

Planning by	Reviewed	Performed by	Final Review

**Client details**

Client name: West Rand District Municipality  
Year end: 30 June 2019

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**West Rand District Municipality**  
(Registration number DC48)  
Annual Financial Statements  
for the year ended 30 June 2019

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Legal form of entity</b>	District Municipality DC48 Municipal Finance Management Act (No. 56 of 2003)
<b>Nature of business and principal activities</b>	Local Municipality
<b>Members of Council</b> Mayoral Committee	Cllr. S.D Thabe (Executive Mayor) Ald. F.O Bhayat (MMC: Financial Services) D.D Moreotsenye (MMC: Corporate & Shared Services) H.O Butler (MMC: Public Safety) S. Konopi (MMC: Transport and Human Settlements) M.J. Selibo (MMC: Infrastructure) P. Chabane (MMC: Regional Industrialisation) B. Xulu (MMC: Health & Social Services)
Councillors	Ald. TP Matuwane (MMC: Environmental Management) Ald. N. Tundzi-Hawu (Speaker) S.P Monoane (Council Whip) V.B. Khumalo (MPAC Chairperson) 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 D.S. David L.A. Mganu M. Ndamase S. Khenene Ald. J. Zwart A.J. Van Tonder P.C. Orpen-Reid M. Nkoe B. Van der Berg K.E. Lekagane J.N. Kotze W. Segolodi X.L. Mkruquli B.R Mafika W. Njani M. Sello L. Modise
<b>Grading of local authority</b>	Medium Capacity Category C

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

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## General Information

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**Chief Finance Officer (CFO)**

R. Mohaudi

**Accounting Officer**

M.D Mokoena

**Registered office**

Cnr Sixth & Park Street  
Randfontein  
1760

**Business address**

Private Bag X033  
Randfontein  
1760

**Bankers**

First National Bank  
Standard Bank - South Africa

**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:

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MBRR	Municipal Budget and Reporting regulations
MPAC	Municipal Public 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
LG SETA	Local Government Sector Education and Training Authority
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
WCA	Workmens Compensation Assistance
Cogta	Cooperative Governance and Traditional Affairs

# West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Responsibilities and Approval

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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 2020 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 69, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed by:

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**M.D Mokoena**  
Municipal Manager

# West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2019.

### 1. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R (104 117 952) and that the municipality's total liabilities exceed its assets by R (104 117 894).

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 occurred between 30 June 2019 and the date of submission of the annual financial statements have been taken into account and appropriately reported. Please refer to note 45

### 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 interpretations and guidelines issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5.

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 Municipality primarily banks with First National Bank.

The Municipality also banks with Standard bank of Southern Africa.

### 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. Please refer to note 53.

# West Rand District Municipality

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Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Inventories	3	99 093	178 505
Receivables from exchange transactions	4	30 669 937	25 825 119
VAT receivable	5	4 188 821	6 585 979
Non-current assets held for sale	9	288 304	288 304
Cash and cash equivalents	6	2 746 673	-
		<b>37 992 828</b>	<b>32 877 907</b>
Non-Current Assets			
Biological assets that form part of an agricultural activity	7	331 058	338 212
Investment property	8	5 600 000	5 100 000
Property, plant and equipment	9	58 856 827	65 786 531
Intangible assets	10	3	3
Investments in controlled entities	11	14 578 528	14 578 528
Long-term receivables	12	254 916	558 478
		<b>79 621 332</b>	<b>86 361 752</b>
<b>Total Assets</b>		<b>117 614 160</b>	<b>119 239 659</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	13	13 094 862	11 592 537
Payables from exchange transactions	14	70 177 614	92 440 143
Transfers payable (non-exchange)	15	30 444 344	30 444 344
Employee benefit obligation	18	2 494 905	1 666 873
Unspent conditional grants and receipts	16	47 814 928	44 586 560
Provisions	17	3 918 810	3 655 698
Overnight Bank facility	6	-	6 113 053
		<b>167 945 463</b>	<b>190 499 208</b>
Non-Current Liabilities			
Finance lease obligation	13	-	13 094 804
Employee benefit obligation	18	53 786 591	54 927 163
		<b>53 786 591</b>	<b>68 021 967</b>
<b>Total Liabilities</b>		<b>221 732 054</b>	<b>258 521 175</b>
<b>Net Assets</b>		<b>(104 117 894)</b>	<b>(139 281 516)</b>
Accumulated deficit		(104 117 894)	(139 281 574)

# West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	1 843 195	3 783 604
Rental of facilities and equipment	20	1 566 269	1 522 110
Interest on outstanding receivables		536 616	372 313
Licences and permits		421 739	287 567
Recoveries	22	5 226	1 774 999
Other income	23	-	13 529 247
Operating income	24	13 490 379	7 959 131
Interest received - favourable bank balance	25	411 298	954 005
Fair value adjustments	37	492 847	-
Actuarial gains	18	10 774 870	1 367 176
<b>Total revenue from exchange transactions</b>		<b>29 542 439</b>	<b>31 550 152</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	26	273 183 632	263 596 215
Public contributions and donations	27	254 590	-
<b>Total revenue from non-exchange transactions</b>		<b>273 438 222</b>	<b>263 596 215</b>
<b>Total revenue</b>		<b>302 980 661</b>	<b>295 146 367</b>
<b>Expenditure</b>			
Employee related costs	28	(176 743 161)	(171 856 363)
Remuneration of councillors	29	(13 020 091)	(13 134 026)
Depreciation	30	(7 205 520)	(10 515 440)
Impairment of assets	31	-	(76 114 645)
Interest costs and penalties	32	(12 949 662)	(9 383 371)
Lease rentals on operating lease	33	(8 721 864)	(8 833 140)
Debt Impairment	34	(841 819)	(5 523 032)
Contracted services	35	(17 241 047)	(59 887 622)
Transfers and Subsidies	36	(13 144 340)	(13 972 195)
Fair value adjustments	37	-	(353 919)
Workmen's compensation movement	17	(1 159 070)	(1 854 205)
Operating costs	38	(16 790 465)	(22 722 393)
<b>Total expenditure</b>		<b>(267 817 039)</b>	<b>(394 150 351)</b>
<b>Surplus (deficit) for the year</b>		<b>35 163 622</b>	<b>(99 003 984)</b>

# West Rand District Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated deficit	Total net assets
<b>Balance at 01 July 2017</b>	<b>(40 277 648)</b>	<b>(40 277 648)</b>
Changes in net assets		
Deficit for the year	(99 003 984)	(99 003 984)
Total changes	(99 003 984)	(99 003 984)
Opening balance as previously reported	(126 011 366)	(126 011 366)
Adjustments		
Prior year adjustments (Note 44)	(13 270 211)	(13 270 211)
<b>Restated* Balance at 01 July 2018 as restated*</b>	<b>(139 281 574)</b>	<b>(139 281 574)</b>
Changes in net assets		
Surplus for the year	35 163 622	35 163 622
Total changes	35 163 622	35 163 622
<b>Balance at 30 June 2019</b>	<b>(104 117 952)</b>	<b>(104 117 952)</b>

Note(s)

# West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		276 412 000	339 074 426
Interest income		411 298	954 005
Other receipts		24 633 890	34 844 145
		<b>301 457 188</b>	<b>374 872 576</b>
<b>Payments</b>			
Employee costs		(204 647 296)	(172 711 938)
Suppliers		(70 628 395)	(171 818 797)
Interest costs and penalties		(1 739 493)	(1 682 517)
		<b>(277 015 184)</b>	<b>(346 213 252)</b>
<b>Net cash flows from operating activities</b>	<b>39</b>	<b>24 442 004</b>	<b>28 659 324</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(35 257)	(14 340)
Purchase of investment property	8	-	-
<b>Net cash flows from investing activities</b>		<b>(35 257)</b>	<b>(14 340)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(15 547 021)	(15 290 159)
<b>Net decrease in cash and cash equivalents</b>		<b>8 859 726</b>	<b>13 354 825</b>
Cash and cash equivalents at the beginning of the year		(6 113 053)	(19 467 878)
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>2 746 673</b>	<b>(6 113 053)</b>

# West Rand District Municipality

(Registration number DC48)

