



Waterberg
District Municipality

Waterberg District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2018

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Members of Council

Executive Mayor	S.M. Mataboge
Speaker	K.S. Lamola
Chief Whip	M.A. Tsebe
Mayoral Committee member	T.A. Mashamaite
Mayoral Committee member	F. Hlungwane
Mayoral Committee member	M.P. Sebatjane
Mayoral Committee member	R.M. Radebe
Mayoral Committee member	K.R.. Mokwena
Mayoral Committee member	M.R. Boloka
MPAC Chairperson	N. S Montane
Councillor	M.R. Boloka
Councillor	D.E. De Beer
Councillor	M.J. Gumede
Councillor	K. C Khotsa
Councillor	N. Laubscher
Councillor	S.C. Majoko
Councillor	N.S. Monyamane
Councillor	C.C.S. Motsepe
Councillor	S.R. Mphahlele
Councillor	M.B Baloyi
Councillor	CF.Z. Esply
Councillor	F. Hlungwane
Councillor	B.N. Magongwa
Councillor	R.D. Mampeule
Councillor	B.S. Marema
Councillor	R. Maropeng
Councillor	B. Mocke
Councillor	M.T. Mogale
Councillor	P. Molekwa
Councillor	T.E. Monama
Councillor	R.N. Monene
Councillor	L.K. Satege
Councillor	M.J. Selokela
Councillor	S.C.G. Senosha
Councillor	M.S.Tefu
Councillor	M.S. Thobane
Councillor	K.H Niewenhuis

Grading of district municipality

Grade 4

Acting Chief Financial Officer (CFO)

K.J Makgobela

Acting Accounting Officer

L. G Tloubatla

Business address

44 Harry Gwala Street
Modimolle
Limpopo
0510

Postal address

Private Bag X1018
Modimolle

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General Information

	Limpopo 0510
Bankers	ABSA Bank Modimolle
Auditors	Auditor General (SA)
Attorneys	Mohale Incorporated
Contact Number	(014) 718 3300 (Tel) 086 621 9321 (Fax)

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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, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Acting Accounting Officer
L.G Tloubatla

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

	Note(s)	2018	2017
Assets			
Current Assets			
Cash and cash equivalents	3	95 954 222	94 790 916
Trade and other receivables from exchange transactions	4	54 978	10 178
Receivables from non-exchange transactions	5	1 131 161	917 181
Inventories	6	105 129	105 348
Held-to-maturity investments	7	34 584 686	36 178 093
VAT receivable	8	1 776 651	869 344
		133 606 827	132 871 060
Non-Current Assets			
Property, plant and equipment	9	48 093 829	53 365 218
Intangible assets	10	1 906 122	2 027 769
Non-current receivables	11	54 775	54 775
		50 054 726	55 447 762
Total Assets		183 661 553	188 318 822
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	5 537 316	5 093 736
Other payables from non-exchange transactions	13	11 009 561	9 769 454
Consumer deposits	14	2 000	2 000
Unspent conditional grants and receipts	16	8 724 433	10 030 526
Employee benefit obligation	17	682 745	574 486
Current portion of long service awards liability	18	243 149	330 256
		26 199 204	25 800 458
Non-Current Liabilities			
Employee benefit obligation	17	24 295 143	22 589 679
Long service awards liability	18	3 148 467	2 758 110
		27 443 610	25 347 789
Total Liabilities		53 642 814	51 148 247
Net Assets		130 018 739	137 170 575
Accumulated surplus		130 018 739	137 170 575

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Service charges		1 061 089	915 947
Interest earned - External investments	19	11 490 576	14 558 987
Interest earned - Receivables	19	64	88
Other income	20	26 561	138 414
Total revenue from exchange transactions		12 578 290	15 613 436
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	121 975 023	125 360 300
Total revenue		134 553 313	140 973 736
Expenditure			
Employee related costs	22	(81 931 295)	(72 955 070)
Remuneration of councillors	23	(7 893 985)	(6 768 848)
Post-retirement health care expenditure		(2 089 719)	(744 742)
Long-service award expenditure		(563 421)	(950 230)
Depreciation and amortisation	24	(6 415 577)	(6 197 671)
Repairs and maintenance		(3 282 072)	(2 308 454)
Contracted services	26	(7 488 107)	(13 520 885)
Project expenditure	28	(10 026 646)	(15 944 574)
General Expenses	27	(22 023 318)	(18 396 398)
Total expenditure		(141 714 140)	(137 786 872)
Loss on disposal of assets		-	(13 940)
(Deficit) surplus for the year		(7 160 827)	3 172 924

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Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2016	133 997 651	133 997 651
Net Surplus / (Deficit) for the year	3 172 924	3 172 924
Net Surplus (Deficit) for the year	3 172 924	3 172 924
Balance at 01 July 2017	137 179 566	137 179 566
Net Surplus / (Deficit) for the year	(7 160 827)	(7 160 827)
Balance at 30 June 2018	130 018 739	130 018 739

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Cash Flow Statement

	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 009 692	917 541
Grants		141 152 000	146 387 600
Interest income - Investments		11 490 575	14 558 987
Interest income - receivables		64	88
Other receipts		129 161	140 496
VAT receipts		11 635 485	9 585 409
		<u>165 416 977</u>	<u>171 590 121</u>
Payments			
Employee costs		(88 582 833)	(78 527 741)
Suppliers		(26 763 259)	(19 503 950)
Other payments for VAT		(6 102 513)	(12 465 030)
Project expenditure		(8 124 973)	(16 142 267)
Thabazimbi project expenditure		(15 791 399)	(62 458 973)
Contracted services		(7 488 107)	(13 520 885)
Other payments		(11 737 768)	(4 072 886)
		<u>(164 590 852)</u>	<u>(206 691 732)</u>
Net cash flows from operating activities	30	826 127	(35 101 611)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1 178 228)	(253 689)
Purchase of other intangible assets	10	(78 000)	(6 131)
Net cash flows from investing activities		(1 256 228)	(259 820)
Cash flows from financing activities			
Decrease/(Increase) in Held-to-maturity investments		1 593 407	(6 061 657)
Net cash flows from financing activities		1 593 407	(6 061 657)
Net increase/(decrease) in cash and cash equivalents		1 163 306	(41 423 088)
Cash and cash equivalents at the beginning of the year		94 790 916	136 214 004
Cash and cash equivalents at the end of the year	3	95 954 222	94 790 916

