



West Rand District Municipality
Trading as DC 48
Financial Statements
for the year ended 30 June 2014

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	District Municipality
Mayoral committee	
Executive Mayor	K.M. Nawa J. Phiri (Speaker) S. Ngweentsha (Chief Whip) L. Nkosiyane (MMC: Finance) N. Lipudi (MMC: Infrastructure) M. Gama (MMC: Human Settlements) K. Blaai (MMC: Corporate Services) P. Kgoleng (MMC: Health and Social Development) O. Caldeira (MMC: Rural Development) B. Xulu (MMC: Public Safety) T.E. Mphithikezi (MMC: Local Economic Development)
Councillors	B.D. Blake M.F. Chohledi T.N. Daniel P.H.C. De Jager D.S. Thabe R.J.A. Harris L.A. Isherwood G.S. Isherwood M.V. Jiba N.G. Kasibi S.N. Khenene F.F. Ngcobo T.K. Foteng M.J. Selibo M. Holenstein J. Hoon R. Lees T.B.N. Mavuso S. Mcungeli M.V. Mfazi N.P. Mosetle D.E. Ngubane M.N. Nomandla M. Nqoro W.M. Plaatjie D.H. Pretorius P.L. Seemela P. Simon C.P. Zagagana J.D.W Zwart S. Handula (Chairperson MPAC)
Grading of local authority	5 (Medium Capacity)

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

General Information

Chief Finance Officer (CFO)

R Mohaudi

Accounting Officer

M.D. Mokoena

Business address

Cnr 6th & Park Street
Randfontein
1760

Postal address

Private Bag X 033
Randfontein
1760

Bankers

Standard Bank South Africa

Auditors

Auditor-General of South Africa

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Index

The reports and statements set out below comprise the financial statements presented to the Council of the Municipality:

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Changes in Net Assets	7
Statement of Financial Performance	6
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 14
Accounting Policies	15 - 30
Notes to the Financial Statements	31 - 59

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DMA	District Management Area
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
WRDA	West Rand Development Agency
HDF	Housing Development Fund
IAS	International Accounting Standards
WRDM	West Rand District Municipality
IPSAS	International Public Sector Accounting Standards
MSIG	Municipal System Improvement Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
VAT	Value Added Taxation
EPWP	Expanded Public Works Programme

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year ended 30 June 2015 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 wholly dependent on the National and provincial government grants 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 the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The financial statements set out on pages 5 to 59, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2014

M.D. Mokoena
Accounting Officer

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Inventories	11	539 307	486 114
Receivables from exchange transactions	12	1 437 349	5 868 980
Cash and cash equivalents	14	39 178 754	81 445 486
		41 155 410	87 800 580
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	274 700	307 480
Investment property	4	3 582 000	3 400 000
Property, plant and equipment	5	57 435 384	68 568 012
Intangible assets	6	1 759 275	1 753 531
Investment in controlled entity	7	14 578 528	14 578 528
Long term receivables	10	927 059	840 824
		78 556 946	89 448 375
Total Assets		119 712 356	177 248 955
Liabilities			
Current Liabilities			
Employee benefit obligations	9	1 148 856	974 364
Other financial liabilities	15	1 759 472	3 270 810
Finance lease obligations	16	2 646 976	4 223 751
Unspent conditional grants and receipts	17	441 132	141 013
Provisions	18	4 686 755	3 009 750
Payables from exchange transactions	19	17 451 883	23 091 576
VAT payable	20	560 678	2 311 760
		28 695 752	37 023 024
Non-Current Liabilities			
Employee benefit obligations	9	50 497 096	38 986 403
Other financial liabilities	15	-	1 759 460
Finance lease obligations	16	744 388	754 388
Provisions	18	11 313 847	10 313 837
		62 555 331	51 814 088
Total Liabilities		91 251 083	88 837 112
Net Assets		28 461 273	88 411 843
Net Assets			
Accumulated surplus		28 461 273	88 411 843

* See Note 40

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	2 125 467	2 972 111
Interest received (trading)		137 714	402 502
Licences and permits		175 238	182 589
Income from agency services	25	35 834 000	24 837 750
Other income	26	6 836 075	23 636 756
Interest received - investment	31	4 127 487	5 842 451
Rental of facilities and equipment	35	1 307 333	1 709 896
Total revenue from exchange transactions		50 543 314	59 584 055
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	24	182 259 606	180 319 128
Total revenue	22	232 802 920	239 903 183
Expenditure			
Employee related costs	28	(162 327 317)	(151 565 216)
Remuneration of councillors	29	(9 508 812)	(7 989 001)
Debt impairment	30	(4 417 976)	(17 110 227)
Depreciation and amortisation	32	(12 106 509)	(11 369 967)
Impairment of assets	33	-	(319 915)
Finance costs	34	(738 663)	(927 581)
Grants and subsidies paid	36	(4 394 200)	(4 394 200)
Repairs and maintenance	49	(4 663 719)	(2 280 679)
General Expenses	27	(94 738 059)	(77 903 971)
Total expenditure		(292 895 255)	(273 860 757)
Operating deficit		(60 092 335)	(33 957 574)
Loss on disposal of assets and liabilities		(33 301)	-
Deficit for the year		(60 125 636)	(33 957 574)

* See Note 40

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	122 604 098	122 604 098
Changes in net assets		
Disposal of Assets through Profit and loss	(234 681)	(234 681)
Net income (losses) recognised directly in net assets	(234 681)	(234 681)
Surplus for the year	(33 957 574)	(33 957 574)
Total recognised income and expenses for the year	(34 192 255)	(34 192 255)
Total changes	(34 192 255)	(34 192 255)
Restated* Balance at 01 July 2013	88 586 909	88 586 909
Changes in net assets		
Surplus for the year	(60 125 636)	(60 125 636)
Total changes	(60 125 636)	(60 125 636)
Balance at 30 June 2014	28 461 273	28 461 273

* See Note 40

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Grants		182 594 701	177 370 976
Interest income		4 127 487	5 842 451
Other receipts		51 211 578	11 126 226
		<u>237 933 766</u>	<u>194 339 653</u>
Payments			
Employee costs		(176 761 153)	(147 870 549)
Suppliers		(96 379 189)	(57 287 591)
Finance costs		(439 667)	(729 083)
Finance Cost (Finance Leases)		(298 996)	(198 498)
		<u>(273 879 005)</u>	<u>(206 085 721)</u>
Net cash flows from operating activities	37	<u>(35 945 239)</u>	<u>(11 746 068)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(349 135)	(5 998 213)
Proceeds from sale of property, plant and equipment	5	-	194 801
Purchase of other intangible assets	6	(815 789)	(1 900 623)
		<u>(1 164 924)</u>	<u>(7 704 035)</u>
Net cash flows from investing activities		<u>(1 164 924)</u>	<u>(7 704 035)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(3 270 798)	(3 166 631)
Finance lease payments		(1 885 771)	4 779 641
		<u>(5 156 569)</u>	<u>1 613 010</u>
Net cash flows from financing activities		<u>(5 156 569)</u>	<u>1 613 010</u>
Net decrease in cash and cash equivalents		(42 266 732)	(17 837 093)
Cash and cash equivalents at the beginning of the year		81 445 486	99 282 579
Cash and cash equivalents at the end of the year	14	<u>39 178 754</u>	<u>81 445 486</u>

