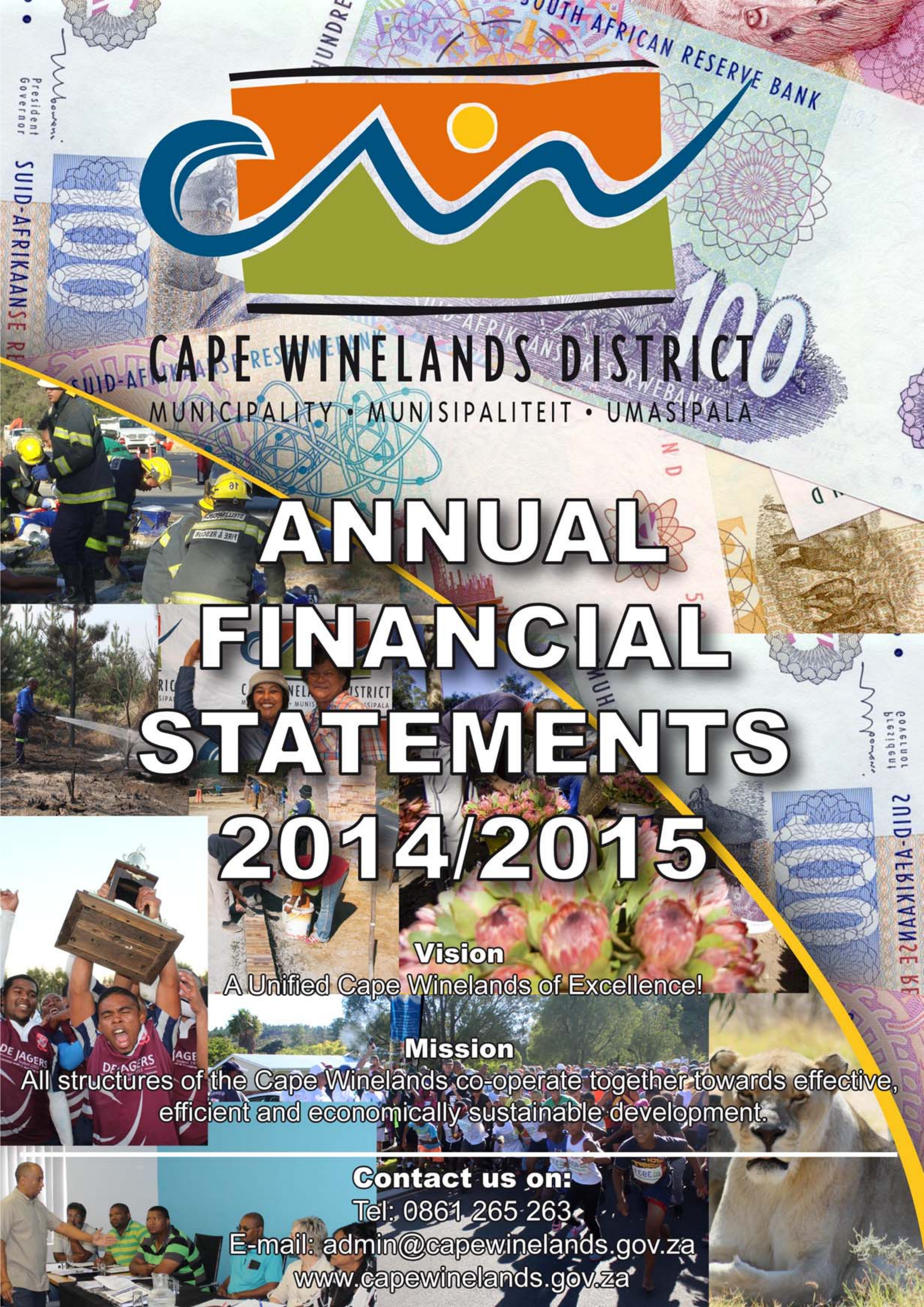

CAPE WINELANDS DISTRICT

MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

ANNUAL FINANCIAL STATEMENTS 2014/2015

Vision

A Unified Cape Winelands of Excellence!

Mission

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

Contact us on:

Tel: 0861 265 263

E-mail: admin@capewinelands.gov.za

www.capewinelands.gov.za

General Information

Legal form of entity	Municipality (MFMA)
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) Cllr. R.B. ARNOLDS Cllr. G.J. CARINUS Cllr. J.J. DU PLESIS Ald. (Dr.) N.E. KAHLBERG 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 Cllr. C.C. BRINK Cllr. W.L. CHAABAN Cllr. A. CROMBIE Cllr. J.B. CRONJE Cllr. C. DAMENS Cllr. Z.L. GWADA Cllr. N.D. HANI Cllr. D.A. HENDRICKSE Cllr. P. HERADIEN (Resigned 10/12/2014) Cllr. D.B. JANSE Cllr. X. KALIPA

General Information

	Cllr. B.J. KRIEGLER Cllr. P. MARRAN Cllr. J. MATTHEE Cllr. C. MCAKO Cllr. J.S. MOUTON Cllr. J.K. HENDRIKS 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 (Resigned 31/3/2015) Cllr. A.F. AFRICA Cllr. D. SWART (Appointed 01/04/2015) Cllr. E.S.C. MATJAN)
Grading of local authority	GRADE 4 Medium Capacity
Accounting Officer	M. MGAJO
Chief Financial Officer	F.A. DU RAAN- GROENEWALD
Registered office	46 ALEXANDER STREET STELLENBOSCH 7600
Postal address	P.O. BOX 100 STELLENBOSCH 7599
Telephone	0861 265 263
Bankers	AMALGAMATED BANKS OF SOUTH AFRICA (ABSA)
Auditors	AUDITOR GENERAL OF SOUTH AFRICA (AGSA) Chartered Accountants (S.A.)

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The reports and statements set out below comprise the financial statements presented to the council:

Abbreviations

CWDM	Cape Winelands District Municipality
CRR	Capital Replacement Reserve
MSA	Municipal Systems Act
MPAC	Municipal Public Accounts Committee
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
IFRS	International Financial Reporting Standards
Dept	Department
PRMA	Post Retirement Medical Aid

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and 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 2016 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 31 August 2015.

Accounting Officer

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	8	504 118 477	457 124 055
Trade receivables from exchange transactions	7	-	45 402
Other receivables from exchange transactions	6	12 288 230	8 907 452
Inventories	5	3 990 519	5 667 232
VAT receivable	43	1 371 244	1 233 258
Employee benefit- Long term receivable	13	1 913 484	1 891 720
		523 681 954	**474 869 119**
Non-Current Assets			
Property, plant and equipment	3	204 127 026	200 692 308
Intangible assets	4	1 240 575	947 945
Employee benefit- Long term receivable	13	35 024 453	40 318 619
		240 392 054	**241 958 872**
Total Assets		**764 074 008**	**716 827 991**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	14	6 520 808	11 313 825
Other payables from non-exchange transactions	15	-	18 386
Unspent conditional grants	12	4 373 296	7 094 979
Operating lease liability	29	9 237	12 584
Finance lease liability	11	36 388	106 243
Employee benefits	13	22 892 234	21 446 812
		33 831 963	**39 992 829**
Non-Current Liabilities			
Operating lease liability	29	-	9 237
Finance lease liability	11	-	31 941
Employee benefits	13	150 025 501	144 346 536
		150 025 501	**144 387 714**
Total Liabilities		**183 857 464**	**184 380 543**
Revaluation reserve	9	102 459 654	96 194 039
Accumulated surplus	10	477 756 890	436 253 409
Total Net Assets		**580 216 544**	**532 447 448**

* See Note 35

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	487 398	141 794
Rental of facilities and equipment		93 655	76 827
Agency services	19	91 394 269	82 624 105
Other income	20	1 723 139	1 543 940
Finance income	25	35 341 507	27 781 901
Total revenue from exchange transactions		**129 039 968**	**112 168 567**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	17	219 636 900	218 856 712
Public contributions and donations	18	1 887 264	2 611 810
Fines		-	6 000
Total revenue from non-exchange transactions		**221 524 164**	**221 474 522**
Total revenue		**350 564 132**	**333 643 089**
Expenditure			
Employee related cost	22	155 152 501	133 207 566
Remuneration of councillors	23	10 222 430	9 650 794
Depreciation and amortisation	26	8 645 569	5 884 435
Finance costs	27	7 839	12 976
Lease rentals on operating lease		306 781	485 972
Debt Impairment	24	500 058	456 111
Repairs and maintenance		37 773 903	26 603 728
General expenses	21	97 841 296	117 379 955
Total expenditure		**310 450 310**	**293 681 537**
Operating surplus		**40 113 822**	**39 961 552**
Loss on disposal of assets and liabilities		(1 137 010)	(10 246 615)
Loss on foreign exchange	38	(98)	(19 274)
Inventories losses/write-downs		(106 956)	(82 089)
		(1 244 064)	**(10 347 978)**
Surplus for the year		**38 869 758**	**29 613 574**

* See Note 35

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2013 as previously stated	**102 236 835**	**361 527 378**	**463 764 213**
Changes in net assets			
Surplus for the year	-	29 613 595	29 613 595
Transfer to accumulated surplus	(6 197 803)	6 015 567	(182 236)
Prior period error	155 007	39 096 869	39 251 876
Total changes	(6 042 796)	74 726 031	68 683 235
Restated* Balance at 01 July 2014	**96 194 039**	**436 253 410**	**532 447 449**
Changes in net assets			
Surplus for the year	-	38 869 758	38 869 758
Transfer to accumulated surplus	(2 627 134)	2 633 722	6 588
Additions to Revaluation Reserve	8 892 749	-	8 892 749
	6 265 615	41 503 480	47 769 095
Balance at 30 June 2015	**102 459 654**	**477 756 890**	**580 216 544**
Note(s)	9		

* See Note 35

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		92 556 082	82 391 955
Grants and transfer payment		221 524 164	222 891 993
Finance income		32 367 928	27 781 901
		346 448 174	333 065 849
Payments			
Employee costs		(148 204 941)	(129 071 148)
Suppliers		(136 297 842)	(160 406 444)
Other payments: Remuneration to councillors		(10 222 430)	(9 650 794)
		(294 725 212)	(299 128 381)
Net cash flows from operating activities	30	**51 722 962**	**33 937 468**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(4 477 728)	(5 441 371)
Proceeds from sale of property, plant and equipment		284 815	34 251
Purchase of intangible assets	4	(425 992)	(167 428)
Net cash flows from investing activities		**(4 618 905)**	**(5 574 548)**
Cash flows from financing activities			
Finance lease payment		(109 635)	(131 435)
Net increase/(decrease) in cash and cash equivalents		**46 994 422**	**28 231 485**
Cash and cash equivalents at the beginning of the year		457 124 055	428 892 570
Cash and cash equivalents at the end of the year	8	**504 118 477**	**457 124 055**

* See Note 35

CAPE WINELANDS DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	160 000	-	**160 000**	487 398	**327 398**	Note 44
Rental of facilities and equipment	123 300	-	**123 300**	93 655	**(29 645)**	Note 44
Agency services	101 958 961	-	**101 958 961**	91 394 269	**(10 564 692)**	Note 44
Other income	1 433 230	-	**1 433 230**	1 723 139	**289 909**	Note 44
Finance income	32 000 000	-	**32 000 000**	35 341 507	**3 341 507**	Note 44
Total revenue from exchange transactions	**135 675 491**	**-**	**135 675 491**	**129 039 968**	**(6 635 523)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	222 557 000	-	**222 557 000**	219 636 900	**(2 920 100)**	Note 44
Public contributions and donations	1 213 280	-	**1 213 280**	1 887 264	**673 984**	Note 44
Total revenue from non-exchange transactions	**223 770 280**	**-**	**223 770 280**	**221 524 164**	**(2 246 116)**	
Total revenue	**359 445 771**	**-**	**359 445 771**	**350 564 132**	**(8 881 639)**	
Expenditure						
Employee related cost	(166 758 380)	-	**(166 758 380)**	(155 152 501)	**11 605 879**	Note 44
Remuneration of councillors	(12 385 270)	-	**(12 385 270)**	(10 222 430)	**2 162 840**	Note 44
Depreciation and amortisation	(6 822 550)	-	**(6 822 550)**	(8 645 569)	**(1 823 019)**	Note 44
Finance costs	(28 590)	-	**(28 590)**	(7 839)	**20 751**	Note 44
Lease rentals on operating lease	(393 380)	-	**(393 380)**	(306 781)	**86 599**	Note 44
Bad debts written off	(125 800)	(374 260)	**(500 060)**	(500 058)	**2**	Note 44
Repairs and maintenance	(41 491 656)	-	**(41 491 656)**	(37 773 903)	**3 717 753**	Note 44
General Expenses	(121 484 910)	374 260	**(121 110 650)**	(97 841 296)	**23 269 354**	Note 44
Total expenses	**(349 490 536)**	**-**	**(349 490 536)**	**(310 450 377)**	**39 040 159**	
Operating surplus	**9 955 235**	**-**	**9 955 235**	**40 113 755**	**30 158 520**	
Loss on disposal of assets and liabilities	(1 812 050)	-	**(1 812 050)**	(1 137 010)	**675 040**	Note 44
Loss on foreign exchange differences	(100)	-	**(100)**	(98)	**2**	Note 44
Inventories losses/write-downs	(180 665)	-	**(180 665)**	(106 956)	**73 709**	Note 44
	(1 992 815)	**-**	**(1 992 815)**	**(1 244 064)**	**748 751**	
Surplus for the year	**7 962 420**	**-**	**7 962 420**	**38 869 691**	**30 907 271**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	390 000 000	-	**390 000 000**	504 118 477	**114 118 477**	Note 44
Other receivables from exchange transactions	5 200 000	-	**5 200 000**	12 288 230	**7 088 230**	Note 44
Inventories	1 000 000	-	**1 000 000**	3 990 519	**2 990 519**	Note 44
VAT receivable	-	-	**-**	1 371 244	**1 371 244**	Note 44
Long term receivable	-	-	**-**	1 913 484	**1 913 484**	Note 44
Trade receivables from exchange transactions	100 000	-	**100 000**	-	**(100 000)**	Note 44
	396 300 000	**-**	**396 300 000**	**523 681 954**	**127 381 954**	
Non-Current Assets						
Property, plant and equipment	227 091 459	-	**227 091 459**	204 127 026	**(22 964 433)**	Note 44
Intangible assets	864 032	-	**864 032**	1 240 575	**376 543**	Note 44
Long term receivable	-	-	**-**	35 024 453	**35 024 453**	Note 44
	227 955 491	**-**	**227 955 491**	**240 392 054**	**12 436 563**	
Total Assets	**624 255 491**	**-**	**624 255 491**	**764 074 008**	**139 818 517**	
Liabilities						
Current Liabilities						
Trade and other payables from exchange transactions	10 000 000	-	**10 000 000**	6 520 808	**(3 479 192)**	Note 44
Unspent conditional grants	5 000 000	-	**5 000 000**	4 373 296	**(626 704)**	Note 44
Operating lease liability	-	-	**-**	9 237	**9 237**	Note 44
Finance lease liability	-	-	**-**	36 388	**36 388**	Note 44
Employee benefits	18 000 000	-	**18 000 000**	22 892 234	**4 892 234**	Note 44
	33 000 000	**-**	**33 000 000**	**33 831 963**	**831 963**	
Non-Current Liabilities						
Finance lease liability	150 000	-	**150 000**	-	**(150 000)**	Note 44
Employee Benefits	130 000 000	-	**130 000 000**	150 025 501	**20 025 501**	Note 44
	130 150 000	**-**	**130 150 000**	**150 025 501**	**19 875 501**	
Total Liabilities	**163 150 000**	**-**	**163 150 000**	**183 857 464**	**20 707 464**	
Net Assets	**461 105 491**	**-**	**461 105 491**	**580 216 544**	**119 111 053**	
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	112 000 000	-	**112 000 000**	102 459 654	**(9 540 346)**	.Note 44
Accumulated surplus	349 105 491	-	**349 105 491**	477 756 890	**128 651 399**	Note 44
Total Net Assets	**461 105 491**	**-**	**461 105 491**	**580 216 544**	**119 111 053**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	99 383 900	-	**99 383 900**	92 556 082	**(6 827 818)**	Note 44
Grants	222 058 290	-	**222 058 290**	221 524 164	**(534 126)**	Note 44
Interest income	32 000 000	-	**32 000 000**	32 367 928	**367 928**	Note 44
	353 442 190	**-**	**353 442 190**	**346 448 174**	**(6 994 016)**	
Payments						
Employee costs	(166 758 380)	-	**(166 758 380)**	(148 204 941)	**18 553 439**	Note 44
Suppliers	(159 947 130)	-	**(159 947 130)**	(136 297 842)	**23 649 288**	Note 44
Finance costs	(28 590)	-	**(28 590)**	-	**28 590**	Note 44
Other payments: Remuneration to councillors	(12 385 270)	-	**(12 385 270)**	(10 222 430)	**2 162 840**	Note 44
	(339 119 370)	**-**	**(339 119 370)**	**(294 725 213)**	**44 394 157**	
Net cash flows from operating activities	**14 322 820**	**-**	**14 322 820**	**51 722 961**	**37 400 141**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(6 493 415)	-	**(6 493 415)**	(4 477 728)	**2 015 687**	Note 44
Proceeds from sale of assets	-	-	**-**	284 815	**284 815**	Note 44
Purchase of intangible assets	-	-	**-**	(425 992)	**(425 992)**	Note 44
Net cash flows from investing activities	**(6 493 415)**	**-**	**(6 493 415)**	**(4 618 905)**	**1 874 510**	
Cash flows from financing activities						
Finance lease payment	-	-	**-**	(109 635)	**(109 635)**	Note 44
Net increase/(decrease) in cash and cash equivalents	7 829 405	-	**7 829 405**	46 994 421	**39 165 016**	
Cash and cash equivalents at the beginning of the year	417 205 178	-	**417 205 178**	457 124 055	**39 918 877**	
Cash and cash equivalents at the end of the year	**425 034 583**	**-**	**425 034 583**	**504 118 476**	**79 083 893**	

See note 42 for budgeted and final budget as presented to council variances.

