Planning by	Reviewed	Performed by	Final Review
	RM 30/08/18		RM 30/08/18

Client details

Client name: West Rand District Municipality

Year end: 30 June 2018

West Rand District Municipality

(Registration number DC48)
Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	District Municipality DC48 Municipal Finance Management Act (No. 56 of 2003)
Nature of business and principal activities	Local Municipality
Mayoral committee	
Executive Mayor	Ald. B.M Maneli (Executive Mayor) Ald. F.O Bhayat (MMC: Financial Services) H.O Butler (MMC: Public Safety) P. Chabane (MMC: Corporate & Shared Services) S. Konopi (MMC: Transport and Human Settlements) D.D Moreotsenye (MMC: Infrastructure) S.D Thabe (MMC: Regional Industrialisation) B. Xulu (MMC: Health & Social Servics) Ald. TP Matuwane (MMC: Environmental Management)
Councillors	Ald. N. Tundzi-Hawu (Speaker) S.P Monoane (Council Whip) Ald. J. Zwart C.P. Zagagana Ald. D.H. Pretorius G.S. Isherwood Ald. D.B. Blake E.P. Du Plessis M.N. Ndzilane A.L. Rowles-Zwart R.T. Molusi K. Mandyu J.D.H. Du Bruyn B.A. Mpeke B. Mahuma D.S. David L.A. Mganu M. Ndamase P.S. Mapena S. Khunene T. Mokuke V.B. Khumalo A.J. Van Tonder D. Cloete P.C. Orpen-Reid I.E. Mukwevho R.B. Masemola M. Nkoe B. Van der Berg M.J. Selibo K.E. Lekagane J.N. Kotze W. Segolodi

General Information

	X.L. Mkruquli V. Mhlari
Grading of local authority	Medium Capacity Category C
Accounting Officer	M.D. Mokoena
Chief Finance Officer (CFO)	R. Mohaudi
Registered office	
	Cnr Sixth & Park Street Randfontein 1760
Postal address	Private Bag X033 Randfontein 1760
Bankers	Standard Bank - South Africa First National Bank
Auditors	Auditor-General South Africa

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

MBRR	Municipal Budget and Reporting regulations
MPAC	Municipal Pubic Accounts Committee
SALGBC	South African Local Government Bargaining Council
RSC	Regional Service Council Levy
GRAP	Generally Recognised Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
FMG	Finance Management Grant
IAS	International Accounting Standards
NDPG	Neighborhood Development Partnership Grant
GDARD	Gauteng Department of Agriculture and rural development
ME's	Municipal Entities
MMC	Member of the Mayoral committee
MFMA	Municipal Finance Management Act
EPWP	Expanded Public works programme
CIGFARO	Chartered Institute of Government Financial, Audit and Risk officers
MWIG	Municipal Water Infrastructure Grant
IFRS	International Financial Reporting Standards

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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 annual 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 2019 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.

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

The annual financial statements set out on pages 5 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed by:

____

Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R (126,011,366) and that the municipality's total liabilities exceed its assets by R (126,011,366).

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer access continued funding from National and provincial government.

Additional details on municipal going concern assessment is fairly disclosed in the notes to the annual financial statements.

2. Subsequent events

All matters and events that occured between 30 June 2018 and the date of submission of the annual financial statements have been taken into account and appropriately reported.

3. Accounting Officer's interest in contracts

The accounting officer did not have any interest in any contract of the municipality.

4. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) including any intepretations and guidelines issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
M.D Mokoena	South African

6. Bankers

The District Municipality primarily banks with First National Bank.

7. Auditors

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

8. Non compliance with applicable legislation

Any instance of non compliance to applicable legislation is fairly disclosed in the Notes to the Annual Financial Statements.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	2	178,505	388,870
Receivables from exchange transactions	3	25,825,119	36,825,032
VAT receivable	4	14,521,038	10,747,519
Non-current assets held for sale	8	288,304	-
Cash and cash equivalents	5	3,364	2,532,261
		40,816,330	**50,493,682**
Non-Current Assets			
Biological assets that form part of an agricultural activity	6	338,212	1,112,131
Investment property	7	5,100,000	4,680,000
Property, plant and equipment	8	65,844,469	76,575,936
Intangible assets	9	3	2
Investments in controlled entities	10	14,578,528	14,578,528
Long-term receivables	11	1,053,768	1,054,815
		86,914,980	**98,001,412**
Total Assets		**127,731,310**	**148,495,094**
Liabilities			
Current Liabilities			
Finance lease obligation	12	13,326,018	13,322,638
Payables from exchange transactions	13	92,122,375	57,783,390
Transfers payable (non-exchange)	14	30,444,344	-
Employee benefit obligation	17	1,666,873	1,565,525
Unspent conditional grants and receipts	15	44,586,560	-
Provisions	16	3,655,698	2,953,935
Overnight Bank facility	5	6,116,418	22,000,139
		191,918,286	**97,625,627**
Non-Current Liabilities			
Finance lease obligation	12	6,897,227	20,064,958
Employee benefit obligation	17	54,927,163	50,375,161
Provisions	16	-	11,334,247
		61,824,390	**81,774,366**
Total Liabilities		**253,742,676**	**179,399,993**
Net Assets		**(126,011,366)**	**(30,904,899)**
Accumulated deficit		(126,011,366)	(30,904,899)

