



Rand West City Local Municipality
(Registration number GT485)
Audited Financial Statements
for the financial period ended 30 June 2017

Rand West City Local Municipality

(Registration number GT485)

Audited Financial Statements for the financial period ended 30 June 2017

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

- Provision of a democratic and accountable local government;
- Ensuring the provision of sustainable municipal services;
- Promotion of social and economic development;
- Promotion of a safe and healthy environment; and
- Encourage the involvement of communities and organisations in the matters of local government in the Rand West City area.

Members of Council

Executive Mayor

Cllr. M.E. Khumalo

Speaker

Cllr. V. Nqina-Mzondeki

Council Whip

Cllr. M. Jokazi

Members of Mayoral Committee

MMC Public Safety: Cllr. J. Legoete

MMC Health and Social Services: Cllr. A. Gela

MMC Environment and Waste Management: Cllr. D. Molebatsi

MMC Finance: Cllr. T. Grobler

MMC Human Settlement: Cllr. S. Matakane

MMC LED: Cllr. S. Mazibuko

MMC Corporate Support: Cllr. S. Moumakwe

MMC Sports and Culture: Cllr. N. Dyase

MMC Water and Sanitation: Cllr. D. Sithole

MMC Roads and Storm Water: Cllr. G. Khoza

Councillors

Cllr. B. Matebesi (Ward 01)

Cllr. M. Mtyotywa (Ward 11)

Cllr. D. Machaba (Ward 12)

Cllr. M. Ndamane (Ward 13)

Cllr. K. Tsotetsi (Ward 14)

Cllr. N. Mapena-Dlamini (Ward 15)

Cllr. D. Mbulula (Ward 16)

Cllr. T. Tlholoe (Ward 18)

Cllr. M. Sello (Ward 19)

Cllr. F. Matshogo (Ward 21)

Cllr. P. Faku (Ward 22)

Cllr. N. Matiwane (Ward 24)

Cllr. A. Saba (Ward 25)

Cllr. W. Matshaya (Ward 26)

Cllr. W. Njani (Ward 28)

Cllr. N. Kolo (Ward 29)

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Cllr. M. Ngamntwini (Ward 30)
Cllr. S. Khenene (Ward 31)
Cllr. I. Merabe (Ward 33)
Cllr. N Ncele (Ward 34)
Cllr. N. Baza (Ward 35)
Cllr. A. Van Tonder (Ward 03)
Cllr. S. Erasmus (Ward 04)
Cllr. E. De Lange (Ward 06)
Cllr. C. Harrison (Ward 07)
Cllr. J. Beaufort (Ward 08)
Cllr. P. Dick (Ward 09)
Cllr. G. Samson (Ward 10)
Cllr. I. Ramphore (Ward 20)

Proportional Representative Councillors:

Cllr. B. Mahuma
Cllr. G. Kruger
Cllr. E. Krog
Cllr. H. Hild
Cllr. D. Cloete
Cllr. J. Letlhake
Cllr. N. Williams
Cllr. P. Mavuso
Cllr. P. Francis
Cllr. S. Sekhokho
Cllr. J. Biyela
Cllr. F. Bergman
Cllr. R. Masemola
Cllr. B. Munyai
Cllr. A. Zingela
Cllr. J. Matebesi
Cllr. B. Ramaphala
Cllr. M. Ramothhale
Cllr. B. Letlhake
Cllr. J. Letsholo
Cllr. M. Sethepo
Cllr. M. Mthimkhulu
Cllr. A. Mosina
Cllr. M. Nkoe
Cllr. C. Brough

Grading of local authority

Grade 4

Accounting Officer

T. Goba

Chief Financial Officer

B. Gunqisa

Registered office

Corner Sutherland & Pollock street
Randfontein
1760

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General Information

Postal address	P. O. Box 218 Randfontein 1760
Bankers	ABSA Bank Ltd
Auditors	Auditor General of South Africa
Attorneys	Bhika Calitz Attorneys Fick Attorneys Geldenhuis Van Ryneveld Attorneys Legwale Attorneys Malatji Attorneys Matseke Attorneys Motlatsi Seleke Attorneys Naidoo and Associates Incorporated Steyn and Steyn Attorneys Thaanyane Attorneys
Currency	South African Rand
Rounding off	Nearest Rand
Telephone number	011 411 0000
Fax number	011 693 1394
Website	www.randwestcity.gov.za

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
UIF	Unemployment Insurance Fund
SPCA	Society for the Prevention of Cruelty to Animals
MFMA	Municipal Finance Management Act (Act no.56 of 2003)
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
SARS	South African Revenue Services
VAT	Value Added Tax of 1991
SDL	Skills Development Levy

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Audited Financial Statements for the financial period ended 30 June 2017

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 audited financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited financial statements fairly present the state of affairs of the municipality as at the end of the financial period 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 audited financial statements and were given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places 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 audited financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 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 audited financial statements set out on pages 8 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.



Accounting Officer
T. Goba

Randfontein

31 August 2017

Rand West City Local Municipality

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Accounting Officer's Report

The accounting officer submits his report for the financial period ended 30 June 2017.

1. Review of activities

Main business and operations

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

Net surplus of the municipality was R 28 804 244.

2. Financial sustainability

The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services. Challenges faced regarding financial issues manifests in cash flow constraints.

During the current financial period, the municipality experienced serious cash flow challenges. While the municipality had taken reasonable steps to ensure that all creditors were paid within 30 days, it was not able to meet this criterion. Because of this, there were some instances where the municipality incurred interest in respect of outstanding balances of creditors.

Rand West City Local Municipality has developed a financial recovery plan which seeks to address the issues that have contributed to the current situation. This plan takes a holistic approach to the organisation and was presented to and approved by the Rand West City Local Municipality Council.

The plan is for various strategies to effect the changes needed for viability and sustainability of the municipality but not all could be considered due to its' limited cash-flow and institutional capacity. In addition to this, the strategies will be balanced between short term and long term to ensure the strategies will have the greatest impact based on the resources available, financial and human resources.

3. Fruitless and wasteful expenditure

Given the current financial position of the municipality, there were instances where the municipality incurred interest due to late payment of creditor accounts. The interest incurred in this respect was unavoidable and has been disclosed in 54.

4. VAT

SARS has issued a number of assessments on the VAT submissions of the municipality. Because of these assessments, the municipality has incurred interest and penalties. The municipality has submitted objections to SARS. Should the Municipality be successful, the municipality expects that SARS will waive the penalties and interest as disclosed in 48 as contingent asset.

5. Irregular expenditure

The municipality embarked on an overall review of the supply chain management function with the aim to support and implement a sustainable change within supply chain management. As part of its review, management conducted a detailed review of contracts that were awarded by the municipality. This review included confirming the scope and extent of contracts that were irregular.

This has resulted in a significant increase in the reported irregular expenditure. This increase resulted from irregular expenditure emanating from contracts awarded in the prior years. See note 55 for current financial period irregular expenditure incurred.

6. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is the continued funding by National and Provincial government for operational and capital activities.

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Accounting Officer's Report

7. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period.

8. Merger

Based on the ruling of the demarcation board, former Randfontein and Westonaria Local Municipalities merged to form Rand West City Local Municipality effective 04 August 2016.

In terms of this, the period for which the results of the merger are included in the financial statements of Rand West City Local Municipality is from 04 August 2016 to 30 June 2017.

All assets and liabilities of former Randfontein and Westonaria Local Municipalities were transferred to Rand West City Local Municipality at carrying amounts. Both municipalities were using Munsoft financial system resulting in a successful migration of data.

Rand West City Local Municipality has adopted the accounting policies of former Randfontein Local Municipality.

9. Accounting policies

The audited financial statements were prepared in accordance with the Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

10. Accounting Officer

The accounting officers of the municipality during the financial period and to the date of this report are as follows:

Name	Changes
T.C. Ndlovu	Appointed 04 August 2016 and resigned 05 February 2017
T.M.M. Matshego	Appointed acting on 06 February 2017 to 31 May 2017
T. Goba	Appointed 01 June 2017

11. Secretary

The Secretarial function was performed by the Department of Corporate Support Services.

12. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Executives Committee meetings and monitor the municipality's compliance with the code on a monthly basis.

13. Bankers

For the financial period under review, the primary bank account of Rand West City Local Municipality was ABSA Bank.

14. Auditors

Auditor General of South Africa will continue in office for the next financial period.

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Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017
Assets		
Current Assets		
Cash and cash equivalents	3	127 942 966
Receivables from exchange transactions	4	185 196 279
Receivables from non-exchange transactions	5	26 717 174
Prepayments	6	1 013 816
Inventories	7	3 846 939
Long term receivables	8	1 435 985
		346 153 159
Non-Current Assets		
Long term receivables	8	1 261 276
Investments	9	12 231 316
Biological assets that form part of an agricultural activity	10	629 337
Investment property	11	256 280 371
Property, plant and equipment	12	3 537 145 384
Intangible assets	13	6 826 733
Heritage assets	14	4 256 512
		3 818 630 929
Total Assets		4 164 784 088
Liabilities		
Current Liabilities		
Payables from exchange transactions	15	546 993 924
Payables from non-exchange transactions	16	14 822 186
VAT payable	17	69 646 019
Unspent conditional grants and receipts	18	45 884 883
Consumer deposits	19	42 349 404
Finance lease obligation	20	9 139 884
Borrowings	21	4 888 520
Provisions	22	2 833 550
		736 558 370
Non-Current Liabilities		
Finance lease obligation	20	909 186
Borrowings	21	1 428 712
Provisions	22	134 041 031
Employee benefit obligation	23	200 399 427
		336 778 356
Total Liabilities		1 073 336 726
Total Net Assets		3 091 447 362
Reserves		
Accumulated surplus		3 089 776 420
Revaluation reserve	24	1 670 942
Total Net Assets		3 091 447 362

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Statement of Financial Performance

Figures in Rand	Note(s)	04 August 2016 to 30 June 2017
Revenue		
Revenue from exchange transactions		
Service charges	26	821 304 414
Rental of facilities and equipment	27	1 051 131
Interest received - investment	28	7 872 932
Interest received - outstanding receivables		12 623 629
Income from agency services	29	20 033 199
Other income	30	18 737 338
Total revenue from exchange transactions		881 622 643
Revenue from non-exchange transactions		
Property rates	31	165 070 207
Transfer revenue		
Government grants & subsidies	32	468 631 721
Public contributions and donations	12	28 325 731
Fines	33	16 068 542
Total revenue from non-exchange transactions		678 096 201
Total revenue		1 559 718 844
Expenditure		
Employee related costs	34	(420 564 296)
Remuneration of councillors	35	(21 369 653)
Depreciation and amortisation	36	(149 175 162)
Impairment loss of assets	37	(62 297 002)
Finance costs	38	(65 963 481)
Debt impairment	39	(72 526 048)
Assets derecognised	40	(9 768 315)
Repairs and maintenance		(30 612 478)
Bulk purchases	41	(557 022 101)
Contracted services	42	(41 416 803)
Transfers and subsidies	43	(1 500 000)
General expenses	44	(114 090 533)
Total expenditure		(1 546 305 872)
Operating surplus		13 412 972
Fair value adjustments	45	8 819 689
Actuarial gains	23	6 571 583
		15 391 272
Surplus for the financial period		28 804 244

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance after the merger of Randfontein and Westonaria Local Municipalities 04 August 2016	1 670 942	3 060 726 792	3 062 397 734
Changes in net assets			
Surplus for the financial period	-	28 804 244	28 804 244
Correction of errors	-	245 384	245 384
Total changes	-	29 049 628	29 049 628
Balance at 30 June 2017	1 670 942	3 089 776 420	3 091 447 362
See note(s) for opening balance details and correction of errors	24	25	

