



Waterberg District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)

Nature of business and principal activities

Waterberg District Municipality is a district municipality performing the functions as set out in the Constitution of the Republic of South Africa (Act No. 108 of 1996)

Members of Council

Executive Mayor	S.M. Mataboge
Speaker	K.S. Lamola
Chief Whip	R.A. Matsemela
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	H.S. Mathebula
Councillor	M.J. Matlala
Councillor	K. C Khotso
Councillor	N. Laubscher
Councillor	S.C. Majoko
Councillor	M.D. Mochaki
Councillor	R. Manyama
Councillor	F.M. Mabasa
Councillor	M.B. Baloyi
Councillor	M.J. Kekana
Councillor	B.N. Magongwa
Councillor	R.D. Mampeule
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

Accounting Officer

P. Raputsoa

Chief Financial Officer

T. Muelelwa

Registered office

44 Harry Gwala Street
Modimolle
Limpopo

Waterberg District Municipality

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General Information

	0510
Business address	44 Harry Gwala Street Modimolle Limpopo 0510
Postal address	Private Bag X1018 Modimolle Limpopo 0510
Bankers	ABSA Bank Modimolle
Auditors	Auditor General (SA)
Jurisdiction	Waterberg District Municipality Area includes - Modimolle Mogalakwena Bela Bela Lephalale Thabazimbi

Waterberg District Municipality

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

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IFRS	International Financial Reporting Standards
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
WEDA	Waterberg Economic Development Agency
MFMA	Municipal Finance Management Act
MSCOA	Municipal Standard Chart Of Accounts
ASB	Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board

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Annual Financial Statements for the year ended 30 June 2021

Accounting officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is substantially dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The accounting officer certify that the salaries, allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5 - 75, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:



P. Raputsoa
Accounting Officer

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was 15 525 969 (2020: deficit 16 349 823).

2. 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.

3. Subsequent events

Subsequent to year end Council wrote off irregular expenditure as recommended by MPAC as per Council resolution A307/2020.

Subsequent to year end Council wrote off fruitless and wasteful expenditure as recommended by MPAC as per Council resolution A307/2020.

4. Corporate governance

The Council

The Board:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
 - non-executive directors, all of whom are independent directors as defined in the Code; and
 - executive directors.
- has established a Board directorship continuity programme.

5.1 Remuneration

The remuneration of the accounting officer and section 56 managers are determined by the upper limits for senior managers.

5.2 Audit committee

Adv. JL Thubakgale was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the audit committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors of the municipality onto the audit committee.

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 expired at the end of 31 March 2021 and it was extended with a year from 01 April 2021 to 31 March 2022. The minimum of four meetings are held every year and the chairperson also attended council meetings.

5.3 Internal audit

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

5. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

6. Auditors

The municipality is audited by the Auditor-General of South Africa.

The annual financial statements set out on page 5 - 75, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:



P. Raputsoa
Accounting Officer

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated
Assets			
Current Assets			
Inventories	3	156 700	-
Cash and cash equivalents	4	47 730 974	71 585 185
Trade and other receivables from exchange transactions	5	130 616	267 422
Receivables from non-exchange transactions	6	1 427 696	1 232 504
VAT receivable	7	1 172 358	966 221
		50 618 344	74 051 332
Non-Current Assets			
Property, plant and equipment	8	85 048 985	88 088 493
Intangible assets	9	1 383 054	1 861 706
Non-current receivables	10	54 777	54 777
		86 486 816	90 004 976
Non-Current Assets		86 486 816	90 004 976
Current Assets		50 618 344	74 051 332
Total Assets		137 105 160	164 056 308
Liabilities			
Current Liabilities			
Operating lease liability	11	74 444	-
Payables from exchange transactions	12	4 861 289	12 611 752
Payables from non-exchange transactions	13	17 052 966	14 970 870
Consumer deposits	14	2 000	2 000
Employee benefit obligation	15	739 000	704 942
Long service award liability	16	703 000	727 187
Unspent conditional grants and receipts	17	63 926	134
		23 496 625	29 016 885
Non-Current Liabilities			
Employee benefit obligation	15	16 683 999	23 966 637
Long service award liability	16	4 766 000	3 388 278
		21 449 999	27 354 915
Non-Current Liabilities		21 449 999	27 354 915
Current Liabilities		23 496 625	29 016 885
Total Liabilities		44 946 624	56 371 800
Assets		137 105 160	164 056 308
Liabilities		(44 946 624)	(56 371 800)
Net Assets		92 158 536	107 684 508
Accumulated surplus		92 158 536	107 684 508

* See Note 34

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated
Revenue			
Revenue from exchange transactions			
Service charges		1 177 404	887 814
Other income	18	227 308	59 895
Interest earned - External investments	19	3 516 924	7 183 252
Interest earned - Receivables	19	742	42
Actuarial gain / (loss)	20	9 732 795	5 796 892
Total revenue from exchange transactions		14 655 173	13 927 895
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	146 353 094	134 435 752
Total revenue from exchange transactions		14 655 173	13 927 895
Total revenue from non exchange transactions		146 353 094	134 435 752
Total revenue		161 008 267	148 363 647
Expenditure			
Employee related costs	22	(114 667 019)	(104 464 024)
Remuneration of councillors	23	(8 420 742)	(8 239 465)
Provision for doubtful debt		(111 484)	-
Depreciation and amortisation	24	(7 894 079)	(5 895 708)
Impairment of assets	25	-	(1 277 770)
Bad debts written off	26	-	(2 000 000)
Project expenditure	27	(5 913 198)	(5 107 347)
Loss on disposal of assets and liabilities		(92 192)	(306 653)
General Expenses	28	(39 435 522)	(37 422 503)
Total expenditure		(176 534 236)	(164 713 470)
Operating surplus/deficit		-	-
Deficit before taxation		(15 525 969)	(16 349 823)
Taxation		-	-
Deficit for the year		(15 525 969)	(16 349 823)

* See Note 34

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	124 034 331	124 034 331
Deficit for the year as restated	(16 349 823)	(16 349 823)
Total changes	(16 349 823)	(16 349 823)
Restated* Balance at 01 July 2020	107 684 505	107 684 505
Net income (losses) recognised directly in net assets	-	-
Net Surplus / (Deficit) for the year	(15 525 969)	(15 525 969)
Total recognised income and expenses for the year	(15 525 969)	(15 525 969)
Balance at 30 June 2021	92 158 536	92 158 536

* See Note 34

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 177 404	887 814
Grants		146 416 886	134 435 752
Interest income - Investments		3 517 665	7 183 294
Other receipts		252 630	31 165
		<u>151 364 585</u>	<u>142 538 025</u>
Payments			
Employee costs		(121 005 668)	(110 494 414)
Suppliers		(49 819 462)	(33 652 661)
		<u>(170 825 130)</u>	<u>(144 147 075)</u>
Total receipts		151 364 585	142 538 025
Total payments		(170 825 130)	(144 147 075)
Net cash flows from operating activities	30	(19 460 572)	(1 609 050)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(4 468 080)	(19 736 470)
Purchase of other intangible assets	9	-	(330 450)
Net cash flows from investing activities		(4 468 080)	(20 066 878)
Cash flows from financing activities			
Advance of operating lease		74 444	-
Net cash flows from financing activities		74 444	-
Net increase/(decrease) in cash and cash equivalents		(23 854 214)	(21 675 971)
Cash and cash equivalents at the beginning of the year		71 585 185	93 261 156
Cash and cash equivalents at the end of the year	4	47 730 971	71 585 185