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	3,783,604	920,925
Rental of facilities and equipment	20	1,358,030	1,525,980
Interest on outstanding receivables		372,313	263,358
Licences and permits		287,567	1,189,449
Recoveries	21	1,774,999	-
Other income	22	13,529,247	-
Operating income	23	7,959,131	9,176,937
Interest received - investment	24	954,005	1,463,895
Fair value adjustments	36	-	140,008
Actuarial gains	17	1,367,176	8,745,900
Total revenue from exchange transactions		**31,386,072**	**23,426,452**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	25	263,596,215	237,163,330
Public contributions and donations	26	-	16,000
Total revenue from non-exchange transactions		**263,596,215**	**237,179,330**
Total revenue	18	**294,982,287**	**260,605,782**
Expenditure			
Employee related costs	27	(164,505,102)	(167,250,306)
Remuneration of councillors	28	(12,323,284)	(9,700,275)
Depreciation and amortisation	29	(10,457,502)	(9,459,347)
Impairment loss/ Reversal of impairments	30	(76,114,645)	9,250
Finance costs	31	(6,768,309)	(6,643,700)
Lease rentals on operating lease	32	(8,833,140)	(8,750,267)
Debt Impairment/ Reversal of debt impairment	33	(5,523,032)	2,310,385
Contracted services	34	(66,364,439)	(66,310,168)
Transfers and Subsidies	35	(13,982,195)	(13,581,821)
Fair value adjustments	36	(353,919)	-
Workmen's compensation movement		(1,854,205)	(308,140)
Operating costs	37	(23,008,977)	(21,319,183)
Total expenditure		**(390,088,749)**	**(301,003,572)**
Deficit for the year		**(95,106,462)**	**(40,397,790)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated deficit	Total net assets
Balance at 01 July 2016	**9,492,891**	**9,492,891**
Changes in net assets		
Deficit for the year	(40,397,790)	(40,397,790)
Total changes	(40,397,790)	(40,397,790)
Opening balance as previously reported	(28,371,639)	(28,371,639)
Adjustments		
Prior year adjustments (Note 43)	(2,533,265)	(2,533,265)
Restated* Balance at 01 July 2017 as restated*	**(30,904,904)**	**(30,904,904)**
Changes in net assets		
Deficit for the year	(95,106,462)	(95,106,462)
Total changes	(95,106,462)	(95,106,462)
Balance at 30 June 2018	**(126,011,366)**	**(126,011,366)**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Grants		339,074,426	229,530,629
Interest income		954,005	1,463,895
Other receipts		34,844,145	19,834,563
		374,872,576	250,829,087
Payments			
Employee costs		(172,711,938)	(164,743,799)
Suppliers		(171,818,797)	(117,193,970)
Finance costs		(1,682,518)	(574,426)
		(346,213,253)	(282,512,195)
Net cash flows from operating activities	38	**28,659,323**	**(31,683,108)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(14,340)	(22,806)
Purchase of investment property	7	-	-
Proceeds from sale of property, plant and equipment		-	234,031
Net cash flows from investing activities		**(14,340)**	**211,225**
Cash flows from financing activities			
Finance lease payments		(15,290,159)	(1,897,188)
Net decrease in cash and cash equivalents		**13,354,824**	**(33,369,071)**
Cash and cash equivalents at the beginning of the year		(19,467,878)	13,901,193
Cash and cash equivalents at the end of the year	5	**(6,113,054)**	**(19,467,878)**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2,352,000	(1,751,000)	**601,000**	3,783,604	**3,182,604**	A
Rental of facilities and equipment	2,324,000	(1,663,000)	**661,000**	1,358,030	**697,030**	B
Interest received (trading)	-	-	**-**	372,313	**372,313**	C
Licences and permits	883,000	(272,000)	**611,000**	287,567	**(323,433)**	H
Recoveries	-	-	**-**	1,774,999	**1,774,999**	D
Other income	-	-	**-**	13,529,247	**13,529,247**	CC
Operating income	32,659,000	(13,511,000)	**19,148,000**	7,959,131	**(11,188,869)**	E
Interest received - investment	1,995,000	(473,000)	**1,522,000**	954,005	**(567,995)**	F
Total revenue from exchange transactions	**40,213,000**	**(17,670,000)**	**22,543,000**	**30,018,896**	**7,475,896**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	492,047,000	(217,642,000)	**274,405,000**	263,596,215	**(10,808,785)**	G.
Fines, Penalties and Forfeits	400,000	(400,000)	**-**	-	**-**	
Total revenue from non-exchange transactions	**492,447,000**	**(218,042,000)**	**274,405,000**	**263,596,215**	**(10,808,785)**	
Total revenue	**532,660,000**	**(235,712,000)**	**296,948,000**	**293,615,111**	**(3,332,889)**	
Expenditure						
Personnel	(191,218,000)	23,211,000	**(168,007,000)**	(164,505,102)	**3,501,898**	I
Remuneration of councillors	(14,316,000)	1,527,000	**(12,789,000)**	(12,323,284)	**465,716**	I
Depreciation and amortisation	(8,415,000)	(3,231,000)	**(11,646,000)**	(10,457,502)	**1,188,498**	J
Impairment loss/ Reversal of impairments	-	-	**-**	(76,114,645)	**(76,114,645)**	DD
Finance costs	(3,989,000)	-	**(3,989,000)**	(6,768,309)	**(2,779,309)**	K
Lease rentals on operating lease	(8,833,140)	-	**(8,833,140)**	(8,833,140)	**-**	
Debt Impairment	-	-	**-**	(5,523,032)	**(5,523,032)**	C
Debt impairment	-	(2,500,000)	**(2,500,000)**	-	**2,500,000**	
Other materials	(830,000)	190,000	**(640,000)**	-	**640,000**	
Contracted Services	(261,830,860)	173,490,000	**(88,340,860)**	(66,364,439)	**21,976,421**	L
Transfers and Subsidies	(4,392,000)	(7,260,000)	**(11,652,000)**	(13,982,195)	**(2,330,195)**	M
Operating costs	(28,836,000)	490,000	**(28,346,000)**	(23,008,977)	**5,337,023**	O
Total expenditure	**(522,660,000)**	**185,917,000**	**(336,743,000)**	**(387,880,625)**	**(51,137,625)**	
Operating deficit	**10,000,000**	**(49,795,000)**	**(39,795,000)**	**(94,265,514)**	**(54,470,514)**	
Fair value adjustments	-	-	**-**	(353,919)	**(353,919)**	N
Actuarial gains/losses	-	-	**-**	1,367,176	**1,367,176**	N
Workmen's compensation provision	-	-	**-**	(1,854,205)	**(1,854,205)**	P
	-	**-**	**-**	**(840,948)**	**(840,948)**	
Deficit	**10,000,000**	**(49,795,000)**	**(39,795,000)**	**(95,106,462)**	**(55,311,462)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**10,000,000**	**(49,795,000)**	**(39,795,000)**	**(95,106,462)**	**(55,311,462)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	782,000	(598,000)	**184,000**	178,505	**(5,495)**	S
Receivables from exchange transactions	34,500,000	(10,456,000)	**24,044,000**	25,825,119	**1,781,119**	Q
VAT receivable	-	-	**-**	14,521,038	**14,521,038**	R
Non-current assets held for sale	-	288,000	**288,000**	288,304	**304**	
Short-term investments	-	76,279,000	**76,279,000**	-	**(76,279,000)**	DD
Cash and cash equivalents	1,535,000	(1,535,000)	**-**	3,364	**3,364**	DD
	36,817,000	**63,978,000**	**100,795,000**	**40,816,330**	**(59,978,670)**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	1,034,000	(696,000)	**338,000**	338,212	**212**	N
Investment property	4,980,000	120,000	**5,100,000**	5,100,000	**-**	N
Property, plant and equipment	84,205,000	(16,563,000)	**67,642,000**	65,844,469	**(1,797,531)**	J
Intangible assets	97,000	(97,000)	**-**	3	**3**	J
Investments in controlled entities	14,579,000	-	**14,579,000**	14,578,528	**(472)**	
Long-term receivables	1,743,000	(687,000)	**1,056,000**	1,053,768	**(2,232)**	T
	106,638,000	**(17,923,000)**	**88,715,000**	**86,914,980**	**(1,800,020)**	
Total Assets	**143,455,000**	**46,055,000**	**189,510,000**	**127,731,310**	**(61,778,690)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	13,326,018	**13,326,018**	AA
Payables from exchange transactions	31,546,000	56,671,000	**88,217,000**	92,122,375	**3,905,375**	U
Transfers payable (non-exchange)	-	-	**-**	30,444,344	**30,444,344**	Z
Employee benefit obligation	-	-	**-**	1,666,873	**1,666,873**	V
Unspent conditional grants and receipts	-	73,751,000	**73,751,000**	44,586,560	**(29,164,440)**	Z
Provisions	4,834,000	(1,807,000)	**3,027,000**	3,655,698	**628,698**	W
Overnight Bank facility	-	6,356,000	**6,356,000**	6,116,418	**(239,582)**	U
	36,380,000	**134,971,000**	**171,351,000**	**191,918,286**	**20,567,286**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	6,897,227	**6,897,227**	AA
Employee benefit obligation	55,644,000	950,000	**56,594,000**	54,927,163	**(1,666,837)**	V
Provisions	12,317,000	(13,000)	**12,304,000**	-	**(12,304,000)**	CC
	67,961,000	**937,000**	**68,898,000**	**61,824,390**	**(7,073,610)**	
Total Liabilities	**104,341,000**	**135,908,000**	**240,249,000**	**253,742,676**	**13,493,676**	
Net Assets	**39,114,000**	**(89,853,000)**	**(50,739,000)**	**(126,011,366)**	**(75,272,366)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated deficit	39,114,000	(89,853,000)	**(50,739,000)**	(126,011,366)	**(75,272,366)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	2,352,000	(1,751,000)	**601,000**	-	**(601,000)**	A
Grants	219,886,000	88,297,000	**308,183,000**	339,074,426	**30,891,426**	G
Interest income	1,995,000	(894,000)	**1,101,000**	954,005	**(146,995)**	F
Other receipts	301,547,000	(278,173,000)	**23,374,000**	34,844,145	**11,470,145**	E
	525,780,000	**(192,521,000)**	**333,259,000**	**374,872,576**	**41,613,576**	
Payments						
Employee costs	(205,534,000)	(18,540,000)	**(224,074,000)**	(172,711,938)	**51,362,062**	I
Suppliers	(314,722,000)	137,326,000	**(177,396,000)**	(171,818,797)	**5,577,203**	O
Finance costs	(3,989,000)	-	**(3,989,000)**	(1,682,518)	**2,306,482**	K
	(524,245,000)	**118,786,000**	**(405,459,000)**	**(346,213,253)**	**59,245,747**	
Net cash flows from operating activities	**1,535,000**	**(73,735,000)**	**(72,200,000)**	**28,659,323**	**100,859,323**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(14,340)	**(14,340)**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(15,290,159)	**(15,290,159)**	AA
Net increase/(decrease) in cash and cash equivalents	1,535,000	(73,735,000)	**(72,200,000)**	13,354,824	**85,554,824**	
Cash and cash equivalents at the beginning of the year	-	2,292,000	**2,292,000**	(19,467,878)	**(21,759,878)**	
Cash and cash equivalents at the end of the year	**1,535,000**	**(71,443,000)**	**(69,908,000)**	**(6,113,054)**	**63,794,946**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Legends:

A- The municipality has billed for fire and rescue services during the 2017/18 financial year as a result of implementation of by-laws.

B- The increase in rental relates to the effect of lease agreement renewal between the municpality and shops affected.

C- The item relates to interest charged on outstanding rates from lease agreements.

D- The municipality recovered a portion of material losses from the pension of an employee who committed fraud during 2011/2012 financial year.

E- In terms of the budget and planning stage the municipality classified funds expected as a result of VAT returns as other income while in terms of accounting treatment these funds are taken to VAT control account based on VAT reconciliations. Material under-collection relates to that classification.

F- Decrease in call account and fixed deposit investment movements made during the year relates to the communication received from the Curator.

G- This relates to the unspent portion of government grants as at 30 June 2018:

H- The municipality collected less amount than anticipated on air quality and atmospheric licenses..

I- The municipality overspent on employee related cost due to expense reclassification in terms of mSCOA.

Council remuneration were under-spent based on the assessed grading of the Municipality and upper limits considerations.

J- An increase in depreciation and amortization is due to the useful life assessment that was performed during the year.

K- The finance cost relates to the leased laptops bought for Councillors through finance lease. The material increase relates to the interest incurred on overdraft facilities which were accessed during the financial year.

L- Under expenditure in contracted services relates to the unspent portion of distressed mining town expenditure and paving of side walks due to funds held with VBS Mutual bank.

M- Over expenditure in transfers and subsidies relates to:
a) Funds that were transferred to WRDA to assist WRDM in operationalising the Milling plant and were not budgeted for.
b) Subsidies relating to HIV/Aids which are being paid to local municipalities within the West Rand region and are now classified under transfers and subsidies in terms of mSCOA.

N- Fair value on biological assets and investment property were not budgeted for since it is a year-end estimates and requires the relevant qualified experts. Actuarial valuation was performed for medical aid liablity and long service award provision.

