

# **WATERBERG DISTRICT MUNICIPALITY**

## **PRE-AUDITED ANNUAL FINANCIAL STATEMENTS 2010/2011**



*Waterberg*  
District Municipality

*on the Go for Growth*

# **WATERBERG DISTRICT MUNICIPALITY**

## **PRE - AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

I am responsible for the preparation of these annual financial statements which are set out on pages 1 to 52, 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 22 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 1196 of Government Gazette no 33867 dated 10 December 2010.

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**

29 AUG 2011  
DATE

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# **WATERBERG DISTRICT MUNICIPALITY**

## **GENERAL INFORMATION**

### **Members of the Council**

N.R. Mogotlane  
M.A.D.Monama  
N.S. Morumodi  
S. Lamola  
K.J. Baloyi  
M.M.A. Mogotsi  
B.S. Mhlanga  
R.Z. Moeletsi  
M.L. Moremi

Mayor  
Speaker  
Chief Whip  
Member of the Mayoral Committee  
Member of the Mayoral Committee  
Member of the Mayoral Committee  
Member of the Mayoral Committee  
Member of the Mayoral Committee  
Member of the Mayoral Committee

### **Municipal Manager**

M.V. Letsoalo

### **Chief Financial Officer**

N. Laubscher

### **Grading of the District Municipality**

Grade 3

### **Auditors**

Auditor - General

### **Bankers**

First National Bank

### **Physical Address**

Harry Gwala Street  
Modimolle  
0510

### **Postal Address**

Private Bag X1018  
Modimolle  
0510

### **Telephone Number**

(041) 718 3300

### **Fax Number**

086 529 4621

### **E-mail address**

[nlaubscher@waterberg.gov.za](mailto:nlaubscher@waterberg.gov.za)

# WATERBERG DISTRICT MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 R
<b>ASSETS</b>			
<b>Current assets</b>			
		<b>131 156 603</b>	<b>113 975 862</b>
Cash and cash equivalents	1	108 911 660	87 618 797
Trade and other receivables from exchange transactions	2	22 594	26 932
Other receivables from non-exchange transactions	3	954 763	1 398 063
Inventory	4	93 134	80 614
Held-to-maturity investments	5	18 084 987	22 102 744
VAT receivable	6	3 062 714	2 721 962
Non-current assets held for sale	7	26 751	26 750
<b>Non-current assets</b>			
		<b>53 269 687</b>	<b>50 087 400</b>
Non-current receivables	8	2 025	2 025
Property, plant and equipment	9	51 632 039	49 154 128
Intangible assets	10	1 635 623	931 247
<b>Total assets</b>		<b>184 426 290</b>	<b>164 063 262</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
		<b>10 429 914</b>	<b>9 030 894</b>
Trade- and other payables	11	5 875 061	5 599 869
Consumer deposits	12	1 550	7 100
Provisions	13	-	179 830
Unspent conditional grants and receipts	14	3 290 647	2 173 462
Current portion of retirement health care liability	15	1 186 475	913 953
Current portion of long service awards liability	16	76 181	156 680
<b>Non-current liabilities</b>			
		<b>12 311 552</b>	<b>9 605 425</b>
Retirement health care liability	15	11 105 771	8 789 926
Long service awards liability	16	1 205 781	815 499
<b>Total liabilities</b>		<b>22 741 466</b>	<b>18 636 319</b>
<b>Net assets</b>		<b>161 684 824</b>	<b>145 426 943</b>
<b>NET ASSETS</b>			
<b>Retained surplus and other reserves</b>			
		<b>161 684 824</b>	<b>145 426 943</b>
Accumulated surplus and other reserves	30	161 684 824	145 426 943
<b>Total net assets</b>		<b>161 684 824</b>	<b>145 426 943</b>

# WATERBERG DISTRICT MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
<b>REVENUE</b>			
Service charges	17	607 783	833 918
Interest earned - external investments	18	8 252 553	8 628 145
Interest earned - outstanding receivables	19	30 095	34 753
Government and other grants	20	97 037 325	93 075 424
Bad debts recovered		-	1 446
Other income		192 658	116 773
<b>Total Revenue</b>		<b>106 120 414</b>	<b>102 690 459</b>
<b>EXPENDITURE</b>			
Employee related costs	21	(37 950 528)	(32 171 368)
Remuneration of councillors	22	(3 824 518)	(3 791 832)
Post-retirement health care expenditure	15	(3 001 922)	( 469 682)
Long-service award expenditure	16	( 389 675)	( 190 978)
Provision for doubtful debt		( 29 596)	( 44 786)
Depreciation, impairment and amortisation	23	(4 181 612)	(3 601 336)
Repairs and maintenance		( 481 058)	( 486 445)
Contracted services	24	(8 388 959)	(5 904 908)
General expenses	25	(11 580 134)	(11 239 867)
Project expenditure		(19 807 768)	(21 267 295)
<b>Total Expenditure</b>		<b>(89 635 770)</b>	<b>(79 168 497)</b>
Loss on sale of assets	26	( 230 403)	( 458 000)
Reversal of impairment loss	27	3 640	-
<b>SURPLUS FOR THE YEAR</b>		<b>16 257 881</b>	<b>23 063 962</b>

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 2011

	Note	Revaluation Reserve		Government Grant		Donations and Public Reserve		Accumulated Surplus		Accumulated Surplus and Other Reserves		Total	
		R	R	R	R	R	R	R	R	R	R		
<b>2010</b>													
Balance at 1 July 2009		-		1 081 465		1 886 523		116 650 441		119 618 429		119 618 429	
Correction of prior period errors		-						105 667		105 667		105 667	
Store Room Building	31							13 111		13 111		13 111	
Procurement of laptop	31												
Change in accounting policy:													
Residuals, lifespans & impairment of PPE	32			40 432		( 4 266)		2 589 608		2 625 774		2 625 774	
Restated balance				<u>1 121 897</u>		<u>1 882 257</u>		<u>119 358 827</u>		<u>122 362 981</u>		<u>122 362 981</u>	
Net surplus for the year								23 063 962		23 063 962		23 063 962	
Capital grants used to obtain PPE				-		-		-		-		-	
Donated/contributed PPE				-		-		-		-		-	
Disposal of assets				( 5)		( 25 525)		25 530		-		-	
Offsetting of Depreciation				(173 139)		( 281 277)		454 416		-		-	
<b>Balance at 30 June 2010</b>				<u>948 753</u>		<u>1 575 455</u>		<u>142 902 735</u>		<u>145 426 943</u>		<u>145 426 943</u>	
<b>2011</b>													
Balance as at 1 July 2010				948 753		1 575 455		142 902 735		145 426 943		145 426 943	
Net surplus for the year								16 257 881		16 257 881		16 257 881	
Capital grants used to obtain PPE				-		-		-		-		-	
Donated/contributed PPE				-		-		-		-		-	
Disposal of assets				( 1)		-		1		-		-	
Offsetting of Depreciation				(213 108)		( 182 236)		395 344		-		-	
<b>Balance at 30 June 2011</b>				<u>735 644</u>		<u>1 393 219</u>		<u>159 555 961</u>		<u>161 684 824</u>		<u>161 684 824</u>	

Note 28

# WATERBERG DISTRICT MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash receipts:</b>			
Sales of goods and services		593 460	750 130
Grants		98 154 511	89 869 449
Interest received		8 282 648	8 662 898
Other receipts		176 174	115 394
<b>Payments:</b>			
Employee costs		(41 533 054)	(36 314 497)
Suppliers		(9 224 963)	(10 296 420)
Project expenditure		(19 925 349)	(23 333 516)
Fire fighting expenditure		(8 739 012)	(4 974 164)
Vat		( 340 755)	(1 154 010)
Other payments		(2 577 893)	(3 387 335)
<b>Net cash flows from operating activities</b>	29	<b>24 865 767</b>	<b>19 937 929</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(6 724 095)	(12 661 172)
Purchase of intangible assets		( 876 324)	( 94 700)
Proceeds on sale of property, plant and equipment		6 117	351 000
Proceeds from recovery of investments		3 640	-
Decrease/(Increase) in held-to-maturity investments		4 017 758	(12 013 977)
Decrease in long term receivables		-	37 852
<b>Net cash flows from investing activities</b>		<b>(3 572 904)</b>	<b>(24 380 997)</b>
<b>Net increase in net cash and cash equivalents</b>		<b>21 292 863</b>	<b>(4 443 068)</b>
<b>Net cash and cash equivalents at beginning of year</b>		<b>(87 618 797)</b>	<b>(92 061 865)</b>
<b>Net cash and cash equivalents at end of year</b>	30	<b>108 911 660</b>	<b>87 618 797</b>



**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**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.*
- *Government Notice 80 of 2011, issued in Government Gazette no. 33991 of 2 February 2011.*

The effective 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 Directives 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
Directive 7	The Application of Deemed Cost on the Adoption of the Standards of GRAP

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**1. BASIS OF ACCOUNTING (continued)**

**1.1 BASIS OF PRESENTATION (continued)**

Effective accrual based IPSASs considering the provisions in paragraphs 16 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

Effective IFRSs and IFRICs that are applied considering the provisions in paragraphs 21 to 27 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

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 and paragraph 12 of GRAP 3.

