



CAPE WINELANDS DISTRICT  
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

# ANNUAL FINANCIAL STATEMENTS 2013/2014

## **Vision**

A Unified Cape Winelands of Excellence!

## **Mission**

All structures of the Cape Winelands co-operate together towards effective, efficient and economically sustainable development.

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## **Contact us on:**

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[www.capewinelands.gov.za](http://www.capewinelands.gov.za)

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## General Information

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### Nature of business and principal activities

The Municipality is a local authority that -

- a) Ensures comprehensive and equitable Municipal Health Services within the Cape Winelands;
- b) Ensures co-ordination of multi-disciplinary and sectorial disaster risk reduction through integrated institutional capacity for Disaster Risk Management, Disaster Risk Assessment, Response and Recovery;
- c) Provides effective planning and co-ordination of fire fighting services, prevention activities and training services throughout the Cape Winelands;
- d) Facilitates environmentally sustainable economic development & investment attraction as well as retention through the development and management of strategic partnerships;
- e) Facilitates skills development within the Cape Winelands District Municipality by means of knowledge management and social infrastructure investment;
- f) Facilitates the creation of sustainable jobs within the Cape Winelands through the provision and maintenance of economic infrastructure;
- g) Provides support and shared services to local municipalities to facilitate economic development planning within the Cape Winelands;
- h) Increases access to safe and efficient transport;
- i) Develops integrated and sustainable human settlements;
- j) Integrates service delivery for maximum impact;
- k) Creates opportunities for growth and development in rural areas; and
- l) Empowers vulnerable groups, build human capital, invest in social capital and rural development programmes.

### Mayoral committee

Ald. C.A. DE BRYUN (Executive Mayor)  
Cllr. C. MEYER (Speaker)  
Cllr. H.M. JANSEN (Deputy Executive Mayor)  
Ald. (Dr.) N.E. KAHLBERG  
Cllr. R. B. ARNOLDS  
Cllr. G.J. CARINUS  
Cllr. J.J. DU PLESSIS  
Cllr. X.L. MDEMKA  
Cllr. J.R.F. TORR  
Cllr. H. VON SCHLICHT

### Other Councillors

Cllr. J.J. ABRAHAMS  
Cllr. M.B. APPOLIS  
Cllr. M.N. BUSHWANA (Appointed 13/12/2013)  
Cllr. D.C. BOTHA  
Cllr. C.C. BRINK  
Cllr. W.L. CHAABAN  
Cllr. A. CROMBIE  
Cllr. J.B. CRONJE  
Cllr. C. DAMENS  
Cllr. S.W. DAVIDS (Resigned 20/05/2014)  
Cllr. Z.L. GWADA  
Cllr. N.D. HANI  
Cllr. D.A. HENDRICKSE  
Cllr. P. HERADIEN  
Cllr. D.B. JANSE  
Cllr. X. KALIPA

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## General Information

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	Cllr. B.J. KRIEGLER
	Cllr. P. MARRAN
	Cllr. J. MATTHEE
	Cllr. C. MCAKO
	Cllr. S.J. MEI (Resigned 19/05/2014)
	Cllr. J.S. MOUTON
	Cllr. L.W. NIEHAUS
	Cllr. S.W. NYAMANA
	Cllr. S. ROSS
	Cllr. L.N. SIKWAMISA
	Cllr. G. STALMEESTER
	Cllr. M.S. TAYITAYI
	Cllr. J.D.F. VAN ZYL
	Cllr. M.H. YABO
	Cllr. D.D. JOUBERT (Appointed 05/09/2013)
	Cllr. A.F. AFRICA (Appointed 12/06/2014)
	Cllr. E.S.C. MANEL (Appointed 13/06/2014)
<b>Grading of local authority</b>	GRADE 4
<b>Accounting Officer</b>	M. MGAJO
<b>Chief Financial Officer</b>	F.A. DU RAAN- GROENEWALD
<b>Registered office</b>	46 ALEXANDER STREET STELLENBOSCH 7600
<b>Postal address</b>	P.O. BOX 100 STELLENBOSCH 7599
<b>Telephone</b>	0861 265 263
<b>Bankers</b>	AMALGAMATED BANKS OF SOUTH AFRICA (ABSA)
<b>Auditors</b>	AUDITOR GENERAL OF SOUTH AFRICA (AGSA)

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Index

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Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 11
Accounting policies	12 - 25
Notes to the Financial Statements	26 - 61

### Abbreviations

CRR	Capital Replacement Reserve
GRAP	Standards of Generally Recognised Accounting Practice
IAS	International Accounting Standards
PRMA	Post- retirement Medical Aid
PPE	Property, Plant and Equipment
MFMA	Municipal Finance Management Act (Act no. 56 of 2003)

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## 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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year until 30 June 2015 and, in the light of this review and the current financial position, is satisfied that the municipality 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, the accounting officer is supported by the municipality's internal auditors.

The external auditors are responsible for auditing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2014.

  
Accounting Officer  
M. Mgajo

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# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	4	5,780,814	2,305,816
Other receivables from exchange transactions	5	8,703,494	6,639,815
Receivables from non-exchange transactions	6	664	-
VAT receivable	38	1,179,227	574,446
Trade receivables from exchange transactions	7	158,321	537,818
Cash and cash equivalents	8	457,234,295	428,987,329
		<b>473,056,815</b>	<b>439,045,224</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	200,627,830	211,084,626
Intangible assets	3	1,012,423	943,707
		<b>201,640,253</b>	<b>212,028,333</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance leases	11	106,243	84,603
Operating lease liability	28	12,584	-
Trade and other payables from exchange transactions	14	10,935,549	12,886,887
Trade and other payables from non-exchange transactions	15	-	10,386,113
Conditional grants	12	7,094,979	5,276,773
Employee benefits	13	21,446,612	18,926,776
		<b>39,595,967</b>	<b>47,561,152</b>
<b>Non-Current Liabilities</b>			
Finance leases	11	62,583	84,228
Operating lease liability	28	9,237	13,102
Employee benefits	13	144,346,536	140,179,602
		<b>144,418,356</b>	<b>140,276,932</b>
Revaluation reserve	9	96,039,032	102,236,835
Accumulated surplus		394,643,713	360,998,638
<b>Total Net Assets</b>		<b>490,682,745</b>	<b>463,235,473</b>

\* See Note

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	141,794	287,652
Rental of facilities and equipment		76,827	57,560
Income from agency services	19	82,319,163	73,799,198
Other income	20	1,891,496	1,525,208
Finance income	24	27,781,901	24,480,890
<b>Total revenue from exchange transactions</b>		<b>112,211,181</b>	<b>100,150,508</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants and subsidies	17	219,524,357	205,442,616
Public contributions and donations	18	2,611,810	1,527,077
Fines		6,000	-
<b>Total revenue from non-exchange transactions</b>		<b>222,142,167</b>	<b>206,969,693</b>
<b>Total revenue</b>		<b>334,353,348</b>	<b>307,120,201</b>
<b>Expenditure</b>			
Employee related cost	22	(135,758,121)	(154,815,805)
Remuneration of councillors	23	(9,650,794)	(9,046,564)
Depreciation and amortisation	25	(5,884,435)	(7,301,139)
Finance costs	26	(342,574)	(22,860)
Debt impairment	6 & 7	(456,112)	(109,932)
Repairs and maintenance		(26,603,728)	(16,694,841)
General expenses	21	(118,475,650)	(96,479,092)
Loss on foreign currency	34	(19,274)	(24,853)
<b>Total expenditure</b>		<b>(297,190,688)</b>	<b>(284,495,086)</b>
<b>Operating surplus</b>		<b>37,162,660</b>	<b>22,625,115</b>
(Loss) gain on disposal of assets and liabilities		(10,091,608)	1,079,779
<b>Surplus for the year</b>		<b>27,071,052</b>	<b>23,704,894</b>

\* See Note

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2012</b>	<b>104,962,805</b>	<b>337,179,263</b>	<b>442,142,068</b>
Changes in net assets			
Surplus for the year	-	23,704,894	23,704,894
Cash utilised (CRR)	-	-	-
Receipts (GGR)	-	665,797	665,797
Prior year adjustment	3,683	(3,477,502)	(3,473,819)
Transfer to accumulated surplus	(2,729,653)	3,008,466	278,813
Donated assets	-	(82,280)	(82,280)
Total changes	(2,725,970)	23,819,375	21,093,405
<b>Restated* Balance at 01 July 2013</b>	<b>102,236,835</b>	<b>360,998,621</b>	<b>463,235,456</b>
Changes in net assets			
Surplus for the year	-	27,071,074	27,071,074
Prior period error	-	558,459	558,459
Transfer to statement of financial performance	(6,197,803)	6,015,559	(182,244)
Other	(6,197,803)	33,645,092	27,447,289
<b>Balance at 30 June 2014</b>	<b>96,039,032</b>	<b>394,643,713</b>	<b>490,682,745</b>
Note(s)	9	10	

\* See Note



# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		82,750,434	77,060,806
Grants		223,954,373	206,969,693
Finance income		27,781,901	24,717,627
		<u>334,486,708</u>	<u>308,748,126</u>
<b>Payments</b>			
Employee costs		(129,071,351)	(137,660,386)
Suppliers		(161,608,932)	(119,415,418)
Finance costs		-	(22,859)
Other payments: Remuneration to councillors		(9,650,795)	(9,810,611)
		<u>(300,331,078)</u>	<u>(266,909,274)</u>
Total receipts		334,486,708	308,748,126
Total payments		(300,331,078)	(266,909,274)
<b>Net cash flows from operating activities</b>	29	<b><u>34,155,630</u></b>	<b><u>41,838,852</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(5,609,801)	(8,262,444)
Proceeds from sale of property, plant and equipment	2	-	42,653
Purchase of intangible assets	3	(167,428)	(184,720)
<b>Net cash flows from investing activities</b>		<b><u>(5,777,229)</u></b>	<b><u>(8,404,511)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payment		(131,435)	(136,819)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>28,246,966</u></b>	<b><u>33,297,522</u></b>
Cash and cash equivalents at the beginning of the year		428,987,329	395,689,808
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>457,234,295</u></b>	<b><u>428,987,330</u></b>

\* See Note

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	164,800	-	<b>164,800</b>	141,794	<b>(23,006)</b>	Note 39
Rental of facilities and equipment	178,800	-	<b>178,800</b>	76,827	<b>(101,973)</b>	Note 39
Income from agency services	79,257,370	11,781,778	<b>91,039,148</b>	82,319,163	<b>(8,719,985)</b>	Note 39
Other income	1,037,500	541,553	<b>1,579,053</b>	1,891,496	<b>312,443</b>	Note 39
Interest received - investment	25,250,000	1,000,000	<b>26,250,000</b>	27,781,901	<b>1,531,901</b>	Note 39
<b>Total revenue from exchange transactions</b>	<b>105,888,470</b>	<b>13,323,331</b>	<b>119,211,801</b>	<b>112,211,181</b>	<b>(7,000,620)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Government grants & subsidies	215,249,500	6,538,238	<b>221,787,738</b>	219,524,357	<b>(2,263,381)</b>	Note 39
<b>Transfer revenue</b>						
Public contributions and donations	2,700,000	20,500	<b>2,720,500</b>	2,611,810	<b>(108,690)</b>	Note 39
Fines	-	-	-	6,000	<b>6,000</b>	Note 39
<b>Total revenue from non-exchange transactions</b>	<b>217,949,500</b>	<b>6,558,738</b>	<b>224,508,238</b>	<b>222,142,167</b>	<b>(2,366,071)</b>	
'Total revenue from exchange transactions'	105,888,470	13,323,331	<b>119,211,801</b>	112,211,181	<b>(7,000,620)</b>	Note 39
'Total revenue from non-exchange transactions'	217,949,500	6,558,738	<b>224,508,238</b>	222,142,167	<b>(2,366,071)</b>	Note 39
<b>Total revenue</b>	<b>323,837,970</b>	<b>19,882,069</b>	<b>343,720,039</b>	<b>334,353,348</b>	<b>(9,366,691)</b>	
<b>Expenditure</b>						
Personnel	(156,607,480)	4,256,360	<b>(152,351,120)</b>	(135,758,121)	<b>16,592,999</b>	Note 39
Remuneration of councillors	(11,722,340)	12,840	<b>(11,709,500)</b>	(9,650,794)	<b>2,058,706</b>	Note 39
Depreciation and amortisation	(8,816,000)	288,100	<b>(8,527,900)</b>	(5,884,435)	<b>2,643,465</b>	Note 39
Finance costs	(29,500)	-	<b>(29,500)</b>	(342,574)	<b>(313,074)</b>	Note 39
Debt impairment	(122,100)	21,100	<b>(101,000)</b>	(456,111)	<b>(355,111)</b>	Note 39
Repairs and maintenance	(13,649,600)	(18,272,532)	<b>(31,922,132)</b>	(26,603,728)	<b>5,318,404</b>	Note 39
General Expenses	(132,730,328)	(17,754,535)	<b>(150,484,863)</b>	(118,494,903)	<b>31,989,960</b>	Note 39
<b>Total expenditure</b>	<b>(323,677,348)</b>	<b>(31,448,667)</b>	<b>(355,126,015)</b>	<b>(297,190,666)</b>	<b>57,935,349</b>	
	323,837,970	19,882,069	<b>343,720,039</b>	334,353,348	<b>(9,366,691)</b>	
	(323,677,348)	(31,448,667)	<b>(355,126,015)</b>	(297,190,666)	<b>57,935,349</b>	
<b>Operating surplus</b>	<b>160,622</b>	<b>(11,566,598)</b>	<b>(11,405,976)</b>	<b>37,162,682</b>	<b>48,568,658</b>	
Loss on disposal of assets and liabilities	(2,400)	(26,200)	<b>(28,600)</b>	(10,091,608)	<b>(10,063,008)</b>	
	160,622	(11,566,598)	<b>(11,405,976)</b>	37,162,682	<b>48,568,658</b>	
	(2,400)	(26,200)	<b>(28,600)</b>	(10,091,608)	<b>(10,063,008)</b>	
<b>Surplus/ (Deficit)</b>	<b>158,222</b>	<b>(11,592,798)</b>	<b>(11,434,576)</b>	<b>27,071,074</b>	<b>38,505,650</b>	
	<b>158,222</b>	<b>(11,592,798)</b>	<b>(11,434,576)</b>	<b>27,071,074</b>	<b>38,505,650</b>	

