



Waterberg District Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

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.R. Molokomme
Chief Whip	M.B. Monare
Mayoral Committee member	N.S. Morumudi
Mayoral Committee member	M.S. Tauatsoala
Mayoral Committee member	M.H. Ledwaba
Mayoral Committee member	M.J. Maeko
Mayoral Committee member	R.T. Modise
Mayoral Committee member	S.R. Masipa
Mayoral Committee member	K.B. Mangakeng
Councillor	L.S. Marakalala
Councillor	M.J. Gumede
Councillor	R.A. Matsemela
Councillor	M.M. Kekana
Councillor	M.R. Kekana
Councillor	M.S. Meteleni
Councillor	E. Seepe
Councillor	K.A. Sesoma
Councillor	R.P. Sebjane
Councillor	P.S. Mabe
Councillor	D.S. Motshwene
Councillor	K.Q. Dekker
Councillor	C.J. Du Toit
Councillor	E.L. Setho
Councillor	M.V. Mahlare
Councillor	R.H. Kgotlhang
Councillor	J.H.T. Mills
Councillor	L.J. Molefe
Councillor	M.S. Thobane
Councillor	D.A. Mongalo
Councillor	S.C. Majoko
Councillor	H.E. Matlebyane
Councillor	M.S. Lelaka
Councillor	K.N. Niewenhuis
Councillor	M.L. Matlala

Waterberg District Municipality

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General Information

Members of Council

Grading of district municipality

Grade 4

Accounting Officer

P. Raputsoa

Acting Chief Financial Officer

C.P. Hoffman

Registered office

44 Harry Gwala Street
Modimolle
Limpopo
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)

Legislation governing the municipality's operations

Constitution of the republic of South Africa act 108 of 1996.
Municipal Finance Management Act 56 of 2003.
Municipal Structure Act 117 of 1998.
Municipal Systems Act 32 of 2000 and various other acts and regulations.
Division of Revenue Act.
Supply Chain Management Regulations 2005

Jurisdiction

Waterberg District Municipality
Area includes -
Modimolle - Mookgophong
Mogalakwena
Bela Bela
Lephalale
Thabazimbi

Waterberg District Municipality

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Abbreviations used:

IFRIC	International Financial Reporting Interpretations Committee
GRAP	Generally Recognised Accounting Practice
IASB	International Accounting Standard Board
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
ASB	Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
IFRS	International Financial Reporting Standard

Waterberg District Municipality

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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 7 - 82 , 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 2024 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 27 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 7-76 which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2023 and were signed on its behalf by:

P. Raputsoa
Accounting Officer

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

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.

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

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that may impact the annual financial statements.

4. Corporate governance

The Council

- 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 Council 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

Mr R. Tshimomola 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 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.

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.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Cash and cash equivalents	3	12 771 328	28 111 548
Receivables from non-exchange transactions	4	77 971	119 926
Prepayments	5	1 389 888	1 371 516
Trade and other receivables from exchange transactions	6	107 638	118 012
VAT receivable	7	415 375	1 146 586
		14 762 200	30 867 588
Non-Current Assets			
Intangible assets	8	762 884	1 270 934
Non-current receivables	9	22 027	22 027
Property, plant and equipment	10	77 299 213	81 369 265
		78 084 124	82 662 226
Non-Current Assets		78 084 124	82 662 226
Current Assets		14 762 200	30 867 588
Total Assets		92 846 324	113 529 814
Liabilities			
Current Liabilities			
Consumer deposits	11	2 000	2 000
Employee benefit obligation	12	535 688	823 000
Operating lease liability	13	15 057	59 750
Long service award liability	14	370 021	760 000
Payables from exchange transactions	15	1 808 330	3 619 427
Payables from non-exchange transactions	16	16 813 386	17 549 694
Unspent conditional grants and receipts	17	134	366 259
		19 544 616	23 180 130
Non-Current Liabilities			
Employee benefit obligation	12	16 528 062	17 537 999
Long service award liability	14	6 283 426	4 982 000
		22 811 488	22 519 999
Non-Current Liabilities		22 811 488	22 519 999
Current Liabilities		19 544 616	23 180 130
Total Liabilities		42 356 104	45 700 129
Assets		92 846 324	113 529 814
Liabilities		(42 356 104)	(45 700 129)
Net Assets		50 490 220	67 829 685
Accumulated surplus		50 490 220	67 829 685
Total Net Assets		50 490 220	67 829 685

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Actuarial gain / (loss)	18	3 475 296	899 796
Interest received - investment	19	3 028 786	2 717 989
Interest earned - Receivables	19	781	11 507
Service charges		1 248 424	1 184 655
Other income	20	1 166 249	227 745
Total revenue from exchange transactions		8 919 536	5 041 692
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	149 388 340	143 765 505
Revenue from exchange transaction		8 919 536	5 041 692
Revenue from non-exchange transactions		149 388 340	143 765 505
Total revenue	22	158 307 876	148 807 197
Expenditure			
Depreciation and amortisation	23	(5 271 720)	(7 218 231)
Employee related costs	24	(118 694 503)	(115 979 982)
General Expenses	25	(37 912 184)	(38 977 155)
Loss on disposal of assets and liabilities		(428 249)	(343 663)
Project expenditure	26	(4 257 163)	(5 342 761)
Provision for doubtful debt		-	(126 060)
Remuneration of councillors	27	(9 083 520)	(8 304 961)
Total expenditure		(175 647 339)	(176 292 813)
Operating surplus/deficit		-	-
Deficit before taxation		(17 339 463)	(27 485 616)
Taxation		-	-
Deficit for the year		(17 339 463)	(27 485 616)

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	95 353 416	95 353 416
As previously stated	92 218 119	92 218 119
Prior period error	3 135 297	3 135 297
Surplus / (Deficit) for the year	(27 485 643)	(27 485 643)
As previously reported	(27 880 733)	(27 880 733)
Prior period error	395 116	395 116
Balance at 30 June 2022	67 867 799	67 867 799
As previously stated	64 337 386	64 337 386
Prior period error	3 530 413	3 530 413
Net Surplus / (Deficit) for the year	(17 339 463)	(17 339 463)
	-	-
Balance at 30 June 2023	50 528 336	50 528 336

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 248 424	1 184 655
Grants		149 022 215	144 067 838
Interest income		3 029 567	2 729 496
Other receipts		354 790	240 349
		<u>153 654 996</u>	<u>148 222 338</u>
Payments			
Employee costs		(128 514 331)	(123 788 213)
Suppliers		(40 136 154)	(43 398 737)
		<u>(168 650 485)</u>	<u>(167 186 950)</u>
Total receipts		153 654 996	148 222 338
Total payments		<u>(168 650 485)</u>	<u>(167 186 950)</u>
Net cash flows from operating activities	29	<u>(14 995 489)</u>	<u>(18 964 612)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(300 035)	(672 871)
Proceeds from sale of non-current receivables		-	32 750
Net cash flows from investing activities		<u>(300 035)</u>	<u>(640 123)</u>
Cash flows from financing activities			
Advance of operating lease		(44 693)	(14 694)
Net cash flows from financing activities		<u>(44 693)</u>	<u>(14 694)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(15 340 220)</u>	<u>(19 619 429)</u>
Cash and cash equivalents at the beginning of the year		28 111 548	47 730 977
Cash and cash equivalents at the end of the year	3	<u>12 771 328</u>	<u>28 111 548</u>

The accounting policies on pages 17 to 42 and the notes on pages 43 to 80 form an integral part of the annual financial statements.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