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, but may be used in developing an accounting policy:

These standards are effective for financial years commencing on or after 1 April 2012 as published in *Government Notice* 80 of 2011, issued in *Government Gazette* no. 33991 of 2 February 2011.

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

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**1. BASIS OF ACCOUNTING (continued)**

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

Effective dates for the following standards have not yet been determined:

GRAP 20	Related Party Disclosures
GRAP 25	Employee Benefits
GRAP 104	Financial Instruments
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control
GRAP 107	Mergers

Approved Standards of GRAP that entities are not required to apply:

GRAP 18	Segment Reporting
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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 20 - Councillors and Board Members will be disclosed as related parties and normal supplier and/or client/recipient relationships at arm's length and within normal operating parameters will not have to be separately disclosed.
- 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 would be minimal as impairment testing is already being performed.
- 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 25 - The Standard on Employee Benefits will have no material impact on the financial statements of the municipality as the municipality is adhering to IAS 19 and there is no material change from IAS19 to GRAP25 that is affecting this municipality.
- 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.
- GRAP 104 - The Standard on financial instruments will have no material impact on the financial statements of the municipality as the municipality is adhering to IAS32 and IAS39 and the changes from IAS32 and IAS39 to GRAP104 is not applicable to this municipality.

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**1. BASIS OF ACCOUNTING *(continued)***

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

GRAP 105– The Standard will have no material impact on the financial statements of the municipality as the municipality does not have functions transferred between entities under common control.

GRAP 106 – The Standard will have no material impact on the financial statements of the municipality as the municipality does not have functions transferred between entities under common control.

GRAP 107 – The Standard will have no material impact on the financial statements of the municipality as the municipality has no mergers.

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.

**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 28.

**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).

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**2 RESERVES** *(continued)*

**2.1 Government Grant Reserve** *(continued)*

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.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**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 and impairment. Land and artwork are not depreciated as it is deemed to have an indefinite useful life.

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

Where the municipality replaces parts of an asset, it derecognizes the part of the asset being replaced and capitalizes the new component. Subsequent expenditure incurred on an asset is capitalized when it increases the capacity or future economic benefits associated with the asset.

**3.3 Depreciation and impairment**

Depreciation is calculated on cost minus the residual value, 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>
Bins and Containers	7
Buildings and Facilities	7 to 30
Computer Equipment	5 to 10
Emergency Equipment	5
Furniture and Fittings	7 to 15
Motor Vehicles	7 to 10
Office Equipment	5 to 10
Plant and Equipment	4 to 10
Specialized vehicles	10

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. GRAP 17 was initially adopted on 1 July 2008. This exemption was utilized up to the 09/10 financial statements, but the exemptions have been implemented retrospectively on 1 July 2010. The balance on the financial statements which is affected by this transitional provision is Property, Plant and Equipment and Reserves.

Residual values and estimated remaining useful lives have thus been implemented retrospectively in the current financial year. The municipality has also accounted for the impairment of assets in terms of GRAP21, GRAP26 and IAS36 Impairment of cash-generating and non-cash-generating assets. Assets have also been tested for impairment. Residual values and remaining useful lives will be reviewed annually and implemented prospectively henceforth.

**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/residual value and is recognised in the Statement of Financial Performance.

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**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.

Where an intangible asset is acquired in exchange for a non-monetary asset of monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

**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 minus residual value 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 residual values, amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**4 INTANGIBLE ASSETS** *(continued)*

**4.3 Amortization** *(continued)*

The municipality test intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done annually. Where the carrying amount of an item of intangible assets is greater than the estimated recoverable amount (or recoverable service amount), it is written down to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**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/residual 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 provisions of the standard was applied prospectively. The balance on the financial statements which is affected by the transitional provision is Non-Current Assets Held for Sale.

**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.



**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**6 INVENTORY** (*continued*)

**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.

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 is in accordance with GRAP 104, IAS 36, IAS39 and IFRS7.

*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.

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**7 FINANCIAL INSTRUMENTS** *(continued)*

**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 are receivable within 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.

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**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.

**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.

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.

**WATERBERG DISTRICT MUNICIPALITY  
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ENDED 30 JUNE 2011**

**10 REVENUE** *(continued)*

**10.1 Revenue from exchange transactions** *(continued)*

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.

**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.

**10.3 Grants, transfers and donations**

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.

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, to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
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**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.

**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 the expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

**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 and GRAP25 Employee Benefits. A defined contribution plan is a pension plan under which the municipality pays fixed contributions into a separate entity.

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**14 EMPLOYEE BENEFITS** *(continued)*

**14.2 Pensions and other post-retirement benefits** *(continued)*

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 also provides post-retirement medical benefits to qualifying retirees. They are recognized in accordance with IAS 19 and GRAP25 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 were 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 since the 08/09 financial year and the change in accounting policy was implemented retrospectively in 08/09.

**15 IMPAIRMENT OF ASSETS**

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

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**WATERBERG DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2011**

**15 IMPAIRMENT OF ASSETS**

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>1 CASH AND CASH EQUIVALENTS</b>		
The municipality has the following bank accounts:		
<b><u>Current Account (Primary Bank Account)</u></b>		
First National Bank - Modimolle branch Account number 53170034748		
Cash book balance at beginning of year	8 319 197	4 657 595
Cash book balance at end of year	<u>5 537 272</u>	<u>8 319 197</u>
Bank statement balance at beginning of year	14 231 024	9 018 155
Bank statement balance at end of year	<u>10 794 687</u>	<u>14 231 024</u>
<b><u>Other accounts</u></b>		
Investments:		
Call deposits	14 063 194	3 054 696
60 Days fixed deposits	37 095 441	21 088 101
90 Days fixed deposits	52 213 553	55 154 603
	<u>103 372 188</u>	<u>79 297 400</u>
Cash on hand:		
Petty cash	2 200	2 200
<b>Total cash and cash equivalents</b>	<u>108 911 660</u>	<u>87 618 797</u>
A portion of cash represents restricted cash as it serves as security for unspent conditional grants.		
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b><u>Trade receivables</u></b>		
Abattoir	435 767	420 533
<b>Gross Balance</b>	<u>435 767</u>	<u>420 533</u>
Less: Provision for doubtful debts	( 423 197)	( 393 601)
<b>Net Balance</b>	<u>12 570</u>	<u>26 932</u>
<b><u>Other receivables</u></b>		
Councillor salaries	10 024	-
<b>Gross Balance</b>	<u>10 024</u>	-
Less: Provision for doubtful debts	-	-
<b>Net Balance</b>	<u>10 024</u>	-
<b>Total Net Balance</b>	<u>22 594</u>	<u>26 932</u>
<b><u>Abattoir: Ageing</u></b>		
Current (0 - 30 days)	14 120	10 809
31 - 60 days	2 230	14 974
61 - 90 days	2 727	6 268
91 - 365 days	23 088	26 010
+ 365 days	393 602	362 472
<b>Total</b>	<u>435 767</u>	<u>420 533</u>



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2011 R	2010 R
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>		
<b><u>Councillor salaries: Ageing</u></b>		
Current (0 - 30 days)	10 024	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 365 days	-	-
+ 365 days	-	-
<b>Total</b>	<b>10 024</b>	<b>-</b>

### **Summary of debtors by Customer Classification**

#### **Consumers as at 30 June:**

Current (0 - 30 days)	24 144	10 809
31 - 60 days	2 230	14 974
61 - 90 days	2 727	6 268
91 - 365 days	23 088	26 010
+ 365 days	393 602	362 472
<b>Sub-total</b>	<b>445 791</b>	<b>420 533</b>
Less: Provision for doubtful debts	( 423 197)	( 393 601)
<b>Total debtors by customer classification</b>	<b>22 594</b>	<b>26 932</b>

### **Reconciliation of the doubtful debt provision**

Balance at beginning of the year	393 601	377 334
Contributions to provision	29 596	44 786
Bad debts written off	-	( 28 519)
Balance at end of year	<b>423 197</b>	<b>393 601</b>

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

### **3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Investments under liquidation	142 748	142 748
Prepayments	717 687	921 530
Sundry debtors	94 328	333 785
<b>Total Other Debtors</b>	<b>954 763</b>	<b>1 398 063</b>

An investment amounting to R 572 713 capital is held with New Republic Bank, which is under receivership. An investment amounting to R322 264 capital is held with Regal Treasury Bank which is under liquidation. The investments were written down to fair value:

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

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2011 R	2010 R
<b>4 INVENTORY</b>		
<b>Consumables:</b>		
Opening balance	80 614	101 332
Additions	93 134	80 614
Issued (expensed)	( 80 614)	( 101 332)
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC)	-	-
<b>Closing balance</b>	<b><u>93 134</u></b>	<b><u>80 614</u></b>

Inventory consists of stationery. 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	<b><u>18 084 987</u></b>	<b><u>22 102 744</u></b>
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### 6 VAT

VAT receivable	<b><u>3 062 714</u></b>	<b><u>2 721 962</u></b>
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VAT is accounted for on the payment basis.