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Services charges	1 966 166	-	1 966 166	1 061 089	(905 077)	
Other income	31 920	-	31 920	26 561	(5 359)	
Interest earned - Investments	7 794 728	2 000 000	9 794 728	11 490 576	1 695 848	
Interest earned - Other	-	-	-	64	64	
Total revenue from exchange transactions	9 792 814	2 000 000	11 792 814	12 578 290	785 476	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	123 388 000	200 000	123 588 000	121 975 023	(1 612 977)	
Total revenue	133 180 814	2 200 000	135 380 814	134 553 313	(827 501)	
Expenditure						
Employee related costs	(86 768 979)	2 389 000	(84 379 979)	(81 931 295)	2 448 684	
Remuneration of councillors	(7 840 936)	(240 000)	(8 080 936)	(7 893 985)	186 951	
Post-retirement health care expenditure	(3 378 079)	-	(3 378 079)	(2 089 719)	1 288 360	
Depreciation and amortisation	(8 691 400)	-	(8 691 400)	(6 415 577)	2 275 823	
Repairs and maintenance	(2 908 769)	-	(2 908 769)	(3 282 072)	(373 303)	
Long-service award expenditure	(685 585)	-	(685 585)	(563 421)	122 164	
Contracted Services	(6 963 910)	-	(6 963 910)	(7 488 107)	(524 197)	
Transfers and Subsidies	(3 000 000)	(200 000)	(3 200 000)	(3 000 000)	200 000	
General Expenses	(41 490 046)	(4 149 000)	(45 639 046)	(29 049 964)	16 589 082	
Total expenditure	(161 727 704)	(2 200 000)	(163 927 704)	(141 714 140)	22 213 564	
Deficit before taxation	(28 546 890)	-	(28 546 890)	(7 160 827)	21 386 063	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(28 546 890)	-	(28 546 890)	(7 160 827)	21 386 063	

The above approved final budget excludes rolled over budget approved by council in August 2017.

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	105 129	105 129	
Held-to-maturity investments	59 653 488	-	59 653 488	34 584 686	(25 068 802)	
Receivables from non-exchange transactions	-	-	-	1 131 161	1 131 161	
VAT receivable	-	-	-	1 776 651	1 776 651	
Consumer debtors	30 000	-	30 000	54 978	24 978	
Cash and cash equivalents	5 005 200	-	5 005 200	95 954 222	90 949 022	
	64 688 688	-	64 688 688	133 606 827	68 918 139	
Non-Current Assets						
Property, plant and equipment	43 292 998	800 000	44 092 998	48 093 829	4 000 831	
Intangible assets	1 154 216	-	1 154 216	1 906 122	751 906	
Non-current receivables	-	-	-	54 775	54 775	
	44 447 214	800 000	45 247 214	50 054 726	4 807 512	
Total Assets	109 135 902	800 000	109 935 902	183 661 553	73 725 651	
Liabilities						
Current Liabilities						
Payables from exchange transactions	12 937 756	-	12 937 756	5 537 315	(7 400 441)	
Taxes and transfers payable (non-exchange)	-	-	-	11 009 561	11 009 561	
Consumer deposits	-	-	-	2 000	2 000	
Employee benefit obligation	984 281	-	984 281	682 745	(301 536)	
Unspent conditional grants and receipts	-	-	-	8 724 433	8 724 433	
Current portion of long service awards liability	-	-	-	243 149	243 149	
	13 922 037	-	13 922 037	26 199 203	12 277 166	
Non-Current Liabilities						
Employee benefit obligation	21 355 452	-	21 355 452	24 295 143	2 939 691	
Long service awards liability	4 048 018	-	4 048 018	3 148 467	(899 551)	
	25 403 470	-	25 403 470	27 443 610	2 040 140	
Total Liabilities	39 325 507	-	39 325 507	53 642 813	14 317 306	
Net Assets	69 810 395	800 000	70 610 395	130 018 740	59 408 345	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	69 810 395	800 000	70 610 395	-	(70 610 395)	

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period, unless explicitly stated.

1.1 Presentation currency

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

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 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Allowance for doubtful debts

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. The municipality has no assets of cultural, environmental or historical significance and therefore no heritage assets.

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

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

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

Property, plant and equipment are depreciated on cost minus the residual value, using the straight line basis over their expected useful lives to their estimated residual value. Land, heritage assets and artwork are not depreciated as it is deemed to have an indefinite useful life.

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Subsequent expenditure is capitalised when it increases the capacity of future economic benefits associated with the asset.

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Buildings and facilities	Straight line	10 to 60
Plant and equipment	Straight line	5 to 25
Furniture and fixtures	Straight line	5 to 37
Motor vehicles	Straight line	3 to 15
Office equipment	Straight line	4 to 36
IT equipment	Straight line	4 to 10
Emergency equipment	Straight line	5 to 10
Specialised vehicles	Straight line	5 to 16

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

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

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

The depreciation 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.

1.5 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.

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.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

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

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Accounting Policies

1.5 Intangible assets (continued)

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.

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

Item	Useful life
Computer software, other	4 to 40 years

Intangible assets are derecognised:

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

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

1.6 Financial instruments

Classification

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

- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities at fair value through surplus or deficit - held for trading

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

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

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

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

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Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Financial instruments (continued)

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Amounts that are payable within 12 months from the reporting date are classified as current. The carrying amount of trade and other payables is a reasonable approximation of fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

The credit risk disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity, these include investments held as fixed deposits and short term deposits invested in registered commercial banks.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognised in surplus or deficit.