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 Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 740 089	-	1 740 089	1 248 424	(491 665)	Refer to note 39
Other income	150 000	-	150 000	1 166 249	1 016 249	Refer to note 39
Interest received - investment	2 320 000	-	2 320 000	3 028 786	708 786	Refer to note 39
Interest earned - receivables	1 000	-	1 000	781	(219)	Refer to note 39
Total revenue from exchange transactions	4 211 089	-	4 211 089	5 444 240	1 233 151	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	148 781 000	549 000	149 330 000	149 388 340	58 340	Refer to note 39
'Total revenue from exchange transactions'	4 211 089	-	4 211 089	5 444 240	1 233 151	
'Total revenue from non-exchange transactions'	148 781 000	549 000	149 330 000	149 388 340	58 340	
Total revenue	152 992 089	549 000	153 541 089	154 832 580	1 291 491	
Expenditure						
Employee related costs	(123 925 000)	(567 000)	(124 492 000)	(118 694 503)	5 797 497	Refer to note 39
Remuneration of councillors	(8 746 000)	-	(8 746 000)	(9 083 520)	(337 520)	Refer to note 39
Depreciation and amortisation	(11 427 000)	1 557 000	(9 870 000)	(5 271 720)	4 598 280	Refer to note 39
Inventory consumed	(105 000)	105 000	-	-	-	
Project expenditure	(4 730 779)	-	(4 730 779)	(4 257 163)	473 616	Refer to note 39
General Expenses	(34 762 221)	(1 314 000)	(36 076 221)	(37 912 184)	(1 835 963)	Refer to note 39
Total expenditure	(183 696 000)	(219 000)	(183 915 000)	(175 219 090)	8 695 910	
	152 992 089	549 000	153 541 089	154 832 580	1 291 491	
	(183 696 000)	(219 000)	(183 915 000)	(175 219 090)	8 695 910	
Operating deficit	(30 703 911)	330 000	(30 373 911)	(20 386 510)	9 987 401	
Loss on disposal of assets and liabilities	-	-	-	(428 249)	(428 249)	Refer to note 39
Actuarial gains	-	-	-	3 475 296	3 475 296	Refer to note 39
	-	-	-	3 047 047	3 047 047	
	(30 703 911)	330 000	(30 373 911)	(20 386 510)	9 987 401	
	-	-	-	3 047 047	3 047 047	
Deficit before taxation	(30 703 911)	330 000	(30 373 911)	(17 339 463)	13 034 448	

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

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						
Surplus before taxation	(30 703 911)	330 000	(30 373 911)	(17 339 463)	13 034 448	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(30 703 911)	330 000	(30 373 911)	(17 339 463)	13 034 448	
Reconciliation						

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

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
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Receivables from non-exchange transactions	60 000	-	60 000	77 971	17 971	Refer to note 39
Prepayments	500 000	-	500 000	1 389 888	889 888	Refer to note 39
VAT receivable	140 000	-	140 000	415 375	275 375	Refer to note 39
Consumer debtors	10 000	-	10 000	107 638	97 638	Refer to note 39
Cash and cash equivalents	11 813 000	-	11 813 000	12 771 328	958 328	
	12 523 000	-	12 523 000	14 762 200	2 239 200	

Non-Current Assets

Property, plant and equipment	62 594 000	330 000	62 924 000	77 299 213	14 375 213	Refer to note 39
Intangible assets	498 000	-	498 000	762 884	264 884	Refer to note 39
Non-current receivables	55 000	-	55 000	22 027	(32 973)	Refer to note 39
	63 147 000	330 000	63 477 000	78 084 124	14 607 124	
Non-Current Assets	63 147 000	330 000	63 477 000	78 084 124	14 607 124	
Current Assets	12 523 000	-	12 523 000	14 762 200	2 239 200	
Total Assets	75 670 000	330 000	76 000 000	92 846 324	16 846 324	

Liabilities

Current Liabilities

Operating lease liability	300 000	-	300 000	15 057	(284 943)	
Payables from exchange transactions	9 610 000	-	9 610 000	1 808 330	(7 801 670)	Refer to note 39
Taxes and transfers payable (non-exchange)	15 539 000	-	15 539 000	16 813 386	1 274 386	
Consumer deposits	2 000	-	2 000	2 000	-	
Employee benefit obligation	700 000	-	700 000	535 688	(164 312)	Refer to note 39
Unspent conditional grants and receipts	200 000	-	200 000	134	(199 866)	Refer to note 39
Long service award liability	400 000	-	400 000	370 021	(29 979)	Refer to note 39
	26 751 000	-	26 751 000	19 544 616	(7 206 384)	

Non-Current Liabilities

Employee benefit obligation	20 000 000	-	20 000 000	16 528 062	(3 471 938)	Refer to note 39
Long service award liability	7 063 000	-	7 063 000	6 283 426	(779 574)	Refer to note 39
	27 063 000	-	27 063 000	22 811 488	(4 251 512)	

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

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						
	26 751 000	-	26 751 000	19 544 616	(7 206 384)	
	27 063 000	-	27 063 000	22 811 488	(4 251 512)	
	-	-	-	-	-	
Total Liabilities	53 814 000	-	53 814 000	42 356 104	(11 457 896)	
Assets	75 670 000	330 000	76 000 000	92 846 324	16 846 324	
Liabilities	(53 814 000)	-	(53 814 000)	(42 356 104)	11 457 896	
Net Assets	21 856 000	330 000	22 186 000	50 490 220	28 304 220	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	21 856 000	330 000	22 186 000	50 490 219	28 304 219	

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

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
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	1 594 732	-	1 594 732	1 248 424	(346 308)	
Grants	148 781 000	(549 000)	148 232 000	149 022 215	790 215	
Interest income	-	-	-	3 029 567	3 029 567	
Other receipts	295 268	-	295 268	354 790	59 522	
	150 671 000	(549 000)	150 122 000	153 654 996	3 532 996	

Payments

Employee costs	(133 924 194)	-	(133 924 194)	(128 514 331)	5 409 863	
Other payments	(38 344 806)	549 000	(37 795 806)	(40 136 154)	(2 340 348)	
	(172 269 000)	549 000	(171 720 000)	(168 650 485)	3 069 515	
Total receipts	150 671 000	(549 000)	150 122 000	153 654 996	3 532 996	
Total payments	(172 269 000)	549 000	(171 720 000)	(168 650 485)	3 069 515	
Net cash flows from operating activities	(21 598 000)	-	(21 598 000)	(14 995 489)	6 602 511	

Cash flows from investing activities

Purchase of property, plant and equipment	-	-	-	(300 035)	(300 035)	
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Cash flows from financing activities

Repayment of other financial liabilities	-	-	-	(44 693)	(44 693)	
Net increase/(decrease) in cash and cash equivalents	(21 598 000)	-	(21 598 000)	(15 340 220)	6 257 783	
Cash and cash equivalents at the beginning of the year	31 090 000	-	31 090 000	28 111 548	(2 978 452)	
Cash and cash equivalents at the end of the year	9 492 000	-	9 492 000	12 771 328	3 279 331	

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

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
2023											
Financial Performance											
Investment revenue	2 321 000	-	2 321 000	-		2 321 000	3 029 567		708 567	131 %	131 %
Transfers recognised - operational	148 781 000	549 000	149 330 000	-		149 330 000	149 388 340		58 340	100 %	100 %
Other own revenue	1 890 089	-	1 890 089	-		1 890 089	5 889 969		3 999 880	312 %	312 %
Total revenue (excluding capital transfers and contributions)	152 992 089	549 000	153 541 089	-		153 541 089	158 307 876		4 766 787	103 %	103 %
Employee costs	(123 925 000)	(567 000)	(124 492 000)	-	-	(124 492 000)	(118 694 503)	-	5 797 497	95 %	96 %
Remuneration of councillors	(8 746 000)	-	(8 746 000)	-	-	(8 746 000)	(9 083 520)	-	(337 520)	104 %	104 %
Depreciation and asset impairment	(11 427 000)	1 557 000	(9 870 000)			(9 870 000)	(5 271 720)	-	4 598 280	53 %	46 %
Inventory consumed and bulk purchases	(105 000)	105 000	-	-	-	-	-	-	-	DIV/0 %	- %
Project expenditure	(4 730 779)	-	(4 730 779)	-	-	(4 730 779)	(4 257 163)	-	473 616	90 %	90 %
Other expenditure	(34 762 221)	(1 314 000)	(36 076 221)	-	-	(36 076 221)	(38 340 433)	-	(2 264 212)	106 %	110 %
Total expenditure	(183 696 000)	(219 000)	(183 915 000)	-	-	(183 915 000)	(175 647 339)	-	8 267 661	96 %	96 %
Total revenue (excluding capital transfers and contributions)	152 992 089	549 000	153 541 089	-	-	153 541 089	158 307 876	-	4 766 787	103 %	103 %
Total expenditure	(183 696 000)	(219 000)	(183 915 000)	-	-	(183 915 000)	(175 647 339)	-	8 267 661	96 %	96 %
Surplus/(Deficit)	(30 703 911)	330 000	(30 373 911)	-		(30 373 911)	(17 339 463)		13 034 448	57 %	56 %

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

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)	(30 703 911)	330 000	(30 373 911)	-	-	(30 373 911)	(17 339 463)	-	13 034 448	57 %	56 %
Surplus (Deficit) after capital transfers and contributions	(30 703 911)	330 000	(30 373 911)	-	-	(30 373 911)	(17 339 463)	-	13 034 448	57 %	56 %
Surplus/(Deficit) for the year	(30 703 911)	330 000	(30 373 911)	-		(30 373 911)	(17 339 463)		13 034 448	57 %	56 %

Waterberg District Municipality

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Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Significant accounting policies

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

1.1 Basis of preparations

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.