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## 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	1,000,000	-	<b>1,000,000</b>	5,780,814	<b>4,780,814</b>	Note 39
Receivables from exchange transactions	5,200,000	-	<b>5,200,000</b>	8,703,502	<b>3,503,502</b>	Note 39
Receivables from non-exchange transactions	-	-	-	664	<b>664</b>	
VAT receivable	-	-	-	1,179,227	<b>1,179,227</b>	Note 39
Consumer debtors	100,000	-	<b>100,000</b>	158,321	<b>58,321</b>	Note 39
Cash and cash equivalents	390,000,000	-	<b>390,000,000</b>	457,234,295	<b>67,234,295</b>	Note 39
	<b>396,300,000</b>	-	<b>396,300,000</b>	<b>473,056,823</b>	<b>76,756,823</b>	

##### Non-Current Assets

Property, plant and equipment	227,091,459	-	<b>227,091,459</b>	200,627,830	<b>(26,463,629)</b>	Note 39
Intangible assets	864,032	-	<b>864,032</b>	1,012,423	<b>148,391</b>	Note 39
	<b>227,955,491</b>	-	<b>227,955,491</b>	<b>201,640,253</b>	<b>(26,315,238)</b>	

#### Total Assets

	<b>624,255,491</b>	-	<b>624,255,491</b>	<b>674,697,076</b>	<b>50,441,585</b>	
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#### Liabilities

##### Current Liabilities

Finance lease obligation	-	-	-	106,243	<b>106,243</b>	
Operating lease liability	-	-	-	12,584	<b>12,584</b>	
Payables from exchange transactions	10,000,000	-	<b>10,000,000</b>	10,935,549	<b>935,549</b>	Note 39
Unspent conditional grants and receipts	5,000,000	-	<b>5,000,000</b>	7,094,979	<b>2,094,979</b>	Note 39
Employee Benefits	18,000,000	-	<b>18,000,000</b>	21,446,612	<b>3,446,612</b>	Note 39
	<b>33,000,000</b>	-	<b>33,000,000</b>	<b>39,595,967</b>	<b>6,595,967</b>	

##### Non-Current Liabilities

Finance lease obligation	150,000	-	<b>150,000</b>	62,583	<b>(87,417)</b>	Note 39
Operating lease liability	-	-	-	9,237	<b>9,237</b>	
Employee Benefits	130,000,000	-	<b>130,000,000</b>	144,346,536	<b>14,346,536</b>	Note 39
	<b>130,150,000</b>	-	<b>130,150,000</b>	<b>144,418,356</b>	<b>14,268,356</b>	

#### Total Liabilities

	<b>163,150,000</b>	-	<b>163,150,000</b>	<b>184,014,323</b>	<b>20,864,323</b>	
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Assets	624,255,491	-	<b>624,255,491</b>	674,697,076	<b>50,441,585</b>	
Liabilities	(163,150,000)	-	<b>(163,150,000)</b>	(184,014,323)	<b>(20,864,323)</b>	
<b>Net Assets</b>	<b>461,105,491</b>	-	<b>461,105,491</b>	<b>490,682,753</b>	<b>29,577,262</b>	

#### Net Assets

##### Reserves

Revaluation reserve	112,000,000	-	<b>112,000,000</b>	96,039,032	<b>(15,960,968)</b>	Note 39
Accumulated surplus	349,105,491	-	<b>349,105,491</b>	394,643,721	<b>45,538,230</b>	Note 39
<b>Total Net Assets</b>	<b>461,105,491</b>	-	<b>461,105,491</b>	<b>490,682,753</b>	<b>29,577,262</b>	

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## 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>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Ratepayers and Other	80,433,090	-	<b>80,433,090</b>	82,750,434	<b>2,317,344</b>	Note 39
Grants	237,656,050	-	<b>237,656,050</b>	223,954,373	<b>(13,701,677)</b>	Note 39
Interest income	25,250,000	-	<b>25,250,000</b>	27,781,901	<b>2,531,901</b>	Note 39
	<b>343,339,140</b>	<b>-</b>	<b>343,339,140</b>	<b>334,486,708</b>	<b>(8,852,432)</b>	
<b>Payments</b>						
Employee costs	(149,056,309)	10,414,889	<b>(138,641,420)</b>	(129,071,351)	<b>9,570,069</b>	Note 39
Suppliers	(180,096,600)	(17,254,357)	<b>(197,350,957)</b>	(161,608,932)	<b>35,742,025</b>	Note 39
Finance costs	-	(29,500)	<b>(29,500)</b>	-	<b>29,500</b>	Note 39
Other payments: Remuneration to councillors	(10,844,900)	-	<b>(10,844,900)</b>	(9,650,795)	<b>1,194,105</b>	Note 39
	<b>(339,997,809)</b>	<b>(6,868,968)</b>	<b>(346,866,777)</b>	<b>(300,331,078)</b>	<b>46,535,699</b>	
Total receipts	343,339,140	-	<b>343,339,140</b>	334,486,708	<b>(8,852,432)</b>	
Total payments	(339,997,809)	(6,868,968)	<b>(346,866,777)</b>	(300,331,078)	<b>46,535,699</b>	
<b>Net cash flows from operating activities</b>	<b>3,341,331</b>	<b>(6,868,968)</b>	<b>(3,527,637)</b>	<b>34,155,630</b>	<b>37,683,267</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(6,156,890)	(23,775)	<b>(6,180,665)</b>	(5,609,801)	<b>570,864</b>	Note 39
Proceeds from sale of other intangible assets	(160,000)	(958,278)	<b>(1,118,278)</b>	(167,428)	<b>950,850</b>	
<b>Net cash flows from investing activities</b>	<b>(6,316,890)</b>	<b>(982,053)</b>	<b>(7,298,943)</b>	<b>(5,777,229)</b>	<b>1,521,714</b>	
<b>Cash flows from financing activities</b>						
Finance lease payments	(29,500)	-	<b>(29,500)</b>	(131,435)	<b>(101,935)</b>	Note 39
Net increase/(decrease) in cash and cash equivalents	(3,005,059)	(7,851,021)	<b>(10,856,080)</b>	28,246,966	<b>39,103,046</b>	
Cash and cash equivalents at the beginning of the year	395,689,809	-	<b>395,689,809</b>	428,987,329	<b>33,297,520</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>392,684,750</b>	<b>(7,851,021)</b>	<b>384,833,729</b>	<b>457,234,295</b>	<b>72,400,566</b>	

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1. Basis of preparation

#### a) Statement of compliance

The annual financial statements are prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act 56 of 2003). Accounting policies for material transactions, events or conditions not covered by the above GRAP standards were developed in accordance with the hierarchy set out in paragraph 12 of GRAP 3. The details of any changes in accounting policies are explained in the relevant policy.

### Basis of measurement

The annual financial statements are prepared on an accrual basis of accounting and in accordance with historical cost convention unless otherwise stated.

The accounting policies that were consistently applied for the periods under review are summarised in Section 1.2, significant accounting policies.

#### a) Functional and presentation currency

These annual financial statements are presented in South African Rand (R), which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

#### b) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

#### c) Comparative information

Comparative figures are re-classified or restated as and when necessary to afford a proper and meaningful comparison of results, as set out in the affected notes to the financial statements.

### Accounting estimates and judgements

#### a) Key sources of estimation for uncertainty

### Impairment of trade and other receivables

The impairment of the municipality's trade and other receivables is based on incurred losses in accordance with the requirements of GRAP 104. The historical loss experience of the municipality, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

### Allowance for slow moving, damaged and obsolete inventory

Where necessary, management has made estimates of the selling price less cost to sell of certain inventory items in order to calculate the allowance to write inventory down to the lower of cost or net realisable value.

### Fair value estimation

Buildings are stated at revalued amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated. Refer to note 2.

#### b) Critical judgements in applying accounting policies

### Depreciation and the carrying value of items of property, plant and equipment

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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The estimation of the useful lives of assets is based on management's judgement. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

### **Determination of the recoverable service amount of non-cash generating assets**

Where impairment indicators exist, the determination of the recoverable service amount of non-cash generating asset requires management to make assumptions to determine the fair value less costs to sell and the value in use based on the depreciated replacement cost model. Key assumptions include the current replacement cost of non-cash generating assets and in certain instances an assumption about the commissioning date which determines the depreciated replacement cost of the non-cash generating asset.

### **During the current financial year, the following accounting standards, interpretations and amendments to published accounting standards were adopted in the current year:**

GRAP 25 - Employee benefits;

IGRAP 1 (revised) - Applying the probability test on initial recognition of revenue;

IGRAP 16 - Intangible assets: Website costs;

GRAP 27 (revised) - Agriculture;

GRAP 31 - Intangible assets; and

Amendments to GRAP 1, 3, 7, 9, 12, 13, 16 and 17

These newly adopted standards, interpretations and amendments did not significantly impact the Municipality's financial statements.

### **Standards not yet effective**

The GRAP standards listed below have been issued but are not yet effective. Application of all of these standards, will be effective from a date to be announced by the Minister of Finance. Management anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality for the reasons detailed below.

a) GRAP 18: Segment Reporting

The standard will not have an impact on the recognition and measurement of items in the financial statements as it is a disclosure standard.

b) GRAP 20: Related Party Disclosures

This standard prescribes the related party information that should be disclosed in the annual financial statements. The adoption of this standard will therefore not have an impact on the results of the municipality.

c) GRAP 105: Transfers of functions between entities under common control

The provisions of the standard are not currently applicable to the municipality.

d) GRAP 106: Transfers of functions between entities not under common control

The impact on the annual financial statements cannot be determined at present. It will depend on the legislative mandate, if any, giving effect to the transfer of functions.

e) GRAP 107: Mergers

The provisions of this standard are not currently applicable to the Municipality.

f) GRAP 32: Service concessions arrangements: Grantor

The provisions of this standard are not currently applicable to the Municipality.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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g) GRAP 108: Statutory receivables

The provisions of this standard are not currently applicable to the Municipality.

h) GRAP 5 (revised): Borrowing Costs

The benchmark treatments will be to recognise borrowing cost as an expense.

i) GRAP 100 (revised): Discounted operations

The amendment requires that non-current assets held for sale no longer be reclassified. Only disclosure will be made in the financial statements relating to the decision to dispose of non-current assets.

j) IGRAP 17: Service concession arrangement where a grantor controls a significant residual interest.

The provision of this standard is not currently applicable to the Municipality.

### 1.1 Going concern assumption

These annual financial statements are prepared on a going concern basis.

In finalising the financial statements, management must in terms of GRAP 1 disclose any material uncertainties related to events or conditions, which may cast significant doubt upon the Municipality's ability to continue as a going concern. The determination whether the going concern assumption is appropriate is primarily relevant for individual entities rather than for government as a whole.

The primary source of revenue for the Cape Winelands District Municipality is transfer payments from National Government.

The aforementioned allocations are at present sufficient to ensure the sustainability of the Municipality. An alternative source of revenue should be explored to reduce the dependency of the Municipality on National Funds.

According to The Division of Revenue Act sufficient funds will be transferred to the Municipality to which will ensure that the Municipality can continue as a going concern for the foreseeable future.

### 1.2 Reserves

#### Internal Reserves

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when funds from the CRR are utilised.

- The cash is invested until it is utilised. The cash may only be invested in accordance with the Cash Management and Investments Policy of the Municipality.
- Interest earned on the CRR investment is recorded as part of the total interest earned in the Statement of Financial Performance, where after such interest may be transferred from accumulated surplus to CRR.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the Municipality and may not be used for the maintenance of these items.
- If gains or losses are made on the sale of assets, these are reflected in the Statement of Financial Performance.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.2 Reserves (continued)

#### Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued (budget circular) by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from Government Grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

#### Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus or deficit.

#### Accumulated surplus reserve

The Municipality's surplus or deficit for the year is accumulated in the accumulated surplus reserve in the Statement of Changes in Net Assets.

### 1.3 Revaluation reserve

The revaluation reserve arises from the revaluation of land and buildings in accordance with revaluation model in GRAP 17. The revaluation surplus relating to buildings is realised through use of the building by the Municipality. The amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the buildings and depreciation based on the building's original cost.

The revaluation surplus relating to land is realised upon disposal and subsequently transferred to the accumulated surplus. Transfers from revaluation surplus to accumulated surpluses or deficits are not made through surplus or deficit.



# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.4 Receivables from exchange transactions

Initial and subsequent measurement

Trade and other receivables are initially recognised at fair value, plus transaction costs that are directly attributable to the issue of the trade receivables and are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment of financial assets

At the end of each reporting period the Municipality assesses financial assets to determine whether there is objective evidence that the financial assets or group of financial assets are impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are indicators of possible impairment by the Municipality.

