972 270	910 609
Investec - 1100458805501	-	2 983	2 938	2 938
Standard bank - Trust Fund - 3/288885537/001	-	9 002	(86 494)	9 002
Standard Bank - Money Market - 288865316-1	-	1 471	-	1 471
Standard Bank - Money Market - 288865316-2	-	4 334	-	4 334
Standard Bank - Money Market - 288865316-3	-	1 299	-	1 299
Standard Bank - Money Market - 288865316-4	-	25 104	-	25 104
Standard Bank - Money Market - 288865316-5	-	49 178	-	49 178
Total	**1 853 891**	**31 170 791**	**(10 891 541)**	**27 451 656**

9. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	67 783 409	-	67 783 409	67 783 409	-	67 783 409

Figures in Rand	2018	2017

9. Investment property (continued)

Reconciliation of investment property - 2018

	Opening balance	**Total**
Investment property	67 783 409	67 783 409

Reconciliation of investment property - 2017

	Transferred during merger	**Total**
Investment property	67 783 409	67 783 409

Fair value of investment properties	67 783 409	67 783 409

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.

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.

All of the Municipality's investment property is held under freehold interest and no investment property has been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	119 097 959	-	119 097 959	119 097 959	-	119 097 959
Buildings	50 069 491	(5 299 029)	44 770 462	50 069 491	(2 676 831)	47 392 660
Infrastructure	920 120 287	(112 323 987)	807 796 300	882 455 528	(56 954 905)	825 500 623
Community	11 470 802	(1 002 311)	10 468 491	11 470 802	(575 510)	10 895 292
Work-in-progress	88 068 952	-	88 068 952	82 745 895	-	82 745 895
Landfill sites	14 969 033	(927 515)	14 041 518	6 776 355	(367 888)	6 408 467
Leased and other assets	22 889 105	(7 468 571)	15 420 534	21 769 807	(4 381 904)	17 387 903
Total	**1 226 685 629**	**(127 021 413)**	**1 099 664 216**	**1 174 385 837**	**(64 957 038)**	**1 109 428 799**

Reconciliation of property, plant and equipment - 2018

	Opening balance	**Additions**	**Disposals**	**Additions through transfers from WIP**	**Depreciation**	**Total**
Land	119 097 959	-	-	-	-	119 097 959
Buildings	47 392 660	-	-	-	(2 622 198)	44 770 462
Infrastructure	825 500 623	15 110 104	(608 940)	23 713 890	(55 919 377)	807 796 300
Community	10 895 292	-	-	-	(426 801)	10 468 491
Work-in-progress	82 745 895	31 432 648	-	(26 109 591)	-	88 068 952
Landfill sites	6 408 467	5 796 977	-	2 395 701	(559 627)	14 041 518
Leased and other assets	17 387 903	1 119 298	-	-	(3 086 667)	15 420 534
	1 109 428 799	**53 459 027**	**(608 940)**	**-**	**(62 614 670)**	**1 099 664 216**

Reconciliation of property, plant and equipment - 2017

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Land	119 097 959	-	-	-	-	119 097 959
Buildings	50 069 491	-	-	-	(2 676 831)	47 392 660
Infrastructure	863 877 969	11 382 002	(85 785)	7 315 053	(56 988 616)	825 500 623
Community	11 470 802	-	-	-	(575 510)	10 895 292
Work-in-progress	39 473 057	50 587 891	-	(7 315 053)	-	82 745 895
Landfill sites	6 776 355	-	-	-	(367 888)	6 408 467
Leased and other assets	21 381 291	446 393	(57 876)	-	(4 381 905)	17 387 903
	1 112 146 924	**62 416 286**	**(143 661)**	**-**	**(64 990 750)**	**1 109 428 799**

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.

11. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	362 563	(207 005)	155 558	362 563	(110 827)	251 736

Reconciliation of intangible assets - 2018

	Opening balance	**Amortisation**	**Total**
Computer software	251 736	(96 178)	155 558

Reconciliation of intangible assets - 2017

	Transferred during merger	**Additions**	**Amortisation**	**Total**
Computer software	313 255	49 307	(110 826)	251 736

12. Heritage assets

	2018			2017		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings	13 452 791	-	13 452 791	13 452 791	-	13 452 791

Reconciliation of heritage assets 2018

	Opening balance	**Total**
Historical buildings	13 452 791	13 452 791

Reconciliation of heritage assets 2017

	Transferred during merger	**Total**
Historical buildings	13 452 791	13 452 791

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Finance lease obligation

Minimum lease payments due		
- within one year	-	201 259
	-	201 259
less: future finance charges	-	(6 489)
Present value of minimum lease payments	**-**	**194 770**

Present value of minimum lease payments due		
- within one year	-	194 770

The average lease term was 5 years and the average effective borrowing rate ranges between prime and prime less 1.5 -% (2017:Ranges between prime and prime less 1.5 -%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

14. Payables from exchange transactions

Trade payables and other accruals	104 465 673	78 820 301
Payments received in advanced	453 729	675 018
Retentions	26 267	26 267
Leave pay	9 399 976	6 917 408
Bonus accrual	4 225 388	3 373 789
Other payables	333 851	28
Salaries control	(74 327)	(290 012)
Debtors with credit balances	2 639 676	2 346 798
Stale cheques	9 204	6 827
	121 479 437	**91 876 424**

Transitional Provision - GRAP 107: The municipality has opted to take advantage of the transitional provisions contained in GRAP 107 relating to the measurement of Trade payabels.. The municipality is granted a 2 year measurement period commencing on merger date to ensure compliance with the relevant GRAP standards. Therefore the above amounts have been recorded as provisional amounts.

15. Payables from non-exchange transactions

Unallocated receipts	3 254 564	2 780 017
Debtors with credit balances	1 957 240	719 127
	5 211 804	**3 499 144**

16. VAT payables

VAT	-	213 785

Transitional Provision - GRAP 107: The municipality has opted to take advantage of the transitional provisions contained in GRAP 107 relating to the measurement of VAT payables. The municipality is granted a 2 year measurement period commencing on merger date to ensure compliance with the relevant GRAP standards. Therefore the above amounts have been recorded as provisional amounts.

