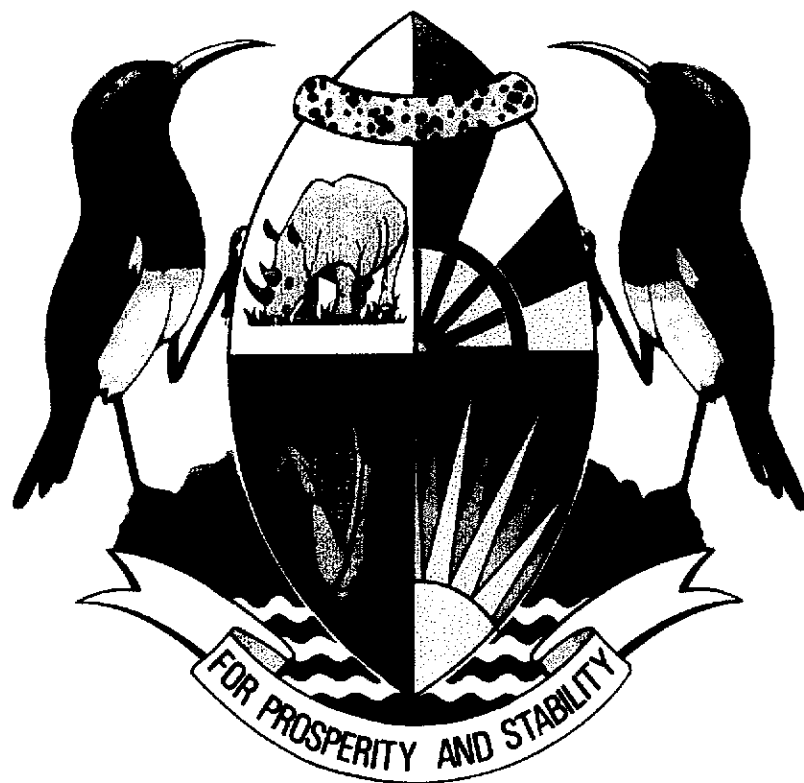


WATERBERG DISTRICT MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS 2008/09



Waterberg
District Municipality

on the Go for Growth

WATERBERG DISTRICT MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

I am responsible for the preparation of these annual financial statements which are set out on pages 1 to 57, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, the Minister of Provincial and Local Government's determination in accordance with this Act and Government Notice 1319 of Government Gazette no 31687 dated 8 December 2008.

I have complied with the disclosure requirements in terms of section 122 to 126 of the Municipal Finance Management Act, No 56 of 2003.



M MOATSHE
ACTING MUNICIPAL MANAGER

02 Dec 2009
DATE

INDEX

The reports and statements set out below comprise the annual financial statements:

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REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE WATERBERG DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Waterberg District Municipality which comprise, the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the statements of Generally Recognised Accounting Practice (statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Waterberg District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Waterberg District Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and in the manner required by the MFMA.

Emphasis of matters

9. Without qualifying my opinion, I draw attention to the following matters

Restatement of corresponding figures

10. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of an error discovered during 2009 in the financial statements of the Waterberg District Municipality at, and for the year ended, 30 June 2008.

Irregular expenditure

11. As disclosed in note 36.2 to the financial statements, irregular expenditure to the amount of R 366 070 was incurred, as proper tender processes had not been followed.

Other matters

12. Without qualifying my opinion, I draw attention to the following matters that relates to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

13. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Governance framework

14. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below.

Key governance responsibilities

15. MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Shared audit committee		
	<ul style="list-style-type: none"> • The municipality had an audit committee in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> • The audit committee operates in accordance with approved, written terms of reference. 	✓	
	<ul style="list-style-type: none"> • The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	✓	
7.	Internal audit		
	<ul style="list-style-type: none"> • The municipality had an internal audit function in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> • The internal audit function operates in terms of an approved internal audit plan. 	✓	
	<ul style="list-style-type: none"> • The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.	✓	
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
Issues relating to the reporting of performance information			

No.	Matter	Y	N
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Waterberg District Municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).	✓	
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

16. Although the municipality has implemented internal controls to prevent, detect and correct misstatements, certain control deviations were noted. The control deviations occurred as a result of reviews not properly carried out over certain transactions. Certain transactions were not recorded in the accounting records and were incorrectly accounted for where recorded. Due to this, the municipality had to make material amendments to the annual financial statements.

17. The municipality's internal auditors did not review and monitor the reliability of the information reported in the quarterly performance reports as required by the Municipal Planning and Performance Management Regulations, 2001, regulation 14(b)(iii).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

18. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

19. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

20. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

21. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

22. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

No involvement of the public in the IDP process

23. The accounting officer of Waterberg District Municipality did not involve the public in the IDP process as required in terms of section 28 of the Municipal Structures Act and Regulation 15 of the Municipal Planning and Performance Management Regulations. This occurred as a result of an oversight by the accounting officer.

Content of the Integrated Development Plan

24. Some performance targets with regard to development priorities and objectives were not measurable, specific and objective owing to lack of training and understanding by employees in the setting of targets.
25. The 2008/09 IDP did not include all applicable general key performance indicators as required by section 43(1) of the Municipal Systems Act (MSA) owing to the lack of review by the accounting officer and the general lack of understanding of the requirements of the act.

Content of the mid-year budget and performance assessment report

26. The 2008/09 mid-year budget and performance assessment report was not prepared in the format prescribed in section 72 of the Municipal Finance Management Act (MFMA) as the accounting officer utilised the template, issued by the Department of Local Government and Housing, which was not in compliant with the aforementioned section.

Performance Management system documentation

27. The accounting officer did not develop and document policies and procedures that address data definitions and technical standards for the collection, processing and reporting of performance information. The accounting officer had not considered this as a priority to ensure consistency and understandability of this aspect of performance information.

Performance Management system implementation

28. The accounting officer did not ensure that all quarterly performance assessments are signed as evidence of review as performance scores were only discussed with managers after the expiry of the relevant quarters.
29. The Waterberg District Municipality's performance management system did not provide for policies and procedures to take steps to improve performance with regard to those development priorities and objectives where performance targets were not met as the accounting officer had not considered this as a priority.

Internal auditing of performance measures

30. The internal audit division did not submit timely reports on performance measurement to the audit committee as required by section 14 of the Municipal Planning and Performance Management Regulations, 2001 due to lack of monitoring by the accounting officer and the lack of communications between the head of internal audit and the accounting officer.
31. The internal audit division did not assess the extent to which the municipality's performance measurements are reliable in measuring the performance of the municipality on indicators set by it as required by section 14(b)(iii) of the Municipal Planning and Performance Management Regulations, 2001. Internal audit has not followed an adequate approach in auditing performance information due to the lack of training and knowledge of the requirements of the aforementioned regulation.

Usefulness and reliability of reported performance information

32. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Inconsistently reported performance information

33. The Waterberg District Municipality did not consistently report on all targets per Integrated Development Plan as no system was implemented by the accounting officer to ensure consistency. The accounting officer has overlooked this process as a priority.

Reported performance information not relevant

34. The following targets with regard to the Waterberg District Municipality were not:

- specific in clearly identifying the nature and the required level of performance;
- measurable in identifying the required performance due to no guidance given by the accounting officer.

KPA & Indicator	Target	Outcome	Comment
Local Economic Development - Number of land-use applications responded to.	4	16	Target should be in percentage terms rather than a specific number as it is not possible to determine the number of applications to be received in a year.
LED – Number of communities to benefit from honey bee and goat projects.	4	29 – Target exceeded	The result reported does not correspond to the target (target is number of communities and result is the number of people).
Good governance and public participation – Number of sets of resolutions monitored.	4	4	Target not relevant as there is another target for the number of resolutions implemented.

Reported performance information not compared to the prior year

35. The reported performance information did not reflect a comparison of the performance of the municipality with the targets set for and performance in the previous year as required by section 46(b) of the Municipal Systems Act (MSA). The accounting officer could not ensure a comparison as the IDP and SDBIP are not aligned. The alignment between the IDP and SDBIP was not achieved due to lack of adequate planning and understanding of the process.

Source information not accurate and complete

36. The source information or evidence provided to support the reported performance information with regard to the following objectives did not adequately support the accuracy and completeness of the performance information. This due to inadequate monitoring by the accounting officer who has not implemented a basis to determine the requirement for such information

Development priority	Key performance indicator	Reported Result
Basic services and infrastructure development	Number of food premises evaluated	203
Basic services and infrastructure development	Number of water samples analysed	88
Good governance and public participation	% of council resolutions implemented	95%
Good governance and public participation	Number of council meetings held	7

Lack of appropriate information systems generating performance information

37. Sufficient appropriate audit evidence with regard to the reported performance information of the following objectives could not be obtained, as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information. This is due to inadequate monitoring by the accounting officer who has not implemented a basis to determine the requirement for such information.

Development priority	Key performance indicator	Reported Result
Good governance and public participation	Number of disability desks established	7
Basic services and infrastructure development	Number of capacity building campaigns on environmental legislation	3

APPRECIATION

38. The assistance rendered by the staff of the Waterberg District Municipality during the audit is sincerely appreciated.

