Waterberg
District Municipality

GROUP ANNUAL FINANCIAL STATEMENTS
FINANCIAL STATEMENTS
for the year ended 30 June 2018

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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

General Information

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

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

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

The 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 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 group 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 group and all employees are required to maintain the highest ethical standards in ensuring the group’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 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 group’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 group has or has access to adequate resources to continue in operational existence for the foreseeable future.

Acting Accounting Officer
L.G Tloubatla

Statement of Financial Position as at 30 June 2018

		Group		Municipality	
	Note(s)	2018	2017	2018	2017
Assets					
Current Assets					
Cash and cash equivalents	3	99 109 893	97 950 451	95 954 222	94 790 916
Trade and other receivables from exchange transactions	4	54 978	10 178	54 978	10 178
Receivables from non-exchange transactions	5	1 131 161	917 181	1 131 161	917 181
Inventories	6	107 944	114 336	105 129	105 348
Other financial assets	7	34 584 686	36 178 093	34 584 686	36 178 093
VAT receivable	8	1 776 651	869 344	1 776 651	869 344
		136 765 313	**136 039 583**	**133 606 827**	**132 871 060**
Non-Current Assets					
Property, plant and equipment	9	48 093 828	53 365 218	48 093 828	53 365 218
Intangible assets	10	1 906 122	2 027 769	1 906 122	2 027 769
Non-current receivables	11	54 775	54 775	54 775	54 775
		50 054 725	**55 447 762**	**50 054 725**	**55 447 762**
Total Assets		**186 820 038**	**191 487 345**	**183 661 552**	**188 318 822**
Liabilities					
Current Liabilities					
Payables from exchange transactions	12	3 777 942	5 266 348	3 635 643	5 093 736
Other payables from non-exchange transactions	13	11 009 561	9 769 454	11 009 561	9 769 454
Consumer deposits	14	2 000	2 000	2 000	2 000
Unspent conditional grants and receipts	16	9 381 967	10 688 060	8 724 433	10 030 526
Employee benefit obligation	17	682 745	574 486	682 745	574 486
Current portion of long service	18	243 149	330 256	243 149	330 256
		25 097 364	**26 630 604**	**24 297 531**	**25 800 458**
Non-Current Liabilities					
Employee benefit obligation	17	24 295 143	22 589 679	24 295 143	22 589 679
Long service awards liability	18	3 148 467	2 758 110	3 148 467	2 758 110
		27 443 610	**25 347 789**	**27 443 610**	**25 347 789**
Total Liabilities		**52 540 974**	**51 978 393**	**51 741 141**	**51 148 247**
Net Assets		**134 279 064**	**139 508 952**	**131 920 411**	**137 170 575**
Accumulated surplus		134 279 064	139 508 952	131 920 411	137 170 575

Statement of Financial Performance

	Note(s)	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Revenue					
Revenue from exchange transactions					
Service charges		1 061 089	915 947	1 061 089	915 947
Interest earned - External investments	19	11 490 576	14 558 988	11 490 576	14 558 987
Interest earned - Receivables	19	64	88	64	88
Other income	20	26 561	138 414	26 561	138 414
Total revenue from exchange transactions		**12 578 290**	**15 613 437**	**12 578 290**	**15 613 436**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	21	121 975 023	125 360 300	121 975 023	125 360 300
Other income		-	2 000	-	-
Total revenue from non-exchange transactions		**121 975 023**	**125 362 300**	**121 975 023**	**125 360 300**
Total revenue		**134 553 313**	**140 975 737**	**134 553 313**	**140 973 736**
Expenditure					
Employee related costs	22	(81 931 295)	(72 955 070)	(81 931 295)	(72 955 070)
Remuneration of councillors	23	(7 893 985)	(6 768 848)	(7 893 985)	(6 768 848)
Post-retirement health care expenditure		(2 089 719)	(744 742)	(2 089 719)	(744 742)
Long-service award expenditure		(563 421)	(950 230)	(563 421)	(950 230)
Depreciation and amortisation	24	(6 415 577)	(6 197 671)	(6 415 577)	(6 197 671)
Repairs and maintenance		(3 282 072)	(2 308 454)	(3 282 072)	(2 308 454)
Contracted services	26	(7 488 107)	(13 520 885)	(7 488 107)	(13 520 885)
Project expenditure	27	(7 029 461)	(13 444 574)	(8 124 974)	(15 944 574)
General Expenses	28	(23 089 567)	(18 560 022)	(22 014 330)	(18 396 398)
Total expenditure		**(139 783 204)**	**(135 450 496)**	**(139 803 480)**	**(137 786 872)**
Loss on disposal of assets		-	(13 940)	-	(13 940)
(Deficit) surplus for the year		**(5 229 891)**	**5 511 301**	**(5 250 167)**	**3 172 924**