Where the financial assets are impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. The assets are written off in the year in which they are identified as irrecoverable, subject to the approval of the necessary dedicated authority. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are accounted for as revenue in the Statement of Financial Performance.

### 1.5 Payables from exchange transactions and non- exchange transactions

Trade and other payables are initially measured at fair value, plus transaction costs that are directly attributable to the issue of the trade payables and are subsequently measured at amortised cost, using the effective interest method.

### 1.6 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand deposits held on call with banks and investment in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the portion of the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

### 1.7 Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Municipality's accounting policy for borrowing costs.

### 1.8 Revenue

Revenue

Revenue consists of exchange and non-exchange transactions as described in more detail below and excludes value-added taxation. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably.

a) Revenue from exchange transactions

(i) Income from agency services

Administration fees earned in respect of agency services rendered are recognised as revenue as and when the services are rendered.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### (ii) Interest earned

Interest earned is recognised as and when it accrues using the effective interest method.

### (iii) Rental of facilities and equipment

Rental income on facilities and equipment is recognised on a straight-line basis over the lease term.

Revenue from the recovery of unauthorised, irregular and fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials are virtually certain.

### (iv) Service charges

Revenue from services charges is recognised when the service is rendered and it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably.

### b) Revenue from non-exchange revenue

An inflow of resources from a non-exchange transaction that meets the definition of an asset are recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. 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.

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.

### (i) Government grants and subsidies

Government grants and subsidies are recognised as revenue when all the conditions associated with the grants and subsidies have been met. Interest earned on unutilised grants is recognised as a conditional grant liability if the grant conditions indicate that the interest is due to the grantor.

### (ii) Public contributions and donations

Public contributions and donations are recognised as revenue on a cash receipt basis. Where the public contribution or donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment is determined at the date when the risks and rewards of ownership have transferred to the Municipality.

### (iii) Tariff charges

Revenue arising from the application of an approved tariff is recognised when the service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

## 1.9 Property, plant and equipment

Property, plant and equipment and infrastructure assets are tangible 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 for a period exceeding 12 months.

### Initial recognition and measurement

Property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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

Where property, plant and equipment are acquired by grant or donation, the cost is considered to be the fair value of the asset at date of acquisition.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured as follows:

- (i) Plant and equipment – at cost less accumulated depreciation and accumulated impairment losses
- (ii) Land and buildings – at the revalued amount, being the fair value at the date of revaluation, less accumulated depreciation and accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

The last valuation was performed on 30 June 2012. Revaluations were performed by an independent valuer, S.J. Marais Property Valuers whom are not related to the Municipality.

Land and buildings are re-valued independently every 3 years.

The valuation was performed using the Capitalisation of Income Method, Comparable Sales Method and the Depreciated Replacement Cost Method.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the original assessed standard of performance, it is regarded as repairs and maintenance and is recognised in surplus or deficit as incurred.

Depreciation

Depreciation is calculated using the straight-line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives for the current and comparative years:

Item	Estimated useful life (years)
Land	indefinite
Buildings	50 - 60
Vehicles	10 - 20
Infrastructure	50 -60
Other property, plant and equipment	3-30

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Impairment of non-cash generating assets

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Non-cash generating assets are assets other than cash-generating assets. When the carrying amount of a non-cash generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such an indication exists, the municipality estimates the recoverable service amount of the asset. This impairment test is performed at the same time every year.

Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its continued use.

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

### 1.10 Intangible assets

Initial recognition and measurement

An asset is identifiable as an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the Municipality intends to do so; or
- arises from separable binding arrangements (including rights from contracts), regardless 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.

The Municipality recognises an intangible asset in its Statement of Financial Position only 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.

Subsequent measurement

Subsequent to initial recognition intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets with definite useful lives are amortised on a straight-line basis over their useful lives from the date that they are available for use.

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

<b>Item</b>	<b>Estimated useful life (years)</b>
Computer software	5 years

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits or service potential is expected from its continued use. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. The gain or loss is recognised in surplus or deficit when the asset is derecognised.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.11 Heritage assets

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

#### Recognition

The Municipality's Heritage assets are culturally significant resources. However these assets have more than one purpose thus in addition to meeting the definition of a heritage asset, it is also used as office accommodation.

Heritage assets are not recognised as a heritage asset even though the definition of a heritage asset is met, because a significant portion is applied for administrative purposes.

Heritage assets are accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment (GRAP 17).

#### Measurement

Heritage assets are measured at cost, less accumulated depreciation and accumulated impairment losses.

The Municipality has the following registered Heritage Assets:

- Building at 46 Alexander Street, Stellenbosch was declared as a Provincial Heritage site on 8 September 1967.
- Building at 194 Main Road, Paarl.

### 1.12 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality restates the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to applicable note to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

### 1.13 Financial instruments

#### Initial recognition and measurement

The Municipality's financial instruments are recognised when the Municipality becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value plus, in the case of a financial asset or liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

The subsequent measurement of financial instruments is dealt with as follows:

#### Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash.

The Municipality classifies financial assets into the following category:

- Financial assets at amortised cost

Financial assets at amortised cost are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

#### Financial Liabilities

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.13 Financial instruments (continued)

A financial liability is a contractual obligation to deliver cash or another financial asset to another Municipality; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Municipality. The Municipality classifies financial liabilities into the following category:

- Financial liabilities at amortised cost

The Municipality measures all financial liabilities including trade and other payables, at amortised cost using the effective interest method. Financial liabilities include other non-current liabilities (excluding provisions) and trade and other payables (excluding provisions). Finance charges are accounted for on an accrual basis.

#### Derecognition of financial assets and liabilities

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Municipality derecognises financial liabilities only when, the Municipality's obligations are discharged, cancelled or they expire.

### 1.14 Value - Added Tax

The Municipality accounts for value-added tax on the invoice basis.

### 1.15 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 is a lease other than a finance lease.

When a lease includes land and building elements, the Municipality assesses the classification of each element separately.

#### Finance leases - lessee

Assets subject to finance lease agreements are initially measured at the lower of fair value or the present value of the minimum lease payment, and the corresponding liability is raised at the same amount. The cost of the asset is depreciated at appropriate rates on the straight-line basis over the estimated useful life of the asset. Lease payments are allocated between the lease finance cost and the capital repayment, using the effective interest method. Lease finance costs are expensed when incurred.

#### Operating leases - lessor

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

#### Operating leases - lessee

Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

### 1.16 Inventories

Inventories consist of unsold properties and consumables.

#### Initial measurement

Inventories are initially measured at cost. Cost of inventories comprises all costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired at no cost or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Direct costs relating to unsold properties are accumulated for each separately identifiable development.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.16 Inventories (continued)

Subsequent measurement

Unsold properties to be sold at market related values are subsequently valued at the lower of cost and net realisable value. Unsold properties and consumables to be distributed at no or nominal consideration are subsequently measured at the lower of cost and current replacement cost.

Roads to be distributed at no or nominal consideration or to be consumed in the production process of goods to be distributed at no or nominal consideration are subsequently measured at the lower of cost and current replacement cost.

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

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

The cost of inventories 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.

Derecognition of unsold properties

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.

The Municipality derecognises unsold low cost housing contained in inventory when construction of such properties has been completed and occupation of houses taken by the beneficiaries. At date of derecognition, the expense is recognised in the Statement of Financial Performance.

### 1.17 Grants in Aid

The Municipality annually awards grants to organisations in terms of Section 67 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). When making these transfers, the Municipality does not:

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

These transfers are accounted for as expenses in the Statement of Financial Performance in the period that the events giving rise to the transfer occurred.

### 1.18 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### 1.19 Budget information

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements as prescribed in GRAP 24.

A comparison of actual vs. budgeted revenue and expenditure is disclosed in the Statement of Comparison of Budget and actual amounts and reasons for variances in excess of 10% and R10 000.

### 1.20 Related parties

Key management and councillors as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.20 Related parties (continued)

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

### 1.21 Non-current assets held for sale

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

### 1.22 Employee benefits

#### Short term employee benefits

The cost of all short-term employee benefits, such as leave pay and bonuses, is recognised during the period in which the employee renders the related service. The Municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment, and a reliable estimate can be made.

#### Long-term employee benefits

The Municipality provides long-term incentives to eligible employees or groups of employees as detailed below.

##### Defined contribution plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods. The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid.

##### Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

The Municipality recognises all actuarial gains and losses arising from defined benefit plans immediately in surplus or deficit and all expenses related to defined benefit plans as employee cost in surplus or deficit.

##### Multi-employer funds

The Municipality contributes towards various National and Provincial administered multi-employer plans on behalf of its qualifying employees. A multi-employer plan is classified as either a defined benefit plan or a defined contribution plan.

If the plan is a defined benefit plan, an actuarial valuation should be obtained. Normal defined benefit accounting would be applied to the proportionate share of the obligation and assets relating to the Municipality. If actuaries are unable to provide the Municipality with an actuarial valuation of the Municipality's proportionate share, the Municipality accounts for the plan as if it was a defined contribution plan.



# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.22 Employee benefits (continued)

Where a plan is a defined contribution plan, the Municipality accounts for it in the same way as for any other defined contribution plan.

#### Long service awards

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service) is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

### 1.23 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

### 1.24 Provisions

A provision is recognised when the Municipality has a present legal or constructive obligation as a result of a past event, and 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 amount of the obligation.

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

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

### 1.25 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalised over the period during which the asset is being acquired or constructed, and borrowings have been incurred. Capitalisation ceases when construction of the asset is complete. Other borrowing costs are charged to the Statement of Financial Performance.

### 1.26 Translation of foreign currencies

#### Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at reporting date by applying the exchange rate at that date. Exchange differences arising from the settlement of creditors, or on reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised in surplus or deficit in the period in which they arise. The Municipality considers the necessity to take out forward cover before entering into foreign exchange transactions in order to avoid possible losses due to fluctuation in exchange rates.

### 1.27 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain, and could have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

### 1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act No.56 of 2003), the Municipal Systems Act, 2000 (Act No.32 of 2000), and the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality'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.

### 1.30 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- disclosure is required by a specific standard of GRAP.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

2014

2013

### 2. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	66,873,351	-	66,873,351	68,640,000	-	68,640,000
Buildings	79,863,595	(4,405,480)	75,458,115	86,198,266	(2,174,966)	84,023,300
Infrastructure	1,120,508	(905,533)	214,975	1,120,508	(900,719)	219,789
Other property, plant and equipment	88,434,332	(30,562,539)	57,871,793	86,752,377	(28,722,822)	58,029,555
Other leased assets	768,259	(558,663)	209,596	636,829	(464,847)	171,982
<b>Total</b>	<b>237,060,045</b>	<b>(36,432,215)</b>	<b>200,627,830</b>	<b>243,347,980</b>	<b>(32,263,354)</b>	<b>211,084,626</b>

Included in buildings is heritage assets with a carrying value of R 8 120 195 that is used as office buildings and is accounted for in accordance with GRAP 17.

Included in Other property, plant and equipment is vehicles with a carrying amount of R 28 830 477 (R29 331 152: 2013).

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	68,640,000	-	(4,800,000)	3,033,351	-	66,873,351
Buildings	84,023,300	991,231	(4,372,219)	(2,862,648)	(2,321,549)	75,458,115
Infrastructure	219,789	-	-	-	(4,814)	214,975
Other property, plant and equipment	58,029,555	4,487,140	(1,108,659)	(170,703)	(3,365,540)	57,871,793
Leased Assets	171,982	131,430	-	-	(93,816)	209,596
	<b>211,084,626</b>	<b>5,609,801</b>	<b>(10,280,878)</b>	<b>-</b>	<b>(5,785,719)</b>	<b>200,627,830</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	68,640,000	-	-	-	-	68,640,000
Buildings	80,595,346	1,327,592	-	4,275,328	(2,174,966)	84,023,300
Infrastructure	300,075	-	-	-	(80,286)	219,789
Other property, plant and equipment	53,771,555	9,496,991	(1,255,629)	796,945	(4,780,307)	58,029,555
Work in Progress	5,072,273	-	-	(5,072,273)	-	-
Leased Assets	182,471	82,168	-	-	(92,657)	171,982
	<b>208,561,720</b>	<b>10,906,751</b>	<b>(1,255,629)</b>	<b>-</b>	<b>(7,128,216)</b>	<b>211,084,626</b>

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

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

#### Assets subject to finance lease (Net carrying amount)

Other leased Assets	209,596	171,982
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### 3. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,284,532	(272,109)	1,012,423	1,117,103	(173,396)	943,707

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	943,708	167,428	(98,713)	1,012,423

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	863,559	253,071	(172,923)	943,707

### 4. Inventories

Consumable stores	2,183,752	1,925,613
Roads Inventory	3,524,122	307,263
Housing Stock	72,940	72,940
	<b>5,780,814</b>	<b>2,305,816</b>

### 5. Other receivables from exchange transactions

Deposits	255,000	255,000
Prepayments	2,091,821	1,415,571
Klasvoogs land owners association	170,000	-
Other miscellaneous	1,522	47,967
Insurance claims	69,208	134,881
Other	53,647	3,075
Accrued interest	5,669,255	4,783,321
Department of Water Affairs	277,234	-
SALGA debtor	115,807	-
	<b>8,703,494</b>	<b>6,639,815</b>

### 6. Receivables from non-exchange transactions

Provision for impairment for non- exchange transactions	-	(109,127)
Other receivables from non-exchange revenue	664	109,127
	<b>664</b>	<b>-</b>