O- Under expenditure on operating costs relates to the municipality heeding to cost containmentt measures in terms of circular 82 issued by National Treasury.

P- Department of Labour Assessment Provision was not budgeted for since it’s a year-end estimate.

Q- Decrease in receivables relates to payments received from local municipalities on regional contributions. Fire and rescue accounts were levied during the year.

R- VAT receivable was not budgeted for. The Municipality claims VAT on payment basis and reports on accrual basis. This depends on payments and receipts.

S- Due to cost containment measures in terms of circular 82 some of stock items were not procured during the year.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

T- The study loan balance decreased due to payments made during the year.

U- This is due to increase in creditors accruals and overnight facility that was accessed during May and June 2018 to assist with third parties payments to avoid penalties.

V- This results from actuarial valuation performed during the year and classification of short-term portion of medical aid liability.

W- This due to the decrease in workmens compensation provision and long service award provision.

Z- This relates to the unspent portion of government grants as at 30 June 2018:

AA- During the 2016/2017 financial year the Municipality entered into finance lease agreement to lease five fire engines and five rescue vehicles due to service delivery demands. The movement relates to the finance lease payments made during the 2017/2018 financial year.

BB- VBS Mutual Bank was placed under curatorship by the Minister of Finance on 11 March 2018 as per the South African Reserve Bank Governor's press briefing. The municipality made an investment with VBS Mutual Bank.

CC- The reversal of provision was not budgeted for which relates to long service award policy currently at the SALGBC as part of a policy dispute. No employees were paid long service benefit effective from November 2017.

DD- VBS Mutual Bank was placed under curatorship on 11 March 2018. It is uncertain that the municipality will recover the investments made with VBS Mutual Bank. Communication received from the curator states that interest accrued after the date of announcement of curatorship will be not be recovered. The municipality is awaiting for the process to conclude. Once it is certain on how much the municipality will recover, this impairment loss will be reversed.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Service charges	2,352,000	(1,751,000)	601,000	-		601,000	3,783,604		3,182,604	630 %	161 %
Investment revenue	1,995,000	(473,000)	1,522,000	-		1,522,000	954,005		(567,995)	63 %	48 %
Transfers recognised - operational	207,297,000	45,020,000	252,317,000	-		252,317,000	252,905,775		588,775	100 %	122 %
Other own revenue	308,427,000	(278,508,000)	29,919,000	-		29,919,000	27,068,463		(2,850,537)	90 %	9 %
Total revenue (excluding capital transfers and contributions)	**520,071,000**	**(235,712,000)**	**284,359,000**	**-**		**284,359,000**	**284,711,847**		**352,847**	**100 %**	**55 %**
Employee costs	(191,218,000)	23,211,000	(168,007,000)	-	-	(168,007,000)	(164,505,102)	-	3,501,898	98 %	86 %
Remuneration of councillors	(14,316,000)	1,527,000	(12,789,000)	-	-	(12,789,000)	(12,323,284)	-	465,716	96 %	86 %
Debt impairment	-	-	-			-	(5,523,032)	-	(5,523,032)	- %	- %
Depreciation and asset impairment	(8,415,000)	(5,731,000)	(14,146,000)			(14,146,000)	(86,572,147)	-	(72,426,147)	612 %	1,029 %
Finance charges	(3,989,000)	-	(3,989,000)	-	-	(3,989,000)	(6,768,309)	-	(2,779,309)	170 %	170 %
Materials and bulk purchases	(830,000)	190,000	(640,000)	-	-	(640,000)	-	-	640,000	- %	- %
Transfers and grants	(4,392,000)	(7,260,000)	(11,652,000)	-	-	(11,652,000)	(13,982,195)	-	(2,330,195)	120 %	318 %
Other expenditure	(299,500,000)	175,980,000	(123,520,000)	-	-	(123,520,000)	(98,980,475)	-	24,539,525	80 %	33 %
Total expenditure	**(522,660,000)**	**187,917,000**	**(334,743,000)**	**-**	**-**	**(334,743,000)**	**(388,654,544)**	**-**	**(53,911,544)**	**116 %**	**74 %**
Surplus/(Deficit)	**(2,589,000)**	**(47,795,000)**	**(50,384,000)**	**-**		**(50,384,000)**	**(103,942,697)**		**(53,558,697)**	**206 %**	**4,015 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	12,589,000	-	12,589,000	-		12,589,000	10,690,440		(1,898,560)	85 %	85 %
Surplus (Deficit) after capital transfers and contributions	**10,000,000**	**(47,795,000)**	**(37,795,000)**	**-**		**(37,795,000)**	**(93,252,257)**		**(55,457,257)**	**- %**	**(933)%**
Surplus/(Deficit) for the year	**10,000,000**	**(47,795,000)**	**(37,795,000)**	**-**		**(37,795,000)**	**(93,252,257)**		**(55,457,257)**	**- %**	**(933)%**
Cash flows											
Net cash from (used) operating	11,535,000	66,081,000	77,616,000	-		77,616,000	28,659,323		(48,956,677)	- %	248 %
Net cash from (used) investing	(10,000,000)	-	(10,000,000)	-		(10,000,000)	(14,340)		9,985,660	- %	- %
Net cash from (used) financing	-	-	-	-		-	(15,290,159)		(15,290,159)	- %	- %
Net increase/(decrease) in cash and cash equivalents	**1,535,000**	**66,081,000**	**67,616,000**	**-**		**67,616,000**	**13,354,824**		**(54,261,176)**	**20 %**	**- %**
Cash and cash equivalents at the beginning of the year	-	2,292,000	2,292,000	-		2,292,000	(19,467,878)		(21,759,878)	- %	- %
Cash and cash equivalents at year end	**1,535,000**	**68,373,000**	**69,908,000**	**-**		**69,908,000**	**(6,113,054)**		**76,021,054**	**(9)%**	**- %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2017				
Financial Performance				
Service charges				920,925
Investment revenue				1,463,895
Transfers recognised - operational				216,304,535
Other own revenue				21,041,632
Total revenue (excluding capital transfers and contributions)				**239,730,987**
Employee costs	-	-	-	(167,250,306)
Remuneration of councillors	-	-	-	(9,700,275)
Debt impairment	-	-	-	2,310,385
Depreciation and asset impairment	-	-	-	(9,450,097)
Finance charges	-	-	-	(6,643,700)
Transfers and grants	-	-	-	(13,581,821)
Other expenditure	-	-	-	(96,379,618)
Total expenditure	**-**	**-**	**-**	**(300,695,432)**
Surplus/(Deficit)				**(60,964,445)**
Transfers recognised - capital				20,858,795
Contributions recognised - capital and contributed assets				16,000
Surplus (Deficit) after capital transfers and contributions				**(40,089,650)**
Surplus/(Deficit) for the year				**(40,089,650)**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				(31,683,108)
Net cash from (used) investing				211,225
Net cash from (used) financing				(1,897,188)
Net increase/(decrease) in cash and cash equivalents				**(33,369,071)**
Cash and cash equivalents at the beginning of the year				13,901,193
Cash and cash equivalents at year end				**(19,467,878)**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

The municipality and its entity have complied with Municipal standard chart of accounts (mSCOA) in terms of mSCOA regulations. The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. The data is then used to compile both budgets and financial statements. Budget and financial transactions are captured in the system using seven segments code. All municipalities and municipal entities were expected to comply from the 1st July 2017.

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

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

1.1 Going concern assumption

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

Accounting Policies

1.2 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

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

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

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

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

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

1.2 Transfer of functions between entities under common control (continued)

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets transferred and the liabilities relinquished are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the municipality and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Subsequent measurement

The municipality subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Accounting Policies

1.2 Transfer of functions between entities under common control (continued)

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.3 Significant judgements and sources of estimation uncertainty

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

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of property, plant and equipments

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipments. This estimate is based on local government norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Accounting Policies

1.4 Biological assets that form part of an agricultural activity

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

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

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

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

1.5 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.

Fair value

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

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

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

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

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

Accounting Policies

1.5 Investment property (continued)

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.

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.

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	7 - 30 years
Plant and machinery	Straight line	5 - 20 years
Furniture and fixtures	Straight line	3 - 17 years
Motor vehicles		
Specialised vehicles	Straight line	5 - 20 years
Other vehicles	Straight line	3 - 20 years
Office equipment	Straight line	3 - 17 years
Roads and stormwater	Straight line	20 - 30 years
Water	Straight line	20 - 30 years
Community	Straight line	20 - 30 years
Emergency equipment	Straight line	5 - 15 years
Water craft	Straight line	5 - 15 years
Security measures	Straight line	5 - 14 years
Other leased Assets	Straight line	2 - 3 years

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

1.6 Property, plant and equipment (continued)

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 asset derecognised and not yet sold are held under non current held assets held for sale, and are disclosed under current assets when its expected that the sale will be concluded within a period of 12 months.

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.

1.7 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.

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

Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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	Depreciation method	Average useful life
Computer software, other	Straight line	3 years

1.8 Investments in controlled entities

In the municipality's separate annual financial statements, investments in investments in controlled entities are accounted for at cost.

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the dte of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

The WRDA was established to promote tourism and investment in the west rand region.