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Group		
Balance at 01 July 2016	**133 997 651**	**133 997 651**
Changes in net assets		
Surplus for the year	5 511 301	5 511 301
Total changes	5 511 301	5 511 301
Balance at 01 July 2017	**139 508 955**	**139 508 955**
Changes in net assets		
Surplus for the year	(5 229 891)	(5 229 891)
Total changes	(5 229 891)	(5 229 891)
Balance at 30 June 2018	**134 279 064**	**134 279 064**
Note(s)		
Municipality		
Balance at 01 July 2016	**133 997 651**	**133 997 651**
surplus 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	**137 170 578**	**137 170 578**
Net Surplus / (Deficit) for the year	(5 250 167)	(5 250 167)
Balance at 30 June 2018	**131 920 411**	**131 920 411**

Cash Flow Statement

	Note(s)	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Cash flows from operating activities					
Receipts					
Sale of goods and services		1 009 692	915 947	1 009 692	915 947
Grants		142 250 328	149 545 134	141 152 000	146 387 600
Interest income - Investments		11 490 576	14 558 987	11 490 576	14 558 987
Interest income - receivables		64	89	64	88
Other receipts		129 161	144 496	129 161	140 496
VAT receipts	42	11 635 485	9 585 409	11 635 485	9 585 409
		166 515 306	174 750 062	165 416 978	171 588 527
Payments					
Employee costs		(88 582 833)	(79 723 918)	(88 582 833)	(79 723 918)
Suppliers		(21 902 408)	(20 696 815)	(21 902 408)	(20 695 864)
Other payments for VAT		(10 426 921)	(12 465 030)	(10 426 921)	(12 465 030)
Project expenditure		(8 124 973)	(16 142 267)	(8 124 973)	(16 142 267)
Thabazimbi project expenditure		(15 791 399)	(62 458 973)	(15 791 399)	(62 458 973)
Contracted services		(7 488 107)	(13 520 885)	(7 488 107)	(13 520 885)
Other payments	42	(13 376 402)	(1 698 196)	(12 274 211)	(1 697 147)
		(165 693 043)	(206 706 084)	(164 590 853)	(206 704 084)
Net cash flows from operating activities	30	**822 263**	**(31 956 022)**	**826 125**	**(35 115 557)**
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(1 178 228)	(253 689)	(1 178 228)	(253 689)
Loss from sale of property, plant and equipment	9	-	13 946	-	13 946
Purchase of other intangible assets	10	(78 000)	(6 131)	(78 000)	(6 131)
Net cash flows from investing activities		**(1 256 227)**	**(245 875)**	**(1 256 228)**	**(245 874)**
Cash flows from financing activities					
Decrease/(Increase) in Held-to-maturity investments		1 593 407	(6 061 657)	1 593 407	(6 061 657)
Net cash flows from financing activities		**1 593 407**	**(6 061 657)**	**1 593 407**	**(6 061 657)**
Net increase/(decrease) in cash and cash equivalents		**1 159 443**	**(38 263 554)**	**1 163 304**	**(41 423 088)**
Cash and cash equivalents at the beginning of the year		97 950 451	136 214 004	94 790 916	136 214 004
Cash and cash equivalents at the end of the year	3	**99 109 894**	**97 950 450**	**95 954 220**	**94 790 916**

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
Municipality						
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)**	(22 014 330)	**9 033 752**	
Total expenditure	**(161 727 705)**	**(10 170 210)**	**(171 897 915)**	**(139 803 480)**	**32 094 435**	
Deficit before taxation	**(28 546 891)**	**(7 970 210)**	**(36 517 101)**	**(5 250 167)**	**31 266 934**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(28 546 891)**	**(7 970 210)**	**(36 517 101)**	**(5 250 167)**	**31 266 934**	

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**	105 129	**(4 871)**	
Other financial assets	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**	**133 606 827**	**21 800 443**	
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**	**183 661 552**	**27 356 179**	
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	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**	**131 920 411**	**17 204 718**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	114 715 693	-	**114 715 693**	131 920 411	**17 204 718**	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the group 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 financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

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

The group 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.

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 group 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 group 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 group; 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.

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 group 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 group; and
- the cost or fair value of the asset can be measured reliably.

The group 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.

Accounting Policies

1.5 Intangible assets (continued)

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

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

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

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

Item	Useful life
Computer software, other	4 to 40 years

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

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

1.6 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities at fair value through surplus or deficit - held for trading

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

Initial recognition and measurement

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

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

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement

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

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

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

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

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

Impairment of financial assets

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

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

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

Impairment losses are recognised in surplus or deficit.

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

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

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

Loans to shareholders, directors, managers and employees

Accounting Policies

1.6 Financial instruments (continued)

Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

Cash and cash equivalents

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

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

Held to maturity

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

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

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

Impairment of financial assets

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

Assets are carried at amortised cost.