* See Note 40

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4 090 000	(10 078)	4 079 922	2 125 467	(1 954 455)	Non- payments for fire and ambulance services
Rental of facilities and equipment	1 615 100	(201 657)	1 413 443	1 307 333	(106 110)	Payments for rental of shops for the municipality
Interest received (trading)	-	143 595	143 595	137 714	(5 881)	Non- payments on ambulance and fire services debtors
Income from agency services	32 619 799	3 214 201	35 834 000	35 834 000	-	Amount fully collected
Licences and permits	-	147 386	147 386	175 238	27 852	Licence and permits which municipality are issuing to businesses
Other income - (rollup)	27 350 474	17 132 102	44 482 576	6 836 075	(37 646 501)	Surplus from opening balance of WRDM bank account to balance budget
Interest received - investment	3 500 000	1 600 567	5 100 567	4 127 487	(973 080)	Reduction of the short tem investment of municipality
Total revenue from exchange transactions	69 175 373	22 026 116	91 201 489	50 543 314	(40 658 175)	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	189 813 201	(4 608 059)	185 205 142	182 259 606	(2 945 536)	Out of Books grant which is gazzetted for WRDM
Total revenue	258 988 574	17 418 057	276 406 631	232 802 920	(43 603 711)	

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons
Figures in Rand						
Expenditure						
Personnel	(157 926 613)	4 841 076	(153 085 537)	(162 327 317)	(9 241 780)	Increase of Public holidays overtime and Leave Encashment of staff
Remuneration of councillors	(9 353 167)	(875 856)	(10 229 023)	(9 508 812)	720 211	Introduction of new upper limits
Depreciation and amortisation	(8 887 000)	(324 564)	(9 211 564)	(12 106 509)	(2 894 945)	New acquired assets
Finance costs	(3 696 000)	2 624 000	(1 072 000)	(738 663)	333 337	Savings on the Finance Costs
Debt impairment	-	-	-	(4 417 976)	(4 417 976)	Debt impairment omitted in the budget
Repairs and maintenance	-	(6 258 901)	(6 258 901)	(4 663 719)	1 595 182	Savings on repairs and maintenance
Grants and subsidies paid	(4 394 200)	-	(4 394 200)	(4 394 200)	-	Grants fully paid to WRDA
General Expenses	(69 371 593)	(19 808 041)	(89 179 634)	(94 738 059)	(5 558 425)	Non- cash transactions omitted in the budget
Total expenditure	(253 628 573)	(19 802 286)	(273 430 859)	(292 895 255)	(19 464 396)	
Operating deficit	5 360 001	(2 384 229)	2 975 772	(60 092 335)	(63 068 107)	
Loss on disposal of assets and liabilities	-	-	-	(33 301)	(33 301)	Assets missing during the year
Deficit before taxation	5 360 001	(2 384 229)	2 975 772	(60 125 636)	(63 101 408)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	5 360 001	(2 384 229)	2 975 772	(60 125 636)	(63 101 408)	
Reconciliation						

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	587 400	62 331	649 731	539 307	(110 424)	Savings on the Inventory
Receivables from exchange transactions	7 065 535	(487 548)	6 577 987	1 437 349	(5 140 638)	Long outstanding debtors impaired
VAT receivable	4 468 865	-	4 468 865	-	(4 468 865)	VAT input and output to SARS
Current portion of long term receivables	42 720	(42 720)	-	-	-	No short term anticipated.
Cash and cash equivalents	61 285 044	21 367 650	82 652 694	39 178 754	(43 473 940)	Municipality hourning contracts.
	73 449 564	20 899 713	94 349 277	41 155 410	(53 193 867)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	187 968	119 512	307 480	274 700	(32 780)	Movement on biological assets
Investment property	3 417 600	(17 600)	3 400 000	3 582 000	182 000	None
Property, plant and equipment	75 726 540	11 807 735	87 534 275	57 435 384	(30 098 891)	Corrected/ Savings on assets register of the municipality
Intangible assets	-	1 842 937	1 842 937	1 759 275	(83 662)	Savings on purchases of Intangible assets
Investment in controlled entity	-	-	-	14 578 528	14 578 528	WRDA Investment
Long term receivables	213 600	627 224	840 824	927 059	86 235	Movement on the receivables
	79 545 708	14 379 808	93 925 516	78 556 946	(15 368 570)	
Total Assets	152 995 272	35 279 521	188 274 793	119 712 356	(68 562 437)	
Liabilities						
Current Liabilities						
Other financial liabilities	1 759 460	-	1 759 460	1 759 472	12	Loan to be settled
Finance lease obligations	4 541 740	(1 484 922)	3 056 818	2 646 976	(409 842)	Savings on the Fire Engines Leased
Payables from exchange transactions	14 904 653	8 445 613	23 350 266	17 451 870	(5 898 396)	Savings on the Creditors budgeted

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons
Figures in Rand						
VAT payable	-	-	-	560 678	560 678	Incorrect Vat treatment corrected in current year. Refer to Prior year period error note
Employee benefit obligations	974 364	-	974 364	1 148 856	174 492	latest Actuarial assumption on post-medical aid benefit
Unspent conditional grants and receipts	141 013	-	141 013	441 132	300 119	Library grants which was not spent at year end.
Provisions	-	3 984 114	3 984 114	4 686 755	702 641	Increase in provisions as at year end
	22 321 230	10 944 805	33 266 035	28 695 739	(4 570 296)	
Non-Current Liabilities						
Finance lease obligations	5 529 036	9 741	5 538 777	744 388	(4 794 389)	Savings on the fire engines leased
Employee benefit obligations	-	37 986 393	37 986 393	50 497 096	12 510 703	Latest actuarial assumption on post-medical aid benefit
Provisions	-	11 313 847	11 313 847	11 313 847	-	Increase in provisions as at year end
	5 529 036	49 309 981	54 839 017	62 555 331	7 716 314	
Total Liabilities	27 850 266	60 254 786	88 105 052	91 251 070	3 146 018	
Net Assets	125 145 006	(24 975 265)	100 169 741	28 461 286	(71 708 455)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Other NDR	61 664 184	(56 435 500)	5 228 684	-	(5 228 684)	Reserves for the purpose of consolidation with the agency AFS
Accumulated surplus	63 480 822	31 460 235	94 941 057	28 461 286	(66 479 771)	Movement of Accumulated surplus
Total Net Assets	125 145 006	(24 975 265)	100 169 741	28 461 286	(71 708 455)	

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons
--	-----------------	-------------	--------------	------------------------------------	--	---------

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	35 055 574	50 901 752	85 957 326	51 211 578	(34 745 748)	Under collection of sale of good and services
Grants	220 433 000	(35 227 858)	185 205 142	182 594 701	(2 610 441)	Out-of books income gazzetted for
Interest income	3 500 000	1 744 161	5 244 161	4 430 966	(813 195)	Reduction of shor- term investment of the municipality
	258 988 574	17 418 055	276 406 629	238 237 245	(38 169 384)	

Payments

Employee costs and Suppliers	(245 538 372)	6 107 351	(239 431 021)	(176 761 153)	62 669 868	
Suppliers	-	-	-	(92 283 985)	(92 283 985)	Contracts of the municipality hourned
Finance costs	(3 696 000)	2 624 000	(1 072 000)	(439 667)	632 333	Savings on the loan interest
Transfers and Grants	(4 394 200)	-	(4 394 200)	(4 394 200)		- Full payment to the WRDA.
	(253 628 572)	8 731 351	(244 897 221)	(273 879 005)	(28 981 784)	

Net cash flows from operating activities

5 360 002 26 149 406 31 509 408 (35 641 760) (67 151 168)