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>6. Receivables from non-exchange transactions (continued)</b>		
<b>Receivables from non-exchange transactions impaired</b>		
As of 30 June 2013, other receivables from non-exchange transactions of R 109 127 were impaired and provided for.		
The amount of the provision was R 109 127 as of 30 June 2013. The ageing of these receivables from non-exchange transactions is as follows:		
Over 6 months	-	(109,127)
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Contribution to provisions	-	(109,127)
The creation and release of provision for impaired receivables have been included in debt impairment in surplus or deficit.		
<b>7. Trade receivables from exchange transactions</b>		
<b>Gross balances</b>		
Consumers	929,364	1,264,664
National and Provincial	56,175	35,079
	<b>985,539</b>	<b>1,299,743</b>
<b>Less: Allowance for impairment</b>		
Consumers	(827,218)	(761,925)
<b>Net balance</b>		
Consumers	158,321	537,818
<b>Other (specify)</b>		
Current (0 -30 days)	127,245	107,302
31 - 60 days	2,857	1
61 - 90 days	1,868	27,687
91 - 120 days	23,488	19,316
121 - 365 days	2,863	383,512
	<b>158,321</b>	<b>537,818</b>
<b>Age analysis of trade receivables by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	71,888	72,224
31 - 60 days	3,674	1
61 - 90 days	2,686	27,687
91 - 120 days	24,306	19,316
121 - 365 days	826,810	1,145,436
	929,364	1,264,664
Less: Allowance for impairment	(827,217)	(761,925)
	<b>102,147</b>	<b>502,739</b>
<b>National and provincial government</b>		
Current (0 -30 days)	56,175	35,079

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>7. Trade receivables from exchange transactions (continued)</b>		
<b>Total</b>		
Current (0 -30 days)	128,063	107,302
31 - 60 days	3,674	1
61 - 90 days	2,686	27,687
91 - 120 days	24,306	19,317
121 - 365 days	826,809	1,145,436
	<u>985,538</u>	<u>1,299,743</u>
Less: Allowance for impairment	(827,217)	(761,925)
	<b><u>158,321</u></b>	<b><u>537,818</u></b>
 <b>Less: Allowance for impairment</b>		
121 - 365 days	(827,218)	(761,925)
	<u>(827,218)</u>	<u>(761,925)</u>
 <b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(761,925)	(1,426,784)
Contributions to allowance	(456,112)	(804)
Debt impairment written off against allowance	390,819	665,663
	<u>(827,218)</u>	<u>(761,925)</u>

The risk profile of each class of debtor was assessed to determine the allowance for impairment.

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3,100	3,100
Bank balances	15,231,195	14,984,229
Short-term deposits	442,000,000	414,000,000
	<b><u>457,234,295</u></b>	<b><u>428,987,329</u></b>

MFMA disclosure in note 30.

### 9. Revaluation reserve

Opening balance	102,236,835	104,962,805
Prior period error	-	3,683
Transfer to accumulated surplus	(6,197,803)	(2,729,653)
	<b><u>96,039,032</u></b>	<b><u>102,236,835</u></b>

### 10. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Capital replacement reserve	Government grant reserve	Total
Opening balance	68,884,176	3,390,731	72,274,907
Transfer to statement of financial performance	-	(432,727)	(432,727)
Transfers to reserves	-	1,341,275	1,341,275
Transfers to CRR/ contributions received	5,826,239	-	5,826,239
	<b><u>74,710,415</u></b>	<b><u>4,299,279</u></b>	<b><u>79,009,694</u></b>

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 10. Accumulated surplus (continued)

#### Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Capital replacement reserve	Government grant reserve	Total
Opening balance	74,572,562	2,383,756	76,956,318
Transfer to accumulated surplus	(8,688,386)	(490,760)	(9,179,146)
Transfer to reserves	-	1,497,735	1,497,735
Transfers to CRR/ contributions received	3,000,000	-	3,000,000
	<b>68,884,176</b>	<b>3,390,731</b>	<b>72,274,907</b>

### 11. Finance lease obligation

Finance lease liabilities relate to cellphones with lease terms of 24 months (2013: 24 months). Amounts are paid monthly in arrears and the interest rates are linked to the prime overdraft rate, currently 9% (2013: 8.5%), during the period of the lease term.

The municipality has options to acquire the cell phones at no cost or for a nominal amount at the conclusion of the lease agreement. The municipality's obligation under the finance leases are secured by the lessor's title to the leased assets.

Opening Balance	168,831	223,482
Capitalised lease liability	131,430	82,168
Payments during the year	(131,435)	(136,819)
	<b>168,826</b>	<b>168,831</b>
Payable within one year	(106,243)	(84,602)
<b>Payable after one year</b>	<b>62,583</b>	<b>84,229</b>
Non-current liabilities	62,583	84,228
Current liabilities	106,243	84,603
	<b>168,826</b>	<b>168,831</b>

### 12. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

Consumer Housing Education	-	21,593
Community Development Workers	70,174	74,915
Unspent grants 11	166,763	-
Water and sanitation	35,560	35,560
Training of housing officials	-	2,159
Public Transport (Provincial)	2,735,965	2,407,018
Provincial Treasury: FMG	300,000	300,000
Non Motorised Transport	1,147,842	647,842
Financial Management Grant	1,078,564	793,115
Unspent public contributions and donations	1,560,111	994,571
	<b>7,094,979</b>	<b>5,276,773</b>

These amounts are invested until utilised.

### 13. Employee benefits

#### Short-term employee benefits

Employee benefit accruals	537,039	563,079
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# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>13. Employee benefits (continued)</b>		
Short term portion: Medical aid liability	5,233,500	5,037,684
Staff leave	10,986,049	9,288,870
13th Cheque	3,068,620	2,762,932
Short term: Ex- gratia benefit	403,817	174,534
Short term: Long term service award	1,056,716	699,128
Performance bonus	160,871	400,549
	<b>21,446,612</b>	<b>18,926,776</b>
<b>Other long term employee benefits</b>		
Long service award	8,934,559	10,058,920
<b>Post- employee benefits</b>		
Post- retirement medical aid benefits	133,002,936	126,101,599
Ex- gratia benefit	2,409,041	4,019,083
	<b>135,411,977</b>	<b>130,120,682</b>
Current liability	21,446,612	18,926,776
Non - current liability	144,346,536	140,179,602
	<b>165,793,148</b>	<b>159,106,378</b>

### Post-retirement and medical aid benefits

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Key Health
- Samwumed
- Hosmed
- LA Health

Details relating to eligible employees of the post-retirement medical aid benefit obligation are listed below.

#### Active members

Principal members	334	353
% Males	67.06%	68%
% Females	33%	32%
Average age	43.7	42.5
Average past service cost	R14.2 million	R12.2 million

#### Continuation members

Principal members	155	161
% Males	54.83%	57%
% Females	45%	43%
Average age	70.3	70

#### The amounts recognised in the Statement of Financial Position are:

Projected benefit obligation	138,236,437	131,139,283
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#### The obligation in respect of past services has been estimated as follows:

Active members	62,412,298	56,796,000
Continuation members	75,824,139	74,343,283

#### Net obligation

	<b>138,236,437</b>	<b>131,139,283</b>
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#### The amounts recognised in the Statement of Financial Performance are:

Current service cost	4,457,568	4,169,227
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# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013	
<b>13. Employee benefits (continued)</b>			
Interest cost	10,542,134	9,869,242	
Recognised actuarial (gains)/ losses	3,045,525	6,031,714	
<b>Amount charged to Statement of Financial Performance</b>	<b>18,045,227</b>	<b>20,070,183</b>	
The future service cost for the ensuing financial year is estimated to be R4 213 472, whereas the interest cost for the next year is estimated to be R12 035 335.			
<b>Movements in the present value of the defined benefit obligation were as follows</b>			
Opening benefit obligation liability	131,139,283	115,424,985	
Payments to members	(4,857,023)	(4,355,885)	
Charge to Statement of Financial Performance	11,954,177	20,070,183	
<b>Closing benefit liability</b>	<b>138,236,437</b>	<b>131,139,283</b>	
<b>Key actuarial assumptions</b>			
Discount rate	8.87%	8.19%	
Medical inflation rate	8.10%	7.82%	
<b>Change in medical inflation rate</b>			
The effect of 1% movement in the assumed medical inflation rate is as follows:	2014	Change	% change
Increase			
Effect on the aggregate of the current service cost and interest cost			
Effect on the defined benefit obligation	160,885,000	17,890,100	19%
Decrease			
Effect on the aggregate of the current service cost and interest cost			
Effect on the defined benefit obligation	119,873,000	(12,713,500)	-15%
<b>Change in the post - retirement mortality rate</b>			
The effect of a 1 year reduction in the post- retirement mortality rate is as follows:			
Effect on the aggregate of the current service cost and interest cost			
Effect on the defined benefit obligation	143,417,00	15,565,70	4%
<b>Change in average retirement age</b>			
The effect of a 1 year reduction in the post- retirement mortality rate is as follows:			
Effect on the aggregate of the current service cost and interest cost			
Effect on the defined benefit obligation	142,464,00	15,309,10	2%
<b>Change in withdrawal rate</b>			
The effect of a 50% reduction in the withdrawal rate is as follows:			
Effect on the aggregate of the current service cost and interest cost			
Effect on the defined benefit obligation	132,679,00	15,919,20	6%
<b>Ex- gratia benefits</b>			
Details of employees eligible for ex-gratia benefits are detailed below.			
<b>Members</b>			
In- service employees eligible for ex- gratia pension	15	26	
In- service employees eligible for lump sum benefit on retirement	17	19	
Eligible former employees receiving ex- gratia pension	4	4	
Eligible spouses receiving ex- gratia pension	6	9	
<b>Average age in years</b>			
In- services employees for ex- gratia pension	53.9	54.3	

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013	
<b>13. Employee benefits (continued)</b>			
In- service employees eligible for lump sum benefit on retirement	53.5	53	
Eligible former employees receiving ex- gratia pension	61.6	61.3	
Eligible spouses receiving ex- gratia pension	79.8	80	
<b>The amount recognised in the Statement of Financial Position are:</b>			
Projected benefit obligation	2,812,858	4,193,617	
The future service cost for the ensuing financial year is estimated to be Rnil, whereas the interest cost for the next financial year is estimated to be R252 264.			
<b>Movements in the present value of the defined benefit obligation were as follows:</b>			
Opening benefit obligation	4,193,617	4,369,539	
Payments to members	(178,469)	(180,453)	
Actuarial (Gain)/ Loss	(1,519,102)	(369,065)	
Interest and service cost charged to Statement of Financial Performance	316,812	373,596	
<b>Closed benefit obligation</b>	<b>2,812,858</b>	<b>4,193,617</b>	
<b>Key actuarial assumptions</b>			
Discount rate	9.25%	7.71%	
Pension increase rate	7.04%	6.27%	
Salary inflation rate	8.04%	7.52%	
<b>Change in pension increase rate</b>	2014	Change	% Change
The effect of a 1% movement in the assumed pension rate is as follows:			
Increase			
Effect on the aggregate of the current service cost and interest cost	343,200	26,388	8%
Effect on the defined benefit obligation	3,096,053	283,195	10%
Decrease			
Effect on the aggregate of the current service cost and interest cost	293,818	(22,994)	-7%
Effect on the defined benefit obligation	2,570,306	(242,552)	-9%
<b>Change in the post- retirement mortality rate</b>			
The effect of a 1 year reduction in the post- retirement mortality rate is as follows:			
Effect on the aggregate of the current service cost and interest cost	327,878	11,066	3%
Effect on the defined benefit obligation	2,889,223	76,365	3%
<b>Change in the average retirement age</b>			
Effect on the aggregate of the current service cost and interest cost	345,015	28,203	9%
Effect on the defined benefit obligation	2,975,120	(162,262)	6%
	<b>3,320,135</b>	<b>(134,059)</b>	<b>15</b>
<b>Long service awards</b>			
Details of employees eligible for long service awards are detailed below.			
Members	434	467	
Average age in years	45	45	
<b>The amounts recognised in the Statement of Financial Position are:</b>			
Projected benefit obligation	9,991,275	10,758,048	
<b>The amounts recognised in the Statement of Financial Performance are:</b>			
Current service cost	699,128	641,497	
Interest cost	729,203	649,675	
Recognised actuarial losses	(872,442)	676,493	

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 13. Employee benefits (continued)

**Amount charged to Statement of Financial Performance** **555,889** **1,967,665**

The future service cost for the ensuing financial year is estimated to be R636 598, whereas the interest cost for the next financial year is estimated to be R757 866.

#### Movements in the present value of the benefit obligation were as follows:

Opening benefit obligation	10,758,048	9,750,213
Payment to members (benefits vesting)	(1,322,662)	(959,830)
Actuarial (Gain)/ Loss	(872,442)	676,493
Interest and service cost charged to Statement of Financial Performance	1,428,331	1,291,172
<b>Closing benefit obligation</b>	<b>9,991,275</b>	<b>10,758,048</b>

#### Key actuarial assumptions

Discount rate	8.00%	7.26%
Salary inflation	7.15%	6.76%
Average retirement age	62	62

#### Change in the salary inflation rate

	2014	Change	% Change
The effect of a 1% movement in the assumed salary inflation rate is as follows:			
Increase			
Effect on the aggregate of the current service cost and interest cost	1,545,600	117,269	8%
Effect on the defined benefit obligation	10,686,000	694,725	7%
Decrease			
Effect on the aggregate of the current service cost and interest cost	1,324,300	(104,031)	-7%
Effect on the defined benefit obligation	9,366,000	(625,275)	-6%

#### Change in the average retirement age

Increase			
Effect on the aggregate of the current service cost and interest cost	1,645,800	217,469	15%
Effect on the defined benefit obligation	11,694,000	1,702,725	17%
Decrease	-		
Effect on the aggregate of the current service cost and interest cost	1,208,700	(219,631)	-15%
Effect on the defined benefit obligation	8,341,000	(1,650,275)	-17%

#### Change in withdrawal rate

The effect of a 50% reduction in the withdrawal rate is as follows			
Effect on the aggregate of the current service cost and interest cost	1,729,900	301,569	21%
Effect on the defined benefit obligation	11,458,000	1,466,725	15%

#### a) Cape Joint Venture Fund

The scheme was established to provide benefits to employees. All existing members were given the option to transfer to Cape Joint Venture Fund before December 1990. The fund was last actuarially valued at 30 June 2013 and the funding level was certified at 99.80% (2012: 105.30%).