17. Consumer deposits

Electricity	1 985 943	1 932 415
Water	1 010 853	978 649
	2 996 796	**2 911 064**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Consumer deposits (continued)

No interest accrues on consumer deposits as Dr Beyers Naude Local Municipality is not a deposit taking entity in terms of the banking Act.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant - DORA	-	15 226 243
Energy Efficiency Demand Management System Grant - DORA	-	1 189 839
Rapid Response - DWA	498 615	498 615
Intergrated National Electrification Grant - DORA	-	4 926 331
Expanded Public Works Programme Integrated Grant - DORA	-	1 564 933
Department of Water Affairs Grant	888 109	888 109
LED Grant - Fonteinbos Project	295 463	1 148 073
Lotto Grant	653 320	653 320
Water and Sanitation	200 000	200 000
	2 535 507	**26 295 463**

Movement during the year

Transferred during merger	26 295 463	13 846 641
Received during the year	136 005 728	189 206 599
Income recognition during the year	(159 765 684)	(176 757 777)
	2 535 507	**26 295 463**

Amounts withheld and clawed back by National Treasury during the 2018 financial period amount to R12 740 000.

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

19. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Legal proceedings	149 255	-	(21 952)	127 303
Rehabilitation of Landfill sites	13 903 886	7 748 114	-	21 652 000
	14 053 141	**7 748 114**	**(21 952)**	**21 779 303**

Reconciliation of provisions - 2017

	Trasferred during merger	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of landfill sites	12 789 308	1 114 578	-	13 903 886
Legal proceedings	180 000	-	(30 745)	149 255
	12 969 308	**1 114 578**	**(30 745)**	**14 053 141**

	2018	2017
Non-current liabilities	21 652 000	13 903 886
Current liabilities	127 303	149 255
	21 779 303	**14 053 141**

Legal proceedings provisions

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

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Rehabilitation of landfill sites

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act no.73 of 1989 to rehabilitate landfill sites after use. The sites are expected to be closed in 2018, after which rehabilitation will take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The following assumption were used when calculating the provision for landfill Site rehabilitation:
- The CPIX was used to adjust the cost as it is the only determining factor year on year.

The landifll sites are nearing the end of their useful lives, the ground and ground water on the entire site are thus considered to be contaminated and not just the portion in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portion used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

The municipality does not have licences for the landfills therefore the sites will need to be rehabiliated in their entirely.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(39 690 087)	(37 582 734)
Present value of long service award	(9 681 683)	(9 182 745)
	(49 371 770)	**(46 765 479)**
Non-current liabilities	(46 172 111)	(44 893 455)
Current liabilities	(3 199 659)	(1 872 024)
	(49 371 770)	**(46 765 479)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(46 765 479)	-
Transferred during merger	-	(38 044 942)
Benefits paid	1 428 860	1 904 651
Net expense recognised in the statement of financial performance	(4 035 151)	(10 625 188)
	(49 371 770)	**(46 765 479)**

Net expense recognised in the statement of financial performance

Current service cost	(2 848 006)	(2 247 332)
Interest cost	(4 556 801)	(3 422 437)
Actuarial (gains) losses	3 369 656	(4 955 419)
	(4 035 151)	**(10 625 188)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,81 %	9,92 %
Consumer price inflation	6,14 %	6,78 %
Health care cost inflation	7,64 %	8,28 %
Net discount rate	2,02 %	1,51 %

The PA 90-2 post-retirement mortality table used for pensioners and SA85-90 (Normal) for active employees.

Average age of Continuation pensioners as at 30 June 2018 was 70.91, with an average employer monthly contribution of R3,265.

Number of active employees: 224

Average age of active employees as at 30 June 2018 was 42.98, with an average employer monthly contribution of R2.808.

20. Employee benefit obligations (continued)

History of liabilities, assets and experiance adjustments

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	9 681 683	9 182 745	7 574 241	-	-
Surplus (deficit)	(9 681 683)	(9 182 745)	(7 574 241)	-	-

Defined contribution plan

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2018 by One Pangaea Financial using the Projected Unit Credit Method.

21. Service charges

	2018	2017
Sale of electricity	99 389 627	85 747 062
Sale of water	26 572 699	24 228 251
Solid waste	3 122 525	1 081 652
Sewerage and sanitation charges	12 557 944	2 030 046
Refuse removal	12 261 734	3 175 771
	153 904 529	**116 262 782**

22. Revenue

	2018	2017
Service charges	153 904 529	116 262 782
Rental of facilities and equipment	788 339	591 870
Interest received	9 550 406	5 859 447
Agency services	671 174	2 088 883
Licences and permits	865 905	1 111 422
Other income	3 118 956	1 903 550
Gain on disposal of assets	-	3 410 469
Interest received - investment	1 919 091	1 726 590
Property rates	31 809 377	21 625 697
Government grants & subsidies	170 187 176	175 675 720
Fines, Penalties and Forfeits	78 849	184 282
Actuarial gain	3 369 656	-
	376 263 458	**330 440 712**

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

	2018	2017
Service charges	153 904 529	116 262 782
Rental of facilities and equipment	788 339	591 870
Interest received	9 550 406	5 859 447
Agency services	671 174	2 088 883
Licences and permits	865 905	1 111 422
Other income	3 118 956	1 903 550
Actuarial gain	3 369 656	-
Gain on disposal of assets	-	3 410 469
Interest received - investment	1 919 091	1 726 590
	174 188 056	**132 955 013**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Revenue (continued)

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

Taxation revenue		
Property rates	31 809 377	21 625 697
Transfer revenue		
Government grants & subsidies	170 187 176	175 675 720
Fines, Penalties and Forfeits	78 849	184 282
	202 075 402	**197 485 699**

23. Investment revenue

Interest revenue		
Bank	1 919 091	1 726 590

24. Other income

Other income	3 118 956	1 903 550

25. Property rates

Rates received

Residential	19 447 736	13 360 495
Commercial	646 115	195 118
State	6 390 233	4 648 421
Small holdings and farms	5 325 293	3 421 663
	31 809 377	**21 625 697**

Valuations

Residential	1 817 633 600	1 817 633 600
Commercial	502 663 854	502 663 854
State	435 866 400	435 866 400
Municipal	206 595 200	206 595 200
Small holdings and farms	4 883 512 900	4 883 512 900
Exempt	149 919 246	149 919 246
Industrial	52 352 000	52 352 000
Multiple	15 080 700	15 080 700
	8 063 623 900	**8 063 623 900**

The Dr Beyers Naude Local Municipality has been established in terms of section 12 of the local Government Municipal structures act of 199 (Act 117 of 1998), Government Gazette No.3717. Section 7 relating to the Valuation and Supplementary rolls states that the newly established municipality must continue to apply the valuation roll, supplementary roll, property rates policy, property rates By-laws and property rates tariffs that were in force in the former areas of the merging municipalities until it adopts a new general valuation roll in terms of section 30 of the Local Government Municipality Propety Act, 2004 (Act 6 of 2004)..