1.7 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.

Waterberg District Municipality

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Accounting Policies

1.7 Statutory receivables (continued)

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.

1.8 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. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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 average payments over the period of the lease are expensed and any difference between the average and actual payment is disclosed as a debtor or creditor in the Statement of Financial Position.

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.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Leases (continued)

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 the effect of item 1 & 2 above on accumulated surplus.

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.

1.9 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.

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.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

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

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

Useful life is either:

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

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

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Employee benefits

Short-term employee benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefits, bonuses and annual leave obliged to be settled within 12 months of the reporting date, are recognized in other payables or provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognized when the leave is taken and measured at the rates paid or payable.

The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognized in the non-current liability for employee benefits and measured as the present value of expected future payment to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

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

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

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Provisions and contingencies (continued)

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.

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.

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

Provisions are not recognised for future operating deficits.

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.

Contingent assets and contingent liabilities are not recognised.

1.14 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.

1.15 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.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

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.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.15 Revenue from exchange transactions (continued)

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 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.

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

Interest is recognised, on a time proportion basis in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.16 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.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met, to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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, whichever 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.

Other grants and donations

Other grants and donations 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.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.17 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 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 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.

The recovery of unauthorised expenditure is based on legislated procedures, and is recognized when the recovery thereof from the responsible officials is probable. The recovery of unauthorised expenditure is treated as other income.

1.20 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 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.

The recovery of fruitless and wasteful expenditure is based on legislated procedures, and is recognized when the recovery thereof from the responsible officials is probable. The recovery of fruitless and wasteful expenditure is treated as other income.

1.21 Irregular expenditure

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 and where recovered, it is subsequently accounted for as revenue.

The recovery of irregular expenditure is based on legislated procedures, and is recognized when the recovery thereof from the responsible officials is probable. The recovery of irregular expenditure is treated as other income.

Waterberg District Municipality

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Accounting Policies

1.22 Budget information

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

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

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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

1.23 Related parties

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

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

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 Events after reporting date

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

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

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

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018

2017

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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 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.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2019 financial statements.

The expected impact of the standard is that it will not be applicable and is expected to have no impact on the municipality's financial statements.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	5 000	5 200
Bank balances	11 751 587	6 229 984
Short-term deposits	84 197 635	88 555 732
	95 954 222	94 790 916

A portion of cash represents restricted cash as it serves as security for unspent conditional grants.

Short-term deposits

Call deposits	10 928 546	8 096 651
60 Days fixed deposits	32 071 842	21 102 608
90 Days fixed deposits	31 157 631	59 356 473
30 Days fixed deposits	10 039 616	-
	84 197 635	88 555 732

The municipality had the following bank accounts

Account description	Account number	Bank statement balances		Cash book balances	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
ABSA Bank - Current Account	4086264236	11 751 587	6 229 984	11 751 587	6 229 984
ABSA BANK - 6 Months Investment	2075332567	10 000 000	10 000 000	10 025 786	10 033 534
INVESTEC - 90 Days Investment	1400198080453	-	15 000 000	-	15 095 795
INVESTEC - 6 Months Investment	1400198080453	-	13 000 000	-	13 089 753
ABSA BANK - 60 Days Investment	2076736340	-	13 000 000	-	13 032 244
ABSA BANK - 90 Days Investment	2076504028	-	10 000 000	-	10 052 945
ABSA BANK - Call Account	4089054729	-	8 000 000	-	8 096 651
NEDBANK - 60 Days Investment	03/7497571214/000205	-	11 000 000	-	11 069 074
NEDBANK - 92 Days Investment	03/7497571214/000206	-	11 000 000	-	11 070 068
NEDBANK - 91 Days Investment	03/7497571214/000207	-	13 000 000	-	13 082 808
NEDBANK - 6 months Investment	03/7497571214/000208	-	10 000 000	-	10 056 096
STANDARD BANK 90 Days Investment	728855100-022	-	10 000 000	-	10 054 856
Petty Cash		-	-	-	5 200
ABSA - CALL	4089054729	10 000 000	-	10 928 546	-
ABSA - 62 Days investments	2077431816	11 000 000	-	11 002 176	-
ABSA - 32 Days investments	2076504028	10 000 000	-	10 039 616	-
NEDBANK - 91 Days investment	03/7497571214/000222	10 000 000	-	10 050 753	-
NEDBANK - 63 Days Investment	03/7497571214/000223	11 000 000	-	11 043 879	-
NEDBANK - 91 Days investment	03/7497571214/000224	11 000 000	-	11 044 603	-
STANDARD - 91 Days investment	728855100-033	10 000 000	-	10 059 441	-
STANDARD - 90 Days investment	728855100-034	10 000 000	-	10 032 136	-
STANDARD - 95 Days investment	728855100-035	11 000 000	-	11 066 054	-
INVESTEC - 6 Months Investment	1400198080500	13 000 000	-	13 489 328	-
Petty Cash		-	-	5 003	-
Total	Total	128 751 587	130 229 984	130 538 908	130 969 008

4. Other receivables from exchange transactions

Gross balances

Abattoir	51 462	6 662
Other receivables - councillor salaries	3 516	3 516
	54 978	10 178