1.9 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

Accounting Policies

1.9 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Long term debtors	Loans and receivables
Receivables from exchange transactions	Loans and receivables
Short term investments	Financial asset measured at amortised cost

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent Conditional grants	Financial liability measured at amortised cost
Overnight Bank Facility	Financial liability measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

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

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

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The municipality does not recognise any finance charges on leases where there is no interest rate implicit in the lease.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of:
(a) the minimum lease payments; and
(b) the unguaranteed residual value
to be equal to the sum of (i) the fair value of the leased asset; and (ii) any initial direct costs of the lessor.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with the Standard of GRAP on Property, Plant and Equipment and the International Accounting Standard on Intangible Assets. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.11 Inventories (continued)

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.

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Employee benefits

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits

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

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

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

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

1.13 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.14 Provisions and contingencies

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

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

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

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

Accounting Policies

1.14 Provisions and contingencies (continued)

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. These reversals are recognised as revenue from exchange transactions.

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

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

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

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

Accounting Policies

1.14 Provisions and contingencies (continued)

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

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

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

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.18 Comparative figures

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

1.19 Unauthorised expenditure

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

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

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

Accounting Policies

1.21 Irregular expenditure (continued)

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

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

1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

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

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

1.23 Related parties

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

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

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

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

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

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

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

Accounting Policies

1.23 Related parties (continued)

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

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

1.24 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

2. Inventories

Consumable stores	178,505	388,870

3. Receivables from exchange transactions

Contributions from local municipalities	23,125,800	32,825,800
Other consumer debtors	6,380,824	4,301,321
Ambulance services	-	922,855
Fire debtors	3,424,285	357,814
Impairment of Receivables	(7,105,790)	(1,582,758)
	25,825,119	**36,825,032**

Trade and other receivables impaired

As of 30 June 2018, trade and other receivables of R 32,930,909 (2017: R 38,407,790) were impaired and provided for.

The amount of the provision was R (7,105,790) as of 30 June 2018 (2017: R (1,582,758)).

The ageing of these receivables is as follows:

3 to 6 months	426,630	-
Over 6 months	6,679,160	1,582,758

Reconciliation of provision for impairment of trade and other receivables

Opening balance	1,582,758	1,582,758
Provision for impairment	5,523,032	-
	7,105,790	**1,582,758**

4. VAT receivable

VAT	14,521,038	10,747,519

The amount relates to amounts receivable from SARS as at 30 June 2018.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	398	750
Bank balances	-	2,531,511
Short-term deposits	2,966	-
Overnight Bank facility	(6,116,418)	(22,000,139)
	(6,113,054)	**(19,467,878)**

Current assets	3,364	2,532,261
Current liabilities	(6,116,418)	(22,000,139)
	(6,113,054)	**(19,467,878)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

5. Cash and cash equivalents (continued)

The municipality had the following cash and cash equivalents accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Standard bank - corporate favourable/ (unfavourable) balance	(6,356,424)	2,141,764	3,340,162	(6,116,289)	2,531,511	3,340,162
VBS Overnight facility	-	(22,000,000)	-	-	(22,000,000)	-
VBS Fixed deposit *	76,114,645	-	10,224,200	-	-	10,224,200
Standard bank Call account	2,967	149,723	140,465	2,967	149,723	140,465
Petty Cash - Account	-	-	-	398	750	7,878
Heritage Account	(93)	(139)	188,489	(93)	(139)	188,489
Cash float	-	-	-	-	300	-
Total	**69,761,095**	**(19,708,652)**	**13,893,316**	**(6,113,017)**	**(19,317,855)**	**13,901,194**

* VBS Mutual Bank was placed under curatorship by the Minister of Finance on 11 March 2018 as per the South African Reserve Bank Governor's press briefing.

6. Biological assets that form part of an agricultural activity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - Flowers	338,212	-	338,212	1,112,131	-	1,112,131

Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	1,112,131	(773,919)	338,212

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	972,123	140,008	1,112,131

Non - Financial information

Biological assets - Flowers	338,212	1,112,131

The municipality performed a physical verification of all biological assets at 30 June 2018

A register of all biological assets is available at the Local Economic Development (LED) office of the WRDM for inspection.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

6. Biological assets that form part of an agricultural activity (continued)

Methods and assumptions used in determining fair value

The fair value of the different varieties of plants(flowers) were determined by the Multiflora Auction Market. Multiflora Auction Market is the outlet through which the flowers are sold. The decrease in fair value is due to less flowers planted which were valued at year-end compared to the previous financial year.

7. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5,100,000	-	5,100,000	4,680,000	-	4,680,000

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	4,680,000	420,000	5,100,000

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	4,680,000	4,680,000

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

The effective date of the revaluations was 30 June 2018. Revaluations were performed by an independent valuer, Hangwani Matidza (Professional Valuer-SACPVP Reg no: 4953/7). Hangwani Matidza is not connected to the municipality and has recent experience in location and category of the investment property being valued.

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

These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year:

Income and expenditure

	2018	2017
Rental revenue from investment property	673,225	549,552
Direct operating expenses from rental generating property	(179,837)	(119,542)
	493,388	**430,010**

Notes to the Annual Financial Statements

8. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,425,001	-	1,425,001	1,425,001	-	1,425,001
Buildings	37,529,231	(24,356,747)	13,172,484	37,529,231	(22,452,484)	15,076,747
Plant and machinery	4,542,347	(4,195,303)	347,044	4,649,792	(4,058,061)	591,731
Furniture and fixtures	4,755,652	(4,059,994)	695,658	4,924,171	(3,912,992)	1,011,179
Motor vehicles	13,744,595	(11,420,450)	2,324,145	15,084,649	(10,253,254)	4,831,395
Infrastructure	8,684,377	(3,984,636)	4,699,741	8,684,377	(3,357,302)	5,327,075
Security measures	5,061,649	(4,741,001)	320,648	5,109,619	(4,352,360)	757,259
Emergency equipments	3,464,909	(3,213,063)	251,846	3,468,134	(3,022,504)	445,630
Other property, plant and equipment	20,340	(17,493)	2,847	100,340	(73,904)	26,436
Electricity	152,259	(62,598)	89,661	152,259	(53,258)	99,001
Office equipment	12,149,822	(11,068,826)	1,080,996	12,355,211	(10,115,185)	2,240,026
Finance lease fire engines and rescue vehicles	34,763,519	(2,575,256)	32,188,263	34,763,519	(837,080)	33,926,439
Leased Computer equipment	203,405	(116,741)	86,664	203,405	(47,554)	155,851
Specialised vehicles	4,978,139	(1,611,977)	3,366,162	4,978,139	(951,946)	4,026,193
Community Facilities	9,757,656	(3,964,347)	5,793,309	9,757,656	(3,121,683)	6,635,973
Total	**141,232,901**	**(75,388,432)**	**65,844,469**	**143,185,503**	**(66,609,567)**	**76,575,936**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Assets held for sale	Other changes, movements	Depreciation	Total
Land	1,425,001	-	-	-	-	1,425,001
Buildings	15,076,747	-	-	-	(1,904,263)	13,172,484
Plant and machinery	591,731	-	(6,096)	-	(238,591)	347,044
Furniture and fixtures	1,011,179	1,183	(18,034)	1	(298,671)	695,658
Motor vehicles	4,831,395	-	(242,660)	1	(2,264,591)	2,324,145
Infrastructure	5,327,075	-	-	-	(627,334)	4,699,741
Security measures	757,259	-	(2,252)	-	(434,359)	320,648
Emergency equipment	445,630	-	(396)	-	(193,388)	251,846
Other property, plant and equipment	26,436	-	(7,474)	(1)	(16,114)	2,847
Electricity	99,001	-	-	-	(9,340)	89,661
Office equipment	2,240,026	13,157	(11,393)	-	(1,160,794)	1,080,996
Finance lease fire engines and rescue vehicles	33,926,439	-	-	-	(1,738,176)	32,188,263
Leased Computer equipment	155,851	-	-	-	(69,187)	86,664
Specialised vehicles	4,026,193	-	-	-	(660,031)	3,366,162
Community facilities	6,635,973	-	-	(1)	(842,663)	5,793,309
	76,575,936	**14,340**	**(288,305)**	**-**	**(10,457,502)**	**65,844,469**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,425,001	-	-	-	-	-	1,425,001
Buildings	17,970,888	-	-	-	(2,894,141)	-	15,076,747
Plant and machinery	1,070,217	-	-	-	(479,585)	1,099	591,731
Furniture and fixtures	1,437,968	-	-	-	(431,768)	4,979	1,011,179
Motor vehicles	6,005,057	-	-	-	(1,173,662)	-	4,831,395
Infrastrcture	5,804,127	-	-	-	(477,052)	-	5,327,075
Security measures	1,364,288	-	-	-	(607,029)	-	757,259
Emergency equipment	784,223	-	-	-	(338,593)	-	445,630
Other property, plant and equipment	38,747	-	-	-	(12,311)	-	26,436
Electricity	106,613	-	-	-	(7,612)	-	99,001
Office equipment	3,639,658	22,806	16,000	-	(1,441,610)	3,172	2,240,026
Finance lease fire engines and rescue vehicles	-	-	-	34,763,519	(837,080)	-	33,926,439
Leased Computer equipment	-	-	-	203,405	(47,554)	-	155,851
Specialised vehicles	4,250,209	-	-	-	(224,016)	-	4,026,193
Community Facilities	7,026,278	-	-	-	(390,305)	-	6,635,973
	50,923,274	**22,806**	**16,000**	**34,966,924**	**(9,362,318)**	**9,250**	**76,575,936**

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.