1.2 Presentation currency

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

1.3 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.

1.4 Materiality

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.

1.5 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

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 municipality 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 a 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.

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Accounting Policies

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 [name a key assumption] 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 - 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

Post-retirement medical obligations and long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Additional information is disclosed in Note 12.

Effective interest rate

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

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Accounting Policies

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.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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 capitalized 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
Land		Indefinite
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.

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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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 26).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 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 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.

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Accounting Policies

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

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).

1.8 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.

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:

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Accounting Policies

- 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.

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 unissued 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;

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- 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.

Accounting Policies

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
Loan1	Financial asset measured at amortised cost
Loan2	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
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost

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Accounting Policies

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.

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

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.

In this case, the entity :

- derecognise the asset; and

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-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.

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.

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.

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1.9 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.

1.10 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.

1.11 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).

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.

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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.

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.

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.

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.

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Accounting Policies

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.

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.

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.

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Accounting Policies

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.

1.12 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.

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.

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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.

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.

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.

Accounting Policies

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.

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.

1.13 Employee benefits

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

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

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

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

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

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

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

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

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

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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

The cost of post-retirement obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest,⁶ resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs.

Accrued for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting

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Accounting Policies

Staff bonus accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

Provision for performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. The Municipality's performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

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.

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Accounting Policies

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.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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 return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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 amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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Accounting Policies

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.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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.

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 [OR is not] 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.

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Accounting Policies

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.

1.14 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.

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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 31.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

Revenue 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

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Accounting Policies

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.

1.17 Revenue from non-exchange transactions

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

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

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

Unconditional grants

Grants without any conditions attached are recognised as revenue when the grant is receivable.

Conditional grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The liability is transferred to revenue as and when the conditions attached to the grant are met.

1.18 Investment income

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

1.19 Comparative figures

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

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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 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.22 Budget information

The Municipality is subject to budgetary limits in the form of a council approved budget, which is given effect through authorising legislation.

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

Explanations for material variances between the final budget amounts and comparable actual amounts are included the Notes to the Financial Statements. Material variances are being defined by Management as 10% of a specific line-item.

Explanations for variances between the approved and final budget are included in the Notes to the Financial Statements as well as the Statements of Comparison of Budget and Actual Amounts.

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.

Waterberg District Municipality

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Accounting Policies

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.

1.25 Prepayments

Prepayments are future expenses that are paid in advance. On the statement of financial position, prepayments are first recorded as an asset. As the benefits of the assets are realized over time, the amount is then recorded as an expense on the statement of financial performance.

1.26 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 bases. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statments 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)

1.27 Unspent grants and receipts

Conditional grants and receipts are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants and receipts is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Unspent conditional grants and receipts are not considered to be financial instruments as there are no amount to be settled through cash or another financial instrument as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the liability is invested as individual investment or part of the operating account of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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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:

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

2.3 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 2023 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 01 April 2023.

The municipality has early adopted the guideline for the first time in the 2022/2023 annual financial statements.

The impact of the standard is not material.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality has early adopted the revisions for the first time in the 2022/2023 annual financial statements.

The impact of the revisions is not material.

IGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality has early adopted the revisions for the first time in the 2022/2023 01 April 2023.

The impact of the revisions is not material.

Guideline: Guideline on the Application of Materiality to Financial Statements

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

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

GRAP 104 (as revised): 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 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 revisions is not yet set by the Minister of Finance.

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

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

iGRAP 21: The Effect of Past Decisions on Materiality

Background

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").

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The municipality has early adopted the interpretation for the first time in the 2022/2023 01 April 2023.

The impact of the interpretation is not material.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading "Classification of property as investment property" (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading "Guidance on initially measuring self-constructed investment property at fair value"
 - Added clarification that investment property is measured at fair value at earliest of:
 - o completion of construction or development; or
 - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
 - Change in use involves an assessment on whether:
 - o property meets, or ceases to meet definition of investment property and
 - o evidence exists that a change in use has occurred
 - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
 - If an entity obtains management services from another entity ("the management entity") the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
 - Management services are services where employees of management entity perform functions as "management" as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to "financial statements" or "face of the financial statements"

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The municipality has early adopted the improvements for the first time in the 2022/2023 annual financial statements.

The impact of the improvements 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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

The impact of the amendment is not material.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 200	5 000
Bank balances	1 867 003	3 207 419
Short-term deposits	10 899 125	24 899 125
	12 771 328	28 111 544

Short-term deposits

Call deposits	899 125	3 899 125
32 Days fixed deposits	10 000 000	10 000 000
34 Days fixed deposits	-	11 000 000
Terms and conditions		

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA Bank - Current account: 4086264236	1 785 757	3 073 638	2 614 228	1 802 664	3 141 254	2 621 570
ABSA Bank - Call account: 4089054729	899 125	3 899 125	2 021 575	899 125	3 899 125	2 021 575
Absa - Growbus 40-9881-8724	64 339	66 169	68 799	64 339	66 169	68 799
Petty cash	-	-	-	5 200	5 000	5 000
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
Nedbank - 34 Days 03/7497571214/000272	-	11 000 000	-	-	11 000 000	-
Nedbank - 32 Days 03/7497571214/000273	-	10 000 000	-	-	10 000 000	-
Nedbank - 32 Days 03/7497571214/000285	10 000 000	-	-	10 000 000	-	-
Total	12 749 221	28 038 932	47 704 602	12 771 328	28 111 548	47 716 944

4. Receivables from non-exchange transactions

Gross balances

Sundry debtors	204 031	245 986
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Less: Allowance for impairment

Sundry debtors	(126 060)	(126 060)
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Net balance

Sundry debtors	77 971	119 926
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Sundry debtors

Current (0 -30 days)	77 971	119 926
31 - 60 days	126 060	126 060
	204 031	245 986

Reconciliation of allowance for impairment

Balance at beginning of the year	126 060	-
Contributions to allowance	-	126 060
	126 060	126 060

Sundry debtors	77 971	119 926
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Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

5. Prepayments

South African Local Government Association	1 389 888	1 371 516
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Credit quality of prepayments

Consumer debtors are payable within 30 days. This 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.

Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

6. Trade and other receivables from exchange transactions

Gross balances

Accrued interest - bank	83 646	90 836
Abattoir	23 992	27 176
	107 638	118 012

Less: Allowance for impairment

Accrued interest - bank	-	-
Abattoir	-	-
Other receivables - councillor salaries	-	-
	-	-

Net balance

Accrued interest - bank	83 646	90 836
Abattoir	23 992	27 176
	107 638	118 012

Abattoir

Current (0 -30 days)	21 641	24 922
31 - 60 days	40	2 254
61 - 90 days	40	-
91 - 120 days	765	-
121 - 365 days	1 505	-
	23 992	27 176

Accrued interest - bank

Current (0 -30 days)	83 646	90 836
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Summary of debtors by customer classification

Reconciliation of allowance for impairment

Balance at beginning of the year	-	(111 484)
Contributions to allowance	-	-
Debt impairment written off against allowance	-	111 484
	-	-

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

6. Trade and other receivables from exchange transactions (continued)

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 consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit 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

Abattoir debtors	23 992	27 176
Accrued interest	83 646	90 836
	107 638	118 012

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	105 029	115 758
2 months past due	2 351	2 254
Total	107 638	118 012

7. VAT

VAT	415 375	1 146 586
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Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

8. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	576 349	186 535	762 884	2 374 872	(1 103 938)	1 270 934

Reconciliation of intangible assets - 2023

	Opening balance	Derecognition - cost	Derecognition - accum amortisation	Amortisation	Total
Computer software, other	1 270 934	(1 024 166)	596 680	(80 564)	762 884

Reconciliation of intangible assets - 2022

	Opening balance	Derecognition - cost	Derecognition - accum amortisation	Amortisation	Total
Computer software, other	1 383 054	(774 357)	774 357	(112 120)	1 270 934

Pledged as security

There are no items of intangible assets pledged as security.