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Cash Flow Statement

Figures in Rand	Note(s)	04 August 2016 to 30 June 2017
Cash flows from operating activities		
Receipts		
Taxation and fines		157 161 633
Sale of goods and services		678 710 324
Grants		447 905 915
Interest income		7 872 932
Other receipts		43 344 918
		<u>1 334 995 722</u>
Payments		
Employee costs		(424 576 162)
Suppliers		(595 147 790)
Finance costs		(26 600 701)
		<u>(1 046 324 653)</u>
Net cash flows from operating activities	46	<u>288 671 069</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	12	(226 993 586)
Purchase of intangible assets	13	(805 841)
Increase in investments		(567 663)
Decrease in long term receivables		693 825
Net cash flows from investing activities		<u>(227 673 265)</u>
Cash flows from financing activities		
Repayment of borrowings		(6 859 446)
Finance lease payments		(7 224 527)
Net cash flows from financing activities		<u>(14 083 973)</u>
Net increase in cash and cash equivalents		<u>46 913 831</u>
Opening cash and cash equivalents after the merger of Randfontein and Westonaria 04 August 2016		81 029 135
Cash and cash equivalents at the end of the financial period	3	<u>127 942 966</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Variance	Note(s)
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	997 674 483	(159 087 939)	838 586 544	821 304 414	(17 282 130)	57.01
Rental of facilities and equipment	3 421 052	-	3 421 052	1 051 131	(2 369 921)	57.02
Interest received - outstanding receivables	17 461 100	-	17 461 100	12 623 629	(4 837 471)	57.03
Income from agency services	25 500 078	(8 226 381)	17 273 697	20 033 199	2 759 502	57.04
Other income	36 854 236	-	36 854 236	18 737 338	(18 116 898)	57.05
Interest received - investment	2 591 379	-	2 591 379	7 872 932	5 281 553	57.06
Total revenue from exchange transactions	1 083 502 328	(167 314 320)	916 188 008	881 622 643	(34 565 365)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	198 963 858	-	198 963 858	165 070 207	(33 893 651)	57.07
Transfer revenue						
Government grants & subsidies	484 432 050	48 248 701	532 680 751	468 631 721	(64 049 030)	57.08
Public contributions and donations	-	-	-	28 325 731	28 325 731	57.09
Fines	15 749 776	(5 750 000)	9 999 776	16 068 542	6 068 766	57.10
Total revenue from non-exchange transactions	699 145 684	42 498 701	741 644 385	678 096 201	(63 548 184)	
Total revenue	1 782 648 012	(124 815 619)	1 657 832 393	1 559 718 844	(98 113 549)	
Expenditure						
Employee related costs	(453 466 952)	400 000	(453 066 952)	(420 564 296)	32 502 656	57.11
Remuneration of councillors	(27 904 156)	3 000 000	(24 904 156)	(21 369 653)	3 534 503	57.12
Depreciation and amortisation	(142 181 719)	(20 000 000)	(162 181 719)	(149 175 162)	13 006 557	57.13
Impairment loss of assets	-	-	-	(62 297 002)	(62 297 002)	57.14
Finance costs	(4 941 810)	-	(4 941 810)	(65 963 481)	(61 021 671)	57.15
Debt impairment	(45 754 600)	25 000 000	(20 754 600)	(72 526 048)	(51 771 448)	57.16
Assets derecognised	-	-	-	(9 768 315)	(9 768 315)	57.17
Repairs and maintenance	(69 403 023)	26 403 023	(43 000 000)	(30 612 478)	12 387 522	57.18
Bulk purchases	(627 737 991)	59 000 000	(568 737 991)	(557 022 101)	11 715 890	57.19
Contracted services	(37 157 281)	(5 000 000)	(42 157 281)	(41 416 803)	740 478	57.20
Transfers and subsidies	(420 000)	(1 080 000)	(1 500 000)	(1 500 000)	-	57.21
General expenses	(143 674 618)	22 115 000	(121 559 618)	(114 090 533)	7 469 085	57.22
Total expenditure	(1 552 642 150)	109 838 023	(1 442 804 127)	(1 546 305 872)	(103 501 745)	
Operating surplus	230 005 862	(14 977 596)	215 028 266	13 412 972	(201 615 294)	
Fair value adjustments	-	-	-	8 819 689	8 819 689	57.23
Actuarial gains	-	-	-	6 571 583	6 571 583	57.24
	-	-	-	15 391 272	15 391 272	
Surplus	230 005 862	(14 977 596)	215 028 266	28 804 244	(186 224 022)	

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Accounting Policies

1. Presentation of Audited Financial Statements

The audited 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 audited 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.

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 audited financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Mergers

Definitions

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Combined municipality is a new reporting entity formed from the combination of two or more entities.

Combining entities are the entities that are combined for the mutual sharing of risks and benefits in a merger.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A merger is the establishment of a new combined municipality in which none of the former entities obtain control over any other and no acquirer can be identified.

Merger date is the date on which entities are combined for the mutual sharing of risks and benefits and when the assets and liabilities are transferred to the combined municipality.

A merger is the establishment of a new combined municipality in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not result in a municipality having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

The municipality has applied GRAP 107, Mergers, which states that the combined entity need not present comparative information in the first reporting period.

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Accounting Policies

1.3 Mergers (continued)

Initial recognition and measurement

As of the 04 August 2016, Rand West City Local Municipality recognised all the assets acquired and liabilities assumed from the former Randfontein and Westonaria Local Municipalities. The assets acquired and liabilities assumed were transferred at their carrying amounts.

The carrying amount of an asset acquired or a liability assumed is the amount at which the asset or liability is recognised by Randfontein and Westonaria Local Municipalities in their statements of financial position at the merger date.

The difference between the carrying amounts of the assets acquired and the liabilities assumed was recognised in accumulated surplus.

Both former Randfontein and Westonaria Local municipalities were using Munsoft financial system. The trial balances were extracted from the former municipalities and the assets and liabilities votes were aligned to match and circulated to the section managers to verify.

After the verification a file with the opening balance was sent to Munsoft programmers to import into the new system was created for Rand West City Local Municipality and the section managers verified their sections.

Various items of property, plant and equipment in former Westonaria Local Municipality were consolidated when assets were transferred to Rand West City Local Municipality as follows:

- Buildings and housing were consolidated to buildings
- Electricity network, roads and storm water network, sanitation network, water network and capital spares were consolidated to Infrastructure.
- Community assets and sports and recreational facilities were consolidated to Community.
- Furniture and fixtures, IT equipment and motor vehicles were consolidated to other property, plant and equipment.

The assets registers were consolidated and the assets numbers are unique in the different municipalities in that the names of the former municipalities form part of the asset number hence there will be no duplicates.

Consumer debtors' account number were modified with the former Randfontein account number starts with "1" and Westonaria starts with "2". This was done to prevent duplication of account number within the Rand West City Local Municipality's financial System. On consolidation, the Gross amounts were consolidated into one age analysis.

Subsequent measurement

Rand West City Local municipality subsequently measured all assets acquired and any liabilities assumed in a merger in accordance with the applicable Standards of GRAP.

The financial statements of Rand West City Local Municipality were prepared using uniform accounting policies for similar transactions and other events or similar circumstances. A single uniform set of accounting policies was adopted by the municipality. Therefore, Rand West City Local Municipality recognises the assets acquired and the liabilities assumed on the 4th of August 2016 at their existing carrying amounts and subsequently adjusted it only as a result of conforming to the Rand West City Local Municipality's accounting policies.

1.4 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

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Accounting Policies

1.4 Use of estimates (continued)

In the process of applying Rand West City Local Municipality's accounting policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.4.1 Classification of leases

All arrangements that are classified as leases are evaluated as operating and finance leases. These are then accounted in the annual financial statements in terms of the relevant GRAP standard.

1.4.2 Employee benefits including pension and other post-employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.4.3 Impairment of receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed per service identifiable categories across all debtor classes.

1.4.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

1.4.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgments is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

1.4.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management's judgments on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.5 Budget information

Rand West City Local Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through MFMA and the appropriate legislation.

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

The approved budget covers the fiscal period from 8/4/2016 to 6/30/2017.

The audited 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.

1.6 Financial reporting items

1.6.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

1.6.2 Cash generating assets

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1.6 Financial reporting items (continued)

Cash generating assets are those assets held by Rand West City Local Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

1.6.3 Carrying Amount

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

1.6.4 Cash generating unit

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, Rand West City Local Municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating: the future cash inflows used to determine the asset's or cash generating unit's value in use; and the future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

1.6.5 Costs of disposal

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

1.6.6 Cost of inventories

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.

1.6.7 Current replacement cost

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

1.6.8 Depreciation (Amortisation)

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

1.6.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

1.6.10 Discount rate

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

1.6.11 Fair value

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

1.6.12 Impairment Loss

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1.6 Financial reporting items (continued)

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

1.6.13 Net realisable value

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

1.6.14 Non-cash generating assets

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

1.6.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Rand West City Local Municipality from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets:

- Property, plant and equipment;
- Investment property;
- Intangible asset ; and
- Heritage assets.

1.6.16 Recoverable amount

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

1.6.17 Recoverable service amount

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

1.6.18 Useful life

Useful life is either the period of time over which an asset is expected to be used by Rand West City Local Municipality or the number of production or similar units expected to be obtained from the asset by Rand West City Local Municipality.

1.6.19 Value in use of non-cash generating assets

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential. The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Rand West City Local Municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an over designed or over capacity asset.

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1.6 Financial reporting items (continued)

Over designed assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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Accounting Policies

1.7 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	5 - 100 years
Infrastructure	Straight line	5 - 100 years
Community	Straight line	5 - 100 years
Other property, plant and equipment	Straight line	3 - 10 years
Leased assets	Straight line	3 - 7 years
Library books	Straight line	3 - 50 years

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

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

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

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

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

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

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

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. 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.

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

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

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1.8 Biological assets that form part of an agricultural activity

The municipality 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 less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.9 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.

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.

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Accounting Policies

1.9 Investment property (continued)

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 municipality 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 municipality 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 municipality 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 municipality 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.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the audited financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited financial statements (see note 11).

1.10 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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1.10 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.11 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.

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1.11 Intangible assets (continued)

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

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
Servitudes	Indefinite
Computer software	3 - 10 years

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

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

1.12 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as a heritage asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluation is performed every five years.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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Accounting Policies

1.12 Heritage assets (continued)

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.13 Financial instruments

Financial instruments are recognised when Rand West City Local Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

1.13.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition. Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Rand West City Local Municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

1.13.2 Financial assets at fair value

Financial assets that are held for trading or non-derivable financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

1.13.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Rand West City Local Municipality has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

1.13.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

1.13.5 Financial liabilities

After initial recognition, Rand West City Local Municipality measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

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1.13 Financial instruments (continued)

1.13.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.14 Impairment of cash-generating assets

Cash generating assets are those assets held by Rand West City Local Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Rand West City Local Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. As such, management has determined that Rand West City Local Municipality does not control assets that meet the definition of cash-generating assets. Accordingly, this standard was not implemented. The GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the municipality.

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.16 Leases

At inception of an arrangement, Rand West City Local Municipality determines whether the arrangement is or contains a lease.

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.

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Accounting Policies

1.16 Leases (continued)

When a lease includes both land and buildings elements, Rand West City Local Municipality assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

Finance leases - Rand West City Local Municipality 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. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

Finance leases - Rand West City Local Municipality lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Rand West City Local Municipality will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

Operating leases - Rand West City Local Municipality lessor

Rand West City Local Municipality presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Rand West City Local Municipality's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Rand West City Local Municipality in negotiating and arranging an operating lease is 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.

Operating leases - Rand West City Local Municipality 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.

1.17 Inventories

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

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

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

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

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

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

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1.17 Inventories (continued)

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.

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.

1.18 Value added tax (VAT)

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

1.19 Financial sustainability

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non exchange transaction, using GRAP 23;

if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:

- the definition of an asset is met; and
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

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1.19 Financial sustainability (continued)

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment. If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows discounted if the effect of discounting is material using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality: derecognises the receivable; recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.20 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.20 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.20.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Rand West City Local Municipality has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

1.20.2 Defined contribution pension plan and defined benefit pension plans

Rand West City Local Municipality contributes to defined contribution pension plans and defined benefit pension plans for its employees. These plans are generally funded through payments to trustee-administered funds as determined by annual actuarial calculations.

1.20.3 Retirement benefits

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Accounting Policies

1.20 Employee benefits (continued)

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

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

1.20.4 Defined benefit plans - Post-retirement health care benefits

Rand West City Local Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

1.20.5 Other long term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Rand West City Local Municipality provides the following additional payments to employees based on certain criteria:

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement) of the employee multiplied by the number of years that the employee was not allowed to contribute retirement benefit plans.

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Rand West City Local Municipality's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation.

The present value of the obligation is recognised on the Statement of Financial Position.

1.21 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Rand West City Local Municipality are recognises provisions 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.