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

Accounting Policies

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 group 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 group’s net investment in the finance lease.

Finance leases - lessee

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

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

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

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.

Accounting Policies

1.9 Inventories (continued)

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 group 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 group.

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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 group; or
- (b) the number of production or similar units expected to be obtained from the asset by the group.

Criteria developed by the group 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.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

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 group; or
- (b) the number of production or similar units expected to be obtained from the asset by the group.

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

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.13 Provisions and contingencies

Provisions are recognised when:
- the group 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.

1.13 Provisions and contingencies (continued)

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.

Sale of goods

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

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group 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 group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- 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

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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

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.

1.19 Fruitless and wasteful expenditure (continued)

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

Group 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 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 financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.22 Related parties

The group 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 group, including those charged with the governance of the group 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 group.

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

Accounting Policies

1.23 Events after reporting date (continued)

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

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

1.24 Accounting by an agent.

The Municipality recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal. The Municipality also recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirementsof other standards of GRAP.

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

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.

2. New standards and interpretations (continued)

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.

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 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.

2. New standards and interpretations (continued)

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.

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.

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 000	5 200	5 000	5 200
Bank balances	14 907 258	9 389 519	11 751 587	6 229 984
Short-term deposits	84 197 635	88 555 732	84 197 635	88 555 732
	99 109 893	**97 950 451**	**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	10 928 546	8 096 651
60 Days fixed deposits	32 071 842	21 102 608	32 071 842	21 102 608
90 Days fixed deposits	31 157 631	59 356 473	31 157 631	59 356 473
30 Days fixed deposits	10 039 616	-	10 039 616	-
	84 197 635	88 555 732	84 197 635	88 555 732

The municipality had the following bank accounts

Account description	**Account number**	**Bank statement balances**		**Cash book balances**	
		30 June 2018	**30 June 2017**	**30 June 2018**	**30 June 2017**
ABSA Bank - Current Account	4086264236	11 751 587	6 229 984	11 751 587	6 229 984
ABSA BANK - 6 Months Investment	2075332567	10 000 000	10 000 000	10 025 786	10 033 534
INVESTEC - 90 Days Investment	1400198080453	-	15 000 000	-	15 095 795
INVESTEC - 6 Months Investment	1400198080453	-	13 000 000	-	13 089 753
ABSA BANK - 60 Days Investment	2076736340	-	13 000 000	-	13 032 244
ABSA BANK - 90 Days Investment	2076504028	-	10 000 000	-	10 052 945
ABSA BANK - Call Account	4089054729	-	8 000 000	-	8 096 651
NEDBANK - 60 Days Investment	03/7497571214/000205	-	11 000 000	-	11 069 074
NEDBANK - 92 Days Investment	03/7497571214/000206	-	11 000 000	-	11 070 068
NEDBANK - 91 Days Investment	03/7497571214/000207	-	13 000 000	-	13 082 808
NEDBANK - 6 months Investment	03/7497571214/000208	-	10 000 000	-	10 056 096
STANDARD BANK 90 Days Investment	728855100-022	-	10 000 000	-	10 054 856
PETTY CASH		-	5 000	-	5 200
ABSA Bank - cheque Account	4090669260	3 155 671	3 158 584	3 155 671	3 158 584
ABSA - CALL	4089054729	10 000 000	-	10 928 546	-
ABSA - 62 Days investements	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**	**131 907 258**	**133 393 568**	**133 689 576**	**134 127 592**

4. Other receivables from exchange transactions

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

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

4. Other receivables from exchange transactions (continued)

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

Abattoir:				
Current (0 -30 days)	51 462	6 662	51 462	6 662

Reconciliation of allowance for impairment				
Contributions to allowance	-	-	-	-
Reversal of allowance	-	-	-	-
	-	**-**	**-**	**-**

Other receivables pledged as security

No other receivables were pledged as security.

Fair value of trade and other receivables

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

5. Receivables from non-exchange transactions

Prepayments	914 268	914 268	914 268	914 268
Sundry debtors	216 893	2 913	216 893	2 913
	1 131 161	**917 181**	**1 131 161**	**917 181**

6. Inventories

Consumable stores	107 944	114 336	105 129	105 348
Inventories write-downs / (reversal of write-down)	-	-	-	-
	107 944	**114 336**	**105 129**	**105 348**

Consumables:

Opening balance	105 348	83 097	105 348	83 097
Additions	1 603 830	989 014	1 603 830	989 014
Issued (expensed)	(1 601 233)	(957 775)	(1 604 048)	(966 763)
Closing balance	107 944	114 336	105 129	105 348

Inventory consists of stationery, fire fighting foam and grass beaters. No inventory is pledged as security. No circumstances or events existed that would have led to the write-down or the reversal of a write-down of inventories.