* See Note 34

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Services charges	871 116	670 000	1 541 116	1 177 404	(363 712)	Refer to note 42
Other income	194 520	-	194 520	227 308	32 788	Refer to note 42
Interest earned - External investments	8 800 000	(3 440 000)	5 360 000	3 516 924	(1 843 076)	Refer to note 42
Interest earned - Receivables	-	1 000	1 000	742	(258)	Refer to note 42
Total revenue from exchange transactions	9 865 636	(2 769 000)	7 096 636	4 922 378	(2 174 258)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	140 403 000	5 872 000	146 275 000	146 353 094	78 094	Refer to note 42
'Total revenue from exchange transactions'	9 865 636	(2 769 000)	7 096 636	4 922 378	(2 174 258)	
'Total revenue from non-exchange transactions'	140 403 000	5 872 000	146 275 000	146 353 094	78 094	
Total revenue	150 268 636	3 103 000	153 371 636	151 275 472	(2 096 164)	
Expenditure						
Employee related costs	(122 511 000)	2 532 000	(119 979 000)	(114 667 019)	5 311 981	Refer to note 42
Remuneration of councillors	(9 233 000)	(7 000)	(9 240 000)	(8 420 742)	819 258	Refer to note 42
Provision for doubtful debt	-	-	-	(111 484)	(111 484)	Refer to note 42
Depreciation and amortisation	(8 628 000)	-	(8 628 000)	(7 894 079)	733 921	Refer to note 42
Project expenditure	(9 542 992)	1 039 400	(8 503 592)	(5 913 198)	2 590 394	Refer to note 42
General Expenses	(34 208 008)	(2 903 800)	(37 111 808)	(39 435 522)	(2 323 714)	Refer to note 42
Total expenditure	(184 123 000)	660 600	(183 462 400)	(176 442 044)	7 020 356	
	150 268 636	3 103 000	153 371 636	151 275 472	(2 096 164)	
	(184 123 000)	660 600	(183 462 400)	(176 442 044)	7 020 356	
Operating deficit	(33 854 364)	3 763 600	(30 090 764)	(25 166 572)	4 924 192	
Loss on disposal of assets and liabilities	-	-	-	(92 192)	(92 192)	
Actuarial gain and losses	-	-	-	9 732 795	9 732 795	Refer to note 42
Transfer and subsidies - capital	300 000	(300 000)	-	-	-	
	300 000	(300 000)	-	9 640 603	9 640 603	
	(33 854 364)	3 763 600	(30 090 764)	(25 166 572)	4 924 192	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	300 000	(300 000)	-	9 640 603	9 640 603	
Deficit before taxation	(33 554 364)	3 463 600	(30 090 764)	(15 525 969)	14 564 795	
Surplus before taxation	(33 554 364)	3 463 600	(30 090 764)	(15 525 969)	14 564 795	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(33 554 364)	3 463 600	(30 090 764)	(15 525 969)	14 564 795	

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

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
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	156 700	156 700	
Receivables from non-exchange transactions	-	882 000	882 000	1 427 696	545 696	
VAT receivable	-	-	-	1 172 358	1 172 358	
Trade and other receivables from exchange transactions	5 000	494 000	499 000	130 616	(368 384)	
Cash and cash equivalents	81 979 000	78 019 000	159 998 000	47 730 974	(112 267 026)	
	81 984 000	79 395 000	161 379 000	50 618 344	(110 760 656)	
Non-Current Assets						
Property, plant and equipment	94 817 000	(685 000)	94 132 000	85 048 985	(9 083 015)	
Intangible assets	1 906 000	(44 000)	1 862 000	1 383 054	(478 946)	
Non-current assets	54 777	-	54 777	54 777	-	
	96 777 777	(729 000)	96 048 777	86 486 816	(9 561 961)	
Non-Current Assets	81 984 000	79 395 000	161 379 000	50 618 344	(110 760 656)	
Current Assets	96 777 777	(729 000)	96 048 777	86 486 816	(9 561 961)	
Total Assets	178 761 777	78 666 000	257 427 777	137 105 160	(120 322 617)	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	74 444	74 444	
Payables from exchange transactions	5 500 000	3 000 000	8 500 000	4 861 289	(3 638 711)	
Taxes and transfers payable (non-exchange)	15 000 000	3 656 000	18 656 000	17 052 966	(1 603 034)	
Consumer deposits	2 000	-	2 000	2 000	-	
Employee benefit obligation	-	-	-	739 000	739 000	
Unspent conditional grants and receipts	-	-	-	63 926	63 926	
Long service award liability	1 450 000	(28 000)	1 422 000	703 000	(719 000)	
	21 952 000	6 628 000	28 580 000	23 496 625	(5 083 375)	
Non-Current Liabilities						
Employee benefit obligation	26 000 000	(2 362 000)	23 638 000	16 683 999	(6 954 001)	
Long service award liability	4 717 000	(1 000 000)	3 717 000	4 766 000	1 049 000	
	30 717 000	(3 362 000)	27 355 000	21 449 999	(5 905 001)	
	21 952 000	6 628 000	28 580 000	23 496 625	(5 083 375)	
	30 717 000	(3 362 000)	27 355 000	21 449 999	(5 905 001)	
	-	-	-	-	-	
Total Liabilities	52 669 000	3 266 000	55 935 000	44 946 624	(10 988 376)	
Assets	178 761 777	78 666 000	257 427 777	137 105 160	(120 322 617)	
Liabilities	(52 669 000)	(3 266 000)	(55 935 000)	(44 946 624)	10 988 376	
Net Assets	126 092 777	75 400 000	201 492 777	92 158 536	(109 334 241)	

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

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
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	126 092 777	75 400 000	201 492 777	92 158 536	(109 334 241)	

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Actuarial gain / loss	-	-	-	-		-	9 732 795		9 732 795	DIV/0 %	DIV/0 %
Service charges	871 116	670 000	1 541 116	-		1 541 116	1 177 404		(363 712)	76 %	135 %
Interest received	8 800 000	(3 439 000)	5 361 000	-		5 361 000	3 517 666		(1 843 334)	66 %	40 %
Transfers recognised - operational	140 403 000	5 872 000	146 275 000	-		146 275 000	146 353 094		78 094	100 %	104 %
Other own revenue	194 520	-	194 520	-		194 520	153 656		(40 864)	79 %	79 %
Total revenue (excluding capital transfers and contributions)	150 268 636	3 103 000	153 371 636	-		153 371 636	160 934 615		7 562 979	105 %	107 %
Employee costs	(122 511 000)	2 532 000	(119 979 000)	-	-	(119 979 000)	(114 667 019)	-	5 311 981	96 %	94 %
Remuneration of councillors	(9 233 000)	(7 000)	(9 240 000)	-	-	(9 240 000)	(8 420 742)	-	819 258	91 %	91 %
Depreciation and asset impairment	(8 628 000)	-	(8 628 000)			(8 628 000)	(7 894 079)	-	733 921	91 %	91 %
Project expenditure	(9 542 992)	1 039 400	(8 503 592)	-	-	(8 503 592)	(5 913 198)	-	2 590 394	70 %	62 %
Other expenditure	(34 208 008)	(2 904 400)	(37 112 408)	-	-	(37 112 408)	(39 639 198)	-	(2 526 790)	107 %	116 %
Total expenditure	(184 123 000)	660 000	(183 463 000)	-	-	(183 463 000)	(176 534 236)	-	6 928 764	96 %	96 %
Total revenue (excluding capital transfers and contributions)	150 268 636	3 103 000	153 371 636	-	-	153 371 636	160 934 615	-	7 562 979	105 %	107 %
Total expenditure	(184 123 000)	660 000	(183 463 000)	-	-	(183 463 000)	(176 534 236)	-	6 928 764	96 %	96 %
Surplus/(Deficit)	(33 854 364)	3 763 000	(30 091 364)	-		(30 091 364)	(15 599 621)		14 491 743	52 %	46 %

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Surplus/(Deficit)	(33 854 364)	3 763 000	(30 091 364)	-	-	(30 091 364)	(15 599 621)	-	14 491 743	52 %	46 %
Surplus (Deficit) after capital transfers and contributions	(33 854 364)	3 763 000	(30 091 364)	-	-	(30 091 364)	(15 599 621)	-	14 491 743	52 %	46 %
Surplus/(Deficit) for the year	(33 854 364)	3 763 000	(30 091 364)	-		(30 091 364)	(15 599 621)		14 491 743	52 %	46 %

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The municipality assesses its trade 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 is calculated on an individual basis, based on historical loss ratios, and other indicators present at the reporting date that correlate with defaults on the debtors. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Waterberg District Municipality

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

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.

