

WATERBERG DISTRICT MUNICIPALITY



on the Go for Growth

DC36 PRE-AUDITED ANNUAL FINANCIAL STATEMENTS 2017/2018

31 AUGUST 2018

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Members of Council

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

Grading of district municipality Grade 4

Acting Chief Financial Officer (CFO) K.J Makgobela

Acting Accounting Officer L. G Tloubatla

Business address 44 Harry Gwala Street
Modimolle
Limpopo
0510

Postal address Private Bag X1018
Modimolle

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.



Acting Accounting Officer
L.G Tloubatla

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

| | Note(s) | 2018 | 2017 |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 95 954 222 | 94 790 916 |
| Trade and other receivables from exchange transactions | 4 | 54 978 | 10 178 |
| Receivables from non-exchange transactions | 5 | 1 131 161 | 917 181 |
| Inventories | 6 | 96 141 | 105 348 |
| Held-to-maturity investments | 7 | 34 584 686 | 36 178 093 |
| VAT receivable | 8 | 1 776 651 | 869 344 |
| | | 133 597 839 | 132 871 060 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 48 093 828 | 53 365 218 |
| Intangible assets | 10 | 1 906 122 | 2 027 769 |
| Non-current receivables | 11 | 54 775 | 54 775 |
| | | 50 054 725 | 55 447 762 |
| Total Assets | | 183 652 564 | 188 318 822 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 12 | 3 635 646 | 5 093 736 |
| Other payables from non-exchange transactions | 13 | 11 009 561 | 9 769 454 |
| Consumer deposits | 14 | 2 000 | 2 000 |
| Unspent conditional grants and receipts | 16 | 8 724 433 | 10 030 526 |
| Employee benefit obligation | 17 | 682 745 | 574 486 |
| Current portion of long service awards liability | 18 | 243 149 | 330 256 |
| | | 24 297 534 | 25 800 458 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 17 | 24 295 143 | 22 589 679 |
| Long service awards liability | 18 | 3 148 467 | 2 758 110 |
| | | 27 443 610 | 25 347 789 |
| Total Liabilities | | 51 741 144 | 51 148 247 |
| Net Assets | | 131 911 420 | 137 170 575 |
| Accumulated surplus | | 131 911 420 | 137 170 575 |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

| | Note(s) | 2018 | 2017 |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | | 1 061 089 | 915 947 |
| Interest earned - External investments | 19 | 11 490 576 | 14 558 987 |
| Interest earned - Receivables | 19 | 64 | 88 |
| Other income | 20 | 26 561 | 138 414 |
| Total revenue from exchange transactions | | 12 578 290 | 15 613 436 |
| Revenue from non-exchange transactions | | | |
| Transfer revenue | | | |
| Government grants & subsidies | 21 | 121 975 023 | 125 360 300 |
| Total revenue | | 134 553 313 | 140 973 736 |
| Expenditure | | | |
| Employee related costs | 22 | (81 931 295) | (72 955 070) |
| Remuneration of councillors | 23 | (7 893 985) | (6 768 848) |
| Post-retirement health care expenditure | | (2 089 719) | (744 742) |
| Long-service award expenditure | | (563 421) | (950 230) |
| Depreciation and amortisation | 24 | (6 415 577) | (6 197 671) |
| Repairs and maintenance | | (3 282 072) | (2 308 454) |
| Contracted services | 26 | (7 488 107) | (13 520 885) |
| Project expenditure | 28 | (8 124 974) | (15 944 574) |
| General Expenses | 27 | (22 023 318) | (18 396 398) |
| Total expenditure | | (139 812 468) | (137 786 872) |
| Loss on disposal of assets | | - | (13 940) |
| (Deficit) surplus for the year | | (5 259 155) | 3 172 924 |

Waterberg District Municipality
Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

| | Accumulated surplus | Total net assets |
|--------------------------------------|---------------------|--------------------|
| Balance at 01 July 2016 | 133 997 651 | 133 997 651 |
| Net Surplus / (Deficit) for the year | 3 172 924 | 3 172 924 |
| Net Surplus (Deficit) for the year | 3 172 924 | 3 172 924 |
| Balance at 01 July 2017 | 137 170 575 | 137 170 575 |
| Net Surplus / (Deficit) for the year | (5 259 155) | (5 259 155) |
| Balance at 30 June 2018 | 131 911 420 | 131 911 420 |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