Accounting Policies

1. Basis of preparation

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

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the receivable.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. 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.

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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.

Accounting Policies

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

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

1.3 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.

1.4 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 a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at fair value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

1.5 Property, plant and equipment

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

Accounting Policies

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised 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.

Where an asset is acquired at no cost, or for a nominal cost, the cost is considered to be the fair value of the asset at date of acquisition.

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

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

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

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

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

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

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.

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

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 in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Depreciation

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Item	Estimated useful life
Land	Indefinite
Buildings	50-60
Vehicles	10-25
Infrastructure	15-50
Other property, plant and equipment	2-50

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

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

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

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.

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

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

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

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable..

1.6 Intangible assets

An asset is identifiable as an intangible asset if it either:

- 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.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.6 Intangible assets (continued)

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.

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

Item	**Estimated useful life**
Computer software	5 -15

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 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.

Accounting Policies

1.7 Heritage assets (continued)

Heritage assets are accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment (GRAP 17). Refer to note 1.5

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.

1.8 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 restates 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.

1.9 Financial instruments

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets

Accounting Policies

1.9 Financial instruments (continued)

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Accounting Policies

1.9 Financial instruments (continued)

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Accounting Policies

1.9 Financial instruments (continued)

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. An operating lease 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

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Operating leases - lessor

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

The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.11 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.

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.

Accounting Policies

1.11 Inventories (continued)

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.

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.

Derecognition

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.

When other inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 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.

1.13 Events after reporting date

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

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

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

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

1.14 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.

The budget covers the period 1 July 2014 to 30 June 2015.

Accounting Policies

1.14 Budget information (continued)

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.

1.15 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.

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

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

1.16 Value Added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act (Act No. 89 of 1991).

1.17 Discontinued operations

Discontinued operation is a component of a municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.18 Impairment of cash-generating assets

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

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

Accounting Policies

1.18 Impairment of cash-generating assets (continued)

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

1.18 Impairment of cash-generating assets (continued)

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.19 Impairment of non-cash-generating assets

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Accounting Policies

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

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.20 Statutory receivables

Statutory receivables are receivables that:

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

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

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:

- the definition of an asset is met; and

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

Accounting Policies

1.20 Statutory receivables (continued)

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

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

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

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

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

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

The municipality derecognises a statutory receivable when:

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

- derecognises the receivable;

- recognises separately any rights and obligations created or retained in the transfer.

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

1.21 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

1.21 Employee benefits (continued)

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

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

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

Accounting Policies

1.21 Employee benefits (continued)

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

1.21 Employee benefits (continued)

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality will attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and

Accounting Policies

1.21 Employee benefits (continued)

- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality’s liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.22 Provisions and contingencies

Provisions are recognised when:

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

Accounting Policies

1.22 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

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

A contingent liability:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

1.23 Commitments

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

Accounting Policies

1.23 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.24 Revenue from exchange transactions

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

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

Measurement

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

1.25 Revenue from non-exchange transactions

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

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

1.25 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

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

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

Transfers

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Accounting Policies

1.25 Revenue from non-exchange transactions (continued)

Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.26 Borrowing costs

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

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

1.27 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.

1.28 Comparative figures

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

1.29 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ''allocation'' otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

1.30 Fruitless and wasteful expenditure

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

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

Accounting Policies

1.31 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.

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

1.32 Service concession arrangements: grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:

  - the operator constructs, develops, or acquires from a third party; or

  - is an existing asset of the operator.

- is provided by the grantor (municipality) which:

  - is an existing asset of the municipality; or

  - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Accounting Policies

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determine using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

Notes to the Financial Statements

Figures in Rand	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Notes to the Financial Statements

2. New standards and interpretations (continued)

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

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

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 107: Mergers

Notes to the Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Notes to the Financial Statements

2. New standards and interpretations (continued)

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity (‘SPE’) may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called ‘autopilot’). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties (‘capital providers’) may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE’s activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE’s activities, even though it may own little or none of the SPE’s net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Notes to the Financial Statements

2. New standards and interpretations (continued)

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: ‘When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction’. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that ‘a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest’. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (‘JCEs’).

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Notes to the Financial Statements

2. New standards and interpretations (continued)

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The impact of this standard is currently being assessed.

Notes to the Financial Statements

Figures in Rand	2015	2014

3. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	57 283 807	-	57 283 807	66 873 351	-	66 873 351
Buildings	93 885 356	(3 393 182)	90 492 174	79 863 595	(4 405 480)	75 458 115
Infrastructure	1 120 508	(928 252)	192 256	1 120 508	(905 533)	214 975
Other property, plant and equipment	89 789 236	(33 782 322)	56 006 914	88 502 683	(30 566 412)	57 936 271
Other leased Assets	628 484	(476 609)	151 875	768 259	(558 663)	209 596
Total	**242 707 391**	**(38 580 365)**	**204 127 026**	**237 128 396**	**(36 436 088)**	**200 692 308**

The effective date of the revaluation was 01 July 2014.

Valuation Methods

Each property has been identified and inspected and the revalued amount apportioned between land and buildings.

The following methods were used to arrive at a market value for the properties depending on the specific property:

a) Income Capitalisation Valuation

Commercial buildings are income producing buildings; the potential buyer would be investing in the property to obtain the potential income from it.

b) Comparable Sales Approach

The comparable sales approach is based on the theory that a knowledgeable purchaser would pay no more for a property than the cost acquiring an acceptable substitute property. In applying the comparable sales approach it is necessary to investigate the sales of similar type properties that have been sold as well as the comparable properties available on the market.

c) Comparable Rentals

This approach takes into account the market rentals in the area. If there was not sufficient rentals in the area, use was made of local property experts.

d) Direct Comparison Method

The direct comparison method entails the comparison of similar properties being sold recently.

Details of Valuation

Cape Winelands district municipality performed a valuation for the year ending 30 June 2015. The aforementioned valuations were performed by independent professional valuer Mr Brits and independent professional associate valuer Mr Botha, of HCB Property Valuations at the time. HCB Property Valuations is not connected to the municipality and have recent experience in location and category of the land and buildings being valued.

The basis of the valuation was market value which is the estimated amount for which an asset should exchange, on the date of valuation, between a willing buyer and seller, in an arm’s length transaction, after proper marketing, wherein the parties had each acted knowledgably, prudently and without compulsion.

In terms of GRAP the fair value of property, plant and equipment is usually their market value determined by appraisal.

The revaluation surplus for the year is R 8 892 750.

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	66 873 352	-	-	(9 589 545)	-	57 283 807
Buildings	75 458 115	102 225	-	18 482 295	(3 549 325)	90 493 310
Infrastructure	214 975	-	-	-	(22 719)	192 256
Other property, plant and equipment	57 936 271	4 368 383	(1 399 793)	-	(4 897 947)	56 006 914
Leased assets	209 596	7 120	(22 032)	-	(42 809)	151 875
	200 692 309	**4 477 728**	**(1 421 825)**	**8 892 750**	**(8 512 800)**	**204 128 162**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	71 673 351	-	(4 800 000)	-	-	66 873 351
Buildings	80 989 949	1 161 934	(4 372 219)	-	(2 321 549)	75 458 115
Infrastructure	219 788	-	-	-	(4 813)	214 975
Other property, plant and equipment	58 266 333	4 148 007	(1 108 656)	-	(3 369 413)	57 936 271
Leased assets	171 982	131 430	-	-	(93 816)	209 596
	211 321 403	**5 441 371**	**(10 280 875)**	**-**	**(5 789 591)**	**200 692 308**

No assets have been pledged as security.

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

As at 30 June 2015 the municipality had no contractual commitments which that relates to property. plant and equipment.

Notes to the Financial Statements

Figures in Rand	2015	2014

4. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 642 173	(401 598)	1 240 575	1 216 181	(268 236)	947 945

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	947 945	425 992	(133 362)	1 240 575

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	875 356	167 429	(94 840)	947 945

No assets have been pledged as security.

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

As at 30 June 2015 the municipality had no contractual commitments which that relates to intangible assets.

5. Inventories

	2015	2014
Consumable stores	1 682 740	1 966 366
Roads Inventory	2 234 839	3 627 926
Housing Stock	72 940	72 940
	3 990 519	**5 667 232**

No inventory has been pledged as security.

Consumables valued at R 106 956 (2014: R82 089) was written off and recognised in general expenditure. This stock was found to be obsolete during the year end stock count. Inventory valued at R 8 590 985 (2014: R6 186 696) was recognised in general expenditure during the year.

6. Other receivables from exchange transactions

	2015	2014
Accrued interest	8 613 274	5 639 695
Councillors	22 338	665
Department of Water Affairs	-	277 234
Deposits	471 738	271 738
Insurance claims	42 022	77 180
Klasvoogs land owners association	7 500	170 000
Municipal health debtor	73 440	-
Other	4 646	53 547
Post retirement medical aid	235 078	192 549
Prepayments	2 664 755	1 965 603
Rental	6 194	9 245
Road signs debtor	6 449	-
Bursary repayments employees	112 624	112 624
SALGA debtor	-	115 807

Notes to the Financial Statements

Figures in Rand	2015	2014

6. Other receivables from exchange transactions (continued)

Sandhills toilet hire	92 127	56 175
Allowance for impairment	(63 955)	(34 610)
	12 288 230	**8 907 452**

Allowance for impairment reconciliation

Balance at the beginning of the year	(34 610)	(1 254)
Contribution to allowance	(39 857)	(33 356)
Debt impairment written off against allowance	10 511	-
	(63 956)	**(34 610)**

7. Trade receivables from exchange transactions

Gross balances

Consumers	-	838 009

Less: Allowance for impairment

Consumers	-	(792 607)

Net balance

Consumers	-	45 402

Fire fighting

Current (0 -30 days)	-	23 782
91 - 120 days	-	21 620
121 - 365 days	-	792 607
> 365 days	-	(792 608)
	-	**45 401**

Reconciliation of allowance for impairment

Balance at beginning of the year	(792 608)	(760 671)
Contributions to allowance	(460 201)	(422 755)
Debt impairment written off against allowance	1 252 809	390 818
	-	**(792 608)**

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	18 115 377	15 120 955
Short-term investments	486 000 000	442 000 000
	504 118 477	**457 124 055**

MFMA disclosure in note 31.

Notes to the Financial Statements

Figures in Rand	2015	2014

9. Revaluation reserve

	2015	2014
Opening balance	96 194 039	102 236 835
Revaluation	8 892 749	-
Prior period error land	-	155 007
Transfer to accumulated surplus	(2 627 134)	(6 197 803)
	102 459 654	**96 194 039**

10. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Capital replacement reserve	Government grant reserve	Total
Opening balance	74 710 415	4 299 279	79 009 694
Additions	-	488 358	488 358
Cash utilised	(4 407 250)	(669 033)	(5 076 283)
	70 303 165	**4 118 604**	**74 421 769**

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

	Capital replacement reserve	Government grant reserve	Total
Opening balance	68 715 746	3 390 731	72 106 477
Transfer to statement of financial performance	-	(432 727)	(432 727)
Transfer to reserves	-	1 341 275	1 341 275
Cash utilised	(4 005 331)	-	(4 005 331)
Transfer to CRR/ contributions received	10 000 000	-	10 000 000
	74 710 415	**4 299 279**	**79 009 694**

11. Finance lease obligation

Finance lease liabilities relate to cellphones with lease terms of 24 months (2014: 24 months). Amounts are paid monthly in arrears and the interest rates are linked to the prime overdraft rate, currently 9.25% (2014: 9%), 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.

The municipality approved a Telecommunications Policy during the 2014/ 2015 financial year whereas employees will receive telephone allowances and the finance leases of cellphones be phased out accordingly.

	2015	2014
Opening balance	138 184	138 189
Capitalised leased liability	5 885	131 430
Payments during the year	(107 681)	(131 435)
	36 388	138 184
Payable within one year	(36 388)	(106 243)
Payable after one year	**-**	**31 941**
Non-current liabilities	-	31 941
Current liabilities	36 388	106 243
	36 388	**138 184**

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Community development workers	19 342	70 174
IDP support grant	136 212	-
Public transport regulation grant	2 035 810	166 763
Financial Management Grant	393 472	1 078 564
Non Motorised Transport	394 186	1 147 842
Performance management grant (PT)	36 100	-
Public transport (Provincial)	185 412	2 735 965
Provincial Treasury (FMG)	756 200	300 000
Water and sanitation	35 560	35 560
Unspent public contributions and donations	381 002	1 560 111
	4 373 296	**7 094 979**

See note 17 & 18 for detail reconciliation

These amounts are invested until utilised.

13. Employee benefits

Short-term employee benefits		
Employee benefit accruals	669 142	537 039
Short term: Medical aid liability	5 450 856	5 233 500
Provision staff leave	11 807 005	10 986 049
13th Cheque	3 293 189	3 068 820
Short term: Ex- gratia benefit	338 734	403 817
Short term: Long term service award	1 333 308	1 056 716
Performance bonus	-	160 871
	22 892 234	**21 446 812**
Other long term employee benefits		
Long service award	9 813 362	8 934 559
Post- employee benefits		
Post- retirement medical aid benefits	138 149 320	133 002 936
Ex- gratia benefit	2 062 819	2 409 041
	140 212 139	**135 411 977**
Current liability	22 892 234	21 446 812
Non - current liability	150 025 501	144 346 536
	172 917 735	**165 793 348**

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.