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	601 000	(601 000)	-	1 843 195	<b>1 843 195</b>	A
Rental of facilities and equipment	1 385 000	-	<b>1 385 000</b>	1 566 269	<b>181 269</b>	B
Interest received (trading)	-	-	-	536 616	<b>536 616</b>	C
Licences and permits	600 000	-	<b>600 000</b>	421 739	<b>(178 261)</b>	H
Recoveries	-	-	-	5 226	<b>5 226</b>	D
Operating income	122 301 000	(98 842 000)	<b>23 459 000</b>	13 490 379	<b>(9 968 621)</b>	E
Interest received - favourable bank balance	-	-	-	411 298	<b>411 298</b>	F
<b>Total revenue from exchange transactions</b>	<b>124 887 000</b>	<b>(99 443 000)</b>	<b>25 444 000</b>	<b>18 274 722</b>	<b>(7 169 278)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	214 708 000	55 100 000	<b>269 808 000</b>	273 183 632	<b>3 375 632</b>	G.
Public contributions and donations	-	-	-	254 590	<b>254 590</b>	G
<b>Total revenue from non-exchange transactions</b>	<b>214 708 000</b>	<b>55 100 000</b>	<b>269 808 000</b>	<b>273 438 222</b>	<b>3 630 222</b>	
<b>Total revenue</b>	<b>339 595 000</b>	<b>(44 343 000)</b>	<b>295 252 000</b>	<b>291 712 944</b>	<b>(3 539 056)</b>	
<b>Expenditure</b>						
Personnel	(168 329 000)	-	<b>(168 329 000)</b>	(176 743 161)	<b>(8 414 161)</b>	I
Remuneration of councillors	(13 685 000)	-	<b>(13 685 000)</b>	(13 020 091)	<b>664 909</b>	I
Depreciation and amortisation	(8 161 000)	-	<b>(8 161 000)</b>	(7 205 520)	<b>955 480</b>	J
Finance costs	(1 486 000)	-	<b>(1 486 000)</b>	(12 949 662)	<b>(11 463 662)</b>	K
Lease rentals on operating lease	(9 000 000)	-	<b>(9 000 000)</b>	(8 721 864)	<b>278 136</b>	
Debt Impairment	-	-	-	(841 819)	<b>(841 819)</b>	C
Contracted Services	(124 844 000)	92 347 000	<b>(32 497 000)</b>	(17 241 047)	<b>15 255 953</b>	L
Transfers and Subsidies	(4 392 000)	(7 796 000)	<b>(12 188 000)</b>	(13 144 340)	<b>(956 340)</b>	M
Operating costs	(12 297 000)	(33 429 000)	<b>(45 726 000)</b>	(16 790 465)	<b>28 935 535</b>	O
<b>Total expenditure</b>	<b>(342 194 000)</b>	<b>51 122 000</b>	<b>(291 072 000)</b>	<b>(266 657 969)</b>	<b>24 414 031</b>	
<b>Operating surplus</b>	<b>(2 599 000)</b>	<b>6 779 000</b>	<b>4 180 000</b>	<b>25 054 975</b>	<b>20 874 975</b>	
Fair value adjustments	-	-	-	492 847	<b>492 847</b>	N
Actuarial gains/losses	-	-	-	10 774 870	<b>10 774 870</b>	N
Workmen's compensation provision	-	-	-	(1 159 070)	<b>(1 159 070)</b>	P
	-	-	-	<b>10 108 647</b>	<b>10 108 647</b>	
<b>Deficit</b>	<b>(2 599 000)</b>	<b>6 779 000</b>	<b>4 180 000</b>	<b>35 163 622</b>	<b>30 983 622</b>	

## West Rand District Municipality

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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(2 599 000)</b>	<b>6 779 000</b>	<b>4 180 000</b>	<b>35 163 622</b>	<b>30 983 622</b>	

# West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	422 000	45 000	<b>467 000</b>	99 093	<b>(367 907)</b>	S
Receivables from exchange transactions	41 138 000	(207 000)	<b>40 931 000</b>	30 669 937	<b>(10 261 063)</b>	Q
VAT receivable	-	-	-	4 188 821	<b>4 188 821</b>	R
Non-current assets held for sale	-	-	-	288 304	<b>288 304</b>	
Cash and cash equivalents	-	2 438 000	<b>2 438 000</b>	2 746 673	<b>308 673</b>	DD
	<b>41 560 000</b>	<b>2 276 000</b>	<b>43 836 000</b>	<b>37 992 828</b>	<b>(5 843 172)</b>	

##### Non-Current Assets

Biological assets that form part of an agricultural activity	1 312 000	(974 000)	<b>338 000</b>	331 058	<b>(6 942)</b>	N
Investment property	4 980 000	120 000	<b>5 100 000</b>	5 600 000	<b>500 000</b>	N
Property, plant and equipment	86 390 000	(28 706 000)	<b>57 684 000</b>	58 856 827	<b>1 172 827</b>	J
Intangible assets	-	-	-	3	<b>3</b>	J
Investments in controlled entities	14 579 000	(14 579 000)	-	14 578 528	<b>14 578 528</b>	
Long-term receivables	1 055 000	(1 000)	<b>1 054 000</b>	254 916	<b>(799 084)</b>	T
	<b>108 316 000</b>	<b>(44 140 000)</b>	<b>64 176 000</b>	<b>79 621 332</b>	<b>15 445 332</b>	

#### Total Assets

	<b>149 876 000</b>	<b>(41 864 000)</b>	<b>108 012 000</b>	<b>117 614 160</b>	<b>9 602 160</b>	
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#### Liabilities

##### Current Liabilities

Finance lease obligation	-	-	-	13 094 862	<b>13 094 862</b>	AA
Payables from exchange transactions	68 239 000	3 411 000	<b>71 650 000</b>	70 177 614	<b>(1 472 386)</b>	U
Transfers payable (non-exchange)	-	30 444 344	<b>30 444 344</b>	30 444 344	-	Z
Employee benefit obligation	-	-	-	2 494 905	<b>2 494 905</b>	V
Unspent conditional grants and receipts	-	20 199 656	<b>20 199 656</b>	47 814 928	<b>27 615 272</b>	Z
Provisions	5 085 000	-	<b>5 085 000</b>	3 918 810	<b>(1 166 190)</b>	W
Overnight Bank facility	50 000 000	(50 000 000)	-	-	-	U
	<b>123 324 000</b>	<b>4 055 000</b>	<b>127 379 000</b>	<b>167 945 463</b>	<b>40 566 463</b>	

##### Non-Current Liabilities

Employee benefit obligation	70 835 000	-	<b>70 835 000</b>	53 786 591	<b>(17 048 409)</b>	V
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<b>Total Liabilities</b>	<b>194 159 000</b>	<b>4 055 000</b>	<b>198 214 000</b>	<b>221 732 054</b>	<b>23 518 054</b>	
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<b>Net Assets</b>	<b>(44 283 000)</b>	<b>(45 919 000)</b>	<b>(90 202 000)</b>	<b>(104 117 894)</b>	<b>(13 915 894)</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated deficit	(44 283 000)	(45 919 000)	<b>(90 202 000)</b>	(104 117 894)	<b>(13 915 894)</b>	
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# West Rand District Municipality

(Registration number DC48)

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

# West Rand District Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	601 000	(601 000)	-	-	-	A
Grants	217 306 000	24 903 000	<b>242 209 000</b>	276 412 000	<b>34 203 000</b>	G
Interest income	-	222 000	<b>222 000</b>	411 298	<b>189 298</b>	F
Other receipts	124 287 000	(99 428 000)	<b>24 859 000</b>	24 633 890	<b>(225 110)</b>	E
	<b>342 194 000</b>	<b>(74 904 000)</b>	<b>267 290 000</b>	<b>301 457 188</b>	<b>34 167 188</b>	

##### Payments

Employee costs	(169 000 000)	-	<b>(169 000 000)</b>	(204 647 296)	<b>(35 647 296)</b>	I
Suppliers	(120 270 000)	32 257 000	<b>(88 013 000)</b>	(70 628 395)	<b>17 384 605</b>	O
Interest costs and penalties	(1 486 000)	-	<b>(1 486 000)</b>	(1 739 493)	<b>(253 493)</b>	K
	<b>(290 756 000)</b>	<b>32 257 000</b>	<b>(258 499 000)</b>	<b>(277 015 184)</b>	<b>(18 516 184)</b>	

<b>Net cash flows from operating activities</b>	<b>51 438 000</b>	<b>(42 647 000)</b>	<b>8 791 000</b>	<b>24 442 004</b>	<b>15 651 004</b>	
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(43 277 000)	43 277 000	-	(35 257)	<b>(35 257)</b>	
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#### Cash flows from financing activities

Finance lease payments	-	-	-	(15 547 021)	<b>(15 547 021)</b>	AA
Net increase/(decrease) in cash and cash equivalents	8 161 000	630 000	<b>8 791 000</b>	8 859 726	<b>68 726</b>	
Cash and cash equivalents at the beginning of the year	(126 400 000)	120 046 000	<b>(6 354 000)</b>	(6 113 053)	<b>240 947</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>(118 239 000)</b>	<b>120 676 000</b>	<b>2 437 000</b>	<b>2 746 673</b>	<b>309 673</b>	

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Legends:

- A-** In terms of mSCOA classification requirements fire and rescue services income are classified as other income while in terms of the GRAP reporting they are classified as service charges.
- B-** The increase in rental relates to the effect of lease agreement renewal between the municipality and shops.
- C-** The item relates to interest charged on outstanding rates from lease agreements and was not budgeted for as 100% collection anticipated from the rental of shops.
- D-** The municipality recovered a portion of material losses disclosed in prior years.
- 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 and reduction of operating expenditure on vatable supplies due to financial constraints..
- F-** Interest income relates to interest received on favourable bank balance up to 30 June 2019.
- G-** This relates to the unspent portion of government grants as at 30 June 2019.
- 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 for current service costs on post retirement medical aid determined at year-end.
- J-** A decrease in depreciation is due to fixed assets that reached end of their useful life 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 and interest cost on post retirement medical aid.
- L-** Under expenditure in contracted services relates to reclassification of payments as finance lease payments for fire engines and rescue vehicles.
- M-** Over expenditure in transfers and subsidies relates to computation of pensioners medical aid based on the valuation assessment made at year end for post retirement benefits on medical aid liability.
- 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 liability and long service award provision.
- O-** Under expenditure on operating costs relates to the municipality heeding to cost containment 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-** Increase in receivables relates to billing made to the 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.
- S-** Due to cost containment measures in terms of circular 82 some of stock items were not procured during the year.
- T-** The study loan balance decreased due to recoveries made during the year.
- U-** This is due to payments made during the year based on cash flow assessment and additional income which was received.

# West Rand District Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

**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 2019.

**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 2018/2019 financial year.

**DD-** The municipality did not budget for a positive cash balance due to financial constraints.

# West Rand District Municipality

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## 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
<b>2019</b>											
<b>Financial Performance</b>											
Service charges	601 000	(601 000)	-	-	-	-	1 843 195	-	1 843 195	DIV/0 %	307 %
Interest on favourable bank balance	-	-	-	-	-	-	411 298	-	411 298	DIV/0 %	DIV/0 %
Transfers recognised - operational	214 708 000	55 100 000	269 808 000	-	-	269 808 000	273 183 632	-	3 375 632	101 %	127 %
Other own revenue	124 286 000	(98 842 000)	25 444 000	-	-	25 444 000	27 287 946	-	1 843 946	107 %	22 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>339 595 000</b>	<b>(44 343 000)</b>	<b>295 252 000</b>	-	-	<b>295 252 000</b>	<b>302 726 071</b>	-	<b>7 474 071</b>	<b>103 %</b>	<b>89 %</b>
Employee costs	(168 329 000)	-	(168 329 000)	-	-	(168 329 000)	(176 743 161)	-	(8 414 161)	105 %	105 %
Remuneration of councillors	(13 685 000)	-	(13 685 000)	-	-	(13 685 000)	(13 020 091)	-	664 909	95 %	95 %
Debt impairment	-	-	-	-	-	-	(841 819)	-	(841 819)	- %	- %
Depreciation and asset impairment	(8 161 000)	-	(8 161 000)	-	-	(8 161 000)	(7 205 520)	-	955 480	88 %	88 %
Finance charges	(1 486 000)	-	(1 486 000)	-	-	(1 486 000)	(12 949 662)	-	(11 463 662)	871 %	871 %
Transfers and grants	(4 392 000)	(7 796 000)	(12 188 000)	-	-	(12 188 000)	(13 144 340)	-	(956 340)	108 %	299 %
Other expenditure	(146 141 000)	58 918 000	(87 223 000)	-	-	(87 223 000)	(43 912 446)	-	43 310 554	50 %	30 %
<b>Total expenditure</b>	<b>(342 194 000)</b>	<b>51 122 000</b>	<b>(291 072 000)</b>	-	-	<b>(291 072 000)</b>	<b>(267 817 039)</b>	-	<b>23 254 961</b>	<b>92 %</b>	<b>78 %</b>
<b>Surplus/(Deficit)</b>	<b>(2 599 000)</b>	<b>6 779 000</b>	<b>4 180 000</b>	-	-	<b>4 180 000</b>	<b>34 909 032</b>	-	<b>30 729 032</b>	<b>835 %</b>	<b>(1 343)%</b>

## West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2019

### 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
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	254 590	-	254 590	- %	- %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(2 599 000)</b>	<b>6 779 000</b>	<b>4 180 000</b>	-	-	<b>4 180 000</b>	<b>35 163 622</b>	-	<b>30 983 622</b>	- %	<b>(1 353)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(2 599 000)</b>	<b>6 779 000</b>	<b>4 180 000</b>	-	-	<b>4 180 000</b>	<b>35 163 622</b>	-	<b>30 983 622</b>	- %	<b>(1 353)%</b>
<b>Cash flows</b>											
Net cash from (used) operating	51 438 000	(42 647 000)	8 791 000	-	-	8 791 000	24 442 004	-	15 651 004	- %	48 %
Net cash from (used) investing	(43 277 000)	43 277 000	-	-	-	-	(35 257)	-	(35 257)	DIV/0 %	- %
Net cash from (used) financing	-	-	-	-	-	-	(15 547 021)	-	(15 547 021)	- %	- %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8 161 000</b>	<b>630 000</b>	<b>8 791 000</b>	-	-	<b>8 791 000</b>	<b>8 859 726</b>	-	<b>68 726</b>	<b>101 %</b>	<b>- %</b>
Cash and cash equivalents at the beginning of the year	(126 400 000)	120 046 000	(6 354 000)	-	-	(6 354 000)	(6 113 053)	-	240 947	- %	- %
<b>Cash and cash equivalents at year end</b>	<b>(118 239 000)</b>	<b>120 676 000</b>	<b>2 437 000</b>	-	-	<b>2 437 000</b>	<b>2 746 673</b>	-	<b>(309 673)</b>	<b>113 %</b>	<b>- %</b>

# West Rand District Municipality

(Registration number DC48)

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Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2018</b>				
<b>Financial Performance</b>				
Service charges				3 783 604
Investment revenue				954 005
Transfers recognised - operational				252 905 775
Other own revenue				26 812 543
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>284 455 927</b>
Employee costs	-	-	-	(171 856 363)
Remuneration of councillors	-	-	-	(13 134 026)
Debt impairment	-	-	-	(5 523 032)
Depreciation and asset impairment	-	-	-	(86 630 085)
Finance charges	-	-	-	(9 518 001)
Transfers and grants	-	-	-	(13 972 195)
Other expenditure	-	-	-	(93 651 279)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(394 284 981)</b>
<b>Surplus/(Deficit)</b>				<b>(109 829 054)</b>
Transfers recognised - capital				10 690 440
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>(99 138 614)</b>
<b>Surplus/(Deficit) for the year</b>				<b>(99 138 614)</b>

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 Significant judgements and sources of estimation uncertainty

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

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 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.

### 1.6 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.

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

### 1.7 Property, plant and equipment

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

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

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

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.7 Property, plant and equipment (continued)

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:

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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.

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.

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. 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.

### 1.8 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.

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:

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

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# West Rand District Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Investments in controlled entities

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

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

### 1.10 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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.

# West Rand District Municipality

(Registration number DC48)

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.10 Financial instruments (continued)

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.

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

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

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

Financial instruments at 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.

#### 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:

<b>Class</b>	<b>Category</b>
Long term receivables	Financial asset measured at cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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:

<b>Class</b>	<b>Category</b>
Trade and other payables	Financial liability measured at amortised cost
Transfers payable (non-exchange)	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

### 1.11 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.

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### 1.11 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.

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.

### 1.12 Inventories

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

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

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

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

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

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

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

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

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### 1.12 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.

### 1.13 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.

### Designation

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

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

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

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

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### 1.13 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.

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.

#### 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.

### 1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.15 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.

### 1.16 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.

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### 1.16 Provisions and contingencies (continued)

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

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

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. 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 42.

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

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### 1.16 Provisions and contingencies (continued)

- 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
- 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.

### 1.17 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.

### 1.18 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.

#### 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.

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### 1.18 Revenue from exchange transactions (continued)

#### 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.

### 1.19 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.

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.

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### 1.19 Revenue from non-exchange transactions (continued)

#### 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.

#### Grants and subsidies in-kind

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

### 1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

### 1.21 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.

### 1.22 Fruitless and wasteful expenditure

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

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### 1.22 Fruitless and wasteful expenditure (continued)

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.

### 1.23 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.

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.

### 1.24 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.

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### 1.24 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.

### 1.25 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.

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#### 2. New standards and interpretations

##### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

#### 3. Inventories

Consumable stores	99 093	178 505
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#### 4. Receivables from exchange transactions

Contributions from local municipalities	28 925 800	23 125 800
Other consumer debtors	5 999 946	6 380 824
Fire debtors	3 691 801	3 424 285
Impairment of Receivables	(7 947 610)	(7 105 790)
	<b>30 669 937</b>	<b>25 825 119</b>

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### 4. Receivables from exchange transactions (continued)

#### Trade and other receivables impaired

As of 30 June 2019, trade and other receivables of R 38 617 547 (2018: R 32 930 909) were impaired and provided for.