Useful lives of other assets

The municipality's management determines the estimated useful lives and related depreciation charges for other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

Waterberg District Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

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 are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

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.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	10 to 60 years
Plant and machinery	Straight-line	5 to 37 years
Motor vehicles	Straight-line	3 to 18 years
Office equipment	Straight-line	4 to 36 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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.

Waterberg District Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 28).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software as intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

The amortisation charge for each period is recognised in surplus or deficit.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset

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	Depreciation method	Average useful life
Computer software, other	Straight-line	4 to 40 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Waterberg District Municipality

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Accounting Policies

1.6 Intangible assets (continued)

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 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).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Waterberg District Municipality

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Accounting Policies

1.7 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

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Accounting Policies

1.7 Financial instruments (continued)

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Accounting Policies

1.7 Financial instruments (continued)

In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit. If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on

Waterberg District Municipality

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Accounting Policies

1.7 Financial instruments (continued)

residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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.

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.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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).

Waterberg District Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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 used 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:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

An entity shall assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. The reduction is an impairment loss

Once it is determined that there is a potential impairment loss, a formal estimate of the recoverable service amount is to be made by the entity. The recoverable service amount is determined to be the higher of a non-cash generating assets fair value less costs to sell and its value in use. The value in use is the present value of the assets remaining service potential

On inspection of the fixed asset register for the 2020 financial year it was noted that certain movable assets determined to be in an unfavourable condition for future use and were recorded at balances in terms of their carrying values in the fixed asset register that did not accurately reflect their recoverable service potential. These assets were assessed for impairment by comparing their carrying amounts as at 30 June 2020 to their estimated recoverable service potential amounts and an impairment loss was determined and recognised as per GRAP 21 requirements.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Waterberg District Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Waterberg District Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Waterberg District Municipality

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Accounting Policies

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

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.

Waterberg District Municipality

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Accounting Policies

1.12 Employee benefits (continued)

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.

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 recognises 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 recognises 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 measures 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 recognises 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.

Waterberg District Municipality

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Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Waterberg District Municipality

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Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Waterberg District Municipality

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Accounting Policies

1.12 Employee benefits (continued)

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Waterberg District Municipality

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Accounting Policies

1.13 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating surplus (deficit).

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. Contingencies are disclosed in note 32.

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.

Waterberg District Municipality

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Accounting Policies

1.15 Revenue from exchange transactions

Recognition

An inflow of resources from a 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

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange 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 exchange transaction is measured at the amount of the increase in net assets recognised by the municipality

When, as a result of 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

Rendering of services

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

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

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

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Measurement

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

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

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance 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 statement of financial performance.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance 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 statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

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

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Budget information (continued)

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

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

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.24 Events after reporting date

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

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

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

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.25 Value Added Tax

The Municipality is registered as category C VAT vendor. The Municipality accounts for VAT on a cash basis as per Section 15 of the VAT Act. VAT receivable or payable is calculated on a monthly basis. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statements are prepared on the accrual basis of accounting.

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991)

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 18 (as amended 2016): Segment Reporting

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

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

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

The impact of the standard is not material.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality has adopted the standard for the first time in the 2020/2021 annual financial statements.

The impact of the standard is not material.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

IGRAP 21

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items")

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made. The Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

The Interpretation applies to accounting policies and alternative accounting treatments related to the recognition and measurement of items.

The effective date of the interpretation is for years beginning on or after July 2020.

The impact of the standard is not material.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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3. Inventories

COVID-19 PPE's	156 700	-
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Inventory at year end relates to COVID-19 PPE at year end.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 000	5 000
Bank balances	2 730 314	3 580 185
Short-term deposits	44 981 628	68 000 000
	47 716 942	71 585 185

Short-term deposits

Call deposits	2 000 000	18 000 000
35 Days fixed deposits	-	40 000 000
90 Days fixed deposits	-	10 000 000
32 Days fixed deposits	10 000 000	-
33 Days fixed deposits	8 000 000	-
60 Days fixed deposits	25 000 000	-

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

4. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank - Current account: 4086264236	2 614 228	3 368 855	3 077 233	2 621 570	3 400 976	3 090 512
ABSA Bank - Call account: 4089054729	2 021 575	18 108 745	17 000 000	2 021 575	18 108 745	17 013 857
Petty cash	-	-	-	5 000	5 000	5 000
FIRST NATIONAL BANK - 182 days 74773060526	-	20 000 000	20 000 000	-	20 000 000	20 000 000
NEDBANK - 182 Days investment: 03/7497571214/000230	-	-	20 000 000	-	-	20 000 000
NEDBANK - 91 Days investment: 03/7497571214/000232	-	-	10 000 000	-	-	10 000 000
NEDBANK - 91 Days investment: 03/7497571214/000231	-	-	10 000 000	-	-	10 000 000
STANDARD BANK - 62 Days investment: 728855100-044	-	-	10 013 856	-	-	10 000 000
Absa - Growbus 40-9881-8724	68 799	70 464	-	68 799	70 464	-
NEDBANK - 182 Days 03/7497571214/000243	-	20 000 000	-	-	20 000 000	-
STANDARD BANK - 62 Days 728855100-054	-	10 000 000	-	-	10 000 000	-
ABSA Bank - 32 Days investment: 2079847726	10 000 000	-	-	10 000 000	-	-
NEDBANK - 60 Days investment: 03/7497571214/000260	15 000 000	-	-	15 000 000	-	-
STANDARD BANK - 60 Days investment: 728855100-069	10 000 000	-	-	10 000 000	-	-
STANDARD BANK - 33 Days investment: 728855100-070	8 000 000	-	-	8 000 000	-	-
Total	47 704 602	71 548 064	90 091 089	47 716 944	71 585 185	90 109 369

5. Trade and other receivables from exchange transactions

Gross balances

Accrued interest - bank	112 910	183 714
Abattoir	125 674	80 192
Other receivables - councillor salaries	3 516	3 516
	242 100	267 422

Less: Allowance for impairment

Accrued interest - bank	-	-
Abattoir	(107 968)	-
Other receivables - councillor salaries	(3 516)	-
	(111 484)	-

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
5. Trade and other receivables from exchange transactions (continued)		
Net balance		
Accrued interest - bank	112 910	183 714
Abattoir	17 706	80 192
Other receivables - councillor salaries	-	3 516
	130 616	267 422
Abattoir		
Current (0 -30 days)	17 706	32 499
31 - 60 days	107 968	47 693
	125 674	80 192
Other receivables - councillor salaries		
> 365 days	3 516	3 516
Accrued interest - bank		
Current (0 -30 days)	112 910	183 714
Reconciliation of allowance for impairment		
Balance at beginning of the year	-	-
Contributions to allowance	(111 484)	-
	(111 484)	-
Other receivables pledged as security		
No other receivables were pledged as security.		
Credit quality of receivables from exchange transactions		
Abattoir debtors are payable within 30 days. The credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
The credit quality of debtors that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates or external ratings (if applicable). The municipality's historical experience in collection of receivables transactions falls within recorded allowances. Accordingly management believes no further credit provisions are required in excess of the present allowance for doubtful debts.		
Fair value of trade and other receivables		
Consumer debtors past due but not impaired		
All services are payable within 30 days from the invoice date.. At 30 June 2021, R0 (2020: R47 693) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	17 706	32 499
2 months and older past due	111 484	51 209
6. Receivables from non-exchange transactions		
Prepayments	1 294 732	1 098 846
Sundry debtors	132 964	126 060
Accrued interest - municipal account	-	7 598
	1 427 696	1 232 504