Notes to the Financial Statements

Figures in Rand	2015	2014

13. Employee benefits (continued)

Active members

Principal members	328	334
% Males	66.8%	67.06%
% Females	33,2%	33%
Average age	44.5	43.7
Average past service cost	R14.8 million	R14.2 million

Continuation members

Principal members	145	155
% Males	53.79%	54.83%
% Females	46.21%	45%
Average age	71,6	70.3

The amounts recognised in the Statement of Financial Position are:

Projected benefit obligation	143 596 556	138 236 437

The obligation in respect of past services has been estimated as follows:

Active members	68 074 884	62 412 298
Continuation members	75 521 672	75 824 139
Net obligation	**143 596 556**	**138 236 437**

The amounts recognised in the Statement of Financial Performance are:

Current service cost	4 213 472	4 457 567
Interest cost	12 035 335	10 542 134
Recognised actuarial (gains)/ losses	(5 690 898)	(3 045 525)
Amount charged to Statement of Financial Performance	**10 557 909**	**11 954 176**

The future service cost for the ensuing financial year is estimated to be R4 563 849, whereas the interest cost for the next year is estimated to be R12 199 776.

Movements in the present value of the defined benefit obligation were as follows

Opening benefit obligation liability	138 236 437	131 139 283
Payments to members	(5 197 790)	(4 857 024)
Charge to Statement of Financial Performance	10 557 909	11 954 177
Closing benefit liability	**143 596 556**	**138 236 436**

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Key actuarial assumptions

Discount rate	8.66%	8.87%
Medical inflation rate	7.91%	8.10%

Change in medical inflation rate	2015	Change	% change
The effect of 1% movement in the assumed medical inflation rate is as follows:			
Increase			
Effect on the aggregate of the current service cost and interest cost	19 303 000	3 667 570	19%
Effect on the defined benefit obligation	166 157 000	26 585 120	16%
Decrease			
Effect on the aggregate of the current service cost and interest cost	13 817 900	(2 072 685)	-15%
Effect on the defined benefit obligation	125 233 000	(16 280 290)	-13%

Notes to the Financial Statements

Figures in Rand	2015	2014

13. Employee benefits (continued)

Change in the post - retirement mortality rate

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	16 844 900	673 796	4%
Effect on the defined benefit obligation	149 148 000	5 965 920	4%

Change in average retirement age

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	16 808 900	504 267	3%
Effect on the defined benefit obligation	148 572 000	4 457 160	3%

History of Liabilities, Assets and Experience Adjustments	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Accrued liability	118 385 000	115 425 000	131 139 000	138 236 000	143 597 000
Fair value					
Experience adjustment			(6 855 000)	5 190 000	(6 068 000)

In terms of the memorandum of Agreement between the Western Cape Provincial Government, Department of Public Works and Transport, and the past experience hereon, funds will be made available to maintain the approved organogram of the roads division in the Municipality. The future claim for roads staff for post employment medical aid has therefore been raised as a long term debtor.

Employee benefit- Long term receivable

	2015	2014
Opening balance	42 210 339	39 333 808
Current service cost	1 201 658	1 432 329
Interest cost	3 662 227	3 150 787
Expected benefits paid	(1 586 033)	(1 456 811)
Actuarial loss/ (gain)	(8 550 254)	(249 774)
	36 937 937	**42 210 339**

The amount above is recognised as an long term receivable in the Statement of Financial Position. The assumptions used by the actuaries to calculate the portion of the roads staff is the same as was use to calculate the amount recognised as PEMA.

The amounts recognised as the current portion is equal to the amount as recognised in the valuation report for the respective fiancial years.

Ex- gratia benefits

Details of employees eligible for ex-gratia benefits are detailed below.

Members

	2015	2014
In- service employees for ex- gratia pension	12	15
In- service employees eligible for lump sum benefit on retirement	17	17
Eligible former employees receiving ex- gratia pension	2	4
Eligible spouses receiving ex- gratia pension	5	6

Average age in years

	2015	2014
In- service employees for ex- gratia pension	53.6	53.9
In- service employees eligible for lump sum benefit on retirement	54.5	53.5
Eligible former employees receiving ex- gratia pension	61	61.6
Eligible spouses receiving ex- gratia pension	80.6	79.8

The amount recognised in the Statement of Financial Position are:

	2015	2014
Projected benefit obligation	2 401 554	2 812 858

The amount recognised in the Statement of Financial Performance are:

Notes to the Financial Statements

Figures in Rand	2015	2014
13. Employee benefits (continued)		
Interest cost	252 264	316 812
Recognised actuarial (Gain)/ Loss	(497 695)	(1 519 102)
	(245 431)	**(1 202 290)**

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 R198 608.

The rate is calculated by using a liability-weighted average of yields for the three components of the liability. For each of the three liability components, yields were determined by looking at the average term of the liability component and finding the fixed-interest and index-linked gilt yields at the relevant duration of the JSE (Best Decency) Zero Coupon bond yield curve.

Movements in the present value of the defined benefit obligation were as follows:		
Opening benefit obligation	2 818 440	4 193 617
Payments to members	(165 873)	(178 469)
Actuarial (Gain)/ Loss	(497 695)	(1 519 102)
Interest and service cost	252 264	316 812
Closed benefit obligation	**2 407 136**	**2 812 858**

Key actuarial assumptions		
Discount rate	8.88%	9.25%
Pension increase rate	6.68%	7.04%
Salary inflation rate	7.68%	8.04%

Change in pension increase rate	2015	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	277 943	27 794	10%
Effect on the defined benefit obligation	2 803 546	476 603	17%
Decrease			
Effect on the aggregate of the current service cost and interest cost	229 313	(20 638)	-9%
Effect on the defined benefit obligation	2 075 801	(290 612)	-14%

Change in the post- retirement mortality rate			
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	2 468 618	74 059	3%
Effect on the aggregate of the current interest cost	258 813	7 764	3%

History of Liabilities, Assets and Experience Adjustments	**30 June 2011**	**30 June 2012**	**30 June 2013**	**30 June 2014**	**30 June 2015**
Accrued liability	3 661 001	4 369 540	4 193 617	2 812 858	2 401 554
Fair value	-	-	-	-	-
Experience adjustment	-	-	(615 589)	(973 516)	(499 506)

Notes to the Financial Statements

Figures in Rand	2015	2014

13. Employee benefits (continued)

Long service awards

Details of employees eligible for long service awards are detailed below.

	2015	2014
Members	421	434
Average age in years	46	45
The amounts recognised in the Statement of Financial Position are:		
Projected benefit obligation	11 146 671	9 991 275
The amounts recognised in the Statement of Financial Performance are:		
Current service cost	636 598	699 128
Interest cost	757 866	729 203
Recognised actuarial (gain)/ losses	608 568	(872 442)
Amount charged to Statement of Financial Performance	**2 003 032**	**555 889**

The future service cost for the ensuing financial year is estimated to be R738 528, whereas the interest cost for the next financial year is estimated to be R825 931.

The discount rate is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee.

	2015	2014
Movements in the present value of the benefit obligation were as follows:		
Opening benefit obligation	9 991 275	10 758 048
Payment to members (benefits vesting)	(847 636)	(1 322 662)
Actuarial (Gain)/ Loss	608 568	(872 442)
Interest and service cost charged to Statement of Financial Performance	1 394 464	1 428 331
Closing benefit obligation	**11 146 671**	**9 991 275**
Key actuarial assumptions		
Discount rate	7.87%	8.00%
Salary inflation	7.05%	7.15%
Average retirement age	62	62

Change in the salary inflation rate	2015	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	123 648	8%
Effect on the defined benefit obligation	11 906 000	833 420	7%
Decrease			
Effect on the aggregate of the current service cost and interest cost	1 324 300	(92 701)	-7%
Effect on the defined benefit obligation	10 462 000	(627 720)	-6%
Change in the average retirement age			
Increase			
Effect on the aggregate of the current service cost and interest cost	1 645 800	246 870	15%
Effect on the defined benefit obligation	13 154 000	2 367 720	18%
Decrease	-		
Effect on the aggregate of the current service cost and interest cost	1 208 700	(181 305)	-15%
Effect on the defined benefit obligation	9 241 000	(1 570 970)	-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	363 279	21%
Effect on the defined benefit obligation	12 694 000	1 777 160	14%

Notes to the Financial Statements

Figures in Rand	2015	2014

13. Employee benefits (continued)

History of Liabilities, Assets and Experience Adjustments	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Accrued liability	-	-	10 758 048	991 275	11 146 671
Fair value	-	-	-	-	-
Experience adjustment	-	-	-	(300 586)	581 153
	-	**-**	**10 758 048**	**690 689**	**11 727 824**

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 2014 and the funding level was certified at 104.4% (2013: 99.7%).

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.

As at 30 June 2014 the funding level of the share account was 99.9% and the pension account was 105.1%. At the valuation date the municipality had 497 members (Fund: 37 099 members) and nil pensioners (Fund: 725 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 at 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

ACB's	6 955	171 768
Capital grant funding	-	1 087 498
Creditor accruals	1 301 325	843 076
DWAF Agency	637 523	-
Gravel pit deposit (Roads)	-	1 433 224
Employee repayments	112 624	112 624
Other payables	302 067	131 830
Retention	1 435 409	2 415 057
Roads Agency	2 487 016	4 571 299
Trade payables	232 825	68 307
Unclaimed funds	5 053	479 142
	6 520 808	**11 313 825**

Notes to the Financial Statements

Figures in Rand	2015	2014

14. Trade and other payables from exchange transactions (continued)

The Department of Transport and Public Works, Provincial Government: Western Cape indicated that all monetary bank guarantees are envisaged to be replaced by ministerial guarantees. The bank guarantee issued to the Department of Mineral Resources, have been returned by the latter and has been cancelled by the Municipality's bankers. The full amount has been refunded to the Provincial Revenue fund.

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

Municipal Systems Improvement Grant - Capital	-	18 386

16. Service charges

Fire fighting services	487 398	141 794

17. Government grants and subsidies

Operating grants		
Equitable share	7 870 000	14 492 000
Sandhills- Toilet Hire	352 779	337 565
Rsc Levy Replacement grant	205 736 000	199 744 000
Community Development Workers	120 784	70 341
Consumer Housing Education	-	21 593
Extended Public Works	1 000 000	1 000 000
Financial Management Grant	1 935 091	964 551
Hermon housing subsidy	-	-
IDP support grant	63 788	-
Integrated Transport Planning	412 032	437 237
Municipal Systems Improvement Grant	952 386	600 984
Non- Motorised transport grant	105 815	-
Performance management grant	13 900	-
PGWC (Ignite)	-	41 600
Public Transport (Provincial)	143 535	171 053
Provincial Treasury: FMG	568 800	300 000
Subsidy: Meerlust	50 000	-
Tirelo Bosha: Pub Service Imp	311 990	-
Training of housing officials	-	2 159
	219 636 900	218 183 083
Capital grants		
MSIG capital	-	673 629
	-	673 629
	219 636 900	**218 856 712**

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.

Unconditional

Included in above are the following unconditional grants and subsidies received:

Notes to the Financial Statements

Figures in Rand	2015	2014

17. Government grants and subsidies (continued)

Equitable share	7 870 000	14 292 000
Sandhills- Toilet hire	352 779	337 565
RSC Levy Replacement Grant	205 736 000	199 744 000
	213 958 779	**214 373 565**

Sandhills - Toilet Hire

Current-year receipts	260 652	281 390
Transferred to revenue	(352 779)	(337 565)
Amounts still receivable	92 127	56 175
	-	**-**

For more information on amounts still receivable as referred to above, relates to note 6

Strategic Objective: Enginering and Infrastructure.

The subsidy is allocated to the municipality as refund for temporary toilets hired in Sandhills.

RSC Levy Replacement Grant

Current-year receipts	205 736 000	199 744 000
Transferred to revenue	(205 736 000)	(199 744 000)
	-	**-**

Strategic Objective: All strategic objectives.

This grant replaces a source of own revenue previously collected by district municipalities. It is still treated as an own-revenue source in many respects.

Extended Public Works

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

Strategic Objective: Engineering and Infrastructure.

This grant incentivise the municipality to expand work creation efforts through the use of labour intensive delivery methods in various identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

The grant contributed towards increased levels of employment in an areas where unemployment is relatively high as well as providing work experience and gaining expertise through in house training.

Public Transport (Provincial)

Balance unspent at beginning of year	2 735 965	2 407 018
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(143 535)	(171 053)
Refund to provincial government	(2 407 018)	-
	185 412	**2 735 965**

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

Strategic Objectives: Engineering and Infrastructure.

Notes to the Financial Statements

Figures in Rand	2015	2014

17. Government grants and subsidies (continued)

To develop, implement and promulgate an impoundment facility in the Drakenstein Local Municipal area in accordance with the National Land Transport Act, 2009 (Act 5 of 2009).

PGWC (Ignite)

Current-year receipts	-	41 600
Conditions met - transferred to revenue	-	(41 600)
	-	**-**

Strategic Objectives: Office of the Municipal Manager.

The subsidy was allocated to the municipality to assist in procuring the Ignite compliance model that was specifically designed to incorporate all relevant local government legislation.

Municipal Systems Improvement Grant

Current-year receipts	952 386	600 984
Conditions met - transferred to revenue	(952 386)	(600 984)
	-	**-**

Strategic Objectives: Financial Management Services.

This grant assisted the municipality to improve on the performance of its functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislations.

Financial Management Grant

Balance unspent at beginning of year	1 078 564	793 115
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 935 092)	(964 551)
	393 472	**1 078 564**

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

Strategic Objectives: Financial Management Services.

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

This grant was mainly utilised to improve on the municipalities audit outcome, to implement Naional Treasury's internship program and attaining minimum competencies. The funds that are available at year end are committed for professional service that will be finish early in the 2015/2016 financial year.

Training of housing officials

Balance unspent at beginning of year	-	2 159
Conditions met - transferred to revenue	-	(2 159)
	-	**-**

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

Strategic Objectives: Engineering and Infrastructure.

The municipality provide training to ward councillors and communities in the district area.

Provincial Treasury: FMG

Notes to the Financial Statements

Figures in Rand	2015	2014

17. Government grants and subsidies (continued)

	2015	2014
Balance unspent at beginning of year	300 000	300 000
Current-year receipts	1 025 000	300 000
Conditions met - transferred to revenue	(568 800)	(300 000)
	756 200	**300 000**

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

Strategic Objectives: Financial Services.

To provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

The municipality utilised the funds to review the Annual Financial Statements as well as assistance with the asset register. The funds that are available is committed for the costing exercise that will be undertaken early in the financial year.

Integrated transport planning

	2015	2014
Balance unspent at beginning of year	166 763	-
Current-year receipts	1 800 000	604 000
Conditions met - transferred to revenue	(412 032)	(437 237)
Refund to Provincial Government	(166 763)	-
Reallocation from Non Motorised Transport grant	647 842	-
	2 035 810	**166 763**

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

Strategic Objective: Engineering and Infrastructure.

The funds was utilised to review the districts integrated transport policy.

Consumer Housing Education

	2015	2014
Balance unspent at beginning of year	-	21 593
Conditions met - transferred to revenue	-	(21 593)
	-	**-**

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

Strategic Objective: Engineering and Infrastructure.

The municipality provide training to ward councillors and communities in the district area.

Community Development Workers

	2015	2014
Balance unspent at beginning of year	70 174	74 915
Current-year receipts	69 952	65 600
Conditions met - transferred to revenue	(120 784)	(70 341)
	19 342	**70 174**

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

Strategic Objective: Community Developmental and Planning Services.

To provide financial assistance to municipalities to cover the operational and capital costs pertaining to the line functions of the community development workers including the supervisors and regional coordinators.

Notes to the Financial Statements

Figures in Rand	2015	2014

17. Government grants and subsidies (continued)

The funds was used to fund the operational cost of the Community Development Workers.

Water and Sanitation

Balance unspent at beginning of year	35 560	35 560

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

Strategic Objectives: Engineering and Infrastructure.

No funds was utilised during the 2013/2014 financial, but the municipality will review its masterplans in the near future.

Non Motorised Transport

Balance unspent at beginning of year	1 147 842	647 842
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(105 814)	-
Reallocated to Integrated Transport grant	(647 842)	-
	394 186	**1 147 842**

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

Strategic Objectives: Engineering and Infrastructure.