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

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1.21 Provisions and contingencies (continued)

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

1.22 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Rand West City Local Municipality's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset does not exceed its carrying amount. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Rand West City Local Municipality evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Rand West City Local Municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy.

Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

1.23 Contingent liabilities

A contingent liability is:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the municipality; or

A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Rand West City Local Municipality does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annually Rand West City Local Municipality evaluates the possibility of the outflow of resources or service potential.

1.24 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Rand West City Local Municipality.

Rand West City Local Municipality does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

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1.24 Contingent assets (continued)

Rand West City Local Municipality continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

1.25 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.26 Revenue

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.

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Rand West City Local Municipality, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Rand West City Local Municipality and the purchaser or user of the asset or service.

Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.
- The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.
- Rand West City Local Municipality derives revenue from exchange and non-exchange transactions.

1.26.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Rendering of services

Rand West City Local Municipality recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, that is, when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.

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Accounting Policies

1.26 Revenue (continued)

- It is probable that the economic benefits or service potential associated with the transaction will flow to Rand West City Local Municipality.

- The stage of completion of the transaction at the reporting date can be measured reliably.

- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Sale of goods

Revenue from the sale of goods shall be 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 entity.

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period.

An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of each reporting period Residential sanitations service charges is based on taking 30kl of water consumption and multiply by applicable tariff for financial period. Business sanitation service charges is based on taking the twelve months water consumption multiply by the applicable. Basic Sewerages is based on taking the area size of the property multiply by the applicable tariff.

Service charges relating to refuse removal are recognised on a monthly basis based on 240l bins collected on a weekly basis.

Prepaid electricity:

Revenue from the sale of prepaid electricity is recognised at the point of sale less unused electricity at the end of the financial period.

Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

Rental of facilities and equipment

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1.26 Revenue (continued)

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff and includes the issuing of licences and permits.

Dividends

Dividends are recognised when the municipality's right to receive payment is established.

1.26.2 Revenue from non-exchange transactions

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

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Collection charges are recognised when such amounts are legally enforceable and billed. Penalty interest on unpaid rates is recognised on a time proportion basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

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.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any early settlement discounts that are likely to be taken up by motorists. Interest is not levied on overdue amounts.

Subsequently, Rand West City Local Municipality evaluates the recoverability of these fines to determine the recoverable amount. This takes into account settlement discounts, reductions in the amount payable are offered, past history in terms of the successful prosecution and recovery of the fines.

Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

Services in-kind

Rand West City Local Municipality does not recognise services in-kind as assets or revenue.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the financial period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

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1.27 Unauthorised expenditure (continued)

Should council approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Rand West City Local Municipality's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

1.28 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 financial period 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.

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

1.30 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial period are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.31 Revaluation reserve

The surplus arising from the revaluation of heritage assets is credited to a non-distributable reserve. The revaluation surplus is realised as revalued heritage assets increase or decrease in value every five years. On disposal, the net revaluation surplus is transferred to the accumulated surplus while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.32 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

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1.33 Related parties

Rand West City Local Municipality regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Rand West City Local Municipality is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Rand West City Local Municipality. Management is regarded as a related party.

Management of Rand West City Local Municipality comprises of all political office bearers of Rand West City Local Municipality and the Executive Management team. Political office bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other councillors. The executive management team consists of the Municipal Manager, Chief Financial Officer, Chief Operating Officer and other Executive Managers.

1.34 Events after reporting date

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

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

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

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

1.35 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term, highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as current assets. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

1.36 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they are occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

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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 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	This impact is not material
• GRAP 20: Related parties	01 April 2017	This impact is not material
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	This impact is not material
• GRAP 109: Accounting by Principals and Agents	01 April 2017	This impact is not material
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	This impact is not material
• GRAP 18: Segment Reporting	01 April 2017	This impact is not material

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3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	12 311 060
Short-term deposits	115 631 906
	<u>127 942 966</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2017	Cash book balances 30 June 2017
ABSA - Current account (Primary) - 4080906149	5 829 738	5 842 511
ABSA - Prepaid account - 4080906262	915 948	915 948
ABSA - Traffic account - 4080906319 and 9069541719	3 712 322	4 004 419
ABSA - Traffic fines account - 4080906335	462 893	475 042
ABSA - Consumers account - 4082132336 and 4077044996	1 426 201	1 073 141
Investec - Call account	115 106 108	115 106 108
ABSA - Call account - 9295235598	2 173	2 176
FNB - Investment account - 71038605740	29 209	29 209
FNB - Investment account - 71038284304	63 542	63 542
FNB - Investment account - 71038284297	128 993	128 993
NEDCOR - Investment account - 11812875	57 805	57 805
NEDBANK - Investment account - 11987622	110 990	110 990
NEDBANK - Investment account - 19770842	62 941	62 941
STANDARD Bank - Investment account - 28633016	64 012	64 012
STANDARD Bank - Investment account - 328634174	6 129	6 129
Total	<u>127 979 004</u>	<u>127 942 966</u>

Cash and Cash Equivalents acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Bank balances	13 350 301	1 512 573	14 862 874
Short-term deposits	76 251 516	475 498	76 727 014
Cash on hand	-	39 571	39 571
Bank overdraft	-	(10 600 324)	(10 600 324)
	<u>89 601 817</u>	<u>(8 572 682)</u>	<u>81 029 135</u>

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4. Receivables from exchange transactions

Gross balances

Electricity	99 671 693
Water	86 984 870
Sewerage	30 620 902
Refuse	34 916 015
VAT	34 597 127
Other (Rental, interest, reconnection fees)	133 956 503

420 747 110

Less: Allowance for impairment

Electricity	(53 405 543)
Water	(44 817 602)
Sewerage	(24 869 911)
Refuse	(30 380 878)
VAT	(27 817 837)
Other (Rental, interest, reconnection fees)	(54 259 060)

(235 550 831)

Net balance

Electricity	46 266 150
Water	42 167 268
Sewerage	5 750 991
Refuse	4 535 137
VAT	6 779 290
Other (Rental, interest, reconnection fees)	79 697 443

185 196 279

Electricity

Current (0 -30 days)	47 549 993
31 - 60 days	7 755 653
61 - 90 days	3 548 700
91 - 120 days	3 981 318
121 - 365 days	18 464 612
> 365 days	18 371 417
Less: Allowance for impairment	(53 405 543)

46 266 150

Water

Current (0 -30 days)	41 777 843
31 - 60 days	9 164 044
61 - 90 days	5 262 048
91 - 120 days	2 228 573
121 - 365 days	10 812 051
> 365 days	17 740 311
Less: Allowance for impairment	(44 817 602)

42 167 268

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4. Receivables from exchange transactions (continued)

Sewerage

Current (0 -30 days)	5 258 166
31 - 60 days	1 678 398
61 - 90 days	1 445 513
91 - 120 days	1 337 406
121 - 365 days	7 266 950
> 365 days	13 634 469
Less: Allowance for impairment	(24 869 911)
	5 750 991

Refuse

Current (0 -30 days)	4 353 806
31 - 60 days	2 211 150
61 - 90 days	1 966 481
91 - 120 days	1 820 034
121 - 365 days	9 527 747
> 365 days	15 036 797
Less: Allowance for impairment	(30 380 878)
	4 535 137

VAT

Current (0 -30 days)	7 403 128
31 - 60 days	2 967 822
61 - 90 days	1 756 537
91 - 120 days	1 373 703
121 - 365 days	8 824 106
> 365 days	12 271 831
Less: Allowance for impairment	(27 817 837)
	6 779 290

Other (Rental, interest, reconnection fees)

Current (0 -30 days)	75 587 914
31 - 60 days	2 205 221
61 - 90 days	4 931 280
91 - 120 days	1 905 217
121 - 365 days	9 700 008
> 365 days	39 626 863
Less: Allowance for impairment	(54 259 060)
	79 697 443

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4. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	139 221 986
31 - 60 days	15 061 232
61 - 90 days	10 119 770
91 - 120 days	7 469 191
121 - 365 days	42 136 523
> 365 days	82 983 273
	<hr/>
	296 991 975
Less: Allowance for impairment	(151 498 971)
	<hr/>
	145 493 004

Industrial/ commercial

Current (0 -30 days)	39 738 522
31 - 60 days	9 825 770
61 - 90 days	7 707 196
91 - 120 days	4 185 643
121 - 365 days	15 840 384
> 365 days	17 014 812
	<hr/>
	94 312 327
Less: Allowance for impairment	(60 508 027)
	<hr/>
	33 804 300

National and provincial government

Current (0 -30 days)	2 970 343
31 - 60 days	1 095 286
61 - 90 days	1 083 592
91 - 120 days	991 416
121 - 365 days	6 618 566
> 365 days	16 683 604
	<hr/>
	29 442 807
Less: Allowance for impairment	(23 543 834)
	<hr/>
	5 898 973

Total

Current (0 -30 days)	181 930 850
31 - 60 days	25 982 288
61 - 90 days	18 910 559
91 - 120 days	12 646 250
121 - 365 days	64 595 474
> 365 days	116 681 689
	<hr/>
	420 747 110
Less: Allowance for impairment	(235 550 831)
	<hr/>
	185 196 279

Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	(286 092 615)
Contributions to allowance	(32 973 268)
Debt impairment written off against allowance	84 664 442
Discounting of former Westonaria Local Municipality receivables	(1 149 390)
	<hr/>
	(235 550 831)

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4. Receivables from exchange transactions (continued)

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for liabilities.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Receivables from exchange transactions impaired

As of 30 June 2017, receivables from exchange transactions of R 420 747 110 were impaired and provided for.

The amount of the allowance for impairment was R 235 550 831 as of 30 June 2017.

Rand West City Local Municipality has not discounted receivables from exchange transactions due to the fact that from 01 July 2017 all consumers will be charged interest for outstanding receivables.

Receivables from exchange transactions acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Gross balances			
Electricity	51 299 817	55 671 456	106 971 273
Water	31 079 156	42 413 620	73 492 776
Sewerage	11 421 196	16 526 831	27 948 027
Refuse	10 208 724	20 234 039	30 442 763
VAT	17 344 761	-	17 344 761
Housing rental	-	329 216	329 216
Other (Rental, interest, reconnection fees)	67 456 531	38 372 745	105 829 276
Less: Allowance for impairment			
Electricity	(24 565 805)	(46 508 743)	(71 074 548)
Water	(19 863 047)	(33 704 753)	(53 567 800)
Sewerage	(8 896 664)	(15 840 132)	(24 736 796)
Refuse	(7 494 611)	(19 393 304)	(26 887 915)
VAT	(13 463 924)	-	(13 463 924)
Housing rental	-	(316 705)	(316 705)
Other (Rental, interest, reconnection fees)	(56 109 024)	(39 935 903)	(96 044 927)
	58 417 110	17 848 367	76 265 477

In the former Westonaria Local Municipality, VAT was included in Other receivables from exchange transactions and in former Randfontein Local Municipality Housing rental was included in Other receivables from exchange transactions.