The amount of the provision was R (7 947 610) as of 30 June 2019 (2018: R (7 105 790)).

The above impairment relates to impairment assessment made to consumer and fire debtors. Debt to constituent municipalities is considered to be of a different risk profile compared to consumer and fire debtors.

The ageing of these receivables is as follows:

3 to 6 months	807 610	426 630
Over 6 months	7 140 000	6 679 160

### 5. VAT receivable

VAT	4 188 821	6 585 979
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The amount relates to amounts receivable from SARS as at 30 June 2019.

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 505	398
Bank balances	2 736 202	-
Short-term deposits	2 966	2 966
Overnight Bank facility	-	(6 116 417)
	<b>2 746 673</b>	<b>(6 113 053)</b>
Current assets	2 746 673	-
Current liabilities	-	(6 113 053)
	<b>2 746 673</b>	<b>(6 113 053)</b>

#### The municipality had the following cash and cash equivalents accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
First National bank - corporate favourable/ (unfavourable) balance	2 438 145	-	-	2 449 266	-	-
Standard bank - corporate favourable/ (unfavourable) balance	47 183	(6 356 424)	2 141 764	287 203	(6 116 289)	2 531 511
Standard bank Call account	2 967	2 967	149 723	2 966	2 967	149 723
VBS Overnight facility	-	-	(22 000 000)	-	-	(22 000 000)
VBS Fixed deposit	-	76 114 645	-	-	-	-
Heritage Account	-	(93)	(139)	-	(93)	(139)
Petty Cash - Account	-	-	-	7 205	398	750
Cash float	-	-	-	-	-	300
<b>Total</b>	<b>2 488 295</b>	<b>69 761 095</b>	<b>(19 708 652)</b>	<b>2 746 640</b>	<b>(6 113 017)</b>	<b>(19 317 855)</b>

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### 7. Biological assets that form part of an agricultural activity

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - Flowers	331 058	-	331 058	338 212	-	338 212

#### Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	338 212	(7 154)	331 058

#### 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

### Non-financial information

#### Quantities of each biological asset

Biological assets - Flowers	214 080	239 160
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The municipality performed a physical verification of all biological assets at 30 June 2019

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

#### 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.

### 8. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 600 000	-	5 600 000	5 100 000	-	5 100 000

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#### 8. Investment property (continued)

##### Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	5 100 000	500 000	5 600 000

##### Reconciliation of investment property - 2018

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

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 2019. 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:

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#### 9. Property, plant and equipment

	2019			2018		
	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	(25 975 862)	11 553 369	37 529 231	(24 356 747)	13 172 484
Plant and machinery	4 542 347	(4 301 297)	241 050	4 542 347	(4 195 303)	347 044
Furniture and fixtures	4 759 999	(4 240 370)	519 629	4 755 652	(4 063 300)	692 352
Motor vehicles	13 744 595	(12 311 346)	1 433 249	13 744 595	(11 420 450)	2 324 145
Infrastructure	8 684 377	(4 518 507)	4 165 870	8 684 377	(3 984 636)	4 699 741
Security measures	5 061 649	(4 874 921)	186 728	5 061 649	(4 741 001)	320 648
Emergency equipments	3 464 909	(3 340 402)	124 507	3 464 909	(3 252 026)	212 883
Other property, plant and equipment	20 340	(18 059)	2 281	20 340	(17 493)	2 847
Electrical equipment	152 259	(71 056)	81 203	152 259	(62 598)	89 661
Office equipment	12 421 292	(11 621 230)	800 062	12 149 822	(11 068 826)	1 080 996
Finance lease fire engines and rescue vehicles	34 763 519	(4 320 191)	30 443 328	34 763 519	(2 582 015)	32 181 504
Leased Computer equipment	203 405	(194 838)	8 567	203 405	(125 651)	77 754
Specialised vehicles	4 978 139	(2 163 807)	2 814 332	4 978 139	(1 611 977)	3 366 162
Community Facilities	9 757 656	(4 700 005)	5 057 651	9 757 656	(3 964 347)	5 793 309
<b>Total</b>	<b>141 508 718</b>	<b>(82 651 891)</b>	<b>58 856 827</b>	<b>141 232 901</b>	<b>(75 446 370)</b>	<b>65 786 531</b>

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#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Land	1 425 001	-	-	1 425 001
Buildings	13 172 484	-	(1 619 115)	11 553 369
Plant and machinery	347 044	-	(105 994)	241 050
Furniture and fixtures	692 352	4 347	(177 070)	519 629
Motor vehicles	2 324 145	-	(890 896)	1 433 249
Infrastructure	4 699 741	-	(533 871)	4 165 870
Security measures	320 648	-	(133 920)	186 728
Emergency equipment	212 883	-	(88 376)	124 507
Other property, plant and equipment	2 847	-	(566)	2 281
Electrical equipment	89 661	-	(8 458)	81 203
Office equipment	1 080 996	271 470	(552 404)	800 062
Finance lease fire engines and rescue vehicles	32 181 504	-	(1 738 176)	30 443 328
Leased Computer equipment	77 754	-	(69 187)	8 567
Specialised vehicles	3 366 162	-	(551 830)	2 814 332
Community facilities	5 793 309	-	(735 658)	5 057 651
	<b>65 786 531</b>	<b>275 817</b>	<b>(7 205 521)</b>	<b>58 856 827</b>

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#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	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	1 011 180	1 183	(18 034)	(301 977)	692 352
Motor vehicles	4 831 396	-	(242 660)	(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)	(232 351)	212 883
Other property, plant and equipment	26 435	-	(7 474)	(16 114)	2 847
Electrical equipment	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	33 919 680	-	-	(1 738 176)	32 181 504
Leased Computer equipment	146 941	-	-	(69 187)	77 754
Specialised vehicles	4 026 193	-	-	(660 031)	3 366 162
Community Facilities	6 635 972	-	-	(842 663)	5 793 309
	<b>76 560 267</b>	<b>14 340</b>	<b>(288 305)</b>	<b>(10 499 771)</b>	<b>65 786 531</b>

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 assets which have been fully depreciated in accordance with GRAP 17.

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### 10. Intangible assets

	2019			2018		
	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	(2 716 409)	3

#### Reconciliation of intangible assets - 2019

	Opening balance	Total
Computer software	3	3

#### Reconciliation of intangible assets - 2018

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

### 11. Investments in controlled entities

Name of company	Held by	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
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.

### 12. 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.

#### Study assistance

Outstanding balance as at 30 June 2019	254 916	558 478
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Figures in Rand	2019	2018
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	13 470 420	13 355 458
- in second to fifth year inclusive	-	13 470 420
	<b>13 470 420</b>	<b>26 825 878</b>
less: future finance charges	(375 558)	(2 138 479)
<b>Present value of minimum lease payments</b>	<b>13 094 862</b>	<b>24 687 399</b>
<b>Present value of minimum lease payments due</b>		
- within one year	13 094 862	11 592 537
- in second to fifth year inclusive	-	13 094 862
	<b>13 094 862</b>	<b>24 687 399</b>
Non-current liabilities	-	13 094 862
Current liabilities	13 094 862	11 592 537
	<b>13 094 862</b>	<b>24 687 399</b>

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

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

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.

### 14. Payables from exchange transactions

Trade payables	45 133 559	59 140 165
Debtors with credit balances	463 383	426 886
Salaries payable	190 995	14 544 382
Leave payable	24 375 581	18 314 614
Stock in transit	14 096	14 096
	<b>70 177 614</b>	<b>92 440 143</b>

### 15. Transfers payable (non-exchange)

Transfers payable	30 444 344	30 444 344
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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. The funds were withheld with VBS Mutual Bank which was placed under curatorship from 11 March 2018.

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Figures in Rand	2019	2018
<b>16. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Fire brigade service grant (3)	20 108 423	-
Gauteng Department of Agriculture And Rural Development (1)	5 633 395	2 000 000
Disaster management grant (4)	7 876 550	-
Neighborhood development partnership grant (2)	14 196 560	42 586 560
	<b>47 814 928</b>	<b>44 586 560</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	44 586 560	-
Additions during the year	276 412 000	308 182 775
Income recognition during the year	(273 183 632)	(263 596 215)
	<b>47 814 928</b>	<b>44 586 560</b>

(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. Further R4 million was received during the year under review (2018/2019), however the funds were not sufficient to cover the scope required to operationalise the milling plant. Therefore the funds were returned back to Provincial government revenue fund net of the electricity and security cost incurred between 1 July 2018 to June 2019.

(2) The funds are withheld with VBS Mutual Bank which is presently under curatorship from 11 March 2018. The Municipality entered into a repayment arrangement with National Treasury which the amounts unspent were offset in three equal installment against equitable share. The last installment of R14.1 million was paid in July 2019.