MSIG Capital

Balance unspent at beginning of year	-	402 998
Current-year receipts	-	289 050
Conditions met - transferred to revenue	-	(673 629)
Transferred to trade and other payables from non- exchange	-	(18 419)
	-	**-**

Strategic Objectives: Financial Management Services.

To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislations.

IDP support grant

Current-year receipts	200 000	-
Conditions met - transferred to revenue	(63 788)	-
	136 212	**-**

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

Strategic Objectives: Office of the Municipal Manager.

Provide financial assistance to municipalities in support of their IDP reviews.

Notes to the Financial Statements

Figures in Rand	2015	2014

17. Government grants and subsidies (continued)

Tirelo Bosha: Public service impound facility

Current-year receipts	311 990	-
Conditions met - transferred to revenue	(311 990)	-
	-	**-**

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

Strategic Objectives: Engineering and Infrastructure.

To draw up an evidence-based strategy anchored within current policy and legislative mandates, which is enhanced by situated research and social dialogue to practically address the need for improved farm worker housing, access to services and tenure security on and off-farm within the Cape Winelands District.

Greenest municipality

Current-year receipts	50 000	-
Conditions met - transferred to revenue	(50 000)	-
	-	**-**

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

Strategic Objectives: Community and Developmental Services.

To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing environmental and socio-economic programmes.

Performance management grant (PT)

Current-year receipts	50 000	-
Conditions met - transferred to revenue	(13 900)	-
	36 100	**-**

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

Strategic Objectives: Office of the Municipal Manager.

To provide financial assistance to municipalities to ensure functional and compliant performance management systems.

18. Public contributions and donations

Contributions from Farmers	1 873 984	591 310
Wellness Day donations	13 280	20 500
Upgrade of Rural Roads (Farmers)	-	2 000 000
	1 887 264	**2 611 810**

Reconciliation of conditional contributions		
Balance unspent at beginning of year	1 560 111	994 571
Current-year receipts	22 500	3 007 350
Conditions met - transferred to revenue	(1 201 609)	(2 441 810)
	381 002	**1 560 111**

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

18. Public contributions and donations (continued)

Strategic Objectives for the Wellness Day Donation is Strategic Support Services. The remainder of the Public Contributions is for Engineering and Infrastructure.

2015	Balance unspent at beginning of year	Current-year receipts	Conditions met - transferred to revenue	Balance unspent at the end of year
Contribution from Farmers (Electricity)	1 201 609	672 376	(1 873 984)	-
Road station road Ceres	358 502	22 500	-	381 002
Wellness Day donation	-	13 280	(13 280)	-
	1 560 111	**708 156**	**(1 887 264)**	**381 002**

2014	Balance unspent at beginning of year	Current-year receipts	Conditions met - transferred to revenue	Balance unspent at the end of year
Contribution from Farmers (Electricity)	994 571	798 348	(591 310)	1 201 609
Road station road Ceres	-	358 502	-	358 502
Wellness Day donation	-	20 500	(20 500)	-
Upgrade of Rural Roads (Farmers)	-	1 830 000	(2 000 000)	-
	994 571	**3 007 350**	**(2 611 810)**	**1 560 111**

19. Agency services

Roads Agency	88 162 882	78 159 018
Working for Water	3 231 387	4 465 087
	91 394 269	**82 624 105**

20. Other income

Brokerage	49 538	55 868
Department of Human Settlement Subsidy	-	561 134
Electricity income (Eerste Begin)	9 570	7 707
Exhibition income	48 465	67 193
Insurance income	2 709	-
Miscellaneous income	239 578	251 415
Miscellaneous roads income	181 258	83 494
Municipal health income	267 285	261 269
RSC Levies recovered	45	49
SETA Refund	183 808	55 624
Shop steward reimbursement	155 302	93 480
Tender document income	111 492	106 707
Unclaimed funds	474 089	-
	1 723 139	**1 543 940**

21. General expenses

Accounting fees	91 706	53 568
Advertising	728 862	708 049
Air quality project	43 860	-
Audit Support	56 833	845 662
Auditors remuneration	2 969 412	3 843 010
Bank charges	81 725	72 996
Benevolent fund	113 800	141 504
Chemicals	170 873	269 919
Cleaning	430 196	443 006

Notes to the Financial Statements

Figures in Rand	2015	2014
21. General expenses (continued)		
Communications	1 660 899	1 385 966
Conferences and seminars	117 474	206 827
Professional fees (see footnote) ***	5 303 230	3 853 385
Consumables	942 645	778 967
Electricity	2 378 448	2 108 037
Entertainment	95 350	114 754
Equipment general items	267 986	328 648
Exibitions and events	469 232	680 306
Fire breaks	728 751	550 543
Fire fighting special events	12 925 631	5 643 187
Flowers	5 390	4 839
Fuel and oil	8 411 746	8 700 845
Great wine capitals	542 411	517 014
Hostel charges	-	146 198
IT expenses	363 100	333 131
Insurance	935 498	971 366
Integrated public transport projects	1 525 738	1 019 332
Levies	36 833	36 360
Lisense fees- Radio	73 084	25 314
Magazines, books and periodicals	9 984	7 753
Maintenance Contracts	256 083	318 602
Medical consumables	6 589	1 700
Motor vehicle expenses	5 547 481	5 712 416
Other expenses (See footnote)*	1 971 723	2 379 302
Placement fees	3 345	28 836
Postage and courier	38 771	56 214
Printing and stationery	1 786 915	1 616 027
Projects - Various directorates (See footnote) **	23 656 761	55 304 775
Property only	1 303 016	1 237 484
Protective clothing	24 539	27 337
Public Participation	104 998	102 908
Reallocation Cost	10 598	22 856
Refreshments	285 463	245 291
Refuse	80 324	60 334
Public functions	609 409	630 508
Security (Guarding of municipal property)	1 254 496	1 176 299
Seta levies	1 223 616	1 165 032
Sewerage and waste disposal	245 077	234 097
Site Expenditure	92 623	151 374
Software expenses	1 106 927	1 205 706
Clearing projects	2 815 126	-
Study bursary fund	1 214 395	961 315
Subscriptions and membership fees	1 681 719	1 376 190
Telephone and fax	3 287 493	3 101 936
Title deed search fees	5 758	5 285
Training	1 348 112	1 709 261
Translation	511 239	409 248
Branding items	170 934	126 983
Travel - local	2 563 947	2 432 273
Uniforms	1 089 965	499 605
Venue expenses	109 072	103 095
Voluntary Fire Service	239 853	-
Water	366 633	227 745
Water/ food samples testing	1 347 599	959 433
	97 841 296	**117 379 955**

*** Items included in other expenses**		
Emergency aid	32 502	131 057
Cash handling	48 627	43 716
Year-end function	74 316	76 068

Notes to the Financial Statements

Figures in Rand	2015	2014
21. General expenses (continued)		
Supplier verification	40 625	51 835
Program changes	51 372	69 955
Stakeholder workshops	125 495	155 912
Website development and maintenance	60 000	66 096
MHS management system	-	55 380
Disciplinary hearings	159 569	-
Community development workers	120 784	70 341
ID campaign	24 430	-
Pool championship	120 000	-
Cape Winelands biosphere reserve	150 000	150 000
Workshops	97 055	65 168
Contribution: Academy of learning	21 460	96 780
Disaster management centre cost	-	225 409
Hiring of Sandhills toilets	352 779	338 047
Consumer housing education	-	96 350
IDP project	63 788	-
LED information management	-	162 000
Video/ DVD	46 200	33 580
Trade Union (IMATU)	40 477	37 624
Trade Union (SAMWU)	48 279	37 704
Trade Union: Representation	38 587	72 923
Other expenses	255 378	343 357
	1 971 723	**2 379 302**

**** Projects - Various directorates**		
Accommodation and travel expenses	165 575	20 263
Advertising- local newspapers	54 072	99 293
Community support	1 067 800	970 000
Construction material	55 404	1 600
Professional fees	831 782	1 101 345
Consumables	43 265	171 885
Contractor fees	6 058 809	37 571 532
Donation- Small Farmers	827 470	948 737
Educationals	723 551	310 318
Equipment- other	-	37 347
Events	3 440 525	3 533 432
Food parcels/ hampers	519 947	98 694
Notice boards and signs	-	40 128
Printing and publications	63 315	337 056
Project licence fees	-	1 900
Promotional clothing	-	24 762
Protective clothing	-	4 808
Refreshments/ entertainment	26 194	111 919
Rental of facilities and equipment	247 029	646 886
Security	-	5 388
Seed Funding- Equipment and Assistance	636 064	-
Solar warm water units	2 232 962	1 916 387
Specialised equipment	145 760	329 823
Tourism association development	150 000	120 000
Training	2 330 455	2 628 849
Transport	2 447 290	2 735 423
Water/ Sanitation- farm	1 589 492	1 537 000
	23 656 761	**55 304 775**

***** Professional fees**		
Legal services	201 478	18 216
System upgrade and maintenance	1 049 821	679 054
Long term financial plan	776 650	-
Review and update of budget related policies	387 901	-

Notes to the Financial Statements

Figures in Rand	2015	2014

21. General expenses (continued)

Accounting, advisory and training	1 062 459	988 929
Planning: Infrastructure	1 245 349	1 998 268
Research and consult	579 570	168 916
	5 303 228	**3 853 383**

The following items was reclassified to the various projects item:
Benevolent fund
Professional fees
Consumables
Great wine capitals
Hostel charges
Integrated public transport
Public functions
Branding items

22. Employee related costs

Actuarial loss/(gain)	4 556 261	(3 730 484)
Basic salaries	80 365 537	77 936 942
Bonus	6 656 117	6 473 431
Future medical aid expenses	8 625 372	7 708 159
Group schemes	1 152 888	1 125 790
Housing benefits and allowances	3 155 958	2 733 035
Leave pay provision charge	1 286 857	2 850 053
Long-service awards	1 394 463	1 451 831
Medical aid - company contributions	9 049 163	8 518 969
Medical aid current service cost	3 011 814	3 025 239
Operators allowance	63 131	106 712
Other allowances	4 646 966	4 164 929
Overtime payments	4 285 485	3 529 545
Performance bonus	(5 851)	39 068
Post-employment benefits - Pension	14 181 053	13 717 867
Severance packages	-	1 500 221
Student Work	580 082	945 890
Task wage agreement	-	(9 498 668)
Telephone	87 212	66 401
Travel allowance	10 646 225	9 044 777
UIF	681 222	696 410
WCA	732 546	801 449
	155 152 501	**133 207 566**

2015	Long service awards	Ex gratia	PRMA	Less: Funded asset	Total
Current service cost	636 598	-	4 213 472	(1 201 658)	3 648 412
Interest cost	757 866	252 264	12 035 335	(3 662 227)	9 383 238
Net actuarial (gains)/ losses recognised	608 568	(503 277)	(5 690 898)	10 136 287	4 550 680
	2 003 032	**(251 013)**	**10 557 909**	**5 272 402**	**17 582 330**

2014	Long service awards	Ex gratia	PRMA	Less: Funded asset	Total
Current service cost	699 128	-	4 457 568	(1 432 329)	3 724 367
Interest cost	729 203	316 812	10 542 134	(3 150 787)	8 437 362
Net actuarial (gains)/ losses recognised	(872 442)	(1 519 102)	(3 045 525)	1 706 585	(3 730 484)
	555 889	**(1 202 290)**	**11 954 177**	**(2 876 531)**	**8 431 245**

Notes to the Financial Statements

Figures in Rand	2015	2014

22. Employee related costs (continued)

Remuneration senior management

2015	Basic	Car Allowance	Performance Bonuses	Contribution to UIF, Medical and Pension Funds	Other	Total
Municipal Manager	970 519	120 000	50 494	236 501	141 645	1 519 159
Chief Financial Officer	488 161	240 000	34 708	135 038	306 874	1 204 781
Comm dev and planning serv	802 812	179 272	34 708	183 389	3 804	1 203 985
Technical services	819 296	124 369	35 108	200 578	4 600	1 183 951
	3 080 788	**663 641**	**155 018**	**755 506**	**456 923**	**5 111 876**

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 Dev. services**	-	-	36 451	149	-	36 600
Community and 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 Infrastructure Services	720 854	138 075	30 904	168 632	-	1 058 465
	2 819 936	**655 408**	**229 951**	**660 880**	**154 166**	**4 520 341**

The following accrued to key management personnel in terms of GRAP 25 at year end:

Staff leave		
Municipal Manager	70 693	186 543
Chief Financial Officer	51 408	123 590
Community Development and Planning Services	56 081	143 315
Engineering and Infrastructure Services	42 061	159 546
	220 243	**612 994**

23. Remuneration of councillors

2015

	Salaries	Contribution to medical and pension funds	Car allowance	Other	Total
Executive mayor	697 260	104 589	72 000	24 468	898 317
Deputy mayor	454 844	102 483	111 752	54 486	723 565
Speaker	511 183	56 707	101 189	54 468	723 547
Other councillors	5 535 751	464 931	1 505 209	371 110	7 877 001
	7 199 038	**728 710**	**1 790 150**	**504 532**	**10 222 430**

2014

Notes to the Financial Statements

Figures in Rand	2015	2014

23. Remuneration of councillors (continued)

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
	6 662 439	**770 211**	**1 654 062**	**564 082**	**9 650 794**

The salaries, allowances and benefits of Councillors are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

24. Debt impairment

Trade receivables from exchange transactions	460 201	422 755
Other receivables from exchange transactions	39 857	33 356
	500 058	**456 111**

25. Finance Income

Interest revenue		
Interest on investments	35 341 507	27 781 901

26. Depreciation and amortisation

Property, plant and equipment	8 512 207	5 785 722
Intangible assets	133 362	98 713
	8 645 569	**5 884 435**

27. Finance costs

Finance leases	7 839	12 976

28. Auditors' remuneration

Fees	2 969 412	3 843 010

29. 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 liability		
Current portion of straight lining	9 237	12 584
Non- current portion of straight lining	-	9 237
	9 237	**21 821**

Up to 1 year	135 537	286 141
2 to 5 years	-	135 537
More than 5 years	-	-
	135 537	**421 678**

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.

Notes to the Financial Statements

Figures in Rand	2015	2014

30. Cash generated from operations

Surplus	38 869 758	29 613 595
Adjustments for:		
Depreciation and amortisation	8 645 569	5 884 435
Loss/ (gain) on disposal of assets	1 137 010	10 246 615
Unrealised foreign exchange loss/ (profit)	98	19 274
Finance leases	-	12 976
Wage curve agreement	-	(9 498 668)
Debt impairment	500 058	456 111
Operating leases	(12 584)	8 719
Inventory write off	106 956	82 089
Employee benefit expense	12 309 928	11 307 776
Other income	8 316	-
Finance cost	7 839	-
Inventories	1 569 757	(3 396 216)
Other receivables from exchange	(414 799)	77 683
Other receivables from non exchange	(3 420 635)	(2 093 610)
Employee benefit obligation	(5 185 541)	(4 620 806)
Long term receivable	5 272 402	(2 876 531)
VAT	(137 986)	(658 812)
Trade and other payables from exchange transactions	(4 793 115)	(2 060 756)
Trade and other payables from non- exchange	(18 386)	(384 612)
Conditional grant liability	(2 721 683)	1 818 206
	51 722 962	**33 937 468**

31. Short- term deposit

ABSA - Investment		
Opening balance	88 000 000	91 000 000
Movement for the year	8 000 000	(3 000 000)
	96 000 000	**88 000 000**
FNB - Investment		
Opening balance	83 000 000	80 000 000
Movement for the year	(3 000 000)	3 000 000
	80 000 000	**83 000 000**
INVESTEC - Investment		
Opening balance	98 000 000	72 000 000
Movement for the year	5 000 000	26 000 000
	103 000 000	**98 000 000**
NEDCOR - Investment		
Opening balance	100 000 000	101 000 000
Movement for the year	13 000 000	(1 000 000)
	113 000 000	**100 000 000**
STANDARD BANK - Investment		
Opening balance	73 000 000	70 000 000
Movement for the year	21 000 000	3 000 000
	94 000 000	**73 000 000**
Cheque Account (Primary Bank Account) - ABSA		
Bank statement balance at the beginning of the year	15 120 955	14 984 229

Notes to the Financial Statements

Figures in Rand	2015	2014
Bank statement balance at the end of the year	18 115 378	15 120 955
Cash on hand	3 100	3 100
Cash and cash equivalents	**504 118 478**	**457 124 055**

32. Contingencies

Contingent liabilities

(i) 2015: Delictual claim for damages in the amount of R451 000. At the 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 R100 000. This process is currently pending..