The municipality has included in the property, plant and equipment note are assets which have been fully depreciated in accordance with GRAP 17.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

9. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,716,412	(2,716,409)	3	2,716,412	(2,716,410)	2

Reconciliation of intangible assets - 2018

	Opening balance	Other changes, movements	Total
Computer software	2	1	3

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	97,034	(97,032)	2

10. Investments in controlled entities

Name of company	Held by	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
West Rand Development Agency		100.00 %	100.00 %	14,578,528	14,578,528

The total investment in WRDA, comprises of assets transferred on establishment of the Agency. The Assets were identified during transitional provision application of GRAP 17 and Directive 4. The value of the assets was correctly accounted for in accordance with Directive 7: *The application of deemed cost on the adoption of standards of GRAP.*

The investment in WRDA is accounted for appropriately in accordance with GRAP 6.59 at cost.

11. Long-term receivables

Long Term receivables comprises of study assistance that were previously allocated to employees in accordance with council approved policy. The study assistance has since been abolished on implementation of cost containment.

	2018	2017
Study assistance		
Outstanding balance as at 30 June 2018	1,053,768	1,054,815

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Finance lease obligation

Minimum lease payments due		
- within one year	13,326,018	13,322,638
- in second to fifth year inclusive	6,691,526	20,064,958
Present value of minimum lease payments	**20,017,544**	**33,387,596**
Present value of minimum lease payments due		
- within one year	13,326,018	13,322,638
- in second to fifth year inclusive	6,691,526	20,064,958
	20,017,544	**33,387,596**
Non-current liabilities	6,897,227	20,064,958
Current liabilities	13,326,018	13,322,638
	20,223,245	**33,387,596**

It is municipality policy to lease fire engines & rescuce vehicles and computer equipment (Councillors laptops) under finance leases.

The average lease term 3 years for Fire engines/ rescue vehicles and 2 years for computer equipment.

All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The Municipality has not recognised finance cost on lease of fire engines and rescue vehicles in accordance with applicable accounting policy of the WRDM.

13. Payables from exchange transactions

Trade payables	66,135,991	33,820,221
Debtors with credit balances	426,886	360,512
Salaries payable	6,833,043	7,118,699
Leave payable	18,314,614	16,471,433
Stock in transit	14,096	12,525
Accruals	397,745	-
	92,122,375	**57,783,390**

14. Transfers payable (non-exchange)

Transfers payable	30,444,344	-

Transfers payable amount relates to amount received from Provincial Human Settlements in terms of implementation protocol and the unspent portion is payable to Gauteng Department of Human Settlements.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2018	2017
Unspent conditional grants and receipts		
Gauteng Department of Agriculture And Rural Development (1)	2,000,000	-
Neighborhood development partnership grant (2)	42,586,560	-
	44,586,560	**-**

	2018	2017
Movement during the year		
Balance at the beginning of the year	-	8,469,701
Additions during the year	308,182,775	228,693,629
Income recognition during the year	(263,596,215)	(237,163,330)
	44,586,560	**-**

(1) This grant was transferred to the Municipality during April 2018. The municipality transferred this amount to WRDA during May 2018 to assist with operationalising the Milling Plant. The project is still under procurement processes.

(2) The funds are withheld with VBS Mutual Bank which is presently under curatorship from 11 March 2018.

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Long Service Award provision *	12,240,674	2,195,000	(906,427)	(13,529,247)	-
Performance Bonus	1,039,671	95,989	-	-	1,135,660
Department of labour assessment provision ^	1,007,837	1,854,205	(342,004)	-	2,520,038
	14,288,182	**4,145,194**	**(1,248,431)**	**(13,529,247)**	**3,655,698**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Long Service Award provision	12,763,006	-	(522,332)	12,240,674
Performance Bonus	995,213	44,458	-	1,039,671
Department of labour assessment provision	699,697	308,140	-	1,007,837
	14,457,916	**352,598**	**(522,332)**	**14,288,182**

	2018	2017
Non-current liabilities	-	11,334,247
Current liabilities	3,655,698	2,953,935
	3,655,698	**14,288,182**

* The municipality was informed in November 2017 of the invalidation of four policies. One of the policies affects Long Service Awards. As a result, the municipality does not have a present obligation to pay long service awards. The Labour Component has referred the matter to the SALGBC as part of a policy dispute. No employees were paid long service benefit effective from November 2017.

^ The Department of Labour intoduced a new system during the financial year, and correspondence on amounts outstanding sent to municipality. The municipality entered into an arrangement to settle the balance outstanding. At year end, the system could not generate a new assessment due to arrangements in place. The total provision by the municipality is based on correspondence received from the Department of Labour.

Long service award provision reconciliation

	2018	2017
Opening balance	12,240,674	12,763,006
Benefits paid	(906,427)	(1,295,075)
Current service costs	834,206	1,091,900
Interest costs	1,047,905	1,049,649
Actuarial (gains)/ losses	312,889	(1,368,806)
Reversed during the year	(13,529,247)	-
	-	**12,240,674**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Employee benefit obligations

Post-Retirement Medical Obligation (Non-Current)	54,927,163	50,375,161
Post-Retirement Medical Plan Obligation (Current)	1,666,873	1,565,525
	56,594,036	**51,940,686**

Defined benefit plan

An actuarial valuation has been performed of the liability in respect of post-employment benefits to employees and retirees of the WRDM, and to their registered dependants as at 30 June 2018. An independent Actuarial Valuer, which is One Pangaea Financial was appointed by the Municipality to perform these valuations. The company is practising according to the conditions and requirements of the Actuarial Society of South Africa. D.T. Mureriwa is a qualified member of the Actuarial Society of South Africa.

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

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

Post retirement medical aid plan

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

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

Opening balance	51,940,686	53,364,877
Benefits paid	(1,565,525)	(1,554,396)
Net expense recognised in the statement of financial performance	6,218,875	130,205
	56,594,036	**51,940,686**

Net expense recognised in the statement of financial performance

Current service cost	2,818,958	2,487,673
Interest cost	5,079,982	5,019,626
Actuarial (gains) losses	(1,680,065)	(7,377,094)
	6,218,875	**130,205**

17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2018	2017
Discount rates used	9.80 %	9.93 %
Health care cost inflation	7.66 %	8.30 %
Consumer price inflation	6.16 %	6.80 %
Net discount rate	1.99 %	1.51 %

Medical Scheme Arrangements

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Financial Assumptions

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Consequently, a discount rate of 9.93% per annum has been used. These rates do not reflect any adjustment for taxation. These rates were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market closed on 30 June 2018.

Key Demographic Assumptions

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

It has been assumed that 100% of in-service members will remain on the municipality's health care arrangement should they stay until retirement.

It has been assumed that female spouses will be four years younger than their male counterparts. Further, we have assumed that 95% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	9,932,919	15,969,901
Effect on defined benefit obligation	65,661,562	47,846,267

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	56,594,036	51,940,686	53,364,877	59,400,737	51,645,952

18. Revenue

	2018	2017
Service charges	3,783,604	920,925
Rental of facilities and equipment	1,358,030	1,525,980
Interest on outstanding receivables	372,313	263,358
Licences and permits	287,567	1,189,449
Recoveries (1)	1,774,999	-
Other income (2)	13,529,247	-
Operating income	7,959,131	9,176,937
Interest received - investment	954,005	1,463,895
Government grants & subsidies	263,596,215	237,163,330
Public contributions and donations	-	16,000
	293,615,111	**251,719,874**

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

	2018	2017
Service charges	3,783,604	920,925
Rental of facilities and equipment	1,358,030	1,525,980
Interest on outstanding receivables	372,313	263,358
Licences and permits	287,567	1,189,449
Recoveries (1)	1,774,999	-
Other income (2)	13,529,247	-
Operating income	7,959,131	9,176,937
Interest received - investment	954,005	1,463,895
	30,018,896	**14,540,544**

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

	2018	2017
Transfer revenue		
Government grants & subsidies	263,596,215	237,163,330
Public contributions and donations	-	16,000
	263,596,215	**237,179,330**

(1) This amount relates to the court settlement in respect of the fraud case which was opened against an employee of the Municipality. The respective employee was dismissed during 2011/ 2012 financial period.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

18. Revenue (continued)

(2) Included in other income is the reversal of long service award provision since the long service award policy is currently at the SALGBC as part of a policy dispute. No employees were paid long service benefit effective from November 2017.

(3) The total amount on total revenue excludes actuarial gains and fair value adjustments which were previously reported under other comprehensive income. The component of other comprehensive income on the face of statement of financial performance hase been removed on the implementation of mSCOA.

19. Service charges

Electricity on properties rented out	654,786	434,409
Fire and rescue services	3,033,546	312,861
Other service charges	95,272	173,655
	3,783,604	**920,925**

20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities (Shops and BP garage)	1,358,030	1,358,030
Lease of living units	-	141,915
Parking spaces	-	26,035
	1,358,030	**1,525,980**

21. Recoveries

Funds recovered from MGF pension fund (1)	1,774,999	-

(1) This amount relates to the court settlement in respect of the fraud case which was opened against a former employee of the Municipality. The respective employee was dismissed during 2011/ 2012 financial period.