(3) This grant was transferred on May 2019 and is utilised to subsidise fire and rescue service operations since the fire services function is an unfunded mandate. In terms of the agreement between Cogta and the Municipality this is a multi-year grant. This assisted the municipality in making payments for specialised vehicles (fire engines and mini rescue vehicles) acquired through finance lease and to finance other operational requirements.

(4) This grant was transferred to the municipality on June 2019 and is used to assist with the disaster management issues within West Rand region. In terms of the agreement between Cogta and the Municipality this is a multi-year grant.

See note 26 for reconciliation of grants from National/Provincial Government.

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### 17. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Movement	Reversed during the year	Total
Performance Bonus	1 135 660	-	-	(201 593)	934 067
Department of labour assessment provision ^	2 520 038	1 159 070	(900 000)	-	2 779 108
Interest on pension funds	-	205 635	-	-	205 635
	<b>3 655 698</b>	<b>1 364 705</b>	<b>(900 000)</b>	<b>(201 593)</b>	<b>3 918 810</b>

#### 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
	<b>14 288 182</b>	<b>4 145 194</b>	<b>(1 248 431)</b>	<b>(13 529 247)</b>	<b>3 655 698</b>

^ The Department of Labour introduced 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 1% of basic earnings.

#### Long service award provision reconciliation

Opening balance	-	12 240 674
Benefits paid	-	(906 427)
Current service costs	-	834 206
Interest costs	-	1 047 905
Actuarial (gains)/ losses	-	312 889
Reversed during the year	-	(13 529 247)
	-	-

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>18. Employee benefit obligations</b>		
Post-Retirement Medical Obligation (Non-Current)	53 786 591	54 927 163
Post-Retirement Medical Plan Obligation (Current)	2 494 905	1 666 873
	<b>56 281 496</b>	<b>56 594 036</b>

### Defined benefit plan

An actuarial valuation has been performed of the liability in respect of post-employment medical aid benefits to employees and retirees of the WRDM, and to their registered dependants as at 30 June 2019. 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	56 594 036	51 940 686
Benefits paid	(1 666 873)	(1 565 525)
Net expense recognised in the statement of financial performance	1 354 333	6 218 875
	<b>56 281 496</b>	<b>56 594 036</b>

### Net expense recognised in the statement of financial performance

Current service cost	2 886 074	2 818 958
Interest cost	9 243 129	5 079 982
Actuarial (gains) losses	(10 774 870)	(1 680 065)
	<b>1 354 333</b>	<b>6 218 875</b>

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### 18. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,69 %	9,80 %
Health care cost inflation	7,99 %	7,66 %
Consumer price inflation	6,49 %	6,16 %
Net discount rate	2,50 %	1,99 %

#### 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 10.69% 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 2019.

#### 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.

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<b>18. Employee benefit obligations (continued)</b>		
<b>Other assumptions</b>		
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:		
	<b>One percentage point increase</b>	<b>One percentage point decrease</b>
Effect on the aggregate of the service cost and interest cost	10 313 894	7 355 424
Effect on defined benefit obligation	65 713 010	48 670 801
	<b>2019 R</b>	<b>2018 R</b>
Defined benefit obligation	56 281 496	56 594 036
	<b>2017 R</b>	<b>2016 R</b>
	51 940 686	53 364 877
	<b>2015 R</b>	<b>2014 R</b>
	59 400 737	59 400 737
<b>19. Service charges</b>		
Electricity on properties rented out	592 096	654 786
Fire and rescue services	1 251 099	3 046 184
Other service charges	-	82 634
	<b>1 843 195</b>	<b>3 783 604</b>
<b>20. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities (Shops and BP garage)	1 388 155	1 358 030
Parking spaces	178 114	164 080
	<b>1 566 269</b>	<b>1 522 110</b>
<b>21. Licences and permits (exchange)</b>		
Atmospheric air quality licensing	421 739	287 567
<b>22. Recoveries</b>		
Funds recovered from MGF pension fund	5 226	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.		
<b>23. Other income</b>		
Reversal of long service award provision	-	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.

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Figures in Rand	2019	2018
<b>24. Operating income</b>		
Sundry income	-	2 632
Contributions from local municipalities (1)	13 300 000	7 500 000
Sale of plants	1 234	9 193
LG Seta Grant	189 145	447 306
	<b>13 490 379</b>	<b>7 959 131</b>

(1) Contribution to local municipalities relates to contributions made on regional transformation supporting West Rand region to become Metro in future.

#### 25. Interest received - favourable bank balance

<b>Interest revenue</b>		
Bank	411 298	954 005

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<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	34 742 000	31 607 999
RSC Replacement grant	163 265 000	161 579 000
Expanded public works programme	1 105 000	1 000 000
Financial management grant	1 000 000	1 250 000
Rural asset management grant	2 594 000	2 589 000
Fire brigade service grant	57 391 577	15 000 000
Disaster management grant	2 123 450	-
HIV/AIDS grant	7 796 000	7 424 120
Network Libraries	2 800 000	2 800 000
Distressed mining town grant	-	29 655 656
Gauteng Department of Agriculture And Rural Development	366 605	-
	<b>273 183 632</b>	<b>252 905 775</b>
<b>Capital grants</b>		
Neighborhood Development partnership grant	-	10 690 440
	<b>273 183 632</b>	<b>263 596 215</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received in the Municipality's bank account:		
Conditional grants received	75 176 632	70 409 215
Unconditional grants received	198 007 000	193 187 000
	<b>273 183 632</b>	<b>263 596 215</b>
<b>Expanded public works programme</b>		
Current-year receipts	1 105 000	1 000 000
Conditions met - transferred to revenue	(1 105 000)	(1 000 000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
The grant used for Labour Intensive programmes as outlined by National Government.		
<b>Financial management grant</b>		
Current-year receipts	1 000 000	1 250 000
Conditions met - transferred to revenue	(1 000 000)	(1 250 000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
The grant is used to promote and support reforms in financial management by building capacity in the municipality.		

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Figures in Rand	2019	2018
<b>26. Government grants and subsidies (continued)</b>		
<b>RSC Replacement grant</b>		
Current-year receipts	134 875 000	161 579 000
Recoupment of NDPG grant by National Treasury	28 390 000	(161 579 000)
Conditions met - transferred to revenue	(163 265 000)	-
	-	-
The grant used as revenue adjustment factor as the district does not collect own revenue from service levies.		
The Municipality entered into a repayment arrangement with National Treasury which the amounts unspent were offset in three equal installment against equitable share. The last installment of R14.1 million was paid in July 2019.		
<b>HIV/AIDS grant</b>		
Current-year receipts	7 796 000	7 424 120
Conditions met - transferred to revenue	(7 796 000)	(7 424 120)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Grant is utilised to finance HIV/AIDS project campaigns at the WRDM and its Local Municipalities.		
<b>Network Libraries</b>		
Current-year receipts	2 800 000	2 800 000
Conditions met - transferred to revenue	(2 800 000)	(2 800 000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
This grant is used to assist with wireless connection and hardware of libraries within the West Rand region.		
<b>Rural asset management grant</b>		
Current-year receipts	2 594 000	2 589 000
Conditions met - transferred to revenue	(2 594 000)	(2 589 000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
This grant is used to improve asset management at rural and farming areas.		
<b>Fire brigade service grant</b>		
Conditions met - transferred to revenue	77 500 000	15 000 000
Other	(57 391 577)	(15 000 000)
	<b>20 108 423</b>	-

Conditions still to be met - remain liabilities (see note 16).

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 and to finance other operational requirements.

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### 26. Government grants and subsidies (continued)

#### Gauteng Department of Agriculture And Rural Development (GDARD)

Balance unspent at beginning of year	2 000 000	-
Current-year receipts	4 000 000	2 000 000
Conditions met - transferred to revenue	(366 605)	-
	<b>5 633 395</b>	<b>2 000 000</b>

Conditions still to be met - remain liabilities (see note 16).

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

#### Disaster management grant

Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(2 123 450)	-
	<b>7 876 550</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).

This grant is used to assist with the disaster management issues within West Rand region.

#### Neighborhood Development partnership grant

Balance unspent at beginning of year	42 586 560	-
Current-year receipts	-	53 277 000
Conditions met - transferred to revenue	-	(10 690 440)
Recoupment through equitable share/ RSC levy grant	(28 390 000)	-
	<b>14 196 560</b>	<b>42 586 560</b>

Conditions still to be met - remain liabilities (see note 16).