Auditor-General

Polokwane

30 November 2009



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

WATERBERG DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
ASSETS			
Current assets		104 172 735	94 627 662
Cash and cash equivalents	1	92 068 572	79 596 740
Trade and other receivables from exchange transactions	2	41 775	232 889
Other receivables from non-exchange transactions	3	269 540	826 845
Inventory	4	101 332	-
Held-to-maturity investments	5	10 088 767	13 127 726
VAT receivable	6	1 577 224	843 462
Non-current assets held for sale	7	25 525	-
Non-current assets		39 036 391	33 228 722
Non-current receivables	8	39 877	35 827
Property, plant and equipment	9	37 872 915	32 741 648
Intangible assets	10	1 123 599	451 247
Total assets		<u>143 209 126</u>	<u>127 856 384</u>
LIABILITIES			
Current liabilities		14 118 316	8 703 417
Trade- and other payables	11	7 500 738	4 209 456
Consumer deposits	12	10 865	10 865
Provisions	13	172 254	-
Unspent conditional grants and receipts	14	5 379 439	3 753 372
Current portion of retirement health care liability	15	919 049	621 899
Current portion of long service awards liability	16	135 970	107 825
Non-current liabilities		9 448 576	9 044 147
Retirement health care liability	15	8 712 615	8 387 866
Long service awards liability	16	735 961	656 281
Total liabilities		<u>23 566 891</u>	<u>17 747 564</u>
Net assets		<u>119 642 235</u>	<u>110 108 820</u>
NET ASSETS			
Retained surplus and other reserves		119 642 235	110 108 820
Accumulated surplus and other reserves	30	119 642 235	110 108 820
Total net assets		<u>119 642 235</u>	<u>110 108 820</u>

WATERBERG DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
REVENUE			
Regional Services Levies - turnover		205 215	252 557
Service charges	17	961 714	1 702 880
Rental of facilities and equipment	18	28 803	162 770
Interest earned - external investments	19	12 205 195	11 016 163
Interest earned - outstanding receivables	20	40 495	59 090
Government and other grants	21	78 865 121	67 029 738
Public contributions and donations	22	437 500	506 850
Reversal of provision for doubtful debt		-	30 858
Other income		130 303	186 316
Total Revenue		92 874 346	80 947 222
EXPENDITURE			
Employee related costs	23	(28 896 632)	(24 289 209)
Remuneration of councillors	24	(3 648 254)	(3 197 239)
Post-retirement health care expenditure	15	(962 463)	(1 330 328)
Long-service award expenditure	16	(190 192)	(166 945)
Provision for doubtful debt		(86 311)	-
Depreciation and amortisation	25	(2 272 001)	(1 772 006)
Repairs and maintenance		(460 296)	(481 386)
Contracted services	26	(3 293 905)	(3 113 932)
General expenses	27	(11 917 663)	(10 502 226)
Project expenditure		(30 443 189)	(34 314 716)
MIG expenditure		(1 614 965)	(405 586)
Total Expenditure		(83 785 871)	(79 573 573)
Gain / (Loss) on sale of assets	28	93 150	(38 702)
Reversal of impairment loss	29	351 790	17 470
SURPLUS FOR THE YEAR		9 533 415	1 352 417

Refer to Appendix E(1) for the comparison with the approved budget

WATERBERG DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	<u>Revaluation Reserve</u>	<u>Government Grant</u>	<u>Donations and Public Reserve</u>	<u>Accumulated Surplus</u>	<u>Accumulated Surplus and Other Reserves</u>	<u>Total</u>
	Note	R	R	R	R	R
2008						
Balance at 1 July 2007		431 997	164 730	1 863 968	114 619 626	116 648 324
Correction of prior period error						
Land Accounting Policy correction	33	(431 997)			431 997	-
Change in accounting policy:						
Intangible assets recognition	32				259 906	259 906
Defined benefit healthcare liability recognition	32				(7 964 531)	(7 964 531)
Defined benefit long service awards liability	32				(619 293)	(619 293)
Restated balance		-	164 730	1 863 968	106 727 705	108 756 403
Net surplus for the year				1 352 417	1 352 417	1 352 417
Balance at 30 June 2008		-	1 181 026	1 993 284	106 934 510	110 108 820
2009						
Balance as at 1 July 2008		-	1 181 026	1 993 284	106 934 510	110 108 820
Net surplus for the year				9 533 415	9 533 415	9 533 415
Balance at 30 June 2009		-	1 081 465	1 886 523	116 674 247	119 642 235

Note 30

WATERBERG DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts:			
Sales of goods and services		1 354 318	2 365 590
Grants		81 019 423	64 165 311
Interest received		12 245 690	11 075 253
Other receipts		123 720	27 413
Payments:			
Employee costs		(32 052 559)	(26 743 596)
Suppliers		(8 132 778)	(7 071 759)
Project expenditure		(30 386 553)	(34 186 979)
Interest paid		-	-
Fire fighting expenditure		(2 790 973)	(3 064 500)
Vat		(733 762)	(45 061)
Other payments		(4 107 692)	(3 535 077)
Net cash flows from operating activities	31	16 538 834	2 986 595
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(6 930 611)	(7 962 600)
Purchase of intangible assets		(887 516)	(171 439)
Proceeds on sale of property, plant and equipment		247 632	170 000
Proceeds from recovery of investments		468 584	17 470
Decrease in held-to-maturity investments		3 038 959	6 877 299
Increase in long term receivables		(4 050)	(5 362)
Net cash flows from investing activities		(4 067 002)	(1 074 632)
Net increase in net cash and cash equivalents		12 471 832	1 911 963
Net cash and cash equivalents at beginning of year		(79 596 740)	(77 684 778)
Net cash and cash equivalents at end of year	32	92 068 572	79 596 740

**WATERBERG DISTRICT MUNICIPALITY
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2009**

1. BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, but some components are measured at fair value as indicated in subsequent accounting policy notes.

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

- *Government Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;*
- *Government Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and*
- *Government Notice 516 of 2008, issued in Government Gazette no. 31021 of 9 May 2008.*

The standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Directives and Guidelines form part of the GRAP Reporting Framework. The ASB Directive and Guidelines applicable to Waterberg District Municipality comprise the following:

Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework

Effective accrual based IPSASs considering the provisions in paragraphs 15 to 19 of Directive 5 applicable to Waterberg District Municipality comprise the following:

IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non Cash-Generating Assets

**WATERBERG DISTRICT MUNICIPALITY
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2009**

1.1 BASIS OF PRESENTATION (continued)

Effective IFRSs and IFRICs that are applied considering the provisions in paragraphs 20 to 26 of Directive 5 applicable to Waterberg District Municipality comprise the following:

IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

As from 1 July 2008, all GAMAP Standards have been retracted. Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with section 29 of ASB Directive 5 or paragraph 12 of GRAP 3. Exemptions that were given from complying with certain standards in terms of clause 2(2) of Government Notice 522 issued in *Government Gazette* no. 30013 of 29 June 2007, have been lifted for the 2008/09 financial year.

GAMAP 9 Revenue Section 29 to 54 pertaining to revenue from rates, fines, government grants, other grants, donations received and levies are not yet withdrawn as GRAP 9 only applies to exchange revenue and GRAP 23 Revenue from non-exchange transactions is not yet effective.

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

The accounting policies applied are consistent with those used in the previous financial year, unless explicitly stated.

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

1.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

The impact of GRAP standards issued but not yet effective on the financial statements of Waterberg District Municipality in the future are as follows:

- GRAP 18 - This does not deal with the accounting treatment of any particular transaction of events but merely with the re-arrangement of information already presented and disclosed. The impact on the municipality's financial statements would be minimal.
- GRAP 21 - Assessment at every reporting date whether there are indicators that any assets have been impaired, the measurement of impairment losses and reversal of impairment losses. The impact of this Standard is not at this stage reasonably estimable.

WATERBERG DISTRICT MUNICIPALITY

ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (*continued*)

- GRAP 23 - The method or recognition and measurement of revenue from non-exchange transactions, specifically taxes and transfers. The municipality does not have taxes and the accounting policy for the disclosure and measurement of transfers implemented currently by the municipality already adheres to these requirements:
- Revenue is recognized to the extent that conditions have been met;
 - A liability is recognized to the extent that the present conditions have not yet been met.
 - An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.
- GRAP 24 - A comparison of budget and actual amounts as additional budget columns in the primary financial statements and a disclosure note on the explanations of changes between the approved and final budget is required. The impact on the municipality's financial statements would be minimal.
- GRAP 26 - Assessment at every reporting date whether there are indicators that any assets have been impaired, the measurement of impairment losses and reversal of impairment losses. This Standard will be applicable to the Abattoir assets and the impact of this Standard would be minimal at this stage as the abattoir is currently undergoing an upgrade.
- GRAP 103 - This Standard will have no impact on the municipality as the municipality currently has no heritage assets.

The municipality shall apply these Standards of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1) (b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.

1.3 PRESENTATION CURRENCY

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

1.4 GOING CONCERN ASSUMPTION

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

1.5 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the annual financial statements. Budgeted amounts have been included in the annual financial statements for the current financial year only.

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

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2 RESERVES

As GRAP 9 does not require that the below reserves be disclosed separately on the Statement of Financial Position, they are disclosed as part of Accumulated Surplus And Other Reserves, but are disclosed separately on the Statements of Changes in Net Assets and note 30.

2.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset from this reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus / (deficit).

2.2 Donation and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donation and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment, financed from Donations and Public Contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus / (deficit).

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Initial recognition

Property, plant and equipment are tangible non-current 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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an 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.

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3 PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Subsequent measurement – cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation. Land and artwork are not depreciated as it is deemed to have an indefinite life.

Subsequent expenditure is capitalised when it increases the capacity of future economic benefits associated with the asset.

3.3 Depreciation and impairment

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

	<u>Years</u>
Buildings	7 to 30
Motor Vehicles	2 to 5
Office Equipment	1 to 5
Furniture and Fittings	5 to 7
Machinery	1 to 7
Specialised vehicles	10 to 20

The municipality has taken advantage of the transitional provisions provided in GRAP 17 Property, Plant and Equipment whereby in terms of Section 77 of Directive 4 municipalities are not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and Equipment. The balance on the financial statements which is affected by this transitional provision is Property, Plant and Equipment.