The new general valuation will be implemented on 01 July 2019.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Government grants and subsidies

Operating grants		
Equitable share	77 494 000	70 201 000
Cacadu - Fire Grant	925 500	1 665 000
Demarcation Grant	6 847 000	23 143 000
Department of Health Grant	1 207 547	1 207 547
Department of Human Settlements Grant	293 168	727 642
Department of Water Affairs Grant	468 000	2 158 526
DSRAC Libraries Grant	2 258 000	2 258 000
EPWP Integrated Grant	1 147 933	1 536 067
Financial Management Grant	5 945 000	5 460 000
Local Economic Development Grant - Fonteinbos	-	375 877
Sarah Baartman District Municipality - Operational Led & Tourism Grant	200 000	163 007
SETA Training Grant	344 554	144 665
Evironmental affairs grant	2 554 000	-
Municipal Management Financial support Grant	1 085 000	-
Transitional Grant	4 000 000	-
1% AG Grant	6 700 492	-
COGTA - Eskom Grant	3 721 000	-
	115 191 194	**109 040 331**

Capital grants		
Municipal Infrastructure Grant	27 388 243	22 396 757
Integrated National Electrification Grant	10 916 171	1 883 829
Regional Bulk Infrastructure Grant	16 691 568	42 354 803
	54 995 982	**66 635 389**
	170 187 176	**175 675 720**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	15 226 243	-
Transferred during merger	-	8 441 629
Current-year receipts	20 902 000	37 623 000
Conditions met - transferred to revenue	(27 388 243)	(22 384 291)
Amounts withheld and clawed back by National Treasury	(8 740 000)	(8 454 095)
	-	**15 226 243**

Conditions still to be met - remain liabilities (see note 18).

The municipality upgraded streets, stormwater, bulk water, high mast lighting and waste water treatment works during the current financial year.

EEDMS - Energy Efficiency Demand Management System Grant

Balance unspent at beginning of year	1 189 839	-
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(1 189 839)	(1 810 161)
	-	**1 189 839**

Conditions still to be met - remain liabilities (see note 18).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Government grants and subsidies (continued)

Rapid Response Grant - DWA

Balance unspent at beginning of year	498 615	-
Transferred during merger	-	498 615
	498 615	**498 615**

Conditions still to be met - remain liabilities (see note 18).

DSRAC Libraries Grant

Current-year receipts	2 258 000	2 258 000
Conditions met - transferred to revenue	(2 258 000)	(2 258 000)
	-	-

Department of Health Grant

Current-year receipts	1 207 547	1 207 547
Conditions met - transferred to revenue	(1 207 547)	(1 207 547)
	-	-

Department of Human Settlements Grant

Current-year receipts	293 168	727 642
Conditions met - transferred to revenue	(293 168)	(727 642)
	-	-

Regional Bulk Infrastructure Grant

Current-year receipts	16 691 568	42 354 802
Conditions met - transferred to revenue	(16 691 568)	(42 354 802)
	-	-

SETA Training Grant

Current-year receipts	344 554	144 665
Conditions met - transferred to revenue	(344 554)	(144 665)
	-	-

Financa Management Grant

Balance unspent at beginning of year	-	965 000
Current-year receipts	5 945 000	5 460 000
Conditions met - transferred to revenue	(5 945 000)	(5 460 000)
Amount withheld and clawed back by National Treasury	-	(965 000)
	-	-

The municipality utilised the grant for the employment of Financial Interns, training in line with competencies and the compilation of annual financial statements, audit improvement and mSCOA implementations.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Government grants and subsidies (continued)

Integrated National Electrification Grant

Balance unspent at beginning of year	4 926 331	-
Current-year receipts	4 800 000	5 000 000
Conditions met - transferred to revenue	(7 526 331)	(73 669)
Amounts withheld and clawed back by National Treasury	(2 200 000)	-
	-	**4 926 331**

Conditions still to be met - remain liabilities (see note 18).

Cacadu - Fire services Grant

Current-year receipts	925 000	1 665 000
Conditions met - transferred to revenue	(925 000)	(1 665 000)
	-	-

Demarcation Grant

Current-year receipts	6 847 000	23 143 000
Conditions met - transferred to revenue	(6 847 000)	(23 143 000)
	-	-

MSIG

Current-year receipts	513 011	513 011
Amounts withheld and clawed back by National Treasury	(513 011)	(513 011)
	-	-

Sarah Baartman - LED & Tourism Grant

Transferred during merger	200 000	163 007
Conditions met - transferred to revenue	(200 000)	(163 007)
	-	-

1% AG Grant

Current-year receipts	6 700 492	-
Conditions met - transferred to revenue	(6 700 492)	-
	-	-

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	1 564 933	-
Current-year receipts	1 383 000	3 101 000
Conditions met - transferred to revenue	(1 383 000)	(1 536 067)
Amounts withheld and clawed back by National Treasury	(1 564 933)	-
	-	**1 564 933**

Conditions still to be met - remain liabilities (see note 18).

Figures in Rand	2018	2017

26. Government grants and subsidies (continued)

Department of Water Affairs Grant

Balance unspent at beginning of year	888 109	-
Transferred during merger	-	888 109
Current-year receipts	-	2 158 526
Conditions met - transferred to revenue	-	(2 158 526)
	888 109	**888 109**

Conditions still to be met - remain liabilities (see note 18).

Local Economic Development Grant - Fonteinbos Project

Balance unspent at beginning of year	1 148 073	-
Transferred during merger	-	1 523 950
Conditions met - transferred to revenue	(852 610)	(375 877)
	295 463	**1 148 073**

Conditions still to be met - remain liabilities (see note 18).

National Lottery Fund

Balance unspent at beginning of year	653 320	-
Transferred during merger	-	2 000 000
Conditions met - transferred to revenue	-	(1 346 680)
	653 320	**653 320**

Conditions still to be met - remain liabilities (see note 18).