9. Non-current receivables

Description

Water and electricity	2 027	2 027
Telephone	20 000	20 000

Notes to the Annual Financial Statements

9. Non-current receivables (continued)

	-	-
	<u>22 027</u>	<u>22 027</u>

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

10. Property, plant and equipment

	2023			2022		
	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	(17 368 844)	21 205 573	38 574 417	(16 275 204)	22 299 213
Plant and machinery	5 779 230	(4 410 980)	1 368 250	5 779 230	(3 923 952)	1 855 278
Motor vehicles	78 011 753	(28 627 554)	49 384 199	81 237 044	(29 130 004)	52 107 040
Office equipment	13 520 316	(9 544 625)	3 975 691	12 825 659	(9 083 425)	3 742 234
Total	137 251 216	(59 952 003)	77 299 213	139 781 850	(58 412 585)	81 369 265

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Derecognition - cost	Derecognition - accumulated depreciation	Depreciation	Total
Land	1 365 500	-	-	-	-	1 365 500
Buildings	22 299 213	-	-	-	(1 093 640)	21 205 573
Plant and machinery	1 855 278	-	-	-	(487 027)	1 368 250
Motor vehicles	52 107 040	424 179	-	-	(3 147 020)	49 384 199
Office equipment	3 742 234	697 690	(3 000)	2 236	(463 470)	3 975 691
Total	81 369 265	1 121 869	(3 000)	2 236	(5 191 157)	77 299 213

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Correction of error	Derecognition - cost	Derecognition - accumulated depreciation	Depreciation	Total
Land	1 365 500	-	-	-	-	-	1 365 500
Buildings	23 208 878	-	191 367	-	-	(1 101 032)	22 299 213
Plant and machinery	2 362 797	-	34 245	(146 884)	97 830	(492 710)	1 855 278
Motor vehicles	53 564 529	642 581	2 513 010	(229 092)	193 020	(4 577 008)	52 107 040
Office equipment	4 642 749	30 290	396 676	(1 254 567)	862 445	(935 359)	3 742 234
	85 144 453	672 871	3 135 298	(1 630 543)	1 153 295	(7 106 109)	81 369 265

Pledged as security

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

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	3 462 216	4 816 163
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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 2022 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 2023

Notes to the Annual Financial Statements

11. Consumer deposits

Abattoir	2 000	2 000
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12. 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 2023 by D.T. Mureruwa and T.G. Mhonde on behalf of One Pangaea expertise and Solutions.

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	(18 360 999)	(17 422 999)
Medical contributions subsidies for continuation pensioners	952 956	739 000
Current service costs	(814 000)	(756 000)
Current interest costs	(2 123 000)	(1 701 000)
Actuarial (gain) loss over financial year	3 281 293	780 000

Accrued liability as at 30 June	(17 063 750)	(18 360 999)
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Non-current liabilities	(16 528 062)	(17 537 999)
Current liabilities	(535 688)	(823 000)
	(17 063 750)	(18 360 999)

The liability as at 30 June consist of:

Assets used by the entity

In-service (employee) members	(7 864 556)	(8 757 000)
Continuation members	(8 945 504)	(9 395 000)
In-service (employee) non-members	(253 691)	(209 000)

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

12. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	814 000	756 000
Interest cost	2 123 000	1 701 000
Actuarial (gains) losses	(3 281 293)	(780 000)
	(344 293)	1 677 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13.25 %	11.82 %
Medical cost trend rates	8.78 %	8.44 %
Expected increase in salaries	4.11 %	3.12 %
Expected pension increases	- %	5.96 %
Proportion of employees opting for early retirement	- %	5.54 %

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:

2023:

	One percentage point increase	One percentage point decrease
Accrued liability	19 406 731	15 117 361
Current service costs	863 930	586 013
Interest cost	2 535 568	1 967 881

2022:

	One percentage point increase	One percentage point decrease
Accrued liability	19 397 000	16 950 000
Current service costs	834 000	648 000
Interest cost	1 817 000	1 549 000

	2023	2022	2021	2020	2019
Defined benefit obligation	17 063 750	18 361 000	17 423 000	24 671 579	26 891 434

13. Operating lease asset (liability)

Current assets	-	-
Current liabilities	(15 057)	(59 750)
	(15 057)	(59 750)

Refer to note 31 commitment for additional disclosure relating to operating lease accrual.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

14. 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.

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 2023 by D.T. Mureruwa and T.G. Mhonde on behalf of One Pangaea expertise and Solutions.

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	(5 742 000)	(5 469 000)
Benefits paid	53 550	620 204
Current service cost	(561 000)	(538 000)
Interest	(598 000)	(475 000)
Actuarial losses / (gains) recognised in Statement of Financial Performance	194 003	119 796
Unfunded accrued liability as at 30 June	(6 653 447)	(5 742 000)
Current portion of liability as at 30 June	(370 021)	(760 000)
Non-current portion of liability as at 30 June	(6 283 426)	(4 982 000)
	(6 653 447)	(5 742 000)

Expense recognised in (profit) or loss:

Current service cost	561 000	538 000
Interest cost	598 000	475 000
Actuarial losses / gains	(194 003)	(119 796)
	964 997	893 204

15. Payables from exchange transactions

Trade payables	1 527 219	3 250 327
Payments received in advanced	27 393	37 021
Retentions	253 718	94 131
Accruals	-	237 948
	1 808 330	3 619 427

16. Payables from non-exchange transactions

Accruals for leave	14 046 200	14 866 971
Accruals for bonuses	2 767 186	2 682 723
	16 813 386	17 549 694

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

LG Seta grant	-	366 125
Rural Road Assets Management Systems Grant	134	134
	134	366 259

Movement during the year

Balance at the beginning of the year	366 259	63 926
Additions during the year	3 546 372	3 850 838
Income recognition during the year	(3 912 497)	(3 548 505)
	134	366 259

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

18. Actuarial gain / (loss)

Gains or losses arising from employee benefit obligation	3 281 293	780 000
Gain or losses arising from long service awards	194 003	119 796
	3 475 296	899 796

19. Interest earned

Abattoir services	781	252
Interest receipt on rental deposits	-	11 255
	781	11 507

Interest revenue

Bank	394 119	171 819
Short-term investments	2 634 667	2 546 170
	3 028 786	2 717 989
	781	11 507
	3 028 786	2 717 989
	3 029 567	2 729 496

20. Other income

Commission income	29 208	26 057
Air quality licencing	40 000	27 000
Fire income	50 055	27 614
Municipal health income	225 153	147 074
Donations	821 833	-
	1 166 249	227 745

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

21. Government grants & subsidies

Operating grants

Equitable share	145 500 000	140 217 000
LG SETA Grant	607 340	369 505
Rural Road Asset Management Grant	2 281 000	2 179 000
Finance Management Grant	1 000 000	1 000 000
	149 388 340	143 765 505

Equitable Share

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

Finance Management Grant

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

Finance Management Grant is a conditional Grant allocated to municipalities to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA..

LG SETA Grant

Balance unspent at beginning of year	366 125	-
Current-year receipts	241 215	735 630
Conditions met - transferred to revenue	(607 340)	(369 505)
	-	366 125

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

Current-year receipts	2 281 000	2 179 000
Conditions met - transferred to revenue	(2 281 000)	(2 179 000)
	-	-

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.

22. Revenue

Actuarial gain / (loss)	3 475 296	899 796
Service charges - Abattoir	1 248 424	1 184 655
Other income	1 166 249	227 745
Interest received - investment	3 028 786	2 717 989
Interest received - receivables	781	11 507
Government grants & subsidies	149 388 340	143 765 505
	158 307 876	148 807 197

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

22. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	1 248 424	1 184 655
Other income	1 166 249	227 745
Interest received - investment	3 028 786	2 717 989
Interest received - receivables	781	11 507
	5 444 240	4 141 896

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Government grants & subsidies	149 388 340	143 765 505
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23. Depreciation and amortisation

Property, plant and equipment	5 191 156	7 106 109
Intangible assets	80 564	112 122
	5 271 720	7 218 231

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

24. Employee related costs

Basic	70 924 714	66 955 097
Travel and other allowances	15 921 191	17 200 884
Overtime payments	5 615 148	7 467 516
Housing benefits and allowances	3 723 443	2 969 854
Contributions to UIF, pension and medical aid and other statutory contributions	22 510 007	21 386 631
	118 694 503	115 979 982

Remuneration of municipal manager - P. Raputsoa

Annual Remuneration	800 866	954 213
Car Allowance	169 375	206 667
Contributions to UIF, Medical and Pension Funds	194 997	225 758
Other	66 068	18 000
	1 231 306	1 404 638

The municipal managers contract came to the end in October 2022. He was re-appointed in January 2023.