This defined benefit plan is accounted for as a defined contribution plan as the municipality's liability in the proportionate share of actuarial gains and losses cannot readily be determined.

#### b) Cape Joint Retirement and Pension Fund for Local Government

The Cape Joint Venture Fund was established with effect from 1 May 1996 to provide insured death, disability and pension benefits to its members.

The contribution rate for members is 7.5% of basic salary, whilst the respective Local Authorities are contributing 19.5%.

This defined benefit plan is accounted for as a defined contribution plan as the municipality's liability in the proportionate share of actuarial gains and losses cannot readily be determined.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 13. Employee benefits (continued)

As at 30 June 2013 the funding level of the share account was 100.2% and the pension account was 105.1%. At the valuation date the municipality had 497 members (Fund: 35 506 members) and nil pensioners (Fund: 742 pensioners) belonging to the fund.

#### c) SAMWU National Provident Fund

SAMWU National Provident Fund is a privately-administered fund and is subject to actuarial valuation. According to the actuarial valuation the value of total assets of the SAMWU National Provident Fund was R 2 455 million on 30 June 2008. 6.49 % of Council's employees are members of this fund. The funding level of the fund was 100 % on 30 June 2008.

#### d) The Municipal councillors Pension Fund

This multi-employer fund was established to provide withdrawal, death and retirement benefits to Councillors. The contribution rate for Councillors is 13.75% of pensionable salary, whilst the respective Local Authorities are contributing 15%. A statutory actuarial valuation was performed for the period 1 July 2009 to 30 June 2012. As at 30 June 2012 the funding level excluding reserve accounts was 99.50% (2009: 102.00%). This defined benefit plan is accounted for as a defined contribution plan as the municipality's liability in the proportionate share of actuarial gains and losses cannot readily be determined.

### 14. Trade and other payables from exchange transactions

Retention	2,415,057	697,873
DWAF Agency	-	1,650,143
Other payables	132,838	125,423
Trade payables	68,307	168,319
Creditor accruals	843,076	780,130
Unclaimed funds	479,142	472,281
Trade payables	1,105,884	1,874,843
Gravel pit deposit (Roads)	1,433,224	-
ACB's	155,544	108
Roads Agency	4,302,477	7,117,767
	<b>10,935,549</b>	<b>12,886,887</b>

On 24 April 2014, the Municipal council granted approval to incur short-term debt in terms of Section 45 of the MFMA. This will come into effect through the issuing of a bank guarantee by the Municipality's bankers for R55 000 in respect of the rehabilitation of the two gravel pits as part of the Municipality's Road Agency Agreement with the Provincial Government: Western Cape. The bankers issued the said guarantee on 7 July 2014. Furthermore, this approval will be extended to all other future gravel pits to be approved by the Department of Mineral Resources to the maximum amount of R1 433 224 as received.

### 15. Trade and other payables from non- exchange transactions

Other capital grant funding	-	484,447
Task wage curve	-	9,498,667
Municipal Systems Improvement Grant - Capital	-	402,999
	<b>-</b>	<b>10,386,113</b>

### 16. Service charges

Fire fighting services	141,794	287,652
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# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>17. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	14,492,000	6,945,000
Sandhills- Toilet Hire	337,565	462,873
Rsc Levy Replacement grant	199,744,000	193,926,000
Extended Public Works	1,000,000	1,214,000
Public Transport ( Safety and compliance)	171,053	92,982
PGWC (Ignite)	41,600	-
Municipal Systems Improvement Grant	600,984	-
Financial Management Grant	964,551	677,431
Training of housing officials	2,159	-
Hermon housing subsidy	-	521,339
Western Cape Financial Management Grant	300,000	-
Integrated Transport Grant	437,237	634,654
Consumer Housing Education	21,593	9,631
Community Development Workers grant	70,341	44,488
	<b>218,183,083</b>	<b>204,528,398</b>
<b>Capital grants</b>		
Donated Assets (Health)	-	124,280
Roads Agency	667,645	192,937
MSIG capital	673,629	597,001
	<b>1,341,274</b>	<b>914,218</b>
	<b>219,524,357</b>	<b>205,442,616</b>

National Treasury compensated the Municipality for the amount of R 4 830 000 in respect of Municipal Infrastructure Grant funding that was withheld and deducted from the 2012/2013 Equitable share allocation. Hence the said amount are accounted for against the 2013/2014 Equitable Share in accordance to the treatment made in 2012/2013.

### Consumer Housing Education

Balance unspent at beginning of year	21,593	31,224
Conditions met - transferred to revenue	(21,593)	(9,631)
	<b>-</b>	<b>21,593</b>

Conditions still to be met - remain liabilities (see note 12).

### Community Development Workers

Balance unspent at beginning of year	74,915	(13,597)
Current-year receipts	65,600	133,000
Conditions met - transferred to revenue	(70,341)	(44,488)
	<b>70,174</b>	<b>74,915</b>

Conditions still to be met - remain liabilities (see note 12).

### Integrated transport planning

Current-year receipts	604,000	-
Conditions met - transferred to revenue	(437,237)	-
	<b>166,763</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

### Water and Sanitation Grant

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>17. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	35,560	35,560
Conditions still to be met - remain liabilities (see note 12).		
<b>Ward Committee Summit Grant</b>		
Balance unspent at beginning of year	2,159	2,159
Conditions met - transferred to revenue	(2,159)	-
	<b>-</b>	<b>2,159</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Public Transport (Provincial)</b>		
Balance unspent at beginning of year	2,407,018	1,500,000
Current-year receipts	500,000	1,000,000
Conditions met - transferred to revenue	(171,053)	(92,982)
	<b>2,735,965</b>	<b>2,407,018</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Provincial Treasury: FMG</b>		
Balance unspent at beginning of year	300,000	-
Current-year receipts	300,000	300,000
Conditions met - transferred to revenue	(300,000)	-
	<b>300,000</b>	<b>300,000</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Non Motorised Transport</b>		
Balance unspent at beginning of year	647,842	767,057
Current-year receipts	500,000	715,000
Conditions met - transferred to revenue	-	(834,215)
	<b>1,147,842</b>	<b>647,842</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	793,115	220,546
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(964,551)	(677,431)
	<b>1,078,564</b>	<b>793,115</b>
Conditions still to be met - remain liabilities (see note 12).		

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>18. Public contributions and donations</b>		
Nedbank	-	1,000,000
Contribution from Farmers (Electricity)	591,310	342,923
Roadstation road Ceres	-	184,154
Wellnes Day donation	20,500	-
Upgrade of Rural Roads (Farmers)	2,000,000	-
	<b>2,611,810</b>	<b>1,527,077</b>
<b>Reconciliation of conditional contributions</b>		
Balance unspent at beginning of year	994,571	643,521
Current-year receipts	3,007,350	1,878,127
Conditions met - transferred to revenue	(2,441,810)	(1,527,077)
	<b>1,560,111</b>	<b>994,571</b>
<b>19. Income from agency services</b>		
Working for water	4,465,087	7,164,720
Roads Agency	77,854,076	66,634,478
	<b>82,319,163</b>	<b>73,799,198</b>
<b>20. Other income</b>		
Brokerage	55,868	61,485
SETA Refund	55,624	498,016
Exhibition income	67,193	88,202
Department of Human Settlement Subsidy	561,134	-
Electricity income (Eerste Begin)	7,707	10,705
RSC Levies recovered	49	41
Salga discount	242,025	102,404
Eskom rebate	-	74,263
Municipal health income	261,269	57,954
Telephone (employees)	221,338	245,367
Shop steward reimbursement	93,480	-
Miscellaneous roads income	83,494	85,950
Miscellaneous income	242,315	300,821
	<b>1,891,496</b>	<b>1,525,208</b>
<b>21. General expenses</b>		
Accounting fees	53,568	108,862
Advertising	708,049	664,872
Auditors fees (note 27)	3,843,010	2,862,269
Bank charges	72,996	71,523
Cleaning	443,006	430,763
Study bursary fund	1,287,287	1,091,410
Fire breaks	550,543	437,644
Consulting and professional fees	1,618,597	2,604,955
Consumables	393,027	423,388
Entertainment	114,754	75,249
Site Expenditure	151,374	105,721
Flowers	4,839	4,783
Insurance	971,366	831,714
Seta levies	1,165,032	1,142,780
Conferences and seminars	206,827	181,256
Public Participation	102,908	139,726
IT expenses	333,131	297,580
Equipment general items	328,648	302,140



# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>21. General expenses (continued)</b>		
Rentals	485,972	492,965
Stock write off	8,381	-
Levies	36,360	35,813
Magazines, books and periodicals	7,753	-
Medical consumables	1,700	2,854
Motor vehicle expenses	5,712,416	5,446,710
Refreshments	245,291	236,282
Fuel and oil	8,700,845	8,804,521
Placement fees	28,836	7,259
Postage and courier	56,214	40,270
Printing and stationery	1,616,027	1,453,900
Communications	1,385,966	949,639
Protective clothing	27,337	39,732
Projects - Various directorates	60,441,730	41,312,839
Lisense fees- Radio	25,314	24,789
Security (Guarding of municipal property)	1,176,299	1,324,492
Software expenses	1,205,706	1,142,340
Subscriptions and membership fees	1,376,190	114,860
Telephone and fax	3,323,274	2,984,344
Training	1,709,261	2,021,312
Travel - local	2,432,273	2,768,227
Title deed search fees	5,285	-
Exhibitions and events	680,306	707,455
Electricity	2,108,037	1,927,889
Sewerage and waste disposal	234,097	266,970
Water	227,745	228,469
Refuse	60,334	172,736
Uniforms	499,605	768,103
Translation	409,248	390,434
Water/ food samples testing	959,433	866,810
Audit Support	845,662	189,983
Maintenance Contracts	318,602	319,949
Veterinary department	5,643,187	6,089,447
Venue expenses	103,095	50,207
Chemicals	269,919	236,485
Other expenses (See footnote)*	2,498,648	2,077,838
Property only	1,237,484	906,665
Reallocation Cost	22,856	299,869
	<b>118,475,650</b>	<b>96,479,092</b>

**\* Items included in other expenses**

Emergency Aid	132,572	172,647
Internet kiosks	22,244	67,834
Public functions	215,175	194,308
Program changes mainframe	69,955	60,900
Cash handling	43,716	37,691
Year end function	76,068	43,534
Video/ DVD	33,580	186,948
Women's day celebration	68,524	62,691
Planning: Water and Sanitation	295,900	191,000
Stakeholder workshops	156,100	143,162
Disaster management centre	225,409	109,208
MHS management system	55,380	188,212
Planning: Disaster Management	66,666	-
Task post evaluation	439,971	-
Settlements	-	37,500
Guidance	-	34,710
Website development	66,096	30,270
Stakeholder workshops	10,986	18,344
Trade Union (Imatu)	37,719	47,350

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>21. General expenses (continued)</b>		
Trade Union (Samwu)	37,703	46,316
Trade Union: Representation	73,879	47,162
Other expenses	371,005	358,051
	<b>2,498,648</b>	<b>2,077,838</b>

## 22. Employee related costs

Basic salaries	77,936,942	77,603,149
Bonus	6,458,560	2,243,284
Medical aid - company contributions	8,518,969	8,195,260
UIF	696,410	698,451
WCA	801,449	889,970
Leave	4,388,641	464,559
Student Work	945,890	1,426,380
Operators Allowance	106,712	80,265
Post-employment benefits - Pension - Defined contribution plan	13,717,867	13,419,582
Travel, motor car, accommodation, subsistence and other allowances	9,044,777	8,881,379
Overtime payments	3,529,545	3,573,182
Long-service awards	1,428,331	4,701,929
Medical aid current service cost	4,457,568	4,169,227
Actuarial loss/(gain)	(5,437,069)	6,339,142
Task wage agreement	(9,498,668)	3,515,990
Housing benefits and allowances	2,733,035	2,947,035
Other allowances	3,838,957	3,916,120
Future medical aid expenses	10,858,946	10,242,838
Group schemes	1,125,790	1,177,648
Telephone	66,401	72,069
Performance bonus	39,068	258,346
	<b>135,758,121</b>	<b>154,815,805</b>

2014	Long service awards	Ex gratia	PRMA	Total
Current service cost	699,128	-	4,457,568	5,156,696
Interest cost	729,203	316,812	10,542,134	11,588,149
Net actuarial (gains)/ losses recognised	(872,442)	(1,519,102)	(3,045,525)	(5,437,069)
	<b>555,889</b>	<b>(1,202,290)</b>	<b>11,954,177</b>	<b>11,307,776</b>

2013	Long service awards	Ex gratia	PRMA	Total
Current service cost	641,497	-	4,169,227	4,810,724
Interest cost	649,675	373,596	9,869,242	10,892,513
Net actuarial (gains)/ losses recognised	676,493	(369,065)	6,031,714	6,339,142
	<b>1,967,665</b>	<b>4,531</b>	<b>20,070,183</b>	<b>22,042,379</b>

## Remuneration senior management

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 22. Employee related costs (continued)

2014	Basic	Car Allowance	Performance Bonuses	Contribution to UIF, Medical and Pension Funds	Other	Total
Municipal Manager	903,336	132,500	70,268	215,046	50,000	1,371,150
Chief Financial Officer	489,252	240,000	-	122,533	104,166	955,951
Chief Financial Officer*	-	-	43,531	462	-	43,993
Community and Developmental Service**	-	-	36,451	149	-	36,600
Community Development and Planning Services	657,697	144,833	48,797	153,421	-	1,004,748
Regional Dev. and Planning	48,797	-	-	637	-	49,434
Engineering and Infrs. services	720,854	138,075	30,904	168,632	-	1,058,465
	<b>2,819,936</b>	<b>655,408</b>	<b>229,951</b>	<b>660,880</b>	<b>154,166</b>	<b>4,520,341</b>

\* Performance bonus paid to Mr. J.G. Marias - resigned on 18 May 2013.