### 7 NON-CURRENT ASSETS HELD FOR SALE

Computer equipment	17 889	17 889
Office equipment	1 164	1 164
Furniture and fittings	7 697	7 697
Motor vehicles	1	-
Property, plant and equipment	<b><u>26 751</u></b>	<b><u>26 750</u></b>

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	<b><u>2 025</u></b>	<b><u>2 025</u></b>
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These are deposits paid for water and electricity services.

**PROPERTY, PLANT & EQUIPMENT**

<b>Reconciliation of Carrying Value</b>	<b>Land and Buildings</b>	<b>Other Assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Carrying values at 1 July 2010</b>			
Cost	34 103 659	15 050 469	49 154 128
Accumulated Depreciation	34 697 417	23 120 001	57 817 418
Accumulated Impairment	( 592 904)	( 7 905 015)	( 8 497 919)
	( 854)	( 164 517)	( 165 371)
Acquisitions	32 480	4 837 473	4 869 953
Capital under Construction	1 854 142	-	1 854 142
Depreciation	( 1 264 506)	( 2 745 157)	( 4 009 663)
Impairment	-	-	-
Carrying value of disposals	-	( 236 521)	( 236 521)
Cost	-	( 558 595)	( 558 595)
Accumulated depreciation	-	322 074	322 074
Accumulated impairment	-	-	-
<b>Carrying values at 30 June 2011</b>			
Cost	34 725 775	16 906 264	51 632 039
Accumulated Depreciation	36 584 039	27 398 879	63 982 918
Accumulated Impairment	( 1 857 410)	( 10 328 098)	( 12 185 508)
	( 854)	( 164 517)	( 165 371)
<b>Reconciliation of Carrying Value</b>			
	<b>Land and Buildings</b>	<b>Other Assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Carrying values at 1 July 2009</b>			
Cost	30 518 405	16 164 863	46 683 268
Accumulated Depreciation	30 518 405	16 330 234	46 848 639
Accumulated Impairment	( 164 506)	( 5 901 295)	( 6 065 801)
	-	( 165 371)	( 165 371)
Acquisitions	542 991	8 482 160	9 025 151
Capital under Construction	3 636 021	-	3 636 021
Depreciation	( 428 398)	( 2 788 700)	( 3 217 098)
Impairment	( 854)	( 96 333)	( 97 187)
Carrying value of disposals	-	( 810 226)	( 810 226)
Cost	-	( 1 692 393)	( 1 692 393)
Accumulated depreciation	-	784 980	784 980
Accumulated impairment	-	97 187	97 187
<b>Carrying values at 30 June 2010</b>			
Cost	34 103 659	15 050 469	49 154 128
Accumulated Depreciation	34 697 417	23 120 001	57 817 418
Accumulated Impairment	( 592 904)	( 7 905 015)	( 8 497 919)
	( 854)	( 164 517)	( 165 371)

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 2011

### 10 INTANGIBLE ASSETS

10.1 Reconciliation of carrying value	Computer Software	Total
<b>as at 1 July 2010</b>	<b>931 247</b>	<b>931 247</b>
Cost	1 639 224	1 639 224
Accumulated amortisation and impairment losses	( 707 977)	( 707 977)
Acquisitions	102 024	102 024
Work-in-Progress	774 300	774 300
Amortisation	( 171 948)	( 171 948)
Carrying value of disposal	-	-
Cost	-	-
Accumulated amortisation	-	-
<b>as at 30 June 2011</b>	<b>1 635 623</b>	<b>1 635 623</b>
Cost	2 515 548	2 515 548
Accumulated amortisation and impairment losses	( 879 925)	( 879 925)

10.2 Reconciliation of carrying value	Computer Software	Total
<b>as at 1 July 2009</b>	<b>1 123 599</b>	<b>1 123 599</b>
Cost	1 544 524	1 544 524
Accumulated amortisation and impairment losses	( 420 925)	( 420 925)
Acquisitions	-	-
Work-in-Progress	94 700	94 700
Amortisation	( 287 052)	( 287 052)
Carrying value of disposal	-	-
Cost	-	-
Accumulated amortisation	-	-
<b>as at 30 June 2010</b>	<b>931 247</b>	<b>931 247</b>
Cost	1 639 224	1 639 224
Accumulated amortisation and impairment losses	( 707 977)	( 707 977)

11 TRADE AND OTHER PAYABLES	2011 R	2010 R
Trade creditors	1 258 491	1 628 857
Accruals	4 579 192	3 816 052
Retentions	37 378	154 960
	<u>5 875 061</u>	<u>5 599 869</u>
The fair value of trade and other payables approximates their carrying amounts.		

12 CONSUMER DEPOSITS	2011 R	2010 R
Abattoir	1 550	7 100
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 2011

13 PROVISIONS	2011 R	2010 R
Performance bonus	-	179 830
	<u>-</u>	<u>179 830</u>

Performance bonuses are paid one year in arrears when the municipality has a present obligation as a result of a past event which is the services rendered and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. 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	179 830	172 254
Contributions/(reversals) to provision	(62 693)	179 830
Expenditure incurred	(117 137)	(172 254)
<b>Balance at year end</b>	<u>-</u>	<u>179 830</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 Systems Improvement Grant	340 921	348 217
Finance Management Grant	435 453	403 208
Health Grant	2 088 500	-
Wildlife Centre Grant	399 256	399 256
VUNA Awards	26 517	745 961
Expanded Public Works Incentive Grant	-	251 200
<b>Total Unspent Conditional Grants and Receipts from other spheres of Government</b>	<u>3 290 647</u>	<u>2 147 842</u>

### Other conditional grants

Disaster Grant	-	25 620
<b>Total Unspent Other Conditional Grants and Receipts</b>	<u>-</u>	<u>25 620</u>
<b>Total Unspent Conditional Grants and Receipts</b>	<u>3 290 647</u>	<u>2 173 462</u>

See note 20 for reconciliation of grants.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 15 RETIREMENT HEALTH CARE LIABILITY

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 latest actuarial valuation was performed on 30 June 2011.

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 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:

	2011 R	2010 R
<b>Movement in the employee health-care benefit liability:</b>		
Liability as at 1 July	9 703 879	9 631 664
Benefits paid	( 644 430)	( 632 057)
Plan participants contributions	230 875	234 590
Current service cost	423 963	405 391
Interest	876 978	865 857
Actuarial losses / (gains) recognised in Statement of Financial Performance	1 700 981	( 801 566)
<b>Unfunded accrued liability as at 30 June</b>	<b>12 292 246</b>	<b>9 703 879</b>
Current portion of liability as at 30 June	<b>1 186 475</b>	<b>913 953</b>
Non-current portion of liability as at 30 June	<b>11 105 771</b>	<b>8 789 926</b>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>15 RETIREMENT BENEFITS (continued)</b>		
<b>The liability as at 30 June consists of:</b>		
In-service members	5 319 264	3 820 277
Continuation members	6 972 982	5 883 602
	<u>12 292 246</u>	<u>9 703 879</u>
<b>Expense recognised in (profit) or loss:</b>		
Current service cost	423 963	405 391
Interest cost	876 978	865 857
Past service cost	-	-
Actuarial losses or (gains)	1 700 981	( 801 566)
	<u>3 001 922</u>	<u>469 682</u>
<i>Principal actuarial assumptions of valuation model used:</i>		
Discount rate	8.70%	9.22%
Health care cost inflation rate	7.27%	7.26%
Average remaining future working lifetime	19.6 years	19.3 years
<i>The effect of a 1% movement in the assumed medical cost trend rate is as follows:</i>		
	<b>1% Increase</b>	<b>1% Increase</b>
Effect on the aggregate of the current service cost and interest cost	19%	20%
Effect on the defined benefit obligation	13%	16%
	<b>1% Decrease</b>	<b>1% Decrease</b>
Effect on the aggregate of the current service cost and interest cost	-15%	-16%
Effect on the defined benefit obligation	-12%	-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 441,276.