Remuneration of municipal manager - M. Tsebe

Acting allowance	30 381	-
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The acting manager was appointed for the month of November 2022 till December 2022

Remuneration of chief finance officer - T. Muelelwa

Annual Remuneration	404 875	781 442
Car Allowance	80 489	169 686
Contributions to UIF, Medical and Pension Funds	80 148	182 334
Other	192 901	12 000
	758 413	1 145 462

The CFO resigned in December 2022.

Remuneration of chief finance officer - C.P. Hoffman

Acting allowance	-	-
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The acting CFO was appointed from 01 January 2023 till 30 June 2023.

Remuneration of manager: infrastructure development - G.M. Matlala

Annual Remuneration	799 789	737 784
Car Allowance	151 899	165 916
Bonus	-	61 564
Contributions to UIF, Medical and Pension Funds	179 671	168 199
Other	47 614	12 000
	1 178 973	1 145 463

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

Remuneration of manager: planning & economic development - D.L.M.T. Sehlapelo

Annual Remuneration	124 544	757 020
Car Allowance	32 634	146 873

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

24. Employee related costs (continued)

Bonus	10 379	62 272
Contributions to UIF, Medical and Pension Funds	29 993	167 298
Other	165 830	12 000
	363 380	1 145 463

The manager planning & economic development has resigned on 30 August 2022.

Remuneration of manager: planning & economic development - K.B. Molekwa

Acting allowance	26 395	-
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The acting manager was appointed from September 2022 till 30 June 2023.

Remuneration of manager: corporate support and shared services - G.M. Seleka

Annual Remuneration	-	263 109
Car Allowance	-	59 917
Bonuses	-	165 048
Contributions to UIF, Medical and Pension Funds	-	60 429
Cellphone allowance	-	4 267
Leave pay	-	182 828
Acting allowance	-	7 177
	-	742 775

The manager corporate support and shared services resigned in December 2021.

Remuneration of manager: corporate support and shared services - T.S. Manaka

Acting allowance	4 748	34 152
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The acting manager corporate support and shared services was appointed from January 2022 till August 2022.

Remuneration of manager: corporate support and shared services - M. Tsebe

Annual Remuneration	559 884	-
Car Allowance	240 901	-
Contributions to UIF, Medical and Pension Funds	153 431	-
Other	14 505	-
	968 721	-

The manager corporate support and shared services was appointed in September 2022.

Remuneration of manager: social development and community services - M.Z. Namate

Annual Remuneration	912 233	906 710
Car Allowance	174 855	168 629
Contributions to UIF, Medical and Pension Funds	58 611	58 123
Other	53 067	12 000
	1 198 766	1 145 462

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

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

25. General expenses

Operating lease expenses	157 382	148 112
Advertising	95 801	139 903
Assessment rates & municipal charges	182 458	-
Auditors remuneration	2 617 849	2 168 357
Bank charges	25 454	27 020
Cleaning	426 535	370 502
Municipal account - water, rates & electricity	2 633 969	2 101 677
Contracted services	1 515 515	5 168 405
Consulting and professional fees	1 181 604	1 496 090
Discretionary Bursary Fund	346 870	258 612
Rental of buildings / offices	622 229	-
Conferences and seminars- delegations	50 750	46 172
Discretionary Bursary Fund	32 727	44 785
Audit committee	316 211	289 770
Entertainment	132 276	218 610
Bursaries	120 180	105 225
Employee assistance program	13 350	22 500
Operating lease payments	1 122 903	2 350 615
Inventory consumed	-	689 620
Long service award expenditure	507 450	392 796
Motor vehicle expenses	1 427 886	981 292
Post-retirement health care expenditure	1 984 044	1 718 000
Printing and stationery	321 089	272 933
Protective clothing	870 255	894 655
Repairs and maintenance	3 462 216	4 458 663
Programming	2 934 136	2 172 974
Subscriptions and membership fees	2 151 875	1 452 386
Telephone and fax	659 766	513 554
Training	619 903	325 365
Travel - local	4 712 755	3 408 355
Security costs	4 274 702	4 259 069
Miscellaneous expenditure	2 650	3 040
Insurance	1 971 966	2 067 484
Meat inspection	265 680	211 080
Environmental health - awareness & sampling	151 748	199 534
	37 912 184	38 977 155

26. Project expenditure

Other subsidies		
FMG - expenditure	924 263	925 539
Strategic planning	212 666	198 235
Informal settlement study	-	2 408
District IDP Public Participation Programme	877 563	1 841 055
Rural Road Assets Management System	2 180 475	1 894 783
Review of SDF	-	365 400
Spluma	62 196	115 341
	4 257 163	5 342 761

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

27. Remuneration of councillors

Executive Mayor	1 288 527	825 543
Mayoral Committee Members	4 332 863	3 860 595
Speaker	795 394	760 818
Councillors	2 666 736	2 858 004
	9 083 520	8 304 960

Reconciliation of remuneration of Councillors -2023

	Annual remuneration	Travel allowance	Cellphone allowance	Pension contributions	Medical contributions	Backpay	SDL	Total
Executive Mayor - S.M. Mataboge	- 519 782	236 492	40 800	79 776	94 680	12 059	7 630	991 219
Speaker - K.R. Molokomme	- 478 014	186 217	40 800	73 327	-	10 831	6 205	795 394
Chief Whip - M.B. Monare	- 250 003	97 377	40 800	38 374	-	5 826	3 702	436 082
Mayoral committee member - N.S. Morumudi	- 382 873	149 001	40 800	58 305	-	5 826	5 319	642 124
Mayoral committee member - M.S. Taueatsoala	- 243 647	27 132	40 800	44 880	-	5 687	3 390	365 536
Mayoral committee member - M.H. Ledwaba	- 408 164	-	-	-	-	9 524	4 350	422 038
Mayoral committee member - M.J. Maeko	- 515 553	175 810	40 800	-	-	11 825	7 228	751 216
Mayoral committee member - R.T. Modise	- 137 979	-	-	-	-	8 951	1 551	148 481
Mayoral committee member - S.R. Masipa	- 448 307	174 594	40 800	68 795	-	10 327	5 659	748 482
Mayoral committee member - K.B. Mangakeng	- 436 910	174 649	40 800	80 457	-	10 073	5 889	748 778
Councillor - L.S Marakalala	- 12 500	-	-	-	-	265	161	12 926
Councillor - M.J. Gumede	- 270 847	-	-	-	-	463	2 888	274 198
Councillor - R.A. Matsemela	- 189 092	74 776	40 800	29 948	-	9 225	2 908	346 749
Councillor - M.M. Kekana	- 14 772	-	-	-	-	199	201	15 172
Councillor - M.R. Kekana	- 17 012	-	-	-	-	264	266	17 542
Councillor - M.S. Meteleni	- 10 227	-	-	-	-	264	197	10 688
Councillor - E. Seepe	- 14 739	-	-	-	-	132	184	15 055
Councillor - K.A. Sesoma	- 10 701	-	-	-	-	235	184	11 120
Councillor - R.P. Sebjane	- 11 363	-	-	-	-	199	344	11 906
Councillor - P.S. Mabe	- 82 151	-	-	-	-	1 804	1 145	85 100
Councillor - D.S. Motshwene	- 12 500	-	-	-	-	132	165	12 797
Councillor - K.Q. Dekker	- -	-	-	-	-	165	2	167