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5. Receivables from non-exchange transactions

Property rates	17 718 294
Fines	1 799 687
Trust funds held by Thaanyane Attorneys	3 153 835
Department of Health	2 777 558
Sundry debtors	1 267 800
	26 717 174

Property rates

The ageing of receivables in respect of Property rates is as follows:

Current (0 - 30 days)	12 515 027
31 - 60 days	3 111 053
61 - 90 days	2 597 333
91 - 120 days	2 304 653
121 - 365 days	13 102 217
> 365 days	49 349 792
Less: Allowance for impairment	(65 261 781)
	17 718 294

Summary by customer classification

Consumers:

Current (0 - 30 days)	7 108 077
31 - 60 days	2 407 201
61 - 90 days	2 097 591
91 - 120 days	1 889 452
121 - 365 days	10 883 390
> 365 days	34 040 348
Less: Allowance for impairment	(48 642 123)
	9 783 936

Industrial and business

Current (0 - 30 days)	5 334 433
31 - 60 days	651 417
61 - 90 days	455 105
91 - 120 days	375 467
121 - 365 days	2 047 709
> 365 days	12 935 600
Less: Allowance for impairment	(16 532 565)
	5 267 166

National and provincial government

Current (0 - 30 days)	72 517
31 - 60 days	52 434
61 - 90 days	44 637
91 - 120 days	39 735
121 - 365 days	171 118
> 365 days	2 373 845
Less: Allowance for impairment	(87 093)
	2 667 193

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5. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	(477 168 748)
Mines impairment written off against allowance for impairment	447 128 987
Contributions to allowance	(35 222 020)
	<u>(65 261 781)</u>

Traffic fines

Reconciliation of gross balances to net balances

Receivables from traffic fines	52 741 743
Less: Allowance for impairment	(50 942 056)
	<u>1 799 687</u>

Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	(49 263 973)
Contributions to allowance	(1 678 083)
	<u>(50 942 056)</u>

Department of health

Reconciliation of gross balances to net balances

Department of health	3 055 314
Less: Allowance for impairment	(277 756)
	<u>2 777 558</u>

Reconciliation of allowance for impairment

Contributions to allowance	<u>(277 756)</u>
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Sundry debtors

Reconciliation of gross balances to net balances

Receivables from Sundry debtors	20 858 421
Less: Allowance for impairment	(19 590 621)
	<u>1 267 800</u>

Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	(11 398 095)
Contributions to allowance	(8 192 526)
	<u>(19 590 621)</u>

Summary of allowance for impairment in Statement of Financial Performance

Property rates	(35 222 020)
Traffic fines	(1 678 083)
Department of health	(277 756)
Sundry debtors	(8 192 526)
	<u>(45 370 385)</u>

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5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security for liabilities.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

At 30 June 2017 no receivables from non-exchange transactions were past due but not impaired.

Receivables from non-exchange transactions impaired

As of 30 June 2017, receivables from non-exchange transactions of R 26 717 174 were impaired and provided for.

The amount of the provision was R 65 261 781 for property rates, R 50 942 056 for traffic fines, R 19 590 621 for sundry debtors and R 277 756 for the Department of Health as of 30 June 2017.

Rand West City Local Municipality has not discounted property rates receivables due to the fact that from 01 July 2017 all consumers will be charged interest for outstanding receivables.

Receivables from non-exchange transactions acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Gross balances			
Property rates	93 938 317	432 349 009	526 287 326
Traffic fines	23 190 231	28 781 094	51 971 325
Trust funds held by Thaanyane Attorneys	3 153 835	-	3 153 835
Department of Health	3 055 314	-	3 055 314
Other / Sundry receivables	664 549	12 462 392	13 126 941
Less: Allowance for impairment			
Property rates	(65 155 014)	(412 013 734)	(477 168 748)
Traffic fines	(22 033 197)	(27 230 775)	(49 263 972)
Sundry receivables	-	(11 398 095)	(11 398 095)
	36 814 035	22 949 891	59 763 926

In the former Westonaria Local Municipality, traffic fines and sundry receivables were previously disclosed as separate line items in the statement of financial position.

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6. Prepayments

Suppliers paid in advance	227 671
Insurance paid in advance	786 145
	1 013 816

Prepayments acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Suppliers paid in advance	253 110	-	253 110
Insurance paid in advance	349 464	-	349 464
	602 574	-	602 574

7. Inventories

Consumable stores	3 291 657
Water	555 282
	3 846 939

Inventory pledged as security

No inventory was pledged as security for facilities

Inventories acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Consumable stores	3 147 640	1 013 399	4 161 039
Water	259 764	385 154	644 918
	3 407 404	1 398 553	4 805 957

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8. Long term receivables

Consumer receivables with long term arrangements 2 697 261

Reconciliation of gross balances to net balances

Long term receivables 10 789 043
Allowance for impairment (8 091 782)
2 697 261

Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities (13 909 387)
Decrease in allowance for impairment 5 817 605
(8 091 782)

Non current portion 1 261 276
Current portion 1 435 985
2 697 261

Long term receivables

Longterm receivables are consumers who enter into an arrangement to pay off their debts over an agreed period of time as per the approved credit control policy. All long term receivables that are past due were considered to be impaired. At 30 June 2017 all long term receivables that were past due were impaired.

Long term receivables pledged as security

No long term receivables were pledged as security for liabilities.

Long term receivables impaired,

At 30 June 2017, long term receivables of R 10 789 043 were impaired and provided for.

The amount of the provision was R 8 091 782.

Long term receivables acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Gross balance			
Consumer receivables with long term arrangements	17 291 910	-	17 291 910
Less: Allowance for impairment	(13 909 387)	-	(13 909 387)
	<u>3 382 523</u>	-	<u>3 382 523</u>

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9. Investments

At amortised cost

Bonds investment 12 231 316
The above is a zero coupon bond investment held with Stanlib for a period of 20 years from 2 July 1998.

Non-current assets

At amortised cost 12 231 316

Investments pledged as collateral

Collateral

Carrying value of investments pledged as collateral for liabilities 3 987 890

The above investment has been pledged as security for borrowings with a carrying amount of R 3 987 890. Refer to note 21.

Investments acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Bonds investment	11 663 653	-	11 663 653

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10. Biological assets that form part of an agricultural activity

	2017		
	Cost / Valuation	Accumulated impairment	Carrying value
Dairy cattle	629 337	-	629 337

Reconciliation of biological assets that form part of an agricultural activity - 04 August 2016 to 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Losses arising from changes in fair value	Total
Dairy cattle	662 279	(32 942)	629 337

Mature biological assets

Dairy cattle	105
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Immature biological assets

Cows in production	33
Cows not in production	30
Heifers	28
Calves	13
Bulls	1
	105

Pledged as security

No biological assets were pledged as security for liabilities.

Details of valuation

The effective date of the valuations was 30 June 2017. Valuations were performed by an independent valuer, Mr Hendrix Nel. Mr Hendrik Nel is not connected to the municipality and has recent experience in the valuation of biological assets.

The valuation was based on open market values.

Details of Biological assets

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.

Biological assets that form part of an agricultural activity acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Dairy cattle	662 279	-	662 279

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11. Investment property

	2017		
	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	256 280 371	-	256 280 371

Reconciliation of investment property - 04 August 2016 to 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Correction of errors	Reclassify investment property	Investment property derecognised	Fair value adjustments	Total
Investment property	268 692 069	9 911 600	(28 385 644)	(2 790 285)	8 852 631	256 280 371

Pledged as security

No investment property was pledged as security for liabilities.

Details of property

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 2017. Valuations were performed by an independent valuer, Mr Zack van der Merwe (registered with South Africa Council for the Property Valuer Profession (SACPVP) as a professional valuer and also a member of the South African Institute of Valuers). Mr Zack van der Merwe 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 open market value for existing use.

Investment property acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Investment property	154 004 131	114 687 938	268 692 069

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12. Property, plant and equipment

	2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	851 892 791	(24 019 920)	827 872 871
Buildings	199 505 593	(151 712 233)	47 793 360
Infrastructure	5 232 386 953	(2 914 500 933)	2 317 886 020
Community	572 369 250	(306 107 420)	266 261 830
Leased assets	23 915 178	(15 268 716)	8 646 462
Library books	24 708 371	(14 219 164)	10 489 207
Other property, plant and equipment	144 790 934	(86 595 300)	58 195 634
Total	7 049 569 070	(3 512 423 686)	3 537 145 384

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 04 August 2016 to 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Correction of errors	Reclassify assets	Additions	Donations	Landfill site valuations	Assets derecognised	Depreciation	Impairment loss/reversal	Total
Land	826 041 431	(2 509 349)	28 360 709	-	-	-	-	-	(24 019 920)	827 872 871
Buildings	51 947 954	791 406	(1 283 538)	712 060	-	-	(31 819)	(4 338 478)	(4 225)	47 793 360
Infrastructure	2 138 174 904	466 199	68 800 067	183 447 370	17 771 303	23 576 799	(5 549 268)	(109 073 706)	272 352	2 317 886 020
Community	362 459 265	(14 619 108)	(68 674 282)	31 770 485	10 554 428	-	(1 237 792)	(15 445 957)	(38 545 209)	266 261 830
Leased assets	15 869 020	-	-	-	-	-	-	(7 222 558)	-	8 646 462
Library books	9 943 366	-	-	2 961 057	-	-	-	(2 415 216)	-	10 489 207
Other property, plant and equipment	57 860 159	1 654 375	1 133 504	8 102 614	-	-	(159 151)	(10 395 867)	-	58 195 634
	3 462 296 099	(14 216 477)	28 336 460	226 993 586	28 325 731	23 576 799	(6 978 030)	(148 891 782)	(62 297 002)	3 537 145 384

Pledged as security

No property, plant and equipment were pledged as security for liabilities.

Assets subject to finance lease (Net carrying amount)

Leased assets - Motor vehicles and compactors

8 646 462

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12. Property, plant and equipment (continued)

Included in Work-in-Progress is the following reconciliation:

Reconciliation of Work-in-Progress 04 August 2016 to 30 June 2017	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Correction of errors	Additions	Capitalised	Closing Balance
Buildings	2 300 447	(1 140 527)	712 060	(394 920)	1 477 060
Community Facilities	16 110 803	(976 620)	31 770 485	(10 453 251)	36 451 417
Water Network	36 064 968	-	72 138 834	(10 743 570)	97 460 232
Electricity Network	36 631 320	(17 226)	35 296 521	(33 379 032)	38 531 583
Roads & Stormwater Network	2 465 953	(1 462 045)	72 593 154	(36 116 074)	37 480 988
	93 573 491	(3 596 418)	212 511 054	(91 086 847)	211 401 280

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.

Included in property, plant and equipment is land with an opening carrying amount of R 24 019 920 of which the right to use the land is with the community that illegally occupied it. At the end of the financial period end, the land has been impaired.

The amount of repairs and maintenance on property, plant and equipment spent during the financial period was R 28 180 359.

Property, plant and equipment reclassified during the financial period

Investment property	28 385 644
Intangible assets	(24 935)
Heritage assets	(24 249)
	28 336 460

Property, plant and equipment acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Cost / Valuation			
Land	590 014 889	236 026 542	826 041 431
Buildings	110 580 427	87 301 508	197 881 935
Infrastructure	3 136 206 475	1 754 070 704	4 890 277 179
Community	381 205 824	320 505 677	701 711 501
Leased assets	23 915 178	-	23 915 178
Library books	12 739 554	9 007 760	21 747 314
Other property, plant and equipment	98 660 049	36 474 175	135 134 224
Less: Accumulated depreciation and accumulated impairment			
Buildings	(81 228 976)	(64 405 005)	(145 633 981)
Infrastructure	(1 777 691 559)	(974 410 716)	(2 752 102 275)
Community	(216 947 436)	(122 604 800)	(339 552 236)
Leased assets	(8 046 158)	-	(8 046 158)
Library books	(6 917 911)	(4 886 037)	(11 803 948)
Other property, plant and equipment	(56 520 544)	(20 753 521)	(77 274 065)
	2 205 969 812	1 256 326 287	3 462 296 099

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12. Property, plant and equipment (continued)

In the former Westonaria Local Municipality, capital work in progress was disclosed as a separate line item in the Statement of Financial Position and they have been transferred to Rand West City Local Municipality to their respective property plant and equipment line item.

Some Property, plant and equipment in former Westonaria Local Municipality were consolidated when assets were transferred to Rand West City Local Municipality as follows:

- Buildings and housing were consolidated to buildings.
- Electricity network, roads and stormwater network, sanitation network, water network and capital spares were consolidated to Infrastructure.
- Community assets and sports and recreational facilities were consolidated to Community.
- Furniture and fixtures, IT equipment and motor vehicles were consolidated to Other property, plant and equipment.

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13. Intangible assets

	2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	6 136 246	-	6 136 246
Computer software	4 246 959	(3 556 472)	690 487
Total	10 383 205	(3 556 472)	6 826 733

Reconciliation of intangible assets - 04 August 2016 to 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Reclassify intangible assets	Additions	Amortisation	Total
Servitudes	6 111 311	24 935	-	-	6 136 246
Computer software	168 026	-	805 841	(283 380)	690 487
	6 279 337	24 935	805 841	(283 380)	6 826 733

Pledged as security

No intangible assets were pledged as security for liabilities.

Details of intangible assets

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.