## 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 latest actuarial valuation was performed on 30 June 2011.

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 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:

	2011 R	2010 R
<b>Movement in the long-service award liability:</b>		
Liability as at 1 July	972 179	871 931
Benefits paid	( 79 892)	( 90 730)
Current service cost	142 620	151 464
Interest	84 801	75 744
Actuarial losses / (gains)	162 254	( 36 230)
<b>Unfunded accrued liability as at 30 June</b>	<u>1 281 962</u>	<u>972 179</u>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>16 LONG SERVICE AWARDS LIABILITY (continued)</b>		
Current portion of liability as at 30 June	<u>76 181</u>	<u>156 680</u>
Non-current portion of liability as at 30 June	<u>1 205 781</u>	<u>815 499</u>
<b>Expense recognised in (profit) or loss:</b>		
Current service cost	142 620	151 464
Interest cost	84 801	75 744
Past service cost	-	-
Actuarial losses / (gains)	<u>162 254</u>	<u>(36 230)</u>
	<u><b>389 675</b></u>	<u><b>190 978</b></u>
<i>Principal actuarial assumptions of valuation model used:</i>		
Discount rate	7.67%	9.04%
General salary inflation rate	6.24%	6.34%
<i>The effect of a 1% movement in the assumed general salary inflation rate is as follows:</i>		
	<b>1% Increase</b>	<b>1% Increase</b>
Effect on the aggregate of the current service cost and interest cost	6%	6%
Effect on the defined benefit obligation	6%	5%
	<b>1% Decrease</b>	<b>1% Decrease</b>
Effect on the aggregate of the current service cost and interest cost	-5%	-5%
Effect on the defined benefit obligation	-5%	-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 301 141.		
<b>17 SERVICE CHARGES</b>		
Abattoir services	<u>607 783</u>	<u>833 918</u>
<b>18 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	<u>8 252 553</u>	<u>8 628 145</u>
Total interest	<u><b>8 252 553</b></u>	<u><b>8 628 145</b></u>
<b>19 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>		
Abattoir	30 095	34 663
Deposits	-	90
Total interest	<u><b>30 095</b></u>	<u><b>34 753</b></u>



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>20 GOVERNMENT AND OTHER GRANTS</b>		
Equitable share	85 214 698	78 598 487
Integrated Transport Plan	-	57 424
Municipal Systems Improvement Grant	757 296	604 477
Finance Management Grant	967 755	1 123 879
Community Based Public Works Programme	-	547 884
Fire Fighting Grant	-	155 855
DBSA Grant	698 058	801 942
IT Municipal Systems Plan Grant	-	92 260
LG SETA Grant	114 055	131 817
Municipal Health Grant	7 881 000	7 451 000
Wildlife Centre Grant	-	2 581 360
LIBSA Grant	-	900 000
VUNA Awards	719 443	4 039
Mayor's Bursary Grant	-	25 000
Disaster Grant	25 620	-
Expanded Public Works Incentive Grant	659 400	-
	<u>97 037 325</u>	<u>93 075 424</u>

### 20.1 Equitable share

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

### 20.2 Integrated Transport Plan

Balance unspent at beginning of year	-	57 424
Current year receipts	-	-
Conditions met - transferred to income	-	( 57 424)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

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

### 20.3 Municipal Systems Improvement Grant

Balance unspent at beginning of year	348 217	217 694
Current year receipts	750 000	735 000
Conditions met - transferred to income	( 757 296)	( 604 477)
Conditions still to be met - transferred to liabilities	<u>340 921</u>	<u>348 217</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.

### 20.4 Finance Management Grant

Balance unspent at beginning of year	403 208	527 087
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to income	( 967 755)	( 1 123 879)
Conditions still to be met - transferred to liabilities	<u>435 453</u>	<u>403 208</u>

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 GRAP. 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 2011

	2011 R	2010 R
<b>20 GOVERNMENT GRANTS (continued)</b>		
<b>20.5 Community Based Public Works Program</b>		
Balance unspent at beginning of year	-	547 884
Current year receipts	-	-
Conditions met - transferred to income	-	( 547 884)
Conditions still to be met - transferred to liabilities	-	-
	<u>-</u>	<u>-</u>
The grant was utilised to fund infrastructure projects. The conditions were met. No funds have been withheld.		
<b>20.6 Fire Fighting Grant</b>		
Balance unspent at beginning of year	-	155 855
Current year receipts	-	-
Conditions met - transferred to income	-	( 155 855)
Conditions still to be met - transferred to liabilities	-	-
	<u>-</u>	<u>-</u>
The grant was utilised to fund the acquisition of fire fighting equipment.		
<b>20.7 DBSA Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	698 058	801 942
Conditions met - transferred to income	( 698 058)	( 801 942)
Conditions still to be met - transferred to liabilities	-	-
	<u>-</u>	<u>-</u>
The grant was utilised to fund the implementation of a Performance Management System in the District and Local Municipalities.		
<b>20.8 IT Municipal Systems Plan Grant</b>		
Balance unspent at beginning of year	-	92 260
Current year receipts	-	-
Conditions met - transferred to income	-	( 92 260)
Conditions still to be met - transferred to liabilities	-	-
	<u>-</u>	<u>-</u>
The grant was utilised to fund the IT Master Systems Plan of the municipality. The balance was utilised to implement the recommendation of the IT Master Systems Plan.		
<b>20.9 LG SETA Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	114 055	131 817
Conditions met - transferred to income	( 114 055)	( 131 817)
Conditions still to be met - transferred to liabilities	-	-
	<u>-</u>	<u>-</u>
The grant is utilised for training of officials in the District Municipality.		
<b>20.10 Municipal Health Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	9 969 500	7 451 000
Conditions met - transferred to income	(7 881 000)	(7 451 000)
Conditions still to be met - transferred to liabilities	<b>2 088 500</b>	-
	<u><b>2 088 500</b></u>	<u>-</u>
The grant is utilised to fund the Environmental Health function that was devolved to the District Municipality.		

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>20 GOVERNMENT GRANTS (continued)</b>		
<b>20.11 Wildlife Centre Grant</b>		
Balance unspent at beginning of year	399 255	2 980 615
Current year receipts	-	-
Conditions met - transferred to income	-	(2 581 360)
Conditions still to be met - transferred to liabilities	<u>399 255</u>	<u>399 255</u>
The grant is utilised to fund the feasibility study of a district wildlife centre.		
<b>20.12 LIBSA Grant</b>		
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>
The grant was utilised to fund the development of the Lephhalale Agricultural Corridor.		
<b>20.13 VUNA Awards</b>		
Balance unspent at beginning of year	745 961	750 000
Current year receipts	-	-
Conditions met - transferred to income	( 719 443)	( 4 039)
Conditions still to be met - transferred to liabilities	<u>26 518</u>	<u>745 961</u>
The VUNA Awards grant is utilised to fund tourism signage erected in the district.		
<b>20.14 Mayor's Bursary Grant</b>		
Balance unspent at beginning of year	-	25 000
Current year receipts	-	-
Conditions met - transferred to income	-	( 25 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
The grant was utilised to fund study bursaries.		
<b>20.15 Disaster Grant</b>		
Balance unspent at beginning of year	25 620	25 620
Current year receipts	-	-
Conditions met - transferred to income	( 25 620)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>25 620</u>
The grant was utilised to fund relief operations after disasters in the District.		
<b>20.16 Expanded Public Works Incentive Grant</b>		
Balance unspent at beginning of year	251 200	-
Current year receipts	408 200	251 200
Conditions met - transferred to income	( 659 400)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>251 200</u>
The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the the EPWP guidelines.		

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>20 GOVERNMENT GRANTS (continued)</b>		
<b>20.17 Changes in levels of government grants</b>		
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.		
<b>21 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and wages	25 712 640	21 267 502
Employee related costs - Contributions for UIF, pension and medical aid & other statutory contributions	6 662 195	5 439 119
Travel and other allowances	5 423 048	5 018 788
Housing benefits and allowances	168 295	190 551
Overtime allowances	47 043	139 908
Performance and other bonuses (increase / (reversal) of provision)	( 62 693)	115 500
<b>Total Employee Related Costs</b>	<b><u>37 950 528</u></b>	<b><u>32 171 368</u></b>

(Refer to Appendix E1)

There were no advances to employees.

### Remuneration of the Municipal Manager

Annual Remuneration	600 829	256 435
Performance- and other bonuses	-	-
Travel and cellphone allowance	267 395	125 250
Contributions to UIF, Medical and Pension Funds	152 316	70 945
<b>Total</b>	<b><u>1 020 540</u></b>	<b><u>452 630</u></b>

The Municipal Manager was appointed on 1 January 2010.

### Remuneration of the Chief Financial Officer

Annual Remuneration	719 853	658 503
Performance- and other bonuses	74 250	105 000
Travel and cellphone allowance	180 000	176 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
<b>Total</b>	<b><u>975 600</u></b>	<b><u>941 000</u></b>

The Chief Financial Officer was appointed on 11 June 2007.

### Remuneration of Individual Managers:

#### Infrastructure Development

Annual Remuneration	479 107	444 351
Performance- and other bonuses	42 887	-
Travel and cellphone allowance	192 634	178 695
Contributions to UIF, Medical and Pension Funds	98 792	91 734
<b>Total</b>	<b><u>813 420</u></b>	<b><u>714 780</u></b>

The Infrastructure Development Manager was appointed on 9 July 2007.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
21	<b>EMPLOYEE RELATED COSTS (continued)</b>		
	<b>Remuneration of Individual Managers (continued) :</b>		
	<b>Planning &amp; Economic Development</b>		
	Annual Remuneration	494 300	458 014
	Performance- and other bonuses	-	-
	Travel and cellphone allowance	163 905	152 917
	Contributions to UIF, Medical and Pension Funds	116 624	107 904
	<b>Total</b>	<u><u>774 829</u></u>	<u><u>718 835</u></u>

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

### Corporate Support & Shared Services

Annual Remuneration	555 374	543 038
Performance- and other bonuses	-	67 254
Travel and cellphone allowance	186 980	141 838
Contributions to UIF, Medical and Pension Funds	155 759	149 121
<b>Total</b>	<u><u>898 113</u></u>	<u><u>901 251</u></u>

The Corporate Support & Shared Services Manager was appointed on 1 January 2008 and has been seconded to Lephalale Local Municipality from 1 December 2009.