Cash flows from investing activities

Purchase of property, plant and equipment	(5 360 000)	2 384 229	(2 975 771)	(349 135)	2 626 636	Savings on Purchase of PPE.
Purchase of other intangible assets	-	-	-	(815 789)	(815 789)	Intangible assets which was budgeted for in opex
Decrease(Increase) in Non-current receivables	727 244	(727 244)	-	-	-	Movement in Non- current receivables
Decrease(Increase) in Investments	(15 000 000)	15 000 000	-	-	-	Investment reclassified
Net cash flows from investing activities	(19 632 756)	16 656 985	(2 975 771)	(1 164 924)	1 810 847	

Cash flows from financing activities

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons
Figures in Rand						
Repayment of other financial liabilities	(3 696 000)	-	(3 696 000)	(3 270 798)	425 202	Loan repayments
Finance lease payments	-	-	-	(1 885 771)	(1 885 771)	Repayments of finance leases of the municipality
Net cash flows from financing activities	(3 696 000)	-	(3 696 000)	(5 156 569)	(1 460 569)	
Net increase/(decrease) in cash and cash equivalents	(17 968 754)	42 806 391	24 837 637	(41 963 253)	(66 800 890)	
Cash and cash equivalents at the beginning of the year	(42 499 000)	100 314 056	57 815 056	81 142 007	23 326 951	Payments of contracts and employees
Cash and cash equivalents at the end of the year	(60 467 754)	143 120 447	82 652 693	39 178 754	(43 473 939)	
Reconciliation						

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These 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.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. When any Significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

1.3 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value or costs to sell.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Investment property (continued)

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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.

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

Item	Average useful life
Land	0
Buildings	7-25 Years
Plant and machinery	5-17 Years
Furniture and fixtures	3-17 Years
Motor vehicles	
• Speciliased Vehicles	5-17 Years
• Other Vehicles	15-17 Years
•	
Infrastructure	
• Roads and Storm Water	20-30 Years
• Water	20-30 Years
Security Measures	5-14 Years
Water Craft	5-15 Years
Emergency equipment	5-17 Years
Community	20-30 Years
Office equipment	3-17 Years
Other leased Assets	2-3 Years

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

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

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

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

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

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 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.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	2-3 Years

1.7 Investment in controlled entity

Investment in controlled entity are carried at cost .

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

The West Rand Development Agency(WRDA) was established to promote tourism and investment of the region.

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.

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.

A financial asset is:

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

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.

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

- derivatives;
- combined instruments that are designated at fair value;

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Financial instruments (continued)

- 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.

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
Long Term Debtors	Loans and receivables
Receivables from exchange transactions	Loans and receivables
Short term investment	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
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

The trade receivables from exchange transactions and non exchange transactions who are more than 90 days are considered to have been impaired except the special cases (e.g. Government debt)

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.

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.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

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

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

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.

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 weighted average cost 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 Employee benefits

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

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.11 Employee benefits (continued)

- 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.

Post-employment benefits

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

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

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

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise 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 recognise 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 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 measure 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.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.11 Employee benefits (continued)

The entity determine 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 financial statements do not differ materially from the amounts that would be determined at the reporting date.

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).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for post employment medical benefits. 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.

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.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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.

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.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Provisions and contingencies (continued)

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 deficits.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

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.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

Recognition

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

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

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 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.

1.19 Irregular expenditure

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

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

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

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.21 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.22 Conditional grants and receipts

Revenue 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.

1.23 Segmental information

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 2013-07-01 to 2014-06-30.

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

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

1.25 Related parties

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

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

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

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

1.26 Contributions from Local Municipality

The municipality is offering services of public safety to all the municipalities within the region. This services is to make enforce by laws approved by the local municipality to the communities within the region.

The municipality is also involved in economic growth development whereby the WRDA is responsible to attract business to all parts of the region.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

2. New standards and interpretations

2.1 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 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	July 1, 2014	Not Material
• GRAP 105: Transfers of functions between entities under common control	July 1, 2014	Not Material
• GRAP 106: Transfers of functions between entities not under common control	July 1, 2014	Not Material
• GRAP 107: Mergers	July 1, 2014	Not Material
• GRAP 20: Related parties	July 1, 2014	Not Material
• IGRAP 11: Consolidation – Special purpose entities	July 1, 2014	Not Material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	July 1, 2014	Not Material
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	July 1, 2014	Not Material

3. Biological assets that form part of an agricultural activity

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	274 700	-	274 700	307 480	-	307 480

Reconciliation of biological assets that form part of an agricultural activity - 2014

	Opening balance	Other changes, movements	Total
Biological assets	307 480	(32 780)	274 700

Reconciliation of biological assets that form part of an agricultural activity - 2013

	Opening balance	Other changes, movements	Total
Biological assets	116 659	190 821	307 480

Non - Financial information

Description of each biological asset

Biological assets (Flowers)	274 700	307 480
------------------------------	---------	---------

Municipality did a count on all the biological assets. The assets were counted as at the 30 June 2014 and the price attached to them are the selling price. The register of these assets is available at the LED office of the municipality for inspection.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

4. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	3 582 000	-	3 582 000	3 400 000	-	3 400 000

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	3 400 000	182 000	3 582 000

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	3 400 000	3 400 000

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.

Details of valuation

The effective date of the revaluations was 30 June 2014. Revaluations were performed by an independent valuer, DB Globler [Appraiser and Professional Associated Valuer]. DB Grobler is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on the rental income payable by BP Southern Africa in terms of the signed rental agreement using the income capitalization approach.

These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	513 600	-
Direct operating expenses from rental generating property	(119 542)	-

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

5. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 425 001	-	1 425 001	1 425 001	-	1 425 001
Buildings	37 529 231	(13 832 520)	23 696 711	37 529 231	(10 943 604)	26 585 627
Plant and machinery	5 578 332	(3 752 250)	1 826 082	5 863 018	(3 122 269)	2 740 749
Furniture and fixtures	4 701 145	(3 628 881)	1 072 264	4 619 593	(3 110 946)	1 508 647
Motor vehicles	16 312 972	(9 364 028)	6 948 944	16 312 972	(8 132 594)	8 180 378
Infrastructure	8 684 377	(1 944 787)	6 739 590	8 684 377	(1 464 453)	7 219 924
Security Measures	5 109 619	(3 857 205)	1 252 414	5 109 619	(2 944 665)	2 164 954
Emergency equipment	4 074 588	(3 151 133)	923 455	4 066 416	(2 507 946)	1 558 470
Other property, plant and equipment	100 340	(41 990)	58 350	100 340	(29 376)	70 964
Electricity	152 259	(30 430)	121 829	152 259	(22 823)	129 436
Office equipment	12 077 120	(8 872 644)	3 204 476	11 801 475	(7 033 582)	4 767 893
Other leased Assets	4 978 139	(2 618 251)	2 359 888	4 978 139	(958 601)	4 019 538
Community Facilities	9 757 656	(1 951 276)	7 806 380	9 757 656	(1 561 225)	8 196 431
Total	110 480 779	(53 045 395)	57 435 384	110 400 096	(41 832 084)	68 568 012