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
4. Other receivables from exchange transactions (continued)		
Net balance		
Abattoir	51 462	6 662
Other receivables - councillor salaries	3 516	3 516
	54 978	10 178
Abattoir:		
Current (0 -30 days)	51 462	6 662
Net balance	51 462	6 662
Reconciliation of allowance for impairment		
Contributions to allowance	-	-
Reversal of allowance	-	-
	-	-
Other receivables pledged as security		
No other receivables were pledged as security.		
Fair value of trade and other receivables		
The fair value of trade and other receivables approximates their carrying amounts.		
5. Receivables from non-exchange transactions		
Prepayments	914 268	914 268
Sundry debtors	216 893	2 913
	1 131 161	917 181
6. Inventories		
Consumable stores	105 129	105 348
Inventories write-downs / (reversal of write-down)	-	-
	105 129	105 348
Consumables:		
Opening balance	105 348	83 097
Additions	1 603 830	989 014
Issued (expensed)	(1 604 048)	(957 775)
Closing balance	105 129	105 348
Inventory consists of stationery, fire fighting foam and grass beaters. No inventory is pledged as security. No circumstances or events existed that would have led to the write-down or the reversal of a write-down of inventories.		
7. Held-to-maturity investments		
Designated at fair value		
Held-to-maturity investments	34 584 686	36 178 093

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
7. Held-to-maturity investments (continued)		
Current assets		
Designated at fair value	34 584 686	36 178 093

The investment are held with INVESTEC : R13 489 329 and NEDBANK R21 095 356 for a period of 6 Moths respectively.

8. VAT

VAT receivable	1 776 651	869 344
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VAT is accounted for on the payment basis.

9. 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	1 365 500	-	1 365 500	1 365 500	-	1 365 500
Buildings	38 197 585	(11 837 885)	26 359 700	38 197 585	(10 634 227)	27 563 358
Plant and machinery	5 419 735	(2 764 821)	2 654 914	5 419 735	(2 180 980)	3 238 755
Motor vehicles	32 980 511	(18 615 398)	14 365 113	32 487 833	(16 197 813)	16 290 020
Office equipment	14 341 551	(10 992 949)	3 348 602	14 341 551	(9 433 966)	4 907 585
Total	92 304 882	(44 211 053)	48 093 829	91 812 204	(38 446 986)	53 365 218

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Land	1 365 500	-	-	-	1 365 500
Land and Buildings	27 563 358	-	-	(1 203 658)	26 359 700
Plant and machinery	3 238 755	-	-	(583 841)	2 654 914
Motor vehicles	16 290 020	1 437 228	(492 687)	(2 869 448)	14 365 113
Office equipment	4 907 585	-	-	(1 558 983)	3 348 602
	53 365 218	1 437 228	(492 687)	(6 215 930)	48 093 829

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land	1 365 500	-	-	-	1 365 500
Buildings	27 657 916	-	-	(94 558)	27 563 358
Plant and machinery	4 875 438	-	-	(1 636 683)	3 238 755
Motor vehicles	19 313 436	253 689	(13 940)	(3 263 165)	16 290 020
Office equipment	5 908 002	-	-	(1 000 417)	4 907 585
	59 120 292	253 689	(13 940)	(5 994 823)	53 365 218

Pledged as security

The municipality reviewed the residual values and estimated useful lives of its assets at the begining of the 2017/18 financial year. The municipality also assessed if there is any indication that an asset needs to be impaired. No indicators of impairment of assets, were found.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
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9. Property, plant and equipment (continued)

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.

10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 882 402	(1 976 280)	1 906 122	3 804 402	(1 776 633)	2 027 769

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 027 769	78 000	(199 647)	1 906 122

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 224 484	6 131	(202 846)	2 027 769

Pledged as security

The municipality reviewed the residual values and estimated useful lives of its assets at the beginning of the 2017/18 financial year. The municipality also assessed if there is any indication that an asset needs to be impaired. No indicators of impairment of assets, except for the assets listed in the note below, were found.

11. Non-current receivables

Heading

Water and electricity	2 025	2 025
Office rentals	32 750	32 750
Telephone	20 000	20 000
	54 775	54 775

Deposit water and electricity

These are deposits paid for water and electricity services, rental of office space in Mokopane and Thabazimbi for environmental health officials and VOIP telephone.

12. Payables from exchange transactions

Trade payables	5 377 735	4 859 772
Retentions	159 581	233 964
	5 537 316	5 093 736

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
13. Other payables from non-exchange transactions		
Accruals for leave	9 330 256	8 229 636
Accruals for bonuses	1 679 305	1 539 818
	11 009 561	9 769 454

The fair value of other payables approximates their carrying amounts.

14. Consumer deposits

Abattoir	2 000	2 000
Guarantees held in lieu of abattoir deposits	12 000	12 000

15. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	-	-	-	-

Reconciliation of provisions - 2017

	Opening Balance	Utilised during the year	Total
Performance bonus	165 476	(165 476)	-

Performance bonus

Performance bonuses are paid one year in arrears when the municipality has a present obligation as a result of a past event which is the services rendered and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. The bonus has been calculated based on the assessment of eligible employees at the reporting date.

The assumptions and basis of calculation was done in terms of the requirements of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Manager, 2006. Provision for Performance bonuses are calculated as per the performance agreements and brackets indicated in Section 32(2) the above Performance Regulations. The maximum exposure was calculated based on the final score of each individual manager at year end and in which those scores fall.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	7 098 639	7 061 138
Municipal Water Infrastructure Grant	-	2 564 661
EPWP Incentive Grant	1 000 000	158 022
LEDET Grant	-	200 045
Rural Road Assets Management Systems Grant	579 134	-
Other conditional grants		
Tourism Grant	46 660	46 660
	8 724 433	10 030 526

See note 21 for reconciliation of grants from National/Provincial Government.

Included in unspent grant is the balance of R 7 098 639 of MIG funding of R 9 000 000 received for the Thabazimbi project and of which R 1 901 362 were spent.

These amounts are invested in short-term investment until utilised.

17. Employee benefit obligations

Defined benefit plan

The municipality contributes to a number of defined contribution schemes for pension of all permanent employees and councillors. The funds are governed by the Pension Funds Act of 1956.

The following are defined contribution plans:

- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipal Councillors Pension Fund

The municipality also provides certain post-retirement medical benefits to qualifying pensioners. All post-retirement medical benefits are unfunded.