| | Note(s) | 2018 | 2017 |
|---|---------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 1 009 692 | 915 947 |
| Grants | | 141 152 000 | 146 387 600 |
| Interest income - Investments | | 11 490 575 | 14 558 987 |
| Interest income - receivables | | 64 | 88 |
| Other receipts | | 129 161 | 140 496 |
| VAT receipts | | 11 635 485 | 9 585 409 |
| | | <u>165 416 977</u> | <u>171 588 527</u> |
| Payments | | | |
| Employee costs | | (88 582 833) | (79 723 918) |
| Suppliers | | (21 902 408) | (20 695 864) |
| Other payments for VAT | | (10 426 921) | (12 465 030) |
| Project expenditure | | (8 124 973) | (16 142 267) |
| Thabazimbi project expenditure | | (15 791 399) | (62 458 973) |
| Contracted services | | (7 488 107) | (13 520 885) |
| Other payments | | (12 274 211) | (1 669 261) |
| | | <u>(164 590 852)</u> | <u>(206 676 198)</u> |
| Net cash flows from operating activities | 30 | <u>826 127</u> | <u>(35 087 671)</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 9 | (1 178 228) | (253 689) |
| Loss from sale of property, plant and equipment | 9 | - | (13 940) |
| Purchase of other intangible assets | 10 | (78 000) | (6 131) |
| Net cash flows from investing activities | | <u>(1 256 228)</u> | <u>(273 760)</u> |
| Cash flows from financing activities | | | |
| Decrease/(Increase) in Held-to-maturity investments | | 1 593 407 | (6 061 657) |
| Net cash flows from financing activities | | <u>1 593 407</u> | <u>(6 061 657)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>1 163 306</u> | <u>(41 423 088)</u> |
| Cash and cash equivalents at the beginning of the year | | 94 790 916 | 136 214 004 |
| Cash and cash equivalents at the end of the year | 3 | <u>95 954 222</u> | <u>94 790 916</u> |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Services charges | 1 966 166 | - | 1 966 166 | 1 061 089 | (905 077) | |
| Other income | 31 920 | - | 31 920 | 26 561 | (5 359) | |
| Interest earned - Investments | 7 794 728 | 2 000 000 | 9 794 728 | 11 490 576 | 1 695 848 | |
| Interest earned - Other | - | - | - | 64 | 64 | |
| Total revenue from exchange transactions | 9 792 814 | 2 000 000 | 11 792 814 | 12 578 290 | 785 476 | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 123 388 000 | 200 000 | 123 588 000 | 121 975 023 | (1 612 977) | |
| Total revenue | 133 180 814 | 2 200 000 | 135 380 814 | 134 553 313 | (827 501) | |
| Expenditure | | | | | | |
| Employee related costs | (86 767 979) | 2 390 000 | (84 377 979) | (81 931 295) | 2 446 684 | |
| Remuneration of councillors | (10 456 461) | (240 000) | (10 696 461) | (7 893 985) | 2 802 476 | |
| Post-retirement health care expenditure | (3 378 079) | - | (3 378 079) | (2 089 719) | 1 288 360 | |
| Depreciation and amortisation | (8 691 400) | - | (8 691 400) | (6 415 577) | 2 275 823 | |
| Repairs and maintenance | (3 019 730) | (950 000) | (3 969 730) | (3 282 072) | 687 658 | |
| Long-service award expenditure | (685 585) | - | (685 585) | (563 421) | 122 164 | |
| Contracted Services | (8 756 589) | - | (8 756 589) | (7 488 107) | 1 268 482 | |
| Transfers and Subsidies | (11 673 800) | (8 620 210) | (20 294 010) | (8 124 974) | 12 169 036 | |
| General Expenses | (28 298 082) | (2 750 000) | (31 048 082) | (22 023 318) | 9 024 764 | |
| Total expenditure | (161 727 705) | (10 170 210) | (171 897 915) | (139 812 468) | 32 085 447 | |
| Deficit before taxation | (28 546 891) | (7 970 210) | (36 517 101) | (5 259 155) | 31 257 946 | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (28 546 891) | (7 970 210) | (36 517 101) | (5 259 155) | 31 257 946 | |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|-------------|--------------------|------------------------------------|--|-----------|
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 110 000 | - | 110 000 | 96 141 | (13 859) | |
| Held-to-maturity investments | 59 653 488 | - | 59 653 488 | 34 584 686 | (25 068 802) | |
| Receivables from non-exchange transactions | 866 579 | - | 866 579 | 1 131 161 | 264 582 | |
| VAT receivable | 1 141 117 | - | 1 141 117 | 1 776 651 | 635 534 | |
| Consumer debtors | 30 000 | - | 30 000 | 54 978 | 24 978 | |
| Cash and cash equivalents | 50 005 200 | - | 50 005 200 | 95 954 222 | 45 949 022 | |
| | 111 806 384 | - | 111 806 384 | 133 597 839 | 21 791 455 | |
| Non-Current Assets | | | | | | |
| Property, plant and equipment | 43 292 998 | - | 43 292 998 | 48 093 828 | 4 800 830 | |
| Intangible assets | 1 151 216 | - | 1 151 216 | 1 906 122 | 754 906 | |
| Non-current receivables | 54 775 | - | 54 775 | 54 775 | - | |
| | 44 498 989 | - | 44 498 989 | 50 054 725 | 5 555 736 | |
| Total Assets | 156 305 373 | - | 156 305 373 | 183 652 564 | 27 347 191 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Payables from exchange transactions | 1 677 456 | - | 1 677 456 | 3 635 643 | 1 958 187 | |
| Taxes and transfers payable (non-exchange) | 12 522 924 | - | 12 522 924 | 11 009 561 | (1 513 363) | |
| Consumer deposits | 1 550 | - | 1 550 | 2 000 | 450 | |
| Employee benefit obligation | 599 295 | - | 599 295 | 682 745 | 83 450 | |
| Unspent conditional grants and receipts | - | - | - | 8 724 433 | 8 724 433 | |
| Current portion of long service awards liability | 5 048 018 | - | 5 048 018 | 243 149 | (4 804 869) | |
| | 19 849 243 | - | 19 849 243 | 24 297 531 | 4 448 288 | |
| Non-Current Liabilities | | | | | | |
| Employee benefit obligation | 21 355 452 | - | 21 355 452 | 24 295 143 | 2 939 691 | |
| Long service awards liability | 384 985 | - | 384 985 | 3 148 467 | 2 763 482 | |
| | 21 740 437 | - | 21 740 437 | 27 443 610 | 5 703 173 | |
| Total Liabilities | 41 589 680 | - | 41 589 680 | 51 741 141 | 10 151 461 | |
| Net Assets | 114 715 693 | - | 114 715 693 | 131 911 423 | 17 195 730 | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 114 715 693 | - | 114 715 693 | - | (114 715 693) | |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