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
7. VAT		
VAT	1 172 358	966 221

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 365 500	-	1 365 500	1 365 500	-	1 365 500
Buildings	38 574 417	(15 324 748)	23 249 669	38 623 441	(14 064 652)	24 558 789
Plant and machinery	5 926 114	(3 597 128)	2 328 986	5 926 114	(3 030 448)	2 895 666
Motor vehicles	80 823 555	(27 306 816)	53 516 739	76 704 842	(22 844 816)	53 860 026
Office equipment	14 049 940	(9 461 849)	4 588 091	14 048 691	(8 640 179)	5 408 512
Total	140 739 526	(55 690 541)	85 048 985	136 668 588	(48 580 095)	88 088 493

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Derecognition - Cost	Derecognition - Accumulated depreciation	Depreciation	Total
Land	1 365 500	-	-	-	-	1 365 500
Buildings	24 558 789	-	(49 024)	22 015	(1 282 111)	23 249 669
Plant and machinery	2 895 666	-	-	-	(566 680)	2 328 986
Motor vehicles	53 860 026	4 140 000	(21 287)	21 286	(4 483 286)	53 516 739
Office equipment	5 408 512	328 080	(326 863)	261 681	(1 083 319)	4 588 091
Total	88 088 493	4 468 080	(397 174)	304 982	(7 415 396)	85 048 985

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Change in estimate	Derecognition - Cost	Derecognition - Accumulated depreciation	Depreciation	Impairment loss	Total
Land	1 365 500	-	-	-	-	-	-	1 365 500
Buildings	25 780 022	-	325 363	(120 667)	19 439	(1 197 287)	(248 081)	24 558 789
Plant and machinery	2 625 495	556 684	268 492	(49 889)	45 682	(514 372)	(36 426)	2 895 666
Motor vehicles	37 587 771	18 729 571	1 413 515	(553 225)	460 442	(2 868 238)	(909 810)	53 860 026
Office equipment	5 598 169	450 604	645 880	(1 420 418)	1 311 983	(1 093 864)	(83 454)	5 408 512
	72 956 957	19 736 859	2 653 250	(2 144 199)	1 837 546	(5 673 761)	(1 277 771)	88 088 493

Pledged as security

There are no items of property plant and equipment pledged as security.

Change in estimate breakdown

Buildings	-	325 363
Plant and machinery	-	268 492
Motor vehicles	-	1 413 515
Office equipment	-	645 880
	-	2 653 250

Reconciliation of Work-in-Progress 2021

	Opening balance	Transferred to completed projects
Opening balance	39 347 922	(39 347 922)

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Opening balance	Additions	Total
Opening balance	24 879 582	14 468 340	39 347 922

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses	3 826 282	4 188 185
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Derecognition of assets

In terms of GRAP 17, the carrying amount of an item of property, plant and equipment shall be derecognised either on disposal (inclusive of disposal through a non-exchange transaction) or when no future economic benefits or service potential is expected from the use or disposal of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in surplus or deficit when the item is derecognised (unless GRAP 13 requires otherwise on a sale and leaseback).

A physical asset verification exercise was conducted during March and June 2021 where assets were identified as being in a condition that economic benefits are no longer expected to flow to the municipality and therefore these were written off and derecognised from the fixed asset register.

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 134 705	(1 751 651)	1 383 054	3 890 011	(2 028 305)	1 861 706

Reconciliation of intangible assets - 2021

	Opening balance	Derecognition - cost	Derecognition - accum amortisation	Amortisation	Total
Computer software, other	1 861 706	(755 306)	755 306	(478 652)	1 383 054

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Derecognition - cost	Derecognition - accum amortisation	Amortisation	Total
Computer software, other	1 753 202	330 450	(365 612)	365 612	(221 946)	1 861 706

Pledged as security

There are no items of intangible assets pledged as security.

10. Non-current receivables

Description

Water and electricity	2 027	2 027
Office rentals	32 750	32 750
Telephone	20 000	20 000

Waterberg District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
10. Non-current receivables (continued)		
	54 777	54 777
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.		
11. Operating lease asset (accrual)		
Current assets	-	-
Current liabilities	(74 444)	-
	(74 444)	-
Refer to note 31 commitment for additional disclosure relating to operating lease accrual.		
12. Payables from exchange transactions		
Trade payables	3 618 038	2 828 876
Debtors with credit balances	8 722	-
Retentions	107 985	256 410
Accruals	1 126 544	9 526 466
	4 861 289	12 611 752
13. Payables from non-exchange transactions		
Accruals for leave	14 922 615	12 869 920
Accruals for bonuses	2 130 351	2 100 950
	17 052 966	14 970 870
14. Consumer deposits		
Abattoir	2 000	2 000

Waterberg District Municipality

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15. 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 most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Chanan Weiss on behalf of ARCH Actuarial Consulting (Pty) Ltd. Chanan is a Fellow of the Actuarial Society of South Africa (ASSA) and has been involved for 20 years, in over 1,000 valuations for more than 200 clients including the City of Cape Town, City of Tshwane and Transnet.

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:

Movement in the employee healthcare benefit liability:

Carrying value

Opening balance	(24 671 579)	(26 891 433)
Medical contributions subsidies for continuation pensioners	750 898	728 992
Current service costs	(1 440 019)	(1 455 734)
Current interest costs	(3 222 281)	(2 803 897)
Actuarial (gain) loss over financial year	11 159 982	5 750 493
Unfunded accrued liability as at 30 June	(17 422 999)	(24 671 579)

Non-current liabilities	(16 683 999)	(23 966 637)
Current liabilities	(739 000)	(704 942)
	(17 422 999)	(24 671 579)

The liability as at 30 June consist of:

In-service (employee) members	(8 662 000)	(15 971 577)
Continuation members	(8 589 000)	(7 838 817)
In-service (employee) non-members	(172 000)	(861 186)

Waterberg District Municipality

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Figures in Rand	2021	2020
Net expense recognised in the statement of financial performance		
Current service cost	1 440 019	1 455 734
Interest cost	3 222 281	2 803 897
Actuarial (gains) losses	(11 159 982)	(5 750 493)
	(6 497 682)	(1 490 862)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.97 %	13.25 %
Medical cost trend rates	6.74 %	8.97 %
Net-of-health-care-cost-inflation discount rate	3.03 %	- %
Maximum subsidy inflation rate	4.68 %	- %
Net-of-maximum-subsidy-inflation discount rate	5.05 %	- %

The discount rate is a composite of all government bonds. The discount rate was determined from yield curves from the current market rates after the market closed at reporting date.

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:

Medical inflation rate

2021 financial year:

	One percentage point increase	One percentage point decrease
Accrued liability	18 584 000	15 895 000
Current service costs	1 723 160	1 723 160
Interest cost	3 694 340	2 831 241

2020 financial year:

	One percentage point increase	One percentage point decrease
Accrued liability	28 069 443	21 885 958
Current service costs	1 698 123	1 234 120
Interest cost	3 395 329	3 068 522

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

	2021	2020	2019	2018	2017
Defined benefit obligation	17 423 000	24 671 579	26 891 434	24 977 888	23 164 165

16. Long service award 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.

Waterberg District Municipality

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16. Long service award liability (continued)

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 most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Chanan Weiss on behalf of ARCH Actuarial Consulting (Pty) Ltd. Chanan is a Fellow of the Actuarial Society of South Africa (ASSA) and has been involved for 20 years, in over 1,000 valuations for more than 200 clients including the City of Cape Town, City of Tshwane and Transnet.