Evironmental affairs grant

Current-year receipts	2 554 000	-
Conditions met - transferred to revenue	(2 554 000)	-
	-	**-**

Financial Management Financial Support Grant

Current-year receipts	1 085 000	-
Conditions met - transferred to revenue	(1 085 000)	-
	-	**-**

Transitional Grant

Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(4 000 000)	-
	-	**-**

COGTA - Eskom Grant

Current-year receipts	3 721 000	-
Conditions met - transferred to revenue	(3 721 000)	-
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Government grants and subsidies (continued)

Water and Sanitation Grant

	2018	2017
Balance unspent at beginning of year	200 000	-
Transferred during merger	-	200 000
	200 000	**200 000**

Conditions still to be met - remain liabilities (see note 18).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Employee related costs

Basic	42 973 365	34 517 019
Bonus	7 907 970	4 802 835
Medical aid - company contributions	5 352 680	6 123 624
Unemployment Insurance Fund	810 531	682 623
Workmens Compensation	717	489 999
Skills Development Levy	1 272 499	910 092
Other payroll levies	52 099	973 451
Pension fund contributions	14 316 238	13 255 768
Travel, motor car, accommodation, subsistence and other allowances	1 774 638	1 371 656
Overtime payments	4 835 999	4 342 727
Housing benefits and allowances	1 182 051	1 063 397
Overall allowances	361 115	8 684
Wages	57 331 389	39 581 228
	138 171 291	**108 123 103**

Remuneration of municipal manager

Annual Remuneration	960 897	700 958
Contributions to UIF, Medical and Pension Funds	1 487	1 515
Bonus and back pay	-	256 224
Other Allowances	267 903	-
	1 230 287	**958 697**

The Municipal manager was appointed 1 September 2017.

Remuneration of chief finance officer

Annual Remuneration	870 181	353 333
Travel, motor car, accomodation, subsistence and other allowances	34 000	63 551
Contributions to UIF, Medical and Pension Funds	1 487	595
Bonus and back pay	-	108 032
	905 668	**525 511**

The Chief Financial Officer was appointed on 1 September 2017.

Remuneration of Acting Chief Financial Officer

Annual Remuneration	123 663	548 617

Remuneration of Director - Corporate Services

Annual Remuneration	804 382	783 985
Travel, motor car, accomodation, subsistence and other allowances	145 200	145 200
Contributions to UIF, Medical and Pension Funds	1 636	1 664
Bonus and back pay	-	133 659
	951 218	**1 064 508**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Employee related costs (continued)

Remuneration of the Director - Planning and Engineering

Annual Remuneration	890 111	938 860
Travel, motor car, accomodation, subsistence and other allowances	120 000	129 327
Contributions to UIF, Medical and Pension Funds	63 049	1 664
Bonus and back pay	-	111 982
	1 073 160	**1 181 833**

Remuneration of the Director - Community Services

Annual Remuneration	750 181	-
Travel, motor car, accomodation, subsistence and other allowances	154 000	-
Contributions to UIF, Medical and Pension Funds	1 487	-
	905 668	**-**

The Director of community services was appointed on 1 September 2017.

28. Remuneration of councillors

Councillors	9 324 299	7 367 925

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Remuneration of councillors (continued)

In-kind benefits

Councillors	Remuneration	Allowances	Total 2018
Mayor - Cllr D.W.S. De Vos	477 548	362 765	840 313
Speaker - Cllr T.L. Nonnies	382 039	299 092	681 131
Executive Committee - Cllr P.W. Koeberg	249 764	127 655	377 419
Executive Committee - Cllr S.J. Graham	249 764	127 655	377 419
Executive Committee - Cllr N.P. Vanda	249 764	127 655	377 419
Executive Committee - Cllr E.L. Loock	249 764	127 655	377 419
MPAC Chairperson - Cllr W.J. Safers	242 432	125 211	367 643
Cllr D. Williams	188 908	107 369	296 277
Cllr E.A. Ruiters	188 908	107 369	296 277
Cllr W.Z. Le Grange	188 908	107 369	296 277
Cllr A. Mboneni	188 908	107 369	296 277
Cllr E.A. Carolus	188 908	107 369	296 277
Cllr A. Booysen	188 908	107 369	296 277
Cllr H. Booysen	188 908	107 369	296 277
Cllr B.W. Seekoei	188 908	107 369	296 277
Cllr L.M. Botha	188 908	107 369	296 277
Cllr K. Hoffman	188 908	107 369	296 277
Cllr X.N. Galada	188 908	107 369	296 277
Cllr G.C. Mackelina	188 908	107 369	296 277
Cllr T.M. Tshona	188 908	107 369	296 277
Cllr R.B. Jacobs	188 908	107 369	296 277
Cllr P. Bees	188 908	107 369	296 277
Cllr L.L. Langeveldt	188 908	107 369	296 277
Cllr A. Arries	188 908	107 369	296 277
Cllr D.J. Bezuidenhout	188 908	107 369	296 277
Cllr E.V.R. Rossouw	188 908	107 369	296 277
Cllr J.J. Williams	188 908	107 369	296 277
	5 879 235	**3 445 068**	**9 324 303**

Councillors	Remuneration	Allowances	Total 2017
Mayor - Cllr D.W.S. De Vos	398 862	284 852	683 714
Speaker - Cllr T.L. Nonnies	327 683	235 555	563 238
Executive Committee - Cllr P.W. Koeberg	208 624	89 857	298 481
Executive Committee - Cllr S.J. Graham	214 679	95 921	310 600
Executive Committee - Cllr N.P. Vanda	208 624	89 857	298 481
Executive Committee - Cllr E.L. Look	219 181	89 194	308 375
MPAC Chairperson - Cllr W.J. Safers	200 872	87 273	288 145
D Williams	158 794	73 247	232 041
EA Ruiters	163 364	78 655	242 019
WZ Le Grange	158 794	73 247	232 041
A Mboneni	160 826	73 247	234 073
EA Carolus	158 794	73 247	232 041
A Booysen	166 564	79 882	246 446
H Booysen	166 046	73 247	239 293
BW Seekoei	160 426	73 247	233 673
LM Botha	158 794	73 247	232 041
K Hoffman	158 794	73 247	232 041
XN Galada	158 794	73 247	232 041
GC Mackelina	163 364	75 355	238 719
TM Tshona	158 794	73 247	232 041
RB Jacobs	158 794	73 247	232 041
P Bees	158 794	73 247	232 041