The progress towards achieving full compliance with the measurement requirements of GRAP 17 Property, Plant and Equipment and IAS36 Impairment of assets are that an annual asset count was conducted to confirm the completeness and validity of the asset register and a service provider was appointed in 08/09 year to assess the net realizable value and useful lives of all assets and assign residual values to all assets. The depreciation and net book value of assets will be reviewed according to the outcome of this assessment to correct comparative figures in the financial statements ending 30 June 2010.

3.4 Derecognition

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

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4 INTANGIBLE ASSETS

4.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalized. Research expenditure is never capitalized, while development expenditure is only capitalized to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

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.

4.2 Subsequent measurement – cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

4.3 Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

	<u>Years</u>
Computer software	3 to 25 years depending on the individual review of each asset's useful life

The municipality has not taken advantage of the transitional provisions provided in GRAP 102 Intangible Assets whereby in terms of Section 112 of GRAP 102 municipalities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets. The balance on the financial statements which is affected by this transitional provision is Intangible Assets. The net realizable value, residual values and useful lives of intangible assets were reviewed with this first time adoption of GRAP 102 Intangible Asset in the current financial year. The nature and amount of the change in accounting policy is disclosed in Note 32.

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4 INTANGIBLE ASSETS (*continued*)

4.4 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

The municipality has taken advantage of the transitional provisions provided in GRAP 100 Non-Current Assets Held for Sale whereby in terms of Section 45 of GRAP 100 municipalities shall apply the provisions of the standard prospectively. The balance on the financial statements which is affected by the transitional provision is Non-Current Assets Held for Sale. The nature and amount of the measurement period adjustment recognized is disclosed in Note 6.

6 INVENTORY

6.1 Initial recognition

Inventories comprise current assets held for consumption during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

6.2 Subsequent measurement

Inventories, consisting of consumables are valued at the lower of cost and net realisable value. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. 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.

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6 INVENTORY (continued)

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.

7 FINANCIAL INSTRUMENTS

7.1 Initial recognition

Financial instruments are initially recognized at fair value.

7.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the municipality has the positive intention and ability to hold to maturity. The investments are disclosed as Held-to-maturity investments which are subsequently measured at amortised cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Amortised cost is calculated using the effective interest method.

7.3 Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.4 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. 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. Impairments are determined by discounting expected future cash flows to their present value. Amounts that is receivable within

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7 FINANCIAL INSTRUMENTS *(continued)*

7.4 Trade and other receivables *(continued)*

12 months from the reporting date are classified as current. The carrying amount of trade and other receivables is a reasonable approximation of fair value.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.5 Trade and payables

Financial liabilities consist of trade and other payables. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. 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.

7.6 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

8 PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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9 LEASES

9.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. 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. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease. 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.

Contingent rentals are not straight-lined or included in the projected future minimum operating lease expenses / receipts in the note to the financial statements.

The effect of the compliance with the requirement of "Smoothing" of operating lease expenses/revenues in the Statement of Financial Performance which was previously exempted in terms of the exemptions of Government Gazette no. 30013 of 29 June 2007 does not have any impact on the current year or comparative figures on the financial statements.

9.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). 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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

10 REVENUE

10.1 Revenue from exchange transactions

Revenue from exchange transactions is recognized at fair value and refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest is recognised on a time proportion basis, using the effective interest method.

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

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10 REVENUE (*continued*)

10.1 Revenue from exchange transactions (*continued*)

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

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.

GRAP 9 Revenue from Exchange Transactions only applies to exchange revenue. Therefore, the provision of GAMAP 9 Revenue Section 42 to 49 still applies pertaining to revenue from grants and donations received.

10.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality. Contributed property, plant and equipment are recognized at fair value.

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

The provision of GAMAP 9 Revenue Section 50 to 54 still applies pertaining to revenue from levies. Revenue from RSC Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Where declarations have not been submitted in the reporting period when payment was due, estimated levies based on average data is determined. Changes to estimates made when more reliable information becomes available is processed as an adjustment to levies revenue.

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10 REVENUE (*continued*)

10.3 Grants, transfers and donations

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

Revenue from grants is recognized to the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Unutilised conditional grants are reflected in the Statement of Financial Position as a current liability and are always cash backed.

11 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 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 Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 FRUITLESS AND WASTEFUL EXPENDITURE

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

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14 EMPLOYEE BENEFITS

14.1 Provision for 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 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.

14.2 Pensions and other post-retirement benefits

The municipality provides retirement benefits for its employees and councilors. The municipality has accounted for the defined contribution plan in terms of IAS19 Employee Benefits. A defined contribution plan is a pension plan under which the municipality pays fixed contributions into a separate entity.

For defined contribution plans, the municipality pays contributions on a mandatory, contractual or voluntary basis. The municipality has no further payment obligations once the contributions have been paid. Accordingly, the Municipality recognises the contributions to the scheme as an expense when the employees and councilors have rendered the employment service or served office entitling them to the contributions.

The municipality provides post-retirement medical benefits to qualifying retirees. They are recognized in accordance with IAS 19 on defined benefit plans.

The cost of providing health care is charged to the income statement so as to recognize current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments of settlements, net of expected returns on plan assets. Actuarial gains and losses are recognized in full directly in the statement of financial performance. Additional benefits are expensed as past service cost in the period in which the benefit is granted to the extent that it is not covered by a surplus to contributions funded by the municipality. The municipality has no plan assets. A liability is consequently recognized in the statement of financial position based on the present value of defined benefit obligations, less any unrecognized past service costs.

Municipalities was previously exempted from IAS19 defined benefit accounting as far as it relates to defined benefit plans in terms of the exemptions of Government Gazette no. 30013 of 29 June 2007. The exemption no longer applies for the current year and the change in accounting policy was implemented retrospectively.

The nature and amount of the change in accounting policy is disclosed in Note 33.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
1 CASH AND CASH EQUIVALENTS		
The municipality has the following bank accounts:		
<u>Current Account (Primary Bank Account)</u>		
First National Bank - Modimolle branch Account number 53170034748		
Cash book balance at beginning of year	1 963 350	5 204 458
Cash book balance at end of year	<u>4 657 595</u>	<u>1 963 350</u>
Bank statement balance at beginning of year	6 275 415	7 271 132
Bank statement balance at end of year	<u>9 018 155</u>	<u>6 275 415</u>
<u>Other accounts</u>		
Investments:		
Call deposits	3 017 014	18 183 808
14 Days fixed deposits	-	-
32 Days fixed deposits	-	9 041 079
60 Days fixed deposits	12 042 984	7 056 096
90 Days fixed deposits	72 348 779	43 350 707
	<u>87 408 777</u>	<u>77 631 690</u>
Cash on hand:		
Petty cash	2 200	1 700
Total cash and cash equivalents	<u><u>92 068 572</u></u>	<u><u>79 596 740</u></u>
A portion of cash represents restricted cash as it serves as security for unspent conditional grants.		
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
<u>Trade receivables</u>		
RSC levies	-	580 560
Abattoir	386 800	261 059
Gross Balance	<u>386 800</u>	<u>841 619</u>
Less: Provision for doubtful debts	(348 815)	(637 249)
Net Balance	<u><u>37 985</u></u>	<u><u>204 370</u></u>
<u>Other receivables</u>		
Councillor cell phones	32 309	28 519
Gross Balance	<u>32 309</u>	<u>28 519</u>
Less: Provision for doubtful debts	(28 519)	-
Net Balance	<u><u>3 790</u></u>	<u><u>28 519</u></u>
Total Net Balance	<u><u>41 775</u></u>	<u><u>232 889</u></u>
<u>Abattoir: Ageing</u>		
Current (0 - 30 days)	26 670	100 791
31 - 60 days	5 055	96 189
61 - 90 days	6 259	7 390
91 - 365 days	310 059	21 186
+ 365 days	38 756	35 503
Total	<u><u>386 800</u></u>	<u><u>261 059</u></u>

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
<u>RSC levies: Ageing</u>		
Current (0 - 30 days)	-	4 632
31 - 60 days	-	4 176
61 - 90 days	-	3 973
91 - 365 days	-	3 973
+ 365 days		563 806
Total	-	580 560
<u>Councillor cell phone: Ageing</u>		
Current (0 - 30 days)	3 790	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 365 days	-	-
+ 365 days	28 519	28 519
Total	32 309	28 519
<u>Summary of debtors by Customer Classification</u>		
	Consumers R	National and Provincial Government R
as at 30 June 2009		
Current (0 - 30 days)	30 461	-
31 - 60 days	5 055	-
61 - 90 days	6 259	-
91 - 365 days	310 059	-
+ 365 days	67 275	-
Sub-total	419 109	-
Less: Provision for doubtful debts	(377 334)	-
Total debtors by customer classification	41 775	-
as at 30 June 2008		
Current (0 - 30 days)	105 359	64
31 - 60 days	100 301	64
61 - 90 days	11 308	55
91 - 365 days	25 104	55
+ 365 days	620 195	7 633
Sub-total	862 267	7 871
Less: Provision for doubtful debts	(629 377)	(7 871)
Total debtors by customer classification	232 889	-
	2009 R	2008 R
<u>Reconciliation of the doubtful debt provision</u>		
Balance at beginning of the year	637 249	668 107
Contributions/(Reversal) to provision	84 920	(30 858)
Bad debts written off	(344 835)	-
Balance at end of year	377 334	637 249

The fair value of trade and other receivables approximates their carrying amounts.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Investments under liquidation	142 748	259 541
Prepayments	5 800	39 069
Sundry debtors	120 992	528 235
Total Other Debtors	<u>269 540</u>	<u>826 845</u>

An investment amounting to R 572 713 capital is held with New Republic Bank, which is presently under receivership. An investment amounting to R325 904 capital is held with Regal Treasury Bank which is presently under liquidation. The investments were written down to fair value:

New Republic Bank Limited	142 748	259 541
Regal Treasury Private Bank Limited	-	-

4 INVENTORY

Consumables:

Opening balance	-	-
Additions	570 278	603 481
Issued (expensed)	(468 946)	(603 481)
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC)	-	-
Closing balance	<u>101 332</u>	<u>-</u>

No inventory is pledged as security.