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1 425 001	-	-	-	-	1 425 001
Buildings	26 585 627	-	-	-	(2 888 916)	23 696 711
Plant and machinery	2 740 749	-	(987)	(201 380)	(712 300)	1 826 082
Furniture and fixtures	1 508 647	24 285	-	29 427	(490 095)	1 072 264
Motor vehicles	8 180 378	-	-	-	(1 231 434)	6 948 944
Infrastructure	7 219 924	-	-	-	(480 334)	6 739 590
Security Measures	2 164 954	-	-	-	(912 540)	1 252 414
Emergency equipment	1 558 470	8 172	-	-	(643 187)	923 455
Other property, plant and equipment	70 964	-	-	-	(12 614)	58 350
Electricity	129 436	-	-	-	(7 607)	121 829
Office equipment	4 767 893	316 678	(32 314)	20 450	(1 868 231)	3 204 476
Other leased Assets	4 019 538	-	-	-	(1 659 650)	2 359 888
Community facilities	8 196 431	-	-	-	(390 051)	7 806 380
Total	68 568 012	349 135	(33 301)	(151 503)	(11 296 959)	57 435 384

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	1 425 001	-	-	-	-	1 425 001
Buildings	29 346 691	273 794	-	(3 034 858)	-	26 585 627
Plant and machinery	3 581 260	-	(23 351)	(789 756)	(27 404)	2 740 749
Furniture and fixtures	2 027 649	-	(10 369)	(488 901)	(19 732)	1 508 647
Motor vehicles	10 035 214	-	-	(1 650 158)	(204 678)	8 180 378
Infrastructure	7 700 604	-	-	(480 680)	-	7 219 924
Security Measures	3 077 754	-	-	(912 800)	-	2 164 954
Emergency equipment	2 297 449	-	(46 111)	(675 216)	(17 652)	1 558 470
Other property, plant and equipment	83 589	-	-	(12 625)	-	70 964
Electricity	137 049	-	-	(7 613)	-	129 436
Office equipment	6 048 122	746 280	(114 970)	(1 861 090)	(50 449)	4 767 893
Other leased Assets	-	4 978 139	-	(958 601)	-	4 019 538
Community facilities	8 586 738	-	-	(390 307)	-	8 196 431
	74 347 120	5 998 213	(194 801)	(11 262 605)	(319 915)	68 568 012

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. Condition assessment was done on all assets as at 30 June 2014

6. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 716 412	(957 137)	1 759 275	1 900 623	(147 092)	1 753 531

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 753 531	815 789	(810 045)	1 759 275

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	1 900 623	(147 092)	1 753 531

7. Investment in controlled entity

West Rand Developmental Agency(SOC)	Held by: West Rand District Municipality	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
WRDA		100,00 %	100,00 %	14 578 528	14 578 528

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

8. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2014

	Loans and receivables	Total
Other Receivables from Exchange Transactions(Note 12)	1 397 104	1 397 104

2013

	Loans and receivables	Available-for- sale	Total
Short Term Investment (Call Accounts) (Note 14)	-	40 000 000	40 000 000
Other receivables from exchange transactions (Note 12)	5 868 980	-	5 868 980
	5 868 980	40 000 000	45 868 980

9. Employee benefit obligations

Defined benefit plan

Heading

Post-Retirement Medical Obligation(Non- Current)	50 497 096	38 986 403
Post-Retirement Medical benefit obligation(Current)	1 148 856	974 364
	51 645 952	39 960 767

An actuarial valuation has been performed of the liability in respect of post-employment employment benefits to employees and retirees of West Rand District Municipality and to their registered dependants as at 30 June 2014. An independent valuator which is ARCH ACTUARIAL CONSULTING was appointed by the municipality to do all the calculations. The Company is practicing according to the conditions and requirements of Actuarial Society of South Africa.

The valuation considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. The post-employment medical aid subsidy liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The accounting standards require that an employer's liability be based on the cost of the benefits provided by the employer.

The Medical Schemes Act 1998 enforces community rating which means that the contributions payable by retirees are the same as those paid by younger members. The employer's cost can therefore be taken as the expected contributions only, as opposed to the expected cost of actual medical aid benefits.

Post retirement medical aid plan arrangements

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes most of which offer a range of options pertaining to the levels of cover. Upon retirement a retired employee may continue membership of the medical scheme. Upon a member's death-in-service or death -on-retirement the surviving dependants may continue membership of the medical scheme .

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	39 960 767	35 136 567
Net expense recognised in the statement of financial performance	11 685 185	4 824 200
	51 645 952	39 960 767

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
9. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	2 131 909	1 856 114
Benefits paid	(974 364)	(1 057 667)
Interest cost	3 660 759	2 914 028
Actuarial (gains) losses	6 866 881	1 111 725
	11 685 185	4 824 200
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9,28 %	9,27 %
Health Care Cost Inflation	8,40 %	7,91 %
Net Effective Discount rate	0,82 %	1,26 %
Medical Scheme Arrangements		
The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.		
Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.		
The salaries used in the valuation include an increase on 1 July 2014 of 6.79% as per the SALGBC Circular No.: 3/2014. The next salary increase was assumed to take place in 1 July 2015		
10. Long term receivables		
Non-Current Portion	927 059	840 824
Internal learnership (study assistance employees WRDM). all the monies are recovered when the employees fails.		
11. Inventories		
Consumable stores	539 307	486 114
12. Receivables from exchange transactions		
Employee costs in advance	298 801	298 801
Grants debtors	-	34 976
Deposits	73 791	77 475
Contributions from local municipalities	3 000 000	17 788 000
Ambulance	-	1 255 998
Fire and Ambulance Services	686 104	5 836 849
Impairment of Debtors	(4 562 898)	(21 496 576)
Other Consumer Debtors	1 846 512	1 768 826
Other debtors	1 152	1 152
Accrued Interest receivable on Short term investment	93 887	303 479
	1 437 349	5 868 980

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

12. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

1. Included in trade and receivables from exchange transactions is contributions from local municipality within region. The contributions were for transformation projects and the subsidy which will assist the operational of the **WRDA**. The break down is as follows.

Municipality	Transformation	WRDA
Mogale City	500,000	0
Randfontein	500,000	500,000
Westonaria	500,000	500,000
Merafong City	0	500,000
Total	1,500,000	1,500,000

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 746 697 (2013: R 628 273) were past due but not impaired.

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

1 month past due	455 829	287 292
2 months past due	195 056	156 455
3 months past due	95 812	184 526

Trade and other receivables impaired

As of 30 June 2014, trade and other receivables of R 5 959 912 (2013: R 27 365 556) were impaired and provided for.

The amount of the provision was R (4 562 898) as of 30 June 2014 (2013: R 21 496 575).

The ageing of these trade and receivables is as follows:

Over 6 months	4 562 898	21 496 575
---------------	-----------	------------

Reconciliation of provision for impairment of trade and other receivables

Opening balance	21 496 575	4 386 349
Provision for impairment	4 417 976	17 110 226
Amounts written off as uncollectible	(20 851 653)	-
Reversal of provision raised previously on WRDA subsidies Payment as the amount was paid in current financial year	(500 000)	-
	4 562 898	21 496 575

13. VAT receivable

Value added tax is claimable from SARS on receipt basis.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

14. Cash and cash equivalents (continued)

Cash on hand	30 346	20 914
Bank balances	39 121 241	40 867 713
Short-term deposits	-	40 303 479
Other cash and cash equivalents	27 167	253 380
	39 178 754	81 445 486

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Standard Bank Corporate Account (021307350)	39 121 241	40 867 713	21 243 672	39 121 241	40 867 713	20 874 122
Call Account Short Term Investment	-	40 303 479	78 388 185	-	40 303 479	78 388 185
Petty Cash	30 346	20 914	20 300	30 346	20 914	20 300
Heritage Account	27 167	253 380	-	27 167	253 380	-
Total	39 178 754	81 445 486	99 652 157	39 178 754	81 445 486	99 282 607

15. Other financial liabilities

At amortised cost

Bank loan	1 759 472	5 030 270
DBSA loans bear interests of 10% per annum and is repayable over a period of 20 Years. The loans were utilised to finance capital projects in the local municipalities. The remaining period of the loan is 1 Year.		