7. Other financial assets

Designated at fair value				
Held-to-maturity investments	34 584 686	36 178 093	34 584 686	36 178 093
Terms and conditions				

Notes to the Financial Statements

	Group 2018	Group 2017	Municipality 2018	Municipality 2017

7. Other financial assets (continued)

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Current assets				
Designated at fair value	34 584 686	36 178 093	34 584 686	36 178 093

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

8. VAT

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
VAT receivable	1 776 651	869 344	1 776 651	869 344

VAT is accounted for on the payment basis.

9. Property, plant and equipment

Group	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
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**

Municipality	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 - Group - 2018

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
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**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 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**

Reconciliation of property, plant and equipment - Municipality - 2018

	Opening balance	Additions	Depreciation	Total
Land and Buildings	29 947 644	-	(94 558)	29 853 086
Other property, plant and equipment	23 417 574	1 437 228	(6 614 060)	18 240 742
	53 365 218	**1 437 228**	**(6 708 618)**	**48 093 828**

Pledged as security

The municipality reviewed the residual values and estimated useful lives of its assets at the begining of the 2016/17 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.

10. Intangible assets

Group	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

Municipality	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 - Group - 2018

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

	Group		Municipality	
	2018	2017	2018	2017

10. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2017

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

Reconciliation of intangible assets - Municipality - 2018

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

Reconciliation of intangible assets - Municipality - 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 begining of the 2016/17 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

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Heading				
Water and electricity			2 025	2 025
Office rentals			32 750	32 750
Telephone			20 000	20 000
			54 775	**54 775**

Deposit water and electricity

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

12. Payables from exchange transactions

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Trade payables	3 476 061	4 859 772	3 476 062	4 859 772
Retentions	159 581	233 964	159 581	233 964
Accruals	142 300	172 612	-	-
	3 777 942	**5 266 348**	**3 635 643**	**5 093 736**

13. Other payables from non-exchange transactions

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Accruals for leave	9 330 256	8 229 636	9 330 256	8 229 636
Accruals for bonuses	1 679 305	1 539 818	1 679 305	1 539 818
	11 009 561	**9 769 454**	**11 009 561**	**9 769 454**

The fair value of other payables approximates their carrying amounts.

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

14. Consumer deposits

Abattoir	2 000	2 000	2 000	2 000

15. Provisions

Reconciliation of provisions - Municipality - 2018

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

Reconciliation of provisions - Municipality - 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 Systems Improvement Grant	657 534	657 534	-	-
Municipal Infrastructure Grant	7 098 639	7 061 138	7 098 639	7 061 138
Municipal Water Infrastructure Grant	-	2 564 661	-	2 564 661
EPWP Incentive Grant	1 000 000	158 022	1 000 000	158 022
LEDET Grant	579 134	200 045	579 134	200 045
Heading				
Tourism Grant	46 660	46 660	46 660	46 660
	9 381 967	**10 688 060**	**8 724 433**	**10 030 526**

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

Included in unspend grant is the balance of R7 098 639 of MIG funding of R9 000 000 received for the Thabazimbi project and of which R1 901 362 were spent.

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

17. Employee benefit obligations

Defined benefit plan

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

The following are defined contribution plans:
- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipal Councillors Pension Fund

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

The following are defined benefit plans:
- LA Health
- SAMWU Med
- Bonitas Medical Fund
- Key Health Medical Scheme
- Hosmed

In accordance with prevailing legislation, the defined benefit funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest actuarial valuation was performed as at 30 June 2016.

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:

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

17. Employee benefit obligations (continued)

Movement in the employee healthcare benefit liability:

	Group		Municipality	
Carrying value				
Present value of the defined benefit obligation-wholly unfunded	(23 164 166)	(23 051 094)	(23 164 166)	(23 051 094)
Present value of the defined benefit obligation-partly or wholly funded	682 715	632 004	682 715	632 004
Fair value of reimbursement rights	(1 275 339)	(1 282 543)	(1 275 339)	(1 282 543)
Interest	(2 249 441)	(2 145 625)	(2 249 441)	(2 145 625)
Actuarial losses / (gains) recognised in Statement of Financial Performance	1 028 343	2 683 093	1 028 343	2 683 094
Unfunded accrued liability as at 30 June	**(24 977 888)**	**(23 164 165)**	**(24 977 888)**	**(23 164 165)**
Non-current liabilities	(24 295 143)	(22 589 679)	(24 295 143)	(22 589 679)
Current liabilities	(682 745)	(574 486)	(682 745)	(574 486)
	(24 977 888)	**(23 164 165)**	**(24 977 888)**	**(23 164 165)**
Assets used by the entity				
Plant and equipment	(16 097 313)	(15 321 819)	(16 097 313)	(15 321 819)
Property occupied by the entity	(8 057 782)	(7 116 195)	(8 057 782)	(7 116 195)
	(822 794)	(726 152)	(822 794)	(726 152)
	(24 977 888)	(23 164 166)	(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	1 275 340	1 282 543
Interest cost	2 249 441	2 145 625	2 249 441	2 145 625
Actuarial (gains) losses	(1 028 343)	(2 683 092)	(1 028 343)	(2 683 092)
	2 496 438	**745 076**	**2 496 438**	**745 076**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,68 %	9,83 %	9,68 %	9,83 %
Medical cost trend rates	7,44 %	8,12 %	7,44 %	8,12 %