No circumstances or events existed that would have led to the write-down of the reversal of a write-down of inventories.

5 HELD-TO-MATURITY INVESTMENTS

6 Month fixed deposits	<u>10 088 767</u>	<u>13 127 726</u>
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6 VAT

VAT receivable	<u>1 577 224</u>	<u>843 462</u>
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VAT is accounted for on the payment basis.

7 NON-CURRENT ASSETS HELD FOR SALE

Computer equipment	17 888	-
Office equipment	274	-
Furniture and fittings	7 363	-
Property, plant and equipment	<u>25 525</u>	<u>-</u>

These assets are no longer being utilised by the municipality and has been approved by council for disposal. An auction is to be held to dispose of the assets in the short term.

8 NON-CURRENT RECEIVABLES

Deposit water and electricity	<u>39 877</u>	<u>35 827</u>
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These are deposits paid for water and electricity services.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

9 PROPERTY, PLANT & EQUIPMENT

Reconciliation of Carrying Value	Land and Buildings	Other Assets	Total
	R	R	R
Carrying values at 1 July 2008	22 237 046	10 504 602	32 741 648
Cost	24 634 254	15 362 237	39 996 491
Accumulated Depreciation	(2 397 208)	(4 857 635)	(7 254 843)
Acquisitions	646 014	1 603 960	2 249 974
Capital under Construction	5 118 137	-	5 118 137
Depreciation	(344 343)	(1 712 494)	(2 056 837)
Carrying value of disposals	-	(180 007)	(180 007)
Cost	-	(649 297)	(649 297)
Accumulated depreciation	-	469 290	469 290
Carrying values at 30 June 2009	27 656 854	10 216 061	37 872 915
Cost	30 398 405	16 316 900	46 715 305
Accumulated Depreciation	(2 741 551)	(6 100 839)	(8 842 390)
Reconciliation of Carrying Value	Land and Buildings	Other Assets	Total
	R	R	R
Carrying values at 1 July 2007	19 988 129	6 171 065	26 159 194
Cost	22 050 427	10 206 225	32 256 652
Change in accounting policy (note 32) - cost	-	(160 998)	(160 998)
Change in accounting policy (note 32) - accumulated depreciation	-	47 384	47 384
Accumulated Depreciation	(2 062 298)	(3 921 546)	(5 983 844)
Acquisitions	15 450	5 885 624	5 901 074
Capital under Construction	2 568 376	-	2 568 376
Depreciation	(334 909)	(1 343 385)	(1 678 294)
Carrying value of disposals	-	(208 702)	(208 702)
Cost	-	(568 612)	(568 612)
Accumulated depreciation	-	359 910	359 910
Carrying values at 30 June 2008	22 237 046	10 504 602	32 741 648
Cost	24 634 254	15 362 237	39 996 491
Accumulated Depreciation	(2 397 208)	(4 857 635)	(7 254 843)

Refer to Appendix B for more detail on property, plant and equipment, including those in the process of being constructed.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
10 INTANGIBLE ASSETS		
10.1 Reconciliation of carrying value	Computer Software	Total
as at 1 July 2008	451 247	451 247
Cost	657 008	657 008
Accumulated amortisation and impairment losses	(205 761)	(205 761)
Acquisitions	887 516	887 516
Amortisation	(215 164)	(215 164)
Carrying value of disposal	-	-
Cost	-	-
Accumulated amortisation	-	-
as at 30 June 2009	1 123 599	1 123 599
Cost	1 544 524	1 544 524
Accumulated amortisation and impairment losses	(420 925)	(420 925)
10.2 Reconciliation of carrying value	Computer Software	Total
as at 1 July 2007	373 520	373 520
Cost	485 569	485 569
Accumulated amortisation and impairment losses	(112 049)	(112 049)
Acquisitions	171 439	171 439
Amortisation	(93 712)	(93 712)
Carrying value of disposal	-	-
Cost	-	-
Accumulated amortisation	-	-
as at 30 June 2008	451 247	451 247
Cost	657 008	657 008
Accumulated amortisation and impairment losses	(205 761)	(205 761)
11 TRADE AND OTHER PAYABLES		
Trade creditors	3 919 288	894 845
Accruals	3 216 693	2 796 493
Sureties	-	51 223
Retentions	364 757	466 895
	<u>7 500 738</u>	<u>4 209 456</u>
The fair value of trade and other payables approximates their carrying amounts.		
12 CONSUMER DEPOSITS		
Abattoir	<u>10 865</u>	<u>10 865</u>
Guarantees held in lieu of abattoir deposits	<u>12 000</u>	<u>12 000</u>

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
13 PROVISIONS		
Performance bonus	172 254	-
	<u>172 254</u>	<u>-</u>

Performance bonuses are paid one year in arrears when the municipality has an 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. As the assessment of eligible employees has not taken place at the reporting date, the amount of the performance bonus has not yet been confirmed.

The movement is reconciled as follows:

Balance at beginning of year	-	268 601
Contributions/(reversals) to provision	172 254	(268 601)
Expenditure incurred	-	-
Balance at year end	<u>172 254</u>	<u>-</u>

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 & brackets indicated in Section 32(2) of the above Performance Regulations. The maximum exposure was calculated based on the final score of each individual manager at year end and in which bracket those scores fall.

14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

Municipal Infrastructure Grant	-	1 614 965
Integrated Transport Plan	57 424	351 989
Municipal Systems Improvement Grant	217 694	114 528
Finance Management Grant	527 087	595 515
Drought relief	-	94 084
Community Based Public Works Program	547 884	547 884
Fire Fighting Grant	155 855	155 855
IT Municipal Systems Plan Grant	92 260	-
LG SETA Grant	-	208 552
Wildlife Centre Grant	2 980 615	-
VUNA Awards	750 000	-
Total Unspent Conditional Grants and Receipts from other spheres of Government	<u>5 328 819</u>	<u>3 683 372</u>

Other conditional grants

Mayor's Bursary Grant	25 000	25 000
Disaster Grant	25 620	45 000
Total Unspent Other Conditional Grants and Receipts	<u>50 620</u>	<u>70 000</u>

Total Unspent Conditional Grants and Receipts	<u>5 379 439</u>	<u>3 753 372</u>
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See note 21 for reconciliation of grants.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

15 RETIREMENT BENEFITS

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 contributions plans:

- Samwu Provident Fund
- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipal Councillors Pension Fund
- Government Employee Pension Fund
- National Fund for Municipal Workers

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
- Discovery Health
- 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 first actuarial valuation of post-retirement medical benefits was completed on 30 June 2009. Previously, the municipality was exempted from the IAS 19 accounting for defined benefit plans in terms of the Government Gazette 30013 issued 29 June 2007. The change in accounting policy is implemented retrospectively.

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 IAS 19 as follows:

	2009 R	2008 R
Movement in the employee health-care benefit liability:		
Liability as at 1 July	9 009 765	7 964 531
Benefits paid	(563 962)	(442 236)
Plan participants contributions	223 398	157 142
Current service cost	378 815	242 500
Interest	956 344	648 289
Actuarial (gains) / losses recognised in Statement of Financial Performance	(372 696)	439 539
Unfunded accrued liability as at 30 June	9 631 664	9 009 765
Current portion of liability as at 30 June	919 049	621 899
Non-current portion of liability as at 30 June 2009	8 712 615	8 387 866

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
15 RETIREMENT BENEFITS (continued)		
The liability as at 30 June consists of:		
In-service members	3 715 708	3 111 821
Continuation members	5 915 956	5 897 944
	<u>9 631 664</u>	<u>9 009 765</u>
Expense recognised in (profit) or loss:		
Current service cost	378 815	242 500
Interest cost	956 344	648 289
Past service cost	-	-
Actuarial (gains) or losses	(372 696)	439 539
	<u>962 463</u>	<u>1 330 328</u>

Principal actuarial assumptions of valuation model used:

Discount rate	9.15%	10.81%
Salary inflation rate	10.5%	7.9%
Health care cost inflation rate	7.86%	9.65%
Average remaining future working lifetime	19.5 years	19.5 years

The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	19%	-15%
Effect on the defined benefit obligation	16%	-13%

The Municipality's best estimate of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date is R 352 200.

16 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 first actuarial valuation of long-service awards was completed on 30 June 2009. Previously, the municipality was exempted from the IAS 19 accounting for defined benefit plans in terms of the Government Gazette 30013 issued 29 June 2007. The change in accounting policy is implemented retrospectively.