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

27. Remuneration of councillors (continued)

Councillor - C.J. Du Toit	-	189 092	73 671	40 800	29 037	-	4 489	2 506	339 595
Councillor - E.L. Setho	-	19 284	-	-	-	-	199	202	19 685
Councillor - M.V. Mahlare	-	189 092	73 671	40 800	29 037	-	4 489	2 463	339 552
Councillor - R.H. Kgotlhang	-	10 701	-	-	-	-	235	149	11 085
Councillor - J.H.T. Mills	-	9 805	-	-	-	-	235	116	10 156
Councillor - L.J. Molefe	-	9 091	-	-	-	-	132	122	9 345
Councillor - M.S. Thobane	-	11 363	-	-	-	-	325	164	11 852
Councillor - D.A. Mongalo	-	18 181	-	-	-	-	66	306	18 553
Councillor - S.C. Majoko	-	153 356	42 437	34 000	23 978	25 553	6 495	2 450	288 269
Councillor - H.E. Matlebyane	-	13 636	-	-	-	-	66	165	13 867
Councillor - M.S. Lelaka	-	189 092	73 671	40 800	29 037	-	4 489	2 689	339 778
Councillor - K.H. Niewenhuis	-	217 456	75 050	40 800	-	-	7 426	3 058	343 790
Councillor - M.L. Matlala	-	10 701	-	-	-	-	235	201	11 137
Councillor - K.C. Khotso	-	1 968	754	-	-	-	-	26	2 748
Councillor - N. Laubscher	-	1 968	754	-	-	-	-	26	2 748
Councillor - M.B. Baloyi	-	132	-	-	-	-	-	1	133
Councillor - B.N. Magongwa	-	99	-	-	-	-	-	1	100
Councillor - R.D. Mampeule	-	111	-	-	-	-	-	1	112
Councillor - B. Mocke	-	165	-	-	-	-	-	2	167
Councillor - M.T. Mogale	-	132	-	-	-	-	-	1	133
Councillor - K.R. Mokwena	-	1 083	-	-	-	-	-	11	1 094
Councillor - P. Molekwa	-	111	-	-	-	-	-	1	112
Councillor - T.E. Monama	-	165	-	-	-	-	-	2	167
Councillor - R.N. Monene	-	132	-	-	-	-	-	2	134
Councillor - M.J. Selokela	-	111	-	-	-	-	-	1	112
Councillor - M.D. Senosha	-	111	-	-	-	-	-	1	112
Councillor - S.C.G. Senosha	-	165	-	-	-	-	-	2	167
Councillor - M.J. Kekana	-	165	-	-	-	-	-	2	167
Councillor - V.N. Mahlangu	-	11 363	-	-	-	-	232	193	11 788
Councillor - M.J. Matlala	-	1 968	754	-	-	-	-	26	2 748
Councillor - MD Mochaki	-	1 968	754	-	-	-	232	26	2 980
Councillor - R.J. Mahoro	-	33	-	-	-	-	-	-	33
Councillor - R. Manyama	-	111	-	-	-	-	-	1	112
Councillor - F.M. Mabasa	-	111	-	-	-	-	-	1	112
Councillor - H.S. Mathebula	-	2 601	997	-	-	-	-	34	3 632
Councillor - D.M. Mphahlo	-	7 954	-	-	-	-	-	132	8 086
Councillor - M.P. Moshidi	-	15 835	6 070	3 400	2 375	-	-	202	27 882
Councillor - K.S. Lamola	-	4 974	1 907	-	-	-	-	65	6 946

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

27. Remuneration of councillors (continued)

Councillor - T.A. Mashamaite	-	4 723	1 829	-	-	-	-	62	6 614
Councillor - N.S. Montane	-	4 527	1 735	-	-	-	-	59	6 321
Councillor - R.M. Radebe	-	3 893	2 667	-	-	-	-	60	6 620
	-	5 574 665	1 652 769	567 800	587 326	120 233	133 621	75 100	9 083 355

Reconciliation of remuneration of Councillors -2022

		Annual remuneration	Travel allowance	Cellphone allowance	Pension contributions	Medical contributions	Backpay	SDL	Total
Executive Mayor - S.M. Mataboge	-	493 512	209 096	40 800	72 082	90 912	27 076	7 320	940 798
Speaker - K.R. Molokomme	-	285 005	108 604	26 293	40 806	-	13 825	4 065	478 598
Speaker - K.S. Lamola	-	165 815	63 563	14 507	24 872	-	7 627	2 308	278 692
Mayoral committee member - N.S. Morumudi	-	155 243	58 862	26 293	21 342	-	7 231	2 210	271 181
Mayoral committee member - M.S. Taueatsoala	-	151 626	58 862	26 293	24 959	-	7 231	2 082	271 053
Mayoral committee member - M.H. Ledwaba	-	232 142	-	-	-	-	7 893	2 344	242 379
Mayoral committee member - M.J. Maeko	-	306 259	102 086	26 293	-	-	13 160	4 185	451 983
Mayoral committee member - R.T. Modise	-	228 662	-	-	-	-	7 691	2 342	238 695
Mayoral committee member - S.R. Masipa	-	268 003	102 086	26 293	38 256	-	13 160	3 495	451 293
Mayoral committee member - K.B. Mangakeng	-	261 519	102 086	26 293	44 740	-	13 160	3 472	451 270
Mayoral committee member - F.S Hlungwane	-	149 786	-	-	-	-	4 355	1 658	155 799
Mayoral committee member - T.A. Mashamaite	-	143 316	59 568	14 507	21 497	16 030	7 261	1 945	264 124
Mayoral committee member - M.P Sebatjana	-	145 857	-	-	-	-	4 243	1 637	151 737
Mayoral committee member - R.M. Radebe	-	139 367	58 739	14 507	25 086	18 165	7 261	2 013	265 138
Mayoral committee member - K.R. Mokwena	-	33 853	-	-	-	-	1 083	466	35 402
Mayoral committee member - M.R. Boloka	-	90 151	26 595	14 507	16 227	-	3 989	1 239	152 708
MPAC Chairperson - P.S. Mabe	-	46 752	-	-	-	-	1 964	587	49 303
MPAC Chairperson - N.S. Montane	-	150 892	57 842	14 507	22 634	-	6 941	1 837	254 653
Councillor - M.J. Gumede	-	9 929	-	-	-	-	-	195	10 124
Councillor - K.C Khotso	-	65 593	25 144	14 507	9 839	-	3 017	839	118 939
Councillor - N. Laubscher	-	65 593	25 144	14 507	9 839	-	3 017	839	118 939
Councillor - S.C. Majoko	-	180 669	52 323	40 800	29 264	29 477	8 486	2 653	343 672
Councillor - M.B. Baloyi	-	4 413	-	-	-	-	-	44	4 457
Councillor - B.N. Magongwa	-	3 310	-	-	-	-	-	40	3 350
Councillor - R.D. Mampeule	-	3 480	-	-	-	-	111	35	3 626