\*\* Performance bonus for Dr W.Z.C. Mathibela - resigned on 31 March 2013.

### 2013

	Basic	Car Allowance	Performance Bonuses	Contribution to UIF, Medical and Pension Funds	Other	Total
Municipal Manager	906,988	70,000	66,795	195,856	-	1,239,639
Chief Financial Officer*	683,386	53,500	47,047	141,257	51,680	976,870
Corporate and Strat. services	59,977	8,000	55,662	13,436	27,436	164,511
Community and Dev. services**	634,450	90,000	46,385	8,801	19,597	799,233
Rural and Social Development	719,765	96,000	55,662	161,881	19,597	1,052,905
Regional Dev. and Planning	753,082	76,000	55,662	148,635	27,436	1,060,815
Engineering and Infrastructure Services	432,963	100,000	-	101,560	-	634,523
	<b>4,190,611</b>	<b>493,500</b>	<b>327,213</b>	<b>771,426</b>	<b>145,746</b>	<b>5,928,496</b>

\* Mr. J.G. Marias resigned on the 18 May 2013.

\*\* Dr W.Z.C. Mathibela resigned on the 31 March 2013.

### 23. Remuneration of councillors

2014	Salaries	Contribution to medical and pension funds	Car allowance	Other	Total
Executive mayor	654,250	98,137	72,000	28,068	852,455
Deputy mayor	423,243	94,514	111,752	58,068	687,577
Speaker	455,274	73,047	101,189	57,841	687,351
Other councillors	5,129,672	504,513	1,369,121	420,105	7,423,411
	<b>6,662,439</b>	<b>770,211</b>	<b>1,654,062</b>	<b>564,082</b>	<b>9,650,794</b>

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 23. Remuneration of councillors (continued)

#### 2013

Executive mayor	620,113	93,017	72,000	19,872	805,002
Deputy mayor	404,365	79,140	111,752	49,872	645,129
Speaker	407,582	74,001	100,236	48,775	630,594
Other councillors	4,829,685	477,370	1,385,506	273,278	6,965,839
Subtotal	6,261,745	723,528	1,669,494	391,797	9,046,564
	-	-	-	-	-
	<b>6,261,745</b>	<b>723,528</b>	<b>1,669,494</b>	<b>391,797</b>	<b>9,046,564</b>

### 24. Finance Income

#### Interest revenue

Other Interest	27,781,901	24,480,890
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### 25. Depreciation and amortisation

Property, plant and equipment	5,771,131	7,128,216
Intangible assets	113,304	172,923
	<b>5,884,435</b>	<b>7,301,139</b>

### 26. Finance costs

Finance leases	12,976	22,860
Interest paid (Roads Agency)	329,598	-
	<b>342,574</b>	<b>22,860</b>

### 27. Auditors' remuneration

Fees	3,843,010	2,862,269
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### 28. Operating lease

Operating leases relate to buildings with lease terms of between one to five years. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

#### Operating lease asset

Current portion of the straight lining	12,584	-
Non- current portion of the straight lining	9,237	13,102
	<b>21,821</b>	<b>13,102</b>

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>28. Operating lease (continued)</b>		
Up to 1 year	286,141	264,837
2 to 5 years	135,537	421,679
More than 5 years	-	-
	<b>421,678</b>	<b>686,516</b>

The municipality entered into an operating lease for the rental of office facilities. The lease is between LSW Eiendomme BK and the Municipality. The contract is for a 3 (three) year period. The property involved is erf 271, 44 Main Road, Wellington.

The municipality entered into an operating lease for the rental of office accommodation. The lease is between Witzenberg Municipality and the Municipality. The contract is for a 2(two) year period. The property involved is erf 267, Tulbagh.

The municipality entered into an operating lease for the rental of office accommodation. The lease is between Stellenbosch Municipality and the Municipality. The contract is for a 5(five) year period. The property involved is situated in Huguenot Street, Franschoek.

The municipality entered into an operating lease for the rental of office accommodation. The lease is between Witzenberg Municipality and the Municipality. The contract is for a 2(two) year period. The property involved is erf 1, Wolseley.

## 29. Cash generated from operations

Surplus	27,071,074	23,704,894
<b>Adjustments for:</b>		
Depreciation and amortisation	5,884,435	7,301,139
Loss/ (gain) on disposal of assets	10,091,608	(1,079,779)
WIP incurred in prior years capitalised as a 2012/13 addition	-	(68,351)
Donated assets and assets fair valued at initial recognition	-	(2,201,253)
Net interest receivable adjustment	-	266,246
Unrealised foreign exchange loss/ (profit)	19,274	24,853
Finance leases	12,976	82,168
Proceed on disposal of PPE received in prior years	-	2,292,755
Debt impairment	456,112	109,932
Actuarial loss	-	6,339,142
Inventory write off	8,381	-
Salary accruals	-	5,364,537
Task wage agreement	-	2,775
Future medical aid expenses	-	10,242,838
Medical aid- current service cost	-	4,169,227
Finance cost agency fees	329,598	-
Inventories	(3,483,379)	398,284
Other Receivables	(2,064,343)	-
Decrease in trade and other receivables	-	(26,601)
Other receivables from exchange transactions	379,497	(1,254,510)
VAT	(604,781)	-
Operating lease liability	8,719	-
Trade and other receivables from exchange transactions	(9,983,114)	(11,588,869)
Other Receivables	-	682,736
Trade and other payables from non- exchange	(2,475,403)	3,684,052
Receivables from non- exchange transactions	-	200,000
Movement in employee benefit	6,686,770	(9,066,309)
Roads Agency creditor	-	182,240
Conditional grant liability	1,818,206	2,076,706
	<b>34,155,630</b>	<b>41,838,852</b>

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>30. Short- term deposit</b>		
<b>ABSA - Investment</b>		
Opening balance	91,000,000	72,000,000
Movement for the year	(3,000,000)	19,000,000
	<b>88,000,000</b>	<b>91,000,000</b>
<b>FNB - Investment</b>		
Opening balance	80,000,000	50,000,000
Movement for the year	3,000,000	30,000,000
	<b>83,000,000</b>	<b>80,000,000</b>
<b>INVESTEC - Investment</b>		
Opening balance	72,000,000	83,000,000
Movement for the year	26,000,000	(11,000,000)
	<b>98,000,000</b>	<b>72,000,000</b>
<b>NEDCOR - Investment</b>		
Opening balance	101,000,000	87,000,000
Movement for the year	(1,000,000)	14,000,000
	<b>100,000,000</b>	<b>101,000,000</b>
<b>STANDARD BANK - Investment</b>		
Opening balance	70,000,000	93,000,000
Movement for the year	3,000,000	(23,000,000)
	<b>73,000,000</b>	<b>70,000,000</b>
<b>Cheque Account (Primary Bank Account) - ABSA</b>		
Bank statement balance at the beginning of the year	<u>14,984,229</u>	<u>10,686,708</u>
Bank statement balance at the end of the year	<u>15,231,195</u>	<u>14,984,229</u>
Cash on hand	3,100	3,100
<b>Cash and cash equivalents</b>	<b><u>457,234,295</u></b>	<b><u>428,987,329</u></b>
<b>Future Obligations and reserves linked to investments</b>		
Creditor accruals	843,076	780,130
Salary accruals	537,039	563,079
Other payables	132,838	125,423
	<b>1,512,953</b>	<b>1,468,632</b>

## 31. Contingencies

### Contingent liabilities

(i) Application for an interdictory and declaratory relief against Cape Winelands District Municipality together with Stellenbosch Municipality for alleged non-compliance with statutory and constitutional obligations in respect of its duty to progressively realise the rights of access to adequate housing in particular to persons that are evicted and left without any alternative accommodation. The matter was postponed sine die pending settlement negotiations which were ongoing. This matter does not include any amounts claimed. If settlement negotiations fail and the Municipality is unsuccessful in opposing the application the cost will approximately amount to R 250 000 and if successful, it is unlikely that the costs will be recovered from the applicant.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

2014

2013

### 31. Contingencies (continued)

(ii) Delictual claim for damages in the amount of R 451 000. At a pre-trial conference it was decided that the matter is to be transferred from the High Court to the Magistrate's Court. This has the effect that the potential liability of the Municipality is reduced to approximately R 100 000. If unsuccessful the cost might amount to R 250 000 inclusive of costs and if successful, it is unlikely that the cost will be recovered from the plaintiff. The process is currently pending.

(iii) Litigation matter in respect of application for eviction remains pending for the 2013/2014 financial year and there might be a possible settlement - Approximately R20 000.

(v) Legal cost that is estimated at R 80 000 that in respect of the conduction of an investigation relating to misconduct.

### Contingent assets

The Municipality is still waiting on the outcome of 40 insurance claims that was not concluded at 30 June 2014. The claims are not specific to the 2013/ 2014 financial year.

### 32. Related parties

The following related parties exist:

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 32. Related parties (continued)

National Treasury  
Provincial Government Western Cape  
National Department of Water Affairs and Forestry  
Municipal Manager (M. Mgajo)  
Chief Financial Officer ( F.A. Du Raan Groenewald)  
Executive Director: Community Development Services ( C.V. Schroeder)  
Executive Director: Infrastructure Developmental Services ( F.A. van Eck)  
Acting Senior Manager: Strategic and Support Services ( K. Smit)  
Ald. C.A. De Bryun (Executive Mayor)  
Cllr. C. Meyer (Speaker)  
Cllr. H.M. Jansen (Deputy Executive Mayor)  
Ald. (Dr.) N.E. Kahlberg  
Cllr. R. B. Arnolds  
Cllr. G.J. Carinus  
Cllr. J.J. Du Plessis  
Cllr. X.L. Mdemka  
Cllr. J.R.F. Torr  
Cllr. H. Von Schlicht  
Cllr. J.J. Abrahams  
Cllr. M.B. Appolis  
Cllr. M.N. Bushwana (Appointed 13/12/2013)  
Cllr. D.C.Botha  
Cllr. C.C. Brink  
Cllr. W.L. Chaaban  
Cllr. A. Crombie  
Cllr. J.B. Cronje  
Cllr. C. Damens  
Cllr. S.W. Davids (Resigned 20/05/2014)  
Cllr. Z.L. Gwada  
Cllr. N.D. Hani  
Cllr. D.A. Hendrickse  
Cllr. P. Heradien  
Cllr. D.B. Janse  
Cllr. X. Kalipa  
Cllr. B.J. Kriegler  
Cllr. P. Marran  
Cllr. J. Matthee  
Cllr. C. Mcako  
Cllr. S.J. Mei (Resigned 19/05/2014)  
Cllr. L.W. Niehaus  
Cllr. S.W. Nyamana  
Cllr. S. Ross  
Cllr. L.N. Sikwamisa  
Cllr. G. Stalmeester  
Cllr. M.S. Tayitayi  
Cllr. J.D.F. Van Zyl  
Cllr. M.H. Yabo  
Cllr. D.D. Joubert (Appointed 05/09/2013)  
Cllr. A.F. Africa (Appointed 12/06/2014)  
Cllr. E.S.C. Manel (Appointed 13/06/2014)

The salaries and remuneration of key management and councillors is disclosed in note 22 & 23 of the Annual Financial Statements.



# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 32. Related parties (continued)

#### Related party balance

##### Grants and allocations received

National Treasury	2,850,984	2,464,000
Provincial Government Western Cape	2,318,840	3,132,212
Department of Water Affairs and Forestry	4,465,891	7,164,720
	<b>9,635,715</b>	<b>12,760,932</b>

##### Balance of Grants Received from Related Parties

National Treasury	477,580	793,115
Provincial Government Western Cape	4,420,743	3,429,775
DWAF	-	1,650,143
	<b>4,898,323</b>	<b>5,873,033</b>

The Provincial Government Western Cape provide the necessary funds to the Municipality to maintain, repair, protect and manage the proclaimed Provincial Roads in the area of the Municipality. A functional organogram is agreed to by both parties and funds are made available to maintain the approved organogram; hence partly utilised to fund the Municipality's employee costs responsible for the execution of the roads function.

The Provincial Government Western Cape supply the Municipality with the necessary plant and equipment (yellow fleet and equipment) in order to render the Roads function. The Municipality utilises the said fleet and equipment at no cost however, cost incurred relates to maintenance and fuel.