Average remaining future working lifetime 16.2 years

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

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	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	3 088 366	2 863 535
Benefits paid	(330 220)	(595 689)	(330 220)	(595 689)
Current service cost	331 081	293 583	331 081	293 583
Interest	246 805	215 393	246 805	215 393
Actuarial losses / (gains) recognised in Statement of Financial Performance	55 584	311 544	55 584	311 544
Unfunded accrued liability as at 30 June	**3 391 616**	**3 088 366**	**3 391 616**	**3 088 366**
Current portion of liability as at 30 June	243 149	330 256	243 149	330 256
Non-current portion of liability as at 30 June	3 148 467	2 758 110	3 148 467	2 758 110
	3 391 616	**3 088 366**	**3 391 616**	**3 088 366**
Expense recognised in (profit) or loss:				
Current service cost	331 081	293 583	331 081	293 583
Interest cost	246 805	215 393	246 805	215 393
Actuarial losses / gains	55 584	311 544	55 584	311 544
	633 470	**820 520**	**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 %	8,45 %	8,50 %	8,43 %
Medical cost trend rates	6,13 %	6,25 %	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**	**One percentage point increase**	**One percentage point decrease**
2018: Effect on the aggregate of the general salary inflation rate	(6)	6	(6)	6
2018: Effect on discount rate	1	(1)	1	(1)
2017: Effect on the aggregate of the general salary inflation	(6)	6	(6)	6
2017: Effect on discount rate	1	(1)	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

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
19. Interest earned				
Dividend revenue				
Abattoir services	64	88	64	88
Interest revenue				
Bank	587 291	533 357	587 291	533 356
Short-term investments	10 903 285	14 025 631	10 903 285	14 025 631
	11 490 576	**14 558 988**	**11 490 576**	**14 558 987**
	11 490 640	**14 559 076**	**11 490 640**	**14 559 075**

	Group		Municipality	
	2018	2017	2018	2017
20. Other income				
Fire income	-	61 180	-	61 180
Miscellaneous income	15 596	55 655	15 596	55 655
Tender document fees	10 965	21 579	10 965	21 579
	26 561	**138 414**	**26 561**	**138 414**

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

21. Government grants and subsidies

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

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

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Balance unspent at beginning of year	7 061 138	54 837 725	7 061 138	54 837 725
Current-year receipts	19 400 000	28 714 000	19 400 000	28 714 000
Conditions met - transferred to revenue	(1 500 000)	(287 357)	(1 500 000)	(287 357)
Thabazimbi project expenditure	(17 862 499)	(76 203 230)	(17 862 499)	(76 203 230)
	7 098 639	**7 061 138**	**7 098 639**	**7 061 138**

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

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

Finance Management Grant

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)
	-	-	-	-

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

Tourism Grant

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Balance unspent at beginning of year	46 660	46 660	46 660	46 660

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

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

21. Government grants and subsidies (continued)

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	2 564 661	5 122 026
Conditions met - transferred to revenue	(2 564 661)	(2 557 365)	(2 564 661)	(2 557 365)
	-	**2 564 661**	**-**	**2 564 661**

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

Waterberg District municipality has been appointed by the Department of Water and Sanitation as a schedule 6B implementing agent of MWIG projects for 3 local municipalities (Modimole LM, Mookgophong LM and Thabazimbi LM) during the 2015/16 financial year.

Expanded Public Works Incentive Grant

Balance unspent at beginning of year	158 022	-	158 022	-
Current-year receipts	1 000 000	1 102 000	1 000 000	1 102 000
Conditions met - transferred to revenue	(158 022)	(943 978)	(158 022)	(943 978)
	1 000 000	**158 022**	**1 000 000**	**158 022**

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

LG SETA Grant

The grant is utilised for training of officials in the District Municipality.

Rural Road Asset Management Grant

Current-year receipts	2 129 000	1 897 000	2 129 000	1 897 000
Conditions met - transferred to revenue	(1 549 910)	(1 897 000)	(1 549 910)	(1 897 000)
	579 090	**-**	**579 090**	**-**

The grant is utilised to set up a district Road Asset Management System and to collect rural data in line with the Road Infrastructure Strategic Framework for South Africa.