The following are defined benefit plans:

- LA Health
- SAMWU Med
- Bonitas Medical Fund
- Key Health Medical Scheme
- Hosmed

In accordance with prevailing legislation, the defined benefit funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest actuarial valuation was performed as at 30 June 2017.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions. The municipality intends to continue to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

The accumulated defined benefit obligation in respect of the post-retirement medical contributions are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
17. Employee benefit obligations (continued)		
Movement in the employee healthcare benefit liability:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(23 164 166)	(23 051 094)
Present value of the defined benefit obligation-partly or wholly funded	682 715	632 004
Fair value of reimbursement rights	(1 275 339)	(1 282 543)
Interest	(2 249 441)	(2 145 625)
Actuarial losses / (gains) recognised in Statement of Financial Performance	1 028 343	2 683 092
Unfunded accrued liability as at 30 June	(24 977 888)	(23 164 166)
 Non-current liabilities	(24 295 143)	(22 589 679)
Current liabilities	(682 745)	(574 486)
	(24 977 888)	(23 164 165)
 The liability as at 30 June consists of:		
In-service (employee) members	(16 097 313)	(15 321 819)
Continuation members	(8 057 782)	(7 116 195)
In-service (employee) non-members	(822 794)	(726 152)
	(24 977 888)	(23 164 166)
 Net expense recognised in the the effect of item 1 & 2 above on accumulated surplus		
Current service cost	1 275 340	1 282 543
Interest cost	2 249 441	2 145 625
Actuarial (gains) losses	(1 028 343)	(2 683 092)
	2 496 438	745 076
 Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9,68 %	9,83 %
Medical cost trend rates	7,44 %	8,12 %
Average remaining future working lifetime		16.2 years

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
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17. Employee benefit obligations (continued)

Defined benefit obligation

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
2018: Effect on the aggregate of the health care inflation	(10)	7
2018: Effect on discount rate	11	(9)
2017: Effect on the aggregate of the health care inflation	7	19
2017: Effect on discount rate	(9)	13

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

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	24 977 888	23 164 165	23 051 093	21 728 016	17 523 330

18. Long service awards liability

The municipality provides long-service awards to its permanent employees.

The benefit of long-service award is provided in the form of annual leave and a gift to a certain monetary value.

In accordance with prevailing legislation, the provision is actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest actuarial valuation was performed as at 30 June 2017.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
18. Long service awards liability (continued)		
Movement in the long-service award liability:		
Liability as at 1 July	3 088 366	2 863 535
Benefits paid	(330 220)	(595 689)
Current service cost	331 081	293 583
Interest	246 805	215 393
Actuarial losses / (gains) recognised in Statement of Financial Performance	55 584	311 544
Unfunded accrued liability as at 30 June	3 391 616	3 088 366
Current portion of liability as at 30 June	243 149	330 256
Non-current portion of liability as at 30 June	3 148 467	2 758 110
	3 391 616	3 088 366
Expense recognised in (profit) or loss:		
Current service cost	331 081	293 583
Interest cost	246 805	215 393
Actuarial losses / gains	55 584	311 544
	633 470	820 520

Principal actuarial assumptions of valuation model used:

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,50 %	8,43 %
Medical cost trend rates	6,13 %	6,25 %

Assumed general salary inflation rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed general inflation rates would have the following effects:

	One percentage point increase	One percentage point decrease
2018: Effect on the aggregate of the general salary inflation rate	(6)	6
2018: Effect on discount rate	1	(1)
2017: Effect on the aggregate of the general salary inflation	(6)	6
2017: Effect on discount rate	1	(1)

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

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	3 391 616	3 088 366	2 863 535	2 520 499	2 128 093

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
19. Interest earned		
Dividend revenue		
Abattoir services	64	88
Interest revenue		
Bank	587 291	533 356
Short-term investments	10 903 285	14 025 631
	11 490 576	14 558 987
	11 490 640	14 559 075
20. Other income		
Fire income	-	61 180
Miscellaneous income	15 596	55 655
Tender document fees	10 965	21 579
	26 561	138 414

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
21. Government grants and subsidies		
Operating grants		
Equitable share	117 372 513	113 277 000
LG SETA Grant	102 600	147 600
Rural Road Asset Management Grant	1 549 910	1 897 000
MWIG	-	7 844 722
EPWP Incentive	-	943 978
LEDET Biosphere Grant	200 000	-
Finance Management Grant	1 250 000	1 250 000
	120 475 023	125 360 300
Capital grants		
Municipal Infrastructure Grant	1 500 000	-
	1 500 000	-
	121 975 023	125 360 300

LEDET Biosphere grant

The condition for LEDET Biosphere Grant has been met:

Equitable Share

The equitable share is an unconditional grant and is utilised to fund disaster management services, environmental health services, projects and operating expenditure.

Municipal Systems Improvement Grant

Conditions still to be met - remain liabilities (see note 16).

The grant is utilised for the implementation of new legislation, skills development and the GRAP compliance of the fixed asset register.

Municipal Infrastructure Grant

Balance unspent at beginning of year	7 061 138	54 837 725
Current-year receipts	19 400 000	28 714 000
Conditions met - transferred to revenue	(1 500 000)	(287 357)
Thabazimbi project expenditure	(17 042 500)	(76 203 230)
Amount Paid to treasury	(820 000)	-
	7 098 638	7 061 138

Conditions still to be met - remain liabilities (see note 16).

The original grant was received in March 2016 and is to be used to construct infrastructure assets on behalf of Thabazimbi Local Municipality. Subsequent grant of R 19 400 000 was received in the 2017/2018 financial period

Finance Management Grant

Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	-

The grant is utilised and assist with the implementation of the MFMA and compliance with GRAP.