### Social Development & Community Services

Annual Remuneration	511 668	232 490
Performance- and other bonuses	-	-
Travel and cellphone allowance	237 462	111 000
Contributions to UIF, Medical and Pension Funds	17 470	749
<b>Total</b>	<u><u>766 600</u></u>	<u><u>344 239</u></u>

The Social Development and Community Services Manager was appointed on 1 January 2010.

### Executive Mayor's Office

Annual Remuneration	-	-
Performance- and other bonuses	-	-
Travel and cellphone allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Resignation settlement	-	-
<b>Total</b>	<u><u>-</u></u>	<u><u>-</u></u>

The Manager in the Executive Mayor's Office resigned on 16 February 2009. No subsequent appointment has been made.

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

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>22 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	516 207	529 444
Speaker	417 530	368 013
Full time Mayoral Committee member	423 404	392 866
Mayoral Committee members	827 667	796 587
Councillors	1 246 998	1 315 314
Councillors' pension, medical aid contributions and other statutory	392 712	389 608
<b>Total Councillors' Remuneration</b>	<b>3 824 518</b>	<b>3 791 832</b>

### 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's term in office ended on 21 May 2011 and a new Executive Mayor was appointed on 3 June 2011.

### 23 DEPRECIATION, IMPAIRMENT AND AMMORTISATION

Property, plant and equipment - depreciation	4 009 663	3 217 098
Property, plant and equipment - impairment	-	97 187
Intangible assets - ammortisation	171 949	287 051
<b>Total Depreciation, Amortisation and Impairment</b>	<b>4 181 612</b>	<b>3 601 336</b>

### 24 CONTRACTED SERVICES

Contracted service for:		
Fire Fighting	8 388 959	5 904 908
	<b>8 388 959</b>	<b>5 904 908</b>

This is a funded mandate of Waterberg District Municipality which is performed by local municipalities.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
<b>25</b>	<b>GENERAL EXPENSES</b>		
	Included in general expenses are the following:		
	Advertising	99 504	183 129
	Audit fees	1 258 702	1 231 388
	Bank charges	48 168	44 212
	Bursaries	34 436	11 291
	Cleaning	105 723	83 887
	Consumables	47 994	13 088
	Damaged meat claims	-	11 504
	Donations	-	37 942
	Delegations	81 367	89 004
	Entertainment	222 396	203 307
	Financial management grant	480 493	761 600
	Insurance	664 858	408 445
	Legal expenses	602 369	270 402
	Membership fees	353 004	299 329
	Municipal account - water, rates & electricity	593 982	418 444
	Municipal systems improvement grant	757 296	604 478
	Postage	4 785	6 125
	Printing and stationery	257 847	312 426
	Professional fees	-	12 982
	Rental of buildings / offices	35 961	17 652
	Rental of office equipment	697 401	252 033
	Security costs	856 118	447 788
	Subscription and publication	8 988	25 469
	Telephone & cell phone expenses	584 624	494 663
	Training	251 584	175 917
	Travel and subsistence	2 056 100	2 550 847
	Vehicle costs	323 873	362 456
	Other	1 152 561	1 910 059
		<u>11 580 134</u>	<u>11 239 867</u>
<b>26</b>	<b>GAIN / (LOSS) ON SALE OF ASSETS</b>		
	Property, plant and equipment	( 230 403)	( 458 000)
	Intangible assets	-	-
	<b>Total Gain / (Loss) on Sale of Assets</b>	<u>( 230 403)</u>	<u>( 458 000)</u>
<b>27</b>	<b>REVERSAL OF IMPAIRMENT LOSS</b>		
	Other financial assets		
	An investment amounting to R 572 713 capital is held with New Republic Bank, which is presently under receivership. The investment was written down to fair value.	-	-
	An investment amounting to R322 264 capital is held with Regal Treasury Bank which is presently under liquidation. The investment was written off. Subsequently an additional liquidation was received.	3 640	-
	<b>Total Reversal of Impairment loss</b>	<u>3 640</u>	<u>-</u>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>28 ACCUMULATED SURPLUS AND RESERVES</b>		
<p>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:</p>		
Government Grant Reserve	735 644	948 753
Donations and Public Contributions Reserve	1 393 219	1 575 455
Accumulated Surplus	<u>159 555 960</u>	<u>142 902 735</u>
	<b><u>161 684 823</u></b>	<b><u>145 426 943</u></b>
<b>29 CASH GENERATED FROM OPERATIONS</b>		
Net surplus for the year	16 257 881	23 063 962
Adjustment for non-cash movements:		
Depreciation and amortisation	4 181 612	3 601 336
(Gain) / Loss on sale of assets	230 403	458 000
Reversal of investment loss	( 3 640)	-
Increase in retirement health care liability	2 588 367	72 215
Increase in long service awards liability	309 783	100 248
Contributions to provisions - current	( 179 830)	7 576
<b>Operating surplus before working capital changes</b>	<b><u>23 384 576</u></b>	<b><u>27 303 337</u></b>
Decrease in trade receivables	4 338	14 843
Decrease/(Increase) in other receivables	443 298	(1 128 523)
Decrease/(Increase) in inventory	( 12 520)	20 718
Increase in VAT receivable	( 340 752)	(1 154 010)
Increase in Non-current assets held for sale	( 1)	-
(Decrease)/Increase in trade payables	275 192	(1 908 696)
Decrease in consumer deposits	( 5 550)	( 3 765)
(Decrease)/Increase in Unspent Conditional Grants and Receipts	1 117 185	(3 205 975)
<b>Cash generated from operations</b>	<b><u>24 865 766</u></b>	<b><u>19 937 929</u></b>
<b>30 CASH AND CASH EQUIVALENTS</b>		
<p>Cash and cash equivalents in the cash flow statement comprise the following statements of amounts indicating financial position:</p>		
Bank balance	5 537 272	8 319 197
Short-term investment deposits	103 372 188	79 297 400
Petty cash	2 200	2 200
	<b><u>108 911 660</u></b>	<b><u>87 618 797</u></b>



# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 31 CORRECTION OF PRIOR PERIOD ERRORS

#### 31.1 Inclusion of store room building in asset register

During the current year the municipality discovered that the store room building was never captured in the asset register. According to the transitional provisions of GAMAP 17 Property, Plant and Equipment 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 the land was included in the asset register, but not the fair value cost price of the building. The transitional provisions of GRAP 17 is consistent with that of GAMAP 17. The fair value was determined on 28 November 2005.

The comparative amounts for 2010 have been restated.

The effect on the 2009 and 2010 balances are as follows:

	Corrected R	Adjustment R	Previous R
<b>As at 1 July 2009</b>			
Property, Plant & Equipment - Cost	38 074 044	120 000	37 954 044
Property, Plant & Equipment - Accumulated Depreciation	(8 856 723)	( 14 333)	(8 842 390)
Accumulated Surplus	(116 756 108)	( 105 667)	(116 650 441)

This is the amount of the adjustment related to period prior to 1 July 2009.

#### Statement of Financial Performance 2010

Depreciation	2 650 379	4 000	2 646 379
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#### Statement of Financial Position 2010

Property, Plant and Equipment - Accumulated Depreciation	(10 383 679)	( 4 000)	(10 379 679)
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#### 31.2 Inclusion of laptop in asset register at cost

During the current year the municipality discovered that one of the laptops was never captured in the asset register. The laptop was purchased on 29 May 2009 at a cost of R 13,333.60. This is now captured as asset number 050474. This laptop was procured and expensed in Project Expenditure 15174.

The comparative amounts for 2010 have been restated.

The effect on the 2009 and 2010 balances are as follows:

	Corrected R	Adjustment R	Previous R
<b>As at 1 July 2009</b>			
Property, Plant & Equipment - Cost	38 087 378	13 334	38 074 044
Property, Plant & Equipment - Accumulated Depreciation	(8 856 946)	( 222)	(8 856 723)
Accumulated Surplus	(116 769 219)	( 13 111)	(116 756 108)

This is the amount of the adjustment related to period prior to 1 July 2009.

#### Statement of Financial Performance 2010

Depreciation	2 653 046	2 667	2 650 379
--------------	-----------	-------	-----------

#### Statement of Financial Position 2010

Property, Plant and Equipment - Accumulated Depreciation	(10 386 346)	( 2 667)	(10 383 679)
--	--------------	----------	--------------

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 31 CORRECTION OF PRIOR PERIOD ERRORS *(continued)*

#### 31.3 Work-in-Progress

During the current year the municipality discovered that the amount capitalised to Work-in-Progress for the Abattoir construction cost in 2010 was understated. The addition was erroneously included in operating project expenditure instead of work-in-progress.