Impairment testing

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

Provisions

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

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

Allowance for doubtful debts

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Intangible assets are initially recognised at cost.

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

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

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Intangible assets (continued)

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

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

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

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

| Item | Useful life |
|--------------------------|---------------|
| Computer software, other | 4 to 40 years |

Intangible assets are derecognised:

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

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

1.6 Financial instruments

1.7 Statutory receivables

1.8 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

Finance leases - lessor

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

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

Waterberg District Municipality

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Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The average payments over the period of the lease are expensed and any difference between the average and actual payment is disclosed as a debtor or creditor in the Statement of Financial Position.

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

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

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in the effect of item 1 & 2 above on accumulated surplus.

Operating leases - lessee

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

1.9 Inventories

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

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

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

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

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

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

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

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

1.10 Impairment of cash-generating assets

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

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Accounting Policies

1.12 Employee benefits

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. 36.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

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

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

Waterberg District Municipality

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

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

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

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

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

1.16 Revenue from non-exchange transactions

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the the effect of item 1 & 2 above on accumulated surplus in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the the effect of item 1 & 2 above on accumulated surplus.

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

Waterberg District Municipality

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Accounting Policies

1.19 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the the effect of item 1 & 2 above on accumulated surplus in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the the effect of item 1 & 2 above on accumulated surplus.

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

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the The effect of Item 1 & 2 above on Accumulated surplus and where recovered, it is subsequently accounted for as revenue in the The effect of item 1 & 2 above on Accumulated surplus.

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

1.21 Budget Information

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

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

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

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

1.22 Related parties

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

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

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

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

1.23 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

Accounting Policies

1.23 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Waterberg District Municipality

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the previous year, the municipality had adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions. In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 financial statements.

The impact of the standard is not material.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions. In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 financial statements.

The impact of the standard is not material.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity. In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

Waterberg District Municipality

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2. New standards and interpretations (continued)

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 financial statements.

The impact of the standard is not material.

IGRAP 11: Consolidation - Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of the interpretation is for years beginning on or after 01 April 2015.

The municipality has adopted the interpretation for the first time in the 2016 financial statements.

The impact of the interpretation is not material.

IGRAP 12: Jointly controlled entities - Non-monetary contributions by ventures.

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

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2. New standards and interpretations (continued)

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of the interpretation is for years beginning on or after 01 April 2015.

The municipality has adopted the interpretation for the first time in the 2016 financial statements.

The impact of the interpretation is not material.

GRAP 6 (approved 2015): Consolidated and Seperate Financial Statements.

The definition of 'minority interest' has been amended to 'non- controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2015.

The municipality has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

GRAP 7 (approved 2012): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2015.

The municipality has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

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2. New standards and interpretations (continued)

GRAP 8 (as revised 2015): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2015.

The municipality has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Directive 11: Changes in Measurement Bases following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

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

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality has adopted the directive for the first time in the 2016 financial statements.

The impact of the directive is not material.

GRAP 20: Related parties

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

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

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

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

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2. New standards and interpretations (continued)

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

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

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

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

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

The standard elaborates on the definitions and identification of:

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

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

Control;
Related party transactions; and
Remuneration of management

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

Waterberg District Municipality

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2. New standards and interpretations (continued)

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

GRAP 108: Statutory Receivables

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

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

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

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

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

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

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

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

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

Review the principles and explanations related to the distinction between investment property and property, plant and equipment.?

Consider whether an indicator-based assessment of useful lives of assets could be introduced.?

Clarify the wording related to the use of external valuers.?