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:

Movement in the long-service award liability:

Liability as at 01 July	(4 115 465)	(4 010 768)
Benefits paid	701 279	510 933
Current service cost	(357 867)	(360 854)
Interest	(269 760)	(301 175)
Actuarial losses / (gains) recognised in Statement of Financial Performance	(1 427 187)	46 399

Unfunded accrued liability as at 30 June

(5 469 000)	(4 115 465)
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Current portion of liability as at 30 June	(703 000)	(727 187)
Non-current portion of liability as at 30 June	(4 766 000)	(3 388 278)

(5 469 000)	(4 115 465)
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Expense recognised in (profit) or loss:

Current service cost	357 867	360 854
Interest cost	269 760	301 175
Actuarial losses / gains	1 427 187	(46 399)
	2 054 814	615 630

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

EPWP Incentive Grant	63 792	-
Rural Road Assets Management Systems Grant	134	134
	63 926	134

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

18. Other income

Commission income	23 638	48 373
Recoveries	68 462	-
Air quality licencing	45 000	-
Tender document fees	-	11 522
Fire income	16 556	-
Long service award	73 652	-
	227 308	59 895

Waterberg District Municipality

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Figures in Rand	2021	2020
19. Interest earned		
Abattoir services	742	42
Interest revenue		
Bank	109 729	461 826
Short-term investments	3 407 195	6 721 426
	3 516 924	7 183 252
	742	42
	3 516 924	7 183 252
	3 517 666	7 183 294
20. Actuarial gain / (loss)		
Gains or losses arising from employee benefit obligation	11 159 982	5 750 493
Gains or losses arising from long service awards	(1 427 187)	46 399
	9 732 795	5 796 892

Waterberg District Municipality

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Figures in Rand	2021	2020
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21. Government grants and subsidies

Operating grants

Equitable share	142 124 000	129 984 752
LG SETA Grant	141 886	-
Rural Road Asset Management Grant	2 151 000	2 259 000
Disaster Relief Grant	-	1 192 000
Finance Management Grant	1 000 000	1 000 000
Expanded Public Works Incentive Grant	936 208	-
	146 353 094	134 435 752
	146 353 094	134 435 752
	-	-

Equitable Share

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

Disaster Relief Grant

Current-year receipts	-	1 192 000
Conditions met - transferred to revenue	-	(1 192 000)
	-	-

National Treasury made an allocation at 30 June 2020 of R1 192 000 (one million one hundred and ninety two thousand rand) to the Waterberg District Municipality as a Disaster Relief specifically focusing on COVID19 activities

Finance Management Grant

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

Expanded Public Works Incentive Grant

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(936 208)	-
	63 792	-

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. Project was complete with a savings amounting to R63 792.

LG SETA Grant

Current-year receipts	141 886	-
Conditions met - transferred to revenue	(141 886)	-
	-	-

The aim of these grants is to encourage stakeholders and employers to contribute to skills development, address critical and scarce skills shortages, and create jobs and employment opportunities

Rural Road Asset Management Grant

Balance unspent at beginning of year	-	579 090
Current-year receipts	2 151 000	2 259 000

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Figures in Rand	2021	2020
21. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(2 151 000)	(2 259 000)
Other	-	(579 090)
	<u>-</u>	<u>-</u>

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

Changes in level of government grants

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

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22. Employee related costs

Salaries and wages	67 958 160	62 915 029
Travel and other allowances	15 581 027	13 259 873
Overtime allowances	6 819 467	5 762 906
Housing benefits and allowances	3 609 977	2 721 000
Contributions for UIF, pension and medical aid and other statutory contributions	20 698 388	19 805 216
	114 667 019	104 464 024

Remuneration of Municipal Manager

Annual Remuneration	875 601	448 416
Car Allowance	190 543	99 794
Acting allowance	-	187 575
Contributions to UIF, Medical and Pension Funds	204 940	126 498
Other	16 500	150 446
	1 287 584	1 012 729

The Municipal Manager was appointed in 01 August 2020.

Remuneration of Chief Finance Officer

Annual Remuneration	787 141	348 859
Car Allowance	170 000	80 599
Acting allowance	-	2 401
Contributions to UIF, Medical and Pension Funds	176 323	80 040
Other	12 000	22 823
	1 145 464	534 722

The Chief Financial Officer was employed for the year under review.

Remuneration of Manager: Infrastructure Development

Annual Remuneration	738 767	557 171
Car Allowance	169 991	134 167
Bonuses	61 564	47 433
Contributions to UIF, Medical and Pension Funds	163 141	132 801
Other	12 000	75 459
	1 145 463	947 031

The Infrastructure Developmentt manager was employed for the year under review.

Remuneration of Manager: Planning & Economic Development

Annual Remuneration	747 705	576 636
Car Allowance	169 467	134 167
Bonuses	62 272	49 020
Contributions to UIF, Medical and Pension Funds	154 018	123 023
Other	12 000	92 313
	1 145 463	975 159

The Planning and Economic Development manager was employed for the year under review.

Remuneration of Manager: Corporate Support and Share Services

Annual Remuneration	739 995	722 074
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Waterberg District Municipality

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Figures in Rand	2021	2020
22. Employee related costs (continued)		
Car Allowance	168 234	170 020
Bonuses	61 666	60 580
Contributions to UIF, Medical and Pension Funds	163 567	161 782
Other	12 000	69 269
	1 145 462	1 183 725

The Manager Corporate Support and Share Services manager was employed for the year under review.

Remuneration of Manager: Social Development and Community Services

Annual Remuneration	907 751	619 750
Car Allowance	167 045	122 987
Contributions to UIF, Medical and Pension Funds	58 667	51 052
Other	27 929	265 960
	1 161 392	1 059 749

The Manager Social Development and Community Services manager was employed for the year under review.

Remuneration of Manager: Executive Support Office

Annual Remuneration	881 055	608 349
Car Allowance	183 799	173 218
Bonuses	52 034	48 927
Contributions to UIF, Medical and Pension Funds	52 748	39 178
Other	13 579	328 395
	1 183 215	1 198 067

The Executive Support Manager was employed for the year under review.

23. Remuneration of councillors

Executive Mayor	941 324	941 120
Mayoral Committee Members	3 860 595	4 156 137
Speaker	760 818	760 779
Councillors	2 858 004	2 381 429
	8 420 741	8 239 465

Waterberg District Municipality

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23. Remuneration of councillors (continued)