(2014: 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.)

(ii) 2015: MTO Forestry summonsed the Municipality as second defendant together with 10 other defendants for damages caused by a veldfire that occurred on 7 January 2012 at the Calabash property in Wellington. The combined summons amount for defendants jointly and severally, the one paying the others to be absolved, is as follows: Payment of the sum of R7 836 472, interest on this amount calculated at 15.5% per annum from 10 January 2012 to 31 July 2014 and calculated at 9% per annum from 1 August 2014 to date. Also, including the cost of suit and further and/or alternative relief..

(iii) 2015: Claim received from Kemp, Nabal & Associates on 29 April 2015 in respect of the matter: Mariska Cordy/Cape Winelands District Municipality/Stellenbosch Municipality. Mrs Cordy's husband (Mr Albert van Schalkwyk) died on 20 September 2012 in a motor cycle accident on the Annandale Road, Stellenbosch, allegedly due to a pothole in the road. It was stated that they are still in the process to quantify the damages of Mrs Cordy and her 3 children. The Municipality's insurance brokers are dealing with this claim on its behalf.

(iv) 2015: Summons received for D Ladopoulos' car: CA30330, that was allegedly damaged because of a pothole at or near Van Riebeeck Road, Rawsonville on or about 4 March 2012. The amount of the claim is R 15 481.58 plus 15.5% interest per annum from date of demand to the date of payment. The Municipality's insurance brokers are dealing with this claim on its behalf.

Contingent assets

(i) The Municipality is still awaiting the outcome of 21 insurance claims that was not concluded at 30 June 2015. The claims are not specific to the 2014/2015 financial year.

(The Municipality is still awaiting 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)

It is not practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions; hence the disclosure of the value is not possible.

33. Related parties

The following related parties exist:

National Treasury

Provincial Government Western Cape

National Department of Environmental Affairs.

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)

Notes to the Financial Statements

Figures in Rand	2015	2014

33. Related parties (continued)

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.S Mouton

Cllr. J.R.F. Torr

Cllr. H. Von Schlicht

Cllr. J.J. Abrahams

Cllr. M.B. Appolis

Cllr. M.N. Bushwana

Cllr. C.C. Brink

Cllr. W.L. Chaaban

Cllr. A. Crombie

Cllr. J.B. Cronje

Cllr. C. Damens

Cllr. D. Swart (Appointed 01/04/2015)

Cllr. Z.L. Gwada

Cllr. N.D. Hani

Cllr. D.A. Hendrickse

Cllr. P. Heradien (Resigned 10/12/2014)

Cllr. D.B. Janse

Cllr. X. Kalipa

Cllr. B.J. Kriegler

Cllr. P. Marran

Cllr. J. Matthee

Cllr. C. Mcako

33. Related parties (continued)

Cllr. J.K. Hendriks

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 (Resigned 31/3/2015)

Cllr. A.F. Africa

Cllr. E.S.C. Matjan

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

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

	2015	2014
Subsidy for solar heating warm water		
Opening balance	-	2 822
Refund	-	(2 822)
Total	-	-

Substance abuse awareness and rehabilitation
Executive Director: Community Development and Planning Services (CV Schroeder)
Mr Schroeder serves on the governing body at the non-profit organisation, Toevlug Centre. Substance abuse rehabilitation are dealt with in the Families and Children project of the Municipality and Mr Schroeder is the Senior Manager responsible. Payments in respect of substance abuse and rehabilitation was made to a Supplier of the Municipality, Toevlug Centre.

	2015	2014
Opening balance	-	-
Substance abuse awareness and rehabilitation	-	200 000
Payments made to Toevlug Centre	-	(200 000)
Outstanding balance	-	-

Notes to the Financial Statements

Figures in Rand	2015	2014

33. Related parties (continued)

Relatives of employees of CWDM were awarded bursaries in accordance with the terms and conditions as set out in the CWDM Mayoral Bursary Fund Policy. Particulars are disclosed in a separate annexure to the financial statements, Annexure B.

Particulars of benefits in terms of the Local Government: Municipal Systems Act 32 of 2000, Schedule 1. 5(2) and Schedule 2. 5(1), in respect of business associations is disclosed in a separate annexure to the financial statements, Annexure C.

34. Change in estimate

Property, plant, equipment and intangible assets

During the 2014/2015 financial year the municipality performed an assessment on property, plant and equipment and intangible assets' useful lives abd residual valuesThe assessment led to changes in the estimated useful lives which led to a decrease in the depreciation to an amount of R 2 877 568. The change in depreciation due to the assessment of the estimated useful life will decrease as assets become fully depreciated.

35. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of compartives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of Financial Performance for the year ended 2014	Balance as previously reported	Prior period error	Reclassi-fication	Restated balance
Revenue				
Service charges	141 794	-	-	141 794
Rental of facilities and equipment	76 827	-	-	76 827
Agency Services	82 953 703	(329 598)	-	82 624 105
Other income	1 670 158	(126 218)	-	1 543 940
Finance income	27 781 901	-	-	27 781 901
Government grants and subsidies	218 856 712	-	-	218 856 712
Public contributions and donations	2 611 810	-	-	2 611 810
Fines	6 000	-	-	6 000
Total revenue	334 098 905	(455 816)	-	333 643 089
Expenditure				
Employee related costs	(135 758 123)	2 550 557	-	(133 207 566)
Remuneration of councillors	(9 650 794)	-	-	(9 650 794)
Depreciation and amortisation	(5 884 435)	-	-	(5 884 435)
Finance costs	(342 574)	329 598	-	(12 976)
Lease rentals on operating lease	-	-	(485 972)	(485 972)
Debt impairment	(456 112)	-	-	(456 112)
Repairs and maintenance	(26 603 728)	-	-	(26 603 728)
General expenses	(118 273 989)	325 972	568 061	(117 379 956)
Total expenditure	(296 969 755)	3 206 127	82 089	(293 681 539)
Operating surplus / (deficit)	37 129 150	2 750 311	82 089	39 961 550
Gain/(loss) on disposal of assets	(10 091 608)	(155 007)	-	(10 246 615)
Inventory losses/ write- downs	-	-	(82 089)	(82 089)
Loss in foreign currency	(19 274)	-	-	(19 274)

Notes to the Financial Statements

Figures in Rand	2015	2014

35. Prior period errors (continued)

Surplus / (deficit) for the year	27 018 268	2 595 304	-	29 613 572

Statement of Financial Position as at 30 June 2014	Balance as previously reported	Prior period error	Reclassi-fication	Restated balance
Assets				
Current Assets				
Cash and cash equivalents	457 124 055	-	-	457 124 055
Trade receivables from exchange transactions	158 322	-	(112 920)	45 402
Other receivables from exchange transactions	8 673 984	(5 571)	239 039	8 907 452
Receivables from non-exchange transactions	110 904	-	(110 904)	-
Inventory	5 707 106	(39 873)	-	5 667 233
VAT receivable	1 233 258	-	-	1 233 258
Long term receivable	-	1 891 720	-	1 891 720
Total current assets	473 007 629	1 846 276	15 215	474 869 120
Non-current Assets				
Property, plant and equipment	200 627 830	64 478	-	200 692 308
Intangible assets	1 012 423	(64 478)	-	947 945
Long term receivable	-	40 318 619	-	40 318 619
Total non-current assets	201 640 253	40 318 619	-	241 958 872
Liabilities				
Current Liabilities				
Trade and other payables from exchange transactions	10 950 268	348 341	15 216	11 313 825
Other payables from exchange transactions	18 386	-	-	18 386
Unspent conditional grants	7 094 979	-	-	7 094 979
Operating lease liability	12 584	-	-	12 584
Finance lease obligation	106 243	-	-	106 243
Employee benefit obligation	21 446 812	-	-	21 446 812
Total current liabilities	39 629 272	348 341	15 216	39 992 829
Non-current Liabilities				
Operating lease liability	9 237	-	-	9 237
Finance lease obligation	62 583	(30 642)	-	31 941
Employee benefit obligation	144 346 536	-	-	144 346 536
Total non-current liabilities	144 418 356	(30 642)	-	144 387 714
Net Assets				
Accumulated surplus	(367 542 954)	(39 096 881)	-	(406 639 835)
Revaluation reserve	(96 039 032)	(155 007)	-	(96 194 039)
Profit	(27 018 268)	(2 595 306)	-	(29 613 574)
Total net assets	(490 600 254)	(41 847 194)	-	(532 447 448)

35.1 Income from agency services

Interest paid was incorrectly classified as finance cost. The cost of R329 598 does not meet the criteria and should have been

Notes to the Financial Statements

Figures in Rand	2015	2014

35. Prior period errors (continued)

net off against the Agency Roads service due to the nature of the expense.

Income from agency services	
Balance previously reported	82 953 703
Finance income	(329 598)
Restated balance	**82 624 105**

35.2 Other income

In the 2013/2014 financial year the municipality recognised the discount received from the SALGA membership fee as a receivable. After further investigation the municipality confirmed that the discount does not qualify as income in accordance with GRAP recognition criteria. Refer to other receivables (R126 218).

Other income	
Balance previously reported	1 670 158
SALGA discount	(126 218)
Restated balance	**1 543 940**

35.3 Finance cost

Interest that relates to Roads Agency transfer claims was recognised as finance cost. The amount of R329 598 does not meet the criteria of expenditure and should have been netted off against the Agency Roads service due to the nature of the expense.

Finance cost	
Balance previously reported	(342 574)
Finance income roads	329 598
Restated balance	**(12 976)**

35.4 Other receivables from exchange transactions

The discount received from SALGA for early payment was realised as income during the 2013/2014 financial year. After thorough research it was decided that the discount cannot be recognised as income and should be netted off against expenditure.

Other receivables from exchange transactions	
Balance previously reported	8 673 984
SALGA discount received	(126 218)
Reclassification to other payables from exchange	(1 008)
Reclassification from trade and other payables to other receivables from exchange transactions	16 224
Reclassification from trade receivables to other receivables from exchange transactions	112 920
Insurance correction of prior years	8 022
Reclassification from trade receivables from non-exchange to other receivables from exchange	110 904
Bursaries recognised as employee benefit (See 35.14)	112 624
Restated balance	**8 907 452**

35.5 Inventory

Stock in disaster management store corrected - requisitions were not processed for when food parcels were used for its intended purposes. Other adjustments were also noted that relates to the prior financial years.

Inventory identify as stock during the inventory verification process that was not part of the inventory stock in the afs The stock relates to items purchased in previous financial years and utilised on sites.

Notes to the Financial Statements

Figures in Rand	2015	2014

35. Prior period errors (continued)

Inventory	
Balance previously reported	5 707 106
Disaster management	(138 275)
Correction of prior period store items that was not processed	(5 402)
Roads inventory store adjustment	103 804
Restated balance	**5 667 233**

35.6 Trade and other payables from exchange transactions

Proceeds on sale for roads were mapped to the Roads Agency creditor. During the asset clean-up process the account should have been cleared against the accumulated surplus, because it relates to prior perior disposal of assets.

Trade and other payables from exchange transactions	
Balance previously reported	10 950 268
Roads Agency: proceeds of sale	235 717
Reclassifications to Trade receivables from exchange transactions	15 216
Bursaries recognised as employee benefit (35.14)	112 624
Restated balance	**11 313 825**

35.7 Finance leases

Incorrect calculations in the amortisation lead to incorrect balances, the error occurred in the 2013 amortisation table and Accumulated Surplus were corrected.

Finance leases	
Balance previously reported	168 826
Finance leases	(30 642)
Restated balance	**138 184**

35.8 Revaluation reserve

In 2012/2013 the municipality embarked on a asset register clean-up process. A new asset register was imported into the system in the 2013/2014 financial year. The history of assets was imported as values fixed asset values were only from 2012/2013. In the 2013/2014 financial the municipality transferred asset ID 100699, Wolwekloof to the Provincial Government. An amount of R155 007 was incorrectly imported as depreciation and this led to the Disposal of Assets in the Ledger and Asset register to be incorrect. This amount also affected the revaluation reserve when the disposal was done.

Revaluation reserve	
Balance previously reported	96 039 032
Prior period error: Asset disposal	155 007
Restated balance	**96 194 039**

35.9 Accumulated surplus

Refer to other receivables from exchange transactions.

Accumulated surplus	
Balance previously reported	394 561 233
SALGA discount (Refer to adjustment 35.2)	(126 218)
Finance lease (Refer to adjustment 35.7)	30 642
Inventory (Refer to adjustment 35.5)	(39 873)

Notes to the Financial Statements

Figures in Rand	2015	2014

35. Prior period errors (continued)

Trade and other payables from exchange transactions (Refer to adjustment 35.6)		(235 717)
Receivables from exchange transactions (Refer to adjustment 35.4)		8 022
Disposal of assets (Refer to adjustment 35.8)		(155 007)
Long term receivable (Refer to adjustment 35.10 & 35.15)		42 210 339
Restated balance		**436 253 421**

35.10 Long term receivable (long term portion)

In terms of the memorandum of Agreement between the Western Cape Provincial Government, Department of Public Works and Transport, and the past experience hereon, funds will be made available to maintain the approved organogram of the roads division in the Municipality. The future claim for the provision for post employment medical aid has therefore been raised as a long term debtor.

Long term receivable		
Balance as previously reported	-	-
Long term receivable: long term portion	-	40 318 619
Restated balance	**-**	**40 318 619**

35.11 Loss on disposal of assets

In 2012/2013 the municipality embarked on a asset register clean-up process. A new asset register was imported into the system in the 2013/2014 financial year. The history of assets was imported as values fixed asset values were only from 2012/2013. In the 2013/2014 financial the municipality transferred asset ID 100699, Wolwekloof to the Provincial Government. An amount of R155 007 was incorrectly imported as depreciation and this led to the Disposal of Assets in the Ledger and Asset register to be incorrect. This amount also affected the revaluation reserve when the disposal was done.

Loss on dispoasal of assets		
Balance as previously reported	-	10 091 608
Prior year correction	-	155 007
Restated balance	**-**	**10 246 615**

35.12 Property, plant and equipment

Asset ID 114082 was classified as intangible assets in the annual financial statements. During 2014/2015 audit is was identified that this asset is computer hardware and should be identified as other assets. The necesary reclassification between intangible assets and othr assets was done.

Property plant and equipment		
Balance as previously reported	-	200 627 829
Reclassification of asset 114082	-	64 479
Restated balance	**-**	**200 692 308**

35.13 Intangible assets

See comment note 35.12

Intangible assets		
Balance as previously reported	-	1 012 423
Reclassification of asset 114082	-	(64 479)
Restated balance	**-**	**947 944**

35.14 Employee related cost

Notes to the Financial Statements

Figures in Rand	2015	2014

35. Prior period errors (continued)

(i) Expenditure allocated to Mayoral bursary study fund was incorrectly allocated to general expenditure. The allocations was done to related parties of employees of the Cape Winelands District Municipality. The funds was allocated to Employee related Cost: Other Allowances.

(ii) In terms of the memorandum of Agreement between the Western Cape Provincial Government, Department of Public Works and Transport, and the past experience hereon, funds will be made available to maintain the approved organogram of the roads division in the Municipality. The future claim for the provision for post- employment medical aid has therefore been raised as a long term debtor.