Tourism Grant

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
21. Government grants and subsidies (continued)		
Balance unspent at beginning of year	46 660	46 660
Conditions still to be met - remain liabilities (see note 16).		
The grant is utilised to fund the development of tourism in the district.		
Municipal Water Infrastructure Grant		
Balance unspent at beginning of year	2 564 661	5 122 026
Conditions met - transferred to revenue (paid to treasure)	(2 564 661)	(2 557 365)
	-	2 564 661
Conditions still to be met - remain liabilities (see note 16).		
Waterberg District municipality has been appointed by the Department of Water and Sanitation as a schedule 6B implementing agent of MWIG projects for 3 local municipalities (Modimole LM, Mookgophong LM and Thabazimbi LM) during the 2015/16 financial year.		
Expanded Public Works Incentive Grant		
Balance unspent at beginning of year	158 022	-
Current-year receipts	1 000 000	1 102 000
Conditions met - transferred to revenue (paid to treasure)	(158 022)	(943 978)
	1 000 000	158 022
The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.		
LG SETA Grant		
The grant is utilised for training of officials in the District Municipality.		
Rural Road Asset Management Grant		
Current-year receipts	2 129 000	1 897 000
Conditions met - transferred to revenue	(1 549 910)	(1 897 000)
	579 090	-
The grant is utilised to set up a district Road Asset Management System and to collect rural data in line with the Road Infrastructure Strategic Framework for South Africa.		
Municipal Infrastructure Grant (PMU)		
Current-year receipts	1 500 000	5 000 000
Conditions met - transferred to revenue	(1 500 000)	(5 000 000)
	-	-
The grant was received in October 2017 and is to be used for the establishment of a Project Management Unit for infrastructure projects.		
LEDET Biosphere Grant		
Current-year receipts	-	200 045
Conditions met - transferred to revenue	-	(200 045)

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
21. Government grants and subsidies (continued)	-	-

The grant is to be utilised to fund the operations of the Waterberg Biosphere Meander.

Mayor's Golf Day Grant

The grant is utilised to partly fund the annual mayoral golf day.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no.10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
22. Employee related costs		
Salaries and wages	45 302 865	46 651 704
Travel and other allowances	10 522 290	9 703 136
Contributions for UIF, pension and medical aid and other statutory contributions	20 548 787	13 302 369
Housing benefits and allowances	2 475 000	2 268 720
Overtime allowances	3 082 353	1 029 141
	81 931 295	72 955 070

Remuneration of Municipal Manager

Annual Remuneration	1 323 121	1 229 930
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	35 300	1 784
Travel allowance	289 025	184 048
	1 647 446	1 415 762

The Municipal Manager contract ended on the 30 June 2017.

Remuneration of Chief Finance Officer

Annual Remuneration	816 224	917 283
Travel allowances	200 856	229 819
Contributions to UIF, Medical and Pension Funds	93 364	1 784
	1 110 444	1 148 886

The Chief Financial Officer was appointed from 21 January 2016.

Remuneration of Manager: Infrastructure Development

Annual Remuneration	778 370	619 106
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	138 231	150 390
Travel allowance	181 190	184 620
	1 097 791	954 116

The Infrastructure Development Manager resigned on 30 March 2017.

Remuneration of Manager: Planning & Economic Development

Annual Remuneration	813 773	748 215
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	224 306	200 181
Travel allowance	282 794	205 162
	1 320 873	1 153 558

The Planning and Economic development manager contract ended on the 30 June 2017.

Remuneration of Manager: Corporate Support and Share Services

Annual Remuneration	932 055	866 847
Contributions to UIF, Medical and Pension Funds	227 262	241 578
Travel allowance	160 891	108 389
	1 320 208	1 216 814

The Corporate Support & Shared Services manager, The contract ended on 28 February 2018.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
22. Employee related costs (continued)		
Remuneration of Manager: Social Development and Community Services		
Annual Remuneration	382 032	704 691
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	24 636	35 682
Travel allowance	106 151	171 395
	512 819	911 768

The new manager was appointed from 1 August 2014.

Remuneration of Manager: Executive Support Office

Annual Remuneration	-	557 302
Contributions to UIF, Medical and Pension Funds	-	132 611
Travel allowance	-	166 488
	-	856 401

The Executive Support Manager contract ended 28 February 2017

There are no post-employment benefits, other long-term benefits or termination benefits provided to Section 56 managers.

23. Remuneration of councillors

Executive Major	867 214	714 392
Speaker	701 929	578 474
Mayoral Committee Members	2 235 230	2 029 192
Councillors	3 494 676	2 840 238
Councillors' pension contribution	594 936	606 552
	7 893 985	6 768 848

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and 3 other Mayoral Committee members are full time councillors. Each is provided with an office, tools of trade and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties and has a driver.

24. Depreciation and amortisation

Property, plant and equipment	6 215 931	5 994 825
Intangible assets	199 646	202 846
	6 415 577	6 197 671

25. Impairment of assets

The recoverable service amount of the assets is its fair value less costs to sell, determined by reference to an active market.

26. Contracted services

Fire fighting	7 488 107	13 520 885
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This is a funded mandate of Waterberg District Municipality which is performed by local municipalities.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
27. General expenses		
Advertising	231 650	188 701
Annual report	62 880	266 670
Audit fees	2 520 510	1 702 647
Audit committee	126 981	129 388
Bank charges	39 330	46 214
Bursaries	123 854	76 579
Cleaning	554 603	203 276
Conferences and seminars - Delegations	164 241	129 422
Community development and training	-	276 900
Consulting and professional fees	1 724 751	1 104 727
Consumables	541 200	199 071
Damaged meat claims	-	10 026
Discretionary Bursary Fund	100 000	120 000
Employee Assistance Program	483 205	249 286
Entertainment	407 335	359 750
Environmental Health - awareness & sampling	78	34 999
Financial management grant	326 211	-
Insurance	391 612	739 998
Meat inspection	257 507	198 000
Miscellaneous expenditure	19 613	13 318
Motor vehicle expenses	477 435	353 213
Municipal account - water, rates & electricity	1 865 911	1 434 759
Postage and courier	-	1 640
Printing and stationery	539 765	545 414
Programming	1 825 968	1 096 810
Protective clothing	54 698	41 287
Rental of buildings / offices	567 393	553 161
Rental of office equipment	107 420	492 396
Security cost	2 289 815	1 728 547
State of the District Address	175 439	197 602
Subscriptions and membership fees	167 156	992 992
Subscription and publication	24 894	2 096
Telephone and cell phone expenses	478 645	415 480
Training	384 335	415 647
Travel and subsistence	4 988 883	4 076 382
	22 023 318	18 396 398