Notes to the Annual Financial Statements

Figures in Rand		2018	2017

28. Remuneration of councillors (continued)

LL Langeveldt	158 794	73 247	232 041
A Arries	158 794	73 247	232 041
DJ Bezuidenhout	166 046	73 247	239 293
EVR Rossouw	158 794	73 247	232 041
JJ Williams	158 794	73 247	232 041
	4 989 483	**2 451 600**	**7 441 083**

29. Debt impairment

	2018	2017
Debt impairment	4 250 629	34 835 379
Bad debts written off	1 375 045	1 343 070
	5 625 674	**36 178 449**

30. Depreciation and amortisation

	2018	2017
Property, plant and equipment	62 614 670	65 004 858
Intangible assets	96 178	110 825
	62 710 848	**65 115 683**

31. Finance costs

	2018	2017
Long service award	880 104	621 163
Post employment medical benefit	3 676 697	2 801 274
Trade and other payables	2 671 958	2 737 694
	7 228 759	**6 160 131**

32. Bulk purchases

	2018	2017
Electricity	81 207 643	69 092 068

Figures in Rand	2018	2017

33. General expenses

Adjustment for provision of landfill sites obligation	7 748 114	1 114 579
Advertising	750 727	565 786
Audit committee	114 999	108 171
Auditors remuneration	6 957 827	7 923 230
Bank charges	984 432	767 363
Cleaning	3 853 823	2 918 051
Commission paid	920 156	780 296
Community development and training	-	375 877
Conferences and seminars	3 718 380	6 515 558
Consumables	679 520	450 234
Debt collection	-	50 000
Delivery expenses	631 757	374 624
Entertainment	115 935	91 261
Grant Expenditure - Financial Management Grant	5 725 407	2 793 137
Grant Expenditure - Transitional Grant	12 971 651	1 441 247
Insurance	1 055 658	1 849 577
Inventory losses and write downs	18 178	54 848
Legal fees	4 937 689	3 181 751
Levies	89 880	93 205
Motor vehicle expenses	5 222 959	4 925 513
Municipal service charges	32 656 324	22 100 965
Other expenses	3 437 898	2 488 639
Postage and courier	894 680	683 952
Project maintenance costs	174 614	156 581
Repairs and Maintanance	7 401 663	5 783 109
Staff welfare	17 614	6 538
Subscriptions and membership fees	1 467 719	1 238 155
Telephone and fax	3 905 718	2 934 558
Testing samples	603 413	253 945
Training	337 109	122 854
Travel and subsistence	3 358 406	1 353 312
	110 752 250	**73 496 916**

34. Contracted services

Security services	3 897 685	3 677 892

35. Repairs and maintenance

The accounting standards boards (ASB) issued a FAQ which states that the line item "Repairs and Maintenance" is no longer permitted in the statement of financial performance, and that the said expenditure should be reclassified by it's nature. .

However in line with the requirements of GRAP 17, the repairs and maintenance related expenditure identified by the municipality can still be attributed to the following asset classes:

Repairs and Maintenance - Buildings	448 759	94 277
Repairs and Maintenance - Infrastructure	2 890 379	2 985 284
Repairs and Maintenance - Leased and other assets	3 333 491	2 181 360
Repairs and Maintenance - Community assets	729 034	522 188
	7 401 663	**5 783 109**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
36. Cash generated from operations		
Deficit	(43 253 831)	(43 726 874)
Adjustments for:		
Depreciation and amortisation	62 710 848	65 115 683
Loss on sale of assets and liabilities	-	(3 410 469)
Debt impairment	5 625 674	36 178 449
Changes in working capital:		
Inventories	(490 573)	(110 791)
Other Receivables	-	(9 375 022)
Receivables from exchange and non-exhange	(22 491 645)	-
Payables from exchange transactions	31 625 374	6 832 100
VAT	(2 477 286)	3 971 738
Unspent conditional grants and receipts	(23 759 956)	17 573 104
Consumer deposits	85 732	765 969
Provision and employee benefits	7 726 162	9 817 927
	15 300 499	**83 631 814**

37. Prior period errors

During the year the following errors were discovered in both the annual financial statements submitted in the prior year and the financial accounting system. These errors have been corrected restrospectively through restatements of prior year through journals in the financial accounting system and through correcting the misrepresented prior year column on the annual financial statements.

INVENTORIES: The error was as a result of water inventory that was incorrectly disclosed in the previous year. Therefore this error was corrected in the current year.

37. Prior period errors (continued)

RECEIVABLES FROM EXCHANGE TRANSACTIONS: The error was as a result of impairment of debtors being incorrectly calculated. Therefore that error has been corrected in the current year.

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS: The error was as a result of former Camdeboo SALGA invoices for 2016/17 not previously raised. Therefore the error has been corrected by raising the SALGA invoices for 2016/17 that were not raised.

TRADE RECEIVABLES: The error was a result of amalgamation expenses raised as debtor, SALGA prepaid expenditure recognised as debtor, incorrect take on balances of Traffic debtors and salary control account classified as debtor. Therefore the error was corrected in the current year by reclassifying the salary control account votes to Payables from exchange transactions and reversal of SALGA prepaid expenditure.

CASH AND CASH EQUIVALENTS: The error was as a result of former Baviaans bank balance not being correctly allocated to bank and cash, and interest on Standard bank Investment accounts of former Ikwezi for 2016/17 not previously been raised. The error was corrected in the current year by reallocation of Baviaans bank balance and Raising interest not previously raised.

PROPERTY, PLANT AND EQUIPMENT: The error was as a result of former Baviaans Landfill site not taken on initially and depreciated for 2016/17 not calculated correctly. The error was corrected in the current year by correcting the Baviaans Landfill site not taken on initially. Reversing depreciation charged for 2016/17 and then raising the correct charge for the year. Land identified as held for sale was reclassifed as inventory.

INTANGIBLE ASSETS: The error was as a result of amortisation charge for the 2016/17 year being incorrectly calculated. The error has been corrected in the current year by reversing the amortisation charged for 2016/17 and raising the correct one.

FINANCE LEASE OBLIGATION: The items included in the balance all relate to Motor vehicles taken on from former Baviaans and previously accounted for as finance lease but mapped to creditors during take on. This was corrected/remapped to a seperate finance leases vote in the AFS.

PAYABLES FROM EXCHANGE TRANSACTIONS: This error is as a result of finance lease obligation being incorrectly mapped to creditors, double accounting of AGSA invoices, annual bonus accrual incorrectly calculated and accrual listing processed excluding vat etc. These errors have been corrected in the current year.