The comparative amounts for 2010 have been restated.

The effect on the 2009 and 2010 balances are as follows:

	Corrected R	Adjustment R	Previous R
<b>As at 1 July 2009</b>			
Accumulated Surplus	(116 769 219)	-	(116 769 219)
<b>Statement of Financial Performance</b>			
Project expenditure	21 267 295	( 323 420)	21 590 715
<b>Statement of Financial Position</b>			
Property, Plant and Equipment - Work in Progress	12 397 284	323 420	12 073 863

### 32 CHANGE IN ACCOUNTING POLICY

#### 32.1 Identification of residual values, review of lifespans and impairment testing

During the year the municipality implemented the identification of residual values, the review of lifespans and impairment testing on Property, Plant and Equipment. This was previously exempted under Directive 4. The municipality implemented earlier, that is in year three, other than the allowed after year three. The changes in accounting policy have been implemented retrospectively. Any future changes due to annual reviews will be implemented prospectively in terms of the requirements of change in accounting estimates.

The comparative amounts for 2010 have been restated.

The effect on the 2009 and 2010 balances are as follows:

	Corrected R	Adjustment R	Previous R
<b>As at 1 July 2009</b>			
Property, Plant & Equipment - Cost	38 087 378	-	38 087 378
Property, Plant & Equipment - Accumulated Depreciation	(6 065 801)	2 791 144	(8 856 946)
Property, Plant & Equipment - Accumulated Impairment	( 165 371)	( 165 371)	-
Accumulated Surplus	(119 358 827)	(2 589 608)	(116 769 219)
Grant Reserve	(1 121 897)	( 40 432)	(1 081 465)
Donations Reserve	(1 882 257)	4 266	(1 886 523)

This is the amount of the adjustment related to period prior to 1 July 2009.

#### Statement of Financial Performance 2010

Depreciation	3 217 098	564 052	2 653 046
Loss on sale of PPE	555 187	338 665	216 522

#### Statement of Financial Position 2010

Property, Plant and Equipment - Accumulated Depreciation	(8 497 919)	( 902 717)	(7 595 202)
Property, Plant & Equipment - Accumulated Impairment	( 165 371)	-	( 165 371)
Grant Reserve	( 948 753)	89 859	(1 038 612)
Donations Reserve	(1 575 455)	45 900	(1 621 355)

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		

### 33.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening Balance	76 844	66 315
Fruitless and wasteful expenditure awaiting condonement	-	-
To be recovered - Contingent Asset	-	66 315
Fruitless and wasteful expenditure current year	-	20 288
Fruitless and wasteful expenditure recovered during the current year	-	( 9 759)
Condoned or written off by Council	( 76 844)	-
Closing balance	-	76 844
Fruitless and wasteful expenditure awaiting condonement	-	10 529
To be recovered - Contingent Asset	-	66 315

#### Current year

There were no material incidents of fruitless and wasteful 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 wrote off the balance owed in the current financial year.

One cattle was lost at a value of R 10 529, the amount was reimbursed to client. Four sheep and one cattle was stolen at the abattoir at a value of R 9 759, the clients were reimbursed and the value of the theft was recovered from the WDM security company.

### 33.2 Irregular expenditure

Reconciliation of irregular expenditure:

Opening Balance	1 160 204	366 070
Irregular expenditure current year	140 200	794 134
Condoned or written off by Council	(1 160 204)	-
To be recovered - Contingent Asset	-	-
Irregular expenditure awaiting condonement	<u>140 200</u>	<u>1 160 204</u>

#### Current year

The Office of the Executive Mayor incurred irregular expenditure of R 140 200 on the provision of transport to the voter registration mobilization campaign for the youth. Voter registration is an activity unrelated to the functional area of the vote utilised, which is Community Participation.

#### Prior 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 Office of the Municipal Manager extended the services of the service provider for the Performance Management System without following the requirements of the WDM SCM Policy. Subsequent payment without an order to an amount of R 794,134 was made and this deviation from the WDM SCM Policy and SCM Regulations constitute irregular expenditure.

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)</b>		

### 33.3 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

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

#### Current year

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

#### Prior year

There were no material incidents of unauthorised expenditure in the previous financial year.

## 34 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

### 34.1 Contributions to organised local government

Opening Balance	-	37 802
Council subscriptions	280 391	264 732
Amount Paid - current year	( 280 391)	( 264 732)
Amount paid - previous years	-	( 37 802)
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>

### 34.2 Audit fees

Opening balance	-	-
Current year audit fees - statutory	1 258 702	1 231 388
Prior year audit fee - forensic	-	-
Amount paid - current year	(1 258 702)	(1 231 388)
Amount paid - previous years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

### 34.3 VAT

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.

### 34.4 PAYE

Opening Balance	-	-
Current year payroll deductions	6 688 244	5 778 848
Amount Paid - Current year	(6 688 244)	(5 778 848)
Amount paid - previous years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>34 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>34.5 PENSION AND MEDICAL AID DEDUCTIONS</b>		
Opening balance	-	-
Current year payroll deductions and council contributions	9 962 661	8 270 426
Amount Paid - Current year	(9 962 661)	(8 270 426)
Amount Paid - Previous years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>35 REMUNERATION OF AUDIT COMMITTEE MEMBERS</b>		
Remuneration	<u>16 988</u>	<u>55 819</u>
3 Members serve on the Audit Committee. The members are paid an allowance per day and are reimbursed for travel expenses. The term of the previous audit committee expired on 30 September 2010. The new audit committee was appointed effective 1 August 2011.		
<b>36 CAPITAL COMMITMENTS</b>		
<b>36.1 Commitments in respect of capital expenditure:</b>		
<b>Approved and contracted for</b>		
- Computer software	60 540	117 770
- Vehicles	4 114 874	906 530
- Disaster Management	466 500	-
- Infrastructure	1 139 120	92 496
- Movable assets	28 270	-
	<u>5 809 304</u>	<u>1 116 796</u>
	<u>5 809 304</u>	<u>1 116 796</u>
The expenditure will be financed from:		
- Own resources	<u>5 809 304</u>	<u>1 116 796</u>
<b>36.2 Commitments in respect of operating project expenditure:</b>		
<b>Approved and contracted for</b>		
- Disaster Management	978 855	434 000
- Communication & Community Participation	156 390	896 082
- Sports, Arts & Culture	144 100	149 611
- Infrastructure	6 064 033	-
- Solid waste and environment	567 434	-
- Local Economic Development	520 000	1 207 450
- Land development	106 535	-
- Institutional development	76 705	120 965
	<u>8 614 052</u>	<u>2 808 108</u>
	<u>8 614 052</u>	<u>2 808 108</u>
The expenditure will be financed from:		
- Own resources	8 614 052	2 258 108
- Government Grants	-	550 000
	<u>8 614 052</u>	<u>2 808 108</u>

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
<b>36</b>	<b>CAPITAL COMMITMENTS (continued)</b>		
	<b>36.3 Commitments in respect of operating leases:</b>		
	At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:		
	<b>Operating leases - lessee</b>		
	Within one year	677 429	16 621
	In the second to fifth year inclusive	723 044	-
	<b>Total</b>	<u><u>1 400 473</u></u>	<u><u>16 621</u></u>

Operating lease payments represent rentals payable by the municipality for copiers and faxes with Xerox and office space from Lugkoring (Pty) Ltd.

The contingent rental for telephones is based on the prime interest rate. This contingent rental is not included in the future minimum lease payments.

All rentals are either fixed term fixed amount contracts or contingent rentals and therefore no smoothing of leases is necessary.

There are no renewal or purchase options and no restrictions have been placed on the lease payments.

### 37 RELATED PARTIES

Municipal Entity	Waterberg Economic Development Agency
Key Management	Refer to note 21

There are no other related party transactions or balances for the current year. Waterberg Economic Development Agency is currently dormant.

### 38 EVENTS AFTER THE REPORTING DATE

There are no material events that occurred after the balance sheet date.

### 39 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant and equipment
- Useful lives and residual values of intangible assets
- Recoverable amounts of property, plant and equipment
- Recoverable amounts of intangible assets
- Present value of defined benefit obligations
- Provision for doubtful debts
- Impairment of assets
- Provision of long-term long-service awards

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 40 RISK MANAGEMENT

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

#### 40.1 Cash flow interest rate risk

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

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

- Current bank account	5 537 272	8 319 197
- Call deposits	14 063 194	3 054 696
- 60 days fixed deposits	37 095 441	21 088 101
- 90 days fixed deposits	52 213 553	55 154 603
- 6 month fixed deposits	18 084 987	22 102 744
	<u>126 994 447</u>	<u>109 719 341</u>

#### 40.2 Currency risk

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

#### 40.3 Liquidity risk

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

The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared.