28. Project expenditure

Project Management FMG Grant Expenditure	147 983	793 512
Project Management MM - Strategic planning CO	268 041	213 824
Project Management Corporate Job evaluation IN	136 767	99 984
National Planning WEDA	3 400 580	3 774 634
Maintenance of Unspecified Assets	4 785 897	9 416 360
Project Management Training of Ward Committees	1 287 378	1 646 260
	10 026 646	15 944 574

29. Remuneration of Audit Committee members

Remuneration	126 981	129 388
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3 Members serve on the Audit Committee. The members are paid an allowance per day and are reimbursed for travel expenses. The 3 year term of the audit committee was renewed from 1 October 2014 to 30 November 2017. Four meetings were held during the current year, but the chairperson also attended council meetings.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
30. Cash generated from (used in) operations		
(Deficit) surplus	(7 160 827)	3 172 924
Adjustments for:		
Depreciation and amortisation	6 415 577	6 197 671
Gain on sale of assets and liabilities	242 876	13 940
Movements in retirement benefit assets and liabilities	1 813 723	113 070
Movements in provisions	-	(165 476)
Increase in long service awards liability	303 250	224 837
Changes in working capital:		
Inventories	219	(22 251)
Consumer debtors	(44 800)	(1 922)
Other receivables from non-exchange transactions	(213 980)	(140 333)
Payables from exchange transactions	443 584	1 217 255
Decrease/(Increase) in VAT receivable	(907 307)	3 271 518
Other payables (non exchange)	1 239 903	1 193 086
Unspent conditional grants and receipts	(1 306 093)	(50 175 930)
	826 125	(35 101 611)

31. Fruitless and wasteful expenditure

Opening balance	29 683	29 683
Less: Amount written - Off	(29 683)	-
	-	29 683

Prior year:

An audit by SARS revealed that PAYE and skills development levy were incorrectly calculated on fringe benefits and employee costs, the resulting penalties of R 28 274 on the outstanding amount were levied during the current financial year. An objection was raised by the District Municipality to waive the penalty however this was disallowed by SARS resulting in the payment being made. The matter was investigated and no deliberate or negligent intent was found. The incident was reported to Council and it is now been written off.

32. Irregular expenditure

Opening balance	19 981 639	12 785 324
Add: Irregular Expenditure - current year	329 319	7 196 315
Less: Amount written off Add Amount to be investigated by financial misconduct board	(6 312 557)	(12 785 324)
Less: Amount written off Add Amount to be investigated by financial misconduct board	6 312 557	12 785 324
	20 310 958	19 981 639

Analysis of expenditure awaiting investigation by Financial misconduct Board

Current year	20 310 958	-
Prior years	-	19 981 639
	20 310 958	19 981 639

During the 2017/18 audit, the Auditor General noted and recommended that irregular expenditure written off by Council should be referred to the Financial Misconduct Board for further investigation and once the investigation has been completed, MPAC will evaluate the investigation report and then table the recommendations thereof to council for write off or recovery.

Waterberg District Municipality

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Notes to the Annual Financial Statements

	2018	2017
32. Irregular expenditure (continued)		
Details of irregular expenditure – current year		
No valid tax clearance	42 585	
Less than three quotations	47 055	
No Notice board ADvert	242 285	
Additional Irregular expenditure	6 524 902	
	6 856 827	
Details of irregular expenditure - prior year		
Notice board adverts were not done however the municipality did obtain three quotations		123 957
suppliers were not registered on CSD and database and several efforts have been taken to give them database forms to complete but no response was received.		70 363
Tax status of the suppliers were inactive and they were appointed by AON		12 454
SCM procedures were not followed due to time constraints		1 092 467
The supplier was also the organiser of the event therefore SCM procedures were not followed.		131 579
The immediate qualifying supplier was selected due to the fact that the competing candidates did not submit all the required documents.		108 880
Additional Irregular expenditure.		4 772 857
		6 312 557
Details of irregular expenditure recoverable	-	
33. Unauthorised expenditure		
Unauthorised expenditure	290 690	26 045
Add: Unauthorised expenditure - current year	-	264 645
Less: Unauthorised expenditure written off	(290 690)	-
	-	-
	290 690	
Current Year:		
No unauthorised expenditure were incurred during the current financial year.		
Prior year:		
The Abattoir department overspent by R 26 045. an amount of R264 645 was due to an overspending on the budgeted actuarial valuation costs for post-retirement medical aid which increased by more than projected due to the relocation of fire fighters from local municipalities to WDM.		
34. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1 004 222	845 214
Amount paid - previous year	(1 004 222)	(845 214)
	-	-

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
34. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	2 774 447	1 702 647
Amount paid - current year	(2 774 447)	(1 702 647)
	-	-
The above Audit fees amount of R 2 774 447 is for the year end 2016/17 financial years:		
UIF		
Current year subscription / fee	533 993	444 523
Amount paid - current year	(533 993)	(444 523)
	-	-
PAYE		
Current year subscription / fee	15 696 001	12 635 264
Amount paid - current year	(15 696 001)	(12 635 264)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	22 027 330	19 489 340
Amount paid - current year	(22 027 330)	(19 489 340)
	-	-
VAT		
VAT receivable	1 776 651	869 344
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.		
In terms of section 36 of the Municipal Supply Chain Management Regulations, the Municipal Manager may dispense with the official procurement process in certain instances and ratify minor breaches. Any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.		
These expenses incurred, approved by the Municipal Manager and reported to Council, are listed below:		
Incident		
Deviations on goods and services less than R 30 000	286 787	269 708
Deviations on goods and services between R 30 000 and R 200 000	1 141 383	1 410 658
Deviations on goods and services more than R 200 000	4 068 245	907 915
	5 496 415	2 588 281