22. Other income

Reversal of long service award provision (1)	13,529,247	-

(1) Included in other income is the reversal of long service award provision since the long service award policy is currently at the SALGBC as part of a policy dispute. No employees were paid long service benefit effective from November 2017.

23. Operating income

Sundry income	2,632	767,979
Contributions from local municipalities	7,500,000	7,500,000
Sale of plants	9,193	71,958
LG Seta Grant	447,306	837,000
	7,959,131	**9,176,937**

24. Investment revenue

Interest revenue		
Bank	954,005	1,463,895

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies

Operating grants		
Equitable share	31,607,999	30,273,000
RSC Replacement grant	161,579,000	158,599,000
Expanded public works programme	1,000,000	1,305,000
Financial management grant	1,250,000	1,250,000
Rural asset management grant	2,589,000	3,480,402
Fire bridgade service grant	15,000,000	-
HIV/AIDS grant	7,424,120	7,174,000
Network Libraries	2,800,000	3,300,000
Merger/ Transformation grant	-	10,923,133
Distressed mining town grant	29,655,656	-
	252,905,775	**216,304,535**

Capital grants		
Municipal Water Infrastructure grant	-	2,008,795
Neighborhood Development partnership grant	10,690,440	18,850,000
	10,690,440	**20,858,795**
	263,596,215	**237,163,330**

Conditional and Unconditional

Included in above are the following grants and subsidies received in the Municipality's bank account:

Conditional grants received	70,409,215	48,291,330
Unconditional grants received	193,187,000	188,872,000
	263,596,215	**237,163,330**

Expanded public works programme

Current-year receipts	1,000,000	1,305,000
Conditions met - transferred to revenue	(1,000,000)	(1,305,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant used for Labour Intensive programmes as outlined by National Government.

Financial management grant

Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant is used to promote and support reforms in financial management by building capacity in the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies (continued)

RSC Replacement grant

	2018	2017
Current-year receipts	161,579,000	158,599,000
Conditions met - transferred to revenue	(161,579,000)	(158,599,000)
	-	-

The grant used as revenue adjustment factor as the district does not collect own revenue from service levies.

Fire bridgade service grant

	2018	2017
Current-year receipts	15,000,000	-
Conditions met - transferred to revenue	(15,000,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 15).

This grant is utilised to subsidise fire and rescue service operations since the fire services function is an unfunded mandate. This assisted the municipality in making payments for specialised vehicles (fire engines and mini rescue vehicles) acquired through finance lease.

HIV/AIDS grant

	2018	2017
Balance unspent at beginning of year	-	70,535
Current-year receipts	7,424,120	7,103,465
Conditions met - transferred to revenue	(7,424,120)	(7,103,465)
Roll-over not approved	-	(70,535)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Grant is utilised to finance HIV/AIDS project campaignes at the WRDM and its Local Municipalities.

Network Libraries

	2018	2017
Current-year receipts	2,800,000	3,300,000
Conditions met - transferred to revenue	(2,800,000)	(3,300,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

This grant is used to assist with wireless connection and hardware of libraries within the West Rand region.

Rural asset management grant

	2018	2017
Balance unspent at beginning of year	-	996,402
Current-year receipts	2,589,000	2,484,000
Conditions met - transferred to revenue	(2,589,000)	(3,480,402)
	-	-

Conditions still to be met - remain liabilities (see note 15).

This grant is used to improve asset management at rural and farming areas.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies (continued)

Merger/ Transformation grant

Balance unspent at beginning of year	-	5,393,969
Current-year receipts	-	5,529,164
Conditions met - transferred to revenue	-	(10,923,133)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

This grant is used to facilitate the merger process between Westonaria and Randfontein.

Gauteng Department of Agriculture And Rural Development (GDARD)

Balance unspent at beginning of year	-	-
Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	-	-
	2,000,000	**-**

Conditions still to be met - remain liabilities (see note 15).

This grant is used to assist with operationalising the Milling plant. The funds were transferred to the Municipality during April 2018.

Municipal Water Infrastructure grant

Balance unspent at beginning of year	-	2,008,795
Conditions met - transferred to revenue	-	(2,008,795)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

This grant is used to assist with the implementation of infrastructure master plan within West Rand region.

Neighborhood Development partnership grant

Current-year receipts	53,277,000	18,850,000
Conditions met - transferred to revenue	(10,690,440)	(18,850,000)
	42,586,560	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant is used for the development of Regional capital projects within West Rand region.

26. Public contributions and donations

Donation of Office equipment (Laptop)	-	16,000

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Employee related costs

Basic	103,796,719	101,443,870
Bonus	7,605,304	7,670,767
Medical aid - company contributions	11,007,651	10,066,126
UIF	113,805	646,058
SDL	1,044,934	1,338,153
Leave pay provision charge	1,924,192	5,730,522
Pension fund contribution	18,050,489	17,806,595
Group Insurance	1,660,000	1,623,835
Travel, motor car, accommodation, subsistence and other allowances	6,737,675	9,636,636
Overtime payments	4,761,938	1,143,807
Acting allowances	-	228,408
Housing benefits and allowances	1,087,476	1,026,423
Standby and night shift allowance	2,913,774	2,806,049
Sundays and public holidays	-	3,581,214
Industrial council levy	6,503	34,766
Termination benefits	3,794,642	2,467,077
	164,505,102	**167,250,306**

Remuneration of Municipal Manager (M.D. Mokoena)

Annual Remuneration	1,313,772	1,310,826
Car Allowance	126,000	90,000
Performance Bonuses	347,428	347,428
Leave encashment	-	274,736
Other	19,002	18,848
	1,806,202	**2,041,838**

Municipal Manager's contract ended on 30 November 2016 and was re-appointed on 01 December 2016.

Perfomance bonus payments relates to 2013/2014 assessment which was paid in 2017/2018 financial year.

Remuneration of Chief Financial Officer (R. Mohaudi)

Annual Remuneration	1,330,620	1,222,944
Car Allowance	240,000	240,000
Performance Bonuses	-	204,812
Other	15,226	83,399
	1,585,846	**1,751,155**

Executive Manager: Regional and Economic Development (H. Hamer)

Annual Remuneration	1,438,620	1,330,944
Car Allowance	132,000	132,000
Performance Bonuses	108,705	131,665
Other	13,025	12,835
	1,692,350	**1,607,444**

Perfomance bonus payments relates to 2013/2014 assessment which was paid in 2017/2018 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Employee related costs (continued)

Executive Manager: Corporate Services (R Mokebe)

Annual Remuneration	900,948	136,710
Car Allowance	276,000	46,000
Other	11,316	1,750
	1,188,264	**184,460**

The new Executive Manager: Corporate Services was appointed on 01 May 2017.

Executive Manager: Health & Social Services (MM Mazibuko)

Annual Remuneration	960,948	146,710
Car Allowance	216,000	36,000
Other	11,568	1,750
	1,188,516	**184,460**

The new Executive Manager: Health and Social Services was appointed on 01 May 2017

Executive Manager: Public Safety (M.E. Koloi)

Annual Remuneration	960,948	903,473
Car Allowance	216,000	162,999
Performance Bonuses	108,705	-
Leave encashment	-	313,517
Pension payout	-	372,044
Other	12,524	15,371
	1,298,177	**1,767,404**

Executive Manager: Public safety's contract ended on 31 March 2017 and was re-appointed on 01 May 2017.

Perfomance bonus payments relates to 2013/2014 assessment which was paid in 2017/2018 financial year.

28. Remuneration of councillors

Executive Mayor	836,633	826,833
Mayoral Committee Members	5,397,551	3,915,955
Speaker	823,225	666,708
Councillors	5,265,875	4,290,779
	12,323,284	**9,700,275**

In-kind benefits

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

The Executive Mayor and Speaker has the use of separate Council owned vehicles for official duties.

29. Depreciation and amortisation

Property, plant and equipment	10,457,502	9,362,315
Intangible assets	-	97,032
	10,457,502	**9,459,347**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

30. Impairment of assets

Impairments		
Property, plant and equipment	-	(9,250)
Conditional assessment was performed in 2016/2017 and impairment loss was reversed for some Fixed assets items.		
VBS Mutual Bank Investments	76,114,645	-
VBS Mtual Bank was placed under curatorship on 11 March 2018. It is uncertain that the municipality will recover the investment made with VBS Mutual Bank. The communication received from the curator states that that interest accrued after the date of announcement of curatorship will not be recovered.		
The municipality is awaiting for the process to conclude. Once it is certain on how much the municipality will recover, this impairment loss will be reversed.		
The impairment has been determined in accordance with the provisions of GRAP 104.61 for financial assets held at amortised cost.		
	76,114,645	**(9,250)**

31. Finance costs

Finance leases	44,546	72,327
Bank	1,643,781	502,098
Interest cost	5,079,982	6,069,275
	6,768,309	**6,643,700**

32. Lease rentals on operating lease

Motor vehicles - Contractual amounts	7,260,210	6,741,042
Equipment - Contractual amounts	1,572,930	1,930,539
Premises - Contractual amounts	-	78,686
	8,833,140	**8,750,267**

33. Debt impairment

Contributions to debt impairment provision	5,523,032	-
Reversal of debt impairment provision	-	(2,310,385)
	5,523,032	**(2,310,385)**