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 IAS 19 as follows:

	2009 R	2008 R
Movement in the long-service award liability:		
Liability as at 1 July	764 106	620 793
Benefits paid	(82 367)	(23 632)
Current service cost	139 786	82 634
Interest	78 918	50 989
Actuarial (gains)/losses recognised in Statement of Financial Performance	(28 512)	33 322
Unfunded accrued liability as at 30 June	<u>871 931</u>	<u>764 106</u>
Current portion of liability as at 30 June	<u>135 970</u>	<u>107 825</u>
Non-current portion of liability as at 30 June 2009	<u>735 961</u>	<u>656 281</u>

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
16 LONG SERVICE AWARDS LIABILITY (continued)		
Expense recognised in (profit) or loss:		
Current service cost	139 786	82 634
Interest cost	78 918	50 989
Past service cost	-	-
Actuarial (gains) or losses	(28 512)	33 322
	<u>190 192</u>	<u>166 945</u>
<i>Principal actuarial assumptions of valuation model used:</i>		
Discount rate	9.16%	10.97%
General salary inflation rate	6.57%	9.09%
<i>The effect of a 1% movement in the assumed general salary inflation rate is as follows:</i>		
	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	6%	-5%
Effect on the defined benefit obligation	6%	-5%
The Municipality's best estimate of benefits expected to be paid to the plan during the annual period beginning after the balance sheet date is R 91 238.		
17 SERVICE CHARGES		
Abattoir services	<u>961 714</u>	<u>1 702 880</u>
18 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	28 803	162 770
Rental of equipment	-	-
Total rentals	<u>28 803</u>	<u>162 770</u>
19 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	12 205 195	11 016 163
Financial Assets	-	-
Other	-	-
Total interest	<u>12 205 195</u>	<u>11 016 163</u>
20 INTEREST EARNED - OUTSTANDING RECEIVABLES		
RSC Levies	-	44 028
Abattoir	37 944	9 701
Deposits	2 551	5 361
Total interest	<u>40 495</u>	<u>59 090</u>

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
21 GOVERNMENT AND OTHER GRANTS		
Equitable share	67 436 105	56 783 634
Municipal Infrastructure Grant	1 614 965	405 585
Integrated Transport Plan	294 565	5 437
Municipal Systems Improvement Grant	631 834	1 230 300
Finance Management Grant	568 428	478 439
Drought Relief Grant	94 084	775 096
Public Works - Mokamole agricultural farm	-	23 450
Umsobomvu Youth Grant	194 792	605 528
Community Based Public Works Programme	-	-
Fire Fighting Grant	-	1 094 145
DBSA Grant	-	188 176
IT Municipal Systems Plan Grant	407 740	2 129 000
LG SETA Grant	304 756	148 487
Municipal Health Grant	6 379 087	3 162 461
Wildlife Centre Grant	19 385	-
LIBSA Grant	900 000	-
VUNA Awards	-	-
Mayor's Bursary Grant	-	-
Disaster Grant	19 380	-
	<u>78 865 121</u>	<u>67 029 738</u>

21.1 Equitable share

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

21.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	1 614 965	2 020 550
Current year receipts	-	-
Conditions met - transferred to income	<u>(1 614 965)</u>	<u>(405 585)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>1 614 965</u>

The grant was used to construct infrastructure assets in the local municipalities. The conditions of the grant were met. There were no delays or withholding of the grant.

21.3 Integrated Transport Plan

Balance unspent at beginning of year	351 989	357 426
Current year receipts	-	-
Conditions met - transferred to income	<u>(294 565)</u>	<u>(5 437)</u>
Conditions still to be met - transferred to liabilities	<u>57 424</u>	<u>351 989</u>

The grant was utilised to develop the current public transport record system and to review the transport plan and the balance is utilised to implement the integrated transport plan.

21.4 Municipal Systems Improvement Grant

Balance unspent at beginning of year	114 528	344 828
Current year receipts	735 000	1 000 000
Conditions met - transferred to income	<u>(631 834)</u>	<u>(1 230 300)</u>
Conditions still to be met - transferred to liabilities	<u>217 694</u>	<u>114 528</u>

The grant is utilised for the implementation of new legislation, skills development and the GRAP compliance of the fixed asset register. The conditions of the grant were met. No funds have been withheld.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
21 GOVERNMENT GRANTS (continued)		
21.5 Finance Management Grant		
Balance unspent at beginning of year	595 515	573 954
Current year receipts	500 000	500 000
Conditions met - transferred to income	<u>(568 428)</u>	<u>(478 439)</u>
Conditions still to be met - transferred to liabilities	<u>527 087</u>	<u>595 515</u>
<p>The grant is utilised for the appointment of financial and audit interns, financial training and assist with the implementation of the MFMA and compliance with GAMAP/GRAP. The conditions of the grant were met. No funds have been withheld.</p>		
21.6 Drought Relief		
Balance unspent at beginning of year	94 084	869 180
Current year receipts	-	-
Conditions met - transferred to income	<u>(94 084)</u>	<u>(775 096)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>94 084</u>
<p>The grant was utilised for emergency drought relief in the District. The projects were identified by the local municipalities.</p>		
21.7 Public Works - Mokamole agricultural farm		
Balance unspent at beginning of year	-	23 450
Current year receipts	-	-
Conditions met - transferred to income	<u>-</u>	<u>(23 450)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<p>These funds were utilised for LED projects. Balance was transferred to Mogalakwena Local Municipality who is now responsible for this project.</p>		
21.8 Umsobomvu Youth Grant		
Balance unspent at beginning of year	-	80 320
Current year receipts	194 792	525 208
Conditions met - transferred to income	<u>(194 792)</u>	<u>(605 528)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<p>The grant was utilised to fund youth advisors at the local municipalities.</p>		
21.9 Community Based Public Works Program		
Balance unspent at beginning of year	547 884	547 884
Current year receipts	-	-
Conditions met - transferred to income	<u>-</u>	<u>-</u>
Conditions still to be met - transferred to liabilities	<u>547 884</u>	<u>547 884</u>
<p>The grant will be utilised to fund infrastructure projects. The conditions were met. No funds have been withheld.</p>		
21.10 Fire Fighting Grant		
Balance unspent at beginning of year	155 855	1 250 000
Current year receipts	-	-
Conditions met - transferred to income	<u>-</u>	<u>(1 094 145)</u>
Conditions still to be met - transferred to liabilities	<u>155 855</u>	<u>155 855</u>
<p>The grant was utilised to fund the acquisition of fire fighting equipment.</p>		

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
21 GOVERNMENT GRANTS (continued)		
21.11 DBSA Grant		
Balance unspent at beginning of year	-	-
Current year receipts		188 176
Conditions met - transferred to income	-	(188 176)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<p>The grant was utilised to fund the training of finance officials in the Finance Departments of the District and Local Municipalities.</p>		
21.12 IT Municipal Systems Plan Grant		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	2 129 000
Conditions met - transferred to income	(407 740)	(2 129 000)
Conditions still to be met - transferred to liabilities	<u>92 260</u>	<u>-</u>
<p>The grant was utilised to fund the IT Master Systems Plan of the municipality. The remaining balance is utilised to implement the recommendation of the IT Master Systems Plan.</p>		
21.13 LG SETA Grant		
Balance unspent at beginning of year	208 552	-
Current year receipts	96 204	357 039
Conditions met - transferred to income	(304 756)	(148 487)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>208 552</u>
<p>The grant is utilised for training of officials in the District Municipality.</p>		
21.14 Municipal Health Grant		
Balance unspent at beginning of year	-	-
Current year receipts	6 379 087	3 162 461
Conditions met - transferred to income	(6 379 087)	(3 162 461)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<p>The grant is utilised to fund the Environmental Health function that was devolved to the District Municipality during the previous financial year.</p>		
21.15 Wildlife Centre Grant		
Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	-
Conditions met - transferred to income	(19 385)	-
Conditions still to be met - transferred to liabilities	<u>2 980 615</u>	<u>-</u>
<p>The grant is utilised to fund the feasibility study of a district wildlife centre.</p>		
21.16 LIBSA Grant		
Balance unspent at beginning of year	-	-
Current year receipts	900 000	-
Conditions met - transferred to income	(900 000)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<p>The grant was utilised to fund the development of the Lephalale Agricultural Corridor.</p>		

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
21 GOVERNMENT GRANTS (continued)		
21.17 VUNA Awards		
Balance unspent at beginning of year	-	-
Current year receipts	750 000	-
Conditions met - transferred to income	-	-
Conditions still to be met - transferred to liabilities	<u>750 000</u>	<u>-</u>
<p>The VUNA Awards grant will be utilised to fund tourism signage to be erected in the district.</p>		
21.18 Mayor's Bursary Grant		
Balance unspent at beginning of year	25 000	25 000
Current year receipts	-	-
Conditions met - transferred to income	-	-
Conditions still to be met - transferred to liabilities	<u>25 000</u>	<u>25 000</u>
<p>The grant will be utilised to fund study bursaries.</p>		
21.19 Disaster Grant		
Balance unspent at beginning of year	45 000	45 000
Current year receipts	-	-
Conditions met - transferred to income	(19 380)	-
Conditions still to be met - transferred to liabilities	<u>25 620</u>	<u>45 000</u>
<p>The grant is utilised to fund relief operations after disasters in the District.</p>		
21.20 Changes in levels of government grants		
<p>Based on the allocations as set out in the Division of Revenue Act, (Act No 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.</p>		
22 PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations	<u>437 500</u>	<u>506 850</u>
Total public contributions and donations	<u>437 500</u>	<u>506 850</u>
23 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and wages	19 318 120	16 210 303
Employee related costs - Contributions for UIF, pension and medical aid & other statutory contributions	5 246 957	4 237 479
Travel and other allowances	3 692 512	3 803 470
Housing benefits and allowances	271 945	213 331
Overtime allowances	194 844	93 227
Performance and other bonuses	172 254	(268 601)
Total Employee Related Costs	<u>28 896 632</u>	<u>24 289 209</u>

(Refer to Appendix E1)

There were no advances to employees.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
23 EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Municipal Manager		
Annual Remuneration	650 388	335 194
Performance- and other bonuses	-	-
Travel allowance	163 553	91 000
Contributions to UIF, Medical and Pension Funds	1 497	873
Total	815 438	427 067

The Municipal Manager was appointed on 1 December 2007 and resigned on 31 July 2009.

Remuneration of the Chief Financial Officer		
Annual Remuneration	615 183	481 534
Performance- and other bonuses	105 000	-
Travel allowance	133 320	120 669
Contributions to UIF, Medical and Pension Funds	1 497	1 473
Total	855 000	603 676

The Chief Financial Officer was appointed on 11 June 2007.