Introduce more specific presentation and disclosure requirements for capital work-in-progress.?

Review the encouraged disclosures and assess whether any should be made mandatory or deleted.?

Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements

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2. New standards and interpretations (continued)

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

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

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.?
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.?
- Clarify the wording related to the use of external valuers.?
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.?
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.?
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets?
- Use of external valuers?
- Encouraged disclosures?
- Capital work-in-progress?
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

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

GRAP 109: Accounting by Principals and Agents

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

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

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

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

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;?
- assessing the feasibility of one measurement approach for non-cash-generating assets; and?
- assessing the feasibility of combining the two Standards.?

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2. New standards and interpretations (continued)

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

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

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;?
- assessing the feasibility of one measurement approach for non-cash-generating assets; and?
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Waterberg District Municipality

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2. New standards and interpretations (continued)

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

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

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

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

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

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

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

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

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

Waterberg District Municipality
Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|--|------|------|
|--|------|------|

2. New standards and interpretations (continued)

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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

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

Short-term deposits

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

The municipality had the following bank accounts

| Account description | Account number | Bank statement balances | | Cash book balances | |
|----------------------------------|----------------------|-------------------------|--------------------|--------------------|--------------------|
| | | 30 June 2018 | 30 June 2017 | 30 June 2018 | 30 June 2017 |
| ABSA Bank - Current Account | 4086264236 | 11 751 587 | 6 229 984 | 11 751 587 | 6 229 984 |
| ABSA BANK - 6 Months Investment | 2075332567 | 10 000 000 | 10 000 000 | 10 025 786 | 10 033 534 |
| INVESTEC - 90 Days Investment | 1400198080453 | - | 15 000 000 | - | 15 095 795 |
| INVESTEC - 6 Months Investment | 1400198080453 | - | 13 000 000 | - | 13 089 753 |
| ABSA BANK - 60 Days Investment | 2076736340 | - | 13 000 000 | - | 13 032 244 |
| ABSA BANK - 90 Days Investment | 2076504028 | - | 10 000 000 | - | 10 052 945 |
| ABSA BANK - Call Account | 4089054729 | - | 8 000 000 | - | 8 096 651 |
| NEDBANK - 60 Days Investment | 03/7497571214/000205 | - | 11 000 000 | - | 11 069 074 |
| NEDBANK - 92 Days Investment | 03/7497571214/000206 | - | 11 000 000 | - | 11 070 068 |
| NEDBANK - 91 Days Investment | 03/7497571214/000207 | - | 13 000 000 | - | 13 082 808 |
| NEDBANK - 6 months Investment | 03/7497571214/000208 | - | 10 000 000 | - | 10 056 096 |
| STANDARD BANK 90 Days Investment | 728855100-022 | - | 10 000 000 | - | 10 054 856 |
| ABSA - CALL | 4089054729 | 10 000 000 | - | 10 928 546 | - |
| ABSA - 62 Days investments | 2077431816 | 11 000 000 | - | 11 002 176 | - |
| ABSA - 32 Days investments | 2076504028 | 10 000 000 | - | 10 039 616 | - |
| NEDBANK - 91 Days investment | 03/7497571214/000222 | 10 000 000 | - | 10 050 753 | - |
| NEDBANK - 63 Days Investment | 03/7497571214/000223 | 11 000 000 | - | 11 043 879 | - |
| NEDBANK - 91 Days investment | 03/7497571214/000224 | 11 000 000 | - | 11 044 603 | - |
| STANDARD - 91 Days investment | 728855100-033 | 10 000 000 | - | 10 059 441 | - |
| STANDARD - 90 Days investment | 728855100-034 | 10 000 000 | - | 10 032 136 | - |
| STANDARD - 95 Days investment | 728855100-035 | 11 000 000 | - | 11 066 054 | - |
| INVESTEC - 6 Months Investment | 1400198080500 | 13 000 000 | - | 13 489 328 | - |
| Total | Total | 128 751 587 | 130 229 984 | 130 533 905 | 130 963 808 |