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 2011	Not later than one month	One to three months
Trade and other payables	1 258 491	848 244
Consumer deposits	-	-
Provisions	-	-
Unspent conditional grants & receipts	435 453	2 429 421
	Later than three months	One to five years
Trade and other payables	768 326	3 000 000
Consumer deposits	-	1 550
Provisions	-	-
Unspent conditional grants & receipts	425 773	-

# WATERBERG DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R

### 40 RISK MANAGEMENT (*continued*)

#### 40.4 *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.

#### 40.5 *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.

### 41 RESTATEMENT OF COMPARATIVE INFORMATION

Various comparative figures have been restated in terms of the prior period errors note 31 and change in accounting policy note 32. The effect of the restatement is summarised in this note.

### 42 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 2011**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2010/06/30	Received during the period	Redeemed written off during the period	Balance at 2011/06/30	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
<b>TOTAL EXTERNAL LOANS</b>							-	-

**APPENDIX B**  
**WATERBERG DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

Description	Cost / Revaluation				Accumulated Depreciation / Impairment							Carrying Value		
	Opening Balance		Under Construction		Under Constructio	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers		Disposals	Closing Balance
	R		Balance b/f	Added										
<b>Land and Buildings</b>														
Land:														
Land: Developed	728 000	-	-	-	-	-	-	728 000	-	-	-	-	-	728 000
Land: Undeveloped	437 500	-	-	-	-	-	-	437 500	-	-	-	-	-	437 500
<b>Buildings:</b>														
Office Buildings	8 299 534	29 680	-	-	-	-	-	8 329 214	572 574	397 129	-	-	969 703	7 359 512
Workshops & Depots	483 737	-	-	-	-	-	483 737	16 634	20 662	-	-	-	37 197	446 540
	<b>9 948 771</b>	<b>29 680</b>	-	-	-	-	<b>9 978 451</b>	<b>589 108</b>	<b>417 791</b>	-	-	-	<b>1 006 899</b>	<b>8 971 552</b>
<b>Community Assets</b>														
<b>Other Facilities:</b>														
Abattoirs	958 422	-	3 223 180	1 755 661	-	4 978 841	-	5 937 263	82 729	46 593	-	-	129 322	5 807 942
Disaster Centres	11 096 496	2 800	9 174 104	98 480	(9 272 584)	-	20 371 880	738 869	800 122	-	-	-	1 538 991	18 832 889
Fire Stations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>12 054 918</b>	<b>2 800</b>	<b>12 397 284</b>	<b>1 854 142</b>	<b>(9 272 584)</b>	<b>4 978 841</b>	<b>26 309 144</b>	<b>821 598</b>	<b>846 715</b>	-	-	-	<b>1 668 313</b>	<b>24 640 831</b>
<b>Other Assets</b>														
<b>Bins and Containers:</b>														
Household Refuse Bins	17 400	-	-	-	-	-	17 400	14 914	1 657	-	-	-	16 571	829
<b>Computer Equipment:</b>														
Computer Hardware	3 010 860	361 242	-	-	-	-	3 279 849	1 507 982	485 511	-	-	(48 081)	1 945 412	1 334 437
Computer Networks	185 621	-	-	-	-	-	185 621	23 486	20 267	-	-	-	43 753	141 868
<b>Emergency Equipment:</b>														
Emergency Lights	10 119	-	-	-	-	-	10 119	10 119	-	-	-	-	10 119	-
Fire Fighting Equipment	580 085	284 092	-	-	-	-	864 177	78 797	144 856	-	-	-	223 653	640 524
<b>Furniture and Fittings:</b>														
Advertising Boards	15 381	-	-	-	-	-	15 381	1 249	3 535	-	-	-	4 783	10 598
Cabinets and Cupboards	565 581	85 121	-	-	-	-	644 506	280 906	68 670	-	-	(3 085)	346 491	298 015
Chairs and Couches	844 211	193 534	-	-	-	-	1 028 770	485 488	99 003	-	-	(4 469)	580 022	448 749
Desks and Tables	678 955	98 005	-	-	-	-	770 052	332 975	88 714	-	-	(3 440)	418 249	351 802
Domestic / Hostel Furniture	30 100	24 246	-	-	-	-	54 346	2 135	3 651	-	-	-	5 787	48 559
Other Furniture and Fittings	40 224	20 994	-	-	-	-	60 018	7 551	7 830	-	-	(588)	14 783	45 234

**APPENDIX B  
WATERBERG DISTRICT MUNICIPALITY  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value	
	Opening Balance	Under Construction		Closing Balance	Opening Balance	Additions	Transfers	Disposals		Closing Balance
		Balance b/f	Added							
R	R	R	R	R	R	R	R	R	R	
<i>Office Equipment:</i>										
Air Conditioners (Individual)	317 434	-	-	-	393 934	85 429	67 316	-	152 746	241 189
Audiovisual Equipment	253 583	-	-	-	245 583	105 280	23 792	-	126 196	119 387
Chairs, Decorations and Robes	25 000	-	-	-	25 000	22 500	1 667	-	24 167	833
Cutlery and Crockery	40	-	-	-	40	40	-	-	40	-
Kitchen Appliances	89 959	-	-	-	101 259	47 838	16 192	-	54 545	46 714
Learning / Training Materials	1 381	-	-	-	5 881	1 243	800	-	2 042	3 839
Office Equipment / Machines	115 245	-	-	-	94 745	49 417	12 250	-	51 459	43 287
Paintings, Sculptures and Ornaments	56 947	-	-	-	56 947	22 013	3 145	-	25 158	31 789
Photographic Equipment	21 750	-	-	-	24 084	7 718	2 865	-	10 582	13 502
Other Office Equipment	44 066	-	-	-	44 285	16 533	5 974	-	22 507	21 778
<i>Plant and Equipment:</i>										
Abattoir Equipment / Tools	107 088	-	-	-	150 290	99 439	7 585	-	107 024	43 266
Compressors, Generators and Alif	586 908	-	-	-	641 888	99 659	87 393	-	187 051	454 837
Fire Brigade Vehicle Accessories	508 550	-	-	-	540 278	107 813	74 958	-	182 772	357 506
Gardening Equipment	45 280	-	-	-	89 975	8 850	13 269	-	22 119	67 855
Health Equipment / Tools	14 873	-	-	-	14 873	11 630	1 427	-	13 057	1 816
Pumps / Plumbing / Purification / S	57 582	-	-	-	57 582	34 724	5 725	-	40 449	17 133
Radio Equipment	36 529	-	-	-	36 529	2 625	6 036	-	8 661	27 868
Telecommunication Equipment	133 305	-	-	-	133 305	18 921	29 083	-	48 005	85 301
Tents, Flags and Accessories	26 320	-	-	-	26 320	1 049	3 191	-	4 210	22 110
Workshop Equipment	21 388	-	-	-	21 388	12 253	2 107	-	14 360	7 028
Workshop Tools	6 201	-	-	-	6 201	4 742	755	-	5 497	704
Other Plant and Equipment	28 018	-	-	-	36 518	9 647	3 799	-	13 445	23 072
<i>Motor Vehicles:</i>										
Bakkies (LDV's)	2 191 501	-	-	-	2 523 399	687 468	209 131	-	760 951	1 762 448
Motor Cars	1 467 910	-	-	-	1 294 033	387 834	137 862	-	421 532	872 501
Trailers and Accessories	9 500	-	-	-	9 500	3 000	712	-	3 712	5 788
Trucks	4 192 271	-	-	-	4 192 271	1 803 716	456 227	-	2 259 942	1 932 329
<i>Specialised Vehicles:</i>										
Fire Engines	4 592 713	-	-	-	7 514 508	260 364	505 227	-	765 590	6 748 918
Rescue Vehicles	2 484 467	-	-	-	2 484 467	595 238	142 986	-	738 224	1 746 243
<b>Total</b>	<b>23 416 446</b>	<b>4 837 472</b>	<b>1 854 142</b>	<b>(9 272 584)</b>	<b>27 695 323</b>	<b>7 252 583</b>	<b>2 745 157</b>	<b>(322 074)</b>	<b>9 675 666</b>	<b>18 019 657</b>
	<b>45 420 135</b>	<b>4 869 952</b>	<b>12 397 284</b>	<b>1 854 142</b>	<b>63 982 918</b>	<b>8 663 290</b>	<b>4 009 663</b>	<b>(322 074)</b>	<b>12 350 879</b>	<b>51 632 039</b>