Intangible assets acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Cost / Valuation			
Servitudes	4 477 996	1 633 315	6 111 311
Computer software	3 065 724	375 395	3 441 119
Less: Accumulated amortisation and accumulated impairment			
Computer software	(2 972 373)	(300 720)	(3 273 093)
	4 571 347	1 707 990	6 279 337

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14. Heritage assets

	2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value
Paintings and other artifacts	4 256 512	-	4 256 512

Reconciliation of heritage assets 04 August 2016 to 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Reclassify heritage assets	Total
Paintings and other artifacts	4 232 263	24 249	4 256 512

Pledged as security

No heritage assets were pledged as security for liabilities:

Revaluations

Paintings and other artifacts

The effective date of the revaluation was 6/30/2015. Revaluations were performed by independent valuer, Mr A. Inggs. The next valuation will be performed on 30 June 2020.

Mrs A. Inggs is not connected to the municipality and has recent experience in the valuation of heritage assets. The valuation was based on open market value.

The revaluation will be performed every five years.

Details of Heritage assets

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.

Heritage assets acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Paintings and other artifacts	4 232 263	-	4 232 263

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15. Payables from exchange transactions

Trade payables	412 993 851
Retention monies payable	21 801 837
Payroll accruals	24 436 114
Accrued leave	22 723 138
Accrued bonus (13th cheque)	10 551 313
Accrued performance bonuses	3 107 131
Payments received in advance	6 846 454
Consumer debtors with credit balances	44 534 086
	546 993 924

Included in the consumer debtors with credit balances is the mines the Municipality currently owes due to the reversal of the property rates billed to them.

Payables from exchange transactions assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Trade payables	247 569 563	25 194 651	272 764 214
Payments received in advanced	4 792 115	531 740	5 323 855
Retention monies payable	9 609 684	8 098 539	17 708 223
Stores creditors	614 598	-	614 598
Accrued leave pay	11 780 075	7 275 635	19 055 710
Accrued bonus (13th cheque)	5 806 795	3 243 803	9 050 598
Payroll accruals	6 933 576	7 708 631	14 642 207
Consumer debtors with credit balances	18 834 136	-	18 834 136
Accrued expense (invoices not paid)	-	27 480 212	27 480 212
Other deposits	-	31 951	31 951
Operating lease liability	-	213 292	213 292
	305 940 542	79 778 454	385 718 996

In the former Westonaria Local Municipality, accrued bonus and leave was included in provisions and payments received in advance was disclosed separately as deferred income. Unallocated deposits were included in payables from exchange transactions in former Westonaria Local Municipality and have been accounted for as Payables from non-exchange transactions in Rand West City Local Municipality.

16. Payables from non-exchange transactions

Sundry debtors with credit balances	7 535 744
Unallocated receipts	7 286 442
	14 822 186

The above relates to sundry debtors with credit balances and unknown direct deposits made into the Municipality's bank account.

Payables from non-exchange assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Unallocated receipts	13 157 586	498 441	13 656 027

In the former Westonaria Local Municipality, unallocated receipts was included in payables from exchange transactions.

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17. VAT payable

VAT	69 646 019
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See note 48 for contingent asset.

VAT payable assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
VAT	71 295 429	20 999 021	92 294 450

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	7 422 324
Gauteng Department of Sports, Recreation, Arts and Culture Grant	865 688
Human Settlements Grant	25 143 709
Gauteng Department of Social Development Grant	8 462 946
Public Contribution	3 990 216
	45 884 883

See note 32 for reconciliation of grants from National/Provincial Government.

Unspent conditional grants and receipts assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Human Settlements Grant	31 248 700	-	31 248 700
Gauteng Department of Sports, Recreation, Arts and Culture Grant	5 303 837	5 968 563	11 272 400
Gauteng Department of Social Development Grant	9 576 293	-	9 576 293
Public contribution	3 990 216	-	3 990 216
Municipal Demarcation Transition Grant	2 208 936	1 943 000	4 151 936
Integrated national electrification programme	-	5 788 914	5 788 914
Expanded Public Works Programme	-	582 229	582 229
	52 327 982	14 282 706	66 610 688

In the former Westonaria Local Municipality, the Integrated National Electrification Programme unspent conditional grant disclosed as R 12 339 706 included unspent conditional grants of Gauteng Department of Sports, Recreation, Arts and Culture Grant and Expanded Public Works Programme amounting to R 5 968 563 and R 582 229 respectively.

19. Consumer deposits

Electricity and water	42 317 453
Municipal halls and sports complex	31 951
	42 349 404

Consumer deposits assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Electricity and water	36 041 304	3 523 652	39 564 956

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20. Finance lease obligation

Minimum lease payments due

- within one year	9 706 060
- in second to fifth year inclusive	918 529
	<u>10 624 589</u>
less: future finance charges	(575 519)
Present value of minimum lease payments	<u>10 049 070</u>

Present value of minimum lease payments due

- within one year	9 139 884
- in second to fifth year inclusive	909 186
	<u>10 049 070</u>

Non-current liabilities

909 186

Current liabilities

9 139 884

10 049 070

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was three years and the effective borrowing rate was 9.50% which was the prime lending rate on 29 July 2015 which is the date on which the finance lease commenced.

Interest rates are fixed at the contract date. All leases escalate at 6% p.a and include additional charges for contingent rent based on excess kilometres travelled..

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

Finance lease obligation assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Present value of minimum lease payments	17 273 597	-	<u>17 273 597</u>

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21. Borrowings

At amortised cost

Development Bank of Southern Africa (DBSA) loan Interest rate on the loan is fixed at 15.5% per annum compounded semi annually. The loan period is 20 years. The loan is secured by investments with a carrying amount of R 12 231 316. Refer to note 9	3 987 890
Standard Bank loan Interest rate on the loan is fixed at 9.85% per annum compounded monthly. The loan period is 7 years.	1 429 615
INCA West loan There were two loans with this institution and the interest rates on the loans were fixed at 11.11% and 13.36% per annum compounded semi annually. The loan periods are 10 years.	899 727

Total borrowings

6 317 232

Non-current liabilities

At amortised cost	1 428 712
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Current liabilities

At amortised cost	4 888 520
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Borrowings assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Development Bank of Southern Africa (DBSA) loan	6 193 294	411 536	6 604 830
Standard Bank loan	-	4 420 353	4 420 353
INCA West loan	-	2 151 495	2 151 495
	6 193 294	6 983 384	13 176 678

In the former Westonaria Local Municipality, borrowings were disclosed as long term loans and the amount was consolidated as annuity loans amounting to R 6 983 384.

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22. Provisions

Reconciliation of provisions - 04 August 2016 - 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Correction of errors	Additions	Change in discount factor	Total
Environmental rehabilitation	102 247 610	238	23 576 799	8 216 384	134 041 031
Performance bonuses	1 520 561	-	1 122 112	-	2 642 673
Minor claims	-	-	190 877	-	190 877
	103 768 171	238	24 889 788	8 216 384	136 874 581
Non-current liabilities					134 041 031
Current liabilities					2 833 550
					136 874 581

Environmental rehabilitation provision

The valuation was performed by Seakle Godschalk who is a professional environmental scientist from CSS Environment and sustainability solutions CC who holds a qualification in Master's degree in Science and Masters degree in Accounting. Seakle Godschalk is an independent valuer and is registered with South African Council for Natural Scientific Professions as well as with the South African Institute of Ecologists and Environmental Scientists.

Performance bonuses provision

The calculated provision for performance bonus was done using a rate of 14% of the total package. The provision for performance bonus is categorised as a provision based on the fact that the performance bonus will only be paid once an employee has met a performance condition. Therefore it is uncertain whether all the employees who are qualifying for a performance bonus will meet the performance bonus. In addition the bonus has to be approved by the Council. Only section 56 employees have been provided for in the current financial period.

Minor claims provision

The municipality has recognised minor claims for damages which are below R 20 000 due to the trend of likely paying them out.

Provisions assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Environmental rehabilitation	40 162 955	62 084 655	102 247 610
Performance bonus	-	1 520 561	1 520 561
	40 162 955	63 605 216	103 768 171

In the former Westonaria Local Municipality, Provisions included accrued bonus (disclosed as service bonus) and accrued leave (disclosed as Leave pay) amounting to R 3 243 803 and R 7 275 635 respectively which have been transferred to Rand West City Local Municipality as Payables from exchange transactions.

In the former Randfontein Local Municipality, provision for performance bonus was not provided for as the Municipality had not been paying performance bonuses.

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23. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Post retirement medical benefits	(176 569 746)
Long service awards	(23 829 681)
	(200 399 427)

Employee benefit obligations assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Post retirement medical benefits	(81 104 970)	(90 117 000)	(171 221 970)
Long service awards	(2 970 024)	(11 022 000)	(13 992 024)
	(84 074 994)	(101 139 000)	(185 213 994)

Post retirement medical benefits

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes. 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. Qualifying members receive a post employment subsidy for which the municipality is liable.

The municipality operates an unfunded defined benefit plan for these qualifying employees.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

At the valuation date individuals entitled to a post retirement medical aid subsidy were:

In-service (employee) members:	928
In-service (employee) non members:	315
Continuation (retiree and widow) members:	83

The current service costs are estimated at R 9 852 973 for the current financial period ending 30 June 2017

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

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	171 221 970
Benefits paid	(3 142 621)
Net expense recognised in the statement of financial performance	8 490 397
	176 569 746

Net expense recognised in the statement of financial performance

Current service cost	9 852 973
Interest cost	15 744 619
Actuarial gain	(17 107 195)
	8 490 397

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23. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets	9.87 %
Discount rates used	8.16 %
Expected rate of return on assets	1.58 %

The Average retirement age used in years was: 63

Long service awards liability

The Municipality offers employees a long service bonus for every completed ten year period of service. The long service awards paid on retirement, resignation or death. The amount payable is reviewed periodically and is assumed to increase in line with expected CPI inflation.

The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

As at the financial period end, 766 employees were eligible for long service awards. The current service cost for the financial period 30 June 2017 is estimated to be R 1 236 715.

The expected remaining working lifetime of eligible employees is 17.4 years.

Key assumptions used at the reporting date:

Discount rates used	8.42 %
Expected inflation	6.24 %
Net effective discount rate	2.05 %

Changes in the present value of the long service award obligation are as follows:

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	13 992 024
Benefits paid	(3 208 991)
Net expense recognised in the statement of financial performance	13 046 648
	<u>23 829 681</u>

Net expense of the long service awards obligation recognised in the statement of financial performance:

Current service cost	1 236 715
Interest cost	1 274 321
Actuarial losses	10 535 612
	<u>13 046 648</u>

Actuarial gains reconciliation

Post retirement medical benefits	17 107 195
Long service awards	(10 535 612)
	<u>6 571 583</u>

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24. Revaluation reserve

Revaluation reserve 1 670 942

Revaluation reserve transferred to Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Revaluation reserve	1 670 942	-	1 670 942

25. Accumulated surplus

Accumulated surplus transferred to Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Carrying amounts of the assets acquired and the liabilities assumed	1 945 190 323	1 115 536 469	3 060 726 792

Presented below are items corrected through accumulated surplus in the Statement of Financial Position

Property, plant and equipment was decreased by R 14 216 477 due to assets that were not correctly accounted for and have been removed from the property, plant and equipment of the Municipality.

Investment property was decreased by R 9 911 600 due to properties that were not previously accounted for that have been included in the investment property of the Municipality.

Landfill site provision was reduced by R 238 due to interest that was incorrectly calculated

Service charges were previously not recorded in the former Westonaria Local Municipality's financial records prior to the merger hence the adjustments of R 3 269 423 due to prepaid electricity and meter sales.

VAT was increased by R 3 263 468 due to SARS declining the input VAT of former Randfontein Local Municipality.

Sale of stands were previously not recognised an accrual basis in the former Westonaria Local Municipality hence the increase in accumulated surplus by R 197 060.

Invoices amounting to R 2 179 452 were previously not captured by Randfontein and Westonaria Local Municipalities.

The corrections resulted in the adjustment of the Accumulated Surplus as follows:

Property, plant and equipment	(14 216 477)
Investment property	9 911 600
Landfill site provision	(238)
Prepaid electricity and meters	3 269 423
VAT	3 263 468
Sale of stands	197 060
Invoices relating to Randfontein and Westonaria Local Municipalities	(2 179 452)
	245 384

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26. Service charges

Sale of electricity	500 490 814
Sale of water	221 881 476
Sewerage and sanitation charges	45 810 426
Refuse removal	53 121 698
	<u>821 304 414</u>

27. Rental of facilities and equipment

Facilities and equipment

Rental of buildings	377 196
Rental of equipment	200 373
Rental of facilities	390 850
Rental of land	82 712
	<u>1 051 131</u>

28. Investment revenue

Interest revenue

Bank	<u>7 872 932</u>
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29. Income from agency services

Agency income for collection of licences	<u>20 033 199</u>
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The municipality has an arrangement with the Department of Transport in which it collects licence fees on behalf of the department and receives an agreed fee for the service provided.