Employee related cost		
Balance as previously reported	-	135 758 123
Study bursary	-	325 972
Actuarial loss/ (gain)	-	1 706 585
Future medical aid expenses	-	(3 150 787)
Medical aid current service cost	-	(1 432 329)
	-	**133 207 564**

35.15 Long term receivable (shor term portion)

See 36.10.

Long term receivable		
Balance as previously reported	-	-
Long term receivable: Short term portion	-	1 891 720
	-	**1 891 720**

35.16 General expenses

(i) Stock write- off was re- classified from general expenses to a separate line item on the face of the Statement of Financial Performance.

(ii) Lease rental on operating lease was re- classified from general expenses to a separate line item on the face of the Statement of Financial Performance.

(iii) Expenditure allocated to Mayoral bursary study fund was incorrectly allocated to general expenditure. The allocations was done to related parties of employees of the Cape Winelands District Municipality. The funds was allocated to Employee related Cost: Other Allowances.

General expenes		
Balance as previously reported	-	118 273 989
Stock write off	-	(82 089)
Lease rentals on operating lease	-	(485 972)
Mayoral bursaries: Employees	-	(325 972)
	-	**117 379 956**

36. Financial instruments

Financial risk management

The accounting policy for financial intruments was applied to the following statement of financial position items

Financial assets at amortised cost

Notes to the Financial Statements

Figures in Rand	2015	2014

36. Financial Intruments (continued)

	2015	2014
Trade receivables	-	45 402
Other receivables	9 623 574	6 941 849
Cash and cash equivalents	504 118 477	457 124 055
	513 742 051	**464 111 306**

Financial liabilities at amortised cost		
Trade payables	6 520 808	11 313 825
Finance lease liability	36 388	106 243
Operating lease liability	9 237	12 584
	6 566 433	**11 432 652**

Liquidity risk

The municipality has limited exposure to liquidity risk and is able to meet its financial obligations as it falls due.

The following are contractual maturities of financial assets and liabilities:

Non- derivative financial liabilities - 2015	Carrying Amount	Within 1 Year	2 - 5 Years	More than 5 Years
Trade and other payables from exchange transactions	6 520 808	6 520 808	-	-
Finance lease obligation	36 388	36 388	-	-
Operating lease	9 237	9 237	-	-
	6 566 433	**6 566 433**	**-**	**-**

Non- derivative financial liabilities - 2014	Carrying Amount	Within 1 Year	2 - 5 Years	More than 5 Years
Trade and other payables from exchange transactions	11 313 825	11 313 825	-	-
Finance lease obligation	106 243	106 243	-	-
Operating lease	12 584	12 584	-	-
	11 432 652	**11 432 652**	**-**	**-**

Credit risk

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

Financial assets at amortised		
Other receivables from exchange transactions	9 623 574	6 941 849
Trade receivables from exchange transactions	-	45 402
Cash and cash equivalents	504 118 447	457 124 055
	513 742 021	**464 111 306**

Refer to note 6,7,11 and 29 for detail of the above instruments.

Interest rate risk

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

The Council has no outstanding loans as at 30 June 2015. The increases in interest rates will therefore have no effect on the liquidity of Council. The average interest rate on investments was 6.71%.

Market risk

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

Notes to the Financial Statements

Figures in Rand	2015	2014

36. Financial Intruments (continued)

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

There where 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 Statement of Financial Position.

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

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

37. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 477 756 890 (2014: R436 253 409) and that the municipality's total liabilities exceed its assets by R 580 216 544 (2014: R532 447 448).

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

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 62 % of the Municipality's revenue. In addition, Provincial Allocations, including the rendering of Agency Services & Public Contributions account for a further 28%.

38. Foreign currency

	2015	2014
Unrealised loss on foreign currency transactions	98	19 274

The municipality did not take out foreign exchange forward cover on these transactions.

39. Unauthorised expenditure

	2015	2014
Reconciliation of Unauthorised expenditure		
Opening balance	-	2 531 710
Approved by Council or condoned	-	(2 531 710)
Unauthorised expenditure awaiting authorisation	**-**	**-**

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. Disclosed in 2014 above is expenditure in respect of 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.

40. Fruitless and wasteful expenditure

	2015	2014
Reconciliation of Fruitless and wasteful expenditure		
Opening balance	-	50 927
Fruitless and wasteful expenditure awaiting investigation by MPAC	-	-
Credit note	-	(13 427)
Approved by Council	-	(37 500)
Fruitless and wasteful expenditure awaiting approval	**-**	**-**

Notes to the Financial Statements

Figures in Rand	2015	2014

40. Fruitless and wasteful expenditure (continued)

The above expenditure reflected in 2014 was in respect of Conradie Inc: Attorneys for the institute of the Blind in a case where the contractor failed to deliver the 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.

The credit note received was in respect of a penalty raised for a Microsoft licence; hence the fruitless and wasteful expenditure disclosed in the 2012/ 2013 financial year has been eliminated.

41. Irregular expenditure

	2015	2014
Opening balance	16 750	9 207 055
Irregular expenditure awaiting investigation by MPAC	-	45 417
Amounts established as irrecoverable and written- off	(16 750)	(9 252 472)
Amounts recoverable	-	-
Amounts not recoverable	-	-
Irregular expenditure identified during 2013/2014 audit awaiting MPAC investigation	-	16 750
	-	**16 750**

Details of irregular expenditure	Disciplinary steps taken/ criminal proceedings	2015	2014
Service Provider- Business Engineering- performed work without proper authorisation. (MPAC.6.5 dated 25 Oct 2013)	After investigation by the MPAC in terms of Section 32 of the MFMA certified at the Council meeting, C.14.1.5 on 3 Dec 2013, as irrecoverable and written off.	-	(9 348)
Service provider- First Technologies - performed work without proper authorisation (MPAC.6.6 dated 25 Oct 2013)	After investigation by 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)
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)-R4 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)
Supplier - STEVENRIDGE CC - Payment made in contravention of regulation 18(a) (MPAC.6.5 dated 3 June 2014)	Awaiting investigation by MPAC in terms of Section 32 of MFMA.	-	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.	-	(45 417)
False declaration of interest from official appointed on contract - Director of Entilini Catering and official had relationship with Badela Sizabantu Building Construction: Contravention of MSA, Schedule 1 sec 5(2) and MSA Schedule 2 sec 5(1) (MPAC.6.2 dated 11 February 2015)	Awaiting investigation by MPAC in terms of Section 32 of MFMA.	-	16 750
	After investigation by MPAC in terms of Section 32 of the MFMA, certified at the Council meeting, C.14.2.1 on 26 February 2015, as irrecoverable and written off.	(16 750)	-

Figures in Rand	2015	2014

41. Irregular expenditure (continued)

Previously included in the irregular expenditure for 2014 were five awards that were made to a person, director, manager, principal shareholder or stakeholder in service of the state based on false declarations by the suppliers for the 2013/2014 financial year. National Treasury in its practice note, MFMA Circular 62, concluded that the expenditure at this stage will not be classified as irregular expenditure. However, in the event that the same expenditure is detected in the following year's audit and remedial measures were not instituted, the expenditure will then be classified as irregular expenditure. This expenditure are now disclosed under Additional disclosures in terms of the MFMA, particulars of non-compliance.

42. Reconciliation between budget and annual financial statements

Reconciliation of variances between budget statement and the approved budget.

Statement of financial performance

Other revenue (Amount as per budget statement)	2 633 230	-
Contribution to Private Land Owners	(1 200 000)	-
	1 433 230	**-**

Contribution to Private Land Owners was mapped from Income from exchange to income from non-exchange transactions to adhere to the standards of GRAP.

Bad debt written off (Amount as per budget statement)	125 800	-
Bad debt writen off	374 260	-
Amount as per final approved budget	**500 060**	**-**

Lease rentals on operating lease (Amount as per budget statement)	-	-
Lease rentals on operating lease	393 380	-
	393 380	**-**

The provision of funds for bad debt written off was not sufficient due to the following reasons: The provision of funds was appropriated based upon past trends and collections success rates. The collection attorney advised that most of the handed over fire fighting accounts be written off. Council then wrote off the said accounts and further resolved to write off the fire accounts applicable on the 2014/2015 financial year based on the previous collection success rate to avoid more costs.

Lease rentals on operating leases were remapped from general expenditure to adhere to the standards of GRAP.

Total transfers revenue (Amount as per budget statement)	222 570 280	-
Contribution to Private Land Owners	1 200 000	-
Amount as per final approved budget	**223 770 280**	**-**

Contribution to Private Land Owners was mapped from Income from exchange to income from non-exchange transactions to adhere to the standards of GRAP.

General Expenses (Amount as per Budget Statement)	163 550 711	-
Repairs and Maintenance	(41 491 656)	-
Inventories Losses/ Write Downs	(180 665)	-
Loss on foreign exchange	(100)	-
Bad debt written off	(374 260)	-
Lease rentals on operating lease	(393 380)	-
Amount as per final approved budget	**121 110 650**	**-**

The general expenses appropriation experienced savings due to various reasons and a decision was then taken to appropriate these savings to Bad Debt Written off due to the under-budgeting thereon.

Inventories losses/ write downs was remapped frm general expenses to adhere to the standards of GRAP.

Notes to the Financial Statements

Figures in Rand	2015	2014

42. Reconciliation between budget and annual financial statements (continued)

Repairs and maintenance was remapped from general expenses to adhere to the standards of GRAP.

Repairs and Maintenance (Amount as per budget statement)	-	-
Repairs and Maintenance	41 491 656	-
Amount as per final approved budget	**41 491 656**	**-**

Repairs and maintenance was remapped from general expenses to adhere to the standards of GRAP.

Inventories Losses/Write Downs (Amount as per budget statement)	-	-
Inventories Losses/Write Downs	180 665	-
Amount as per final approved budget	**180 665**	**-**

Inventories Losses/Write Downs was remapped from general expenses to adhere to the standards of GRAP.

Loss on foreign exchange (Amount as per budget statement)	-	-
Loss on foreign exchange	100	-
Amount as per final approved budget	**100**	**-**

Loss on foreign exchange was remapped from general expenses to adhere to the standards of GRAP

Statement of financial position

Trade and other payables form exchange transactions (Amount as per budget statement)	15 000 000	-
Unspent Conditional Grants	(5 000 000)	-
Amount as per final approved budget	**10 000 000**	**-**

Unspent Conditional Grants was remapped from trade and other payables to adhere to the standards of GRAP.

Unspent Conditional Grants (Amount as per budget statement)	-	-
Unspent Conditional Grants	5 000 000	-
Amount as per final approved budget	**5 000 000**	**-**

Unspent Conditional Grants was remapped from trade and other payables to adhere to the standards of GRAP.

Reserves (Amount as per Budget Statement)	186 370 313	-
Capital Replacement Reserve	(74 370 313)	-
Revaluation Reserve	(112 000 000)	-
Amount as per final approved budget	**-**	**-**

Capital Replacement Reserve was remapped from Reserves to Accumulated Surplus to adhere to the standards of GRAP.

Revaluation Reserve was remapped from Reserves to adhere to the standards of GRAP.

Accumulated Surplus (Amount as per Budget Statement)	274 735 178	-
Capital Replacement Reserve	74 370 313	-
Amount as per final approved budget	**349 105 491**	**-**

Capital Replacement Reserve was remapped from Reserves to Accumulated Surplus to adhere to the standards of GRAP.

Capital Replacement Reserve was remapped from Reserves to Accumulated Surplus to adhere to the standards of GRAP.

Revaluation Reserve (Amount as per budget statement)	-	-

Notes to the Financial Statements

Figures in Rand	2015	2014

42. Reconciliation between budget and annual financial statements (continued)

Revaluation Reserve	112 000 000	-
Amount as per final approved budget	**112 000 000**	**-**

Revaluation Reserve was remapped from Reserves to adhere to the standards of GRAP.

Cashflow statement

Employee Costs (Amount as per budget statement)	179 143 650	-
Remuneration to councillors	(12 385 270)	-
Amount as per final approved budget	**166 758 380**	**-**

Remuneration to councillors was remapped from employee costs to adhere to the standards of GRAP.

Remuneration to Councillors (Amount as per budget statement)	-	-
Remuneration to councillors	12 385 270	-
Amount as per final approved budget	**12 385 270**	**-**

Remuneration to councillors was remapped from employee costs to adhere to the standards of GRAP.

43. Additional disclosure in terms of Municipal Finance Management Act

43.1 Contributions to organised local government

Current year subscription / fee	1 682 904	1 365 393
Amount paid - current year	(1 556 686)	(1 262 989)
Discount received (7.5%)	(126 218)	(102 404)
	-	-

43.2 Audit fees

Current year audit fee: Auditor General	2 960 949	3 843 010
Current year audit fee: Audit Committee	91 706	53 568
Amount paid- current year	(3 052 655)	(3 894 526)
	-	**2 052**

43.3 PAYE, UIF and SDL

Current year payroll deductions	(22 187 069)	(20 715 977)
Amount paid - current year	22 187 069	20 715 977
	-	-

43.4 Pension and Medical Aid Deductions

Current year payroll deductions	(38 439 585)	(36 335 285)
Amount paid - current year	38 439 585	36 335 285
	-	-

43.5 VAT

VAT receivable	1 371 244	1 233 258

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

43.6 Councillors' arrear consumer accounts

Figures in Rand	2015	2014

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

During the financial year under review no Councillor was in arrears with the settlement of rates or services.

However, the following amounts are outstanding in respect of the over payment of remuneration due to the upward change in the grading of Witzenberg Municipality:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr P. Heradies (resigned 10/12/2014)	2 523	-	2 523
Cllr. J.S. Mouton (resigned 31/03/2015)	3 567	-	3 567
	6 090	**-**	**6 090**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr P. Heradien (resigned 10/12/2014)	7 792	-	7 792
Cllr. J.S. Mouton (resigned 31/03/2015)	7 792	-	7 792
	15 584	**-**	**15 584**

Only during May 2015, the Municipality managed to confirm the grading of the above mentioned municipality and raised the receivable accordingly; hence the arrear amount is not yet 90 days outstanding.

43.7 Particulars of non- compliance

a) Supply Chain Management Regulation 44 determines that the supply chain management policy of a municipality must, irrespective of the procurement process followed, state that the municipality may not make any award to a person, director, manager, principal shareholder or stakeholder who is in the service of the state.

2015: Two awards were made to a persons, director, manager, principal shareholder or stakeholder in service of the state based on false declarations by the suppliers for the 2014/2015 financial year.

2014: Five awards were made to a person, director, manager, principal shareholder or stakeholder in service of the state based on false declarations by the suppliers for the 2013/2014 financial year.

b) 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.

2014: 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.

Incident	2015	2014
Four (4) trade creditor- payments was not made within 30 days of receiving invoices	-	10 043
Afrox Oxygen Ltd: Payment made in contravention of regulation 44	-	13 970
Mey-Flower Funeral Services (Pty) Ltd: Payment made in contravention of regulation 44	-	5 500
The Hunting Pot CC: Payment made in contravention of regulation 44	-	32 700
Reakgona Commercial and Industrial Hygiene CC: Payment made in contravention of regulation 44	-	18 162
Elizma Goltz CC t/a Safetech: Payment made in contravention of regulation 44	-	35 728
Geldenhuis Slagtery (Pty) Ltd: Payment made in contravention of regulation 44	7 337	-
Tyebile trading 16 CC t/a Swann's Bus Services: Payment made in contravention of regulation 44	93 600	-
	100 937	**116 103**

Notes to the Financial Statements

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

The internal controls implemented entails the maintenance of a database by the Municipality of all owners/partners/members/directors/trustees/officials/councillors which links to the supplier database. Information is provided on a monthly basis to Provincial Treasury that matches identity numbers electronically against the government payroll system to identify any suppliers who actually work for government. Municipalities also provide their employee and councillor payroll information on a monthly basis to be included in the test.

Corrective actions has been implemented 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.

44. 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% and R10 000.