**APPENDIX C  
WATERBERG DISTRICT MUNICIPALITY  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

Department	Cost / Revaluation												Accumulated Depreciation / Impairment			Carrying Value
	Opening Balance	Additions	Under Construction		Completed	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance			
			Balance b/f	Added										R	R	
Budget & Treasury Office	507 647	29 279	-	-	-	-	-	-	536 926	241 632	69 799	-	311 432	R	7 225 494	
Municipal Manager	269 648	28 530	-	-	-	-	-	(23 726)	274 451	157 307	36 250	(11 911)	181 646	R	92 805	
Corporate Support & Shared Services	13 178 542	333 551	-	-	-	-	-	(413 598)	13 098 495	2 338 491	843 864	(246 525)	2 935 829	R	10 162 666	
Planning & Economic Development	205 823	32 473	-	-	-	-	-	(13 209)	225 087	103 024	30 679	(6 631)	127 072	R	98 015	
Infrastructure Development	203 217	36 350	-	-	-	-	-	-	239 567	110 193	31 293	-	141 486	R	98 082	
Executive Mayor's Office	2 311 062	93 649	-	-	-	-	-	(11 856)	2 392 853	797 489	261 257	(7 921)	1 050 825	R	1 342 028	
Social Development & Community Serv	207 362	6 000	-	-	-	-	-	-	213 362	86 720	29 474	-	116 195	R	97 168	
Fire Fighting	26 645 334	4 189 057	98 480	(9 272 584)	-	9 272 584	-	(13 726)	40 093 249	4 284 099	2 571 551	(3 903)	6 851 747	R	33 241 502	
Environmental Health	503 978	6 458	-	-	-	-	-	(82 478)	427 958	218 352	66 985	(45 183)	240 154	R	187 804	
Abattoir	1 387 522	114 605	3 223 180	1 755 661	-	4 978 841	-	-	6 480 968	325 982	68 511	-	394 493	R	6 086 475	
<b>Total</b>	<b>45 420 135</b>	<b>4 869 952</b>	<b>12 397 284</b>	<b>1 854 142</b>	<b>(9 272 584)</b>	<b>4 978 841</b>	<b>9 272 584</b>	<b>(558 595)</b>	<b>63 982 918</b>	<b>8 663 289</b>	<b>4 009 663</b>	<b>(322 074)</b>	<b>12 350 879</b>		<b>51 632 039</b>	

**WATERBERG DISTRICT MUNICIPALITY**

**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2011**

	2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R	2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
	88 054 581	8 190 918	79 863 663	94 234 565	9 300 505	84 934 060
	1 747 430	9 098 513	(7 351 083)	1 761 578	7 777 015	(6 015 437)
	295 927	9 376 379	(9 080 452)	179 726	12 396 517	(12 216 791)
	3 542 822	8 515 908	(4 973 086)	724 443	9 055 227	(8 330 784)
	547 884	8 882 880	(8 334 996)	659 400	6 000 104	(5 340 704)
	25 000	12 789 154	(12 764 154)	7 500	12 603 122	(12 595 622)
	-	808 111	( 808 111)	-	2 554 841	(2 554 841)
	157 234	9 653 038	(9 495 804)	42 105	15 957 578	(15 915 473)
	7 451 000	9 204 650	(1 753 650)	7 881 000	10 822 911	(2 941 911)
	868 581	3 106 946	(2 238 365)	637 878	3 402 494	(2 764 616)
	<b>102 690 459</b>	<b>79 626 497</b>	<b>23 063 962</b>	<b>106 128 195</b>	<b>89 870 314</b>	<b>16 257 881</b>
			<b>TOTAL</b>			

**WATERBERG DISTRICT MUNICIPALITY**  
**UNAUDITED INFORMATION - APPENDIX E(1)**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011**

REVENUE	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 10% versus Budget
Abattoir service charges	607 783	725 500	( 117 717)	-16%	Abattoir income is lower than budgeted due to a lower than budgeted throughput
Interest earned - external investments	8 252 553	8 400 000	( 147 447)	-2%	Client and tenant that gave notice at the abattoir did not settle their accounts on departure. The disputes were handed over in the previous financial year and the projection was that they be resolved during the past financial year. The disputes remain unresolved.
Interest earned - outstanding debtors	30 095	25 000	5 095	20%	Received a Workmens Compensation Merit Award that was not budgeted. Tender document sales was higher than projected due to bigger interest by bidders.
Government grants and subsidies	97 037 325	97 410 469	( 373 144)	0%	The investment was written off as irrecoverable, but subsequently received another dividend.
Other income	192 658	72 000	120 658	168%	
Reversal of impairment loss	3 640	-	3 640	100%	
<b>Total Revenue</b>	<b>106 124 054</b>	<b>106 632 969</b>	<b>( 508 915)</b>		
<b>EXPENDITURE</b>					
Employee related costs	(37 950 528)	(44 595 320)	6 644 792	-15%	The underspending is due to vacancies that existed in various departments.
Remuneration of Councillors	(3 824 518)	(4 403 695)	579 177	-13%	The underspending is due to the downgrading of the municipality from a grade 4 to a grade 3. Thus grade 4 salaries was budgeted, but grade 3 salaries was actually paid.
Post-retirement health care expenditure	(3 001 922)	(1 391 282)	(1 610 640)	116%	The effect of implementation of IAS 19 Employee Benefits defined benefit valuations were budgeted based on the prior year forecast but actual discount rates were different.
Long-service award expenditure	( 389 675)	( 265 225)	( 124 450)	47%	The effect of implementation of IAS 19 Employee Benefits defined benefit valuations were budgeted based on the prior year forecast but actual discount rates were different.
Bad debt	( 29 596)	( 35 000)	5 404	-15%	Provision for bad debts was slightly overbudgeted as no new disputes occurred.
General expenses	(11 580 134)	(14 678 286)	3 098 152	-21%	Mainly due to underspending on tools & kits, subsistence & travel, finance management and municipal system improvement grant expenditure. The underspending on certain votes such as subsistence & travel is due to austerity measures implemented.
Repairs & Maintenance	( 481 058)	( 578 881)	97 823	-17%	Under spending on repairs and maintenance of buildings and machines due to the current upgrades being done on the facilities.
Fire Fighting	(8 388 959)	(10 860 061)	2 471 102	-23%	Budgets are prepared based on submission of local municipalities and all under spent on their budgets, amongst others, due to late filling of vacancies, but also due to new equipment procured which consequently decreases repairs and maintenance cost.
Project expenditure	(19 807 768)	(35 639 778)	15 832 010	-44%	Under spending of projects due to some late appointments and there are also instances where appointments was postponed to the 2011/2012 financial year, e.g. Integrated Financial Management System due to errors in the SITA procurement process.
Depreciation and amortisation	(4 181 612)	(3 589 000)	( 592 612)	17%	Depreciation is more than budgeted due to the implementation of the review of residuals and lifespans which was implemented this year for the first time and the effect of this implementation was not budgeted.
Loss on disposal of Property, Plant and Equipment	( 230 403)	-	( 230 403)	100%	Assets written off after annual fixed asset count was not budgeted for. Also due to the implementation of the review of residuals and lifespans which was implemented this year for the first time, which ultimately increased the net book values of assets written off during the year and the effect of this implementation was not budgeted.
<b>Total Expenditure</b>	<b>(89 866 173)</b>	<b>(116 036 528)</b>	<b>26 170 355</b>		
<b>NET SURPLUS FOR THE YEAR</b>	<b>16 257 881</b>	<b>(9 403 559)</b>	<b>25 661 440</b>		

# WATERBERG DISTRICT MUNICIPALITY

## UNAUDITED INFORMATION - APPENDIX E(2) ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	<u>2011 Actual</u>		<u>2011 Under Construction</u>		<u>2011 Revaluation</u>		<u>2011 Total Additions</u>		<u>2011 Budget</u>		<u>2011 Variance</u>		<u>2011 Variance</u>		<u>Explanation of Significant Variances greater than 10% versus Budget</u>
	R		R		R		R		R		R	%	R	%	
<b>Land and Buildings</b>															
Land	-		-		-		-		-		-		-		
Buildings & Facilities	32 480		1 854 142		-		1 886 622		3 056 055		(1 169 433)		-38%		Phase 2 of the Upgrade of the Abattoir has not yet been completed.
<b>Other Assets</b>															
Bins and Containers	-		-		-		-		-		-		0%		
Computer Equipment	361 242		-		-		361 242		363 927		(2 686)		-1%		
Emergency Equipment	284 092		-		-		284 092		1 860 741		(1 576 649)		-85%		The procurement of Bela Bela Skid Units & Equipment for main fire station, Masakhane, Piensaarsrivier & Rapotokwane has not yet been completed.
Furniture and Fittings	421 899		-		-		421 899		425 000		(3 101)		-1%		
Office Equipment	109 053		-		-		109 053		115 000		(5 947)		-5%		
Plant and Equipment	181 105		-		-		181 105		185 000		(3 895)		-2%		
Motor vehicles	558 286		-		-		558 286		560 257		(1 971)		0%		
Specialised vehicles	2 921 795		-		-		2 921 795		5 513 001		(2 591 206)		-47%		The new rescue pumper for Mogalakwena still has to be procured, time delays as certain parts are imported.
<b>TOTAL</b>	<b>4 869 952</b>		<b>1 854 142</b>		<b>-</b>		<b>6 724 094</b>		<b>12 078 981</b>		<b>(5 354 887)</b>				