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30. Other income

Administration fees	4 760 436
Advertising	27 249
Bins sold	227 908
Building plan fees	1 796 162
Burial fees	985 091
Business hives	249 243
Clearance certificates	402 023
Commission earned	229 750
Connection fees	2 038 360
Consent use revenue	13 635
Copies income	335 671
Dividends received	41 039
Effluent income	1 749 011
Entrance fees	2 017
Farming income	287 693
Gymnasium fees	77 426
Insurance claims	4 103 401
Internet and fax income	19 764
Landfill site income	55 768
Membership fees	1 274
Social responsibility income	267 765
Recovery monies	95 366
Staff parking	9 076
Sundry surpluses	68 260
Tender documents	761 800
Town planning	132 150
	18 737 338

31. Property rates

Rates received

Assessment rates	210 987 808
Less: Income forgone (rebates)	(45 917 601)
	165 070 207

Valuations R'000

Agricultural	2 363 356
Business and commercial	3 758 062
Government	477 669
Residential	11 184 612
Vacant land	139 986
	17 923 685

Valuations on land and buildings are performed every 4 years. The last general valuations came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate as approved for in the Property Rates Policy is applied to property valuations to determine assessment rates. Rebates are granted to certain property owners in accordance with the Property Rates Policy.

Rates are calculated on an annual basis, levied monthly and are payable by the 7th day of the following month. Interest as determined by Council is levied on outstanding rates.

The new general valuation will be implemented on 01 July 2019.

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32. Government grants and subsidies

Operating grants

Equitable Share	178 749 600
Municipal Infrastructure Grant	3 982 656
Finance Management Grant	2 950 000
Municipal Demarcation Transition Grant	9 979 936
Gauteng Department of Sports, Recreation, Arts and Culture Grant	11 227 282
Leainership Grant	711 734
Skills Development Grant	1 809 902
Expanded Public Works Programme	3 509 229
Gauteng Department of Corporative Governance Grant	13 748 545
Aids District Programme	2 295 680
Infrastructure Skills Development Grant	3 300 000
	232 264 564

Capital grants

Municipal Infrastructure Grant	76 093 020
Municipal Water Infrastructure Grant	30 000 000
Gauteng Department of Corporative Governance Grant	16 087 455
Integrated National Electrification Programme	22 788 914
Human Settlements Grant	83 504 991
Gauteng Department of Social Development Grant	1 113 347
Gauteng Department of Sports, Recreation, Arts and Culture Grant	6 779 430
	236 367 157
	468 631 721

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents received a subsidy of 100% rebate on property rates and taxes, 100% rebate on refuse and sewer tariffs, 100kW electricity and 10kl water.

Municipal Infrastructure Grant

Current financial period receipts	87 498 000
Conditions met - transferred to operating revenue	(3 982 656)
Conditions met - transferred to capital revenue	(76 093 020)
	7 422 324

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities.

Finance Management Grant

Current financial period receipts	2 950 000
Conditions met - transferred to revenue	(2 950 000)
	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in the municipality to implement the municipal finance management act (MFMA).

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32. Government grants and subsidies (continued)

Municipal Demarcation Transition Grant

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	4 151 936
Current financial period receipts	5 828 000
Conditions met - transferred to revenue	(9 979 936)
	<u>-</u>

The purpose of this grant is to finance expenditure in relation to the merger of Randfontein and Westonaria Local Municipalities.

Gauteng Department of Sports, Recreation, Arts and Culture Grant

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	11 272 400
Current financial period receipts	7 600 000
Conditions met - transferred to operating revenue	(11 227 282)
Conditions met - transferred to capital revenue	(6 779 430)
	<u>865 688</u>

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to support the municipality with the administration of libraries.

Leanship Grant

Current financial period receipts	711 734
Conditions met - transferred to revenue	(711 734)
	<u>-</u>

The purpose of the grant is to assist with implementing the learning programme.

Skills Development Grant

Current financial period receipts	1 809 902
Conditions met - transferred to revenue	(1 809 902)
	<u>-</u>

The purpose of the grant is to provide skills development within the municipality.

Expanded Public Works Programme

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	582 229
Current financial period receipts	2 927 000
Conditions met - transferred to revenue	(3 509 229)
	<u>-</u>

The purpose of the grant is to provide expanded public works programme funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

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32. Government grants and subsidies (continued)

Gauteng Department of Corporative Governance Grant

Current financial period receipts	29 836 000
Conditions met - transferred to operating revenue	(13 748 545)
Conditions met - transferred to capital revenue	(16 087 455)
	<u>-</u>

The purpose of this grants is to assist the municipality to perform its functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.

Aids District Programme

Current financial period receipts	2 295 680
Conditions met - transferred to revenue	(2 295 680)
	<u>-</u>

The purpose of the grant is to enhance awareness programmes offered communities to prevent and mitigate the impact of HIV/Aids.

Municipal Water Infrastructure Grant

Current financial period receipts	30 000 000
Conditions met - transferred to revenue	(30 000 000)
	<u>-</u>

The purpose of this grant is to supplement the gaps, and focusing on functionality of water infrastructure.

Integrated National Electrification Programme

Opening balance after the merger of Randfontein and Westonaria Local Municipalites	5 788 914
Current financial period receipts	17 000 000
Conditions met - transferred to revenue	(22 788 914)
	<u>-</u>

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings.

Human Settlements Grant

Opening balance after the merger of Randfontein and Westonaria Local Municipalites	31 248 700
Current financial period receipts	77 400 000
Conditions met - transferred to revenue	(83 504 991)
	<u>25 143 709</u>

Conditions still to be met - remain liabilities (see note 18).

The purpose of this grant is to provide funding for the creation of sustainable human settlements.

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32. Government grants and subsidies (continued)

Infrastructure Skills Development Grant

Current financial period receipts	3 300 000
Conditions met - transferred to revenue	(3 300 000)
	<u>-</u>

The purpose of this grant is for the infrastructure skills development.

Gauteng Department of Social Development Grant

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	9 576 293
Conditions met - transferred to revenue	(1 113 347)
	<u>8 462 946</u>

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to promote social development within the communities.

Public Contribution

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	<u>3 990 216</u>
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Conditions still to be met - remain liabilities (see note 18).

The purpose of the public contribution is to assist in minimising infrastructure backlogs.

33. Fines

Traffic fines	13 307 036
Camera fines	793 700
Consumer fines	1 967 029
Lost books fines	776
	<u>16 068 541</u>

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34. Employee related costs

Acting allowances	488 046
Basic	263 014 914
Bonus (13th cheque)	22 150 408
Cellphone allowances	1 237 313
Defined contribution plans	41 754 396
Group insurance	1 685 320
Performance bonuses	4 229 243
Housing benefits and allowances	3 077 588
Leave pay	4 441 042
Medical aid - company contributions	33 346 940
Overtime payments	17 457 824
SDL	4 165 391
Standby allowances	1 894 828
Sundry allowances	1 413 838
Travel allowances	18 221 178
UIF	1 986 027
	420 564 296

Included in the above employee costs is the remuneration of the Municipal Manager and Executive Managers reporting directly to the Municipal Manager which are detailed below.

Remuneration of Municipal Manager: See note below

Annual remuneration	755 165
Travel allowance	103 660
Bonus	108 758
Leave paid	197 087
Contributions to UIF	11 379
	1 176 049

The Municipal Manager, Mr T.C. Ndlovu was appointed on 04 August 2016 and resigned on 05 February 2017. His total remuneration paid was R1 080 965. Ms T.M.M Matshego was appointed acting Municipal Manager from 06 February 2017 to 31 May 2017 and was paid an acting allowance of R 65 242. Mr. T. Goba was appointed to be the Municipal Manager from 01 June 2017 and received a total remuneration of R 95,084.

The remuneration in the table above is the total cost paid to Mr T.C Ndlovu and Mr T. Goba.

Remuneration of Chief Financial Officer: See note below

Annual remuneration	659 095
Travel allowance	153 000
Bonus	102 957
Acting allowance	93 002
Leave paid	120 735
Contributions to UIF	11 539
	1 140 328

The Chief Financial Officer Mr. V.B. Mkhafa was appointed on 04 August 2016 to 30 April 2017. His total remuneration paid was R 1 047 326. Ms N. Madonsela was appointed acting Chief Financial Officer from 01 April 2017 to 30 June 2017 was paid an acting allowance of R 93 002.

The remuneration in the table above is the total cost paid to Mr. V.B. Mkhafa and acting allowance paid to Ms. N. Madonsela.

Remuneration of Chief Operating Officer: Steyn. L

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34. Employee related costs (continued)

Annual remuneration	1 080 200
Travel allowance	151 355
Leave paid	242 646
Contributions to UIF	13 548
	1 487 749

The Chief Operating Officer was appointed on 04 August 2016.

Remuneration of Executive Infrastructure Services: Nkambule BE

Annual remuneration	986 973
Travel allowance	244 582
Leave paid	26 375
Contributions to UIF	12 317
	1 270 247

The above Executive Manager was appointed on 04 August 2016.

Remuneration of Executive Manager Corporate Support Services: See note below

Annual remuneration	570 552
Travel allowance	144 000
Acting allowance	85 099
Leave paid	78 619
Contributions to UIF	38 148
	916 418

The Executive Manager Corporate Support Services Ms. T. Morolo was appointed on 04 August 2016 to 30 April 2017 and received a total remuneration package of R 831 319. Ms. L Pakiri was appointed acting Executive Manager Corporate Support Services and received an acting allowance of R 85 099

Remuneration of Executive Manager Community Services: Matshego TMM

Annual remuneration	968 370
Travel allowance	263 185
Acting allowance	65 242
Leave paid	158 248
Contributions to UIF	14 057
	1 469 102

The above Executive Manager was appointed on 04 August 2016 to 30 June 2017.

Remuneration of Executive Manager Development and Planning: See note below

Annual remuneration	778 296
Travel allowance	216 971
Acting allowance	89 923
Leave paid	242 646
Contributions to UIF	11 265
	1 339 101

The Executive Manager Development and Planning Mr J.T. Moloi was appointed on 04 August 2016 to 30 April 2017 and received a total remuneration package of R 1 249 178. Mr. V Hadebe was appointed acting Executive Manager Development and Planning and received an acting allowance of R 89 923

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35. Remuneration of councillors