Municipal Infrastructure Grant (PMU)

Current-year receipts	1 500 000	5 000 000	1 500 000	5 000 000
Conditions met - transferred to revenue	(1 500 000)	(5 000 000)	(1 500 000)	(5 000 000)
	-	-	-	-

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

The grant was received in March 2016 and was used for the establishment of a Project Management Unit for infrastructure projects.

LEDET Biosphere Grant

Balance unspent at beginning of year	200 045	200 045	200 045	200 045

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

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.

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

22. Employee related costs

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

Remuneration of Municipal Manager

Annual Remuneration	1 323 121	1 229 930	1 323 121	1 229 930
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	35 300	1 784	35 300	1 784
Travel allowance	289 025	184 048	289 025	184 048
	1 647 446	**1 415 762**	**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	816 224	917 283
Performance Bonuses	200 856	229 819	200 856	229 819
Contributions to UIF, Medical and Pension Funds	93 364	1 784	93 364	1 784
	1 110 444	**1 148 886**	**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	778 370	619 106
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	138 231	150 390	138 231	150 390
Travel allowance	181 190	184 620	181 190	184 620
	1 097 791	**954 116**	**1 097 791**	**954 116**

The Infrastructure Development Manager resigned on 30 March 2017.

Remuneration of Manager: Planning & Economic Development

Annual Remuneration	813 215	748 215	813 773	748 215
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	224 306	200 181	224 306	200 181
Travel allowance	282 794	205 162	282 794	205 162
	1 320 315	**1 153 558**	**1 320 873**	**1 153 558**

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

Remuneration of Manager: Corporate Support and Share Services

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

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

22. Employee related costs (continued)

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

Remuneration of Manager: Social Development and Community Services

Annual Remuneration	382 032	704 691	382 032	704 691
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	24 636	35 682	24 636	35 682
Travel allowance	106 151	171 395	106 151	171 395
	512 819	**911 768**	**512 819**	**911 768**

The new manager was appointed from 1 August 2014.

Remuneration of Manager: Executive Support Office

Annual Remuneration	-	557 302	-	557 302
Contributions to UIF, Medical and Pension Funds	-	132 611	-	132 611
Travel allowance	-	166 488	-	166 488
	-	**856 401**	**-**	**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	867 214	714 392
Speaker	701 929	578 474	701 929	578 474
Mayoral Committee Members	2 235 230	2 029 192	2 235 230	2 029 192
Councillors	3 494 676	2 840 238	3 494 676	2 840 238
Councillors' pension contribution	594 936	606 552	594 936	606 552
	7 893 985	**6 768 848**	**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	6 215 931	5 994 825
Intangible assets	199 646	202 846	199 646	202 846
	6 415 577	**6 197 671**	**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	7 488 107	13 520 885

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

26. Contracted services (continued)

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

27. Project expenditure

Municipal Infrastructure grant	-	287 357	-	287 357
Finance Management grant	1 250 000	1 250 000	1 250 000	1 250 000
Municipal Water Infrastructure grant	2 109 087	1 325 409	1 325 409	1 325 409
Expanded Public Works Incentive grant	-	1 102 000	-	1 102 000
Rual Road Asset Management grant	1 359 571	1 839 000	1 897 000	1 897 000
PMU	1 315 789	5 000 000	1 315 789	5 000 000
Other	2 090 527	-	2 090 527	-
	8 124 974	**10 803 766**	**7 878 725**	**10 861 766**

28. General expenses

Advertising	270 895	188 701	231 650	188 701
Annual report	71 868	266 670	62 880	266 670
Audit fees	2 520 510	1 702 647	2 520 510	1 702 647
Audit committee	380 918	129 388	126 981	129 388
Bank charges	39 330	46 214	39 330	46 214
Bursaries	127 718	76 579	123 854	76 579
S & T Allowance	554 603	375 888	554 603	203 276
Conferences and seminars - Delegations	164 241	129 422	164 241	129 422
Community development and training	-	276 900	-	276 900
Consulting and professional fees	1 724 751	1 104 727	1 724 751	1 104 727
Consumables	541 200	199 071	541 200	199 071
Damaged meat claims	156 097	10 026	-	10 026
Discretionary Bursary Fund	100 000	120 000	100 000	120 000
Employee Assistance Program	483 205	249 286	483 205	249 286
Entertainment	407 335	359 750	407 335	359 750
Environmental Health - awareness & sampling	47 107	34 999	78	34 999
Financial management grant	326 211	-	326 211	-
Insurance	391 612	739 998	391 612	739 998
Meat inspection	257 507	198 000	257 507	198 000
Miscellaneous expenditure	19 613	13 318	19 613	13 318
Motor vehicle expenses	477 435	353 213	477 435	353 213
Municipal account - water, rates & electricity	1 865 911	1 434 759	1 865 911	1 434 759
Municipal systems improvement grant	250 000	-	-	-
Postage and courier	-	1 640	-	1 640
Printing and stationery	527 961	536 426	530 777	545 414
Programming	1 825 968	1 096 810	1 825 968	1 096 810
Protective clothing	54 698	41 287	54 698	41 287
Rental of buildings / offices	567 393	553 161	567 393	553 161
Rental of office equipment	107 420	492 396	107 420	492 396
Research and development costs	200 896	-	-	-
Security cost	2 289 815	1 728 547	2 289 815	1 728 547
State of the District Address	181 612	197 602	175 439	197 602
Subscriptions and membership fees	167 156	992 992	167 156	992 992
Subscription and publication	24 894	2 096	24 894	2 096
Telephone and cell phone expenses	478 645	415 480	478 645	415 480
Training	384 335	415 647	384 335	415 647
Travel and subsistence	4 988 883	4 076 382	4 988 883	4 076 382
Installation	111 824	-	-	-
	23 089 567	**18 560 022**	**22 014 330**	**18 396 398**