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Notes to the Annual Financial Statements

	2018	2017
34. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Incident		
Urgent and emergency procurement	1 382 978	260 141
Limited bidding procurement	4 113 438	2 328 140
	5 496 416	2 588 281
35. Commitments		
Commitments are stated inclusive of VAT.		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	-	1 000 000
• Infrastructure projects	-	10 671 700
• EPWP Project	1 000 000	-
	1 000 000	11 671 700
Total capital commitments		
Already contracted for but not provided for	1 000 000	11 671 700
Authorised operational expenditure		
Already contracted for but not provided for		
• EPWP Project	-	158 022
• Provision of short-term Insurance Cover	-	337 106
• Advertising Agency @ R15 083 per centimetre column	-	1 200 000
• Financial systems - License, Support and Maintenance	-	1 012 403
• Installation of telephone system for Lephalale Fire Station	-	103 373
• Provision of Security Service	-	5 427 035
	-	8 237 939
Total operational commitments		
Already contracted for but not provided for	-	8 237 939
Total commitments		
Total commitments		
Authorised capital expenditure	1 000 000	11 671 700
Authorised operational expenditure	-	8 237 939
	1 000 000	19 909 639

The capital commitments relates to capital projects and will be financed from grants received.

The operational commitments will be financed from own resources and donations.

The municipality has entered into a 5 year contract with ABSA Bank for the provision of banking services commencing on 1 July 2015. Normal banking charges will be incurred under the contract and does not include an overdraft facility.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
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36. Contingent liabilities

	<u>2018</u>	<u>2017</u>
The following are legal cases pending at year end and the potential liability thereof:		
Mohale Incorporated - defend action against breach of contract	1 800 000	1 800 000
Alleged contract breach with Limpopo Business Support Agency (LIBSA) due to not meeting reporting requirement.		
Mohale Incorporated - defend action against unfair labour practice SAMWU obo J Mashamaite and others regarding reasonable expectations.		
Due to the nature and complexity of the case, financial exposure cannot be determined.	-	-

37. Related parties

Relationships

Waterberg Economic Development Agency - Municipal entity

Related party transactions

All WEDA transactions were processed through WDM financial system the remaining amount for WEDA activities is R1 992 818

Waterberg Economic Development Agency (WEDA) is currently active. Waterberg District Municipality incurred expenditure for the establishment of WEDA and transferred R 2 500 00 (2016/2017), and R3 000 000 (2017/2018) as a grant to (WEDA).

The district municipality provides support to the local municipalities in the district. Fire fighting is a funded mandate of Waterberg District Municipality which is performed by local municipalities.

Key management personnel:

Municipal Manager, Chief Financial Officer, Manager:
Infrastructure Development, Manager: Planning &
Economic Development, Manager: Corporate Support
&Share Services, Manager: Social Development &
Community Services and Manager: Executive Support
Office

Municipal councillors:

Executive Mayor, Speaker, Mayoral Committee
Members and Councillors

38. Risk management

38.1 Financial risk management

The main risks of the Municipality are interest rate risk, liquidity risk, credit risk and the fair value of financial instruments.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

38. Risk management (continued)

38.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality's strong credit profile and diversified funding sources ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

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

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	5 537 319	-	-	-
Consumer deposits	-	-	2 000	-

38.3 Market risk

38.3.1 Currency risk

The Municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No.56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

38.3.2 Fair value of financial instruments

At year end the carrying amounts of cash and short-term deposits, trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

38.3.3 Cash flow interest rate risk

The municipality's interest rate risk arises from investments. Investments at variable rates expose the municipality to cash flow interest rate risk. Investments at fixed rates expose the municipality to fair value interest rate risk. The municipal policy is to not invest more than 35% of funds with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are fixed rate investments.

At year-end, financial instruments exposed to interest rate risk were as follows:

Financial instrument	2018	2017
ABSA Bank current account	11 751 587	6 229 984
Call deposits	10 928 546	8 096 651
60 Days fixed deposits	32 071 842	21 102 608
90 Days fixed deposits	31 157 631	59 356 473
6 Month fixed deposits	34 584 684	36 178 093
30 Days fixed deposits	10 039 616	-

39. 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.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

39. Going concern (continued)

We draw attention to the fact that at 30 June 2018, the municipality had accumulated surplus of R 130 018 739 and that the municipality's total assets exceed its liabilities by R 130 018 739.

The municipality will continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseeable future, as a going concern.

40. Events after the reporting date

There are no material events that occurred after the reporting date.

41. In-kind donations and assistance

The Municipality did not receive any in-kind donations and assistance during the financial year.

42. Agent Principle relationship

Waterberg District Municipality (WDM) entered into agreement with Thabazimbi Local Municipality (TLM) in 2015/16 financial period for the implementation of the waste water treatment plant located in Thabazimbi, funded by the municipality infrastructure Grant which was initially allocated to (TLM) , but subsequently stopped and re-allocated to WDM by the Department of co-operative Governance, Human settlement and traditional affairs.

Included in the R18 542 670 below, it is an amount of R1 500 000 for successful implementation of the Thabazimbi waste treatment plant project.

Heading

Opening balance	6 241 308	53 830 548
Municipal infrastructure Grant	19 400 000	28 714 000
Condition met	(18 542 670)	(76 303 240)
	7 098 638	6 241 308

Description

	Contracted Value	Paid By June	Balance
Sports facility	3 389 510	1 901 362	-
High masts	3 255 732	-	-
Phatwe Street Paving	1 754 758	-	-
Phekiso Street Paving	600 000	-	-
TOTAL MIG	9 000 000	1 901 362	7 098 638
	-	-	-