Remuneration of Individual Managers:

Infrastructure Development

Annual Remuneration	399 462	366 040
Performance- and other bonuses	-	-
Travel allowance	162 094	145 160
Contributions to UIF, Medical and Pension Funds	83 357	76 798
Total	644 913	587 998

The Infrastructure Development Manager was appointed on 9 July 2007.

Planning & Economic Development

Annual Remuneration	394 446	290 134
Performance- and other bonuses	-	-
Travel allowance	121 853	68 438
Contributions to UIF, Medical and Pension Funds	93 324	75 205
Total	609 623	433 777

The Planning & Economic Development Manager was appointed on 1 March 2008.

Corporate Support & Shared Services

Annual Remuneration	467 598	312 952
Performance- and other bonuses	67 254	-
Travel allowance	121 882	74 600
Contributions to UIF, Medical and Pension Funds	129 155	61 536
Total	785 889	449 088

The Corporate Support & Shared Services Manager was appointed on 1 January 2008.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
23 EMPLOYEE RELATED COSTS (continued)		
Remuneration of Individual Managers (continued):		
Social Development & Community Services		
Annual Remuneration	192 830	345 560
Performance- and other bonuses	-	-
Travel allowance	55 459	95 274
Contributions to UIF, Medical and Pension Funds	50 291	95 841
Total	298 580	536 675

The Social Development and Community Services Manager was appointed on 1 August 2005 and resigned on 17 December 2008.

Executive Mayor's Office

Annual Remuneration	196 920	315 232
Performance- and other bonuses	-	-
Travel allowance	61 207	89 531
Contributions to UIF, Medical and Pension Funds	64 373	92 037
Resignation settlement	275 516	-
Total	598 016	496 800

The Manager in the Executive Mayor's Office was appointed on 1 December 2006 and resigned on 16 February 2009.

There are no post-employment benefits, other long-term benefits or termination benefits provided to Section 57 managers.

24 REMUNERATION OF COUNCILLORS

Executive Mayor	356 260	323 759
Speaker	299 729	270 026
Full time Mayoral Committee member	242 627	165 861
Mayoral Committee members	537 845	480 572
Councillors	881 810	814 845
Councillors' pension, medical aid contributions and other statutory contributions	416 837	331 500
Councillors' allowances	913 146	810 676
Total Councillors' Remuneration	3 648 254	3 197 239

In kind benefits

The Executive Mayor, Speaker and a Mayoral Committee member are full time councillors. Each is provided with an office 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. The previous Executive Mayor resigned on 30 April 2009 and the new Executive Mayor was appointed on 1 May 2009.

25 DEPRECIATION AND AMMORTISATION

Property, plant and equipment	2 056 837	1 678 294
Intangible assets	215 164	93 712
Total Depreciation and Amortisation	2 272 001	1 772 006

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
26 CONTRACTED SERVICES		
Contracted service for:		
Fire Fighting	3 293 905	3 113 932
(performed by local municipalities)	<u>3 293 905</u>	<u>3 113 932</u>
27 GENERAL EXPENSES		
Included in general expenses are the following:		
Advertising	263 820	255 338
Audit fees	962 734	1 459 795
Bank charges	40 186	30 699
Bursaries	21 305	78 489
Cleaning	45 163	32 813
Consumables	29 814	69 764
Debt collection commission	68 579	19 021
Delegations	69 915	89 516
Entertainment	234 715	167 958
Financial management grant	284 419	302 688
Insurance	501 603	429 665
Legal expenses	447 876	83 965
Membership fees	236 657	122 913
Municipal systems improvement grant	628 807	236 070
Postage	6 879	2 937
Printing and stationery	415 328	570 667
Professional fees	26 688	145 767
Rental of office equipment	256 799	345 555
Security costs	380 859	171 198
Subscription and publication	15 145	18 032
Telephone & cell phone expenses	637 014	777 662
Training	579 879	314 476
Travel and subsistence	1 700 978	1 294 508
Umsobomvu youth expenditure	444 872	1 121 073
Vehicle costs	520 568	363 832
Other	3 097 061	1 997 825
	<u>11 917 663</u>	<u>10 502 226</u>
28 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	93 150	(38 702)
Intangible assets	-	-
Total Gain / (Loss) on Sale of Assets	<u>93 150</u>	<u>(38 702)</u>
29 REVERSAL OF IMPAIRMENT LOSS		
Other financial assets		
An investment amounting to R1 041 296 capital is held with New Republic Bank, which is presently under receivership. The investment was written down to fair value. Subsequently, an additional liquidation dividend was received.	351 790	-
An investment amounting to R325 904 capital is held with Regal Treasury Bank which is presently under liquidation. The investment was written off. Subsequently, in the prior year, an additional liquidation was received.	-	17 470
Total Reversal of Impairment loss	<u>351 790</u>	<u>17 470</u>

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
30 ACCUMULATED SURPLUS AND RESERVES		
As the individual classification of the following reserves are not required in terms of GRAP 9, the following split is not disclosed on the face of the Statement of Financial Position and is merely utilised for internal reporting:		
Government Grant Reserve	1 081 465	1 181 026
Donations and Public Contributions Reserve	1 886 523	1 993 284
Accumulated Surplus	<u>116 674 247</u>	<u>106 934 510</u>
	<u>119 642 235</u>	<u>110 108 820</u>
31 CASH GENERATED FROM OPERATIONS		
Net surplus for the year	9 533 415	1 352 417
Adjustment for non-cash movements:		
Depreciation and amortisation	2 272 001	1 772 006
(Gain) / Loss on sale of assets	(93 151)	38 702
Donated property, plant & equipment	(437 500)	(506 850)
Reversal of investment loss	(351 790)	(17 470)
Movement in retirement health care liability	621 899	1 045 234
Movement in long service awards liability	107 825	143 313
Contributions to provisions - current	172 254	-
Operating surplus before working capital changes	<u>11 824 953</u>	<u>3 827 352</u>
Decrease in trade receivables	191 113	156 693
Decrease/(Increase) in other receivables	440 512	(563 105)
Increase in inventory	(101 332)	-
Increase in VAT receivable	(733 762)	(45 061)
Increase in trade payables	3 291 283	1 948 434
Increase in consumer deposits	-	1 500
Increase/(Decrease) in Unspent Conditional Grants and Receipts	1 626 068	(2 339 218)
Cash generated from operations	<u>16 538 834</u>	<u>2 986 595</u>
32 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents in the cash flow statement comprise the following statements of amounts indicating financial position:		
Bank balance	4 657 595	1 963 350
Short-term investment deposits	87 408 777	77 631 690
Petty cash	2 200	1 700
	<u>92 068 572</u>	<u>79 596 740</u>

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

33 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing accounting policies:

33.1 Intangible Assets

During the 08/09 financial year, the municipality changed its accounting policy to recognise intangible assets. In previous years, the exemption Gazette 30013 was utilised. The new Standard on Intangible Assets GRAP 102 only became effective in the current year. The recognition of intangible assets has been implemented retrospectively in terms of the transitional provision of the standard and ASB Directive 4. The municipality now capitalises intangible assets rather than expensing it.

The comparative amounts for 2008 have been restated to conform to the changed policy.

The effect on the 2007 and 2008 balances are as follows:

	Corrected R	Adjustment R	Previous R
Accumulated Surplus as at 1 July 2007	116 908 230	259 906	116 648 324
Intangible assets	373 519	373 519	-
Property, Plant and Equipment	32 337 151	(113 614)	32 450 765

This is the amount of the adjustment related to period prior to 1 July 2007.

Statement of Financial Performance

Depreciation	1 733 037	(45 333)	1 778 370
General expenses	10 502 226	(13 840)	10 516 066
Amortisation	93 712	93 712	-

Statement of Financial Position

Property, Plant and Equipment	32 224 885	(112 266)	32 337 151
Intangible assets	451 247	77 727	373 520

33.2 Defined benefit plans

During the 08/09 financial year, the municipality changed its accounting policy to recognise defined benefit plans for post-employment benefits and other long term benefits. In previous years, the exemption Gazette 30013 was utilised. The recognition of defined benefit plans have been adopted retrospectively in terms of the transitional provisions of IAS 19 Employee Benefits. The municipality now recognises a liability for the future commitment.

The comparative amounts for 2008 have been restated to conform to the changed policy.

The effect on the 2007 and 2008 balances are as follows:

	Corrected R	Adjustment R	Previous R
<u>Defined benefit plan - medical aid</u>			
Accumulated Surplus as at 1 July 2007	108 943 699	(7 964 531)	116 908 230
Post-employment health care liability	7 964 531	7 964 531	-

This is the amount of the adjustment related to period prior to 1 July 2007.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

33 CHANGE IN ACCOUNTING POLICY *(continued)*

33.2 Defined benefit plans *(continued)*

<u>Defined benefit plan - medical aid</u>	Corrected R	Adjustment R	Previous R
Statement of Financial Performance			
Current service cost	242 500	242 500	-
Interest cost	648 289	648 289	-
Contribution paid	-	(285 094)	285 094
Actuarial loss	439 539	439 539	-
Statement of Financial Position			
Post-employment health care liability	9 009 765	1 045 234	7 964 531

<u>Defined benefit plan - long service awards</u>	Corrected R	Adjustment R	Previous R
Accumulated Surplus as at 1 July 2007	108 324 406	(619 293)	108 943 699
Post-employment long service awards liability	619 293	619 293	-
Long service awards accrued expenses	9 000	(1 500)	10 500

This is the amount of the adjustment related to period prior to 1 July 2007.