34. Contracted services

Outsourced Services		
Engineering services	2,008,134	2,306,772
Business and Advisory	6,318,069	5,665,248
Catering Services	8,000	-
Security Services	8,957,878	9,704,793
Consultants and Professional Services		
Business and Advisory	1,396,483	15,895,682
Legal Cost	876,245	122,184

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

34. Contracted services (continued)

Contractors		
Local economic development	-	323,677
Cultural festival	10,511,160	10,506,422
Air quality services	-	606,914
Maintenance of Buildings and Facilities	64,790	227,699
Maintenance of vehicles	391,428	1,289,273
Paving of side walks	9,655,245	19,367,290
Distressed mining towns	26,177,007	-
Sports and Recreation	-	294,214
	66,364,439	**66,310,168**

35. Transfers and subsidies

Grants paid to ME's		
WRDA Subsidy	4,400,000	4,394,200
GDARD (Operationalize Milling plant)	2,000,000	-
	6,400,000	**4,394,200**
Other subsidies		
Subsidy: Pensioners medical aid	208,383	-
Mogale City (MWIG transfer)	-	1,816,806
Local Municipalities HIV/ Aids Subsidy	7,315,292	7,070,543
Bereavement subsidy	58,520	300,272
	7,582,195	**9,187,621**
	13,982,195	**13,581,821**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

36. Fair value adjustments

Investment property (Fair value model)	420,000	-
Biological assets - (Fair value model)	(773,919)	140,008
	(353,919)	**140,008**

37. Operating costs

Advertising	384,021	709,370
Auditors remuneration	2,685,931	2,220,126
Bank charges	76,380	74,023
Entertainment	-	2,082
Insurance	3,164,837	2,217,761
Community development and training	605,748	-
Conferences and seminars	71,617	-
Municipal Levies	5,125,138	4,634,645
Membership fees	1,806,439	1,846,230
Fuel and oil	1,619,460	1,558,943
Printing and stationery	-	145,100
Royalties and license fees	33,600	799,851
Software expenses	4,608,533	2,950,000
Telephone and fax	1,571,610	2,868,535
Training	627,773	229,506
Travel - local	70,458	379,838
Uniforms and protective clothing	55,405	73,530
Compliance fees	-	52,363
Stock and material	502,027	557,280
	23,008,977	**21,319,183**

38. Cash generated from (used in) operations

Deficit	(95,106,462)	(40,397,790)
Adjustments for:		
Depreciation and amortisation	10,457,502	9,459,347
Movement on WCA	1,854,205	308,140
Fair value adjustments	353,919	(140,008)
Finance costs - non cash	5,085,790	6,069,275
Impairment loss (reversal)	76,114,645	(9,250)
Debt impairment	5,523,032	(2,310,385)
Movements in retirement benefit assets and liabilities	4,653,350	(1,424,191)
Movements in provisions	(10,632,484)	(169,734)
Other non-cash item	(86,451,869)	(6,396,585)
Changes in working capital:		
Inventories	210,365	319,308
Receivables from exchange transactions	10,999,913	(6,838,140)
Long-term receivables	1,047	24,118
Payables from exchange transactions	34,338,985	22,321,374
VAT	(3,773,519)	(4,028,886)
Taxes and transfers payable (non exchange)	30,444,344	-
Unspent conditional grants and receipts	44,586,560	(8,469,701)
	28,659,323	**(31,683,108)**

Notes to the Annual Financial Statements

39. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	At cost	Total
Long term receivables	-	1,053,768	1,053,768
Trade and other receivables from exchange transactions	25,825,119	-	25,825,119
Cash and cash equivalents *	3,364	-	3,364
	25,828,483	**1,053,768**	**26,882,251**

* Cash and cash equivalents are presented net of all impairments recognised for investement in VBS Mutual bank in terms of GRAP 104 on amortised cost. VBS Mutual Bank was placed under curatorship by the Minister of Finance on 11 March 2018 as per the South African Reserve Bank Governor's press briefing

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(92,122,375)	(92,122,375)
Transfers payable (non-exchange)	(30,444,344)	(30,444,344)
Overnight Bank facility	(6,116,289)	(6,116,289)
Unspent conditional grants and receipts	(44,586,560)	(44,586,560)
	(173,269,568)	**(173,269,568)**

2017

Financial assets

	At amortised cost	At cost	Total
Long term receivables	-	1,054,815	1,054,815
Trade and other receivables from exchange transactions	36,825,032	-	36,825,032
Cash and cash equivalents	2,532,261	-	2,532,261
	39,357,293	**1,054,815**	**40,412,108**

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	(57,783,390)	(57,783,390)
Overnight Bank facility	(22,000,139)	-	(22,000,139)
	(22,000,139)	**(57,783,390)**	**(79,783,529)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

40. Commitments

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	5,608,221	14,810,391
- in second to fifth year inclusive	467,352	6,075,573
	6,075,573	**20,885,964**

The operating lease commitments relates to the municipal vehciles rented from Afrirent.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	1,038,388	1,642,068
- in second to fifth year inclusive	4,103,276	3,545,500
- later than five years	-	586,836
	5,141,664	**5,774,404**

41. Contingencies

Izak Smal (Up & Under Motors) *Despite a court order, Plaintiff claims unlawful eviction from the BP Garage Site and claims loss of income.Matter handed over to the WRDM attorneys to defend the matter. Special pleas raised by WRDM on security to be given by Plaintiff and prescription of the matter.*	9,655,700	9,655,700
Municipal employees - Long Service Awards *Long service award policy dispute has been referred to the SALGBC as part of a policy dispute after the municipality ceased payments of long service awards due to invalidation of the policy.* *The value of the contingent liability has been determined with reference to the total amount that would be payable in a likely event that the outcome of the case is not in favour of the municipality.*	13,529,247	-
Matshido Catharine Lieta *Plaintiff claiming for damages after falling into an open acess hole on the pavement in Westonaria.*	2,500,000	-
Nwabisa Mzayiya *Rand West City LM is cited as the 2nd Defendant in the matter and the actual party responsible for roads and pavements in the Westonaria area. Its is the submission of the WRDM that we were cited erroneously, despite earlier advice to the Plaintiff. WRDM is working together with the legal department of Rand West City LM to address the matter.*	850,000	-
IMATU obo its members *Dispute regarding the implementation of WRDM locomotion allowance. Matter pending at the Bargaining Council.*	5,000,000	-
SI Analytics (Pty) Ltd *Contractual Plaintiff claiming outstanding money for services rendered to WRDM in terms of the service level agreement.*	107,046	-
	31,641,993	**9,655,700**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

41. Contingencies (continued)

Contingent assets

VBS Mutual Bank was placed under curatorship on 11 March 2018. On the 14 March 2018, the curator informed the municipality that he will consider the interests of all depositors and creditors. The WRDM made investments in terms of Section 13 of the MFMA supported by Council approved policy.

The curator is currently assessing the liquidity position of VBS Mutual Bank and is developing possible remedial strategies. No further notification from the curator was received by the municipality since March 2018. The municipalty expects that an inflow of economic benefits (recovery of investments) is probable, however cannot reliably determine the extent of the amounts of the investments that will probably be recovered.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Controlled entities	Refer to note 10
Members of key management	M.D. Mokoena: Accounting Officer R. Mohaudi : Chief Financial Officer M.E. Koloi : Executive Manager - Public Safety M.M Mazibuko : Executive Manger - Health & Social Services H. Hamer : Executive Manager - Regional and Economic Development R. Mokebe: Executive Manager - Corporate Services

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

Transactions relating to key management personnel are disclosed in Note 25 and have been accounted for according to GRAP 20.

Related party balances

	2018	2017
Amounts included in Trade Payable regarding related parties		
West Rand Development Agency	5,260,125	-

This balance relates to the sale of Katlego facilities. The sale was administered by WRDM on behalf of WRDA and the amount was paid after year-end.

Related party transactions

	2018	2017
Susbisdy paid to related parties		
West Rand Development Agency	4,400,000	4,394,200
Grants transferred to related parties to operationalise Milling plant		
West Rand Development Agency	2,000,000	-

The WRDM has a relationship with Randfontein, Merafong City, Westonaria and Mogale City Local Municipalities and the WRDA which has resulted in the transfers by the WRDM during the 2016/2017 financial year end. In the current financial year, the municipality transferred money to the WRDA.

To the best of the WRDM knowledge and taking into account all disclosures made, no councillor or official has any direct or indirect personal or private business in any matter before the council, or acquired or stand to acquire any direct benefit from contract concluded with the municipality. All assets contributed for the establishment of the WRDA were at fair value.

	2018	2017
Compensation to accounting officer and other key management		
Short-term employee benefits	6,129,007	715,770
Defined contribution plans	-	10,857
	6,129,007	**726,627**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

43. Prior period errors and restatements

Statement of financial position (error)
The error relates to the audit adjustments as per the audted trial balance. These relates to consumer debtor payments that were made in June 2017 and were not effected in the affected accounts (Bank, Receivables, VAT and relevant income accounts).

Statement of financial performance (restatements)
The restatement is as a result of the implementation of the municipal standard charts of accounts effective from 1 July 2017. This affected the expenditure accounts in terms of classification. The Municipality prepared the Annual financial statement using the mSCOA version 6.1 as per National Treasury requirements.