PAYABLES FROM NON-EXCHANGE TRANSACTIONS: This line item consists of unallocated deposits and debtors with credit balances. In the current year, former Ikwezi Unallocated deposit have been written off. Some of the previously unallocated deposits have been allocated to the respective debtor accounts.

VAT PAYABLE: The adjustment is as a result fo payment made in the bank account that was previously unallocated and that has been corrected in the current year.

CONSUMER DEPOSITS: The error is a result of take on journals being incorrectly processed. This has been corrected in the current year.

UNSPENT CONDITIONAL GRANTS: This error is as a result of incorrect former Baviaans National Treasury Clawback, incorrect take on balances for MSIG and FMG for former Ikwezi and amounts withheld relating to former Ikwezi Equitable share. These have been corrected in the current year.

PROVISIONS: This error is as a result of incorrect opening take on balances of employee benefits and contributions processed directly to statement of financial position. These have been corrected in the current year.

SERVICES CHARGES: This adjustment was a result of the differences noted between TB and the billing reports for the period. These differences have been corrected in the current year.

FINES, PENALTIES AND FORFEITS: This adjustment was as a result of the difference noted between the TB and the traffic fines schedule from the system. These differences have been corrected in the current year.

AGENCY FEES: The error is as result of DOT E-natis creditor not previously raised. Therefore an adjustment journal was processed to reduce revenue to the Agency fee portion and recognise the DOT E-natis creditor based on amounts agreed with DOT.

37. Prior period errors (continued)

INTEREST RECEIVED: The error is as a result of differences noted between GL/TB and debtors intergration reports from the system and the difference between interest on Investments in TB/GL and bank statements. This has been corrected in the current year.

LICENCES AND PERMITS: The adjustment is as a result of votes previously mapped to Agency Fees and have been re-mapped in the current year.

GAIN ON DISPOSAL OF ASSETS: The adjustment is as a result of gain on disposal of assets which was incorrectly calculated and has not been calculated correctly.

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

37. Prior period errors (continued)

STATEMENT OF FINANCIAL POSITION	Previously reported	Correction of error	Reclassification	Restated 2017
Inventories	6 421 263	31 671	-	6 452 934
Other debtors	11 298 878	(9 469 484)	8 729	1 838 123
Receivables from non-exchange transactions	837 067	194 661	3 688 018	4 719 746
Receivables from exchange transactions	19 518 205	(3 328 352)	(3 696 747)	12 493 106
Cash and cash equivalents	38 271 395	(10 816 784)	-	27 454 611
Total current assets	**76 346 808**	**(23 388 288)**	**-**	**52 958 520**
Investment property	67 783 409	-	-	67 783 409
Property, plant and equipment	1 107 025 444	-	2 403 355	1 109 428 799
Intangible assets	252 863	-	(1 127)	251 736
Heritage assets	13 452 791	-	-	13 452 791
Total Non-current assets	1 188 514 507	-	2 402 228	1 190 916 735
TOTAL ASSETS	**1 188 514 507**	**-**	**2 402 228**	**1 190 916 735**
Liabilities				
Finance lease obligation	-	-	(194 770)	(194 770)
Payables from exchange transactions	(102 705 693)	-	8 181 267	(94 524 426)
Payables from non-exchange transactions	(6 449 978)	-	2 950 834	(3 499 144)
VAT payable	(590 692)	-	376 907	(213 785)
Consumer deposits	(2 885 033)	-	(26 031)	(2 911 064)
Unspent conditional grants and receipts	(35 700 416)	-	9 404 953	(26 295 463)
Provisions	(180 000)	-	30 745	(149 255)
Employee benefits	(1 872 024)	-	-	(1 872 024)
Total current liabilities	**(150 383 836)**	**-**	**20 723 905**	**(129 659 931)**
Provisions	(13 903 886)	-	-	(13 903 886)
Employee benefits	(44 893 455)	-	-	(44 893 455)
Total Non-current liabilities	(58 797 341)	-	-	(58 797 341)
	(58 797 341)	**-**	**-**	**(58 797 341)**
TOTAL ASSETS	1 264 861 315	-	(18 338 060)	1 246 523 255
TOTAL LIABILITIES	(209 181 177)	-	20 723 904	(188 457 273)
NET ASSETS	1 055 680 138	-	2 385 844	1 058 065 982
Accumulated surplus	**1 055 680 138**	**-**	**2 385 844**	**1 058 065 982**

STATEMENT OF FINANCIAL PERFORMANCE	Previously reported	Correction of error	Reclassification	Restated 2017
Property rates	21 625 697	-	-	21 625 697
Service charges	117 962 297	(1 699 515)	-	116 262 782
Fines, Penalties and forteits	76 547	107 735	-	184 282
Government grants and Subsidies	168 085 887	7 589 832	-	175 675 719
Agency services	4 453 556	(2 364 673)	-	2 088 883
Interest received	6 246 616	-	-	6 246 616
Interest received - Investment	1 308 936	30 485	-	1 339 421
Rental of facilities and equipment	591 870	-	-	591 870
Other income	690 548	1 213 002	-	1 903 550
Licences and permits	-	1 111 422	-	1 111 422

37. Prior period errors (continued)

Gains on disposal of assets	3 550 381	(139 912)	-	3 410 469
Total Revenue	**324 592 335**	**5 848 376**	**-**	**330 440 711**
		0		
Employee costs	(100 825 850)	(7 288 253)	(9 000)	(108 123 103)
Remuneration of councillors	(7 376 925)	-	-	(7 376 925)
Debt impairment	-	(36 178 449)	-	(36 178 449)
Depreciation and amortisation	(65 157 003)	41 320	-	(65 115 683)
Finance costs	(4 914 114)	(1 246 017)	-	(6 160 131)
Repairs and maintenance	(4 505 563)	(1 335 515)	5 841 078	-
Bulk purchases	(69 018 919)	(73 149)	-	(69 092 068)
General expenses	(72 429 606)	4 516 143	(5 583 452)	(73 496 915)
Impairment of assets	(32 985 584)	32 985 584	-	-
Contracted services	(3 417 077)	(3 189)	(257 626)	(3 677 892)
Actuarial losses	(4 955 419)	-	-	(4 955 419)
Inventory losses/write-downs	(86 519)	-	86 519	-
Lease rentals on operating lease	(418 185)	-	418 185	-
TOTAL EXPENDITURE	(366 090 764)	(8 581 525)	495 704	(374 176 585)
Deficit for the year	**(41 498 429)**	**(2 171 190)**	**495 704**	**(43 726 874)**