Statement of Financial Performance

Current service cost	82 634	82 634	-
Interest cost	50 989	50 989	-
Contribution paid	-	(23 632)	23 632
Actuarial loss	33 322	33 322	-
Long service awards	6 000	(1 500)	7 500

Statement of Financial Position

Post-employment long service awards liability	764 106	144 813	619 293
Long service awards accrued expenses	-	(3 000)	3 000

33.3 Non-current assets held for sale

During the 08/09 financial year, the municipality changed its accounting policy to recognise Non-current assets held for sale. The new Standard on Non-Current Assets Held for Sale GRAP 100 only became effective in the current year. The recognition of Non-current assets held for sale has been adopted prospectively in terms of the transitional provision of the standard. The municipality now capitalises non-current assets held for sale rather than expensing it.

The adoption of this standard has no effect on the comparative statement for 2008 as the change is implemented prospectively.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

33 CHANGE IN ACCOUNTING POLICY *(continued)*

33.4 Smoothing of operating leases

During the 08/09 financial year, the municipality changed its accounting policy to smooth operating leases in terms of the requirements of GRAP 13 Leases. In previous years, the exemption Gazette 30013 was utilised. The new Standard GRAP 13 only became effective in the current year. The adoption of the smoothing of operating leases policy has had no impact on the financial statements of the municipality as all lease are already straight-lined or are contingent rentals. No comparative information thus had to be restated.

34 CORRECTION OF ERROR

34.1 Accounting policy for measurement of land

During the current year the municipality discovered that the accounting policy for land was incorrect. The interpretation of GAMAP 17 Property, Plant and Equipment at date of conversion in 2004/05 was incorrect. According to the transitional provisions any asset that was donated or received at nominal amount should be included in the Statement of Financial Performance at a cost amounting to its fair value. The fair value cost price of property donated was erroneously included in Revaluation Reserve instead of Accumulated Surplus in terms of the transitional provisions of GAMAP 17. The transitional provisions of GRAP 17 is consistent with that of GAMAP 17. The accounting policy of land has been corrected to state that subsequent measurement is at cost.

The effect on the 2007 and 2008 balances are as follows:

	Corrected R	Adjustment R	Previous R
As at 1 July 2007			
Revaluation Reserve	-	(431 997)	431 997
Accumulated Surplus	108 756 403	431 997	108 324 406

This is the amount of the adjustment related to period prior to 1 July 2007.

The correction of this error has no effect on the Statement of Financial Performance or Statement of Financial Position of 2008.

34.2 Work-in-Progress

During the current year the municipality discovered that the amount capitalised to Work-in-Progress for the Modimolle Disaster Centre was understated. The addition was erroneously included in operating project expenditure instead of work-in-progress.

The effect on the 2007 and 2008 balances are as follows:

	Corrected R	Adjustment R	Previous R
As at 1 July 2007			
Accumulated Surplus	108 756 403	-	108 756 403
Statement of Financial Performance			
Project expenditure	34 677 848	(124 399)	34 802 247
Statement of Financial Position			
Property, Plant and Equipment	32 349 284	124 399	32 224 885

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

34 CORRECTION OF ERROR *(continued)*

34.3 Disposal of Prado motor vehicle

During the current year the municipality discovered that the Prado motor vehicle that was traded in on a Tuareq in December 2007 was not removed from the asset register. The Tuareq was included at the correct cost price but the trade in value of the Prado was erroneously deducted from project expenditure.

The effect on the 2007 and 2008 balances are as follows:

	Corrected R	Adjustment R	Previous R
Statement of Financial Performance			
Depreciation	1 678 294	(54 743)	1 733 037
Project expenditure	34 847 848	170 000	34 677 848
Loss on sale of assets	38 702	25 512	13 190
Statement of Financial Position			
Property, Plant and Equipment	32 208 516	(140 768)	32 349 284

34.4 Capitalisation of work-in-progress

During the year under review the design for the upgrade of the abattoir conducted in the 2008 year was adopted and a contractor was appointed commence the construction. The costs related to the design on the upgrade in the prior year which was previously expensed as project expenditure has thus been corrected to be capitalised to work-in-progress.

The effect on the 2007 and 2008 balances are as follows:

	Corrected R	Adjustment R	Previous R
Statement of Financial Performance			
Project expenditure	34 314 716	(533 132)	34 847 848
Statement of Financial Position			
Property, Plant and Equipment	32 741 648	533 132	32 208 516

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
35	CHANGE IN ESTIMATE		
	RSC levies		
	Change to the Statement of Financial Performance	-	91 506
	Total net effect on Surplus for the year	-	91 506

The change in accounting estimate relates to unpaid RSC levies that was estimated as at 30 June 2006. The actual receipts on those debtors during the prior year was less than what was estimated. During the current year all outstanding balance were summoned and the balance unpaid at 30 June 2009 was written off as bad debt.

There will be no effect in future periods as RSC Levies has been abolished.

36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

36.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening Balance	146 174	66 315
Fruitless and wasteful expenditure awaiting condonement To be recovered - Contingent Asset	-	-
Fruitless and wasteful expenditure current year	146 174	66 315
Condoned or written off by Council	(79 859)	79 859
Closing balance	66 315	-
Fruitless and wasteful expenditure awaiting condonement To be recovered - Contingent Asset	66 315	146 174

Current year

The R 79 859 expenditure arose from an additional payment to a service provider due to the reprinting of communications flyers because of an error on the first batch. Disciplinary hearing was initiated, manager subsequently resigned. Council wrote off the expenditure in the current financial year.

Prior year

The R 66 315 expenditure arose from late payment to a contractor on an MIG project. The disciplinary case against the employee responsible was finalised in December 2006. The municipality is still in the process of recovering the cost from the dismissed employee.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009	2008
		R	R
36	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED <i>(continued)</i>		
36.2 Irregular expenditure			
Reconciliation of irregular expenditure:			
	Opening Balance	-	-
	Irregular expenditure current year	366 070	-
	Condoned or written off by Council	-	-
	To be recovered - Contingent Asset	-	-
	Irregular expenditure awaiting condonement	<u>366 070</u>	<u>-</u>

Current year

The Infrastructure Department incurred irregular expenditure of R 366 070 on the consulting fees of the construction project on the Modimolle Disaster Centre. The fees of the contractor was adjusted without a subsequent adjustment to the consulting fees which lead to irregular expenditure at the conclusion of the contract. The matter is disclosed as an adjusting post-balance sheet date event as the irregular expenditure was confirmed subsequent to year end but before the conclusion of the financial statements. Investigation will occur.

Prior year

There were no material incidents of irregular expenditure in the past financial year.

36.3 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	Opening Balance	-	175 167
	Unauthorised expenditure current year	-	-
	Condoned or approved by Council	-	(175 167)
	To be recovered - Contingent Asset	-	-
	Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>-</u>

Current year

There were no material incidents of irregular expenditure in the current financial year.

Prior year

The Abattoir department overspent by R 175 167 on the 06/07 departmental budget. Damaged meat claims was paid out to customers due to malfunctioning of equipment. The abattoir is currently being upgraded to address this issue. Legal fees were overspent due to a disciplinary hearing. Municipal accounts were overspent due to difficulty in estimation of water and electricity usage. Council condoned this expenditure in the prior year.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
37 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
37.1 Contributions to organised local government		
Opening Balance	-	-
Council subscriptions	204 370	92 077
Amount Paid - current year	(166 568)	(92 077)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>37 802</u>	<u>-</u>
37.2 Audit fees		
Opening balance	-	-
Current year audit fees - statutory	951 633	665 247
Prior year audit fee - forensic	11 101	794 548
Amount paid - current year	(951 633)	(1 459 795)
Amount paid - previous years	(11 101)	-
	<u>-</u>	<u>-</u>
37.3 VAT		
<p>VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.</p>		
37.4 PAYE		
Opening Balance	-	-
Current year payroll deductions	4 720 110	3 891 293
Amount Paid - Current year	(4 720 110)	(3 891 293)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>
37.5 PENSION AND MEDICAL AID DEDUCTIONS		
Opening balance	-	-
Current year payroll deductions and council contributions	7 440 370	6 215 227
Amount Paid - Current year	(7 440 370)	(6 215 227)
Amount Paid - Previous years	-	-
	<u>-</u>	<u>-</u>
38 REMUNERATION OF AUDIT COMMITTEE MEMBERS		
Remuneration	<u>40 632</u>	<u>29 716</u>

3 Members serve on the Audit Committee. The members are paid an allowance per day and are reimbursed for travel expenses.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

42 RISK MANAGEMENT (continued)

42.3 Liquidity risk (continued)

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 June 2009	Not later than one month	One to three months
Trade and other payables	3 541 612	216 693
Consumer deposits	-	3 766
Provisions	-	-
Unspent conditional grants & receipts	275 118	344 967
	Later than three months	One to five years
Trade and other payables	1 364 757	2 000 000
Consumer deposits	-	7 099
Provisions	172 254	-
Unspent conditional grants & receipts	2 011 470	2 747 884

42.4 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

To manage the risk the Municipality has a credit control policy. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

Counterparties:

The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Municipality has no significant concentration of credit risk with any single counterparty or a group of counterparties.

42.5 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.

43 RESTATEMENT OF COMPARATIVE INFORMATION

Various comparative figures have been restated in terms of the change in accounting policy note 33 and prior period errors note 34. The effect of the restatement are summarised in these notes.