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

43. Prior period errors and restatements (continued)

Statement of Financial position	As Previously Reported	Change in accounting policy	Re-Classification	Correction of error	Restated Balance
Cash and cash equivalents	2,292,237	-	-	240,024	2,532,261
Receivables from exchange transactions	36,649,260	-	-	175,772	36,825,032
VAT receivable	10,387,887	-	-	359,632	10,747,519
Inventories	388,870	-	-	-	388,870
Long-term receivables	1,054,815	-	-	-	1,054,815
Biological assets that form part of an agricultural activity	1,112,131	-	-	-	1,112,131
Investment property	4,680,000	-	-	-	4,680,000
Property, plant and equipment	76,575,936	-	-	-	76,575,936
Intangible assets	2	-	-	-	2
Investments in controlled entities	14,578,528	-	-	-	14,578,528
Overnight Bank facility	(22,000,139)	-	-	-	(22,000,139)
Payables from exchange transactions	(54,474,698)	-	-	(3,308,693)	(57,783,391)
Provisions- Current portion	(2,953,935)	-	-	-	(2,953,935)
Employee benefit obligation- Current portion	(1,565,525)	-	-	-	(1,565,525)
Finance lease obligation- Current portion	(13,322,638)	-	-	-	(13,322,638)
Provisions	(11,334,247)	-	-	-	(11,334,247)
Employee benefit obligation	(50,375,161)	-	-	-	(50,375,161)
Finance lease obligation	(20,064,958)	-	-	-	(20,064,958)
Accumulated (surplus)/ deficit	28,371,635	-	-	2,533,265	30,904,900
	-	-	-	-	-

Statement of Financial performance	As Previously Reported	Change in accounting policy	Re-Classification	Correction of error	Restated Balance
Service charges	807,121	-	-	113,804	920,925
Rental of facilities and equipment	1,412,810	-	-	113,170	1,525,980
Interest on outstanding receivables	236,257	-	-	27,101	263,358
Licences and permits	1,079,614	-	-	109,835	1,189,449
Operating income	9,173,689	-	-	3,248	9,176,937
Interest received - investment	1,463,895	-	-	-	1,463,895
Government grants & subsidies	237,163,330	-	-	-	237,163,330
Public contributions and donations	16,000	-	-	-	16,000
Employee related costs	(163,496,510)	-	(3,755,736)	1,940	(167,250,306)
Remuneration of councillors	(9,700,275)	-	-	-	(9,700,275)
Depreciation and amortisation	(9,459,347)	-	-	-	(9,459,347)
Reversal of impairment loss	9,250	-	-	-	9,250
Finance costs	(72,327)	-	(6,571,373)	-	(6,643,700)
Lease rentals on operating lease	(8,671,581)	-	(78,686)	-	(8,750,267)
Debt Impairment and write offs	2,310,385	-	-	-	2,310,385
Repairs and maintenance	(2,004,848)	-	2,004,848	-	-
Contracted Services	-	-	(66,310,168)	-	(66,310,168)
Transfers and Subsidies	(4,394,200)	-	(9,187,621)	-	(13,581,821)
Operating costs	(102,315,557)	-	83,898,736	(2,902,362)	(21,319,183)
	(46,442,294)	**-**	**-**	**(2,533,264)**	**(48,975,558)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

43. Prior period errors and restatements (continued)

Cash flow statement

Cash flow from operating activities		
Other receipts- Prior period error	-	240,024
Finance cost- reclassification	-	(502,098)
	-	**(262,074)**

44. Events after the reporting date

Any events or transactions which occured after 30 June 2018 and that require a disclosure or adjustment in the Annual financial statements of West Rand District Municipality were duly accounted for.

45. Risk management

Financial risk management

Liquidity risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

46. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R (126,011,366) and that the municipality's total liabilities exceed its assets by R (126,011,366).

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to accesse funding for the ongoing operations for the municipality from the National and Provincial government.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

46. Going concern (continued)

In December 2016, the office of the MEC responsible for local government in the province (Hon. PS Mashatile) restored the powers and functions to the WRDM in line with Section 84 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) to support the regional vision of the WRDM. The process of implementation is led by the Gauteng Department of Corporative Governance, Traditional Afairs and Human Setlements (GDCOG).

The MEC responsible for Gauteng Provincial Treasury (GPT) (Hon. B Creecy) has set up a committee to assist the district to secure funding for bulk services. This process is supported by local municipalities in the region which have resolved that the district implements and provides bulk services.

The municipality has made various applications for re-allocation of basic services component of the equitable share allocation relating to the functions of fire brigade services, municipal health services and disaster management. An interpretation of the Disaster Management Act, 2002 (Act No 57 of 2002) and Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) in so far as it relates to the responsibility of the municipality to perform disaster management, fire fighting and municipal health services has been pursued from the Office of the Chief State Law Advisor.

The municipality has invoked Section 135 of the MFMA and notified all relevant stakeholders of the eminent financial problems. The GDCOG is leading the process of recovery of municipal finances.

The Council has resolved that the municipal manager explores the option of reverting the functions of fire brigade services and municipal health services to the local municipaities. As a result, a financial recovery MTREF budget was approved on the 22nd June 2018.

47. Unauthorised expenditure

Unauthorised expenditure	51,137,625	-

Unauthorised expenditure relates to non-cash items which are impairment on current assets as at 30 June 2018.

48. Fruitless and wasteful expenditure

Opening balance	3,238	5,040
Penalties on late payments to SARS	205,447	-
Interest on late payments	59,098	-
Written off by Council through MPAC	-	(1,802)
	267,783	**3,238**

During 2016/2017 financial year MPAC has tabled the report to Council to write off fruitless and wasteful expenditure amounting to R1,802 which was incurred during 2011/2012.

49. Irregular expenditure

Opening balance	14,489,115	899,092
Add: Irregular Expenditure - current year	21,066,141	14,489,115
Less: Amounts written off	(35,555,256)	(899,092)
	-	**14,489,115**

Analysis of expenditure awaiting for write off per age classification

Current year	-	14,489,115

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non-compliance with SCM regulations	None	21,066,141

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

49. Irregular expenditure (continued)

Details of irregular expenditure written off

	Written off by Council	
Incurred during 2008/2009 financial year	By Council through MPAC recommendations	503,746
Incurred during 2011/2012 financial year	By Council through MPAC recommendations	347,846
Incurred during 2015/2016 financial year	By Council through MPAC recommendations	47,500
Incurred during 2016/2017 financial year	By Council through MPAC recommendations	14,489,115
Incurred during 2017/2018 financial year	By Council through MPAC recommendations	21,066,141
		36,454,348

Details of irregular expenditure awaiting for condonement

Non-compliance with SCM regulations	36,454,348

Application has been made to National Treasury by the accounting officer in terms of section 170 of the MFMA to condone the above listed irregular expenditure and still awaiting for the response.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2018	2017
Opening balance	1,846,230	-
Current year subscription / fee	1,456,635	1,846,230
Amount paid - current year	(1,846,230)	-
	1,456,635	**1,846,230**

Material losses

	2018	2017
Opening balance	4,000,000	4,086,502
Movement- current year	-	(86,502)
Amount paid - current year	(1,774,999)	-
	2,225,001	**4,000,000**

** Material expenditure/ losses recognised on reconciling items resulting from mSCOA upgrade done on 29 June 2016. Material expenditure/ losses relates to the difference between cashbook and bank statements. The reconcilitions were re-performed and amounts on cashbook were matched to the amounts on the bank statement.

^^ The Accounting Officer opened a criminal case with the South African Police Services (SAPS) in terms of Section 52 of the MFMA. The alleged incumbent resigned and has pleaded guilty and the judgement will be passed by Court. Further civil matters has already been pursued to recover the WRDM losses. The internal personnel have already underwent disciplinary procedures and the employee have been dismissed. The municipality recovered R1.7 million through the MGF Pension fund.

Audit fees

	2018	2017
Opening balance	593,401	-
Current year subscription / fee	3,061,962	2,519,533
Amount paid - current year	(3,051,258)	(1,926,132)
	604,105	**593,401**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

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

PAYE and UIF

Opening balance	4,178,611	-
Current year subscription / fee	27,335,616	27,001,085
Amount paid - current year	(27,214,371)	(22,822,474)
	4,299,856	**4,178,611**

Pension and Medical Aid Deductions

Opening balance	2,485,981	-
Current year subscription / fee	30,716,540	28,717,835
Amount paid - current year	(24,629,737)	(26,231,854)
	8,572,784	**2,485,981**

VAT

VAT receivable	14,521,038	10,747,519

VAT output payables and VAT input receivables are shown in note 4. The municipality is registered for VAT on the cash (payment) basis.

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

Councillors' arrear consumer accounts

The WRDM had no councillors with arrear accounts as at 30 June 2018.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations (MSCMR) any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and must be reportd to Council. The expenses incurred as listed hereunder have been approved in compliance with Section 36 of the MSCMR.

Incident		
Sole Provider	56,943	61,140
Impractical to follow SCM	581,112	1,063,302
	638,055	**1,124,442**

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

52. Non-compliance with Laws and Regulations

During the year under review, the municipality utlised Section 45 of the MFMA to access overnight facility to bridge working capital requirement.

Setion 45(4)(a) of the MFMA requires that the municiplity repays such facility on or before the end of the financial year. The municipality was not able to repay the facility on or before year end.

The relevant Provincial and National Treasury have been duly informed of the instance of non-complaince and this disclosure is made in accordance with Section 125(2)(e) and (f) of the MFMA.