#### Related party transactions

##### Mayoral bursary fund allocations paid to institutions on behalf of beneficiaries

Cllr H Von Schlicht (Hugenote College - Director from 21/10/2010)	-	12,000
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##### Subsidy for solar heating and warm water

Cllr JJ Du Plessis (Oude Tol, Tulbach, 1996)	-	-
Opening balance	2,822	-
Solar heating and warmwater	-	8,465
Payment made to municipality	-	(5,643)
Refund	2,822	-
	<b>-</b>	<b>2,822</b>

##### Subsidy for water/ sanitation farm

Cllr JJ Du Plessis (Oude Tol, Tulbach, 1996)	-	15,000
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##### Mayoral bursary allocations to family of employees

P.H. van Niekerk	41,000	-
W.M. Neethling	50,000	-
H. Williams	32,000	-
S. Magalela	40,000	-
D. Posthumus	45,000	-
F.J. Africa	24,000	-
K. Eland	26,000	14,100
H.J. Thiart	42,000	-
J. Kruger	42,000	-
T. Solomon	43,000	-
E. Bouver	-	37,248
L. van Niekerk	15,000	-
M. Anthony	-	36,000
F. Van Schalkwyk	-	4,000
E. Nicholls	-	40,000
E. Philander	-	34,000

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 32. Related parties (continued)

### 33. Financial instruments

#### Financial risk management

#### Liquidity risk

The following are contractual maturities if financial assets and liabilities:

<b>Non- derivatives financial assets - 2014</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>2 - 5 Years</b>	<b>More than 5 Years</b>
Other receivables from exchange transactions	8,703,494	-	-	-	-
Cash and cash equivalents	457,234,295	-	-	-	-
Receivables from non- exchange transactions	664	-	-	-	-
Trade receivables from exchange transactions	158,321	-	-	-	-
	<b>466,096,774</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Non- derrivatives financial liabilities - 2014</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>2 - 5 Years</b>	<b>More than 5 Years</b>
Trade and other payables from exchange transactions	10,935,549	32,641,722	-	-	-
Trade and other payables from non - exchange transactions	-	-	-	-	-
	<b>10,935,549</b>	<b>32,641,722</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Credit risk

The carrying amount of receivables and loans represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

#### Financial assets

Other receivables from exchange	8,703,494	6,639,815
Trade receivables from exchange transactions	158,321	537,818
Trade receivables from non- exchange transactions	664	-
	<b>8,862,479</b>	<b>7,177,633</b>

#### Financial liabilities

Finance lease liability	168,826	168,831
Operating lease liability	81,821	13,102
	<b>250,647</b>	<b>181,933</b>

Refer to note 5,6,7,11 and 28 for detail of the above intruments

#### Interest rate risk

The Municipality's exposure to interest rates risk and effective interest rates on financial instruments at balance sheet date are as follows:

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 33. Financial instruments (continued)

#### Non-derivative financial assets - 2014

Financial assets	Interest rate at year end	Within 1 Year	2-5 Years	More than 5 years	Column heading
Cash and cash equivalents - Short term investments	6.3%	4,420,000	-	-	-
Cash and cash equivalents - Cash book balances	6.3%	149,842	-	-	-
		-	4,569,842	-	-
		-	4,569,842	-	-

Sensitivity analysis.

An increase of 1% in interest rates at 30 June would have increased/(decreased) financial assets and profit or loss by the amounts shown below. A decrease of 1% in interest rates at 30 June would have had the equal but opposite effect on the above financial instruments, on the basis that all other variables remain constant. There were no changes in the Municipality's approach from the prior year.

#### Reliance on national government for funds

With the abolishment of the Regional Services Council Levies on 30 June 2006 the Cape Winelands District Municipality will be dependant on Government Grants, including the Equitable Share, for approximately 73.31% of the Municipality's revenue. In addition, Provincial Allocations, including the rendering of Agency Services & Public Contributions account for a further 15.30%.

#### Market risk

It is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Municipality's projected income.

Foreign currency risk is deemed to be minimal as very few international transactions are conducted.

There were no changes in the Municipality's approach to financial risk management from the prior year.

#### Fair values

Due to their short maturities the fair values of all financial instruments are substantially identical to the values reflected in the balance sheet.

### 34. Foreign currency

Unrealised loss on foreign currency transaction	19,274	24,853
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The municipality did not take out foreign exchange forward cover on these transactions.

### 35. Unauthorised expenditure

#### Reconciliation of Unauthorised expenditure

Opening balance	2,531,710	-
Unauthorised expenditure current year	-	2,531,710
Approved by Council or condoned	(2,531,710)	-
<b>Unauthorised expenditure awaiting authorisation</b>	<b>-</b>	<b>2,531,710</b>

The Council Meeting held on 28 January 2014 at Item C. 14.3 resolved that an adjustments budget as contemplated in section 28(2)(g) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and regulation 23(6)(b) of the Municipal Budget and Reporting Regulations, 2008 approved the unauthorised expenditure as anticipated by section 32(2)(a)(i) of the same Act for long service bonuses in the amount of R2,531,710 as a result of different assumptions and methodology used by the appointed service provider as was applied in previous financial years.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>36. Fruitless and wasteful expenditure</b>		
<b>Reconciliation of Fruitless and wasteful expenditure</b>		
Opening balance	37,500	-
Fruitless and wasteful expenditure current year	-	37,500
Approved by Council or condoned	(37,500)	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>-</b>	<b>37,500</b>

The above expenditure was in respect of Conradie Inc: Attorneys for the institute of the Blind in a case where the contractor failed to deliver product as per specification. Payment was demanded by the original supplier's attorney. The said expenditure, after investigation by MPAC in terms of Section 32 of the MFMA, was certified at the Council meeting on 3 December 2013 as irrecoverable and written off.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>37. Irregular expenditure</b>		
Opening balance	9,207,055	218,863
Irregular Expenditure - current year ( See details below)	9,524,768	9,207,055
Amounts condoned	(18,731,823)	(218,863)
Amounts recoverable (not condoned)	-	-
Amounts not recoverable (not condoned)	-	-
	<b>-</b>	<b>9,207,055</b>

### Details of irregular expenditure

Service provider - First Technologies. (MPAC.6.6 dated 25 Oct 2013)

### Disciplinary steps taken/ criminal proceedings

After investigation by the MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.1.6 on 3 Dec 2013, as irrecoverable and written off.

75,240

Service Provider - Business Engineering - performed work without proper authorisation. (MPAC.6.6 dated 25 Oct 2013)

After investigation by the MPAC in terms of Section Section 32 of the MFMA certified at the Council meeting, C.14.1.6 on 3 Dec 2013, as irrecoverable and written off.

9,348

Non- compliance with Regulation 36(1)(a) of SCM regulations. Incorrectly dealt with in terms of Regulations 16 and 17 of SCM regulations. (MPAC.6.7 dated 3 June 2014) - R 4 760 724. Non-compliance with SCM Reg 17(1)(c) where the Municipality could not obtain three quotations. (MPAC.6.6 dated 3 June 2014) - R 4 361 743.

After investigation by MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.1.7 on 27 June 2014, as irrecoverable and written off.

9,122,467

Non- compliance with SCM Reg 16 (c) and 17 (1)(c). Details of deviations approved by the Accounting Officer where it was not possible to obtain three responsive quotations. (MPAC.5.1 dated 27 June 2014)

After investigation by the MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.1.12 on 27 June 2014, as irrecoverable and written off.

9,373,291

Supplier - AFROX OXYGEN LTD - Payment made in contravention of regulation 44 (MPAC.6.1 dated 3 June 2014)

After investigation by MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.1.1 on 27 June 2014, as irrecoverable and written off.

13,970

Supplier - MEY-FLOWER FUNERAL SERVICES (PTY) LTD - Payment made in contravention of regulation 44 (MPAC.6.2 dated 3 June 2014)

After investigation by MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.1.2 on 27 June 2014, as irrecoverable and written off.

5,500

Supplier - THE HUNTING POT CC - Payment made in contravention of regulation 44 (MPAC.6.3 dated 3 June 2014)

After investigation by MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.1.3 on 27 June 2014, as irrecoverable and written off.

32,700

Supplier - REAKGONA COMMERCIAL AND INDUSTRIAL HYGIENE CC - Payment made in contravention of regulation 44 (MPAC.6.4 dated 3 June 2014)

After investigation by MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.1.4 on 27 June 2014, as irrecoverable and written off.

18,162

Supplier - ELIZMA GOLTZ CC T/A SAFETECH - Payment made in contravention of regulation 44 (MPAC.6.10 dated 3 June 2014)

After investigation by MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.1.10 on 27 June 2014, as irrecoverable and written off.

35,728

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>37. Irregular expenditure (continued)</b>		
Supplier - STEVENRIDGE CC - Payment made in contravention of regulation 18(a) (MPAC.6.5 dated 3 June 2014)	45,417	-
	After investigation by MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.1.5 on 27 June 2014, as irrecoverable and written off.	
<b>38. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	1,365,393	1,186,122
Amount paid - current year	(1,262,989)	(1,186,122)
Discount received (7.5%)	(102,404)	-
	-	-
<b>Audit fees</b>		
Current year audit fee: Auditor General	3,843,010	2,862,269
Current year audit fee: Audit Committee	53,568	92,068
Amount paid - current year	(3,894,526)	(2,954,337)
	<b>2,052</b>	-
<b>PAYE and UIF</b>		
Current year payroll deductions	(19,540,984)	(18,531,476)
Amount paid - current year	19,540,984	18,531,476
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year payroll deductions and council contributions	(36,335,285)	(35,438,946)
Amount paid - current year	36,335,285	35,438,946
	-	-
<b>VAT</b>		
VAT receivable	1,179,227	574,446

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

### Councillors' arrear consumer accounts

During the financial year under review no Councillor was in arrear with the settlement of their municipal accounts.

### Particulars of non-compliance

Section 65(e) of the MFMA determines that the Accounting Officer must take all reasonable steps to ensure that all money owing by the Municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. The following expenses were paid outside of the prescribed period:

### The following resulted in payments not being effected within 30 days of receiving the relevant invoices / statements for the 2013/2014 financial year.

Payments to trade creditors are processed on receipt of statement and four (4) of these creditors did not provide statements as per the norm. However, payments were made on invoice to avoid further delays.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

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

First Technology Western Cape (Pty) Ltd - Equipment had to be ordered from overseas and a long delay was experienced before delivery.

**The following resulted in payments not being effected within 30 days of receiving the relevant invoices / statements for the 2012/2013 financial year:**

Payments to trade creditors are processed on receipt of statement and eleven (11) of these creditors did not provide statements as per the norm. However, payments were made on invoice to avoid further delays.

Van der Spuy Upholsterers cc - Confirmation of banking details of creditor resulted in delay

Metrofile Cape (Pty) Ltd - Close of office during December holidays resulted in delay

#### Incident

Four (4) trade creditors - payments not made within 30 days of receiving invoices	10,043	-
Eleven (11) trade creditors - payments not made within 30 days of receiving invoices	-	71,292
First Technology Western Cape (PTY) Ltd	54,304	-
Van der Spuy Upholsterers cc	-	695
Metrofile Cape (Pty) Ltd	-	2,442
	<b>64,347</b>	<b>74,429</b>

Section 71(1) of the MFMA stipulates that the Accounting Officer of a Municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and then the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the financial performance for that month and for the financial year up to the end of that month. The Municipal Budget Reporting Regulations (MBRR) further require all municipalities to submit the monthly budget statements in the required format and the content of such reports must comply with the minimum requirements of section 28. of the MBRR as outlined under the section "Schedule C" on page 76 of Government Gazette No.32141. Circular 48 of 2012 distributed by the Provincial Treasury with reference to the above are to strictly issue non-compliance letters if the requirements are not met.

In this regard the Section 71 Report (monthly budget statement/IYM report) for the month ending 31 August 2013 was due on Friday, 13 September 2013 with the below schedules that was outstanding for the Cape Winelands District Municipality: C-Schedule, Financial Management Report and the Quality Certificate

The C-Schedules were e-mailed to the MFMA website on the due date of 13 September 2013, but due to a problem with the municipality's e-mail server it was released after the due date. As soon as the problem with the e-mail server was discovered the quality certificate was faxed to the relevant Government Institutions, unfortunately the C Schedules could not be faxed due to the size of the document. The Result slip of the fax machine showed a date and time of 12:55 on 13 September 2013. The Finance Management Report was sent to the Mayor and the Municipal Manager in time and was also only submitted to Local Government Finance on 16 September 2013 due to the problem with our e-mail server.

Corrective actions has been implemented by to monitor the submission of all monthly and quarterly return forms and the checklist needs to be signed off by a senior official. The apparent late submission was caused by circumstances beyond the Municipality's control.

### 39. Actual operating expenditure versus budgeted operating expenditure

According to the Accounting Policy explanations should be provided in cases where the difference between the Adjustments Budget and the Actual Expenditure exceeds 10%.

#### Statement of Financial Position

##### Inventory

The variance is relatively high due to the fact that the Municipality did not make provision for the Roads inventory.

##### Other receivables from exchange transactions

The transactions originated due to the fact that third parties did not fulfil their obligation to the Municipality.

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 39. Actual operating expenditure versus budgeted operating expenditure (continued)

#### VAT receivable

The Municipality did not take the VAT reconciliation into account during the budget process. A comprehensive reconciliation on VAT was only concluded towards the end of the financial year.

#### Cash and cash equivalents

A profit of R 24 284 433 was made in the 2013/2014 financial year and this includes non- cash items such as depreciation and provision made for future medical expenses.

#### Property, plant and equipment

At the time of budget tabling the assets was not fully migrated to the SAMRAS system. This made depreciation predictions difficult to determine. The fact that not all the assets was bought as budgeted for the 2013/2014 financial year led to the further under expenditure.

#### Finance leases

The Municipality did not account for finance leases in the long term due to anticipated policy changes.