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

27. Remuneration of councillors (continued)

Councillor - B. Mocke	-	5 516	-	-	-	-	-	55	5 571
Councillor - M.T. Mogale	-	4 412	-	-	-	-	-	193	4 605
Councillor - P. Molekwa	-	3 480	-	-	-	-	111	35	3 626
Councillor - T.E. Monama	-	5 516	-	-	-	-	-	76	5 592
Councillor - R.N. Monene	-	4 413	-	-	-	-	-	44	4 457
Councillor - M.S. Selokela	-	4 583	-	-	-	-	111	35	4 729
Councillor - M.D Senosha	-	3 480	-	-	-	-	111	35	3 626
Councillor - M.S. Meteleni	-	8 826	-	-	-	-	-	150	8 976
Councillor - S.C.G. Senosha	-	5 516	-	-	-	-	-	55	5 571
Councillor - M.S. Thobane	-	11 032	-	-	-	-	-	144	11 176
Councillor - M.J. Kekana	-	5 516	-	-	-	-	-	55	5 571
Councillor - V.N. Mahlangu	-	7 723	-	-	-	-	-	115	7 838
Councillor - M.J. Matlala	-	65 593	25 144	14 507	9 839	-	3 017	839	118 939
Councillor - M.D. Mochaki	-	65 593	25 144	14 507	9 839	-	3 017	839	118 939
Councillor - R.J. Mahoro	-	1 103	-	-	-	-	-	11	1 114
Councillor - K.H. Niewenhuys	-	212 153	70 718	40 800	-	-	8 486	2 895	335 051
Councillor - L.V. Kekana	-	4 413	-	-	-	-	-	44	4 457
Councillor - R. Manyama	-	3 480	-	-	-	-	111	35	3 626
Councillor - F.M. Mabasa	-	3 480	-	-	-	-	111	45	3 636
Councillor H.S. Mathebula	-	77 764	33 243	14 507	11 665	12 072	3 989	1 270	154 510
Councillor R.A. Matsemela	-	276 030	105 164	40 800	39 460	-	12 730	3 724	477 908
Councillor - L.S. Marakalala	-	8 826	-	-	-	-	-	88	8 914
Councillor - M.M. Kekana	-	6 619	-	-	-	-	-	77	6 696
Councillor - M.R. Kekana	-	7 723	-	-	-	-	-	87	7 810
Councillor - E. Seepe	-	5 920	-	-	-	-	-	59	5 979
Councillor - K.A. Sesoma	-	6 090	-	-	-	-	202	114	6 406
Councillor - R.P. Sebajane	-	6 619	-	-	-	-	-	139	6 758
Councillor - D.S. Motshwene	-	4 413	-	-	-	-	-	76	4 489
Councillor - K.Q. Dekker	-	5 516	-	-	-	-	-	55	5 571
Councillor - C.J. Du Toit	-	120 578	45 574	26 293	16 142	-	5 469	1 597	215 653
Councillor - E.L. Setho	-	8 126	-	-	-	-	-	87	8 213
Councillor - M.V. Mahlare	-	120 578	45 574	26 293	16 142	-	5 469	1 554	216 100
Councillor - R.H. Kgotthang	-	6 090	-	-	-	-	202	108	6 400
Councillor - J.H.T. Mills	-	-	3 480	-	-	-	202	124	3 806
Councillor - L.J. Molefe	-	-	4 413	-	-	-	-	77	4 490
Councillor - D.A. Mongalo	-	-	4 816	-	-	-	-	88	4 904
Councillor - H.E. Matlebyana	-	-	2 206	-	-	-	-	26	2 232
Councillor - M.S. Lelaka	-	-	120 578	45 574	26 293	16 142	5 469	1 805	215 861

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

27. Remuneration of councillors (continued)

Councillor - M.L. Matlala	-	-	6 090	-	-	-	204	119	6 413
Councillor M.B. Monare	-	-	155 243	58 862	26 293	21 342	7 231	2 266	271 237
	-	4 867 467	1 757 987	623 050	557 116	204 140	226 024	69 090	8 304 961

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.

28. Remuneration of Audit Committee members

Sitting allowance	316 211	289 770
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29. Cash used in operations

Deficit	(17 339 463)	(27 485 616)
Adjustments for:		
Depreciation and amortisation	5 271 720	7 218 231
Gain on sale of assets and liabilities	428 251	343 663
Provision for doubtful debt	-	126 060
Increase in leave and bonus accrual	(736 308)	496 728
Donations	(821 833)	-
Actuarial gain / losses - employee benefit obligation	(3 281 293)	(780 000)
Movement in long service award liability	1 105 450	392 794
Actuarial gain / loss - long service award	(194 003)	(119 796)
Accumulated surplus	-	59 584
Movement in employee benefit liability	1 984 044	1 718 000
Changes in working capital:		
Inventories	-	156 700
Receivables from non-exchange transactions	41 955	(113 022)
Decrease / (Increase) in receivables from exchange transactions	10 374	12 604
Decrease / (Increase) in prepayments	(18 372)	(76 784)
Payables from exchange transactions	(1 811 097)	(1 241 862)
VAT	731 211	25 771
Unspent conditional grants and receipts	(366 125)	302 333
	(14 995 489)	(18 964 612)

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

30. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Operational expenditure	5 371 092	9 926 656
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Total capital commitments

Already contracted for but not provided for	5 371 092	9 926 656
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The municipality has entered into a 5 year contract with ABSA Bank for the provision of banking services commencing on 1 April 2020. Normal banking charges will be incurred under the contract and does not include an overdraft facility.

On the 25 February 2022, National Treasury issued an advisory note advising government institution to put all advertised tenders on or after the 16 February 2022 in abeyance and that no new tenders be issued. WDM withdraw all tenders advertised on the 27 February 2022. As a result, the following tenders were extended to ensure business continuity.

Repairs and maintenance of WDM Fleet and Equipment - WDM/2018/19-01
Provision of Legal Services - WDM/2018/19-02
Operating Lease of Photocopiers - WDM/2018/19-07
Provision of Security Services- WDM/2018/19-06

The commitment are disclosed VAT inclusive.

The operating lease commitments is already disclosed in the figures above, however disclosed separately below to comply with GRAP 13.

Operating lease

Minimum lease payments due

- within one year	539 614	1 301 672
- in second to fifth year inclusive	-	267 902
	539 614	1 569 574

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

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

31. Contingencies

	2023	2022
The following are legal cases pending at year end and the potential liability thereof:		
Contingent liabilities		
Mohale Incorporated - defend action against breach of contract 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.	1 800 000	1 800 000
Khomotso Ledwaba (Case no:4150/20) - Served 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	1 800 000
Mariri & 2 others (Case no:LPD 032009) - Matter at labour court for review.	39 600	39 600
Edeling Van Niekerk obo Mr D Van Niekerk - (Case no: 4877/2021). Instruction to defend the case was issued -currently still exchanging pleadings.Matter relate to motor vehicle accident due to poor road condition.	4 700 000	4 700 000
te vs MM, Manager Abattoir, Manager ID and Manager Planning (Case no: 2/12/2021). The matter relates to charges of contravening the National Environment Management Act no: 107 of 1997.	450 000	450 000
SAWMU obo J Mashamaite & others - unfair labour practice, awaiting court date	350 000	
Mphela & 2 others - unfair labour practice, parties to fill pleadings accordingly.	100 000	
Imatu (Badunshorst & Reinecke) - unfair labour practice, waiting for court date	850 000	
M2M Projects - Claim against municipality for payment of R4473 124-81 plus interest	100 000	

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

32. Related parties

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 24) :

- 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 27):

- 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 2023 financial year is R1 515 514 with no outstanding balance.

SCM Awards to close family members of persons in service of the state Regulation 45

The following awards were made during the year to suppliers who have close family members in service of the state:

Company name	Relationship	Entity	Awarded amount - 2023	Awarded amount - 2022
Magoja Communications	Spouse	Capricorn District Municipality (Communication Officer)	-	195 800
Magoja Communications	Spouse	Capricorn District Municipality (Communication Officer)	-	108 340
Magoja Communications	Spouse	Capricorn District Municipality (Communication Officer)	-	96 460
Khethiwe Traders	Spouse	Modimolle - Mookgopong Local Municipality	21 000	-
Munsoft (Pty) Ltd	Parent	Bojanala Platinum District Municipality	155 865	-
Khethiwe Traders	Spouse	Modimolle - Mookgopong Local Municipality	28 250	-
Munsoft (Pty) Ltd	Parent	Bojanala Platinum District Municipality	863	-

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

32. Related parties (continued)

205 978

400 600

33. Prior period errors

Error on depreciation for property plant and equipment was discovered and corrected.

During the financial year management perform an assessment on the useful lives of property plant and equipment. Upon inspection it was detected that assets had zero values from prior year. We did a prior year error as follows:

Prior period error

The assets fully depreciated as at 30 June 2022 were treated as a prior year error. This is because some of the assets already reached the end of their useful lives some time ago (from 2017) but were still in use in 2023. · Per GRAP 3.43 the error in useful lives for these assets arose due to management not revisiting those assets' useful lives on a prospective basis and continuing to use the assets while fully depreciated. This resulted in a measurement error for depreciation as the assets clearly can still be used but the economic benefit of using the asset was not recognised in the depreciation per year.

For the assets treated as a prior year error, the carrying value as of 30 June 2022 was determined based on cost divided by the reassessed total useful life to determine what the carrying value would have been on 30 June 2022. The reason why this method was followed and not the method as per the accounting policy is that management should have reassessed the useful life of the asset when an indicator as per GRAP 17.57 presented itself. · Unfortunately, professional judgement cannot be used in hindsight and to now determine at what specific year-end this judgement should have been exercised was not possible. · The fact that the municipality still used the fully depreciated assets in 2023 indicated to management that the original useful lives were incorrectly determined. · The useful life of the assets was extended between 1-15 years. The date that the useful life should have been extended could have been on day 1 or day 1 601. This cannot be determined in 2023. · As a result, the comparative amounts were restated in terms of GRAP 3.33(a) to the earliest period in which the error occurred. As mentioned the error date could not be determined as some of these assets reached the end of their useful lives in 2017 but are still used in 2023. · The municipality chose to follow a conservative approach by calculating the carrying value and disclosing the prior period error to the users with reasons. · In calculating the prior period error, management applied GRAP 3.44(b) as the error occurred before the earliest period presented and as a result, restated the opening balance.