4. Other receivables from exchange transactions

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|---|-------------------|-------------------|
| 4. Other receivables from exchange transactions (continued) | | |
| Net balance | | |
| Abattoir | 51 462 | 6 662 |
| Other receivables - councillor salaries | 3 516 | 3 516 |
| | <u>54 978</u> | <u>10 178</u> |
| Abattoir: | | |
| Current (0 -30 days) | 51 462 | 6 662 |
| Net balance | <u>51 462</u> | <u>6 662</u> |
| Reconciliation of allowance for impairment | | |
| Contributions to allowance | - | - |
| Reversal of allowance | - | - |
| | <u>-</u> | <u>-</u> |
| Other receivables pledged as security | | |
| No other receivables were pledged as security. | | |
| Fair value of trade and other receivables | | |
| The fair value of trade and other receivables approximates their carrying amounts. | | |
| 5. Receivables from non-exchange transactions | | |
| Prepayments | 914 268 | 914 268 |
| Sundry debtors | 216 893 | 2 913 |
| | <u>1 131 161</u> | <u>917 181</u> |
| 6. Inventories | | |
| Consumable stores | 96 141 | 105 348 |
| Inventories write-downs / (reversal of write-down) | - | - |
| | <u>96 141</u> | <u>105 348</u> |
| Consumables: | | |
| Opening balance | 105 348 | 83 097 |
| Additions | 1 603 830 | 989 014 |
| Issued (expensed) | (1 604 048) | (957 775) |
| Closing balance | <u>105 129</u> | <u>105 348</u> |
| Inventory consists of stationery, fire fighting foam and grass beaters. No inventory is pledged as security. No circumstances or events existed that would have led to the write-down or the reversal of a write-down of inventories. | | |
| 7. Held-to-maturity investments | | |
| Designated at fair value | | |
| Held-to-maturity investments | <u>34 584 686</u> | <u>36 178 093</u> |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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

The investment are held with INVESTEC : R13 489 329 and NEDBANK R21 095 35 for a period of 6 Moths respectively.

8. VAT

| | | |
|----------------|-----------|---------|
| VAT receivable | 1 776 651 | 869 344 |
|----------------|-----------|---------|

VAT is accounted for on the payment basis.

9. Property, plant and equipment

| | 2018 | | | 2017 | | |
|-------------------------------------|-------------------|---|-------------------|-------------------|---|-------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land and Buildings | 39 563 085 | (9 709 999) | 29 853 086 | 39 563 085 | (9 615 441) | 29 947 644 |
| Other property, plant and equipment | 52 741 796 | (34 501 054) | 18 240 742 | 52 249 119 | (28 831 545) | 23 417 574 |
| Total | 92 304 881 | (44 211 053) | 48 093 828 | 91 812 204 | (38 446 986) | 53 365 218 |

Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Disposals | Depreciation | Total |
|-------------------------------------|-------------------|------------------|------------------|--------------------|-------------------|
| Land and Buildings | 29 947 644 | - | - | (94 558) | 29 853 086 |
| Other property, plant and equipment | 23 417 574 | 1 437 228 | (492 687) | (6 121 373) | 18 240 742 |
| | 53 365 218 | 1 437 228 | (492 687) | (6 215 931) | 48 093 828 |

Reconciliation of property, plant and equipment - 2017

| | Opening balance | Additions | Disposals | Depreciation | Total |
|-------------------------------------|-------------------|----------------|-----------------|--------------------|-------------------|
| Buildings | 30 042 202 | - | - | (94 558) | 29 947 644 |
| Other property, plant and equipment | 29 078 090 | 253 689 | (13 940) | (5 900 265) | 23 417 574 |
| | 59 120 292 | 253 689 | (13 940) | (5 994 823) | 53 365 218 |

Pledged as security

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

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

Waterberg District Municipality

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

Reconciliation of Intangible assets - 2018

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

Reconciliation of Intangible assets - 2017

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

Pledged as security

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

11. Non-current receivables

| Heading | | |
|-----------------------|---------------|---------------|
| Water and electricity | 2 025 | 2 025 |
| Office rentals | 32 750 | 32 750 |
| Telephone | 20 000 | 20 000 |
| | <u>54 775</u> | <u>54 775</u> |

Deposit water and electricity

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

12. Payables from exchange transactions

| | | |
|----------------|------------------|------------------|
| Trade payables | 3 476 065 | 4 859 772 |
| Retentions | 159 581 | 233 964 |
| | <u>3 635 646</u> | <u>5 093 736</u> |

13. Other payables from non-exchange transactions

| | | |
|----------------------|-------------------|------------------|
| Accruals for leave | 9 330 256 | 8 229 636 |
| Accruals for bonuses | 1 679 305 | 1 539 818 |
| | <u>11 009 561</u> | <u>9 769 454</u> |

The fair value of other payables approximates their carrying amounts.

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| | 2018 | 2017 |
|--|--------|--------|
| 14. Consumer deposits | | |
| Abattoir | 2 000 | 2 000 |
| Guarantees held in lieu of abattoir deposits | 12 000 | 12 000 |

15. Provisions

Reconciliation of provisions - 2018

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

Reconciliation of provisions - 2017

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

Performance bonus

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

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

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| Unspent conditional grants and receipts | | |
|--|------------------|-------------------|
| Municipal Infrastructure Grant | 7 098 639 | 7 061 138 |
| Municipal Water Infrastructure Grant | - | 2 564 661 |
| EPWP Incentive Grant | 1 000 000 | 158 022 |
| LEDET Grant | 579 134 | 200 045 |
| Other conditional grants | | |
| Tourism Grant | 46 660 | 46 660 |
| | 8 724 433 | 10 030 526 |

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

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

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

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17. Employee benefit obligations

Defined benefit plan

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

The following are defined contribution plans:

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

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

The following are defined benefit plans:

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

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

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

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

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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17. Employee benefit obligations (continued)

Defined benefit obligation

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

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

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

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

18. Long service awards liability

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

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

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

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

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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

Principal actuarial assumptions of valuation model used:

Key assumptions used

Assumptions used at the reporting date:

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

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

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

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

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

Waterberg District Municipality
 Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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

LEDET Biosphere grant

The condition for LEDET Biosphere Grant has been met:

Equitable Share

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

Municipal Systems Improvement Grant

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

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

Municipal Infrastructure Grant

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 7 061 138 | 54 837 725 |
| Current-year receipts | 19 400 000 | 28 714 000 |
| Conditions met - transferred to revenue | (1 500 000) | (287 357) |
| Thabazimbi project expenditure | (17 862 500) | (76 203 230) |
| | <u>7 098 638</u> | <u>7 061 138</u> |

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

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

Finance Management Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 1 250 000 | 1 250 000 |
| Conditions met - transferred to revenue | (1 250 000) | (1 250 000) |
| | <u>-</u> | <u>-</u> |

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

Tourism Grant

| | | |
|--------------------------------------|--------|--------|
| Balance unspent at beginning of year | 46 660 | 46 660 |
|--------------------------------------|--------|--------|

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018

2017

21. Government grants and subsidies (continued)

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

Mayor's Golf Day Grant

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

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

Changes in level of government grants

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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

Remuneration of Municipal Manager

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

The Municipal Manager contract ended on the 30 June 2017.

Remuneration of Chief Finance Officer

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

The Chief Financial Officer was appointed from 21 January 2016.

Remuneration of Manager: Infrastructure Development

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

The Infrastructure Development Manager resigned on 30 March 2017.

Remuneration of Manager: Planning & Economic Development

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

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

Remuneration of Manager: Corporate Support and Share Services

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

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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

The new manager was appointed from 1 August 2014.

Remuneration of Manager: Executive Support Office

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

The Executive Support Manager contract ended 28 February 2017

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

23. Remuneration of councillors

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

In-kind benefits

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

24. Depreciation and amortisation

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

25. Impairment of assets

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

26. Contracted services

| | | |
|---------------|-----------|------------|
| Fire fighting | 7 488 107 | 13 520 885 |
|---------------|-----------|------------|

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|--|-------------------|-------------------|
| 27. General expenses | | |
| Advertising | 231 650 | 188 701 |
| Annual report | 62 880 | 266 670 |
| Audit fees | 2 520 510 | 1 702 647 |
| Audit committee | 126 981 | 129 388 |
| Bank charges | 39 330 | 46 214 |
| Bursaries | 123 854 | 76 579 |
| Cleaning | 554 603 | 203 276 |
| Conferences and seminars - Delegations | 164 241 | 129 422 |
| Community development and training | - | 276 900 |
| Consulting and professional fees | 1 724 751 | 1 104 727 |
| Consumables | 541 200 | 199 071 |
| Damaged meat claims | - | 10 026 |
| Discretionary Bursary Fund | 100 000 | 120 000 |
| Employee Assistance Program | 483 205 | 249 286 |
| Entertainment | 407 335 | 359 750 |
| Environmental Health - awareness & sampling | 78 | 34 999 |
| Financial management grant | 326 211 | - |
| Insurance | 391 612 | 739 998 |
| Meat inspection | 257 507 | 198 000 |
| Miscellaneous expenditure | 19 613 | 13 318 |
| Motor vehicle expenses | 477 435 | 353 213 |
| Municipal account - water, rates & electricity | 1 865 911 | 1 434 759 |
| Postage and courier | - | 1 640 |
| Printing and stationery | 548 753 | 545 414 |
| Programming | 1 825 968 | 1 096 810 |
| Protective clothing | 54 698 | 41 287 |
| Rental of buildings / offices | 567 393 | 553 161 |
| Rental of office equipment | 107 420 | 492 396 |
| Security cost | 2 289 815 | 1 728 547 |
| State of the District Address | 175 439 | 197 602 |
| Subscriptions and membership fees | 167 156 | 992 992 |
| Subscription and publication | 24 894 | 2 096 |
| Telephone and cell phone expenses | 478 645 | 415 480 |
| Training | 384 335 | 415 647 |
| Travel and subsistence | 4 988 883 | 4 076 382 |
| | 22 032 306 | 18 396 398 |

28. Project expenditure

| | | |
|---------------------------------------|------------------|-------------------|
| Municipal Infrastructure grant | - | 287 357 |
| Finance Management grant | 1 250 000 | 1 250 000 |
| Municipal Water Infrastructure grant | 2 109 087 | 1 325 409 |
| Expanded Public Works Incentive grant | - | 1 102 000 |
| Rural Road Asset Management grant | 1 359 571 | 1 897 000 |
| PMU | 1 315 789 | 5 000 000 |
| Other | 2 090 527 | - |
| | 8 124 974 | 10 861 766 |