Statement of Financial Position

Inventory

The municipality implemented cost saving measures. This entails that stock should only be on hand if it is being used within a three month period of purchase. The organisation still needs to follow a change management process in order to succeed. The variance is relatively high due to the fact that the Municipality effected saving measures on the use of stores consumables. Also, the movement on the Roads Inventory were slower than expected.

Other receivables from exchange transactions

The accrued interest is more than anticipated due to an interest rate increase as well as an increased cash reserve invested.

VAT receivable

Approximately 48% of the budget was spent after the Adjustments Budget, which resulted in an increase in Input VAT not anticipated.

Trade receivables from exchange transactions

Collection attorney advised that most of the handed over fire fighting accounts be written-off. Council wrote-off the said accounts and further resolved to write-off the fire accounts applicable on the 2014/2015 financial year based on the previous collection success rate to avoid more costs.

Cash and cash equivalents

Invesments are much higher than expected due to higher interest rates and surplus realised. At the time of the budget it was anticipated that some of the surplus funds will be utilised in the budget.

Long term receivable

In terms of the memorandum of Agreement between the Western Cape Provincial Government, Department of Public Works and Transport, and the past experience hereon, funds will be made available to maintain the approved organogram of the roads division in the Municipality. The future claim for the provision for post employment medical aid has therefore been raised as a long term debtor.

Property, plant and equipment

Underspending on fire fighting equipment and a radio network upgrade account for a large amount of the underspending. In addition, non-responsive bids in respect of ICT equipment resulted in the acquision of assets not to realise as estimated during the Adjustments Budget. Savings, as a result of the Input Vat claimed on acquisitions also contribute to the said underspending.

Intangible assets

Notes to the Financial Statements

44. Actual operating expenditure versus budgeted operating expenditure (continued)

The acquistion of software cost more than anticipated.

Finance leases

Anticipated policy changes were effected, however the effect of the phase out of the current policy were not considered in the budget process. The new policy replaces cellphone contracts with cellphone allowances.

Operating lease

During the budget process it was anticipated that all leases will expire at 30 June 2014.

Trade and other payables from exchange transactions

Additional provision was made for the Roads Agency payable that was normally high due to differences in year ends between the Municipality and Provincial Government. The budgeted amount was based on the fact that the Municipality normally receives a transfer from the Department of Public Transport close the financial year end. This was not the case during the 2014/2015 financial year and resulted in an over appropriation.

Conditional grants

Additional funds were received in the second half of the financial year which could not be spend due to insufficent time available to complete projects. Also, a large amount of these funds relates to multi-year projects.

Employee benefits

The previous year's valuation forecast was used, but due to inflation rates and medical cost the actual amount was higher than anticipated.

Finance leases

Refer to comment above.

Operating lease

Refer to comment above.

Employee benefits

Refer to comment above.

Revaluation Reserve

The reserve is less than anticipated based on the revaluation of PPE results.

Accumulated Surplus

Notwithstanding an increased interest rate that increased interest income, savings on salaries, projects and general expenditure were more than expected.

Statement of Financial Performance

Service charges

The Cape Winelands region had an abnormal fire season, resulting in the raising of excesive accounts in the 2014/2015 financial year.

Rental of facilities and equipment

Provision was made for the lease of offices for Enironmental Health staff that did not materialised.

Notes to the Financial Statements

Figures in Rand	2015	2014

44. Actual operating expenditure versus budgeted operating expenditure (continued)

Income from agency services

Additional funding was received after Pronvincial Government's financial year end. The Municipality approved an adjustments budget to recognise these funds. All the funds was not recevied and spent; hence the under expenditure.

Other Income

Mainly consists of Income the Municipality does not have control over, hence cannot be accurately projected.

Finance income

Only 85% of the budget for the 2014/2015 year was spent. This resulted in more funds available for investing during the year which increased finance income.

Public contributions and donations

Funds received from farmers for the building of a road was not taken into consideration in the budget projections.

Employee related cost

The TASK implementation process had a major effect on Employee Related Cost together with the concomitant delay in the approval of the revised Travelling Allowance Policy, the finalisation and implementation thereof took longer than anticipated. A redesign of the Roads Division's organogram resulted in a delay of the filling of vacancies. An unexpected acturial gain realised during the financial year.

Remuneration of councillors

Past trends in increases was used in estimations, however increases was less than anticipated.

Finance cost

Anticipated policy changes were effected, however the effect of the phase out of the current policy were not considered in the budget process. The new policy replaces cellphone contracts with cellphone allowances.

Depreciation and amortisation

Projections was less accurate due to the revaluation of PPE that was only concluded in the last quarter of the financial year.

Debt Impairment

Collection attorney advised that most of the handed over fire fighting accounts be written-off. Council wrote-off the said accounts and further resolved to write-off the fire accounts applicable on the 2014/2015 financial year based on the previous collection success rate to avoid more costs.

General Expenses

A 29% saving was realised on the project budget which contributes to the huge saving in general expenses. This expenditure category consists of various items. A large portion of the expenditure is classified as projects, and reflects a saving of R2.9 million. The Working for Water Clearing Contracts and Training was much less than budgeted. in addition, rural infrastructure projects was delayed due to underperformance of an appointed contractor.The Planning function on Public Transport as well as other grants received in the third quarter of the financial year are anticipated roll-overs. VAT claimed on expenses added to this underspending.

Cash Flow Statement

Sale of goods and services

Refer to reasons provided above.

Grants

Notes to the Financial Statements

Figures in Rand	2015	2014

44. Actual operating expenditure versus budgeted operating expenditure (continued)

Refer to reasons provided above.

Interest income

Refer to reasons provided above.

Employee cost

Refer to reasons provided above.

Suppliers

Refer to reasons provided above.

Finance cost

Refer to reasons provided above.

Other payments: Remuneration to councillors

Refer to reasons provided above.

Purchase of property, plant and equipment

Refer to reasons provided above.

Proceeds on sale of assets

Cannot accurately estimate..

Purchase of intangible assets

Refer to reasons provided above.

Finance lease payments

Refer to reasons provided above.

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

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

2015	Total	Emergency	Impossible	Impractical	Sole Supplier/ Agent
July	1 096 818	-	-	22	44
August	607 571	-	-	12	41
September	1 252 878	-	-	28	66
October	306 915	1	-	8	52
November	695 128	-	-	19	66
December	261 456	1	-	18	16
January	510 897	2	-	7	27
February	783 209	-	-	31	51
March	566 413	-	-	27	47
April	312 870	-	-	9	29
May	940 439	-	-	32	24
June	1 635 584	-	-	18	34
	8 970 178	**4**	**-**	**231**	**497**

Notes to the Financial Statements

Figures in Rand	2015	2014

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

2014	Total	Emergency	Impossible	Impractical	Sole Supplier/ Agent
July	449 015	-	-	14	58
August	275 015	-	-	21	39
September	574 105	-	-	27	63
October	393 679	-	-	19	29
November	521 198	-	-	30	46
December	883 501	-	-	6	29
January	466 034	-	-	2	60
February	505 780	-	-	19	71
March	629 621	-	-	9	52
April	569 379	-	-	11	29
May	1 009 442	-	-	16	29
June	440 582	-	-	6	28
	6 717 351	**-**	**-**	**180**	**533**

In terms of Supply Chain Management Regulation 16 (c) and 17 (c), in the event where 3 quotations could not be obtained, the Auditor General previously deemed such instances a deviation as per Supply Chain Management Regulation 36, however the Auditor General indicated this is not correct. Henceforth the relevant Regulation 16 and 17 deviations were excluded from the prior year disclosure.

45.2 Regulation 45 - 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.

Particulars of contracts awarded in excess of R2 000 to service providers who are related to persons (spouse, child or parent) who are employed by the State, or who have been in service of the State during the previous twelve months, as declared during the supply chain management process, of which the municipality is aware of.

Supplier	**Relationship**	**State Dept/ Municipality**		
AE Human t/a Astra catering	Child	CWDM- L. Burger Municipal Health Services	104 958	87 445
AJEE Consulting CC	Spouse	South African Police Service	45 515	32 250
Aurecon South Africa (Pty) Ltd	Spouse	Various relationships to owner	511 722	747 310
BK enterprises	Spouse	Department of Agriculture	14 400	11 650
CE Minnaar t/a Equisite high tea	Son/ daughter in law	CWDM- C. Roland: Financial Services	84 860	100 313
Cosmic security and cleaning services	Spouse	Correctional Services	-	168 475
Hughie Avontuur Construction Cc	Spouse	Western Cape Education Department	-	485 776
JC De Wet	Brother/ sister	CWDM- F. van Schalkwyk: Municipal Health Services	464	20 820
J Walters t/a JC travel	Spouse	Western Cape Department of Education	42 200	50 250

Notes to the Financial Statements

Figures in Rand			2015	2014

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

Kevhec Cc t/a While its day	Spouse	Home Builders Registration	-	3 181
Kleinplasie Restaurant	Spouse	CWDM - Johan Botha: Municipal Health Services	29 688	17 875
LS Bushana Taxi services	Parent	Breede Valley Municipality	-	2 400
Lumber & Lawn (Pty) Ltd	Spouse	Western Cape Education Department	88 875	6 222
Lynette Minnaar	Child	CWDM - M. Kafaar: Municipal Health Services	-	3 150
M & N Bakwerke Cc	Brother/ sister	CWDM - E. Niemand: Financial Services	10 278	38 559
Marian Mecuur	Child	Cederberg Municipality	-	55 000
Mas Catering	Spouse	Correctional Services-Hawequa Prison	2 250	98 773
Siphakame Skills Development Cc	Spouse	Correctional Services-Drakenstein	-	8 758
Sulaiman Pietersen	Parent	Drakenstein Municipality - Councillor	76 928	48 798
The Business Zone 932 t/a JLM24 Services	Spouse	Western Cape Education Department	19 742	25 096
Vallei Auto herstelwerke (Pty) Ltd	Child	CWDM - J. Mostert: Roads Division	50 981	49 001
TB can der Merwe t/a VDM Busdiens	Child	South African Police Service	111 100	169 650
Witzenberg concrete (Pty) Ltd	Spouse	Western Cape Education Department	-	23 100
SMEC South Africa (Pty) Ltd	Spouse	Y. Phosa-MEC: Economic Development	88 920	-
JC refrigeration Cape CC	Spouse	South African Police Service	207 335	-
Piston Power chemicals CC	Spouse	Western Cape Department of Education	248 093	-
Mubesko Africa CC	Spouse	Department of Health	401 850	-
Solomon funerals	Spouse	Not Specified	7 500	-
Valley funerals	Spouse	Western Cape Education Department	13 500	-

Notes to the Financial Statements

Figures in Rand			2015	2014

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

K.R. Jansen Bouers	Spouse	Western Cape Education Department	14 527	-
D Uren Vibracrete	Child	Drakenstein Municipality - Z. Ajam	27 420	-
Creative Minds- Worcester	Spouse	Western Cape Education Department	30 232	-
Safetech	Spouse	City of Cape Town	72 390	-
			2 305 728	**2 253 852**

46. Capital commitments

Commitments in respect of capital expenditure		
Approved and contracted for-		
Infrastructure	-	-
	-	**-**

Annexure A

DC2 Cape Winelands DM - Reconciliation of Table A1 Budget Summary

Description	2014/15								2013/14			
R thousands	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Financial Performance												
Property rates	–	–	–	–		–	-	-				–
Service charges	170	(10)	160	487		327	304.6%	287.1%				–
Investment revenue	27 500	4 500	32 000	35 342		3 342	110.4%	128.5%				–
Transfers recognised - operational	227 572	(5 002)	222 570	219 637		(2 933)	98.7%	96.5%				–
Other own revenue	102 867	1 848	104 715	95 098		(9 617)	90.8%	92.4%				–
Total Revenue (excluding capital transfers and contributions)	358 109	1 337	359 446	350 564		(8 882)	97.5%	97.9%				–
Employee costs	173 861	(7 102)	166 758	155 153	–	(11 606)	93.0%	89.2%	–	–	–	–
Remuneration of councillors	12 691	(306)	12 385	10 222	–	(2 163)	82.5%	80.5%	–	–	–	–
Debt impairment	126	374	500	500	–	(0)	100.0%	397.5%	–	–	–	–
Depreciation & asset impairment	9 080	(2 258)	6 823	8 646	–	1 823	126.7%	95.2%	–	–	–	–
Finance charges	29	(1)	29	8	–	(21)	27.4%	26.9%	–	–	–	–
Materials and bulk purchases	–	–	–	–	–	–	-	-	–	–	–	–
Transfers and grants	–	–	–	–	–	–	-	-	–	–	–	–
Other expenditure	170 966	(5 978)	164 989	137 166	–	(27 822)	83.1%	80.2%	–	–	–	–
Total Expenditure	366 753	(15 270)	351 483	311 694	–	(39 789)	88.7%	85.0%	–	–	–	–
Surplus/(Deficit)	(8 644)	16 607	7 962	38 870		30 907	488.2%	-449.7%				–
Transfers recognised - capital	–	–	–	–		–	-	-				–
Contributions recognised - capital & contributed assets	–	–	–	–		–	-	-				–
Surplus/(Deficit) after capital transfers & contributions	(8 644)	16 607	7 962	38 870		30 907	488.2%	-449.7%				–
Share of surplus/ (deficit) of associate	–	–	–	–		–	-	-				–
Surplus/(Deficit) for the year	(8 644)	16 607	7 962	38 870		30 907	488.2%	-449.7%				–
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	824	(248)	576	488		(88)	84.8%	59.3%				–
Public contributions & donations	–	–	–	–		–	-	-				–
Borrowing	–	–	–	–		–	-	-				–
Internally generated funds	11 643	(5 723)	5 920	4 131		(1 789)	69.8%	35.5%				–
Total sources of capital funds	12 467	(5 971)	6 496	4 619		(1 877)	71.1%	37.0%				–
Cash flows												
Net cash from (used) operating	681	13 642	14 323	51 723		37 400	361.1%	7596.0%				–
Net cash from (used) investing	(12 467)	5 973	(6 493)	(4 619)		1 875	71.1%	37.0%				–
Net cash from (used) financing	–	–	–	(110)		(110)	#DIV/0!	#DIV/0!				–
Cash/cash equivalents at the year end	405 419	19 615	425 035	504 118		79 084	118.6%	124.3%				–