Non-current liabilities

At amortised cost	-	1 759 460
-------------------	---	-----------

Current liabilities

At amortised cost	1 759 472	3 270 810
-------------------	-----------	-----------

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
16. Finance lease obligations		
Minimum lease payments due		
- within one year	1 885 771	1 885 771
- in second to fifth year inclusive	942 885	2 828 656
	<u>2 828 656</u>	<u>4 714 427</u>
less: future finance charges	(181 681)	(480 677)
Present value of minimum lease payments	<u>2 646 975</u>	<u>4 233 750</u>
Non-current liabilities	744 388	754 388
Current liabilities	2 646 976	4 223 751
	<u>3 391 364</u>	<u>4 978 139</u>

It is municipality has entered into finance lease for fire engines in the 2013 financial year.

The lease term is for 3 years and the average effective borrowing rate was 8.5% (2013: 8.5%).

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Biodigester and shared services	-	35 059
HIV/AIDS Grant	3 607	15 904
Wireless connections libraries grants	437 525	70 477
MSIG	-	19 573
	<u>441 132</u>	<u>141 013</u>

Movement during the year

Balance at the beginning of the year	106 037	3 089 165
Additions during the year	182 594 701	177 370 976
Income recognition during the year	(182 259 606)	(180 319 128)
	<u>441 132</u>	<u>141 013</u>

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

18. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Other Movements	Total
Long services awards provisions	11 230 220	1 784 678	-	13 014 898
Performance Bonus	956 220	-	244 058	1 200 278
Department of labour assesment provision	1 137 147	648 279	-	1 785 426
	13 323 587	2 432 957	244 058	16 000 602

Reconciliation of provisions - 2013

	Opening Balance	Additions	Reversed during the year	Total
Long services awards provisions	8 987 775	2 242 445	-	11 230 220
Performance bonus	2 032 045	635 420	(1 711 245)	956 220
Project Provision	958 105	-	(958 105)	-
Department of Labour Assessment Provision	-	1 137 147	-	1 137 147
	11 977 925	4 015 012	(2 669 350)	13 323 587

Non-current liabilities

11 313 847

Current liabilities

4 686 755

16 000 602

13 323 587

Long services awards provisions

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

18. Provisions (continued)

Summary of eligible employees Summary of employees who are eligible for LSA as at June 2014

	Female	Male	Total	
Number of employees	190	213	403	Average annual
salary	176,146	203,932	190,832	Salary weighted average
	48.9	42.0	40.7	Salary weighted average past services
	10.2	12.3	11.4	

Long services leave arrangements

The municipality offers employees LSA for every five years of services completed, from ten years of services to 45 years of service, inclusive.

Long service awards for levels of past services

Completed in service(in YRS)	Long service bonus(% annual package)	Description
10	4.0%	10/250* annual package
15	8.0%	20/250* annual package
20	12%	30/250*annual package
25	18.3%	(30/250+75%X1/12) x Annual salary
30,35,40,45	20.3%	(30/250+100%X1/12) x Annual salary

In the month that each "Completed Service" milestone is reached, the employee is granted a LSA. Working days awarded are valued at 1/250th of annual salary per day .

On reaching their 25 and 30 year service milestones, employees are respectively awarded 75% of their monthly salary.

On reaching their 30 year service milestone and on every five year milestone thereafter, employees are awarded 100% of their monthly salary.

Key financial assumptions

The municipality offers various types of long service awards to its employees and the key actuarial financial assumptions are as follows.

Assumption	Value p.a
Discount rate	8.09%
General salary inflation	7.17%
Net effective discount rate	0.86%

Performance bonus

Provision for Section 57 employees of the municipality. The payments of the bonuses are based on performance and therefore the performance amounts and payments date are uncertain.

Project provision

Provision is to finance identified projects in the local municipalities and the WRDM. It is not certain when the monies will be spent by the local municipalities hence the amounts to be transferred and the timing are not certain.

Department of labour assessment provision

Assesment from department of labour . The payments of the assesment is based on estimated budget salaries, amounts and payments of the provision is uncertain.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
19. Payables from exchange transactions		
Trade payables	306 922	2 091 180
Consumer Deposits	73 137	33 137
Debtors with Credit Balances	40 335	-
Deposits received	7 790	3 158
Salaries Payable	247 033	42 516
Leave Payable	13 889 130	12 780 700
Stock in transit	12 525	12 525
Outstanding cheques	2 624 231	7 872 526
Interest Payable	14 613	-
Other Creditors	209 000	2 454
Heritage creditors account	27 167	253 380
	17 451 883	23 091 576

It is anticipated that the amounts owing to trade and other payables will be settled within the next 12 months.

20. VAT payable

Tax refunds payables	560 678	2 311 760
----------------------	---------	-----------

21. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2014

	Financial liabilities at amortised cost	Total
Trade and other payables from exchange transactions(refer note 19)	17 411 548	17 411 548
Unspent conditional grants(refer note 17)	441 132	441 132
Other financial liabilities(refer note 15)	1 759 472	1 759 472
	19 612 152	19 612 152

2013

	Financial liabilities at amortised cost	Total
Trade and other payables from exchange transactions(refer note 19)	23 091 576	23 091 576
Unspent conditional grants(refer note 17)	141 013	141 013
Other financial liabilities(refer note 15)	1 759 460	1 759 460
	24 992 049	24 992 049

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
22. Revenue		
Service charges	2 125 467	2 972 111
Rental of facilities and equipment	1 307 333	1 709 896
Interest received (trading)	137 714	402 502
Income from agency services(Ambulance Services)	35 834 000	24 837 750
Licences and permits	175 238	182 589
Other income	6 836 075	23 636 756
Interest received - investment	4 127 487	5 842 451
Government grants & subsidies	182 259 606	180 319 128
	232 802 920	239 903 183

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

Service charges	2 125 467	2 972 111
Rental of facilities and equipment	1 307 333	1 709 896
Interest received (trading)	137 714	402 502
Income from agency services(Ambulance Services)	35 834 000	24 837 750
Licences and permits	175 238	182 589
Other income	6 836 075	23 636 756
Interest received - investment	4 127 487	5 842 451
	50 543 314	59 584 055

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

Transfer revenue

Government grants & subsidies	182 259 606	180 319 128
-------------------------------	-------------	-------------

23. Service charges

Service charges	2 125 467	2 972 111
-----------------	-----------	-----------

Services charges consists of Ambulance Services, Building Plan Fees, Electricity Sales Private, Fire Services, Tender deposits and Recovering of Operating Costs.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
24. Government grants and subsidies		
Equitable share	26 452 000	25 024 000
EPWP	1 000 000	1 034 976
FMG	1 250 000	1 250 000
DMA (Merafong City Telemetry)	-	314 661
Bekkersdal Urban Renewal	-	375 032
Replacements Grants	146 115 000	141 879 000
MIG	-	1 365 407
HIV/AIDS Grant	6 084 297	5 853 096
MSIG	890 000	1 480 427
Network Libraries	433 250	674 743
Biodigester and Shared Services Grants	35 059	1 067 786
	182 259 606	180 319 128

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	9 692 606	13 416 128
Unconditional grants received	172 567 000	166 903 000
	182 259 606	180 319 128

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Furthermore, the Municipal Health Services is funded from this allocation.