Reconciliation of remuneration of Councillors -2021

	Annual remuneration	Travel allowance	Cellphone allowance	Pension contributions	Medical contributions	Backpay	SDL	Total
Executive Mayor - S.M. Mataboge	- 511 825	218 103	40 800	76 774	87 148	-	6 674	941 324
Speaker - K.S. Lamola	- 466 355	178 770	40 800	69 953	-	-	4 940	760 818
Mayoral committee member - M.A. Tsebe	- 223 662	61 817	23 800	33 549	75 211	-	2 398	420 437
Mayoral committee member - F.S Hlungwane	- 397 957	-	-	-	-	-	3 316	401 273
Mayoral committee member - T.A. Mashamaite	- 403 077	168 675	40 800	60 462	38 173	-	4 511	715 698
Mayoral committee member - M.P Sebatjana	- 387 517	-	-	-	-	-	3 301	390 818
Mayoral committee member - R.M. Radebe	- 391 970	165 202	40 800	70 555	42 660	-	4 679	715 866
Mayoral committee member - K.R. Mokwena	- 101 558	-	-	-	-	-	1 158	102 716
Mayoral committee member - M.R. Boloka	- 253 551	74 798	40 800	45 639	-	-	3 135	417 923
MPAC Chairperson - N.S. Montane	- 424 383	162 681	40 800	63 657	-	-	4 342	695 863
Councillor - M.J. Gumede	- 112 705	42 949	24 933	16 142	-	-	1 074	197 803
Councillor - K.C Khotsa	- 184 480	70 718	40 800	27 672	-	-	1 967	325 637
Councillor - N. Laubscher	- 184 480	70 718	40 800	27 672	-	-	1 967	325 637
Councillor - S.C. Majoko	- 179 305	55 379	40 800	26 896	21 290	-	2 092	325 762
Councillor - M.B. Baloyi	- 14 342	-	-	-	-	-	136	14 478
Councillor - F.Z. Esply	- 1 740	-	-	-	-	-	-	1 740
Councillor - B.N. Magongwa	- 18 181	-	-	-	-	-	149	18 330
Councillor - R.D. Mampeule	- 10 440	-	-	-	-	-	87	10 527
Councillor - R. Maropeng	- 4 350	-	-	-	-	-	26	4 376
Councillor - B. Mocke	- 8 826	-	-	-	-	-	71	8 897
Councillor - M.T. Mogale	- 16 548	-	-	-	-	-	181	16 729
Councillor - P. Molekwa	- 10 440	-	-	-	-	-	87	10 527
Councillor - T.E. Monama	- 16 548	-	-	-	-	-	196	16 744
Councillor - R.N. Monene	- 17 652	-	-	-	-	-	143	17 795
Councillor - L.K. Satege	- 4 413	-	-	-	-	-	44	4 457
Councillor - M.S. Selokela	- 10 440	-	-	-	-	-	103	10 543
Councillor - M.D Senosha	- 10 440	-	-	-	-	-	87	10 527
Councillor - S.C.G. Senosha	- 15 445	-	-	-	-	-	139	15 584
Councillor - M.S. Thobane	- 20 961	-	-	-	-	-	200	21 161
Councillor - M.J. Kekana	- 17 652	-	-	-	-	-	161	17 813

Waterberg District Municipality

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23. Remuneration of councillors (continued)

Councillor - V.N. Mahlangu	-	-	-	-	-	-	-	24	24
Councillor - M.J. Matlala	-	184 480	70 718	40 800	27 672	-	-	1 976	325 646
Councillor - M.D. Mochaki	-	184 480	70 718	40 800	27 672	-	-	1 976	325 646
Councillor - R.J. Mahoro	-	15 445	-	-	-	-	-	137	15 582
Councillor - K.H. Niewenhuis	-	212 152	70 718	40 800	-	-	-	2 410	326 079
Councillor - L.V. Kekana	-	-	-	-	-	-	-	15	15
Councillor - M.S. Tefu	-	3 310	-	-	-	-	-	33	3 343
Councillor - R. Manyama	-	8 700	-	-	-	-	-	94	8 794
Councillor - F.M. Mabasa	-	6 090	-	-	-	-	-	64	6 154
Councillor H.S. Mathebula	-	81 750	45 024	15 867	13 456	12 072	3 526	1 332	173 027
Councillor R.A. Matsemela	-	182 170	69 832	17 000	27 326	-	-	2 296	298 624
	-	5 299 820	1 596 820	571 200	615 097	276 554	3 526	57 721	8 420 741

Reconciliation of remuneration of Councillors - 2020

	Opening balance	Annual remuneration	Travel allowance	Cellphone allowance	Pension contributions	Medical contributions	Backpay	SDL	Total
Executive Mayor - S.M. Mataboge	-	496 722	223 463	40 800	76 774	81 788	15 103	6 470	941 120
Speaker - K.S. Lamola	-	449 914	178 770	40 800	69 953	-	16 441	4 901	760 779
Mayoral committee member - M.A. Tsebe	-	375 399	107 981	40 800	57 419	122 192	7 396	4 697	715 884
Mayoral committee member - F.S. Hlungwane	-	383 926	-	-	-	-	14 031	3 241	401 198
Mayoral committee member - T.A. Mashamaite	-	387 584	167 557	40 800	60 462	39 291	15 494	4 354	715 542
Mayoral committee member - M.P. Sebatjana	-	373 855	-	-	-	-	13 662	3 574	391 091
Mayoral committee member - R.M. Radebe	-	378 930	167 596	40 800	70 555	40 266	13 040	5 464	715 751
Mayoral committee member - K.R. Mokwena	-	97 978	-	-	-	-	3 581	1 202	102 761
Mayoral committee member - M.R. Boloka	-	244 613	74 798	40 800	45 639	-	8 938	3 388	418 176
MPAC Chairperson - N.S. Montane	-	409 420	162 681	40 800	63 657	-	14 963	4 215	695 736
Councillor - M.J. Gumede	-	177 976	70 718	40 800	27 672	-	6 504	2 009	325 679
Councillor - K.C. Khotso	-	177 976	70 718	40 800	27 672	-	6 504	1 898	325 568
Councillor - N. Laubscher	-	177 976	70 718	40 800	27 672	-	6 504	1 898	325 568
Councillor - S.C. Majoko	-	173 382	56 574	40 800	26 896	20 095	5 923	2 073	325 743
Councillor - M.B. Baloyi	-	13 918	-	-	-	-	424	171	14 513
Councillor - F.Z. Esply	-	10 072	-	-	-	-	369	84	10 525
Councillor - B.N. Magongwa	-	18 158	-	-	-	-	596	243	18 997
Councillor - R.D. Mampeule	-	10 072	-	-	-	-	369	171	10 612
Councillor - R. Maropeng	-	10 072	-	-	-	-	369	84	10 525

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23. Remuneration of councillors (continued)

Councillor - B. Mocke	-	10 072	-	-	-	-	369	84	10 525
Councillor - M.T. Mogale	-	13 917	-	-	-	-	425	224	14 566
Councillor - P. Molekwa	-	10 072	-	-	-	-	369	84	10 525
Councillor - T.E. Monama	-	12 856	-	-	-	-	383	166	13 405
Councillor - R.N. Monene	-	18 158	-	-	-	-	596	148	18 902
Councillor - L.K. Satege	-	6 363	-	-	-	-	256	143	6 762
Councillor - M.S. Selokela	-	10 072	-	-	-	-	369	178	10 619
Councillor - M.D Senosha	-	10 072	-	-	-	-	369	85	10 526
Councillor - S.C.G. Senosha	-	12 814	-	-	-	-	425	109	13 348
Councillor - M.S. Thobane	-	14 978	-	-	-	-	468	203	15 649
Councillor - M.J. Kekana	-	10 072	-	-	-	-	369	150	10 591
Councillor - V.N. Mahlangu	-	-	-	-	-	-	-	15	15
Councillor - M.J. Matlala	-	148 412	59 385	34 000	23 060	-	5 321	1 543	271 721
Councillor - M.D. Mochaki	-	148 412	59 385	34 000	23 060	-	5 321	1 547	271 725
Councillor - R.J. Mahoro	-	8 399	-	-	-	-	302	120	8 821
Councillor - K.H. Niewenhuis	-	204 673	70 718	40 800	-	-	7 479	2 328	325 997
	-	5 007 285	1 541 062	557 600	600 491	303 632	173 032	57 264	8 239 465

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	7 415 428	5 673 762
Intangible assets	478 651	221 946
	7 894 079	5 895 708

Waterberg District Municipality

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25. Impairment of assets

Impairments

Property, plant and equipment - 1 277 770

An entity shall assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. The reduction is an impairment loss

Once it is determined that there is a potential impairment loss, a formal estimate of the recoverable service amount is to be made by the entity. The recoverable service amount is determined to be the higher of a non-cash generating assets fair value less costs to sell and its value in use. The value in use is the present value of the assets remaining service potential

On inspection of the fixed asset register for the 2020 financial year it was noted that certain movable assets determined to be in an unfavourable condition for future use and were recorded at balances in terms of their carrying values in the fixed asset register that did not accurately reflect their recoverable service potential. These assets were assessed for impairment by comparing their carrying amounts as at 30 June 2020 to their estimated recoverable service potential amounts and an impairment loss was determined and recognised as per GRAP 21 requirements.