The correction of the errors results in adjustments as follows:

	2022	2021
Increase/(decrease) in PPE	3 530 413	3 135 297
(Increase)/ decrease in net assets	3 530 413	3 135 297
Presented by:	2022	2021
Increase)/decrease in Accumulated Surplus	-	-
(Increase)/ decrease in revenues	-	-
Increase/ (decrease) in Expenses	(395 116)	(3 135 297)
Effect on surplus/difficit	(3 135 297)	-
Effect on opening reserves	(3 530 413)	(3 135 297)

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

34. Change in estimate

In terms of GRAP 17, an entity is required to assess the useful lives, residual values and depreciation methods of assets at every reporting date. This is done by assessing at each reporting date whether there is any indication that the entity's expectations about the useful lives and residual values of an asset have changed since the preceding reporting date

In assessing whether there is any indication that the expected useful life of an asset has changed, an entity considers the following indications - par 57 (c) The asset is approaching the end of its previously expected useful life.

The useful lives was re-assed as follows.

4 years added for hydraulics
2 years added for airbags
2 years added for servers
3 years added for tools
3 years added for ladders
4 years added for laptops
5 years added for desks
6 years added for tables
5 years added for couches
2 years added for aircons
4 years added for cutters
8 years added for wall units
2 years added for printers
3 years added for port switches
2 years added for UPS
3 years added for desktops
10 years added for cupboards
10 years added for credenzas
10 years added for cabinets
2 year added for printers
5 years added for cluster units
2 years added to two-way mobile radio
5 years added for chairs
6 years added for book cases
10 years added for desks
7 years added to drawer pedestals
2 years added to hydrant tools
2 years added for electric extension
4 years added to reffridgerators
2 years added to LCD screens
3 years added for utility monitors
5 years added for tender boxes
10 years added for coat racks
3 years added to waste bins
6 years added for letter trays
6 years added for bakkies
4 years added for trailers

This resulted in an reduced depreciation charge by an amount of R373 937 for the year, which is expected to recur over the remaining life of the assets.

Effects on the current year profits (2023)

o Increase/(Decrease) in profits R 373 937

Effect on future periods profits

o Increase/(Decrease) in profits R373 937

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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35. Risk management

Financial risk management

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

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

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 implies maintaining sufficient cash and marketable securities, the availability of funding through 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 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 275 781	-	-	-
Consumer deposits	-	-	-	2 000
Unspent conditional grant	255 400	-	-	-
At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	3 619 425	-	-	-
Consumer deposits	-	-	-	2 000
Unspent conditional grant	366 259	-	-	-

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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35. Risk management (continued)

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 R24 899 125 investment.

No investments were pledged as security for the period under review. Although credit risk pertaining to cash and cash equivalent are considered ow, the maximum exposure is disclosed below.

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

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

Financial instrument	2023	2022
Trade and other receivables from exchange transactions	107 638	118 012
Cash and cash equivalent	12 771 328	28 111 544

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

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.

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.

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.

36. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 50 528 336 and that the municipality's total assets exceed its liabilities by 50 490 220.

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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36. Going concern (continued)

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

No material events after reporting date occurred during the year under review.

38. Irregular expenditure

Opening balance as previously reported	-	3 501 766
Add: Irregular expenditure - current	-	-
Opening balance as restated	-	3 501 766
Less: Amounts written off	-	(2 908 653)
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	(593 113)
Less: Amount written off - current	-	-
Closing balance	-	-

Waterberg District Municipality

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Notes to the Annual Financial Statements

Figures in Rand

2023

2022

38. Irregular expenditure (continued)

Amount 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

39. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee
Amount paid - current year

1 389 888	1 371 516
(1 389 888)	(1 371 516)
-	-

Audit fees

Current year subscription
Amount paid - current year

2 617 849	2 168 357
(2 617 849)	(2 168 357)
-	-

UIF

Current year subscription / fee
Amount paid - current year

755 259	736 643
(755 259)	(736 643)
-	-

PAYE

Current year subscription / fee
Amount paid - current year

21 424 574	21 383 720
(21 383 720)	(21 383 720)
40 854	-

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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39. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	32 164 824	29 694 770
Amount paid - current year	(32 164 824)	(29 694 770)
	-	-

VAT

VAT receivable	415 375	1 146 586
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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 R268 906 (2022 - R804 204) 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

Deviation on goods and services less than R30 000	139 444	142 922
Deviation on goods and services between R30 000 and R200 000	129 462	415 444
Deviation on goods and services above R200 000	-	256 007
	268 906	814 373

Incident

Limited bidding procurement - single source procurement	58 623	546 242
Organ of state	210 282	268 131
	268 905	814 373

40. Budget differences

Material differences between budget and actual amounts

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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40. Budget differences (continued)

Statement of financial performance

39.1 Service charges

Service charges relates to the abattoir services. Revenue realized from abattoir services reported for the period ending 30 June 2022 is below than what was anticipated.

39.2 Interest earned - Investment

The variance in the interest earned on external investment can be attributed to the interest hike, therefore we received more interest

39.3 Interest earned - receivables

The consumers paid within 30 days .

39.4 Loss on disposal of assets

Loss on disposal of assets was not budgeted for in the 2021/22 financial year hence the variance.

Statement of financial position

39.6 Inventory

Inventory held by the municipality in the previous financial year was COVID-19 consumables which were utilised during the year under review.

39.7 Receivables from exchange transactions

The variance in the receivables from non-exchange transaction can be attributed prepayment of membership fees to Salga.

39.8 Cash and cash equivalent

Cash and cash equivalent was lower than anticipated as at 30 June 2022. The municipality is grant dependent and have developed revenue enhancement strategy in order to increase the revenue base.

39.9 Operating lease liability

Due to straight-line payment more operating lease liability were redeemed than budgeted for.

39.10 Payables from non-exchange transaction

This relates to leave accrual as well as bonus accrual for the period ending 30 June 2022 which were more than what was initially budgeted for.

39.11 Non-current liabilities

The non-current portion of the employee benefit obligation and long service award liability where significantly less than what was anticipated.

39.12 Cash Flow statement

Net cash flow from operating activities

The variance on net cash flow from operating activities were in the main attributed to other payments made during the year under review that were less than what was budgeted for.

Net cash flow from investing activities – Purchase of PPE

The variance is due to underspending on the ICT equipment budgeted in the 2021/22 capital budget.

Cash and cash equivalent at the end of the year.

Cash and cash equivalent was lower than anticipated as at 30 June 2022. The municipality is grant dependent and have developed revenue enhancement strategy in order to increase the revenue base.

39.13 Differences between budget and actual amounts basis of preparation and presentation

Differences between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

39.14 Statement of Financial Performance

Waterberg District Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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40. Budget differences (continued)

The statement of financial performance is comparable on a line by line basis except for the following items:
The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item other income in the budget statement. Other income per budget statement consist of the following line items: air quality fees, municipal health, fire income and commission income.

Employee related cost and actuarial gains and losses are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Project expenditure which is WDM operational IDP projects is disclosed separated in the Statement of Financial Performance but aggregated in general expenditure in the budgeted statement.

39.15 Changes from the approved budget to the final budget

Revenue

Total revenue decrease bringing the total budgeted revenue after adjustment mainly as a result of the following:

Interest earned – External Investments

Interest income decreased by R1 million as result of unfavourable interest rates on investments.

Transfers and Subsidies

Transfer and subsidies increased by to R 80 615 due to SETA grant received during the first half of the financial year.

Other revenue

Other revenue increased to revenue realized from Municipal Health and Fire-fighting services.

Expenditure

The expenditure was also adjusted downwards by the same amount as required by Section 28 of the Municipal Finance Management Act resulting in the total budgeted expenditure after adjustment being R 188 587 737 including the IDP operating projects. Savings on various items were identified within general expenditure, employee related cost, councillors remuneration and inventory consumed to fund the adjustments