Biodigester and Shared Services

Balance unspent at beginning of year	35 059	702 845
Current-year receipts	-	400 000
Conditions met - transferred to revenue	(35 059)	(1 067 786)
	-	35 059

Conditions still to be met - remain liabilities (see note 17).

An amount of R500,000 and R 202,845 was utilised for biodigester project and shared services for internal audit within the region respectively. An additional amount of R 400,000 was received for Internal Audit during 2012/13 financial year end.

HIV/AIDS Grant

Balance unspent at beginning of year	15 904	86 000
Current-year receipts	6 072 000	5 783 000
Conditions met - transferred to revenue	(6 084 297)	(5 853 096)
	3 607	15 904

Conditions still to be met - remain liabilities (see note 17).

Grants is utilised to finance HIV/AIDS projects campaigns at the WRDM and Local Municipalities.

Bekkersdal Urban Renewal

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

24. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	375 032
Conditions met - transferred to revenue	-	(375 032)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The grant was to finance the urban renewal programme on behalf of the provincial government.

MIG

Balance unspent at beginning of year	-	1 365 407
Conditions met - transferred to revenue	-	(1 365 407)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The Infrastructure grant is utilised to finance approved project at the local Local Municipalities within the district..

DMA: Merafong Telemetry System

Balance unspent at beginning of year	-	314 661
Conditions met - transferred to revenue	-	(314 661)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Provincial government grant to finance infrastructure in Merafong Local Municipality for telemetry and Water projects .

Wireless connections library grants

Balance unspent at beginning of year	70 477	245 220
Current-year receipts	800 000	500 000
Conditions met - transferred to revenue	(433 250)	(674 743)
Other	298	-
	437 525	70 477

Conditions still to be met - remain liabilities (see note 17).

The grant is used for internet linkages between different libraries .

MSIG

Balance unspent at beginning of year	19 573	-
Current-year receipts	890 000	1 500 000
Conditions met - transferred to revenue	(890 000)	(1 480 427)
Other(Roll over not approved by National Treasury)	(19 573)	-
	-	19 573

Conditions still to be met - remain liabilities (see note 17).

The grant is utilised for ICT programmes in the municipality.

EPWP

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
24. Government grants and subsidies (continued)		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 034 976)
Other	-	34 976
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).		
The Grant is used for Labour Intensive programmes as outlined by National Government.		
25. Income from agency services		
Income from agency services	<u>35 834 000</u>	<u>24 837 750</u>
Provincial extraordinary gazzeted amount for Ambulance and Emergency Services.		
26. Other income		
Sundry income	2 694 563	2 646 238
Donation Assets	49 878	-
Contributions from local Municipalities	2 000 000	18 788 000
Projects Income	-	958 105
Sales of plants and refuse bags	483 850	216 810
Insurance claims	124 177	22 761
Refund WCA	847	199 395
LG Seta Grant	352 538	785 616
Private telephone calls	33 731	19 831
Late President Mandela Funeral Contributions	1 096 491	-
	<u>6 836 075</u>	<u>23 636 756</u>

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
27. General expenses		
External Audit fees	2 292 950	1 565 242
Advertising	331 298	381 194
Bank charges	130 299	127 183
EPWP Expenditures	912 267	1 034 976
LSA and PEMA Interest Cost	4 469 203	3 549 680
Consulting and professional fees	3 586 506	8 073 707
Consumables	141 380	417 888
Entertainment	144 198	223 511
Pensioners medical contribution	1 258 530	1 057 667
Insurance	803 368	678 659
Lease rentals on operating lease	6 706 904	6 237 180
Levies	2 504 247	3 222 890
Magazines, books and periodicals	8 180	35 643
Operating cost general	5 378 728	5 051 332
Membership Fees	2 600 439	1 755 681
Pest control	-	57 128
Fuel and oil	2 437 641	2 422 131
Postage and courier	-	40 092
Printing and stationery	371 789	480 249
Acturial losses	6 866 881	2 348 489
Royalties and license fees	1 556 516	27 100
Security (Guarding of municipal property)	1 438 568	843 939
Staff welfare	138 043	244 698
Telephone and fax	3 970 580	4 516 702
Training	2 595 433	2 433 847
Uniforms and protective clothing	180 000	657 406
Street lights	4 352 669	-
CCTV Surveillance	8 505 667	7 714 200
Nelson Mandela Funeral Expenditure	1 748 333	-
Current Services Cost	3 030 733	2 602 595
Stock and material	536 933	773 736
Special Programmes and Projects	15 777 307	14 464 731
Unforeseen and Disaster Expenses	7 063 585	26 850
Sundry expenses	2 898 884	4 837 645
	94 738 059	77 903 971

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
28. Employee related costs		
Basic	92 010 905	82 936 536
Bonus	6 572 553	6 406 200
Medical aid - company contributions	9 279 272	8 552 204
UIF	703 072	651 165
WCA	648 279	1 137 147
Leave pay provision charge	6 355 530	6 948 505
Pension fund contributions	16 890 804	15 679 825
Group insurance	1 428 679	1 321 301
Travel, motor car, accommodation, subsistence and other allowances	8 273 054	6 005 061
Normal overtime payments	2 709 547	5 852 869
Acting allowances	159 675	244 324
Housing benefits and allowances	1 307 247	1 270 788
Standby and Night shift allowance	1 126 803	3 238 553
Sundays and Public Holidays	14 820 534	11 054 785
Industrial council levy	41 363	265 953
	162 327 317	151 565 216
Remuneration of Municipal Manager(M.D. Mokoena)		
Annual Remuneration	1 257 876	1 168 896
Car Allowance	132 000	132 000
Subsistence	7 066	-
	1 396 942	1 300 896
Remuneration of Chief Finance Officer(M.J. Rathlhogo) Resigned April 25, 2014		
Annual Remuneration	775 428	1 130 508
Performance Bonuses	95 061	-
Contributions to UIF, Medical and Pension Funds	312 024	-
Subsistence	2 616	-
Leave Encashment	187 455	-
	1 372 584	1 130 508
Executive Manager Regional and Economic Development(H. Hamer)		
Annual Remuneration	993 656	-
Car Allowance	169 332	-
Leave Encashment	46 660	-
	1 209 648	-
Executive Manager Corporate and human resources (corporate services) S.S. Ngcobo		
Annual Remuneration	887 183	-
Car Allowance	220 000	-
Leave Encashment	38 650	-
Subsistence	1 005	-
	1 146 838	-
Remuneration of Executive Manager Health, and Social Services (K.S. Ndlovu)		
Annual Remuneration	1 007 836	1 130 508
Car Allowance	200 000	-

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
28. Employee related costs (continued)		
Performance Bonuses	26 405	-
Leave Encashment	38 650	-
	1 272 891	1 130 508
Remuneration of Executive Manager Public Safety and Emergency Services(M.E. Koloj)		
Annual Remuneration	810 036	961 176
Car Allowance	169 332	169 332
Performance Bonuses	26 405	-
Leave Encashment	38 650	-
Subsistence	3 254	-
	1 047 677	1 130 508
29. Remuneration of councillors		
Executive Mayor	846 531	670 287
Mayoral Committee Members	4 953 473	4 214 992
Speaker	692 801	536 229
Councillors	3 016 007	2 567 493
	9 508 812	7 989 001
In-kind benefits		
The Executive Mayor, Chief Whip, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.		
The Executive Mayor has a bodyguard and a driver, whereas the Speaker has a driver. The personnell costs are paid for by council		
30. Debt impairment		
Contributions to debt impairment provision	4 417 976	17 110 227
Mogale City Local Municipality paid an Amount of R500,000 on this current financial year end which was already provided for in the previous years.		
31. Investment revenue		
Interest revenue		
Bank	4 127 487	5 842 451
The amount included in Investment revenue arising from exchange transactions amounted to R 4 430 966.		
32. Depreciation and amortisation		
Property, plant and equipment	11 296 464	11 222 875
Intangible assets	810 045	147 092
	12 106 509	11 369 967

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

33. Impairment of assets

Impairments

Property, plant and equipment

- 319 915

All the items were regarded as scrap in the assets register of the municipality. The Carrying value of the assets were greater than the recoverable amount.