Councillors

21 369 653

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

04 August 2016 to 30 June 2017	Appointment date	Annual remuneration	Travel allowances	Cellphone allowances	Total
Cllr. M.E. Khumalo (Executive mayor)	04 August 2016	541 104	180 368	30 918	752 390
Cllr. V. Nqina-Mzondeki (Speaker)	04 August 2016	421 724	147 695	27 161	596 580
Cllr. M. Jokazi (Council whip)	04 August 2016	401 642	133 880	23 561	559 083
Cllr. J. Legoete (MMC)	04 August 2016	390 965	133 890	24 661	549 516
Cllr. A. Gela (MMC)	04 August 2016	390 964	130 320	23 561	544 845
Cllr. D. Molebatsi (MMC)	04 August 2016	390 964	130 319	23 561	544 844
Cllr. T. Grobler (MMC)	04 August 2016	389 378	133 890	24 661	547 929
Cllr. S. Matakane (MMC)	04 August 2016	390 965	133 890	24 661	549 516
Cllr. S. Mazibuko (MMC)	04 August 2016	390 964	130 319	23 561	544 844
Cllr. S. Moumakwe (MMC)	04 August 2016	390 965	130 320	23 561	544 846
Cllr. N. Dyase (MMC)	04 August 2016	390 965	130 320	23 561	544 846
Cllr. D. Sithole (MMC)	04 August 2016	390 964	130 320	23 561	544 845
Cllr. G. Khoza (MMC)	04 August 2016	390 964	130 320	23 561	544 845
Cllr. A. Mosina (MPAC Chairperson)	04 August 2016	379 578	126 949	23 561	530 088
Cllr. B. Matebesi	04 August 2016	170 225	56 738	24 661	251 624
Cllr. M. Mtyotywa	04 August 2016	170 225	56 738	24 661	251 624
Cllr. D. Machaba	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Ndamane	04 August 2016	165 153	55 048	23 561	243 762
Cllr. K. Tsotetsi	04 August 2016	165 153	55 048	23 561	243 762
Cllr. N. Mapena-Dlamini	04 August 2016	170 225	56 738	24 661	251 624
Cllr. D. Mbulula	04 August 2016	165 153	55 048	23 561	243 762
Cllr. T. Tlholoe	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Sello	04 August 2016	170 225	56 738	24 661	251 624
Cllr. F. Matshogo	04 August 2016	168 551	59 012	24 661	252 224
Cllr. P. Faku	04 August 2016	170 225	56 738	24 661	251 624
Cllr. N. Matiwane	04 August 2016	165 153	55 048	23 561	243 762
Cllr. A. Saba	04 August 2016	165 153	55 048	23 561	243 762
Cllr. W. Matshaya	04 August 2016	165 153	57 918	23 561	246 632
Cllr. W. Njani	04 August 2016	165 153	55 048	23 561	243 762
Cllr. N. Kolo	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Ngamntwini	04 August 2016	165 153	55 048	23 561	243 762
Cllr. S. Khenene	04 August 2016	175 318	55 048	23 561	253 927
Cllr. I. Merabe	04 August 2016	165 153	55 048	23 561	243 762
Cllr. N. Ncele	04 August 2016	165 153	55 048	23 561	243 762
Cllr. N. Baza	04 August 2016	165 153	55 048	23 561	243 762
Cllr. A. Van Tonder	04 August 2016	170 225	56 738	24 661	251 624
Cllr. S. Erasmus	04 August 2016	170 225	56 738	24 661	251 624
Cllr. E. De Lange	04 August 2016	170 226	56 738	24 661	251 625
Cllr. C. Harrison	04 August 2016	170 225	56 738	24 661	251 624
Cllr. J. Beaufort	04 August 2016	170 226	56 738	24 661	251 625
Cllr. P. Dick	04 August 2016	170 226	56 738	24 661	251 625
Cllr. G. Samson	04 August 2016	154 630	51 540	22 327	228 497
Cllr. I. Ramphore	04 August 2016	165 153	55 048	23 561	243 762
Cllr. B. Mahuma	04 August 2016	162 453	59 420	24 661	246 534
Cllr. G. Kruger	04 August 2016	170 225	56 738	24 661	251 624
Cllr. E. Krog	04 August 2016	165 153	55 048	23 561	243 762
Cllr. H. Hild	04 August 2016	178 515	55 048	23 561	257 124
Cllr. D. Cloete	04 August 2016	170 226	56 738	24 661	251 625
Cllr. N. Williams	04 August 2016	165 153	55 048	23 561	243 762
Cllr. P. Mavuso	04 August 2016	165 153	55 048	23 561	243 762
Cllr. P. Francis	04 August 2016	170 225	56 738	24 661	251 624

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35. Remuneration of councillors (continued)

Cllr. S. Sekhokho	04 August 2016	165 153	55 048	23 561	243 762
Cllr. J. Biyela	04 August 2016	165 153	55 048	23 561	243 762
Cllr. F. Bergman	04 August 2016	165 153	55 048	23 561	243 762
Cllr. R. Masemola	04 August 2016	165 153	55 048	23 561	243 762
Cllr. B. Munyai	04 August 2016	165 153	55 048	23 561	243 762
Cllr. A. Zingela	04 August 2016	165 153	55 048	23 561	243 762
Cllr. J. Matebesi	04 August 2016	165 153	55 048	23 561	243 762
Cllr. B. Ramaphala	04 August 2016	165 153	55 048	23 561	243 762
Cllr. A. Thekiso	04 August 2016	149 732	49 908	21 361	221 001
Cllr. B. Letlhake	04 August 2016	165 153	55 048	23 561	243 762
Cllr. J. Letsholo	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Sethepo	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Mthimkhulu	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Nkoe	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Chabane	04 August 2016	165 153	55 048	23 561	243 762
Cllr. C. Brough	04 August 2016	154 630	51 540	22 327	228 497
Cllr. Sityebi	04 August 2016	154 630	51 540	22 327	228 497
Cllr. P. De Jager	04 August 2016	88 048	29 348	12 561	129 957
Cllr. J. Letlhake	01 April 2017	46 263	20 560	8 800	75 623
Cllr. M. Ramothlale	01 June 2017	15 421	5 140	2 200	22 761
		14 768 347	4 949 642	1 651 664	21 369 653

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Executive Mayor has two full-time bodyguards and the Speaker has one full-time bodyguard.

36. Depreciation and amortisation

Property, plant and equipment	148 891 782
Intangible assets	283 380
	149 175 162

37. Impairment loss of assets

Impairments

Property, plant and equipment	62 297 002
Impairments loss was mainly due to the Municipal Toekomsrus offices that were burnt during the financial period.	

38. Finance costs

Trade and other payables	24 028 642
Finance leases	1 224 052
Current borrowings	1 348 007
Interest due to discounting of receivables	14 127 456
Interest cost on employee benefit obligations	17 018 940
Interest cost on landfill site provision	8 216 384
	65 963 481

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39. Debt impairment

Contributions from receivables from exchange transactions	32 973 268
Contributions from long term receivables	(5 817 605)
Contributions from receivables from non exchange transactions	45 370 385
	<u>72 526 048</u>

40. Assets derecognised

Investment property	2 790 285
Property, plant and equipment	6 978 030
	<u>9 768 315</u>

Investment property derecognised was mainly due to derecognition of land during the financial period.

Property, plant and equipment assets derecognised were assets that could not be located during physical verification and have been removed from the Municipality's asset register.

41. Bulk purchases

Electricity	383 913 110
Water	173 108 991
	<u>557 022 101</u>

42. Contracted services

Credit cost control	7 365 174
Security services	18 260 145
Water purification contract	1 441 395
Prepaid vending costs	14 350 089
	<u>41 416 803</u>

43. Grants and subsidies paid

SPCA Grant	<u>1 500 000</u>
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44. General expenses

Advertising and communication	889 194
Arbitration costs	81 830
Audit committee costs	497 941
Auditors remuneration	13 035 951
Bank charges	4 185 956
Burial expenses	279 431
Bursary expenses	4 386 785
Cleaning	592 128
Commission paid and discounts allowed	211 939
Conferences and seminars	230 212
Consulting and professional fees	23 335 004
Consumables	629 473
Expanded public works programme	4 538
Farming	439 902
Fuel and oil	8 903 495
IT expenses	2 283 479
Insurance	3 087 750
Library programs	513 276
Motor vehicle expenses	8 269 638
Municipal demarcation transition expenses	7 600 260
Municipal events and improvements	5 355 330
Municipal service charges	4 078 748
Municipal systems improvement grant expenses	1 106 356
Occupational health	252 692
Performance management system	1 500 000
Postage and courier	1 887 745
Printing and stationery	1 420 554
Refreshments	22 655
Refuse	207 331
Rental expenses	5 496 810
Subscriptions and membership fees	3 410 278
Telephone and fax	3 307 943
Traffic control expenses	387 691
Training	1 738 558
Travel and subsistence	20 486
Uniforms	2 895 928
Valuation expenses	229 441
Water research levy	1 313 805

114 090 533

45. Fair value adjustments

Investment property	8 852 631
Biological assets	(32 942)
	8 819 689

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46. Cash generated from operations

Surplus	28 804 244
Adjustments for:	
Depreciation and amortisation	149 175 162
Fair value adjustments	(8 819 689)
Public contributions and donations	(28 325 731)
Impairment loss	62 297 002
Debt impairment	72 526 048
Movements in retirement benefit assets and liabilities	15 185 434
Movements in provisions	9 529 373
Assets derecognised	9 768 315
Changes in working capital:	
Inventories	959 018
Receivables from exchange transactions	(133 014 100)
Receivables from non exchange transactions	(12 323 633)
Prepayments	(411 242)
Payables from exchange transactions	166 007 965
VAT	(25 911 899)
Payables from non-exchange transactions	1 166 159
Unspent conditional grants and receipts	(20 725 805)
Consumer deposits	2 784 448
	288 671 069

47. Commitments

Already contracted for but not yet spent

• Capital expenditure	137 463 793
• Operating expenditure	100 209 283
	237 673 076

This committed expenditure relates to capital and operating expenditure and will be financed by grants and internally generated funds.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. Contingent rent is payable based on quantity of papers printed on the rental of printers contract.

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48. Contingencies

Contingent liabilities

Claim by Mr Grobler against the municipality for eviction application	6 500 000
Claim by Fluxrab investments for none payment of municipal services	6 474 376
Claim by employees due to differences in salary notches.	5 115 397
Claim by N.B. Ngova for personal injuries sustained due to an uncovered hole	2 460 000
Claim by L.N. Khwaphuna over injuries sustained due to falling into an uncovered manhole	2 460 000
Claim by Pipe Jack for services rendered	2 394 103
Claim by Van Greunen Ann Marie for damages and loss of income due to negligence that caused the death of her husband.	1 698 928
Claim by Enzani Technologies for services rendered	1 597 226
Claim by Marina Nolte for injuries sustained in June 2004	1 200 000
Claim by Maureen Sila as a result of failure to have covered/repared an open manhole that she fell into	773 000
Claim by Adviddatta trading for economic loss and misrepresentation	700 000
Claim by Aranda Textile for loss of income due to power outages	612 513
Claim by L.M. Zibula for injuries sustained due to falling into an open drain	600 000
Claim by Thembakazi Buso as a result of failure to have covered/repared an open manhole that she fell into	550 000
Claim by Ipeleng Magdelene Letsholo for an injury caused by an open manhole in Porges street	500 000
Claim by Mahlaba Ramogohlo Welhemina as a result of failure to have covered/repared an open manhole that she fell into	400 000
Claim by Mokoduo Incorporated for legal services rendered	399 595
Claim by Z.P. Ndaba for injuries sustained caused by an uncovered manhole	380 000
Claim by Matlakala Martha Kgarudi as a result of failure to have covered/repared an open manhole that she fell into	360 000
Claim by Syntell Pty Ltd	350 000
Claim Seshibe Makiletjie Gideon damages caused by an alleged assault by the traffic officer	300 000
Claim by N. Mzayiya for damages due to injuries sustained caused by an uncovered manhole	300 000
Claim by Otilian Carlos as a result of falling into amanhole that the municipality failed to alert	250 000
Claim by Thabo P Mthembu for damages for an unlawful arrest, damages to property and legal fees	237 000
Claim by L.L. Hlatswayo for damages caused by a pothole	223 250
Claim by Mokhele in respect of the interpretation of collective agreement	140 000
Claim by B. Mlawuli for unfair dismissal	108 000
Claim by L.C.M. Orton for unlawful/wrongful arrest	100 000
Claim by Eugene's packed spices for damages caused by a pothole	99 610
Claim by David Moeletsia against the municipality for car damages by the municipality's employee	95 340
Claim by PPB Mosing for damages due to municipality's failure to clear a refuse dump	87 410
Claim by C Heinz due to unfair labour practice	81 250
Claim by W. Ramanyai for a matter of unfair labour practice	53 292
Claim by Christo Dekker as a result of failure to have covered an open manhole that he fell into	50 000
Claim by B. Munyai for unfair labour practice	50 000
Claim by K Opperman for damages caused by a pothole	40 053
Claim by T. Molefe for damages caused by a pothole	38 850
Claim by Maria Le Roux for damage due to potholes	35 754
Claim by Me Gladys Mahobane iro personal injury resulting from roads and storm water construction activities	34 300
Claim by N.M. Ndlovu for damages to the car due to council having failed to close or barricade a ditch	33 402
Claim by O. Makgobe for damage caused by unfixed potholes	32 933
Claim by C.H. Barnard for damages caused by a pothole	32 275
Claim by R J Panelbeaters against the municipality for services rendered	31 831
Claim by A. Jansen Van Rensburg for claim against council due to unmarked speed humps	30 635
Claim by A. Havenga for damages caused by a pothole	28 210
Claim by M. Botha for damages caused by a pothole	26 009
Claim by H Kluyts for damages to a vehicle as a result of traffic signs that were not properly marked	25 606

38 090 148

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48. Contingencies (continued)

Contingent assets

SARS has issued a number of assessments on the VAT submissions of the former Randfontein Local Municipality. Due to these assessments, the municipality has incurred interest and penalties. The Municipality submitted objections to SARS during the financial period, R 45 645 357 were allowed and R 27 346 650 were disallowed. These objections as well as the interest and penalties have been accounted for in the financial statements. At the end of the financial period, there were objections worth R 11 153 694 that were not yet concluded and the municipality regards these as contingent assets. They have not been recognised as an asset in the financial statements. Should the municipality be successful, the municipality expects that SARS will waive the penalties and interest. Refer to note 17 for VAT outstanding balance.