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

29. Remuneration of Audit Committee members

Remuneration	380 918	129 388	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 September 2017. Four meetings were held during the current year, but the chairperson also attended council meetings.

30. Cash generated from (used in) operations

(Deficit) surplus	(5 229 891)	5 511 301	(5 250 167)	3 172 924
Adjustments for:				
Depreciation and amortisation	6 415 577	6 197 671	6 415 577	6 197 671
Gain on sale of assets and liabilities	233 685	-	-	-
Movements in retirement benefit assets and liabilities	1 813 723	113 070	1 813 723	113 070
Movements in provisions	-	(165 476)	-	(165 476)
Increase in long service awards liability	303 250	224 831	303 250	224 831
Changes in working capital:				
Inventories	6 392	(31 239)	219	(22 251)
Consumer debtors	(44 800)	(1 922)	(44 800)	(1 922)
Other receivables from non-exchange transactions	(213 980)	(140 333)	(213 980)	(140 333)
Payables from exchange transactions	(1 488 400)	1 389 867	(1 458 088)	1 217 255
Decrease/(Increase) in VAT receivable	(907 307)	3 271 518	(907 307)	3 271 518
Other payables (non exchange)	1 240 107	1 193 086	1 240 107	1 193 086
Unspent conditional grants and receipts	(1 306 093)	(49 518 396)	(1 306 093)	(50 175 930)
	822 263	**(31 956 022)**	**592 441**	**(35 115 557)**

31. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	29 683	29 683	29 683	29 683
Less: Amount written - Off	(29 683)	-	(29 683)	-
	-	**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 waiver 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 is to be reported to Council to be condoned and written off.

32. Irregular expenditure

Opening balance	7 196 315	12 785 324	7 196 315	12 785 324
Add: Irregular Expenditure - current year	331 925	7 196 315	331 925	7 196 315
Less: Amounts condoned	(7 196 315)	(12 785 324)	(7 196 315)	(12 785 324)
Less: Amounts recoverable (not condoned)	-	-	-	-
	331 925	**7 196 315**	**331 925**	**7 196 315**

Analysis of expenditure awaiting condonation

Current year	331 925	-	331 925	-
Prior years	-	7 196 315	-	7 196 315
	331 925	**7 196 315**	**331 925**	**7 196 315**

	Group		Municipality	
	2018	2017	2018	2017

32. Irregular expenditure (continued)

Details of irregular expenditure – current year				
No valid tax clearance			42 585	
Less than three qoutations			47 055	
No Notice bord ADvert			242 285	
			331 925	

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 staus of the suppliers were inactive and they were appointed by AON				14 198
SCM proceedures were not followed due to time constraints				1 245 412
The supplier was also the organiser of the event therefore SCM proceedures 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
				7 196 315

The irregular expenditure of R12,785,324 that was condoned by council is still under investigation as the municipality is seeking clarity from treasury on the process to be followed for condoning or writing off of expenditure

33. Unauthorised expenditure

Unauthorised expenditure	290 690	26 045	290 690	26 045
Add: Unauthorised expenditure - current year	-	264 645	-	264 645
Less: Unauthorised expenditure written off	(290 690)	-	(290 690)	-
	-	**290 690**	**-**	**290 690**

Current Year:

No unauthorised expenditure were incurred during the current finanancial 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	1 004 222	845 214
Amount paid - current year	(1 004 222)	(845 214)	(1 004 222)	(845 214)
	-	**-**	**-**	**-**

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	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	2 774 447	1 702 647
Amount paid - current year	(2 774 447)	(1 702 647)	(2 774 447)	(1 702 647)
	-	-	-	-

IThe above Audit fees amount of R 2 774 447 is for the year end 2016/17 financial years:

UIF

Current year subscription / fee	533 993	444 523	533 993	444 523
Amount paid - current year	(533 993)	(444 523)	(533 993)	(444 523)
	-	-	-	-

PAYE

Current year subscription / fee	15 696 001	12 635 264	15 696 001	12 635 264
Amount paid - current year	(15 696 001)	(12 635 264)	(15 696 001)	(12 635 264)
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	22 027 330	19 489 340	22 027 330	19 489 340
Amount paid - current year	(22 027 330)	(19 489 340)	(22 027 330)	(19 489 340)
	-	-	-	-

VAT

VAT receivable	1 776 651	869 344	1 776 651	869 344

All VAT returns have been submitted by the due date throughout the year.