The main classes of assets affected by impairment losses are:

Emergency Equipment

- 17 652

Furniture and Fixtures

- 19 732

Motor Vehicles

- 204 678

Office Equipment

- 50 449

Plant and Equipment

- 27 404

- 319 915

34. Finance costs

Finance leases

298 996

198 498

Other interest paid(DBSA)

439 667

729 083

738 663

927 581

35. Rental of facilities and equipment

Facilities and equipment

Rental of shops

1 084 898

1 482 936

Living units

192 015

194 315

Parking space

30 420

32 645

1 307 333

1 709 896

36. Grants and subsidies paid

Other subsidies

WRDA Subsidy

4 394 200

4 394 200

Subsidy paid for assisting operations of the WRDA (Refer note 39)

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
37. Cash used in operations		
Deficit	(60 125 636)	(33 957 574)
Adjustments for:		
Depreciation and amortisation	12 106 509	11 369 967
Gain on sale of assets and liabilities	33 301	-
Finance costs - Finance leases	298 996	198 498
Finance costs	439 666	198 498
Impairment deficit	-	319 915
Debt impairment	4 417 976	17 110 227
Movements in retirement benefit assets and liabilities	11 685 185	4 824 200
Movements in provisions	2 677 015	1 345 662
Interest Accrued on Investment	-	(303 479)
Other non-cash items	(261 810)	-
Other non-cash items(Assets Disposal)	-	(385 779)
Changes in working capital:		
Inventories	(53 193)	64 716
Receivables from exchange transactions	4 431 631	2 969 115
Movement in Provision for doubtful debts	(4 417 976)	(17 110 226)
Current portion of long term receivables	(86 235)	10 611
Payables from exchange transactions	(5 639 705)	3 213 022
VAT	(1 751 082)	1 334 711
Unspent conditional grants and receipts	300 119	(2 948 152)
	(35 945 239)	(11 746 068)

38. Commitments

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	4 768 221	234 346
- in second to fifth year inclusive	6 134 775	566 034
	10 902 996	800 380

Operating lease payments represent rentals payable by the municipality for vehicles and photocopier machines. Leases are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	718 735	893 022
- in second to fifth year inclusive	5 156 823	1 259 612
	5 875 558	2 152 634

Certain portion of the municipality's building and land is held to generate rental income. Rental of buildings and land is expected to generate rental yields of 10% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 10 years. There are no contingent rents receivable.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

39. Related parties

Relationships

Controlled entities
Members of key management

Refer to note 7
M.D. Mokoena : Accounting Officer
M.J. Rathogo : Chief Financial Officer (Resigned April 2014)
S.S. Ngcobo : Executive Manager Corporate Services
M.E. Koloi : Executive Manager Public Safety
K.S. Ndlovu : Executive Manager Health and Social Development
H. Hamer : Executive Manager Regional and Economic Planning Development

The municipality has a 100% share in the WRDA. the entity has its board and its own executive management.

Transactions relating to key management personnel are disclosed in note 27 and have been accounted for according to IPSAS 23

Related party balances

Entity

WRDA (SOC) 4 394 200 4 394 200

The WRDM has a relationship with Randfontein, Merafong City, Westonaria and Mogale City local Municipality and WRDA which has resulted in the transfers by the WRDM during 2011/2012 financial year end. In the current financial year end the municipality transferred money to the WRDA.

To the best of the WRDM knowledge and taking into account all disclosures made, no councillor or official has any direct or indirect personal or private business in any matter before the council, or acquired or stand to acquire any direct benefit from contract concluded with the municipality. All assets contributed for establishment of WRDA were at fair value. Mr B. Blake was elected as a councillor in the WRDM from 15 August 2011. No business will be done with Blakes Travel Agency (Pty) Ltd.

Compensation to accounting officer and other key management

Short-term employee benefits	391 931	774 601
Defined contribution plans	72 460	93 560
	464 391	868 161

40. Prior period errors

1. Employee related costs and General Expenses

Re-classification of Industrial council levy which was previously under General expense instead of Employee related costs

2. Vat receivables

Correction of error resulting from incorrect accounting treatment of Vat receipts which were incorrectly disclosed as sundry income. Vat receivables is restated to vat payables.

3. Property, Plant and Equipment

Correction of error on WRDA agency assets wrongly included in the WRDM accounting records.

4. Finance Lease Obligation

Lease obligation and interest of finance lease were incorrectly recorded at 31 Dec 2013 amortised amounts instead of 30 June 2013 amounts.

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

40. Prior period errors (continued)

5. Interest on Investments

Interest on investment that accrued in the previous financial year was not recorded in the underlying records. The interest on investment amount is restated.

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

Statement of Financial Performance	As Previously Reported	Re-Classification	Correction of error	Restated Balance
Services Charges	2 972 111	-	-	2 972 111
Interest Received Trading	99 023	-	-	99 023
Income from agency services	24 837 750	-	-	24 837 750
License and Permits	182 589	-	-	182 589
Government Grants and Subsidies	180 319 128	-	-	180 319 128
Other Income	23 636 756	-	-	23 636 756
Interest received-Investment	5 538 972	-	303 479	5 842 451
Rental of facilities	1 709 896	-	-	1 709 896
	239 296 225	-	303 479	239 599 704

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

40. Prior period errors (continued)

Statement of Financial of Performance

	As Previously reported	Re-Classification	Correction of error	Restated Balance
Personnel	151 299 263	(265 953)	-	151 565 216
Remuneration of councillors	7 989 001	-	-	7 989 001
Debt Impairment	17 110 226	-	-	17 110 227
Depreciation and Amortisation	11 369 967	-	-	11 369 967
Impairment loss/ Reversal of Impairments	319 915	-	-	319 915
Finance Costs	729 083	-	198 000	927 581
Repairs and Maintenance	2 280 679	-	-	2 280 679
Grants and Subsidies paid	4 394 200	-	-	4 394 200
General Expenses	78 169 927	265 953	-	77 903 971
	273 662 261	-	198 000	273 860 757

Statement of Financial Position (Total Assets)

	As Previously Reported	Re-Classification	Correction of error	Restated Balances
Biological Assets	307 480	-	-	307 480
Investment Property	3 400 000	-	-	3 400 000
Property Plant and Equipment	66 990 881	-	1 577 131	68 568 012
Intangible Assets	1 753 531	-	-	1 753 531
Investment in Controlled Entities	14 578 528	-	-	14 578 528
Long Term Receivables	840 824	-	-	840 824
Inventories	486 114	-	-	486 114
Receivables from Exchange Transactions	5 868 981	-	-	5 868 981
VAT Receivables	4 468 865	-	(6 780 625)	-
Cash and Cash equivalents	81 142 007	-	-	81 142 007
	179 837 211	-	(5 203 494)	176 945 477