CASH FLOW STATEMENT	**Previously stated**	**Correction of error**	**Reclassification**	**Restated 2017**
Government grants and subsidies	173 864 936	1 810 784	-	175 675 720
Rates and services	122 178 609	10 306 587	-	132 485 196
Interest income	7 555 552	30 485	-	7 586 037
Other receipts	5 735 974	144 033	-	5 880 007
	309 335 071	12 291 889	-	321 626 960
Employee cost	(98 919 887)	(16 571 141)	-	(115 491 028)
Suppliers	(114 816 230)	(1 527 756)	-	(116 343 986)
Finance cost	(1 491 677)	(4 668 454)	-	(6 160 131)
Net cash flows from operating activities	**94 107 277**	**(10 475 462)**	**-**	**83 631 815**
Cash flow from investing activities				
Purchase of property, plant and equipment	(62 347 060)	-	(102 713)	(62 449 773)
Proceeds from sale of property, plant and equipment	3 590 400	-	69 421	3 659 821
Purchase of other intangible assets	(49 308)	-	1	(49 307)
Net cash flows from Financing activities	**(58 805 968)**	**-**	**(33 291)**	**(58 839 259)**
Cash flow from Financing activities				
Movement from Finance lease	-	-	(307 899)	(307 899)
Net increase/(decrease) in cash and cash equivalents	35 301 309	-	(10 816 653)	24 484 656
Cash and cash equivalents at the beginning of the year	2 970 086	-	(131)	2 969 955
Cash and cash equivalents at the end of the year	**38 271 395**	**-**	**(10 816 784)**	**27 454 611**

Accumulated Surplus/ Deficit	
Inventories	1 519 825
Receivables from exchange transactions	979 881
Receivables from non-exchange transactions	(2 833 775)
Property, plant and equipment	(3 477 883)
Payables from non-exchange transactions	5 606 851
Payables from exchange transactions	(415 816)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

37. Prior period errors (continued)

Other financial liabilities		(551 770)
Other receivables		(2 370 000)
Non-current provisions		32 264 022
Employee benefits		(32 160 197)
Unspent conditional grants		4 770 972
		3 332 110

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure	42 604 738	75 198 843
Total capital commitments		
Already contracted for but not provided for	42 604 738	75 198 843

The committed expenditure relates to Infrastructure and will be financed by Government Grants and own resources.

39. Unauthorised expenditure

Opening balance/transferred during merger	164 449 999	126 812 064
Add: Unauthorised expenditure - current year	17 769 562	37 637 935
	182 219 561	**164 449 999**

40. Fruitless and wasteful expenditure

Opening balance/transferred during merger	6 788 949	3 430 092
add: Fruitless and wasteful expenditure - current year	1 642 907	3 358 857
	8 431 856	**6 788 949**

41. Irregular expenditure

Opening balance/transferred during merger	130 519 900	79 743 767
Add: Irregular Expenditure - current year	30 169 370	50 776 133
	160 689 270	**130 519 900**

Transitional Provision - GRAP 107: The municipality has opted to take advantage of the transitional provisions contained in GRAP 107 relating to the measurement of Irregular expenditure. The municipality is granted a 2 year measurement period commencing on merger date to ensure compliance with the relevant GRAP standards. Therefore the above amounts have been recorded as provisional amounts.

42. Deviation from supply chain management regulations

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 annual financial statements.

Goods and services to the value of R13 275 012 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

43. Related parties

Relationships

Mayor	Cllr D.W.S. De Vos
Speaker	Cllr T.L. Nonnies
Executive Committee	Cllr P.W. Koeberg
Executive Committee	Cllr S.J. Graham
Executive Committee	Cllr N.P. Vanda
Executive Committee	Cllr E.L Loock
MPAC Chairperson	Cllr W.J. Safers
Councillor	Cllr D. Williams
Councillor	Cllr E.A. Ruiters
Councillor	Cllr W.Z. Le Grange
Councillor	Cllr A. Mboneni
Councillor	Cllr E.A. Carolus
Councillor	Cllr H. Booysen
Councillor	Cllr B.W. Seekoei
Councillor	Cllr L.M. Botha
Councillor	Cllr K. Hoffman
Councillor	Cllr X.N. Galada
Councillor	Cllr G.C. Mackelina
Councillor	Cllr T.M. Tshona
Councillor	Cllr R.B. Jacobs
Councillor	Cllr P. Bees
Councillor	Cllr L.L. Langeveldt
Councillor	Cllr A. Arries
Councillor	Cllr D.J. Bezuidenhout
Councillor	Cllr E.V.R Rossouw
Councillor	Cllr J.J. Williams
Municipal Manager	Dr. E.M Rankwana
Chief Financial Officer	H. Kok
Acting Chief Financial Officer	S.E. Mbotya
Director of planning and engineering services	W.I. Berrignton
Acting Director of Corporate Services	Z. Kali
District Municipality which Dr. Beyers Naude Local Municipality forms part of	Sarah Baartman District Municipality
Name of related person and designation	Description of related party relations
Hendrina Meyer - Program operator	Meyer Transport - Spouse
Clive Warner - Assistant Manager	Electrical Motor Rewinders - Son
Maryna Minnie - Senior Clerk Administration	Tinnus Minnie Electrical - Spouse
Ivan Japtha - Law enforcement Officer	Japtha Transport - Owner
Logan Cudjoe - Acccountant expenditure	RAC Transport - Spouse
Rory Boggenpoel - Manager Assets and SCM	RGB Ithemba - Owner
Hildegaard Wessels - HR Officer: Recruitment	Camdeboo Funeral services - Director/Partner
Ivor Berrington - Director: Planning and Engineering	Berrington Family Trust & Uitkomst Trust - Trustee
Melanie Berrington - Administration Officer	Berrington Family Trust & Uitkomst Trust - Trustee
Colin Abels - Health Practioner	Welkom Yizani - Shareholder

The mayor and councillors only received remuneration as set out in Note 28. Rates and municipal services were in line with other customers, see note 6.

The Section 57 managers only received remuneration as set out in Note 27. Rates and municipal services were in line with other customers.