- 1 277 770
- -

The recoverable amount was based on the value in use of the assets.

26. Bad debts written off

Thabazimbi Local Municipality - 2 000 000

During the 2018/19 financial year WDM paid Eskom on behalf of Thabazimbi Local Municipality and a debtor was raised. Council took a resolution in 2019/20 financial year to wrote off debt as per resolution number A275/2020.

27. Project expenditure

FMG - expenditure	929 905	402 008
Strategic planning	170 775	267 374
National Planning WEDA	-	6 500
Agricultural Development	107 600	145 250
Review of the Waterberg Disaster and Risk Management Plan	-	454 102
Humanitarian Relief Materials	-	590 024
LED Coordination	58 596	83 315
District IDP Public Participation Programme	956 580	1 194 494
Planning - Tourism INDABA	1 870 434	1 964 280
Expanded Public Works Program	932 809	-
Review of SDF	334 950	-
Spluma	109 502	-
Planning Design and Refurbishment of WDM Building	442 047	-
	5 913 198	5 107 347

Waterberg District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
28. General expenses		
Advertising	240 655	198 230
Annual report	73 802	63 844
Audit fees	2 935 890	2 509 226
Audit committee	303 709	236 482
Bank charges	30 758	41 482
Bursaries	29 885	52 390
Cleaning	196 136	143 779
Conferences and seminars- delegations	18 455	203 479
Contracted services	4 903 637	3 369 825
Consulting and professional fees	905 187	729 139
Consumables	200 103	422 041
Discretionary Bursary Fund	124 120	-
Employee Assistance Program	16 000	184 251
Entertainment	192 266	311 237
Environmental Health - awareness & sampling	56 361	-
Insurance	1 609 440	642 478
COVID - 19 expenditure	1 261 401	1 133 628
Long service award expenditure	-	192 554
Meat inspection	265 510	221 620
Post-retirement health care expenditure	3 911 402	4 259 631
Miscellaneous expenditure	3 246	5 454
Motor vehicle expenses	749 033	811 415
Repairs and maintenance	3 826 282	4 188 185
Municipal account - water, rates & electricity	2 061 276	2 444 254
Printing and stationery	329 177	369 397
Programming	4 111 528	2 638 344
Protective clothing	1 134 855	568 808
Rental of buildings / offices	898 489	728 121
Tourism development	-	157 400
Operating lease expense	805 858	800 849
Security cost	4 292 438	4 408 645
Subscriptions and membership fees	1 348 046	135 214
Subscriptions and publication	-	2 257
Telephone and cell phone expenses	549 215	591 405
Training	82 690	352 407
Travel and subsistence	1 968 672	4 305 032
	39 435 522	37 422 503

29. Remuneration of Audit Committee members

Sitting allowance	303 709	236 482
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3 Members serve on the Audit Committee. The members are paid an allowance per day and are reimbursed for travel expenses. The 3 year term of the audit committee expired at the end of 31 March 2021 and it was extended with a year from 01 April 2021 to 31 March 2022. The minimum of four meetings are held every year and the chairperson also attended council meetings.

Waterberg District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
30. Cash used in operations		
Deficit	(15 525 969)	(16 349 823)
Adjustments for:		
Depreciation and amortisation	7 894 079	5 895 708
Impairment - PPE	-	1 277 770
Loss on disposal of assets	92 192	306 653
Debt impairment	111 484	-
Bad debts written off	-	2 000 000
Increase in leave and bonus accrual	2 082 096	2 209 075
Actuarial gain / losses - employee benefit obligation	(11 159 982)	(5 750 493)
Increase in long service awards liability	(73 652)	151 096
Actuarial gain / loss - long service award	1 427 187	(46 399)
Movement in employee benefit liability	3 911 402	3 530 639
Changes in working capital:		
Inventories	(156 700)	106 467
Decrease / (Increase) in receivables from non-exchange	(195 192)	(908 027)
Decrease / (Increase) receivables from exchange transactions	25 322	(28 730)
Decrease/(Increase) in VAT receivable	(206 137)	3 206 734
Other payables (non exchange)	-	2 698 138
Unspent conditional grants and receipts	63 792	-
Decease / (Increase) in payable from exchange	(7 750 463)	92 142
	(19 460 572)	(1 609 050)

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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31. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Capital expenditure	-	6 314 716
• Operational expenditure	12 741 691	8 974 457
	12 741 691	15 289 173

Total capital commitments

• Capital expenditure	-	6 314 716
• Operational expenditure	12 741 691	8 974 457
	12 741 691	15 289 173

Total commitments

Total commitments

Authorised capital expenditure	12 741 691	15 289 173
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The capital commitments relates to capital projects and will be financed from grants received.

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.

The commitment are disclosed VAT inclusive.

Commitments in respect of leases

Operating lease

Minimum lease payments due

- within one year	1 549 766	800 849
- in second to fifth year inclusive	2 274 901	667 374
	3 824 667	1 468 223

Operating lease payments represent rentals payable by the municipality for photocopiers, buildings and telephone exchange server. The lease period range between 24 and 36 months.

Waterberg District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
32. Contingencies		
The following are legal cases pending at year end and the potential liability thereof:	2021	2020
Contingent liabilities		
Mohale Incorporated - defend action against breach of contract	1 800 000	1 800 000
Alleged contract breach with Limpopo Business Support Agency (LIBSA) due to not meeting reporting requirement. An application for exception was granted in our favour. We await the applicant with the matter in this regard. The applicant has not taken any action since.		
Khomotso Ledwaba (Case no:4150/20) - Serviced with combined summons for negligence Plaintiff claiming damages.	10 000 000	10 000 000
Walkons Slaughuis Mokopane (Pty) Ltd (Case no:3095/2021) - Notice of motion. Currently exchanging pleadings	1 800 000	
Mariri & 2 others (Case no:LPD 032009) - Matter at labour court for review.	39 600	
Contingent assets		
Waltkons -Suppliers failure to pay after services were rendered. Parties entered into a settlement agreement.		47 692

33. Related parties

[Waterberg District Municipality's Council resolved to disestablish WEDA on 30 May 2019, resolution number A211/2019. One of the resolutions included transferring of WEDA's assets to Waterberg District Municipality's ownership.

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

Key management personnel (refer to note 22) :

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

Municipal Councillors (refer to note 23):

- Executive Mayor
- Speaker
- Mayoral Committee Members &
- Councillors

The district municipality provides support to the local municipalities in the district. Firefighting is a funded mandate of Waterberg District Municipality which is performed by local municipalities. The financial transaction between Waterberg District Municipality and Mogalakwena for the 2021 financial year is R4 903 637 with outstanding balance due of R1 126 543.74

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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34. Prior period errors

1. Cash and cash equivalent

Cash and cash equivalent has been restated due to interest that was not received for the last 3 months and automatically capitalized. This represent an adjusting event for the year ended 30 June 2020.

2. Receivables from non-exchange transactions

Interest accrued were overstated in the previous financial year and error were identified. This represent an adjusting event for the year ended 30 June 2020. Payment in advance were expense incorrectly

3. Payables from non-exchange transactions

Casting error were identified on the calculation on provision for bonuses and error were corrected.

4. Payable from non-exchange transactions

Accruals for fire services were incorrectly captured and was subsequently corrected.

5. VAT receivable

Accruals were corrected with a VAT implication and was corrected after year end.