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017

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

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:

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Incident				
Deviations on goods and services less than R 30 000	286 787	269 708	286 787	269 708
Deviations on goods and services between R 30 000 and R 200 000	1 141 383	1 410 658	1 141 383	1 410 658
Deviations on goods and services more than R 200 000	4 068 245	907 915	4 068 245	907 915
	5 496 415	**2 588 281**	**5 496 415**	**2 588 281**

	Group 2018	Group 2017	Municipality 2018	Municipality 2017
Incident				
Urgent and emergency procurement	1 382 978	260 141	1 382 978	260 141
Limited bidding procurement	4 113 438	2 328 140	4 113 438	2 328 140
	5 496 416	**2 588 281**	**5 496 416**	**2 588 281**

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	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	-	1 000 000
• Intangible assets	7 098 638	10 671 700	7 098 638	10 671 700
• EPWP Project	1 000 000	-	1 000 000	-
	8 098 638	**11 671 700**	**8 098 638**	**11 671 700**

Total capital commitments				
Already contracted for but not provided for	8 098 638	11 671 700	8 098 638	11 671 700

Authorised operational expenditure

Already contracted for but not provided for				
• EPWP Project	-	158 022	-	158 022
• Provosion of short-term Insurance Cover	357 332	337 106	357 332	337 106
• Advertising Agency @ R15 083 per centimetre column	262 500	1 200 000	262 500	1 200 000
• Financial systeams - License, Support and Maintenance	1 277 711	1 012 403	1 277 711	1 012 403
• Instalation of telephone systeam for Lephalale Fire Station	-	103 373	-	103 373
• Provision of Security Service	2 176 035	5 427 035	2 176 035	5 427 035
• Travel Agencies @ 9% for Domestic and 5% for International	1	-	1	-
• Legal Fees	350 000	-	350 000	-
• Rural road assets management Programme	579 090	-	579 090	-
	5 002 669	**8 237 939**	**5 002 669**	**8 237 939**

Total operational commitments				
Already contracted for but not provided for	5 002 669	8 237 939	5 002 669	8 237 939

Total commitments

Total commitments				
Authorised capital expenditure	8 098 638	11 671 700	8 098 638	11 671 700
Authorised operational expenditure	5 002 669	8 237 939	5 002 669	8 237 939
	13 101 307	**19 909 639**	**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	-	1 765 576	-
- in second to fifth year inclusive	1 821 600	-	1 821 600	-

Notes to the Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
35. Commitments (continued)				
	3 587 176	**-**	**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:

Operating leases - as lessee

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

The lease agreement for office equipment expired 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 Aagency (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 Water 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.

Notes to the Financial Statements

38. Risk management (continued)

39.2 Liquidity risk

The group’s risk to liquidity is a result of the funds available to cover future commitments. The group'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 group 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 group’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.

Municipality

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	**Group - 2018**	**Group - 2017**	**Municipality - 2018**	**Municipality - 2017**
ABSA Bank current account	11 751 587	6 229 984	11 751 587	6 229 984
Call deposits	10 928 546	8 096 651	10 928 546	8 096 651
60 Days fixed deposits	32 071 842	2 102 608	32 071 842	21 102 608
90 Days fixed deposits	31 157 631	59 356 473	31 157 631	59 356 473
6 Month fixed deposits	34 584 684	36 178 093	34 584 684	36 178 093
30 Days fixed deposits	10 039 616	-	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.

Notes to the Financial Statements

39. Going concern (continued)

We draw attention to the fact that at 30 June 2018, the municipality had accumulated surplus of R 131 920 411 and that the municipality's total assets exceed its liabilities by R 131 920 411.

The municipality will continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseable 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 treament plant located in Thabazimbi, funded by the municipality infrastrucure Grant which was initially allocated to (TLM) , but subsequently stopped and re-allocated to WDM by the department of corporative Governance and traditional affairs..

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

	Group		Municipality	
	2018	2017	2018	2017
	6 241 308	53 830 548	6 241 308	53 830 548
Municipal infrastructure Grant	19 400 000	28 714 000	19 400 000	28 714 000
Condition met	(18 542 670)	(76 303 240)	(18 542 670)	(76 303 240)
Balance	**7 098 638**	**6 241 308**	**7 098 638**	**6 241 308**