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

All related government entities transactions, including the district municipality, such as rates and municipal services were in line with government legislation.

Figures in Rand	2018	2017

43. Related parties (continued)

Related party transactions

Purchases from related parties		
Electrical Motor Rewinders	73 737	410 250
Zaaymans Garage	-	31 776
Vivians Enterprise	3 200	4 900

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

44. 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.

Credit risk

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

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Other Receivables	4 500 627	1 838 123
Receivables from non-exchange transactions	5 437 406	4 719 746
Receivables from exchange transactions	28 874 343	12 493 106
Cash and cash equivalents	1 005 761	27 454 611
Payables from exchange transactions	(121 479 437)	(91 876 424)
Payables from non-exchange transactions	(5 211 804)	(3 499 144)
VAT payables	-	(213 785)
Bank overdraft	(11 894 348)	-
VAT receivable	2 263 501	-

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates..

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	4 433 012	-
Council subscription / fee	1 252 765	5 276 180
Amount paid - current year	-	(815 716)
Amount paid - previous years	(1 336 407)	(27 452)
	4 349 370	**4 433 012**

Figures in Rand	2018	2017

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year payroll deductions	19 735 646	14 172 849
Amount paid - current year	(13 323 139)	(14 172 849)
	6 412 507	**-**

Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	18 675 055	24 772 744
Amount paid - current year	(16 998 915)	(24 772 744)
	1 676 140	**-**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	**Outstanding more than 90 days R**	**Total R**
Cllr GC Mackelina	2 979	2 979
Cllr A Booysen	4 771	4 771
Cllr TL Nonnies	2 119	2 119
Cllr P W Koeberg	695	695
Cllr P Bees	132	132
Cllr EVR Rossouw	4 440	4 440
	15 136	**15 136**

30 June 2017	**Outstanding more than 90 days R**	**Total R**
Cllr GC Mackelina	531	531
Cllr A Booysen	12 331	12 331
Cllr TL Nonnies	67	67
Cllr BW Seekoei	649	649
Cllr H Booysen	450	450
Cllr EVR Rossouw	799	799
Cllr DJ Bezuidenhout	9 962	9 962
	24 789	**24 789**

46. Distribution losses - Electricity

Electricity losses (units)		
Electricity units (kWh) purchased from Eskom	85 756 113	70 957 000
Electricity units (kWh) sold to customers	(60 485 078)	(58 245 359)
	25 271 035	**12 711 641**

Electricity losses occur due to inter alia, technical and non-technical losses. (Technical losses - Inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections).

Figures in Rand	2018	2017

46. Distribution losses - Electricity (continued)

The problem with tampered meters and illigal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported. Electricity losses for the financial year is 29.47% of purchased electricity. The Rand value of the electricity losses for the period ending 30 June 2018 is R23 930 669.

47. Distribution losses - Water

Water losses (units)		
Balance at the beginning of the year in reservoirs and pipes	38 398	33 237
Water units produced	3 996 783	5 092 402
Water units sold	(2 951 305)	(4 014 501)
Balance at the end of the year in reservoirs and pipes	(35 131)	(38 398)
	1 048 745	**1 072 740**

Water losses occur due to inter alia, leakages, tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections.

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported. Water losses for the financial period amounted to 26% of water produced. The Rand value of the water losses for the period ending 30 June 2018 is R6 432 598.

48. Events after the reporting date

No material facts or cicumstances occured between the accounting date and the date of the financial statemens other than those items already mentioned which require disclosure in the financial statements.

49. Contingencies

Beyers Naude Local Municipality has the following guarantees:

The Wedge (EX CLM) - Possible enrichment claim for the improvement to the property.

Amatenda Property Projects CC (In Liquidation) (EC CLM) - R500 000, Housing development for low/ middle income was done on municipal property. Final vacating of property by liquidators only aspect..

Richardt V Rensburg (EX CLM) - Richardt van Resburg brought a High Court application in terms of "PAIA" for an order directing CLM to deliver documentation pertaining to a mining right on ErF 1814, Graaff-reinet existing and previous lease agreements in respect of Erf 1814 and further related documents..

AURECON SA (PTY) LTD (EX) - Aurecon instituted action in the high court, Grahamstown for payment of moneys, same strictly payable by relevant Government Department..

49. Contingencies (continued)

Minister of water and Sanitationi (EX CLM) - R414 300.45, Minister of Water & Sanitation instituted Action against the municipality for water use charges. Municipality is unaware and cannont reconcile the alleged amounts owing. The other side indicated recently that they want to increase their claim
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CJ Bouwer - R3.7 Million, Claimant will have difficulty to prove liability against Municipality as well as quantum of his alleged damages.

YL Booysen - R210 000, Alleging and claimingg Damages for alleged infringement of her dignitas and fama. She is an employee of the municipality.

Robert Alexander (EX CLM) - R26 987.73, Robert Alexander instituted Action out of GR Magistrate's court against the Municipality alleging said damages from a MVA involving a motor vehicles of the Mun driven by an employee of the Municipality.

Trustee Zuurplaats Trust EA - Trustees for Zuurplaants Trust ea filed an Objection to approval of building. Application and Constructiosn Plans and work, parties attempting to resolve to avoid High Court Review proceedings.

Louise Van Tonder (EX IKWEZI) - Louise van Tonder instituted Action based on alleged assaults by an employee of the Municipalty.

Phil-ANN (EX Ikwezi) - R4 028 416.80, Phil-Ann Erasmus obtained Judgment in her favour on the merits against the Municipality and employee Mr Jack on 31 March 2016.

Vincemus Investments (Pty) Ltd - R1 298 640.32, for vehicle leasing and damages, currently investigating.

MD Business Solutions (Pty) Ltd - R1 938 000, Combined Summons (Case no 3326/17) received on 14 July 2017, matter clearly related to previous matter in which judgement was granted.

Miss E. Botha (DBNLM) - R86 650, Ms E Botha had a Section 3 Notice Delivered, Alleging and Claiming damages resulting from the alleged negligence of Employees of the Municipality with regards to stray animals/ breach of duty.

MR A Witbooi (DBNLM) - R7 241,10, Alleging damages as a result of damages due to a fire.

James Henry PITOUT - R12 446.18, Mr Pitout instituted action for damages from fire allegedly started by employees of Municipality that was participating in a gathering. SAMWU as second defendant.
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50. 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality from national and provincial government.