DC2 Cape Winelands DM - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description R thousand	2014/15								2013/14			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	245 297	5 892	251 189	254 222		3 033	101.2%	103.6%				–
Executive and council	35 404	4 629	40 033	44 366		4 333	110.8%	125.3%				
Budget and treasury office	207 892	2 202	210 094	208 952		(1 142)	99.5%	100.5%				
Corporate services	2 001	(940)	1 062	904		(158)	85.2%	45.2%				
Community and public safety	2 940	46	2 986	4 173		1 187	139.7%	142.0%				–
Community and social services	155	(14)	140	121		(19)	86.2%	78.2%				
Sport and recreation	–	–	–			–	-	-				
Public safety	191	(21)	170	508		338	298.7%	265.9%				
Housing	2 531	(137)	2 394	3 227		833	134.8%	127.5%				
Health	63	219	282	317		35	112.5%	504.2%				
Economic and environmental services	109 821	(4 573)	105 248	92 121		(13 128)	87.5%	83.9%				–
Planning and development	1 311	(655)	656	727		70	110.7%	55.4%				
Road transport	99 092	1 354	100 446	88 163		(12 283)	87.8%	89.0%				
Environmental protection	9 418	(5 272)	4 146	3 231		(915)	77.9%	34.3%				
Trading services	–	–	–	–		–	-	-				–
Electricity			–			–	-	-				
Water			–			–	-	-				
Waste water management			–			–	-	-				
Waste management			–			–	-	-				
Other	52	(29)	23	48		26	213.9%	94.1%				
Total Revenue - Standard	358 109	1 337	359 446	350 564		(8 882)	97.5%	97.9%				–
Expenditure - Standard												
Governance and administration	105 525	15 227	120 753	105 109	(15 644)	(15 644)	87.0%	99.6%	–	–	–	–
Executive and council	49 395	(7 155)	42 240	34 395	(7 845)	(7 845)	81.4%	69.6%			–	
Budget and treasury office	20 161	(1 065)	19 096	15 910	(3 186)	(3 186)	83.3%	78.9%			–	
Corporate services	35 970	23 447	59 417	54 805	(4 612)	(4 612)	92.2%	152.4%			–	
Community and public safety	121 018	(9 072)	111 945	102 977	(8 968)	(8 968)	92.0%	85.1%	–	–	–	–
Community and social services	14 857	(1 303)	13 553	12 688	(866)	(866)	93.6%	85.4%			–	
Sport and recreation	–	–	–		–	–	-	-			–	
Public safety	52 241	1 893	54 134	50 176	(3 958)	(3 958)	92.7%	96.0%			–	
Housing	18 487	(4 810)	13 677	11 697	(1 981)	(1 981)	85.5%	63.3%			–	
Health	35 432	(4 852)	30 580	28 417	(2 164)	(2 164)	92.9%	80.2%			–	
Economic and environmental services	132 780	(19 223)	113 557	98 796	(14 761)	(14 761)	87.0%	74.4%	–	–	–	–
Planning and development	10 365	(1 544)	8 820	7 962	(859)	(859)	90.3%	76.8%			–	
Road transport	112 441	(15 742)	96 699	85 195	(11 504)	(11 504)	88.1%	75.8%			–	
Environmental protection	9 975	(1 937)	8 038	5 639	(2 399)	(2 399)	70.2%	56.5%			–	
Trading services	–	–	–	–	–	–	-	-	–	–	–	–
Electricity			–		–	–	-	-			–	
Water			–		–	–	-	-			–	
Waste water management			–		–	–	-	-			–	
Waste management			–		–	–	-	-			–	
Other	7 430	(2 202)	5 229	4 813	(416)	(416)	92.0%	64.8%			–	
Total Expenditure - Standard	366 753	(15 270)	351 483	311 694	(39 789)	(39 789)	88.7%	85.0%	–	–	–	–
Surplus/(Deficit) for the year	(8 644)	16 607	7 962	38 870	30 907	30 907	488.2%	-449.7%	–	–	–	–

DC2 Cape Winelands DM - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2014/15 Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	2013/14 Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	10 780	(5 955)	4 825	4 007		(819)	83.0%	37.2%				
Vote 2 - COMM AND DEV	254	198	452	946		494	209.3%	372.5%				
Vote 3 - ENGINERING	11 417	(7 153)	4 264	3 227		(1 037)	75.7%	28.3%				
Vote 4 - RURAL AND SOCIAL	155	(14)	140	121		(19)	86.2%	78.2%				
Vote 5 - OFFICE OF THE MM	1 037	(312)	725	553		(172)	76.2%	53.3%				
Vote 6 - FINANCIAL SERVICES	207 892	2 202	210 094	208 882		(1 211)	99.4%	100.5%				
Vote 7 - CORPORATE SERVICES	36 304	3 939	40 243	44 666		4 423	111.0%	123.0%				
Vote 8 - ROADS AGENCY	90 270	8 432	98 702	88 163		(10 539)	89.3%	97.7%				
Vote 9 - TASK			–			–	-	-				
Vote 10 - HEALTH AGENCY			–			–	-	-				
Vote 11 - CORPORATE SERVICES			–			–	-	-				
Total Revenue by Vote	358 109	1 337	359 446	350 564		(8 882)	97.5%	97.9%				–
Expenditure by Vote *to be appropriated*												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN	27 770	(5 683)	22 087	18 413		(3 673)	83.4%	66.3%			–	
Vote 2 - COMM AND DEV	87 673	(2 959)	84 714	78 592		(6 122)	92.8%	89.6%			–	
Vote 3 - ENGINERING	41 546	(15 841)	25 705	20 178		(5 526)	78.5%	48.6%			–	
Vote 4 - RURAL AND SOCIAL	14 857	(1 303)	13 553	12 688		(866)	93.6%	85.4%			–	
Vote 5 - OFFICE OF THE MM	10 078	(2 729)	7 348	6 310		(1 039)	85.9%	62.6%			–	
Vote 6 - FINANCIAL SERVICES	20 161	(1 065)	19 096	15 910		(3 186)	83.3%	78.9%			–	
Vote 7 - CORPORATE SERVICES	66 161	17 059	83 220	69 481		(13 739)	83.5%	105.0%			–	
Vote 8 - ROADS AGENCY	89 446	(414)	89 032	85 195		(3 837)	95.7%	95.2%			–	
Vote 9 - TASK	–	–	–			–	-	-			–	
Vote 10 - HEALTH AGENCY	–	–	–			–	-	-			–	
Vote 11 - CORPORATE SERVICES	9 062	(2 335)	6 728	4 926		(1 801)	73.2%	54.4%			–	
Total Expenditure by Vote	366 753	(15 270)	351 483	311 694	–	(39 789)	88.7%	85.0%	–	–	–	–
Surplus/(Deficit) for the year	(8 644)	16 607	7 962	38 870		30 907	488.2%	-449.7%				

DC2 Cape Winelands DM - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2014/15								2013/14			
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates			–			–	-	-				
Property rates - penalties & collection charges			–			–	-	-				
Service charges - electricity revenue			–			–	-	-				
Service charges - water revenue			–			–	-	-				
Service charges - sanitation revenue			–			–	-	-				
Service charges - refuse revenue			–			–	-	-				
Service charges - other	170	(10)	160	487		327	304.6%	287.1%				
Rental of facilities and equipment	184	(61)	123	94		(30)	76.0%	50.9%				
Interest earned - external investments	27 500	4 500	32 000	35 342		3 342	110.4%	128.5%				
Interest earned - outstanding debtors	–	–	–			–	-	-				
Dividends received	–	–	–			–	-	-				
Fines	–	–	–			–	-	-				
Licences and permits	–	–	–			–	-	-				
Agency services	99 267	2 692	101 959	91 394		(10 565)	89.6%	92.1%				
Transfers recognised - operational	227 572	(5 002)	222 570	219 637		(2 933)	98.7%	96.5%				
Other revenue	3 416	(783)	2 633	3 610		977	137.1%	105.7%				
Gains on disposal of PPE			–			–	-	-				
Total Revenue (excluding capital transfers and contributions)	358 109	1 337	359 446	350 564		(8 882)	97.5%	97.9%				–
Expenditure By Type			–				-	-				
Employee related costs	173 861	(7 102)	166 758	155 153		(11 606)	93.0%	89.2%			–	
Remuneration of councillors	12 691	(306)	12 385	10 222		(2 163)	82.5%	80.5%			–	
Debt impairment	126	374	500	500		(0)	100.0%	397.5%			–	
Depreciation & asset impairment	9 080	(2 258)	6 823	8 646		1 823	126.7%	95.2%			–	
Finance charges	29	(1)	29	8		(21)	27.4%	26.9%			–	
Bulk purchases	–	–	–			–	-	-			–	
Other materials	–	–	–			–	-	-			–	
Contracted services	–	–	–			–	-	-			–	
Transfers and grants	–	–	–			–	-	-			–	
Other expenditure	170 964	(7 787)	163 176	136 029		(27 147)	83.4%	79.6%			–	
Loss on disposal of PPE	3	1 810	1 812	1 137		(675)	62.7%	45119.4%			–	
Total Expenditure	366 753	(15 270)	351 483	311 694	–	(39 789)	88.7%	85.0%	–	–	–	–
Surplus/(Deficit)	(8 644)	16 607	7 962	38 870		30 907	488.2%	-449.7%				–
Transfers recognised - capital			–			–	-	-				
Contributions recognised - capital			–			–	-	-				
Contributed assets			–			–	-	-				
Surplus/(Deficit) after capital transfers & contributions	(8 644)	16 607	7 962	38 870		30 907	488.2%	-449.7%				–
Taxation			–			–	-	-				
Surplus/(Deficit) after taxation	(8 644)	16 607	7 962	38 870		30 907	488.2%	-449.7%				–
Attributable to minorities			–			–	-	-				
Surplus/(Deficit) attributable to municipality	(8 644)	16 607	7 962	38 870		30 907	488.2%	-449.7%				–
Share of surplus/ (deficit) of associate			–			–	-	-				
Surplus/(Deficit) for the year	(8 644)	16 607	7 962	38 870		30 907	488.2%	-449.7%				–

DC2 Cape Winelands DM - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2014/15								2013/14			
R thousand	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital multi-year expenditure	–	–	–	–	–	–	-	-	–	–	–	–
Single-year expenditure												
Vote 1 - REGIONAL DEVELOPMENT AND PLAN			–			–	-	-			–	
Vote 2 - COMM AND DEV	5 072	(2 974)	2 099	1 565		(533)	75%	31%			–	
Vote 3 - ENGINERING	3 450	(3 009)	441	335		(106)	76%	10%			–	
Vote 4 - RURAL AND SOCIAL	–	–	–			–	-	-			–	
Vote 5 - OFFICE OF THE MM	–	–	–			–	-	-			–	
Vote 6 - FINANCIAL SERVICES	32	(9)	23	19		(4)	82%	59%			–	
Vote 7 - CORPORATE SERVICES	3 059	266	3 325	2 179		(1 145)	66%	71%			–	
Vote 8 - ROADS AGENCY	824	(248)	576	488		(88)	85%	59%			–	
Vote 9 - TASK	–	–	–			–	-	-			–	
Vote 10 - HEALTH AGENCY	–	–	–			–	-	-			–	
Vote 11 - CORPORATE SERVICES	30	2	32	32		–	100%	107%			–	
Capital single-year expenditure	12 467	(5 971)	6 496	4 619	–	(1 877)	71%	37%	–	–	–	–
Total Capital Expenditure - Vote	12 467	(5 971)	6 496	4 619	–	(1 877)	71%	37%	–	–	–	–
Capital Expenditure - Standard												
Governance and administration	6 571	(2 757)	3 814	2 561	–	(1 253)	67%	39%	–	–	–	–
Executive and council	59	(5)	54	44		(9)	82%	75%			–	
Budget and treasury office	32	(9)	23	19		(4)	82%	59%			–	
Corporate services	6 480	(2 743)	3 737	2 498		(1 239)	67%	39%			–	
Community and public safety	5 072	(2 974)	2 099	1 565	–	(533)	75%	31%	–	–	–	–
Community and social services	–		–			–	-	-			–	
Sport and recreation	–		–			–	-	-			–	
Public safety	5 058	(2 970)	2 087	1 554		(533)	74%	31%			–	
Housing	–	–	–			–	-	-			–	
Health	15	(3)	11	11		(0)	100%	77%			–	
Economic and environmental services	824	(244)	580	493	–	(88)	85%	60%	–	–	–	–
Planning and development		4	4	4		(0)	100%	#DIV/0!			–	
Road transport	824	(248)	576	488		(88)	85%	59%			–	
Environmental protection			–			–	-	-			–	
Trading services	–	–	–	–	–	–	-	-	–	–	–	–
Electricity			–			–	-	-			–	
Water			–			–	-	-			–	
Waste water management			–			–	-	-			–	
Waste management			–			–	-	-			–	
Other			–			–	-	-			–	
Total Capital Expenditure - Standard	12 467	(5 974)	6 493	4 619	–	(1 874)	71%	37%	–	–	–	–
Funded by:												
National Government	824	(248)	576	488		(88)	85%	59%				
Provincial Government			–			–	-	-				
District Municipality			–			–	-	-				
Other transfers and grants			–			–	-	-				
Transfers recognised - capital	824	(248)	576	488		(88)	85%	59%				–
Public contributions & donations			–			–	-	-				
Borrowing			–			–	-	-				
Internally generated funds	11 643	(5 726)	5 917	4 131		(1 786)	70%	35%				
Total Capital Funding	12 467	(5 974)	6 493	4 619		(1 874)	71%	37%				–

DC2 Cape Winelands DM - Reconciliation of Table A7 Budgeted Cash Flows

Description	2014/15							2013/14
R thousand	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	103 184	(3 800)	99 384	92 556	(6 828)	93.1%	89.7%	
Government - operating	227 105	(5 047)	222 058	221 524	(534)	99.8%	97.5%	
Government - capital	–	–	–		–	-	-	
Interest	27 500	4 500	32 000	32 368	368	101.1%	117.7%	
Dividends			–		–	-	-	
Payments								
Suppliers and employees	(357 079)	17 988	(339 091)	(294 725)	44 366	86.9%	82.5%	
Finance charges	(29)	1	(29)	–	29	-	-	
Transfers and Grants	–	–	–		–	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	681	13 642	14 323	51 723	37 400	361.1%	7596.0%	–
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	–	–	–	285	285	#DIV/0!	#DIV/0!	
Decrease (Increase) in non-current debtors			–		–	-	-	
Decrease (increase) other non-current receivables			–		–	-	-	
Decrease (increase) in non-current investments			–		–	-	-	
Payments								
Capital assets	(12 467)	5 973	(6 493)	(4 904)	1 590	75.5%	39.3%	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(12 467)	5 973	(6 493)	(4 619)	1 875	71.1%	37.0%	–
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans			–		–	-	-	
Borrowing long term/refinancing			–		–	-	-	
Increase (decrease) in consumer deposits			–		–	-	-	
Payments								
Repayment of borrowing			–	(110)	(110)	#DIV/0!	#DIV/0!	
NET CASH FROM/(USED) FINANCING ACTIVITIES	–	–	–	(110)	(110)	#DIV/0!	#DIV/0!	–
NET INCREASE/ (DECREASE) IN CASH HELD	(11 786)	19 615	7 829	46 994				–
Cash/cash equivalents at the year begin:	417 205	417 205	417 205	457 124				
Cash/cash equivalents at the year end:	405 419	436 821	425 035	504 118	79 084	118.6%	124.3%	

Annexure B

Mayoral bursury allocations to relatives of employees

Relatives of employees of CWDM were awarded bursaries to assist with the funding of tertiary studies. Bursaries were awarded in accordance with the terms and conditions as set out in the CWDM Mayoral Bursary Fund Policy.

	2015	2014
P.H. van Niekerk		29 650
W.M. Neethling	70 000	50 000
H. Williams		32 000
S.C. Magalela	16 201	20 354
D. Posthumus		39 052
F.J. Africa	14 985	20 581
K. Eland	30 000	26 000
H.J. Thiart		25 204
J. Kruger		23 326
T.J. Solomon	35 000	36 312
L. van Niekerk		15 000
N Bhobhi	20 545	
AC Swanepoel	12 330	
RWB van Wyk	30 000	
I van Schalkwyk	30 000	
CT Nksela	30 000	
RR Gelderbloem	21 130	
LP Woolward	13 900	

Disclosure of benefits in terms of the Local Government: Municipal Systems Act 32 of 2000, Schedule 1. 5(2) and Schedule 2. 5(1), in respect of business associations.

SUPPLIER	RELATIONSHIP	DETAIL (INDIRECT RELATION)	THIRD PARTY CONNECTION	2015	2014
BADELA SIZABANTU BUILDING CONSTRUCTION	Business Associate	L MOHLABANYANE - STAFF MEMBER CWDM	ENTILINI CATERING		16 750
H A CONRADIE & VENNOTE ING	Business Associate	C V SCHROEDER SNR.MANAGER CWDM	NID-NATIONAL INSTITUTE FOR DEAF	4 560	475
MEYER ELECTRICAL AND CONSTRUCTION	Business Associate	CLR.P MARRAN - CWDM / BREEDE VALLEY	BMMX TRADING(PTY) LTD	1 806 550	1 900 244
				1 811 110	**1 917 469**

In terms of Schedule 1. 5(2) A councillor who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose full particulars of the benefit of which the councillor is aware at the first meeting of the municipal council at which it is possible for the councillor to make the disclosure; and

In terms of Schedule 2. 5(1) A staff member of a municipality who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose in writing full particulars of the benefit to the council.

Internal controls are effected to identify third party or indirect associations between individuals as envisaged in Schedules 1 par. 5(2) and 2 par. 5(1) of the Municipal Systems Act