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

### 27. Public contributions and donations

Donation of Office equipment	254 590	-
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# West Rand District Municipality

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Figures in Rand	2019	2018
<b>28. Employee related costs</b>		
Basic	109 428 052	111 147 980
Bonus	8 072 941	7 605 304
Medical aid - company contributions	11 267 236	11 007 651
UIF	842 412	113 805
SDL	1 110 183	1 044 934
Leave pay provision charge	6 708 731	1 924 192
Pension fund contribution	19 922 022	18 050 489
Group Insurance	1 838 851	1 660 000
Travel, motor car, accommodation, subsistence and other allowances	5 475 486	6 737 675
Overtime payments	4 839 478	4 761 938
Acting allowances	578 648	-
Housing benefits and allowances	935 496	1 087 476
Standby and night shift allowance	2 798 017	2 913 774
Industrial council levy	39 534	6 503
Current service cost (Post retirement medical aid)	2 886 074	3 794 642
	<b>176 743 161</b>	<b>171 856 363</b>

### Remuneration of Municipal Manager (M.D. Mokoena)

Annual Remuneration	1 304 560	1 313 772
Car Allowance	236 000	126 000
Performance Bonuses	-	347 428
Other	14 934	19 002
	<b>1 555 494</b>	<b>1 806 202</b>

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

### Remuneration of Chief Financial Officer (R. Mohaudi)

Annual Remuneration	1 440 564	1 330 620
Car Allowance	240 000	240 000
Other	16 326	15 226
	<b>1 696 890</b>	<b>1 585 846</b>

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

Annual Remuneration	129 047	1 438 620
Car Allowance	11 000	132 000
Performance Bonuses	-	108 705
Leave pay	107 556	-
Other	2 171	13 025
	<b>249 774</b>	<b>1 692 350</b>

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

The contract for Executive manager: Regional and economic development ended on 31 August 2018.

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## Notes to the Annual Financial Statements

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### 28. Employee related costs (continued)

#### Executive Manager: Corporate Services (R Mokebe)

Annual Remuneration	983 340	900 948
Car Allowance	276 000	276 000
Other	12 147	11 316
	<b>1 271 487</b>	<b>1 188 264</b>

#### Executive Manager: Health & Social Services (MM Mazibuko)

Annual Remuneration	1 043 340	960 948
Car Allowance	216 000	216 000
Other	11 133	11 568
	<b>1 270 473</b>	<b>1 188 516</b>

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

Annual Remuneration	1 043 340	960 948
Car Allowance	216 000	216 000
Performance Bonuses	-	108 705
Other	12 267	12 524
	<b>1 271 607</b>	<b>1 298 177</b>

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

### 29. Remuneration of councillors

Executive Mayor	936 877	836 633
Mayoral Committee Members	5 578 280	5 397 551
Speaker	826 128	823 225
Councillors	5 678 806	6 076 617
	<b>13 020 091</b>	<b>13 134 026</b>

#### 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.

### 30. Depreciation

Property, plant and equipment	7 205 520	10 515 440
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Figures in Rand 2019 2018

### 31. Impairment of assets

#### Impairments

VBS Mutual Bank Investments - 76 114 645

VBS Mutual 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.

### 32. Interest costs and penalties

Finance leases	1 762 922	2 659 608
Bank	147 778	1 643 781
Interest cost	9 243 129	5 079 982
Late payment of tax	1 590 198	-
Interest on late payments of pension funds	205 635	-
	<b>12 949 662</b>	<b>9 383 371</b>

### 33. Lease rentals on operating lease

#### Motor vehicles

Contractual amounts 7 459 646 7 260 210

#### Equipment

Contractual amounts 1 262 218 1 572 930

**8 721 864 8 833 140**

### 34. Debt impairment and bad debts write off

Contributions to debt impairment provision 841 819 5 523 032

Contributions to debt impairment provision relates to movement in doubtful debts provision on consumer debtors and fire debtors. Refer to note 4 (Receivables from exchange transactions) on assumptions used to determine provision.

### 35. Contracted services

#### Outsourced Services

Engineering services - 2 008 134

Business and Advisory 5 473 082 6 318 069

Catering Services - 8 000

Security Services 5 789 876 8 957 878

#### Consultants and Professional Services

Business and Advisory 2 578 044 1 396 483

Legal Cost 2 813 767 876 245

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>35. Contracted services (continued)</b>		
<b>Contractors</b>		
Cultural festival	-	10 511 160
Maintenance of Buildings and Facilities	-	64 790
Maintenance of Equipment	159 360	-
Maintenance of vehicles	426 918	391 428
Paving of side walks	-	3 381 175
Distressed mining towns	-	25 974 260
	<b>17 241 047</b>	<b>59 887 622</b>
<b>36. Transfers and subsidies</b>		
<b>Grants paid to ME's</b>		
WRDA Subsidy	4 400 000	4 400 000
GDARD (Operationalize Milling plant)	-	2 000 000
	<b>4 400 000</b>	<b>6 400 000</b>
<b>Other subsidies</b>		
Subsidy: Pensioners medical aid	982 210	208 383
Local Municipalities HIV/ Aids Subsidy	7 741 800	7 315 292
Bereavement subsidy	20 330	48 520
	<b>8 744 340</b>	<b>7 572 195</b>
	<b>13 144 340</b>	<b>13 972 195</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>37. Fair value adjustments</b>		
Investment property (Fair value model)	500 000	420 000
Biological assets - (Fair value model)	(7 153)	(773 919)
	<b>492 847</b>	<b>(353 919)</b>
<b>38. Operating costs</b>		
Advertising	190 319	384 021
Auditors remuneration	2 555 941	2 685 931
Bank charges	166 743	76 380
Insurance	3 362 982	3 164 837
Community development and training	-	605 748
Conferences and seminars	-	71 617
Municipal Levies	5 107 136	5 125 138
Membership fees	965 850	1 806 439
Fuel and oil	909 719	1 619 460
Royalties and license fees	131 969	52 226
Software expenses	2 421 975	4 608 533
Telephone and fax	804 862	1 266 400
Training	-	627 773
Travel - local	6 638	70 458
Uniforms and protective clothing	-	55 405
Stock and material	166 331	502 027
	<b>16 790 465</b>	<b>22 722 393</b>
<b>39. Cash generated from operations</b>		
Surplus (deficit)	35 062 489	(99 138 614)
<b>Adjustments for:</b>		
Depreciation and amortisation	7 205 520	10 515 440
Movement on WCA	1 159 070	1 854 205
Fair value adjustments	(492 847)	353 919
Debt impairment	841 819	5 523 032
Movements in retirement benefit assets and liabilities	(312 540)	4 653 350
Movements in provisions	57 477	(10 632 484)
Other non-cash item	2 260 423	(10 025 336)
Additions-donations	(240 560)	-
<b>Changes in working capital:</b>		
Inventories	79 412	210 365
Receivables from exchange transactions	(4 844 818)	10 999 913
Long term receivables	303 562	496 337
Payables from exchange transactions	(22 262 529)	34 656 753
VAT	2 397 158	4 161 540
Transfers payable (non exchange)	-	30 444 344
Unspent conditional grants and receipts	3 228 368	44 586 560
	<b>24 442 004</b>	<b>28 659 324</b>

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### 40. Financial instruments disclosure

#### Categories of financial instruments

#### 2019

##### Financial assets

	At amortised cost	At cost	Total
Long term receivables	-	254 915	254 915
Trade and other receivables from exchange transactions	30 669 937	-	30 669 937
Cash and cash equivalents	2 746 674	-	2 746 674
	<b>33 416 611</b>	<b>254 915</b>	<b>33 671 526</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(70 177 615)	(70 177 615)
Transfers payable (non-exchange)	(30 444 344)	(30 444 344)
Unspent conditional grants and receipts	(47 814 928)	(47 814 928)
	<b>(148 436 887)</b>	<b>(148 436 887)</b>

#### 2018

##### Financial assets

	At amortised cost	At cost	Total
Long term receivables	-	558 478	558 478
Trade and other receivables from exchange transactions	25 825 119	-	25 825 119
	<b>25 825 119</b>	<b>558 478</b>	<b>26 383 597</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(92 449 145)	(92 449 145)
Transfers payable (non-exchange)	(30 444 344)	(30 444 344)
Long term receivables	(6 113 053)	(6 113 053)
Unspent conditional grants and receipts	(44 586 560)	(44 586 560)
	<b>(173 593 102)</b>	<b>(173 593 102)</b>

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## Notes to the Annual Financial Statements

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Figures in Rand	2019	2018
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### 41. Commitments

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	5 608 221	5 608 221
- in second to fifth year inclusive	-	5 608 221
	<b>5 608 221</b>	<b>11 216 442</b>