Statement of financial Position(Liabilities)

	As previously reported	Re-classification	Correction of error	Restated Balance
Retirement benefit obligation(Current)	974 364	-	-	974 364
Other Financial Liabilities	3 270 810	-	-	3 270 810
Finance Lease Obligation (Current)	1 520 978	-	(766 590)	754 388
Unspent conditional grants and receipts	141 013	-	-	141 013
Provisions(Current)	3 009 750	-	-	3 009 750
Trade and other payables	23 091 576	-	-	23 091 576
Employee benefit obligation (Non-Current)	38 986 403	-	-	38 986 403
Other Financial Liabilities(Non-Current)	1 759 460	-	-	1 759 460
Finance lease obligation (Non-Current)	3 457 161	-	766 590	4 223 751
Vat Payables	10 313 837	-	-	10 313 837
	86 525 352	-	2 311 760	88 837 112

Accumulated Surpluses

	As previously reported	Re-Classification	Correction of error	Restated Balance
	93 311 859	-	2 270 196	95 582 055

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

41. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2014 and 2013 respectively were as follows: 2.3% and 0.92%

Total borrowings

Finance lease obligation	16	3 391 364	4 978 139
Other financial liabilities	15	1 759 472	5 030 270
		5 150 836	10 008 409
Less: Cash and cash equivalents	14	39 178 754	81 142 007
Net debt		(34 027 918)	(71 133 598)
Total equity		28 461 273	93 311 859
Total capital		(5 566 645)	22 178 261

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.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

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

	At 30 June 2014	
	2014 less than 1 YR	2014 Between 1-5 YRS
Other financial liabilities	R 1 759 472	R 5 030 270
Trade and other payables from exchange transactions	R 17 411 548	R 23 091 573

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
41. Risk management (continued)		
Interest rate risk		
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.		
Cash flow interest rate risk		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Financial assets exposed to credit risk at year end were as follows:		
Financial instrument	2014	2013
ABSA BANK	-	20 000 000
First National Bank	-	20 000 000
42. Going concern		
The 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.		
43. Events after the reporting date		
Subsequent to the closure of the Financial year the municipal council has written off debtors who are over 90 days uncollectable. An amount written off is as follows:		
Details		
Ambulance Services	2 242 429	-
Fire Services	4 198 071	-
Sundry Debtors	123 153	-
Public safety contributions from Local Municipalities across the region	14 288 000	-
	20 851 653	-
44. Unauthorised expenditure		
No unauthorised expenditure as at 30 June 2014.		
45. Fruitless and wasteful expenditure		
Opening Balance	1 802	1 802
2013		
Assessment process late which led to interest of R398 and penalties of R1,404 (SARS).		
46. Irregular expenditure		
Opening balance	851 592	851 592
Analysis of expenditure awaiting condonation per age classification		
Prior years	851 592	851 592

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
46. Irregular expenditure (continued)		
Details of irregular expenditure recoverable (not condoned)		
Non-adherence to SCM regulations in the year 2011/12 . The Employee was since dismissed in the same year.	851 592	
	<hr/>	
47. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year fee	2 600 439	1 729 424
Amount paid - current year	(2 600 439)	(1 729 424)
	<hr/>	<hr/>
	-	-
Material losses through criminal conduct		
Opening balance	4 000 000	4 000 000
	<hr/>	<hr/>
<p>The Accounting Officer opened a criminal case with the SAPS in terms of MFMA section 52. the alleged incumbent resigned and has pleaded guilty and the judgement will be passed by court in During the year 2014. Furthermore civil matter has already been pursued to recover the WRDM losses. The internal personnel has already underwent disciplinary procedures and awaited results.</p>		
Audit fees		
Opening balance	-	36 182
Current year fee	2 292 949	1 529 060
Amount paid - current year	(2 292 949)	(1 565 242)
	<hr/>	<hr/>
	-	-
PAYE and UIF		
Current year fee	26 998 111	30 034 956
Amount paid - current year	(26 998 111)	(30 034 956)
	<hr/>	<hr/>
	-	-
Pension and Medical Aid Deductions		
Current year fee	26 170 076	24 232 029
Amount paid - current year	(26 170 076)	(24 232 029)
	<hr/>	<hr/>
	-	-
VAT		
VAT payable	560 678	2 311 760
	<hr/>	<hr/>

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

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

48. 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 financial statements.

The 2012/2013 approved deviations by council amounted to R 1 492 462 whereas the 2013/14 amounted to R 11 471 238 which represents an increase of 768%. The details of the deviations are available at the municipal supply chain management policy.

49. Repairs and Maintenance

Repairs and maintenance - deductible	4 663 719	2 280 679
--------------------------------------	-----------	-----------

Repairs and Maintenance consists of Vehicle repairs, buildings and equipments.

50. Contingencies

CIVIL MATTERS

Goscon-WRDM (Fire Brigade Krugersdorp)	700 000	700 000
HR Potgieter-WRDM	115 758	115 758
Michelle Louis Sullivan - WRDM	20 000	-
Van Greunen - WRDM	2 862 400	-
Mutual & Federal - WRDM	68 557	-
IB Gobuamang - WRDM	100 000	-
SR Segale - WRDM	3 520	-

LABOUR MATTERS

JJ Niewoudt	500 000	-
	4 370 235	815 758

The details of the ligigations instituted against the municipality are as follows:-

Coscon -WRDM (Fire Brigade Krugersdorp)

Summons by Mutual & Federal insurer of GOSCON owner property claim fire damage against fire brigade which allegedly did not fully extinguish veld fire and house caught fire. The plaintiff lost all documents and personal belongings. The case is still ongoing.

Prescription has not yet taken place

HR Potgieter - WRDM

The plaintiff colided with the EMS vehicle of the municipality. Motor vehicle accident claim due to vicarious liability against a driver of WRDM. Matter taken from Botha Sutherland Attorneys who acted on instruction of Department of Health. No further action.

Prescription has not yet taken place

Michele Louis Sullivan - WRDM

West Rand District Municipality

(Registration number DC48)

Trading as DC 48

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

50. Contingencies (continued)

A Claim for damages following an accident in which a municipal vehicle was involved.

Awaiting court date.

Van Greunen - WRDM

Motor vehicle accident claim. Claim for loss of income from bread winner who died in accident. It is alleged that the WRDM failed to ensure that there are adequate warning signs at a T-junction. Randfontein Local Municipality ID first defendant, WRDM second defendant.

Awaiting court date.

Mutual & Federal - WRDM

Motor vehicle accident whereby the driver of the municipality allegedly drove into the back of the other vehicle.

Summons were received on the 21 January 2014. WRDM has 20 days to file notice to defend the matter. Matter was referred to insurers of the WRDM.

IB Gobuamang - WRDM

Motor vehicle accident whereby the ambulance of the municipality collided with the other vehicle.

Claimant submitted claim to the WRDM through two separate legal representative, Van Deventer Attorneys and the Legal Aid Board. The letter of demand received in terms of Section 4(1) of the Institution of Legal Proceedings Against Certain Organs of State Act, 2002 from Van Deventer Attorneys and letter of demand from Legal Aid Board. WRDM awaits further action from claimant to be able to respond to the matter.

SR Segale - WRDM

The letter of demand was received for alleged unauthorised deductions from salary for days absent from work without leave. An answering letter was submitted to the complaints attorney indicating that the WRDM disputes facts in the case and will not pay the amount demanded.

JJ Nieuwoudt

Labour dispute regarding level of remuneration.