49. Related parties

Relationships

Accounting Officers	Refer to note 34
Executive Mayor	Refer to note 35
Speaker	Refer to note 35
Council Whip	Refer to note 35
Councillors	Refer to note 35
Inter governmental relations	Refer to note 32
Members of key management	Refer to note 34

Employees and organisations in which they have a direct or indirect material interest Refer to related party transactions below

Related party transactions

Purchases from / (sales to) related parties: Organisations in which councillors and/or employees have a direct or indirect material interest:

Shumba Event Solutions CC	116 000
Lebelo La Mokoka trading and projects	13 350

For the above related parties, the transactions were within the normal course of business and there were no balances outstanding or commitments at 30 June 2017.

Remuneration of management

Councillors/Mayoral committee members

Refer to note 35 "Remuneration of councillors". The total amounts paid to councillors was R 21 369 653.

Executive management

Refer to note 34 "Employee related costs". The total amount paid to municipal managers and executive managers was R8 798 994.

50. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

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50. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments liquidity risk arises largely from the municipality's ability to fund assets and meet financial obligation. 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 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Payables from exchange transactions	546 993 924	-	-	-	546 993 924
Payables from non exchange transactions	14 822 186	-	-	-	14 822 186
Unspent conditional grants and receipts	45 884 883	-	-	-	45 884 883
Consumer deposits	42 349 404	-	-	-	42 349 404
Borrowings	4 888 520	1 428 712	-	-	6 317 232
Finance leases	9 139 884	909 186	-	-	10 049 070
	664 078 801	2 337 898	-	-	666 416 699

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality is exposed to significant credit risk as its consumers are largely unemployed and are from low income households. Concentrations of credit risk are as per the financial instruments detailed below and for their credit quality refer to the various notes. The municipality decreases its exposure and concentration of credit risk by only depositing cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Financial instrument	2017
Cash and cash equivalents (Note 3)	127 942 966
Receivables from exchange transactions (Note 4)	185 196 279
Receivables from non exchange transactions (Note 5)	26 717 174
Investments (Note 9)	12 231 316
Long term receivables (Note 8)	2 697 261

Refer to the various notes for the aging of the financial instruments and any impairment losses recognised in the current financial year.

Investments have been pledged as security for borrowings with a carrying amount of R 3 987 890. Refer to note 21.

Market risk

The type of market risk that the municipality is exposed to is interest rate risk, this arises on interest-bearing financial instruments recognised in the statement of financial position. The Municipality manages this risk by fixing the interest rates on the loan. Refer to note 21 for information on borrowings.

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51. Going concern

The audited 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.

52. Events after the reporting date

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period to the date of authorisation of these financial statements.

53. Unauthorised expenditure

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	370 054 261
Current financial period unauthorised expenditure: Impairment loss of assets	62 297 002
Current financial period unauthorised expenditure: Finance costs	61 021 671
Current financial period unauthorised expenditure: Debt impairment	51 771 448
Current financial period unauthorised expenditure: Assets derecognised	9 768 315
	554 912 697

The current financial period unauthorised expenditure was due to under budgeting for the expenditure line items listed above.

Action taken/ to be taken in respect of unauthorised expenditure

Management submitted all unauthorised expenditure incurred in prior periods to council for investigation. At 30 June 2017, all prior year unauthorised expenditure was being investigated by the Municipal Public Accounts Committee. Current financial period unauthorised expenditure will be reported to Council in the next financial year.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes have not yet been concluded.

54. Fruitless and wasteful expenditure

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	61 452 267
Interest overdue creditors not previously reported: SARS	7 263 769
Interest overdue creditors: Eskom	20 098 058
Interest overdue creditors: Telkom SA Ltd	37 317
Interest overdue creditors: Otis	286
AL Maree Incorporated	11 533 260
Interest overdue creditors: Rand water	606 807
Interest overdue creditors: Tecroveer	86 326
Interest overdue creditors: SARS	3 663 406
Designs for the completion of Droogheuwel Bulk Water Supply	5 469 285
Quill Associates Pty Ltd	5 821 092
	116 031 873

The current financial period fruitless and wasteful expenditure was due to interests and penalties that were incurred due to cashflow challenges.

Action taken/ to be taken in respect of fruitless and wasteful expenditure

Management submitted all fruitless and wasteful expenditure incurred in prior periods to council for investigation. At 30 June 2017, all prior year fruitless and wasteful expenditure was being investigated by the Municipal Public Accounts Committee. Current financial period fruitless and wasteful expenditure will be reported to Council in the next financial year.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes have not yet been concluded.

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55. Irregular expenditure

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	392 524 112
Add: Irregular Expenditure - current financial period	184 119 853
	576 643 965

Analysis of irregular expenditure awaiting investigation

Non-Compliance with Section 62 of MFMA	8 346 398
Non-Compliance with section 13 SCM Regulations	298 171
Non-Compliance with Section 65 of MFMA	9 105 911
Non-Compliance with Section 17 SCM Regulations	21 411 846
Non-Compliance with section 20 SCM Regulations	322 746 096
Non-Compliance with section 29 SCM Regulations	132 727 450
Non-Compliance with section 30 SCM Regulations	45 086 293
Non-Compliance with section 32 SCM Regulations	10 001 981
Non-Compliance with section 38 SCM Regulations	2 512 465
Non-Compliance with section 36 SCM Regulations	12 929 195
Non-Compliance with section 22 SCM Regulations	1 029 773
Non-Compliance with section 19 SCM Regulations	4 909 846
Non-Compliance with section 5(1) of MSA	187 764
Non-Compliance with MFMA Regulation 116(3)(b)	5 350 776
	576 643 965

Action taken/ to be taken in respect of irregular expenditure

Management submitted all irregular expenditure incurred to council for investigation. At 30 June 2017, all prior year irregular expenditure was being investigated by the Municipal Public Accounts Committee. Current financial period irregular expenditure will be reported to Council in the next financial year.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes have not yet been concluded.

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current financial period subscription / fee	3 410 278
Amount paid - current financial period	(3 410 278)
	-

Material distribution losses

Electricity	70 720 061
Water	51 854 325
	122 574 386

Electricity distribution losses for the current financial period was 60,965,570 kilowatts which represents 13% of total electricity purchased. These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses.

Water distribution losses comprises of non-billed water, and for the current financial period was 6,855,869 kilolitres which represents 31% of total water purchased. These water distribution losses cannot be accounted for mainly due to theft, faulty pipes, spillages etc.

See note 41 for the total electricity and water bulk purchases for the financial period.

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

Audit fees

Current financial period subscription / fee	13 259 030
Amount paid - current financial period	(12 739 071)
	519 959

PAYE and UIF

Current financial period subscription / fee	54 415 498
Amount paid - current financial period	(48 240 715)
	6 174 783

Pension and Medical Aid Deductions

Current financial period subscription / fee	100 390 592
Amount paid - current financial period	(90 730 050)
	9 660 542

VAT

VAT payable	69 646 019
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VAT output payables and VAT input receivables are shown in note 17.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor. D. Mbulula	70 855	91 336	162 191
Councillor. N. Soko	1 469	9 022	10 491
Councillor. M. Sethepo	1 428	18 649	20 077
Councillor. YI and A Legote	1 521	6 440	7 961
	75 273	125 447	200 720

During the financial period the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2017	Highest outstanding amount
Councillor. D. Mbulula	162 191
Councillor. M. Sethepo	20 077
Councillor. N. Soko	10 491
Councillor. YI and A Legote	7 961
	200 720

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer.

Incident

In terms of SCM regulations 36 (a)(i): In an emergency	1 000 499
In terms of SCM regulations 36 (a)(ii): Sole provider	240 116
In terms of SCM regulations 36 (a)(v): Impractical or impossible to follow procurement process	9 903 825
	11 144 440

57. Budget differences

Material differences between budget and actual amounts

All budget fluctuations above 10% in comparison to actual results for the financial period were considered material and are explained in the Statement of Comparison of Budget and Actual Amounts.

57.01 **Service charges** is below 10% variance threshold which is acceptable.

57.02 **Rental of facilities and equipment** was over budgeted for.

57.03 **Interest received - outstanding receivables** was less than budget due to debts written off by council.

57.04 **Income from agency fees** was over budgeted for.

57.05 **Other income** was over budgeted for.

57.06 **Interest received - investment** realised more funds due to more money being invested in Investec call account before spending.

57.07 **Property rates** was over budgeted for prior to the court and valuation board ruling on the billing of the mines that was concluded after the budget was prepared.

57.08 **Government grants and subsidies** had a variance due to the unspent grants that were not recognised as revenue because the conditions of the grants had not been met.

57.09 **Public donations and contributions** was not budgeted for during the financial period.

57.10 **Fines** were under budgeted for, more traffic infringements were recorded during the current financial period.

57.11 **Employee related costs** were over budgeted for in anticipation of increased salaries with merger.

57.12 **Remuneration of councillors** was budgeted for 7% increase, whereas the upper limits approved were 4% for councillors and no increase for the Mayor, Speaker, Chief Whip and MMCs.

57.13 **Depreciation and amortisation** was over budget for.

57.14 **Impairments loss of assets** was mainly due to the Municipal Toekomsrus offices that were burnt during the financial period. This was not budgeted for and was reported as unauthorised expenditure and will be reported to council.

57.15 **Finance costs** were under budgeted for due to the interest costs on employee benefit obligation which was not budgeted for and interest on creditors which the Municipality is not allowed to budget for, the excess was reported as fruitless and wasteful and unauthorised expenditure and will be reported to council.

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57. Budget differences (continued)

57.16 **Debt impairment** was under budgeted for due to debtors written off during the financial period as per council approval. The overspending was reported as unauthorised expenditure and will be reported to council.

57.17 **Assets derecognised** was mainly due to the Municipality's assets and investment properties that were derecognised. This was not budgeted for and was reported as unauthorised expenditure and will be reported to council.

57.18 **Repairs and maintenance** was over budgeted for.

57.19 **Bulk purchases** was over budgeted and there was an immaterial variance.

57.20 **Contracted services** was within budget.

57.21 **Transfers and subsidies** has no variance.

57.22 **General expenses** are within budget.

57.23 **Fair value adjustments** was mainly increased by the increase in value of the Municipality's investments property during the financial period and was not budgeted for hence the variance.

57.24 **Actuarial gains** was mainly increased due to the value of the Municipality's Employee benefit obligations valuations during the financial period which was not budgeted.

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Appendix A

Unaudited Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 04 August 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip
		Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa						
Development Bank of South Africa	61001399	5 511 486	-	1 523 596	3 987 890	-
Development Bank of South Africa	61001400	681 807	-	681 807	-	-
Development Bank of South Africa	10506/102	30/06/2017	411 536	-	411 536	-
		6 604 829	-	2 616 939	3 987 890	-
Standard Bank						
Standard bank	STD BANK	01/09/2017	4 420 353	-	2 990 738	1 429 615
			4 420 353	-	2 990 738	1 429 615
INCA West						
INCA West	01-0008	461 188	-	461 188	-	-
INCA West	01-0009	1 690 306	-	790 579	899 727	-
		2 151 494	-	1 251 767	899 727	-
Finance lease						
Fleet Africa	000348	16 612 446	-	6 982 492	9 629 954	8 286 513
Wesbank	LS-9/09/15	661 151	-	242 035	419 116	359 949
		17 273 597	-	7 224 527	10 049 070	8 646 462
Total external loans						
Development Bank of South Africa		6 604 829	-	2 616 939	3 987 890	-
Standard Bank		4 420 353	-	2 990 738	1 429 615	-
INCA West		2 151 494	-	1 251 767	899 727	-
Finance lease		17 273 597	-	7 224 527	10 049 070	8 646 462
		30 450 273	-	14 083 971	16 366 302	8 646 462