6. Property plant and equipment

Depreciation calculation were incorrectly calculated in the prior year which led to negative carrying amounts, it was however rectify.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	Audited AFS	Restated AFS	Restatements
Cash and cash equivalent	71 476 440	71 585 185	108 745
Receivables from non-exchange transactions	499 368	1 416 218	916 850
Payables from non-exchange transactions	14 878 728	14 970 870	(92 142)
Payables from exchange transaction	12 524 960	12 611 752	(86 792)
Trade and other receivables from exchange transaction	80 192	83 708	3 516
Accumulated Surplus or Deficit	106 795 649	107 684 508	(888 859)
VAT receivable	932 924	966 221	33 297
Property plant and equipment	88 083 108	88 088 493	5 385

Statement of financial performance	Audited AFS	Restated AFS	Restatements
Interest earned - external investments	7 252 986	7 183 252	(69 734)
Employee related costs	104 371 882	104 646 024	(92 142)
General expenditure	38 521 349	38 467 854	(53 495)
Depreciation and amortisation	5 901 093	5 895 708	(5 385)

35. Risk management

The municipality's activities exposes it to the variety of financial risks: Market risk (including currency risks, fair value interest rate risks, cash flow interest risk and price risk) credit risks and liquidity risk.

The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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35. Risk management (continued)

35.1 Liquidity risk

Liquidity risk is the risk that municipality will encounter difficulty in raising sufficient funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors cash projections and ensure that borrowing facilities are available to meet its cash requirements.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	4 861 289	-	-	-
Consumer deposits	-	-	-	2 000
Unspent conditional grant	63 792	-	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	12 611 752	-	-	-
Consumer deposits	-	-	-	2 000
Unspent conditional grant	-	-	134	-

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

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35. Risk management (continued)

35.2 Credit Risk

Credit risk is the risk that a counter party to a financial assets will fail to discharge an obligations and cause municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposit with banks and financial institutions, as well as credit exposure to consumer and grant debtors.

For banks and financial institutions, only reputable independent rated parties are accepted. Grants are receivables from higher orders levels of government. In the case of abattoir debtors, the municipality effectively has the right to terminate services to a debtor. The risks of non-payments is managed on on-going basis and where practical, services are terminated and procedures applied to recover outstanding amounts and appropriate level of impairment provision for default is maintained.

Credit risk consist cash deposit, cash equivalent, trade and other receivables. Abattoir debtors are disclosed net after provisions are made for impairment and bad debt.

Municipality only deposit cash with major banks with high credit quality of credit standing. An amount of R45 090 374 investment. No investments were pledged as security for the period under review. Although credit risk pertaining to cash and cash equivalent are considered low, the maximum exposure is disclosed below.

The risk pertaining to unpaid conditional grant is considered to be very low,

Maximum credit and interest risk exposure in respect of relevant financial instruments are as follows:

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2021	2020
Trade and other receivables from exchange transactions	130 616	267 422
Cash and cash equivalent	47 730 974	71 585 185

Market risk

35.3 Interest rate risk

The municipality is exposed to interest risk due to the movement in short-term interest rates.

The risk is managed by on an on-going basis by comparison between market related rated and historical rates and adjustment made where necessary.

The municipality did not hedge against any interest rate risks during the year under review.

35.4 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 may incur a liability or risk payable in a foreign currency.

35.5 Fair value of financial instruments

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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36. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of 92 158 536 and that the municipality's total assets exceed its liabilities by 92 158 536.

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. In assessment whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic; management considered wide range of factors including the current and expected performance of the municipality, the likelihood of continued government funding and if necessary, potential sources of replacement funding. Furthermore, the Municipality has adopted cost containment policy to curd unnecessary spending.

The Municipality has not defaulted on payment of creditors. The municipality do have the ability to operate as going concern and to continue rendering services to its community.

37. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

38. Fruitless and wasteful expenditure

Opening balance as restated	-	-
Add: Expenditure identified - current	-	9 743
Less: Amounts recoverable - current	-	(7 598)
Less: Amount written off - current	-	(2 145)
Closing balance	-	-

No fruitless and wasteful expenditure incurred during the year under review.

The local municipality previously charged WDM interest incorrectly. It was resolved subsequent to year end and to correct by reversing the interest on the WDM account.. The interest was tabled to Council whereby it was referred to MPAC for further investigation.

Special MPAC meeting was held to conclude the investigation conducted and after satisfying themselves with the outcome of the research conducted, the Committee resolved that fruitless and wasteful expenditure in this regard must be certified as irrecoverable and be written off by council.

Subsequent to year end Council wrote off fruitless and wasteful expenditure as recommended by MPAC as per Council resolution A307/2020.

39. Irregular expenditure

Opening balance as previously reported	5 944 567	3 501 766
Add: Irregular Expenditure - current year	1 465 921	3 483 018
Add: Irregular Expenditure incurred in prior year and identified in the current year	-	1 329 155
Opening balance as restated	7 410 488	8 313 939
Less: Amounts written off	(3 908 722)	(2 369 372)
Less: Amounts written off prior period	-	-
Less: Amount written off - current	-	-
Closing balance	3 501 766	5 944 567

Analysis of expenditure awaiting investigation by Financial misconduct Board

Waterberg District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
39. Irregular expenditure (continued)		
Details of irregular expenditure - current year		
As a result of not following Section 32 of MSCR	-	2 369 372
Appointment without municipal account	-	388 424
Payment of supplier not registered on CSD	626 336	1 986 962
Non compliance with PPPFA	176 664	67 415
Contract expired	141 774	-
Procurement process not followed. Three quotations not obtained	2 375	-
Procurement process not followed. Award did not follow a bid process	518 770	-
	1 465 919	4 812 173
Amounts recoverable		
The classification, validation and recoverability of all irregular expenditure was submitted to council in terms of section 32 of the MFMA for determination. The said submission was routed to by Council for further investigation by MPAC		
40. In-kind donations and assistance		
The Municipality did not receive any in-kind donations and assistance during the financial year, however donated R 2000 000 to Thabazimbi Local Municipality as per Council resolution in 2020 financial year.		
41. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	110 072	1 083 528
Current year subscription / fee	1 292 870	1 208 918
Amount paid - current year	(1 402 942)	(2 182 374)
	-	110 072
Audit fees		
Current year subscription / fee	2 935 890	2 509 226
Amount paid - current year	(2 935 890)	(2 509 226)
	-	-
UIF		
Current year subscription / fee	639 659	596 461
Amount paid - current year	(639 659)	(596 461)
	-	-
PAYE		
Current year subscription / fee	20 943 013	18 980 505
Amount paid - current year	(20 943 013)	(18 980 505)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	29 585 343	27 166 094
Amount paid - current year	(29 585 343)	(27 166 094)
	-	-

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

VAT

VAT receivable	1 172 358	966 221
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VAT output payables and VAT input receivables are shown in note .

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

Deviation from 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.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The municipality has procured goods and services to an amount of **R 804 204 (2020 - R 1 219 699)** during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

These expenses incurred, approved by the Municipal Manager and reported to Council, are listed below:

Incident

Deviations on goods and services less than R 30 000	117 047	260 306
Deviations on goods and services between R 30 000 and R 200 000	209 830	959 393
Deviations on goods and services above R 200 000	477 327	-
	804 204	1 219 699

Incident

Urgent and emergency procurement	-	934 299
Limited bidding procurement - single source procurement	477 327	24 944
Organ of state	326 877	260 456
	804 204	1 219 699

42. Budget differences

Material differences between budget and actual amounts

Revenue

Service charges - revenue realized from Abattoir operations. The increase in revenue is attributed to improvement introduced by management in the operations of the facility.

Interest Income - reduction is as a result of decrease in cash reserves

Other income – Increase is attributed to air quality licensing revenue realized during the year under review.

Expenditure

Employee related cost - The variance on employee related costs was as result of position budgeted that were not filled during the year under review.

Project expenditure - The under-spending on project expenditure was due to delay in the implementation of projects.