44 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

WATERBERG DISTRICT MUNICIPALITY

**APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2008/06/30	Received during the period	Redeemed written off during the period	Balance at 2009/06/30	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
TOTAL EXTERNAL LOANS			-	-	-	-	-	-

WATERBERG DISTRICT MUNICIPALITY

APPENDIX B ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation				Transfers R	Carrying Value R
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Closing Balance R		
Land and Buildings											
Land	728 000	-	-	-	728 000	-	-	-	-	-	728 000
Buildings	23 906 254	646 014	5 118 137	-	29 670 405	2 397 208	344 343	-	2 741 551	-	26 928 854
	24 634 254	646 014	5 118 137	-	30 398 405	2 397 208	344 343	-	2 741 551		27 656 854
Other Assets											
Motor Vehicles	9 856 295	616 125	-	(238 367)	10 234 053	1 759 222	954 729	(83 886)	2 630 065	-	7 603 988
Computer equipment	2 366 397	600 194	-	(291 143)	2 675 448	1 086 140	421 545	(273 255)	1 234 430	-	1 441 018
Office equipment	938 154	179 841	-	(37 607)	1 080 388	805 969	69 110	(37 332)	837 747	-	242 641
Furniture and Fittings	1 643 698	205 680	-	(82 180)	1 767 198	933 598	187 082	(74 817)	1 045 863	-	721 335
Machinery	557 693	2 120	-	-	559 813	272 706	80 028	-	352 734	-	207 079
	15 362 237	1 603 960	-	(649 297)	16 316 900	4 857 635	1 712 494	(469 290)	6 100 839		10 216 061
TOTAL	39 996 491	2 249 974	5 118 137	(649 297)	46 716 305	7 264 843	2 056 837	(469 290)	8 842 390	-	37 872 915

Assets under construction refers to the Lephalale Disaster Centre and the upgrade of the abattoir. The Modimolle Disaster Centre was completed during the year and transferred to assets.

Certain computer assets has been reclassified to Intangible Assets in the current year. All opening balances and prior year information has been restated to reflect this reclassification. The prior period errors in Buildings and Motor Vehicles has also been corrected.

WATERBERG DISTRICT MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost						Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Transfers	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	
Budget & Treasury Office	774 848	75 530		(49 382)	(330 392)	470 604	475 438	51 580	(49 376)	(169 060)	308 582	162 022
Municipal Manager	117 230	21 035		-	31 863	170 128	83 064	22 247	-	14 489	119 800	50 328
Corporate Support & Shared Services	11 218 482	533 838		(306 510)	843 847	12 289 657	3 511 872	757 371	(286 448)	516 202	4 498 997	7 790 660
Planning and Economic Development	388 181	16 438		(15 654)	(274 673)	114 292	226 689	17 199	(13 836)	(169 664)	60 388	53 904
Infrastructure Development	348 629	19 466		-	(32 469)	335 626	185 199	44 639	-	(25 306)	204 532	131 094
Executive Mayor's Office	1 766 198	196 530		(27 144)	(5 419)	1 930 165	764 542	280 954	(25 325)	(929)	1 019 242	910 923
Social Development & Community Services	294 956	13 956		(4 955)	(161 683)	142 274	104 331	19 926	(4 046)	(58 864)	61 347	80 927
Fire fighting	22 469 814	612 428	4 242 537	(4 954)	(546 746)	26 773 079	1 033 321	553 958	(4 046)	(129 147)	1 454 086	25 318 993
Environmental Health	437 591	758 472		(182 730)	697 003	1 710 336	60 655	262 046	(28 247)	186 994	481 448	1 228 888
PIMSS	216 068	-		-	(216 068)	-	159 453	-	-	(159 453)	-	-
Abattoir	1 964 494	2 281	875 600	(57 968)	(5 263)	2 779 144	650 279	46 917	(57 966)	(5 262)	633 968	2 145 176
TOTAL	39 996 491	2 249 974	5 118 137	(649 297)	-	46 715 304	7 254 843	2 056 837	(469 290)	-	8 842 390	37 672 915

WATERBERG DISTRICT MUNICIPALITY

APPENDIX D SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
68 864 135	6 560 808	62 303 327	Budget & Treasury	80 734 005	6 430 751	74 303 254
-	2 831 486	(2 831 486)	Municipal Manager	747 345	4 209 795	(3 462 450)
2 278 907	11 263 599	(8 984 692)	Corporate Support & Shared Services	755 982	11 630 169	(10 874 187)
38 887	5 866 222	(5 827 335)	Planning and Economic Development	1 213 950	12 588 377	(11 374 427)
1 275 547	25 181 425	(23 905 878)	Infrastructure Development	1 710 459	19 548 151	(17 837 692)
605 528	12 006 874	(11 401 346)	Executive Mayor's Office	194 792	12 164 939	(11 970 147)
-	2 182 042	(2 182 042)	Social Development & Community Services	-	2 136 500	(2 136 500)
1 148 183	3 979 108	(2 830 925)	Disaster Management	462 053	4 039 227	(3 577 174)
3 669 311	6 169 287	(2 499 976)	Environmental Health	6 438 204	8 084 468	(1 646 264)
1 230 299	1 265 794	(35 495)	PIMSS	-	-	-
1 853 895	2 305 630	(451 735)	Abattoir	1 062 495	2 953 493	(1 890 998)
<u>80 964 692</u>	<u>79 612 274</u>	<u>1 352 417</u>	TOTAL	<u>93 319 286</u>	<u>83 785 871</u>	<u>9 533 415</u>

WATERBERG DISTRICT MUNICIPALITY

UNAUDITED INFORMATION - APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

REVENUE	<u>2009</u> Actual R	<u>2009</u> Budget R	<u>2009</u> Variance R	<u>2009</u> Variance %	<u>Explanation of Significant Variances</u> <u>greater than 10% versus Budget</u>
Regional Services Levies - turnover	205 215	205 215	-	0%	
Abattoir service charges	961 714	1 339 500	(377 786)	-28%	Abattoir income is lower than budgeted due to the loss of one of the biggest clients and the tenant.
Rental of facilities and equipment	28 803	73 500	(44 697)	-61%	The lessee gave notice in August 2008 and no replacement tenant has been found to date.
Interest earned - external investments	12 205 195	4 964 785	7 240 410	146%	The increase is due to surplus funds invested at competitive rates and an increase in the interest rate. Surplus funds due to underspending on the IDP projects.
Interest earned - outstanding debtors	40 495	14 500	25 995	179%	Client and tenant that gave notice at the abattoir did not settle their account on departure.
Government grants and subsidies	78 865 121	78 253 363	611 758	1%	
Other income	130 303	101 500	28 803	28%	Additional income received on increased number of tender documents sold.
Gain on disposal of property, plant and equipment	93 150	-	93 150		Disposals of property, plant and equipment was not budgeted for.
Reversal of impairment loss	351 790	-	351 790		The investment was written off as irrecoverable, but subsequently received 8th dividend.
Total Revenue	<u>93 319 286</u>	<u>84 952 363</u>	<u>8 366 923</u>		
EXPENDITURE					
Employee related costs	(28 896 632)	(32 453 745)	3 557 113	-11%	The underspending is due to vacancies that existed in the departments.
Remuneration of Councillors	(3 648 254)	(3 796 291)	148 037	-4%	
Post-retirement health care expenditure	(962 463)	-	(962 463)		The effect of implementation of IAS 19 Employee Benefits defined benefit valuations were not budgeted.
Long-service award expenditure	(190 192)	-	(190 192)		The effect of implementation of IAS 19 Employee Benefits defined benefit valuations were not budgeted.
Bad debt	(86 311)	(40 000)	(46 311)	116%	Client and tenant that gave notice at the abattoir did not settle their account on departure.
General expenses	(11 917 663)	(15 055 541)	3 137 878	-21%	Mainly due to underspending on delegation expenses, grant expenditure and operational projects not completed. Waterberg Economic Development Agency was budgeted in the current year but formal establishment was not completed by year end.
Repairs & Maintenance	(460 296)	(541 100)	80 804	-15%	Savings on repairs and maintenance of computers as many old computers & programs have been replaced during the past year.
Fire Fighting	(3 293 905)	(4 175 220)	881 315	-21%	Mainly due to under claiming or over budgeting of Lephalale Local Municipality.
Project expenditure	(30 443 189)	(62 500 513)	32 057 324	-51%	Under spending of projects rolled over from the 2007/08 IDP and under spending of projects on the 08/09 IDP.
MIG project expenditure	(1 614 965)	(1 614 965)	-	0%	
Depreciation	(2 272 001)	(2 343 000)	70 999	-3%	
Total Expenditure	<u>(83 785 871)</u>	<u>(122 520 376)</u>	<u>38 734 504</u>		
NET SURPLUS FOR THE YEAR	<u>9 533 415</u>	<u>(37 568 012)</u>	<u>-47 101 426</u>		

WATERBERG DISTRICT MUNICIPALITY

UNAUDITED INFORMATION - APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	<u>2009 Actual</u>	<u>2009 Under Construction</u>	<u>2009 Revaluation</u>	<u>2009 Total Additions</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>2009 Variance</u>	<u>Explanation of Significant Variances greater than 10% versus Budget</u>
	R	R		R	R	R	%	
Land and Buildings								
Land	-	-	-	-	-	-	-	
Buildings	646 014	5 118 137	-	5 764 151	9 959 828	(4 195 677)	-42%	Delays experienced in projects of Lephalale Disaster Centre and Upgrade of the Abattoir.
Other Assets								
Motor Vehicles	616 125		-	616 125	650 000	(33 875)	-5%	
Computer Equipment	600 194		-	600 194	1 000 000	(399 806)	-40%	Computer equipment purchased on behalf of local municipalities is not capitalised.
Office Equipment	179 841		-	179 841	190 000	(10 159)	-5%	
Furniture and Fittings	205 680		-	205 680	220 000	(14 320)	-7%	
Machinery	2 120		-	2 120	2 200	(80)	-4%	
TOTAL	2 249 974	5 118 137	-	7 368 111	12 022 028	(4 653 917)		