#### Trade and other payables from exchange transactions

The budgeted amount was based on the fact that the Municipality normally receive a transfer from The Department of Public Transport close to financial year end. This was not the case during the 2013/2014 financial year and led to the over budgeting.

#### Conditional grants

The largest portion of the unspent grants is in the Municipality's public transport section. The largest unspent funds were due to the fact that the Municipality and other roll players could not agree to terms with regard to the stand to be utilised used to an impoundment facility.

#### Finance leases

The budgeted amount included both long and short term portion of the finance lease.

#### Revaluation Reserve

The variance exists due to the depreciation calculation that was not budgeted correctly.

#### Accumulated Surplus

The variance exists due to the depreciation calculation that was not budgeted correctly.

#### Statement of Financial Performance

##### Service charges

Service charges is mainly fire accounts and the fire season was less active in 2013/2014 than in previous years

##### Rental of facilities and equipment

Rental income was over budgeted. The Municipality expected to rent out buildings, but did not follow through.

##### Other Income

Other income consists mainly of income the Municipality does not have control over, hence cannot be accurately projected.. The income consists of various sources.

##### Public contributions and donations



# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 39. Actual operating expenditure versus budgeted operating expenditure (continued)

The Municipality entered into an agreement with a third party with regard to building a road. This agreement had a significant impact on the variances.

#### Employee related cost

A provision was made with regards to a lawsuit between Imatu and Salga in excess of R9m. The appeal was denied by the court and the provision was reversed.

#### Remuneration of councillors

The accounting treatment of re-imbursable mileage costs claimed by councillors was corrected. The travel and subsistence were included in Remuneration to councillors rather than travel and subsistence costs as part of general expenses.

#### Finance cost

An amount of R329 598 was accounted for as interest paid to The Department of Public Transport. The Municipality did not budget for interest to be paid to the department.

#### Debt Impairment

Council took a decision to hand over fire accounts that was owed in arrears to the Municipality. Past experience has indicated a poor collection of this type of income due to difficulty in establishing where the fire originated.

#### Repairs and Maintenance

The Municipality received additional funds to maintain the roads from The Department of Public Transport. The transfer took place close to the end of the financial year and all the funds could not be spent.

#### General Expenses

This expenditure category consists of various items. A large portion of the expenditure is classified as projects which reflected a saving of R9 809 760 at year end.

### 40. Disclosures in terms of the Municipal Supply Chain Management Regulations - promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36 (1) (a).

2014	Total	Emergency	Impossible	Impractical	Sole Supplier/ Agent
July	1,167,665	-	18	25	58
August	1,218,398	-	46	28	39
September	1,668,703	-	53	44	63
October	1,646,571	-	76	32	29
November	1,363,246	-	53	43	46
December	1,678,025	-	44	18	29
January	932,922	-	25	27	60
February	1,549,724	-	46	32	71
March	1,597,750	-	73	23	52
April	922,279	-	57	17	45
May	1,586,396	-	66	16	29
June	758,962	-	22	16	28
	<b>16,090,641</b>	<b>-</b>	<b>579</b>	<b>321</b>	<b>549</b>

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### 40. Disclosures in terms of the Municipal Supply Chain Management Regulations - promulgated by Government Gazette 27636 dated 30 May 2005 (continued)

2013	Total	Emergency	Impossible	Impractical	Sole Supplier/ Agent
July	612,273	2	25	18	46
August	878,653	-	20	22	27
September	505,215	-	30	29	23
October	1,244,664	1	39	34	28
November	1,162,611	1	49	36	37
December	805,289	-	25	26	30
January	898,906	1	36	36	35
February	1,050,386	-	37	30	51
March	989,858	-	31	36	39
April	684,497	1	35	37	28
May	894,815	-	36	27	14
June	1,153,935	-	16	19	43
	<b>10,881,102</b>	<b>6</b>	<b>379</b>	<b>350</b>	<b>401</b>

### Further disclosure in terms of Regulation 45 of the Municipal Supply Chain Management Regulations.

Particulars of awards of more than R2 000 to a person who is a spouse, child or parent of a person in service of the state, or has been in the service of the state in the previous twelve months.

Creditors Name	Relationship	Related to		
AE Human t/a Astra catering	Child	Did not provide particulars	87,445	50,925
AJEE Consulting CC	Spouse	Husband in SA Police Service	32,250	2,400
Aurecon South Africa (Pty) Ltd	Spouse	Various relationships to owner	747,310	803,514
BK enterprises	Spouse	Mrs Kruger Dept of Argri.	11,650	9,150
CE Minnaar t/a Equisite high tea	Son/ daughter in law	C. Roland CWDM	100,313	172,944
Cosmic security and cleaning services	Spouse	Work for Correctional Services	168,475	347,567
Hughie Avontuur Construction Cc	Spouse	Teacher WCED	485,776	-
JC De Wet	Brother/ sister	F van Schalkwyk MHS Ceres	20,820	59,136
J Walters t/a JC travel	Spouse	Work for WCED	50,250	45,000
Kevhec Cc t/a While its day	Spouse	Charlotte Hector NHBC	3,181	13,545
Kleinplasia restaurant	Spouse	Johan Botha CWDM	17,875	15,946
LS Bushana Taxi services	Parent	L Bushwana Breede Valley Mun.	2,400	-
Lumber & Lawn (Pty) Ltd	Spouse	Wife: Teacher Lochnerhof Primary	6,222	143,536
Lynette Minnaar	Child	Melissa Kafaar CWDM	3,150	1,500

# CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand			2014	2013
<b>40. Disclosures in terms of the Municipal Supply Chain Management Regulations - promulgated by Government Gazette 27636 dated 30 May 2005 (continued)</b>				
M & N Bakwerke Cc	Brother/ sister	Elmine Niemand CWDM	38,559	99,756
Marian Mecuur	Child	Work at Cederberg Municipality	55,000	55,000
Mas Catering	Spouse	Hawequa prison	98,773	178,626
Siphakame Skills Development Cc	Spouse	Work for Drakenstein Correctional Service	8,758	230,372
Sulaiman Pietersen	Parent	Councillor at Drakenstein Municipality	48,798	-
The Business Zone 932 t/a JLM24 Services	Spouse	Teacher WCED	25,096	48,090
Vallei Auto herstelwerke (Pty) Ltd	Child	Daughter: Johan Mostert	49,001	1,241
VDM busdiens	Child	Son is working for SAPS	169,650	61,000
Witzenberg concrete (Pty) Ltd	Spouse	Teacher WCED	23,100	-
			<b>2,253,852</b>	<b>2,339,248</b>

### 41. Capital Commitments

#### Commitments in respect of capital expenditure

Approved and contracted for- Infrastructure	-	-
	-	640,299
	-	<b>640,299</b>

### 42. Prior period errors

See next page.

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

Figures in Rand

**42. Correction of prior period error**

**Statement of Financial Position**

<b>Assets</b>		<b>Restated 2013</b>	<b>Correction</b>	<b>2013</b>
<b>Current Assets</b>				
Inventories	1	2 305 816	62 622	2 243 194
Other receivables from exchange transactions	2	6 639 815	32 585	6 607 230
Receivables from non- exchange transactions		-	-	
VAT receivable	3	574 446	-128 931	703 377
Trade receivables from exchange transactions		537 818	-	537 818
Cash and cash equivalents		428 987 329	-	428 987 329
		<b>439 045 224</b>	<b>-33 724</b>	<b>439 078 948</b>
<b>Non- Current Assets</b>				
Property, plant and equipment	4	211 084 626	285 605	210 799 021
Intangible assets		943 707	-	943 707
		<b>212 028 333</b>	<b>285 605</b>	<b>211 742 728</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Finance Leases		84 603	-	84 603
Trade and other payables from exchange transactions	5	12 886 887	223 039	12 663 848
Trade and other payables from non- exchange transactions		10 386 113	-	10 386 113
Conditional grants		5 276 773	-	5 276 773
Employee benefits	6	18 926 776	2 783 584	16 143 192
		<b>47 561 152</b>	<b>3 006 623</b>	<b>44 554 529</b>
<b>Non - Current Liabilities</b>				
Finance leases		84 228	-	84 228
Operating leases	7	13 102	13 102	-
Employee benefits		140 179 602	-	140 179 602
		<b>140 276 932</b>	<b>13 102</b>	<b>140 263 830</b>
Revaluation reserve	8	102 236 835	3 683	102 233 152
Accumulated surplus	9	360 998 638	-2 767 844	363 766 482
<b>Total Net Assets</b>		<b>463 235 473</b>	<b>-2 764 161</b>	<b>465 999 634</b>

**Statement of Financial Performance**

**Revenue**

**Revenue from exchange transactions**

Services charges		287 652	-	287 652
Rental of facilities and equipment		57 560	-	57 560
Income from agency services		73 799 198	-	73 799 198
Other income	10	1 525 208	2 696	1 522 512
Finance income	11	24 480 890	29 509	24 451 381
<b>Total revenue from echange transactions</b>		<b>100 150 508</b>	<b>32 205</b>	<b>100 118 303</b>

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

Figures in Rand

		Restated 2013	Correction	2013
<b>Revenue from non- exchange transactions</b>				
<b>Transfer revenue</b>				
Government grant and subsidies		205 442 616	-	205 442 616
Public contributions and donations		1 527 077	-	1 527 077
<b>Total revenue from non- exchange transactions</b>		<b>206 969 693</b>	<b>-</b>	<b>206 969 693</b>
<b>Total revenue</b>		<b>307 120 201</b>	<b>32 205</b>	<b>307 087 996</b>
<b>Expenditure</b>				
Employee related cost	12	154 815 805	-84 814	154 900 619
Remuneration of councillors	13	9 046 564	-764 047	9 810 611
Depreciation and amortisation	14	7 301 139	58 275	7 242 864
Finance costs		22 860	-	22 860
Debt impairment		109 932	-	109 932
Repairs and maintenance	15	16 894 690	4 872	16 889 818
General expenses	16	96 479 092	888 020	95 591 072
Loss on foreign currency		24 853	-	24 853
<b>Total expenditure</b>		<b>284 694 935</b>	<b>102 306</b>	<b>284 592 629</b>
<b>Operating surplus</b>		<b>22 425 266</b>	<b>102 306</b>	<b>284 592 629</b>
Loss on disposal of assets		1 079 779	-	1 079 779
<b>Surplus for the year</b>		<b>23 505 045</b>	<b>102 306</b>	<b>285 672 408</b>

**Statement of changes in Net Assets**

	Revaluation Reserve	Capital Replacement Reserve	Government grant reserve	Accumulated surplus	Total net assets
<b>Balance 20 June 2013</b>	<b>102 233 152</b>	<b>68 884 175</b>	<b>3 390 734</b>	<b>288 722 689</b>	<b>463 230 750</b>
<b>Restated</b>	<b>102 236 835</b>	<b>68 884 175</b>	<b>3 390 734</b>	<b>291 490 544</b>	<b>466 002 288</b>
Adjustment	3 683	-	-	2 767 855	2 771 538

1. The adjustment to housing inventory was done as a result of incorrect calculations made in the prior period. The value was adjusted with R 62 622. The adjustment affected the Inventories and the accumulated surplus.

2.

2.1 The adjustment to Other Receivables from exchange transactions was due to the fact that the interest on the bank account (current) was never accounted for as accrued surplus in the previous financial years. The correction was made to Interest Received from Investments and the Accrued Interest.

2.2 Receivables was raised with regards to export certificates of which the account should have been raised in the 2012/2013 financial year.

3. Adjustments on the Vat account resulted due to the fact that receivables, accruals and payables was raised with respect to the 2012/2013 financial year. A caseware system journal processed in the 2012/2013 financial year that relates to the 2011/2012 financial year with regard to Suspense: VAT Income (3 1075 5020) was omitted in the 2012/2013 financial year. An adjustment to correct the opening balance was made with an amount of R 277 470. A retrospective adjustment was also made in respect of the 2012/2013 financial year of R269 873.

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

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Figures in Rand

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4. Roads signs utilised by the Roads Division was never recognised as PPE. During the 2013/ 2014 financial year this omission was corrected and classified as Property, plant and equipment and the adjustment was retrospectively applied.

5. Corrections was made to Trade Payables and Accruals in view thereof that not all payables and accruals was correctly recognised during the 2012/2013 financial year.

6. A retrospective adjustment was effected to raise a provision for 13th cheque / bonus payments to be made to employees.

7. Operating leases was recognised in the 2013/2014 financial year and adjusted retrospectively. The municipality never raised operating leases in previous financial years.

8. A correction was made with regards to land that was incorrectly classified as buildings. The correction had a direct affect on the revaluation reserve.

9. Refer to explanations under numbers 1, 3, 4 and 6 above.

10. Refer to explanations under number 2 above.

11. Refer to explanations under number 2 above.

12. The re-imbursive milleage costs were incorrectly allocated to Employee Related cost. These cost was adjusted to Travel and Subsistance which is grouped in General Expenses in the Statement of Financial Performance.

13. The re-imbursive milleage costs were incorrectly allocated to Remuneration to Councillors. These costs was adjusted to Travel and Subsistance which is grouped in General Expenses in the Statement of Financial Performance.

14. Depreciation adjustments resulted due to the roads signs recognised as PPE as well as adjustments to buildings. Refer to explanations under numbers 4 and 8 above.

15. An adjustment relating to repairs and maintenance was made by raising it appropriately as a payable for the 2012/2013 financial year. Also refer to explanations under number 5 above.

16. Adjustments to General Expenses was made as a result of changes in Employee related cost, Remuneration to councillors and Repairs and maintenance. Refer to explanations under numbers 12, 13 and 15 above.