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The operating lease commitments relates to the municipal vehicles.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	1 542 003	1 038 388
- in second to fifth year inclusive	4 009 174	4 103 276
	<b>5 551 177</b>	<b>5 141 664</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>42. Contingencies</b>		
Izak Smal (Up & Under Motors) <i>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.</i>	-	9 655 700
Zoliswa Patricia Ndaba <i>Notice in terms of Section 3 of the Institution of Legal Proceedings against Organs of State Act 40 of 2002 received. Claim for injury due to hazard on pavement. Claimant informed that WRDM not responsible for pavements and claim must be referred to Randfontein LM. No further information received as at date of submission of AFS.</i>	1 075 000	-
ES du Toit <i>Motor vehicle accident. However, WRDM erroneously cited as neither the vehicle nor the driver has any relation to the WRDM. Plaintiff served a combined summons on the WRDM</i>	15 710	-
Municipal employees - Long Service Awards <i>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.</i>	-	13 529 247
<i>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.</i>		
<i>The matter was ruled in favor of the municipality during 2018/19.</i>		
Matshido Catharine Lieta <i>Plaintiff claiming for damages after falling into an open access hole on the pavement in Westonaria.</i>	-	2 500 000
WE Delpont t/a Henico motors <i>Plaintiff claiming outstanding rental for property rented as Fochville fire station in terms of a lease agreement (January to May 2018)</i>	191 177	-
Nwabisa Mzayiya <i>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.</i>	-	850 000
IMATU obo its members <i>Dispute regarding the implementation of WRDM locomotion allowance.</i>	-	5 000 000
SI Analytics (Pty) Ltd <i>Contractual Plaintiff claiming outstanding money for services rendered to WRDM in terms of the service level agreement.</i>	-	107 046
	<b>1 281 887</b>	<b>31 641 993</b>

### 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 municipality 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.

The Municipality successfully lodged a claim on February 2019 against the R76 million funds which were impaired in 2017/2018 financial year.

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 43. Related parties

#### Relationships

Accounting Officer

Controlled entities

Members of key management

Refer to accounting officer's report note

Refer to note 11

M.D. Mokoena: Accounting Officer

R. Mohaudi : Chief Financial Officer

R. Mokebe: Executive Manager - Corporate Services

M.E. Koloi : Executive Manager - Public Safety

M.E. Koloi : Acting Executive Manager - Regional and Economic Development

M.M Mazibuko : Executive Manger - Health & Social Services

H. Hamer : Executive Manager - Regional and Economic Development

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 28 and have been accounted for in terms of GRAP 20.

#### Related party balances

##### Amounts included in Trade Payable regarding related parties

West Rand Development Agency	2 200 000	5 260 125
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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. The R2.2 million relates to the subsidy outstanding at year-end.

#### Related party transactions

##### Subsidy receivable to related parties

West Rand Development Agency	2 200 000	-
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##### Subsidy paid to related party

West Rand Development Agency	2 200 000	4 400 000
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##### Grants transferred to related parties to operationalise Milling plant

West Rand Development Agency	-	2 000 000
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The WRDM has a relationship with Rand West City , Merafong City, and Mogale City Local Municipalities and the WRDA which has resulted in the transfers by the WRDM during the 2018/19 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.

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## Notes to the Annual Financial Statements

Figures in Rand

### 43. Related parties (continued)

#### Remuneration of other members of management

##### Councillors/Mayoral committee members

2019

Name	Basic salary	Cellphone allowance	Other benefits received	Total
Ald. B.M Maneli (Executive Mayor)	665 505	40 700	230 672	936 877
Ald. N. Tundzi-Hawu (Speaker)	580 804	44 400	200 923	826 127
Ald. F.O Bhayat (MMC: Financial Services)	316 917	3 600	109 689	430 207
D.D Moreotsenye (MMC: Corporate & Shared Services)	552 845	44 400	190 139	787 384
H.O Butler (MMC: Public Safety)	544 503	44 400	188 842	777 745
S. Konopi (MMC: Transport and Human Settlements)	544 503	44 400	187 277	776 180
Cllr. D.S Thabe (MMC: Infrastructure)	544 503	44 400	187 436	776 339
P. Chabane (MMC: Regional Industrialisation)	350 208	3 600	122 399	476 208
B. Xulu (MMC: Health & Social Services)	544 503	44 400	187 943	776 846
Ald. TP Matuwane (MMC: Environmental Management)	544 503	44 400	188 468	777 372
S.P Monoane (Council Whip)	544 503	44 400	187 277	776 180
V.B. Khumalo (MPAC Chairperson)	190 887	24 000	65 634	280 521
Ald. D.H. Pretorius	227 586	44 400	78 985	350 970
G.S. Isherwood	227 586	44 400	78 985	350 970
Ald. D.B. Blake	227 586	44 400	78 985	350 970
E.P. Du Plessis	227 586	44 400	78 330	350 316
M.N. Ndzilane	227 586	44 400	78 534	350 520
A.L. Rowles-Zwart	227 586	44 400	79 189	351 175
R.T. Molusi	227 586	44 400	79 189	351 175
K. Mandyu	227 586	44 400	78 534	350 520
J.D.H. Du Bruyn	227 586	44 400	78 534	350 520
B.A. Mpeke	44 387	24 000	582	68 969
D.S. David	-	24 000	24 863	48 863
L.A. Mganu	44 387	24 000	582	68 969
M. Ndamase	-	24 000	25 893	49 893

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### Notes to the Annual Financial Statements

Figures in Rand

#### 43. Related parties (continued)

P.S Mapena	29 591	16 000	388	45 979
S. Khenene	44 387	24 000	582	68 969
Ald. J. Zwart	44 387	24 000	582	68 969
A.J. Van Tonder	44 387	24 000	582	68 969
P.C. Orpen-Reid	-	24 000	13 531	37 530
M. Nkoe	44 387	24 000	582	68 969
B. Van der Berg	44 387	24 000	582	68 969
K.E. Lekagane	-	24 000	14 561	38 561
J.N. Kotze	-	24 000	20 742	44 742
W. Segolodi	-	24 000	14 561	38 560
X.L. Mkruquli	-	24 000	14 561	38 560
B.R Mafika	3 699	2 000	48	5 747
W. Njani	3 699	2 000	48	5 747
M. Sello	-	10 000	11 390	21 390
C.P Zagagana	-	14 000	10 383	24 383
B Mahuma	167 118	12 000	57 861	236 979
T Mokuke	40 688	22 000	533	63 220
D Cloete	44 387	24 000	582	68 969
I.E Mukwevho	39 103	21 143	513	60 759
R.B Masemola	39 103	21 143	513	60 759
M.J Selibo	-	24 000	24 863	48 863
V Mhlari	-	14 000	7 292	21 292
L Modise	-	10 000	11 390	21 390
	<b>8 650 555</b>	<b>1 354 986</b>	<b>3 014 554</b>	<b>13 020 091</b>

#### 2018

Name	Basic salary	Cellphone allowance	Other benefits received	Total
Ald. B.M Maneli (Executive Mayor)	726 006	44 400	251 642	1 022 048
Ald. N. Tundzi-Hawu (Speaker)	580 804	44 400	201 196	826 400
S.P Monoane (Council Whip)	544 503	44 400	187 277	776 180
Ald. F.O Bhayat (MMC: Financial Services)	316 918	3 600	109 689	430 207

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### Notes to the Annual Financial Statements

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#### 43. Related parties (continued)

H.O Butler (MMC: Public Safety)	544 503	44 400	188 842	777 745
P. Chabane (MMC: Corporate & Shared Services)	350 208	3 600	121 208	475 016
S. Konopi (MMC: Transport and Human Settlements)	544 503	44 400	187 277	776 180
D.D Moreotsenye (MMC: Infrastructure)	544 503	44 400	187 277	776 180
S.D Thabe (MMC: Regional Industrialisation)	544 503	44 400	187 314	776 217
B. Xulu (MMC: Health & Social Services)	544 503	44 400	188 025	776 928
Ald. TP Matuwane (MMC: Environmental Management)	544 503	44 400	187 277	776 180
Ald. J. Zwart	44 387	24 450	1 550	70 387
C.P. Zagagana	870	23 050	29 053	52 973
Ald. D.H. Pretorius	227 586	44 400	80 988	352 974
G.S. Isherwood	227 586	44 400	78 980	350 966
M.F Chohledi	-	2 850	986	3 836
Ald. D.B. Blake	227 586	44 400	78 980	350 966
E.P. Du Plessis	227 586	44 400	78 326	350 312
M.N. Ndzilane	227 586	44 400	78 534	350 520
A.L. Rowles-Zwart	227 586	44 700	79 192	351 478
R.T. Molusi	227 586	44 400	79 189	351 175
K. Mandyu	227 586	44 400	78 534	350 520
J.D.H. Du Bruyn	227 586	44 400	78 534	350 520
B.A. Mpeke	44 387	24 000	571	68 958
B. Mahuma	334 236	24 000	117 733	475 969
D.S. David	812	24 000	29 191	54 003
L.A. Mganu	44 387	24 000	571	68 958
M. Ndamase	1 102	24 000	39 203	64 305
P.S. Mapena	44 387	24 000	571	68 958
S. Khunene	44 387	24 000	571	68 958
T. Mokuke	44 387	24 000	571	68 958
V.B. Khumalo	1 044	24 000	35 147	60 191
A.J. Van Tonder	44 387	24 000	571	68 958
B Mnguni	-	2 850	986	3 836
B May	-	2 850	14	2 864
D. Cloete	44 387	24 000	571	68 958
M.T Lebe	232	18 000	3 982	22 214
P.C. Orpen-Reid	348	24 000	15 239	39 587
I.E. Mukwevho	44 387	24 000	571	68 958