29. Remuneration of Audit Committee members

| | | |
|--------------|---------|---------|
| Remuneration | 126 981 | 129 388 |
|--------------|---------|---------|

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|--|----------------|---------------------|
| 30. Cash generated from (used in) operations | | |
| (Deficit) surplus | (5 259 155) | 3 172 924 |
| Adjustments for: | | |
| Depreciation and amortisation | 6 415 577 | 6 197 671 |
| Gain on sale of assets and liabilities | - | 13 940 |
| Movements in retirement benefit assets and liabilities | 1 813 723 | 113 070 |
| Movements in provisions | - | (165 476) |
| Increase in long service awards liability | 303 250 | 224 831 |
| Changes in working capital: | | |
| Inventories | 9 207 | (22 251) |
| Consumer debtors | (44 800) | (1 922) |
| Other receivables from non-exchange transactions | (213 980) | (140 333) |
| Payables from exchange transactions | (1 458 088) | 1 217 255 |
| Decrease/(Increase) in VAT receivable | (907 307) | 3 271 518 |
| Other payables (non exchange) | 1 239 903 | 1 193 086 |
| Unspent conditional grants and receipts | (1 306 093) | (50 175 930) |
| | 592 237 | (35 101 617) |
| 31. Fruitless and wasteful expenditure | | |
| Opening balance | 29 683 | 29 683 |
| Less: Amount written - Off | (29 683) | - |
| | - | 29 683 |
| Prior year: | | |
| An audit by SARS revealed that PAYE and skills development levy were incorrectly calculated on fringe benefits and employee costs, the resulting penalties of R 28 274 on the outstanding amount were levied during the current financial year. An objection was raised by the District Municipality to waive the penalty however this was disallowed by SARS resulting in the payment being made. The matter was investigated and no deliberate or negligent intent was found. The incident was reported to Council and it is now been written off. | | |
| 32. Irregular expenditure | | |
| Opening balance | 7 196 315 | 12 785 324 |
| Add: Irregular Expenditure - current year | 331 925 | 7 196 315 |
| Less: Amount written off | (7 196 315) | (12 785 324) |
| | - | - |
| | 331 925 | 7 196 315 |
| Analysis of expenditure awaiting investigation | | |
| Current year | 331 925 | - |
| Prior years | - | 7 196 315 |
| | 331 925 | 7 196 315 |
| Details of irregular expenditure – current year | | |
| No valid tax clearance | 42 585 | |
| Less than three quotations | 47 055 | |
| No Notice board ADvert | 242 285 | |
| | 331 925 | |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|---|------|------------------|
| 32. Irregular expenditure (continued) | | |
| Details of irregular expenditure - prior year | | |
| Notice board adverts were not done however the municipality did obtain three quotations | | 141 311 |
| suppliers were not registered on CSD and database and several efforts have been taken to give them database forms to complete but no response was received. | | 80 214 |
| Tax status of the suppliers were inactive and they were appointed by AON | | 14 198 |
| SCM procedures were not followed due to time constraints | | 1 245 412 |
| The supplier was also the organiser of the event therefore SCM procedures were not followed. | | 150 000 |
| The immediate qualifying supplier was selected due to the fact that the competing candidates did not submit all the required documents. | | 124 123 |
| Additional Irregular expenditure. | | 5 441 057 |
| | | <u>7 196 315</u> |

Details of irregular expenditure recoverable

33. Unauthorised expenditure

| | | |
|--|-----------|----------------|
| Unauthorised expenditure | 290 690 | 26 045 |
| Add: Unauthorised expenditure - current year | - | 264 645 |
| Less: Unauthorised expenditure written off | (290 690) | - |
| | - | - |
| | <u>-</u> | <u>290 690</u> |

Current Year:

No unauthorised expenditure were incurred during the current financial year.

Prior year:

The Abattoir department overspent by R 26 045 due to an overspending on the budgeted actuarial valuation costs for post-retirement medical aid which increased by more than projected.

34. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-------------|-----------|
| Current year subscription / fee | 1 004 222 | 845 214 |
| Amount paid - previous year | (1 004 222) | (845 214) |
| | - | - |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|--|--------------|--------------|
| 34. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Audit fees | | |
| Current year subscription / fee | 2 774 447 | 1 702 647 |
| Amount paid - current year | (2 774 447) | (1 702 647) |
| | - | - |
| The above Audit fees amount of R 2 774 447 is for the year end 2016/17 financial years: | | |
| Audit fees 2016/17 | R 2 774 447 | |
| UIF | | |
| Current year subscription / fee | 533 993 | 444 523 |
| Amount paid - current year | (533 993) | (444 523) |
| | - | - |
| PAYE | | |
| Current year subscription / fee | 15 696 001 | 12 635 264 |
| Amount paid - current year | (15 696 001) | (12 635 264) |
| | - | - |
| Pension and Medical Aid Deductions | | |
| Current year subscription / fee | 22 027 330 | 19 489 340 |
| Amount paid - current year | (22 027 330) | (19 489 340) |
| | - | - |
| VAT | | |
| VAT receivable | 1 776 651 | 869 344 |
| | | |
| Supply chain management regulations | | |
| Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. | | |
| In terms of section 36 of the Municipal Supply Chain Management Regulations, the Municipal Manager may dispense with the official procurement process in certain instances and ratify minor breaches. Any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. | | |
| These expenses incurred, approved by the Municipal Manager and reported to Council, are listed below: | | |
| Incident | | |
| Deviations on goods and services less than R 30 000 | 286 787 | 269 708 |
| Deviations on goods and services between R 30 000 and R 200 000 | 1 141 383 | 1 410 658 |
| Deviations on goods and services more than R 200 000 | 4 068 245 | 907 915 |
| | 5 496 415 | 2 588 281 |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|---|------------------|------------------|
| 34. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Incident | | |
| Urgent and emergency procurement | 1 382 978 | 260 141 |
| Limited bidding procurement | 4 113 438 | 2 328 140 |
| | 5 496 416 | 2 588 281 |

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|--|-------------------|-------------------|
| 35. Commitments | | |
| Commitments are stated inclusive of VAT. | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | - | 1 000 000 |
| • Infrastructure projects | 7 098 638 | 10 671 700 |
| • EPWP Project | 1 000 000 | - |
| | 8 098 638 | 11 671 700 |
| Total capital commitments | | |
| Already contracted for but not provided for | 8 098 638 | 11 671 700 |
| Authorised operational expenditure | | |
| Already contracted for but not provided for | | |
| • EPWP Project | - | 158 022 |
| • Provision of short-term Insurance Cover | 357 332 | 337 106 |
| • Advertising Agency @ R15 083 per centimetre column | 262 500 | 1 200 000 |
| • Financial systems - License, Support and Maintenance | 1 277 711 | 1 012 403 |
| • Instalation of telephone system for Lephalale Fire Station | - | 103 373 |
| • Provision of Security Service | 2 176 035 | 5 427 035 |
| • Travel Agencies @ 9% for Domestic and 5% for International | 1 | - |
| • Legal Fees | 350 000 | - |
| • Rural road assets management Programme | 579 090 | - |
| | 5 002 669 | 8 237 939 |
| Total operational commitments | | |
| Already contracted for but not provided for | 5 002 669 | 8 237 939 |
| Total commitments | | |
| Total commitments | | |
| Authorised capital expenditure | 8 098 638 | 11 671 700 |
| Authorised operational expenditure | 5 002 669 | 8 237 939 |
| | 13 101 307 | 19 909 639 |

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

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

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

Commitments in respect of leases

| | | |
|-------------------------------------|------------------|----------|
| Minimum lease payments due | | |
| - within one year | 1 765 576 | - |
| - in second to fifth year inclusive | 1 821 600 | - |
| | 3 587 176 | - |

The municipality has no finance leases. At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018

2017

35. Commitments (continued)

Operating leases - as lessee

Operating lease payments represent rentals payable by the municipality photocopiers and office space in Mokopane and Thabazimbi for environmental health practitioners.

The lease agreement for office equipment will expire on 28 February 2017.

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

36. Contingent liabilities

2018

2017

The following are legal cases pending at year end and the potential liability thereof:

| | | |
|---|-----------|-----------|
| Mohale Incorporated - defend action against breach of contract Alleged contract breach with Limpopo Business Support Agency (LIBSA) due to not meeting reporting requirement. | 1 800 000 | 1 800 000 |
|---|-----------|-----------|

| | | |
|--|---|---|
| Mohale Incorporated - defend action against unfair labour practice SAMWU obo J Mashamaite and others regarding reasonable expectations. Due to the nature and complexity of the case, financial exposure cannot be determined. | - | - |
|--|---|---|

37. Related parties

Relationships

Waterberg Economic Development Agency - Municipal entity

Related party transactions

Waterberg Economic Development Agency (WEDA) is currently active. Waterberg District Municipality incurred expenditure for the establishment of WEDA and transferred R 2 500 00 (2016/2017), and R3000 000 (2017/2018) as a grant to (WEDA).

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

Key management personnel:

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

Municipal councillors:

Executive Mayor, Speaker, Mayoral Committee
Members and Councillors

38. Risk management

39.1 Financial risk management

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

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38. Risk management (continued)

39.2 Liquidity risk

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

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

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

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

39.3 Market risk

39.3.1 Currency risk

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

39.3.2 Fair value of financial instruments

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

39.3.3 Cash flow interest rate risk

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

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

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

39. Going concern

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

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

We draw attention to the fact that at 30 June 2018, the municipality had accumulated surplus of R 131 911 420 and that the municipality's total assets exceed its liabilities by R 131 911 420.

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39. Going concern (continued)

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

40. Events after the reporting date

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

41. In-kind donations and assistance

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

42. Agent Principle relationship

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

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

Heading

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