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#### 43. Related parties (continued)

R.B. Masemola	44 387	24 000	571	68 958
S.E. Baloyi	-	3 800	2 934	6 734
S.A. Mkhumbeni	-	3 800	1 962	5 762
M. Nkoe	44 387	24 000	571	68 958
B. Van der Berg	44 387	24 000	571	68 958
M.J. Selibo	290	19 050	18 762	38 102
K.E. Lekagane	232	19 050	12 233	31 515
J.N. Kotze	290	19 050	17 326	36 666
W. Segolodi	-	16 000	8 329	24 329
X.L. Mkruquli	-	16 000	9 359	25 359
V. Mhlari	2 040	4 000	2 104	8 144
	<b>8 707 871</b>	<b>1 365 500</b>	<b>3 060 655</b>	<b>13 134 026</b>

The Executive Mayor resigned by the 30 May 2019, during the 2018/19 financial year.

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## Notes to the Annual Financial Statements

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### 44. Prior period restatements

#### Statement of financial position (restatements)

The affected restatement is as result of reversal of creditors which were directly paid by National treasury with regard to the paving of side walks and were already accrued into the accounting records.

#### Statement of financial performance (restatements)

The restatement is as a result of understatement in salaries which were not recorded in prior year and accrual of parking fees which were not recognised as revenue. Depreciation for the previous year has been revised based on the updated fixed asset register.

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

Statement of Financial position	As Previously Reported	Change in accounting policy	Re-Classification	Restatement	Restated Balance
VAT receivable	14 521 038	-	-	(7 935 059)	6 585 979
Property, plant and equipment	65 844 469	-	-	(57 938)	65 786 531
Long-term receivables	1 053 768	-	-	(495 290)	558 478
Finance lease obligation	(20 223 245)	-	-	(4 464 154)	(24 687 399)
Payables from exchange transactions	(92 122 375)	-	-	(317 770)	(92 440 145)
Accumulated (surplus)/ deficit	126 011 366	-	-	13 270 211	139 281 577
	<b>95 085 021</b>	-	-	-	<b>95 085 021</b>

Statement of Financial performance	As Previously Reported	Change in accounting policy	Re-Classification	Restatement	Restated Balance
Rental of facilities and equipment	1 358 030	-	-	164 080	1 522 110
Employee related costs	(164 505 102)	-	-	(7 351 261)	(171 856 363)
Remuneration of councillors	(12 323 284)	-	-	(810 742)	(13 134 026)
Depreciation and amortisation	(10 457 502)	-	-	(57 938)	(10 515 440)
Contracted services	(66 364 439)	-	-	6 476 817	(59 887 622)
Interest costs and penalties	(6 768 309)	-	-	(2 615 062)	(9 383 371)
Transfers and subsidies	(13 982 195)	-	-	10 000	(13 972 195)
Operating cost	(23 008 977)	-	-	286 584	(22 722 393)
	<b>(296 051 778)</b>	-	-	<b>(3 897 522)</b>	<b>(299 949 300)</b>

### 45. Events after the reporting date

Any events or transactions which occurred after 30 June 2019 and that require a disclosure or adjustment in the Annual financial statements of West Rand District Municipality were duly accounted for.

### 46. 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.

# West Rand District Municipality

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## Notes to the Annual Financial Statements

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### 47. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R (104 117 952) and that the municipality's total liabilities exceed its assets by R (104 117 894).

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

These events and conditions, along with the other matters as set forth in this note, indicate that a material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern.

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 access funding for the ongoing operations for the municipality from the National and Provincial government.

In December 2016, the office of the MEC responsible for local government in the province 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 Affairs and Human Settlements (GDCOG).

The MEC responsible for Gauteng Provincial Treasury (GPT) 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 its eminent financial problems.

On 22 November 2018 The Gauteng Provincial Executive resolved to intervene in the WRDM in terms of Section 139(5)(a) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) read in conjunction with Section 139 of the MFMA. The intervention focused on the development of a financial recovery plan for the municipality. The implementation of the financial recovery plan, is expected to recover the financial position of the municipality.

The approved Financial Recovery Plan sets out seven strategies for recoveries as follows:

Strategy One : Strengthening Governance

Strategy Two: Organisational restructuring

Strategy Three: Effective human resources management

Strategy Four: Infrastructure and service delivery improvements

Strategy Five: Improve Financial Sustainability, Administration and Controls by focusing on revenue management, rental of municipal facilities, debtors management, supply chain and expenditure management.

Strategy Six: Budget Restructuring

Strategy Seven: Improve Cash Flow Management

It is the municipality's view that the successful implementation of the financial recovery plan will ensure the municipality's continuation into the foreseeable future.

### 48. Unauthorised expenditure

Opening balance as previously reported(1)	51 137 625	51 137 625
<b>Opening balance as restated</b>	<b>51 137 625</b>	<b>51 137 625</b>
Add: Unauthorised Expenditure - current period(2)	28 871 695	-
<b>Closing balance</b>	<b>80 009 320</b>	<b>51 137 625</b>

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### 48. Unauthorised expenditure (continued)

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

(2) The amount relates to unspent conditional grants which were not cash-backed for the year ended 30 June 2019 as a result of the funds being utilised for other operational purposes.

### 49. Fruitless and wasteful expenditure

Opening balance as previously reported	267 783	3 238
<b>Opening balance as restated</b>	<b>267 783</b>	<b>3 238</b>
Add: Fruitless and wasteful Expenditure	1 590 198	264 545
<b>Closing balance</b>	<b>1 857 981</b>	<b>267 783</b>

Fruitless and wasteful expenditure incurred during 2017/2018 and 2018/ 2019 financial years relates to interest and penalties on late payments to SARS.

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.

### 50. Irregular expenditure

Opening balance	10 228 515	14 489 115
Add: Irregular Expenditure - current year *	22 122 853	31 294 656
<b>Opening balance as restated</b>	<b>32 351 368</b>	<b>45 783 771</b>
Less: Amount written off - current	(22 122 853)	(21 066 141)
Less: Amount written off - prior period	-	(14 489 115)
<b>Closing balance</b>	<b>10 228 515</b>	<b>10 228 515</b>

\* Included in the irregular expenditure is an amount of R10,228,515.28 for incorrect calculations on travel allowances for a period of 31 months (1 July 2014 to 28 February 2018). The MPAC has referred the matter to the disciplinary board to determine amongst others the actual amount of irregular expenditure arising from incorrect computations.

### 51. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	1 456 635	1 846 230
Current year subscription / fee	953 350	1 456 635
Amount paid - current year	-	(1 846 230)
	<b>2 409 985</b>	<b>1 456 635</b>

#### Material losses

Opening balance	2 225 001	4 000 000
Amount paid - current year	(5 226)	(1 774 999)
	<b>2 219 775</b>	<b>2 225 001</b>

#### Audit fees

Opening balance	604 105	593 401
Current year subscription / fee	2 514 441	3 061 962
Amount paid - current year	(1 674 886)	(3 051 258)
	<b>1 443 660</b>	<b>604 105</b>

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

#### PAYE and UIF

Opening balance	4 299 856	4 178 611
Current year subscription / fee	26 311 302	27 335 616
Amount paid - current year	(30 611 158)	(27 214 371)
	-	<b>4 299 856</b>

#### Pension and Medical Aid Deductions

Opening balance	8 572 784	2 485 981
Current year subscription / fee	31 189 259	30 716 540
Amount paid - current year	(39 762 043)	(24 629 737)
	-	<b>8 572 784</b>

#### VAT

VAT receivable	4 188 821	6 585 979
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VAT output payables and VAT input receivables are shown in note 5. The municipality is registered for VAT on the cash (payment) basis.

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

#### 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 reported to Council. The expenses incurred as listed hereunder have been approved in compliance with Section 36 of the MSCMR.

#### Incident

Sole Provider	-	56 943
Impractical to follow SCM	60 904	581 112
	<b>60 904</b>	<b>638 055</b>

### 52. 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/she records the reasons for any deviations and reports them to the next meeting of Council and includes a note to the annual financial statements.

### 53. Non-compliance with Laws and Regulations

The municipality did not always comply with the provisions of Section 65(2)(e) of the MFMA which requires that all payments be reasonably made within 30 days. The non compliance is directly attributable to the financial challenges experienced by the municipality.